PRESENTATION BY HELEN ZILLE EXECUTIVE MAYOR OF CAPE TOWN, SOUTH AFRICA

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"URBAN GOVERNANCE: LESSONS LEARNED AND CHALLENGES AHEAD" The UN Commission on Population and Development predicts rapid growth in the number of people living in cities between now and 2050

This transition has already occurred in South Africa: since the early 1990s more people have lived in cities than rural areas (differs between 9 provinces) Urbanisation presents an opportunity to reduce global poverty and pursue objectives of the UNCPD Programme of Action, and Millennium Development Goals

I agree with the thesis that urbanisation can reduce poverty and promote development under specific circumstances What are the circumstances under which urbanisation can enable people to improve their quality of life? What role does urban governance have in creating these circumstances? Cities in the modern world succeed to the extent that they link their population with the nation's economy and the nation's economy with the global economy

Both elements are essential. It is very difficult to promote sustainable improvements in quality of life for growing numbers of urbanising people without adapting to the realities of the global economy To make the most of the opportunities that urbanisation presents, city governments must relate to all their people. In particular, they must extend urban services and infrastructure to all in ways that retain, attract and grow capital and skills, and increase the opportunities available to all citizens

Where large-scale urbanisation of the poor takes place in the context of skills- and capital flight, the nett effect is stagnation and decline, and failure to meet the aspirations of the urbanising poor Skills and capital in a city are essential to improve the lives of the poor, not only through cross-subsidisation of services but through increased opportunities in all areas (from education to jobs)

In a globalised economy, skills and capital are highly mobile

Skills and capital seek opportunities and returns globally, avoid danger, violence, uncertainty and instability

If urbanisation happens in a context that increases these factors, capital and skills move away (and vice versa)

Capital and skills flight undermine the chances of the poor to access the national economy and of the nation's economy to access the global economy <u>Crime syndicates have also been very quick to</u> adapt to the reality of a globalised economy: the "narco- state syndrome" is entrenching itself at a significant scale in many developing cities including Cape Town The globalised narcotics economy is having a devastating impact in poor urbanising communities (worse than HIV/AIDS) with attendant problems such as escalating crime. 80% of crime in Cape Town is linked to substance abuse

After a decade of optimism and growth, many South African cities now face a new challenge compared to many competing international locations: perceptions of instability and uncertainty, growing urban poverty, increased crime, conflict, corruption;

Governments, especially local government, has a key role to play in halting and reversing this trend

But, neither the state nor the private sector can reverse this cycle on their own -- both have a role in the right mix

The challenge is to "right-size" the state to fulfill its functions, facilitate competitive market entry both by producers and consumers, and build partnerships with "civil society" This model has become known as the "developmental state" approach. It requires high skills levels in government, and dedicated co-operation with the private sector to fuel economic growth -- the single greatest priority

SA pays lip-service to the concept, but is actually a different kind of state: a regulatory state, redistributive state, selecting market winners, deploying cadres, benefiting the party and increasing corruption.

Is it possible for a city to prevent, (halt or reverse) decline by following policies and strategies conducive to retaining and attracting capital and skills -- the pre-requisite for policies that improve the services and opportunities available for growing numbers of the urban poor?

This is what Cape Town is trying to do

Cape Town Overview

- 3.3 million people. 2500 sq km. (SA Population + 48million; Province 4,5 million: over 80% urbanised in WC but ongoing from sub-continent)
- Fourfold growth since 1960, threefold since 1970. Main thrust after 1985: stop resisting urbanisation, prepare for it
- population still growing at 2.5% (80 000 people p/a). At least half through in-migration
- GDP US\$18-billion: tourism, construction, financial services, IT, film, BPO; industry, exports and agriculture
- CoCT: 22 000 staff, US\$3 bill budget, infrastructure under great strain
- Free basic services to the poor, financed by crosssubsidies

