

Development Paradigm

INTRODUCTION

WHAT IS THE DEVELOPMENT PARADIGM?

This part of the Johannesburg Growth and Development Strategy outlines a 'Development Paradigm'. This Paradigm underpins our Long-Term Strategic Perspective on future challenges and opportunities, our Vision, and our choice of Goals and Strategic Interventions in each sector area.

A Development Paradigm is an in-principle argument for how to conceptualise and overcome the development challenges confronting us. While the Development Paradigm is grounded in analysis, it is a strongly *normative* argument for how best to approach development. It should be understood as a statement of the core values that the City of Johannesburg will adhere to in future whenever it formulates policies, makes strategic choices and takes administrative action.

HARMONISING AND ALIGNING WITH DEVELOPMENT PARADIGMS IN NATIONAL AND PROVINCIAL STRATEGIES

Both the *approach* of underpinning strategic choices with a normative paradigm for development, and the *substance* of our Development Paradigm, are strongly influenced by recent strategies produced by national government and the Gauteng Provincial Government. In particular the City of Johannesburg has taken account of the paradigms that underpin the National Spatial Development Perspective (NSDP); national government's Medium-Term Strategic Framework (MTSF); the Accelerated and Shared Growth Initiative of South Africa (ASGISA) and the Gauteng Provincial Government's Growth and Development Strategy.

National Spatial Development Perspective

The National Spatial Development Perspective is national government's view on where it should direct infrastructure and other spending in the decades ahead, both to optimise the return on investment of scarce public resources, and to help reshape apartheid settlement patterns into a new spatial configuration much more conducive to the achievement of national development goals.

The NSDP first provides an analysis of the changing space economy of South Africa, scientifically determining which parts of the country have the most need, and which parts have the most economic potential. It then argues, in summary:

- *Principle 1:* Rapid, sustainable and inclusive economic growth is the foremost priority for the country. It is a pre-requisite for the achievement of other policy objectives;
- *Principle 2:* Government must meet constitutional obligations to provide basic services to all citizens *everywhere* in the country. But beyond this, spending on fixed investment should be focused mainly on areas of existing strong economic growth or future economic potential;
- *Principle 3:* In areas that do not demonstrate future economic potential, efforts to address development challenges must 'focus on people, not places'. This means investing in social support, human resource development and labour market intelligence, instead of unsustainable infrastructure. These

social investments will empower people with knowledge and choice so that they can move to areas with greater opportunities if they wish to; and

- *Principle 4:* To address the spatial distortions of apartheid, settlement development should be steered into a configuration of nodes linked to main growth centres through activity corridors. This principle applies both nationally across the space economy, as well as in particular urban areas.

Medium-Term Strategic Framework

The Medium-Term Strategic Framework (MTSF) presents national government's assessment of the key development challenges facing it in the 2004-2009 national/provincial term of office, and a statement of intent about what it will prioritise in trying to address these challenges over the five years. It is "meant to serve as a backdrop to guide planning and budgeting across the three spheres of government."²⁸

The MTSF reflects on the commitments made by the ANC Manifesto for the 2004 national and provincial elections – an electoral mandate for government to meet a number of key objectives by 2014, including cutting poverty and unemployment in half. It reviews the conclusions reached in the 10-Year Review of the first decade of democracy in South Africa, as well as an extensive scenario planning exercise called 'Memories of the Future'. It then asserts:

Contained in (this) body of work that now informs government programmes is a simple message: there are hundreds of thousands of things that government does and should continue to do; but it should define a new trajectory of growth and development, identify the key things required to attain it, and make strategic choices in expending effort and allocating resources in order to blaze out along this new trail.²⁹

This 'new trajectory of growth and development' – what the MTSF also calls the 'logic of the path of development' – is summarised as follows:

- In the 2004-2009 term of office, priority should be given first and foremost to growing the economy;
- While driving up the rate of growth, the state must act decisively to promote the inclusion of marginalised people in the economy, and ensure that they have access to sustainable livelihoods;
- Some able-bodied South Africans will be reliant on social grants, but this is temporary; the state's welfare commitments will reduce as it succeeds in promoting growth and inclusion; and
- Other interventions such as improving the performance of government, reducing crime, and building international relations are also very important since they contribute to efforts to promote growth and inclusion.



Accelerated and Shared Growth Initiative of South Africa

The Accelerated and Shared Growth Initiative of South Africa (ASGISA) is national government's strategy to meaningfully take forward the first two bullet points in the MTSF's 'new trajectory'. While ASGISA is less explicit than the NSDP and the MTSF on its development paradigm, it does clearly outline a 'vision of our development path'.

The ASGISA strategy first spells out government's targets for economic growth. It notes that the 2004 Manifesto commitments to halve poverty and unemployment by 2014 will only feasibly be met by sustaining average growth rates of 5% per annum over the next eight years. The strategy projects that it will be structurally possible for the economy to average 4,5% annual growth between 2005 and 2009. Successful ASGISA interventions to be led now will hopefully lay a foundation for 6% annual average growth in a second phase beyond this. The strategy then states:

"In addition to these growth rates, our social objectives require us to improve the environmental opportunities for more labour-absorbing economic activities. More broadly, we need to ensure that the fruits of growth are shared in such a way that poverty comes as close as possible to being eliminated, and that severe inequalities that still plague our country are further reduced. ... Our vision for our development path is a vigorous and inclusive economy where products and services are diverse, more value is added to our products and services, costs of production and distribution are reduced, labour is readily absorbed into sustainable employment, and new businesses proliferate and expand".³⁰

ASGISA then goes on to elaborate two dimensions of this development approach. The first is to put economic growth "on a more balanced footing". This entails countering a key macro-economic imbalance – that a combination of factors has resulted in a strong currency that makes it difficult for local manufacturing to compete against importers, and for exporters to compete internationally, in turn leading to a worrying trade deficit. It also involves addressing the social imbalance resulting from the fact that approximately one third of South African households are not participating in, and benefiting from, the mainstream economy. They are therefore not able to contribute to the country's growth potential.

A second dimension of ASGISA's broad approach is that these imbalances can be addressed by diagnosing certain 'binding constraints' on the economy, and working systematically to remove them. Six key binding constraints are listed. Some of these are highlighted in more detail below, but indicatively they include the high cost of unnecessary regulation on smaller businesses, including measures governing tax administration, planning, and the environment. Municipal regulations are specifically mentioned as a key burden within this. Weaknesses in state capacity, resulting in poor policy direction and ineffective provision of economic services, are also noted as a binding constraint.

Gauteng Provincial Growth and Development Strategy

Like this *Joburg GDS*, the Gauteng Provincial Growth and Development Strategy is based on a clear set of principles. These include that:

- Government has to play a leadership role in catalysing socio-economic development and transformation;
- While government plays a leadership role, other sectors of society play complementary roles;
- Participatory democracy, as well as accountable and transparent government, are vital ingredients for growth and development;
- There is a Constitutional obligation to work within a human rights context and framework to provide for the needs of all citizens;
- A developmental economic approach is needed to simultaneously ensure sustained economic growth, and reduction of poverty and unemployment and creation of jobs; and
- There is a need to contribute to the development of the African continent as a whole.

