

DISCUSSION PAPER
(NOT TO BE QUOTED)

ECONOMIC RESTRUCTURING IN POST - APARTHEID SOUTH AFRICA:
The Role of Local Government Rural and Urban Development

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A. Policy Issues: Some Observations from Socialist and Non-Socialist Country Experience.

a. The rapid growth of black urban population in South Africa in conditions of great poverty can swiftly exhaust the capacities to meet the growing needs of the inhabitants. Urban life and, in particular, the maintenance of rising levels of urban productivity rely heavily on an interconnected set of efficiently provided services - power, transport, communications, water supply and sewerage, housing, health and education. They are not easily scaled up as swiftly as demand when cities grow rapidly, particularly given an inheritance of weak and/or inadequate financial and administrative management in many cities.

Yet, national economic development depends heavily, and increasingly on the continued growth of urban productivity. To ensure this, the cities must be made to work efficiently and to do so within the severe resource constraints that characterize low Income countries. However, enhancing the specialization of cities and rural districts raises some of the policy issues which are most difficult for governments to resolve. The consumption needs of a poor population are frequently in painful collision with what seems to make common sense in terms of the pursuit of production and it is no consolation to the hungry to be advised that the reward for present abstinence is to be fed some time in the remote future. There are other obstacles to sensible national spatial planning for where the factory is to be located is not merely a contribution to national output, it is also a source of work and incomes for one group of people rather than another and a source of political prestige for one official or deputy rather than another. Inevitably, real planning must be a continuous compromise rather than a unilateral rationality.

b) The spatial effects of macro economic policy are imperfectly understood. A whole range of publicly determined or influenced prices - exchange rates, tariffs, taxes, interest rates - influence the balance between urban and rural sectors, and between different settlements, but the magnitudes and final ramifications are unknown. Import substitution strategies of industrialisation have been criticised for stimulation excessive urbanization, for institutionalizing 'urban bias' but again, short of abandoning such policies altogether, it is unclear how far they can or should be varied for spatial ends. The grounds for determining these policy choices are held to be concerned with much more important issues than simply territorial distributions population redistribution then becomes no more than one incidental result.

Other priorities - on infrastructure provision, on credit targeting and local authority finance may likewise be decided on criteria which have little relationship to territorial distributions. Thus, inevitably city planning can play no more than a marginal role in determining the final territorial outcome.

* The enormous arsenal of spatial policies undertaken by the S.A. Government over the past 2 decades eg. industrial decentralisation, growth point programme, border industries incentives secondary town and Bantustans strategies needs to be critically assessed against the wealth of policy experience in these areas. Often these programmes amounted to essentially the State "bribing" the private sector to implement Grand Apartheid Schemes.

c) Underlying many of the more obvious problems of cities is the endemic and seemingly obstinate character of poverty. It is not a separate issue from that of productivity, since a rising urban contribution to national development is profoundly affected by the ramifications of very low incomes poor diets, poor health, poor housing, an inability to secure shelter or necessary services or contributes to adequate local authority provision etc. The standards of health of the young in urban slums are sometimes among the worst in the country, and thus predetermine in part the abilities of the future adults.

B. National Economic Policy Prerequisites for Local Govt. Restructuring

(a) decisive state intervention in the Economy is fundamental if the necessary restructuring of capital is to be undertaken.

(b) that this intervention should be undertaken within a coherent and planned framework aimed at strategic target areas eg capital market.

(c) that there would be an inflow of foreign capital aid as well as the possibility of substantial foreign 'venture capital' for investment.

(d) that Government's present inward industrialisation strategy be examined closely with a view of shifting the emphasis from deregulation and privatisation to state control at central regional and local levels as a mechanism of ~~se~~ achieving such a policy goal ie. expanding urban employment increasing incomes and consequently generating multiplier effects.