Cape Town Overview

Municipal government in SA has a clear constitutional mandate: to provide basic services:

- BASIC SERVICES: Electricity distribution, water and sewerage systems, storm water systems, solid waste, emergency services, servicing land for housing developments, primary health care and community clinics, urban planning, municipal transport planning and roads, traffic safety, by-law enforcement. etc
- Important to note: Local Government has no authority over education, health (except primary health) or the police and criminal justice system)
- We can only provide housing with the required "accreditation"

Urban infrastructure is basic 'machinery' of the city - Ash Amin

- in cities where this machinery fails, capital and skills go elsewhere – e.g. Rio De Janeiro and Nairobi in 1990s
- in Latin America each 1% growth in infrastructure stock has been accompanied by a percentage point increase in GDP per capita
- Cape Town's infrastructure under great strain. That is why our 5-year Integrated Development Plan has a central key focus:

"Infrastructure-led Economic Growth"

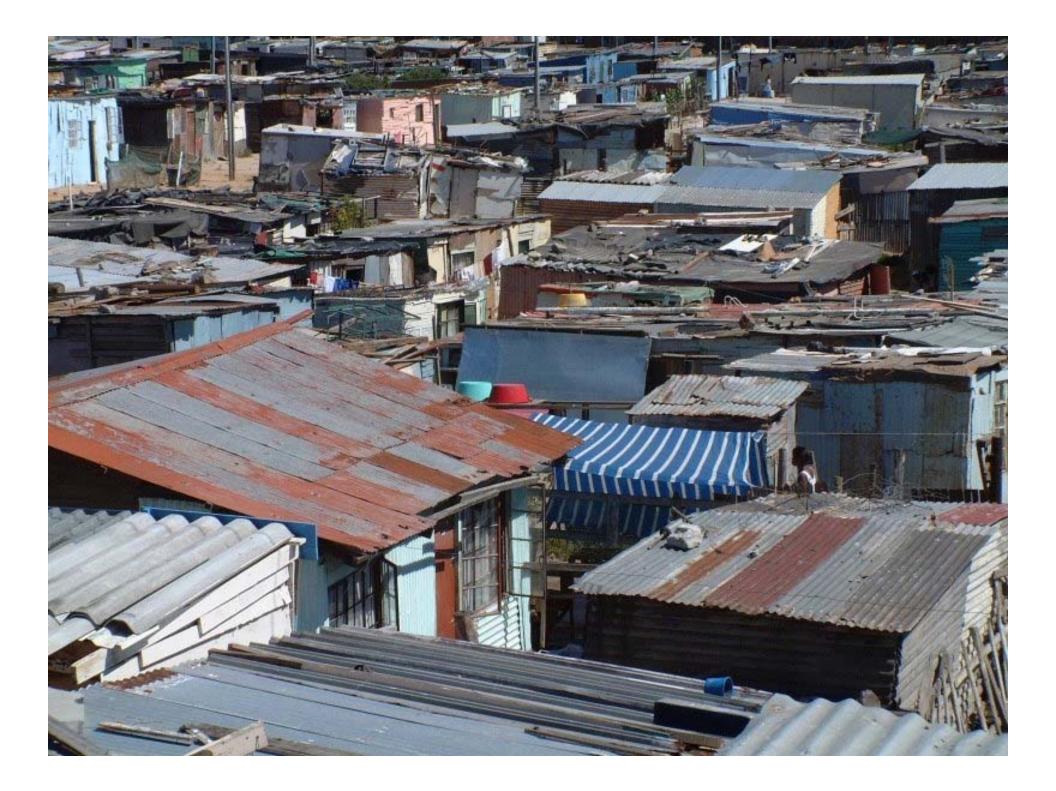
Cape Town has just been through a 10-year positive cycle where skills and capital chose to stay and invest