These principles strongly inform a statement of the strategic focus of the Province. This is stated as follows:

“The strategic focus of the GDS is to build on the smart province concept, through improving all growth sectors, enhancing their employment generating potential, transformation of the economic sector in respect of representivity of our population, appropriate provision of economic and social infrastructure and building of sustainable communities in our Province, and contributing to this on a national and Continental level.”³¹

The arguments of other key national and provincial strategies have been considered. But these four strategies have special relevance to this GDS.

AFFIRMING A COMMITMENT TO DEVELOPMENTAL LOCAL GOVERNMENT

Our Development Paradigm is made up of a number of core principles. Each of these principles is individually important in its own right. Each conveys a separate value statement for how we will regard and tackle a different development challenge. However, these principles are also interwoven. They collectively convey a message about the *ethos* of our approach to development in general.

A clear commitment to the Constitutional and legal obligations to be developmental

The Constitution provides for a number of objects and duties of local government. These pre-emptively define a clear set of developmental obligations for every municipality in the country. Each municipality must take these obligations into account whenever it chooses a strategic course of action. To



paraphrase, the Constitutionally defined objects and duties of developmental local government require the City of Johannesburg to:

- Give priority to the basic needs of the community;
- Promote economic development;
- Promote social development;
- Provide services in a way that is sustainable, and ensure that the urban environment is safe and healthy; and
- Provide democratic and accountable government for communities, encourage the involvement of communities and community organisations in the matters of local government, and contribute to national and provincial development programmes.

These objects and duties of developmental local government are given more meaning in the Municipal Systems Act. The preamble to the Municipal Systems Act says that “Whereas the system of local government under apartheid failed dismally to meet the basic needs of the majority of South Africans”, a municipality must become an:

“efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment”.

Collectively, the principles of the Development Paradigm reaffirm the City of Johannesburg’s commitment to the objects and duties of local government outlined in the Constitution, and the requirement, expressed most clearly in the Municipal Systems Act, that it be “fundamentally developmental in orientation”.

No easy path: facing up to the challenges that define developmental local government

The commitment to be ‘fundamentally developmental in orientation’ may be a hollow commitment unless it is rooted in context. The current context presents South African municipalities with a unique set of development challenges as complex and difficult as any to be found anywhere else in the world. These challenges are especially complex because trying to resolve them throws up seemingly intractable contradictions. To name but one example, in the context of a very mobile population and uneven development progress across the country, the more development success any municipality demonstrates today, the bigger will be its development challenge tomorrow, as poor people in search of a better life move in from elsewhere in search of opportunities.

It is the willingness to think through and resolutely pursue real solutions to development challenges, when faced with such contradictions, that *defines developmental local government*.

The principles making up our Development Paradigm therefore *collectively* amount to a bold, positive assertion that the City of Johannesburg recognises that *there is no easy path to development*, and that when confronted with seemingly irresolvable challenges there is no option but to face up to them.

PRINCIPLES

THE PRINCIPLES IN OUTLINE

The Development Paradigm is based on the following six principles:

Proactive absorption of the poor

The City of Johannesburg will not plan on the basis that the poor, vulnerable and excluded will eventually go somewhere else. It will proactively help new households, new internal and circular migrants, those in hostels, informal settlements and historical ghettos, unemployed youth, refugees, and others *negotiate access to the city and get onto the ladder of urban prosperity.*

Balanced and shared growth

The City will continue to promote economic growth by keeping the unnecessary costs of doing business in the city as low as possible. But it will also work to change structural dynamics in the local economy that prevent all residents from enjoying the fruits of economic growth. In future, 'accelerating economic growth' and 'ensuring that the benefits of growth are shared more broadly' will not be separate priorities: instead *the rate of economic growth will itself be driven up via a process of spreading the benefits of growth.*

Facilitated social mobility and equality

As a post-apartheid city, Johannesburg has a non-negotiable obligation to 'absorb' the poor. But this does not mean just taking in more poor people to end up carrying a bigger 'welfare burden'. A bigger middle-strata of society is crucial for future stability and growth. *So we don't just want to help people in poverty; we want to help people out of poverty.* This means working to enable residents to aspire, to unblock obstacles to rapid social mobility, and ultimately to reduce social inequality.

Settlement restructuring

The City of Johannesburg must *accelerate the spatial restructuring of settlements still distorted and divided by apartheid.* At the very least this will require changing city form to bring jobs closer to people and people closer to jobs, *city fabric* to ensure more liveable neighbourhoods, and *city functioning* to improve urban efficiency. A pre-requisite for this is a fundamental change in planning approach, away from simply facilitating spatial development towards actively directing it.

Sustainability and environmental justice

Johannesburg must become a more 'sustainable city' by anticipating global environmental shocks and managing the environmental impacts of its own processes of urban production and consumption. It must also promote 'environmental justice' by ensuring that poorer communities do not suffer most from the effects of urban-environmental risks and disasters, and that quality of life is enhanced by extending green infrastructure to grey, featureless dormitory townships.



Innovative governance solutions

The worldwide long-term trend is for citizens and stakeholders to demand more from government while wanting to contribute less to the public purse. Internal efficiency improvements are critical. So is improved participatory governance, both to prioritise needs and to moderate social expectations. But over the long term, complex development challenges will only be met if the *resources and energies of all parts of government, as well as citizens, communities, civil society organisations and business, can be orchestrated to forge commonly agreed innovative solutions.*

These principles are elaborated in more detail below, through an outline of the development challenges they speak to, an explanation of what they mean in terms of how the City will approach development, and a brief illustration of some of their practical implications.

PRINCIPLE 1: PROACTIVE ABSORPTION OF THE POOR

Context

The configuration of South Africa's human settlements, both across the country and in particular urban areas, was severely distorted by the policies of the past. Segregation, and later apartheid, tried to ensure that the presence of millions of people in towns and cities would always remain tenuous. A majority of South Africans were forced out of urban areas into sprawling rural slums, where they were expected to live as 'hewers of wood and drawers of water'. When they were allowed into urban areas this was on a temporary basis as cheap manual labour. Migrant labourers were forced to live in poorly-serviced dormitory townships and hostels. Legally defined as temporary sojourners in the city, the cost of African 'residents' to the urban economy was therefore first deflected, then contained. This base logic of urban apartheid shaped many aspects of South African cities.

In the post-apartheid period these unsustainable settlement patterns have begun to unwind. As apartheid barriers to movement came down, all South Africans were allowed free movement into cities, and the right to live where they wanted in cities. Many more citizens are better located and better housed today as a result.

While positive for South Africa as a whole, this process has not been without significant challenges for cities. The removal of apartheid impediments to movement saw pent-up demand for urban lives result in an initial flood of migrants in the early 1990s, and a continued steady influx since then. Johannesburg, as with other cities, was not built to receive this number of in-migrants. And there were no ready-at-hand tools and mechanisms to manage such a process well. This has led to many more poor people ending up in informal settlements, backyard dwellings, and over-crowded inner city slums.

Living in these circumstances, many residents and daily new arrivals cannot yet be said to have really 'accessed the city'. Their ongoing exclusion from the economy, from decent housing and affordable urban services, as well as from other urban facilities, amenities, opportunities and benefits, means that many still have a relationship to the city as tenuous as that of migrant labour under apartheid.