(f) that strategic intervention and planning be applied to both the private and public sectors with the aim of lowering costs of production specifically in the social consumption sectors. By allowing the market to cater for a large proportion of social consumption needs, eg housing, infrastructure education, health, such goods and

services would be put onto the market at affordable prices. By so doing the burden of provision would be shared by both the private sector and the State rather than by State alone. Market forces would thereby be regulated and restructured (viz. by planning in terms of strategic objectives of the State).

(g) that appropriate mechanisms of democratic decision making in the planning process be instituted at local and regional levels viz. that the planning process be decentralized as a matter of urgency allowing the community-based organisations effective decision making powers over the planning process.

(h) that at least in the transition period the Budgetary process is centralised while appropriate structures for participation in the planning process are in the place and allowed to be modified under operation - however appropriate safeguards are instituted to ensure that the budgetary process is in accordance and correlates with the planning process.

(Plans vs Budget problem)

C. Policy/Options

a) Urban and Rural Employment/Local Govt. Finance

the generating of urban and rural employment and raising incomes by a variety of options as possible, of decentralisation, devolution, cooperation, or partnership.

- widening the scope and resources of the State Development Bank.
- establishment of Municipal Banks/Funds N.B. Social Development Fund a'la Jan Steyn
- Establishment of licensing Agreements with Multinational Corporations in key social consumption related industries eg Construction, Building materials etc. to local govt. institutions rural and urban cooperatives, community based organisations etc. public community sector service provision
- joint ventures between local government and **private** sector in income generating projects-public-private sector partnerships.
- Intra-Government coordination for integrated service delivery for low income communities and upgrading of low income settlements.

b) Local Government Structure, Representation Organisation

- integration of CBO's in LG structure
- defining roles, responsibilities and capabilities of local government and NGO sectors

- decentralisation of planning and formulation of consultative and decision making mechanisms

c) Planning, Management, Training

- Physical form alternatives linked to democratisation process.
- reorientation of training for planning profession and management of urban and rural development.

The final section of this paper summarises the outcome of two major Workshops between the ANC and approximately forty representatives of CBO's (from Natal, E.Cape, W. Cape Border, OFS, Transvaal) over past eighteen months.

The workshop identified key problems associated with State Strategy and outlined an agenda for policy oriented research which is presently being undertaken.

CURRENT LOCAL GOVERNMENT ISSUES IN SOUTH AFRICA

THE CENTRALITY OF LOCAL GOVERNMENT WITHIN STATE STRATEGY IN SOUTH AFRICA

When P W Botha was elected in South Africa, his alliance rested with business and the military. The game plan of the Botha administration was that of meeting the "total onslaught" with the "total strategy". "Total strategy" involved four positions;

1) Urban reforms: The Riekert Commission recognised the permanence of blacks inside the cities while maintaining controls over non permanent migrants. This has become known as the "urban-insider /rural outsider" strategy. Apart from providing permanency rights other concessions on property, labour mobility and association were legalised.

2) Trade union reforms: The Wiehan report provided concessions to trade unions.

3) Constitutional Restructuring: Out of the President's Council reports was developed the notion of "consociationalism". This meant a "nation" of ethnic groups consisting of whites, indians and coloureds. It incorporated the principle of own and general affairs. While groups would have their own structures there would be joint decision making powers.

4) Regional development policy: This included decentralization and deconcentration policies.

As far as local government is concerned, the first elections for the black local authorities were held in late 1983. The idea of Community Councils was replaced with autonomous black local authorities. Africans were to be incorporated constitutionally through multiracial Regional Service Councils by which "downward incorporation" of Africans could occur.

Between 1984 and 1986 total strategy was made unworkable by the effects of rebellion. The state responded in two ways to the breakdown of their "total strategy". That is through 1) Political reform and 2) Security/technocratic methods. Both strategies recognise local government as the most important structuring can occur.

RESTRUCTURING THE NATURE OF POLITICS IN BLACK AREAS

The October municipal elections were about restructuring the nature of politics in black areas

They had two audiences. On the one hand, the establishment of greater legitimacy on the other to address the conservative onslaught. All parties claimed victory in the election. The various levels of local government and the role of finance were covered here.