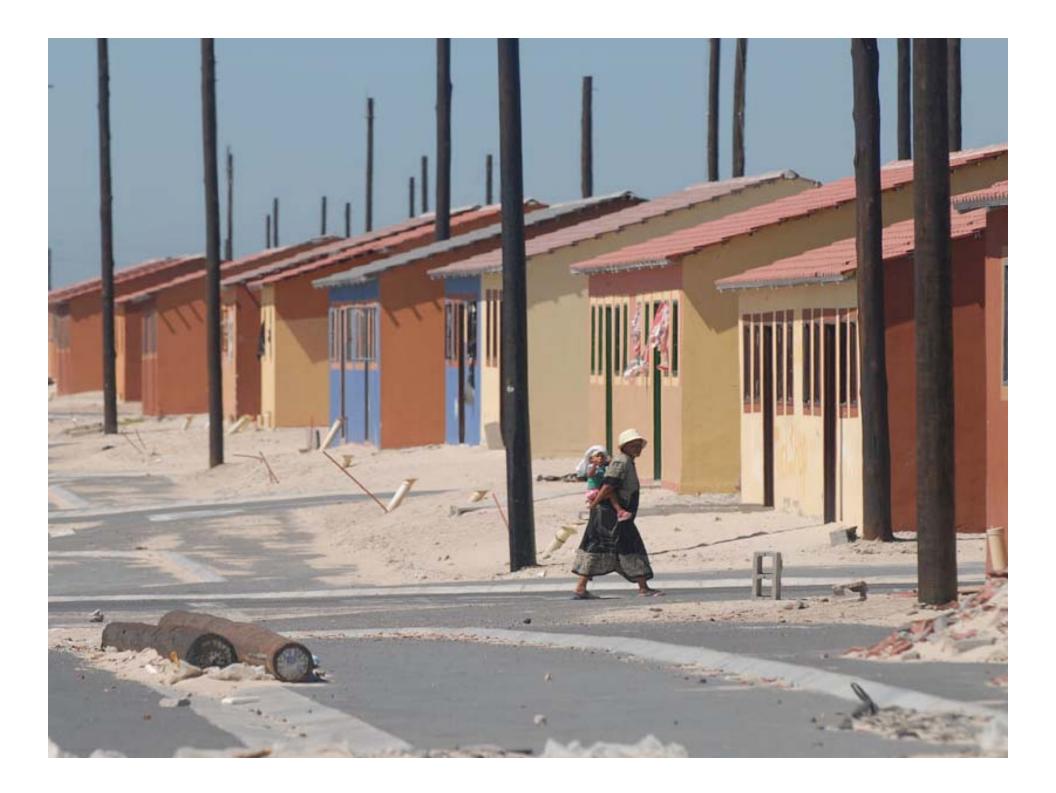
- Confidence in South Africa's macro-economic policies, financial management; resulting in investment, property and construction boom
- Academic institutions that "turn out the kind of skills the global contemporary knowledge economy demands" (both universities and top schools)
- Functional (private) health system
- Effective management of natural environment for tourism (rated No.1 city in Africa and Middle East by US Travel and Leisure Magazine, and No. 10 internationally)
- Significant growth of security industry.