This context puts the City into a contradictory position that goes to the heart of what it means to be developmental local government.

Understanding of the challenge

Johannesburg is already home to a large number of poor people. Through natural processes of internal growth and social transformation it is generating new poor residents and households from within. In addition, the city is a magnet for many people seeking opportunity from other parts of the country and the world. While some of these newcomers will already have skills, connections and access to capital, many will not be able to secure their livelihoods immediately. In the phrasing of the 1998 White Paper on Local Government, many will probably 'cost the local tax base more than they are able to contribute to it', at least in the short term.

If it achieves major success in development, Johannesburg is likely to see even more poor people flock to it in search of a better life. This means, ironically, that the *more successful Johannesburg is today the greater will be its developmental challenges tomorrow*.

The principle 'proactive absorption of the poor' communicates that the City fully understands this contradiction, and its historical mission in the face of it.

- First, the City of Johannesburg recognises that this situation is not unique. Many cities all over the world, and in particular in developing world countries, face higher rates of population growth and household formation because of in-migration and high fertility;

"... Urban SA treats newcomers from the hinterland like dirt. In the mid-20th century, industry absorbed unskilled migrants in their hundreds of thousands. Today, all but a lucky few find that they are sentenced to live their lives on the periphery of the metropolis, their homes tin shacks, their neighbours untrustworthy strangers, the wages they get when they find work barely better than in the countryside. Many end up journeying back to their ancestral homes incessantly during the course of their failed adult lives. They are drifters, not yet properly urban, no longer properly rural, scavenging what they can from both the cities and the rural villages."

[Jonny Steinberg, 'Rural SA still a dumping ground of the unwanted', Business Day, 29 August 2002]

- Second, the overwhelming evidence is that there is very little, if anything, that countries, or individual cities, can do to 'keep people in the countryside', or to see them dispersed to other centres. It is quite understandable that cities might look forward to the day when their burden of development responsibilities reduces with a slowing of population and household growth. But to not plan to meet the needs of poor people, on the basis that the poor should rather stay where they are or go somewhere else, and that national government should therefore be working to slow urbanisation or that other cities should be working harder to ensure that they carry their share of the burden, would amount to a severe dereliction of developmental duties. A recent report on urban growth around the world makes it quite clear that any city refusing to plan for the poor, on the basis that this might help it avoid a greater development burden in future, is making a grave mistake:

“Few governments in the developing countries are actively preparing for urban population growth, even though it is now generally accepted that slowing it down or reversing the tide of urbanization – through rural development or population dispersion policies – is unrealistic and unworkable. ... To make matters worse, most local and national governments still maintain an anti-urban-growth attitude that results in a refusal to plan or prepare for orderly urban expansion, for fear of attracting more people to cities, even though there is no credible evidence that shortages of, say, housing, roads, open spaces, drinking water, or public facilities have any effect on rural–urban migration.”³²

- Third, the National Spatial Development Perspective is clear that an increasing number of people, presently living without opportunities where they were dumped by apartheid, will eventually move to towns and cities. The third principle of the NSDP holds that national government will strive to provide basic services to all households, regardless of where they are currently located in the country. But areas of low economic potential will not be prioritised for major infrastructure investments over and above this. Instead of place-based fixed investment, they will benefit from targeted social investments that empower people with choice. Some of these people so empowered may well choose to stay where they are. But the NSDP expects that the implementation of its proposals will enable many more people to become more mobile, and encourage more to migrate to areas able to offer more realistic prospects for opportunity and employment;

“For the most part, the growth of population of a typical city is predicated on its own natural birth and death rates and on its attractiveness to those who see opportunity and promise there. Successful cities, where economic growth is robust, employment is plentiful, urban services are adequate, and the quality of life is high, attract people. These cities naturally grow faster than other cities in the country where economic opportunities are few and the promise of a better life is less than convincing. It is hard to imagine, therefore, that the residents or the policy-makers of a successful city will agree to curtail its economic growth or to reduce either its level of urban services or its quality of life so as to prevent people or firms from moving in.”

[Angel, S. et al (2005), The Dynamics of Global Urban Expansion, World Bank: Transport and Urban Development Department, September 2005, p 96.]

- Fourth, the implication of the NSDP is that cities such as Johannesburg have a clear historical mission. Johannesburg is obviously one of the areas with considerable future economic potential. Its ability to receive those people currently languishing in areas of low economic potential who, through social investments, will be empowered to ‘become more mobile’, will ultimately contribute to the reshaping of apartheid settlement patterns. Any city taking in more of the country’s poor is therefore helping to re-organise spatial arrangements into a configuration more conducive to the rapid future economic and social development of South Africa as a whole;

This means that the NSDP sees the City of Johannesburg, along with other towns and cities, taking on an *historical mission* to help drive the spatial transformation – and in turn accelerated social and economic development – of the whole country. If it were to work actively to constrain access, or to

passively do little to plan for the poor in the hope that they will instead migrate to other centres, the City of Johannesburg would be *manifestly failing this mission*; and

- Last, quite apart from the NSDP expectation that Johannesburg should play its part in the restructuring of settlements, the City owes it to current and future residents not to simply hope that the poor will go elsewhere. A large transient or floating population of poor residents, not given any chance to secure livelihoods in the city, undermines stability. It also represents a huge opportunity cost. Simply put, dynamic cities attract and incorporate. It is the presence of a large population of opportunity seekers that makes them dynamic. A failure to absorb existing poor residents and poor newcomers – many of whom have the capacity to labour, or possess energy, enthusiasm, drive and an appetite for risk, or have some capital that they wish to invest or even just the willingness to take on debt for a stake that can be put to productive use – is therefore to fail to build the city's future foundations for development.

The meaning of the principle

The City of Johannesburg affirms that it will not be one of those cities that refuses to plan for the poor, vulnerable and excluded, on the short-sighted understanding that any meaningful effort to absorb those in poverty may 'result in more poor people coming into the city', setting back measurable development progress for current residents.

"In a country in settlement transition, a town that has no poor would be evidence that that town is not playing its part in the necessary restructuring of settlement patterns: it would be an apartheid town. So it is not the presence of poor people in town that should cause concern, but the average time taken to assimilate migrants. Very broadly speaking, one of the prime functions of towns is to make an increasing number of people realize that they need to achieve a standard of living, a level of expenditure and income and a level of productivity above the average of their present environment, to provide these people with incentives to move, and to help these "new poor" assimilate rapidly into their new surroundings."

[Jean-Marie Cour, unpublished paper on West-African population dynamics for World Bank Workshop on Urban-Rural Linkages, 9 March 2000.]

Although it is certainly not in a position to shoulder the burden of all the country's poor alone, the City of Johannesburg recognises that it would not be planning effectively, or meeting national government's expectations of it, if it simply hoped that the poor will eventually go somewhere else.

As a matter of principle therefore, the City will work to facilitate the 'proactive absorption of the poor' into the city.

'The poor' referred to here is a broad category. It includes new households not yet in stable accommodation; new internal and circular migrants; those in hostels, informal settlements and historical ghettos; youth; and refugees.