JOINT MANAGEMENT CENTRES AND ORGANIZATIONAL RESPONSES

Joint Management Centres (JMC's) established in terms of the National Security Management System, have to a large extent taken control of black local government politics at an informal level. Their function is to have an "ear to the ground" to identify issues as organizations begin to mobilize around them. The JMC then acts to defuse the issue (for example unmade roads in an area) often through injection of funds to rectify the problem.

CURRENT LOCAL GOVERNMENT RESEARCH IN SOUTH AFRICA

The South African Delegates informally presented a synopsis of some of the research and policy work being conducted within South Africa. Requests from some participants for an explanation of the Urban Foundation led to the following synopsis being given by those who had been engaged in work for the Urban Foundation:

The Urban Foundation is presently engaged in the most comprehensive study of local government ever undertaken in the country. The Urban Foundation was established in 1976 with the intention of providing the services the state had failed to deliver. It soon became apparent however, that such service provision was, in reality a bottomless pit. In consequence it shifted its focus towards policy and attempting to lobby the state. It now comprise a policy wing and a number of utility companies which deliver housing.

The main focus of policy has been Group Areas and Influx control legislation. Since 1984 there has been a massive study on local government. The tendency has been to commission research A policy on squatting ti meant to have been developed in by next year.

In the past the tendency has been to attack the state. There is a new emphasis on attempting to obtaine reform within the state. The shift parallels the move from service provision to policy analysis.

The Urban Foundation also identified other areas for policy reforms: including the Black Community Development Act, finance loans and financial schemes existing for the upgrading of

of squatter areas. They see it as part of a comprehensive view of housing provision. There has also been an emphasis on education and the determination of education systems. They are now looking to change their profile and setting up small scale projects to facilitate discussion and negotiation.

Internationally the UF has a major campaign over sanctions, arguing that "lost capital" should be put into housing as a means of bringing in international capital.

1. WHAT ARE THE MAJOR AREAS WHICH NEED TO BE ADDRESSED BY A RESEARCH AND POLICY PROGRAMME

There were ten broad areas which the Local Government and Planning study commission would focus on. It should be noted that Local Government is not confined to urban and metropolitan areas. The areas suggested are:

(i) Legal and constitutional aspects of local government: the question of representation in local government?

The existing forms of representation in local government are quite complex and in order to develop a policy framework for a new form of local government, a wide variety of questions need to be researched. These include: What forms of local government representation exist at present? What other informal administrative forms exist at local government level? What forms of representation should we be striving for? What does this mean for a new constitution? What implications do the policies of decentralisation and devolution of powers (which the government is introducing) have for local government policy? What forms of local government do/should/could exist for rural areas? What about the tribal of participatory democracy should we be striving for? What international comparative work is applicable to the South African context? etc.

(ii) Local Government Finance : where do the resources come from and how are they disbursed?

The financing of local government affairs is not understood very well by organizations within the MDM. And yet in a post apartheid South Africa, it will be absolutely crucial that the people's demands will have to be matched to the financial planning mechanisms of that emergent society. We need therefore to know what are the existing channels for funding and what does presently exist in the way of financing? for local government? how do/should could services, housing and the like be financed? What are the implications of, for example a single-tax base for the development and financing of local government? What forms should subsidies take? What is the social impact of different forms of revenue collection and assessment (including the impact of privatization) etc?

(iii) The strategies and tactics of the state, capital and the MDM in terms of local government strategy: What are the balance of forces and how are they changing?

Part of the complexity of what happens at a local government level relates to the fact that a whole host of struggles operate at the local level. In the case of business, and particularly big business (including the Urban Foundation) and the state, we need

to know: What is their strategy towards the cities? What are the interests being represented here? How do we expect that strategy to unfold over time etc. In addition from the perspective of the Mass Democratic Movement we need to know What are the differing strategies and struggles emerging in different regions? What role do local level negotiations play in this process? What are the class and social characteristics of local government matters etc.