Cape Town Challenges

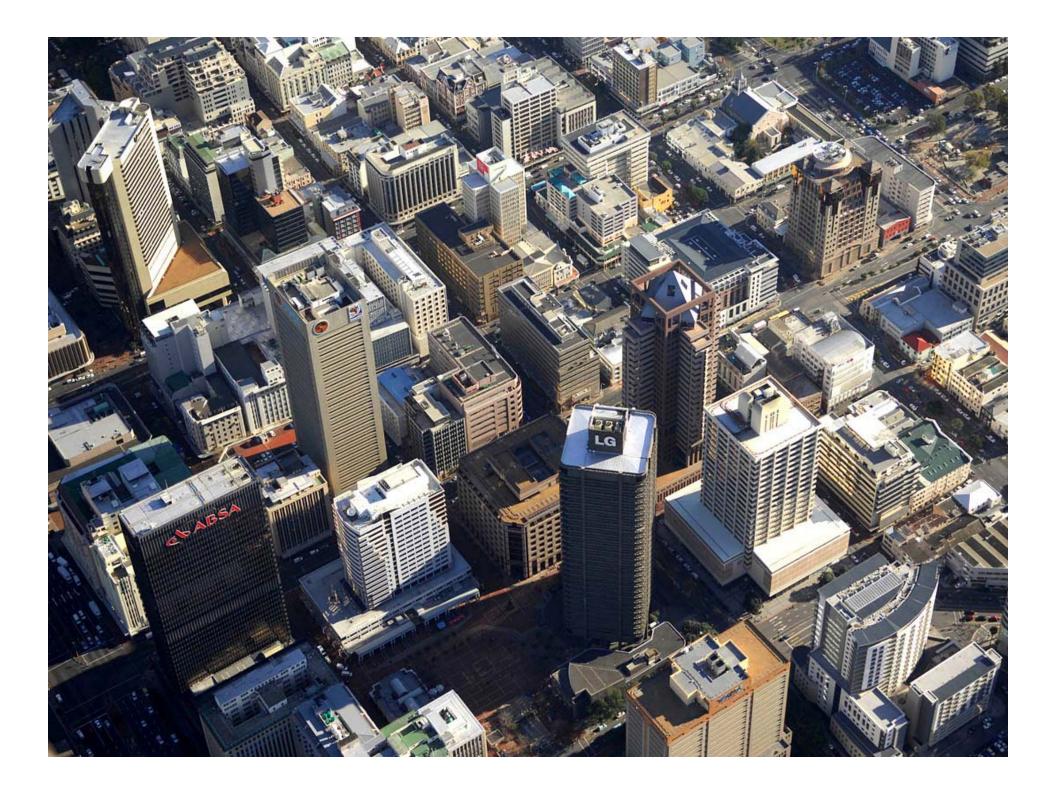
- Economic growth around 5% p/a for past decade
- Gini co-efficient of 0,6
- Growing political and economic refugee centre
- skills shortage biggest brake on growth. 1,5million citizens have not finished school.
- Escalating skills exodus
- 25% unemployment (broad definition)
- Waiting list of 460,000 people for formal houses
- 222 informal settlements around the city (150,000 shacks compared with 28,000 in 1994)
- Growing crime rate, (80% based on rocketing rate of substance abuse)