'Proactive absorption' does not mean wanting to take in more poor people so that they end up in informal accommodation, stranded because they cannot pay for transport, unable to access services or social amenities, and forced to engage in irregular, perhaps even criminal, activities to get by. Such people are not 'absorbed into the city' – they live a half-life on its periphery, never able to enjoy



the real opportunities and benefits of urban life. This is exactly the problem to be addressed. 'Proactive absorption' therefore means that the City will work boldly and innovatively to address the conditions of people finding themselves in these circumstances, so that they can access basic livelihoods, start to build a core of assets, gear up for participation in the urban economy, master the demands of urban life and negotiate urban costs of living, and ultimately thereby get onto the first rungs of the ladder of prosperity.

This principle revitalises our understanding of our Constitutional duty to look after the 'basic needs' of the community, which over the last few years has often been reduced to simply mean provision of free basic services. In more concrete terms this principle means:

- Enabling the poor to access basic livelihoods, *inter alia* by helping them to secure social grants, facilitating skills development and basic employment opportunities, and supporting 'self-help' projects, start-up micro-enterprises and community based co-operatives;
- Ensuring the *affordability* of municipal services, public transport, and social facilities, through progressive tariff structures, creative cross-subsidies and targeted social packages;
- *Accommodating* the poor, by working to ensure that they can find and retain decent lowest-cost rental housing opportunities without needing to resort to life in informal settlements and inner city slums;
- *Assimilating* the poor by ensuring that they are not relegated to the margins of the city but instead can find places in mixed income residential spaces; empowering them politically through meaningful participatory governance; and enabling them to feel part of the city by using a range of measures – including sports, recreation, arts and culture – to minimise felt social exclusion; and
- Making *allowances* for the poor in how the built environment and use of public space is regulated and managed, for example by taking a balanced approach to informal trading, spaza shops and backyard dwellings.

"New York is almost all right. Through a mix of muddle and dynamism, it is succeeding as a city. It continually attracts new people, and creates new jobs for them. Despite everything else, it has proved itself as an urban machine with an impressive capacity to turn poor migrants into citizens with at least a foothold on the ladder to prosperity.."

[Urban Age Conference, New York, February 2005]

PRINCIPLE 2: BALANCED AND SHARED GROWTH

Context

Johannesburg's economic growth path was structured by its base in mining and associated manufacturing, and labour-market distortions reinforced by apartheid. The local economy was historically shaped by:

- A highly profitable, but narrowly based, primary and secondary economy reliant on the production and export of gold and associated upstream manufacturing activities;

- The notion that a rich racial minority, whose accumulating wealth would be further enhanced by income from products exported elsewhere, would drive demand for tertiary goods and services; and
- An abundance of labour whose cost of living in the city was forced down. Since the social reproduction costs of labour were artificially low, the labour cost of industry could be kept to a minimum. And since the costs to the local state of serving African residents in under-developed townships was also kept artificially low, industry costs of location and urban services could be indirectly subsidized.

This combination of factors initially gave local industry a solid foundation for high levels of profitability, and the local economy grew strongly in the 1950s, 1960s and early 1970s. But ultimately it made for less competitive firms and weaker local economies:

- Complacent that future demand for goods and services would come from an increasingly wealthy elite, and that cheap labour would provide the primary basis for profitability, both government and local firms could afford not to look to the future. There was no structural incentive to look to, or contribute to, the long-term expansion of middle-class buying power that was the mainstay of most western economies in the 20th century;
- With a few exceptions, there was also little incentive to expand productive capacity by investing in base entrepreneurial ability or new product and service innovations. The potential productive capacity of a large section of the population therefore went under-valued and un-harnessed; and
- In the 1980s the gold-price collapsed. Increasing urban living costs led to upward pressure on wages. And the market began to shrink under the impact of anti-apartheid sanctions. Facing this more adverse context local industry quickly reached its natural growth limits. Some firms innovated, but the majority could see no way forward but to stay committed to their historical bases for profitability.

Understanding the challenge

The last decade has seen significant economic progress. However, it is also clear that the City has not seen any fundamental change in the bases of Johannesburg's historical growth path.

There has been an assumption that since domestic demand is largely static, the only realistic path to economic growth is one in which limited domestic demand is compensated for by demand from elsewhere in the world. This means an export driven city economy that must be as competitive as possible. There are many different meanings to the idea of competitiveness, but it is often understood as simply meaning lower input costs. Business has continued to expect that the state secure for it lower labour costs. There has been a growing focus on various micro-economic constraints on investment, ranging from the hassle of regulation, inefficient utilities, poor telecommunications, the price of insurance when crime is high, all the way through to the costs of moving goods around a congested city road network. There has been concern raised that the costs to an urban economy



of a large under-employed population are considerable: the cross subsidisation burden falls on industry and economic decision makers and the welfare burden on the fiscus detracts from spending on economic infrastructure. Lastly, there has recently been a chorus around the opportunity costs of an exchange rate that does not allow for local goods and services to be priced at competitive international rates, as well as inadequate maths and science skills to underpin the high value expertise needed to serve a changing economy.

There is validity in many of these concerns, and they must be addressed, some with great urgency.

"... These (Labour Force Survey employment) findings suggest the commodity boom is driving growth, and not genuine structural transformation towards equity and economic diversification. The employment data suggest we have not turned the corner, but rather found a temporary downhill on a road that continues straight ahead..."

[Business Day, 27 Jan 2006]

However, addressing the costs of doing business in the city will not redirect the local economy from a growth path established under apartheid, towards one based on investment in future productive capacity, entrepreneurship and innovation, the broadening out of opportunities to new industry players, especially from disadvantaged communities, as well as sustainable domestic demand to hedge against occasional global economic slumps. ASGISA highlights certain cost constraints – such as the lack of efficiency and weak capacity of the national logistics system, or the shortage of suitably skilled labour, especially skilled professionals, managers and artisans. But ASGISA also notes the fundamental ongoing challenge of the relatively concentrated nature of the South African economy. ASGISA highlights how this results in barriers to entry, limits to competition and limited new investment opportunities. It then proceeds to propose a range of measures that will leverage access to opportunities for new and emerging market players.

This wider understanding of 'competitiveness' is very important. However, it also brings us face to face with a number of key contradictions.

- The Long-Term Strategic Perspective discussed how, in the long run, all urban economies show a structural shift towards 'services'. Even as the tradable goods sector grows in real terms, its share of economic activity in cities tends to decline over time as 'what people do for one another' become more important. This is a positive trend overall, because it results in a diversifying economic base, but it has challenges. One challenge is that it was the primary and secondary industries of the past that were best at absorbing people who could participate, and benefit, through low- and semi-skilled employment. Ironically, as the Johannesburg economy becomes more balanced in the long run, and sector shares shift, there may be relatively less capacity to absorb more people without skills.
- Second, and closely related to this, is the fact that the sectors of the urban economy that are most able to absorb large numbers of people are those sectors that are most sensitive to the need to remain 'competitive' through low cost of labour. The City of Johannesburg is working to transform the distorted settlement patterns of apartheid. These attempts to develop the city

will bring down some costs for these business, but it will also drive up other costs. As discussed in the Long-Term Perspective it will see labour reproduction costs trend relatively higher over the long term, as the City tries to undo an urban form that subsidised the wage and services bill of business by forcing a majority of the population to live in squalid dormitory townships. In this sense development may indirectly drive up the cost of utilities, even in spite of efforts to improve efficiency, and especially labour. The sectors that are less affected by this dynamic, and therefore those that eventually grow faster to assume a bigger relative share of the economy of any developing city, are those that typically contribute less to employment, especially employment for those historically denied a share of economic benefits because of lower levels of skills.