(iv) Privatization

The next area of increasing importance relates to trying to come to grips with the increasingly significant aspect of privatization. While it takes many forms we need to begin to understand: What is it? How does it impact on various sectors: housing, transport, local government etc? What are the various forms of privatization which have emerged and which have implications for local government issues? etc.

(v) Managing urban growth

The many possible areas of research on the post-apartheid urban form need to take into consideration the fact that segregation is indelibly imprinted onto the urban landscape of the metropolitan areas. What then are the present directions of urbanization and urban growth? What mechanisms are used to overcome the fragmentation of that apartheid city? How do we assess the present process emerging to restructure the city (for example the open city one city defiant city concepts)? How do we reorganise the city? What are the appropriate forms of local government and planning?

(iv) Local Government and Land Policy

Substantial pressures are presently being brought to bear on local government to ease the substantial demand for serviced urban land. However in developing a policy towards urban land we need to know: What land is available in our cities? What are the constraints hindering the development of that land? What would a redistributive policy look like to ensure that the land is returned to its rightful owners? How does the land market operate? What is the relationship between the commodified and the socialised land markets? What power is given to a landowning class?

(vii) The Development of an Alternative Housing Policy

Possibly the most complex area facing the Local Government and Planning study commission revolves around the development of alternative housing policy.

Important questions include: What do we mean by housing affordability and how do we achieve it? What forms of housing finance exist? What forms of upgrading must be undertaken? and finally how should houses be delivered.

(viii) The Provision of Services

At present there is a substantial shortage in the availability of qualified professionals to ensure that services are provided for everyone. The provision and upgrading of such services therefore becomes important: What financing procedures and revenue generation schemes exist or may be developed? How does marry the principle of affordability with that of limited resources to effect redistribution etc?

(ix) Planning

Planning is in many senses about the development of liveable cities decent houses and the like. It is important to recognise that the question of the democratization of planning is very important, particularly given that the planning profession is generally conservative. Besides the , what else needs to change about the way planning occurs? What also are the limitations to planning which will be experienced in a post liberation context etc?

(x) Personnel Requirements

Related particularly to the previous point is that the overall personnel breakdowns of the professional boddies of planning engineering and architecture need to be understood. What might be the limitations exisiting in an immediate post-liberation context? How does one overcome the bantu education system? How should/could the professional bodies be transformed? How does one train cadres in local government and planning issues? etc.

It should be noted that these areas of policy work and research provide a broad framework and were discussed at a meeting in Harare. They should not be seen as the only areas in which research and policy will be conducted. Rather, regions are specifically encouraged to identify additional areas and also to indicate which of these areas they would like to actively involve themselves in.

In overview it should be noted that the social impact of almost all of these areas should be part and parcel of the research and study programmes. The question of who benefits and who loses in different distributional systems must be introduced into the work that is done. And in all of the work programmes there should be a training component to ensure thats skills and resources are transfered to disadvantaged groups.

(a) The informalization of our society: here many projects examine aspects such as the informal sector informal settlements use of hostels by families etc

(b) The increasingly important role of privatization in our society: A number of researchers are beginning to document the way in which privatization has affected many areas of local government and planning.

(c) The effect of unemployment and job creation programmes: This includes the growing unemployment in our society and way in which this might be addressed (co-operatives, small scale job creation programmes etc)

(d) The electrification of townships and the consequences this has for communities. The fact that ESKOM is embarking on a drive to privatise electricity supplies has a variety of consequences for low-income communities

(iii) Policy Work

In some regions programmes have begun to develop policy options and approaches for example:

(a) Housing: Its affordability rent formulae, tenure systems co-operatives etc

(b) Urbanization: Its afford character and changing demands the effect of migration on urban form etc.

(c) Metropolitan Policy: The one-city single tax base negotiation strategies and recent attempts to develop planning strategies for metropolitan - wide areas such as for the Durban Functional Region provide examples.

(d) Regional Policy: Here increasing concern over the urban bias of policy approaches towards regions and which focus on addressing the needs of those people who are usually ignored because they are unorganised