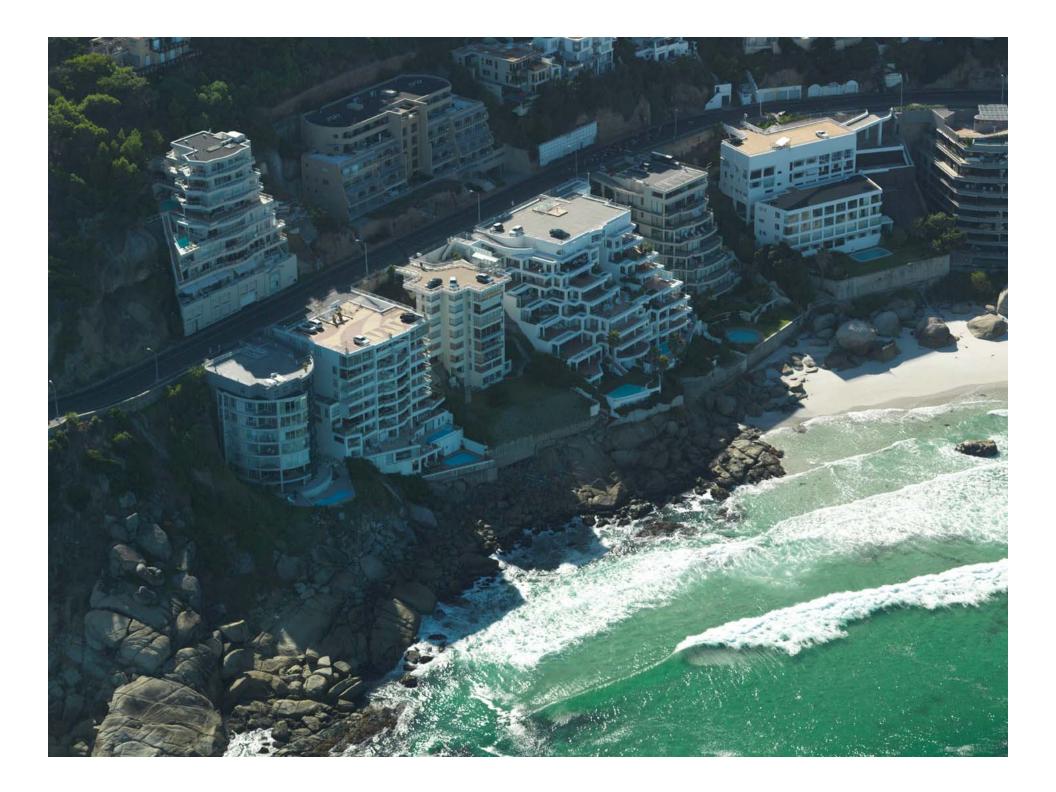


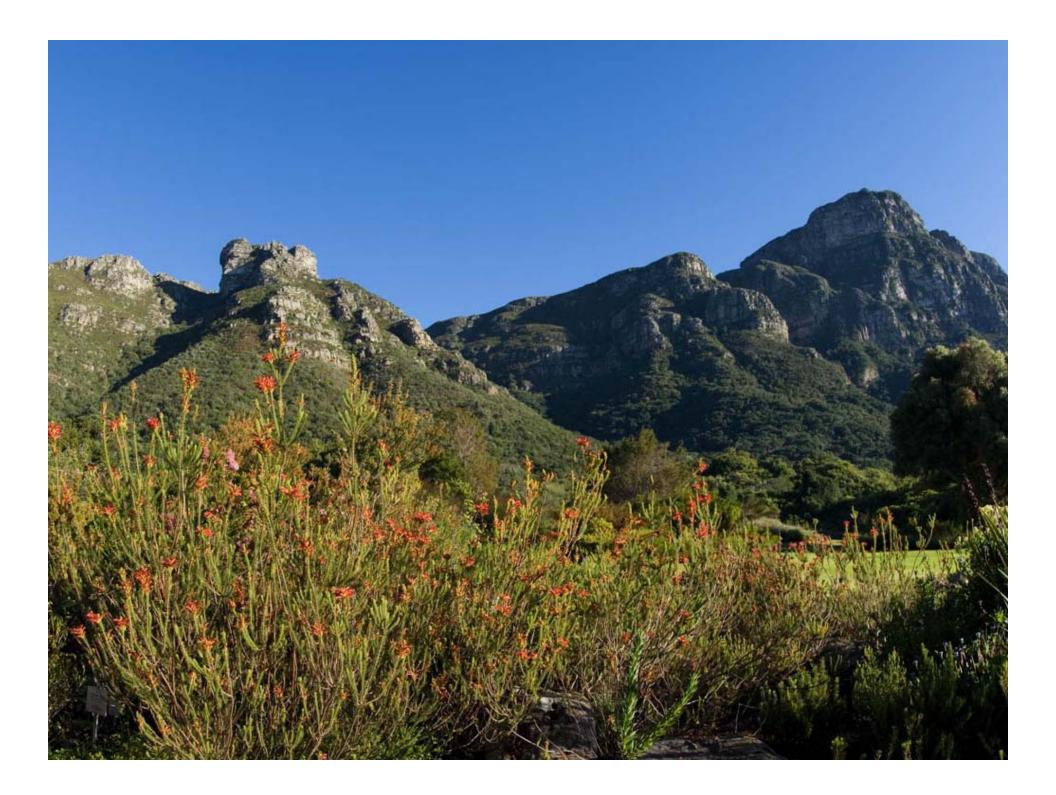












General failure by the state sector to optimally utilise the market's decade of relative optimism by preparing for sustained growth through infrastructure development Result - growing backlogs