- Third, the Long-Term Strategic Perspective proposed a new, positive interpretation of the second economy, as the myriad of generative interactions between would-be and emerging business people that are yet to reach fruition. This is an economy of 'if-only potentialities', 'almost-there possibilities', 'just-made connections' and 'yesterday's failures turned into lessons for tomorrow's success'. It is the culture and street-level practice of 'doing business', that is the bricks and mortar out of which the economy we can see and measure is eventually built. This quintessentially urban economy is growing, but it is not reaching its full potential, in large part because it is blocked by what ASGISA calls 'barriers to entry' in the still fairly narrow, and historically exclusionary mainstream economy. This is the economy that ASGISA compels us to focus on and nurture. But ironically it is the economy least amenable to public sector intervention. It is often invisible. It is often chaotic and messy, raising challenges for an orderly and well managed urban environment. And it is highly splintered, which means it is often hard to guarantee big bangs for the public buck.

The principle 'balanced and shared growth' conveys that the City fully understands this structural economic challenge, and the need to face up to these contradictions by becoming much bolder and smarter in our economic interventions.

The meaning of the principle

In Joburg 2030, the City analysed the constraints on higher levels of investment in the Johannesburg economy, and identified a number of possible future areas of opportunity in key sectors and industries that warranted support. Through this strategy the City established, as a *principle*, the ideas that quality of life comes first and foremost from economic development, and that local government can actively intervene to shape the local economy as a whole, not merely promote LED through community projects. This principle is retained in broad terms. Within its resources this City will continue to actively intervene to shape conditions for accelerated local economic growth.

However, aspects of the principle are now refined. Following the emphasis placed on breaking down the divide between the 'first' and 'second' economies and opening up opportunities for the second, amongst other things by leveraging



opportunities via the first, it is clear that growing the economy does not mean that we want just any growth.

As a matter of principle we want growth shared more broadly through more employment, fair remuneration and opportunities for new market entrants. This is growth that is not dependent on economic actors expecting cheap labour whose costs of social reproduction are kept to a minimum by being forced to live in squalor. This means we want growth that is stable because it is based on a diversifying range of sectors, more of which are not dependent in one way or another on the whims of an international commodity cycle. We certainly do want an economy that is globally connected and that brings in more income through expanding value and volume of exports. But we also want an economy that recognises, and works to unlock, the latent energies in the domestic market. Above all, we need to hedge our bets by ensuring that the current patterns of growing domestic demand remain sustainable, and translate into larger domestic investment.

What are the conditions for this kind of economy? It is now clear that ‘accelerating economic growth’ and ‘ensuring that the benefits of growth are shared more broadly’ are not separate priorities. Nor does the second follow the first in a simple linear logic. As Minister Trevor Manuel noted most recently in his release of the 2005 Medium-Term Budget Policy Statement, faster growth creates the parameters within which more people can participate in and benefit from the economy. But at the same time the causality works in the other direction too – the less poverty, inequality and exclusion there is, the stronger and faster economic growth will be. The challenge in South Africa generally, and also specifically in Johannesburg, is to figure out how to drive up the rate of economic growth in order to spread the benefits of growth, *with the rate of economic growth itself being driven up via a process of spreading the benefits of economic growth.*

“... (A)ccelerated growth expands the resource envelope. It makes a redistribution of wealth and income possible through the process of development, and not at its expense. It is the dynamic that underlies employment creation. It is the source of increasing revenue collections and the resulting expansion in public services. But the causality also runs the other way. ... By broadening participation and opportunities, we will also strengthen the dynamic of growth itself.”

[Minister Trevor Manuel, Mid-term Budget Policy Statement, 2005]

PRINCIPLE 3: FACILITATED SOCIAL MOBILITY AND EQUALITY

Context

Over the last ten years, considerable progress has been made in making sure that all residents have the shelter and services they were denied in the past. In particular the City has successfully rolled-out service infrastructure to many of the communities that were under-served under apartheid. However, service disparities were not the only social effect of apartheid. Much more serious was profound income and asset poverty and inequality, as the apartheid political economy worked to drive the unusually rapid class mobility of a small racial minority, at the cost of decent incomes, meaningful asset accumulation, security against risk, real human development, quality of life and social status progress for the majority.

Urban society under apartheid supported the nature of the urban economy, and in turn was supported by it. For white South Africa, the city functioned in the

same way as it does in most parts of the developed world, as a 'machine' for meeting social reproduction needs and defining aspiration. It gave white residents good neighbourhoods with well-served property. It thereby structured white residents' aspiration to transit from rental accommodation or first-buyer neighbourhoods into good homes stocked with middle-class goods, through the vehicles of good jobs, debt and long-term asset value accumulation. It gave white residents access to good schools at a reasonable cost. And it gave them ample disposable income, with which they could cushion themselves against risk and insecurity, save for old age, and invest in their children's education. In this society, wealth accumulated and was passed on to future generations to become the basis for more wealth.

However the condition for this was blatant inequality. Forced to live in under-serviced ghettos, Africans' urban costs of living were deliberately kept to a minimum and their aspirations systematically structured downwards through a poor education system. This meant that industry could afford to pay African labour relatively less and whites relatively more – the basis for their rapid social class advancement. In addition, African's right to demand services from the local state was proscribed, which meant more public resources could be spent on property-serving development, and good social infrastructure, in white neighbourhoods. In African neighbourhoods, poverty had intergenerational effects, with structural disadvantage passed from parents to children.

Understanding the challenge

These more fundamental social challenges caused by apartheid remain today.

- Deep wealth inequality is still with us. This is still visible today in the wide disparities in circumstances, quality of life and future prospects between groups living in different parts of the city; and
- The artificial restriction of the growth of the middle class as a whole still drags on the economy. In most countries urban economic growth in the twentieth century was driven by the expansion of the middle classes, and the gradual deepening of its pool of wealth. A growing middle class drives domestic demand for goods and services, both in aggregate terms, and in terms of evolving tastes for new products that in turn stimulates innovation. Out of this consumptive strata also comes the nation's future entrepreneurs and business risk takers. In Johannesburg and other South African cities this expanded middle strata of society was not permitted to develop: instead relatively greater wealth was kept in the hands of a small racial-minority. The result is that today one of the key props of balanced economic growth is still missing. This has reduced the structural growth potential of the local economy, and in turn its capacity to create further opportunity for middle-class growth down the line.

Addressing these challenges are critical for the future development of Johannesburg. A larger middle-strata of society, and by implication greater social and economic equality, is crucial to expand the domestic economic market, and thereby encourage investment, bring greater social stability, and create the pool of savers, risk-takers and investors in human capital from which derives future



productive capacity. This means the City of Johannesburg must work to enable all its residents to aspire, and to unblock obstacles to their rapid social mobility.