Cities are not sufficiently empowered to address the situation: different spheres of government with overlapping mandates and complex intergovernmental legislation and regulations. Highly complex regulatory environment, red tape and political blockages.

We are trying within these constraints.

- Survey on inhibitors to investment and growth:
- Crime -- (public private partnerships)
- High telecommunications cost -- (wireless city)
- Poor public transport -- (bus rapid transit)
- Unreliable electricity -- (wind and solar energy initiatives and new nuclear capacity)
- Red tape for government services, planning approvals etc (red tape review and development facilitation unit)
- High tax rates (cross subsidies for the poor)
- Labour costs and regulatory environment (lobby national government)
- Skills shortages (lobby national government)

But enormous Constraints on local govt

- Inadequate/misdirected policy formulation based on incorrect assumptions about the state's resources, capacity and systems available to implement them. (Education/Housing)
- Goal displacement: constitutional service delivery mandate overtaken by political imperatives (skills stripping//cronyism//corruption and initiatives that detract from core purposes)
- Dramatic increase in regulatory environment (eg Housing Accreditation)

Growth of the "enclave state" phenomenon, where law abiding citizens and formal business face cumbersome restrictive regulations that are ignored by everyone else. (Martin Kearns)

Example: Housing Policy Implementation

- Not a local government mandate -- implemented with provincial authorisation and funds transfer per project. Extremely complex intergovernmental regulatory environment which takes at least 18 months to release land
- Skills stripping leads to managerial incapacity and decline in delivery
- Demand grows to 460,000 units between 1994 to 2006
- Major policy research and change during this period

Example: Housing Policy

- "Breaking New Ground" national housing policy -excellent multi-faceted theoretical approach but assumes state capacity and a streamlined regulatory environment: (unintended consequences)
- Premise that it is the state's duty to deliver choice: site-and-service, rental, social housing and "gap" -at scale to eradicate shacks by 2014
- Role of the market recognised

N2 Gateway national pilot project in Cape Town (accessed prime housing land for rental stock, moved shack dwellers in phases, huge subsidies on middle class housing; poor pushed to periphery; put into subsidised housing, major clashes over access, resistance to moving; housing delivery at a standstill, invasions intensify)

Example: Housing Policy

- What can the state manage? What is "rightsizing"? What king of partnership between state and private sector will work best?
- Subsidy transfers should focus on the very poor: in-situ upgrading and basic units
- Facilitating market entry far lower on income chain through discounted land: "gap housing"
- Encourage private rental market servicing the working poor
- Greenfields developments in parallel to "in-situ" upgrading rather than a substitute.

The same partnership model for other challenges

- City Partnership: improved safety in public places - 90% decrease in crime in the CBD
- In Cape Town \$4 billion in new developments in CBD area planned for next 3 to 5 years - two thirds private sector investment on back of public sector investments
- 9.5% growth in fixed investment over medium term
- developing 15 similar arrangements in commercial and industrial areas across whole metro region

Urban governance strategy to harness urbanisation as a force for poverty reduction

- Focus on core mandate: infrastructure led economic growth
- Extend that mandate where there is capacity
- Re-skill local government and build systems
- Develop and implement appropriate, contextualised policies
- Avoid politically driven goal-displacement. Separate the party and the state
- Define the right level of service -- what is the state's role and what is the market's role?
- Simplify the regulatory framework