However, addressing these challenges will not be easy, in particular because in highly divided societies, social mobility is often blocked by contradictions inherent in the process of poverty reduction. A household lucky enough to move from dire circumstances in an informal settlement into a new home in an old dormitory township or RDP development can be said to 'moving out of poverty'. But this movement inevitably brings new costs and risks. Owning a new house may bring a multitude of new expenses, including a relatively burdensome municipal account if consumption of services and the value of the home exceeds the thresholds defined in the City's subsidised social package. This disincentivises any strategy of trying to share household costs by having extended family members stay in the backyard, or trying to add to future family wealth by making home improvements. Similarly, any workseeker lucky enough to find a job may need to give up the security of their monthly child support grant, and take on the new expense of commuting every day to a relatively distant place of work. This means that movement out of poverty is never a smooth process. Progress up the ladder of prosperity is often blocked by the sudden appearance of new costs and risks which are hard to manage. Households may find themselves no better off in real terms, or all too easily knocked back down into poverty.

The principle 'facilitated social mobility and equality' communicates that the City fully understands this challenge, and its contradictions.

The meaning of the principle

As a post-apartheid city Johannesburg has a non-negotiable obligation to support the poor. This commitment is captured by our first principle. As a city Johannesburg must work to 'absorb' the poor. But this does not mean simply taking in more poor people in order to end up with a bigger welfare burden. As a matter of principle, the City of Johannesburg does not just want to help people *in poverty*. Through shared growth and other measures, it will work to help people *out of poverty*.

"...Cities are like schools, where people can realise upward social mobility after entering and before leaving. Cities therefore can be social machines and obviously they have the function to create social mobility. From this perspective, however, it is most important that cities continue to function that way: accommodating new residents and bringing them to higher social levels. These processes may indeed get disturbed in segregated cities."

In practical terms this principle means exploring a number of points of intervention that assist people to access the conditions for social mobility. These may include:

- Measures to enable movement out of poverty by enabling households to invest in strategies and assets that will bring returns in future. The national Medium-Term Strategic Framework argues that social transfers need to be scaled back as economic development absorbs more people into the formal economy. This is an important insight that needs to be taken on board. However, we also understand that as much as social support may create dependency amongst some people, they may allow others room for manoeuvre to take economic risks. In this respect, and others, social development is also a vital economic development strategy. Measures to

promote human development today create the skilled workers, entrepreneurs and ratepayers of tomorrow;

- Measures to prevent the new and lower middle class from falling (back) into poverty by enabling them to smooth new cost burdens and build cushions against risk;
- Measures to assist the middle class to negotiate periods of vulnerability that may impact on spending patterns; and
- In particular, measures to assist households to realise the value in assets that are currently dead capital. ASGISA talks about a range of measures to help households access the intrinsic value in their assets. For the City of Johannesburg, ensuring that the housing ladder works more efficiently is a key intervention. Housing plays a critical role in absorbing people into the city. It is also key to giving them prospects for social advancement. Houses are not just places to stay. The potential asset of saleable homes in good neighbourhoods is a crucial ingredient in promoting conditions for social mobility. As discussed in the analysis above, the problem is that there are many gaps in the housing ladder, and in particular there are limited options on the next rung of the ladder for those who want to move out of low-cost public housing. This results in a dead capital problem, as well as limited opportunities to use housing assets as the basis for social mobility.

PRINCIPLE 4: SETTLEMENT RESTRUCTURING

Context

The logic of apartheid was to keep people of different races apart physically. This impacted negatively on the efficient form and design of the city. In its pathological commitment to keep people of different races separate, apartheid spread the city out, laying the foundations for a low density residential and retail-strip sprawl. This would reproduce itself over time, especially through the self-reinforcing effect of private vehicle based transport to wealthier suburban developments on the outskirts, and an irrationally designed public transport system that then could never reach viability because of the lack of population density (and in turn usage) on any routes.

Apartheid created sweeping dormitory townships which had limited functionality except to house a (hopefully temporary) labour force, and which were deliberately located far from any real opportunities for shopping or entertainment. As the economy restructured with the decline of mining and manufacturing and the rise in importance of services, the primary location of economic activity also shifted to those parts of the city with adjacent high-amenity residential areas where the necessary skills and buying power were concentrated. This increased the distance between dormitory townships and jobs. It added worsening locational disadvantage to the burdens of that part of the population already more vulnerable as a result of employment decline in the primary and secondary sectors of the economy.

Over the last decade, some progress has been made in re-integrating the city spatially, both in terms of where people can locate, and how easy it is for them



to move around to jobs or places to shop. Despite this progress there is still a long way to go. Worryingly, settlement development to accommodate fast population and household growth has often been on the edges of the city, reinforcing apartheid patterns and worsening locational disadvantage.

Understanding the challenge

The Long-Term Strategic Perspective above highlighted how, ironically, trends towards sprawl, but also planning efforts to counter sprawl, both, in different ways, have negative effects on the economy and the poor.

On the one hand, increasing sprawl that reinforces apartheid spatial patterns increases the cost of transport and services for the economy, and the poor. The economy has to bear the higher marginal cost of over-extended infrastructure services. And the poor have to bear the opportunity costs of being far from jobs and amenity, as well as real time and transport cost of getting to where they want to go.

On the other hand, attempts to contain sprawl impose a different set of costs on the economy and the poor, in the context of an inadequate supply of land and housing. When outward growth is restricted, and development energy is concentrated in a clearly demarcated area, the cost of land and housing tends to increase dramatically. Unless this can be compensated for by enabling re-development, and facilitating the upward, not outward, growth of the built environment, this will impact on the operating margins of business. It will also squeeze the poor, *out of the city, or together* into overcrowded buildings. If not managed, the result will be either the deterioration of apartment blocks into high-rise slums, or the invasion and inappropriate conversion of factories and office buildings poorly-suited for higher density accommodation. While the poor living in these settings may escape some costs, they take on others, including risks to health and safety.

The principle 'settlement restructuring' communicates that the City fully understands that managing this contradiction will require imagination, boldness and considerable finesse.

The meaning of the principle

Over the last decade, the City of Johannesburg has been transformed in institutional terms. It is now vital to accelerate the restructuring of the city in spatial terms. This involves a number of things, but at the very least, as a matter of principle: the city form must be changed to bring jobs closer to people and people closer to jobs; the city's fabric must be maintained and improved so that large numbers of people do not end up in under-invested and deteriorating built environments; and City functioning must be dramatically improved, inter alia to accelerate the pace of delivery of appropriate housing in good locations and to reduce the high cost of having to deliver services on the urban edge.

In broad terms this will require a fundamental change in planning approach away from simply facilitating spatial development towards actively directing it. It is acknowledged that cities are built by many players, but the City must regain control over future spatial development if it is to prevent more inefficient development and further exclusion and future urban decline.

In practical terms the principle implies a reasonably clear choice between different spatial forms and, once the choice is made, an unwavering commitment to some bold actions:

- The City of Johannesburg has a choice between:
 - Allowing development on its edges to expand, by permitting large new low-cost housing developments and lifestyle estates on reasonably priced virgin land, and allowing new commercial nodes serving these areas to develop and consolidate. The long-term trend is in this direction with huge pressure on the City to permit development beyond the current urban boundary. There is some merit in this choice given the patterns of development in the broader urban region, and the popular perception, however unfounded in fact, that the application of the current urban boundary is anti-poor;
 - Disallowing and discouraging edge development through a variety of controls, disincentives and incentives;
- The City of Johannesburg reaffirms a clear choice in this Development Paradigm for the second option. It does this after carefully weighing the likely increase in land costs inside the urban edge against the higher long-term costs of providing the full range of infrastructure services at the marginal cost of supply (especially when there are still areas of the existing built environment with spare capacity), the burden of increasing transport costs, especially in the light of the dire need to shift away from road based private-vehicle travel, and the negative social and economic implications of locating poor people far from existing jobs and social facilities;
- Having reaffirmed this choice the City of Johannesburg recognises that it must act much more boldly in future to moderate the impact this decision has on land and housing costs in the city. Unless it can enable redevelopment of existing underutilised land, and work to dramatically accelerate the pace of housing delivery in medium- to high-density mixed income, and ideally mixed use, nodes, the poor will eventually be squeezed out of the city, or parts of the existing built environments will inexorably deteriorate into slums without any hope that urban renewal projects will turn the tide.

PRINCIPLE 5: SUSTAINABILITY AND ENVIRONMENTAL JUSTICE

Context

South African cities are smaller and more developed in aggregate than many developing world cities. But because of apartheid large parts of the city show symptoms of being as congested, polluted and unhealthy as many developing world counterparts. Through systematic under-development of housing, transport and household service infrastructure, Johannesburg's sprawling dormitory townships have gradually degenerated into over-crowded, dirty and smoky ghettos.

Today, the negative impact on the envelope of natural resource from poorly located, designed and managed settlements remains a concern. Poorer residents still suffer the most from this environmental degradation. Health problems caused by pollution in settlements not yet properly served with tarred roads and



electricity; rivers that burst their banks and wash away people's homes; a lack of green open space resulting in children playing in dangerous areas or on illegal rubbish dumps; and many other environmental challenges all compound people's poverty. The City is not yet at a point where it can talk confidently about having created sustainable human settlements.

The Long-Term Strategic Perspective above highlighted an additional set of concerns, that appear on our radar screen for the first time. A number of global environmental shocks and risks are very likely to impact our city in the decades to come. These include peak oil, global warming and, closely associated with this, increased health risks and the threat of serious water scarcity.

Understanding the challenge

In the development and discussion of policy around the issue of sustainability, a distinction is often drawn between the green and brown agenda. Broadly speaking the 'brown agenda' focuses on upgrading the urban environment experienced daily by poorer people, inter alia by providing services such as sanitation, the absence of which may have major public health consequences. In general terms the 'green agenda' focuses on protecting the environment from the impact of human processes of production and consumption, on the understanding that this environment provides for a higher quality of life, and must therefore be preserved for future generations. In much policy debate about these issues the distinction between the green and brown agendas has been drawn quite starkly. Some have suggested that the 'green agenda' has little relevance in developing world cities, where 'brown issues' are still very far from being addressed. Protection of the environment, it is argued, is a 'nice to have' that green activists from northern cities campaign about; in developing world cities more pressing concerns should claim the limited available resources.

This Development Paradigm moves from the premise that this distinction is unhelpful. The moment green issues and brown issues are artificially separated, there is a tendency for the former to be dismissed as less relevant. But the truth is that environmental degradation and the accelerated depletion of natural resources, both internationally and locally, have a direct bearing on the quality of urban environment experienced daily by poor people in our city. Green issues *are* brown issues. For example:

- Excessive consumption of water, and pollution of water resources, is felt in the cost of sourcing raw and bulk water, and treating wastewater. This has a long term effect on the price of water in city taps, which in turn has an impact on affordability and access for poorer households;
- Pollution of land, water and air has a direct impact on the health of residents. Poorer residents struggling to sustain livelihoods in urban settings, with their relatively higher cost of living, can scarcely afford to be wasting disposable income on unnecessary health costs;
- Climate change may seem like a distant reality, of concern to northern coastal cities who may or may not be affected by rising sea levels from melting polar caps. The truth is that a rise in temperature will probably be experienced everywhere, and in the South will have a dramatic impact on agriculture. The

failure of agricultural regions is not beyond the realm of possibility. This will push up the price of essential foodstuffs for the poor. It may also mean the influx into cities of environmental refugees, whose presence will add pressure to the price of adequate housing and services. Recent events in New Orleans illustrate clearly that cities ignore the risk of increasingly unstable and violent weather at their peril, and that the worst affected whenever cities fail to anticipate and manage these risks are always the poor;

- At higher global temperatures the virility of communicable diseases may increase dramatically. Disease outbreaks always affect the poor living in crowded informal settlements most severely;
- The impending peak in the production of oil, and the continued increase in demand for this non-renewable, will dramatically increase the cost of transport using current technologies. This will not only impact on rich residents with cars. The cost of public transport will also rise. And the price of all household necessities transported to Johannesburg will increase. Firms sensitive to the cost of transporting goods to distant markets will become less competitive, impacting directly on the availability of jobs in industry; and
- Seemingly nice to have green infrastructure like urban trees, wetlands and parks provide a wide range of environmental services which save cities money. Amongst other things they absorb air and water pollutants, attenuate storm water, and moderate temperatures in both summer and winter. Not having this green infrastructure therefore means higher health expenditure. It means that the City has to spend more extensively on storm water drainage to mitigate the danger of flooding, and on water treatment. And it means more demand for energy to heat or cool homes, which ultimately translates into increases in the price of electricity or coal. Even on a strict financial cost-benefit analysis it is hardly self-evident that public resources not spent on green infrastructure is money saved for the upgrading of conditions for the poor.

The principle 'sustainability and environmental justice' communicates that the City recognises the integrated nature of environmental and socio-economic challenges, and that it will not disregard environmental issues on the misunderstanding that these are not a priority for poorer residents.

"... Estimates were made of the contribution to the burden of disease of a selection of environmental risk factors: unsafe water, sanitation and hygiene, outdoor air pollution, indoor smoke from solid fuels, lead and global climate change. Overall, the burden of disease per person from these environmental health risks was about 75 times higher in Africa than in Western Europe.."

[Bolnick, J. (et al) (2006), A pro-poor urban agenda for Africa: Clarifying ecological and development issues for poor and vulnerable populations, Human Settlements Discussion Paper Series, International Institute for Environment and Development, March 2006.]

The meaning of the principle

As a matter of principle Johannesburg must become a more 'sustainable city' by anticipating and trying to manage the effects of environmental change.

If nothing else this means recognising and trying to limit the impact of urban processes of production and consumption on the environment. Concretely this



implies proactively preserving and expanding the city's 'green assets', and adopting more environmentally sustainable practices. These are not nice-to-haves, pulling money away from more important expenditure on economic or social development. At the end of the day investments in environmental assets and sound environmental practices shield the poor from the costs and risks of urban-environmental disasters, pollution, and environmentally related public health dangers. They may also save the city and its residents a lot of money. This saving will be felt in the reduced cost of services and rates for those owning property, and therefore represents a contribution to efforts to absorb the poor and facilitate social mobility.