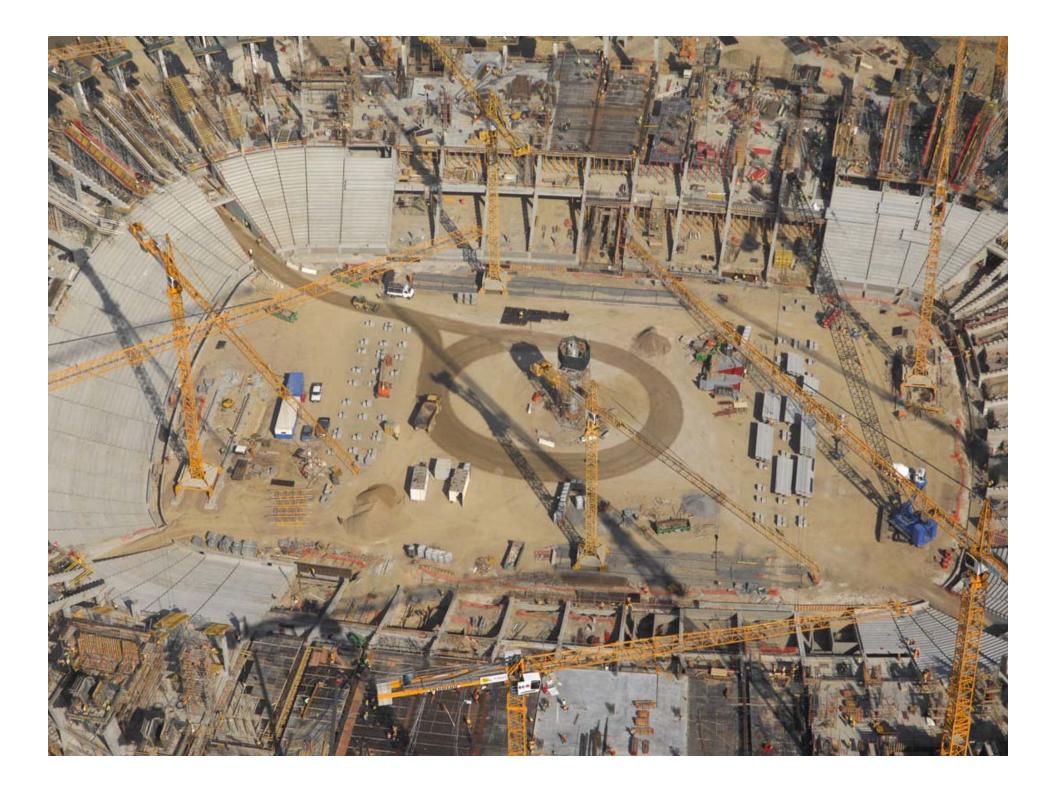
General urban governance strategy to harness urbanisation as a force for poverty reduction

- Right-size the state
- Open all systems to public scrutiny to ensure accountability and prevent corruption
- Encourage the development of competitive and efficient markets to provide services (eg refuse removal/recycling)
- Identify and remove constraints to private sector investment (eg electricity generation)
- Subsidies for service delivery to the poor and support to become economically active (land tenure, access to capital, infrastructure for informal trading markets etc)

Cape Town can establish this model but within constraints

- Powers of national and provincial government that can prevent us getting it right
- Constitutional limits on local government power
- Policy imposition (eg required to transfer our land) and skills shortages
- Refusal to extend local government mandate (eg housing accreditation)
- Deliberate frustration through highly regulated legal environment
- Single public service







It is nevertheless our duty to try. **Urbanisation is a given.** With the instability in our sub-continent, it will continue to grow. We will only catch up with past urbanisation and prepare for future urbanisation by focusing on our constitutional mandate and our plan to achieve "Infrastructure-led Economic Growth". That is the best we can do to give the poor access to the national economy and link the nation's economy with the global economy. That is the key job of the City in a developing country in a globalised world.

Thank You

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