These investments are also critical to undoing the legacy of apartheid on the form and fabric of our city. Residents demand for a dignified quality of life will not be met once and for all when they get a package of free basic services. The City recognises that it must also look to promote 'environmental justice' by ensuring that quality of life in poorer communities is enhanced by extending green infrastructure to areas that have always functioned as grey, featureless dormitory townships.

PRINCIPLE 6: INNOVATIVE GOVERNANCE SOLUTIONS

Context

Apartheid set up political and institutional arrangements that reinforced its economic, social and spatial logics. Parts of the city that were reserved for white residents were governed by one set of local government institutions. Local government in these areas had large and stable tax bases that could comfortably serve the needs of wealthy residents and business. Parts of the city where African, coloured and Indian residents were forced to live were then given a separate set of institutions. These had little or no tax base because regulations prevented industry from being established within their boundaries, and because residents were overwhelmingly poor, having been systematically denied opportunities by apartheid.

Residents in these dormitory townships contributed to the tax base in white local authority areas. Because there were no major enterprises and few shops in these areas, they gave their labour and purchasing power to businesses located in the jurisdiction of white local authorities. White residents made no contribution to the tax base of black local authorities in return. Black residents' right to demand public goods from the local state was proscribed by the fact that they lived in a separate municipality. In this way white local authorities shielded their tax bases from the claims of poor people pushed out of their boundaries and off their budgets.

This meant that white local authorities could provide an unnaturally high level of service to wealthy white property owners, and effectively subsidise the location and operating costs of industry. Within white areas, both the funds retained within the jurisdiction and those systematically captured from coloured, Indian and black areas, circulated in a virtuous cycle. Development resulted in tax base growth, and in turn budget growth, service improvement, more development, and so on. Every other part of the city went systematically under-developed.

This led eventually to the complete rejection of own-race local authority structures and a campaign of organized resistance that included non-payment of rents, rates and service charges.

In the 1990s, following the first democratic local elections, municipal government in Johannesburg was completely restructured through a three phase transition. This process was not a smooth one. It resulted in a crippling financial crisis, leading in turn to the need for a bold restructuring plan. The crisis was caused by:

- An ambitious, but ultimately short-sighted attempt to dramatically increase budget spend in underdeveloped parts of the city, without due consideration for limited revenue and fast eroding reserves;
- A lack of progress in getting residents who had stopped paying for services in the 1980s to resume payment, and a lack of consideration for the fact that non-payment was often due to an inability, not unwillingness, of poor people consuming services to pay; and
- An awkward two-tier metropolitan structure, which resulted in the Metro being unable to mobilise funds due to it by its local councils at a critical moment.³³

Understanding the challenge

There are three dimensions to the challenge that the City of Johannesburg faces because of this history.

First, the City continues to grapple with a weak fiscal base relative to the scale of the development challenges confronting it. As noted in the Long-Term Strategic Perspective, governments across the world are facing a longer-term trend towards citizens demanding more value for money in delivery. Citizens expect government to deliver a wider range of service products, at an ever higher quality, while wanting to pay less and less for their needs to be met. In Johannesburg, this contradiction is compounded by the particular history of the past. Poorer parts of the city rightfully demand a level of service and a quality of the built environment similar to that seen in wealthier, previously whites-only suburbs. However, they are both unwilling and, in truth, in many cases, unable to carry the full cost of this development. Meanwhile wealthier parts of the city are historically accustomed to enjoying the highest level of services for relatively little expense, since their contribution to the fiscus was not used in the past to fund a roughly uniform level of development and delivery across the metropolitan area, including in areas much less able to pay for this standard.

Second, the City does not have a transactional relationship with many of its residents, even many of those to whom it provides services. In order to deliver on the 'basic needs' of households the City often extends a level of service that is not metered, and that does not result in the recipient becoming an account holder. The unmetered yard tap and VIP latrine are typical of this level of service. In this arrangement the City avoids a higher upfront cost of installation, and the future risk of accumulating bad debts at a higher operating cost of supply. But this short-term saving is at the expense of future revenue foregone should the household turn out to be able to pay for their consumption after all. In this self-fulfilling prophecy, the City retains a strong fiscal incentive to continue to regard many households as 'likely to cost the tax base more than they can contribute to it', and a strong fiscal disincentive to extend quality services to these households.



Third, since the 2000 local government elections the City of Johannesburg's governance arrangements have been stabilised in a new metropolitan area. This area is by and large well demarcated to contain within it the full extent of the community and economy of the city. However, the extended city region of which Johannesburg is part is growing and densifying. This makes it increasingly difficult to determine where the functional area of Johannesburg stops and, say, Ekurhuleni begins. In future this may resurrect in new form the apartheid political-economy problem of a population enclosing within its own jurisdiction the benefits of development, while externalising costs to poorer areas in a different municipal jurisdiction next door. The City of Johannesburg, as with all municipalities everywhere, wants to create and maintain the virtuous cycle of rapid and sustained development seen in white local authorities under apartheid. It wants this cycle to benefit all its residents. It would never want this at the expense of neighbouring municipalities. But naturally occurring patterns of uneven economic growth and settlement restructuring may inevitably eventually result in the City of Johannesburg enclosing a relatively wealthy population, with poorer people pushed out by development and its relatively higher cost of living into adjacent municipalities with relatively less resources to provide for them.

The principle 'innovative governance solutions' communicates that the City fully understands these contradictions, current and potential, and the need to make every effort to counter them.

The meaning of the principle

The City of Johannesburg is saying that as a *matter of principle* it recognizes its development challenges cannot be met alone. The City is committed to finding 'innovative governance solutions' to the contradictions sketched above. And in broad terms, it is recognized that these solutions in essence entail working much more closely with citizens, communities, business, other spheres of government and other interested stakeholders.

"... The question is no longer whether a service should be delivered by a private or a public player. The question now is how the sectors, including non-profit groups, should be arrayed and managed to produce the best services. This is 'governance by network' ... This raises one of the central policy and management issues of our time: what kinds of systems, organizational structures and skills are needed to operate a government that increasingly orchestrates (rather than owns) resources?"

- First, the City is compelled to improve participatory governance (in addition to more effective constituency representation) not just because the Constitution and legislation says it must, but because participatory governance enables it to better understand the needs of residents, as well as convey to residents what it is possible and appropriate for them to expect. The meaningful involvement of communities in the affairs of government helps to prioritise its scarce resources, to structure and moderate demands, and to establish a transactional relationship with residents as customers, who may consequently be more willing to pay for services consumed;
- Second, to structure creative partnerships with business and civil society so that the energies and resources of these actors can be orchestrated to

increase development impact. This means finding new ways of working across the traditional public-private divide; and

- Third, in the interest of both increased development impact, and more balanced development across the entire urban region, the City is intent on exploring new ways of working across the boundaries – administrative and otherwise – that structure different parts of government and separate us from neighbouring municipalities. Conscious that it cannot promote and preserve its own development at the expense of adjoining urban areas, the City will work especially hard to realise the vision and ideals of an emerging Gauteng Global City Region. This does *not mean* working towards the merger of all municipalities in the province into one local authority structure. It means working closely with other municipalities responsible for their own structurally distinct, but functionally inter-connected, urban areas, for the mutual benefit of citizens, households, communities, business and other stakeholders across the city-region.