

Session 2: Investments in township development and renewal: are they paying off?

Panel discussion:

Chair - Rob McGaffin, Urban LandMark

Panellists

- Francois Viruly, University of Cape Town
- Yondela Silimela, Public Investment Corporation
- David van Niekerk, National Treasury

Francois Viruly, University of Cape Town: The retail sector is entering townships across Africa, including South Africa, however developers do not invest in these regions by building offices. This is because national retailers are stable investors, e.g. during the economic downturn in 2007/2008 very few of them closed shop; therefore a retail investment for developers is fairly resistant to economic downturns. A shopping centre is largely about capturing as much value as possible. If a shop is built, the next shop also benefits. In a retail environment the doors are closed around the shops, and therefore value is kept in the same space. How could South Africa go forward in the townships and other small areas in a manner that can broaden the value capture beyond the shopping centre? Does this require master plans?

Yondela Silimela, Public Investment Corporation: From an investor's point of view, the answer to that question is yes. The Public Investment Corporation manages 26 shopping centres in townships and rural areas, with a total value of about ZAR5 billion, a portfolio that started in 2001 and has consistently performed well. The logic is the same, whether in townships or towns - investors are only interested in making money, therefore every development has to ask the question, 'Can it make money?' Places that can support retail require clear terms with the State and a level of predictability around services. The markets have always existed; perhaps it is the investors that have only recently realised it. Soweto is often referred to as an emerging economy, but where is it emerging to? There is a knock-on effect of demystifying these areas as economies.

The Public Investment Corporation invests government employee pension funds; PIC is 'an investor with a conscience'. The private sector has to be profitable, but there can be negative consequences from development processes that need to be mediated and checked by government.

David van Niekerk, National Treasury: Every rand invested in a township will have impact of some form, but what is the long-term impact of investments? And is there value to be found in the processes currently being employed? The National Treasury's Neighbourhood Development Partnership (NDP) programme has two different types of grants – planning, and capital. The planning grant was introduced five years ago, is area-based and intended to be used over a long term. In terms of the impact of this grant, there is a lot of work that needs to be done. The fundamental problem in government, not only in terms of township investment and the built environment, is that South Africa has a strategy gap - it has policies that were developed 20 years ago that have all the good ingredients, but has problems when it goes to budget and implementation.

One reality check South Africa needs to understand is that townships and informal settlements are here to stay and there is a huge trend among practitioners to make everything as complex as possible, when it needs to be as simple as possible, through understanding the root causes of the

problems. For example, South Africa's government is pushing a job creation and economic development agenda, so everything should be aimed at exactly that, and focussed on simplification.

Currently there is a lot of discussion about public/private partnerships, and it is time to act on these discussions. NDP is starting to create partnerships with players responsible for infrastructure. What is needed is an approach that considers the full life cycle for township investment. As development takes place, management functions need to be considered and planned for to complete the full life cycle. A starting point is potentially to identify space and the best areas as neighbourhood hubs, and to connect these with the rest of the city fabric. There is a lot of effort and funding going into initiatives, but the sustainability of these initiatives is a concern. In 18 months, National Treasury has had five municipal managers, four CFOs and no NDP coordinators - as soon as capacity is built, a vacancy opens up. How can there be a capacity-building programme for 300 municipalities across the country?

Rob McGaffin, Urban LandMark: The panellists answered 'yes' to the question posed for the session, but the 'yes' had conditions attached. South Africa needs to focus more broadly - broader returns to society, business, state, etc. The question was opened up to the floor, requesting questions to keep in mind the broader terms. Questions and comments were also asked to respond to what seemed to be a contradiction. While there was a theme of normalising places, there was also a negative response to outside influences, such as township retail centres.

Open discussion:

The panel was followed by a discussion involving all delegates who asked questions of the panellists:

Jean du Plessis, UN Habitat: South Africa was not addressing the question around de-densification, nor were there any plans to resolve it. This conference hosted presentations on the theme of transport and distance from work, but found that if work were not being created in the right areas the poor would still be travelling. In Nairobi, since June, Jean has witnessed spontaneous uncontrolled densification along transport routes. The following questions were asked: how big will Johannesburg become before spontaneous controlled densification begins, to allow people to move closer to work areas? If South Africa is only building shopping malls, there is a serious problem; the city will just get bigger.

Denise, Media 24, Penguin Publishing: There is seen to be little development of offices and industrial spaces, but an increase in social grants that are intended to improve the lives of recipients, not to encourage retail therapy. Social grants are driving retail growth but Denise questioned how sustainable it is.

Marcel Zimmerman, Zimmerman Consultants: Marcel believes that the person that controls land, controls development. All big and successful developments have massive land holdings, part of the strategy should be to include the public sector buying land and therefore directing the goals. In addition, neighbourhood hubs should be mixed-use developments, not solely housing.

Nigel Tapela, Cape Peninsula University of Technology: There are many discourses around analysing the problem, e.g. what captures value and for what. One study of value capturing should be to find out how to create instruments that capture value. Townships are concentrations of poverty, the outside maps show townships, medium towns, and rural towns. These are dormitory towns - many

were created as places to service the labour market. What can be done to intervene in those areas, what strategy can be used to transform them from dormitory towns to productive ones? In addition, markets are sometimes unforgiving, and sometimes they are adaptive, how could the State negotiate this issue?

Francois Viruly, University of Cape Town: The way people think about the built environment is important, it is seen as an outcome of economic growth, e.g. retail, how do people think about the type of space provided? Ask whether that space creates opportunities for small players. Shopping centres are a sign of densification – they bring people into one spot. The moment this happens it also brings opportunities for smaller players. But the question is posed, at what point does planning begin? Planners like to think planning is done first, but in South Africa there seems to be a situation of settlement first, followed by building, and finally planning.

Does it make sense to live in a slum and use the money one would have spent on rent to put one's children in a better school? Or *vice versa*? Who decides how cash should be used? Where are the growth towns? Some research completed in small towns in South Africa could not figure out the economic base. A lot of retail is underpinned by the social grants, which create stability due to the fact that if the economy goes down, social grants carry on.

Yondela Silimela, Public Investment Corporation: Signals that regulators have sent to the market in townships and rural areas are that money can be made if shopping centres are built. But the problem is that money does not stay in the area. Perhaps there will be a return to the old SDPs? It's a consumption-based activity, not productivity based. Money is still made elsewhere, so it is better to create more production opportunities.

Addressing the question about value capture and responding to David's comment about simplicity. Some immediate things that could be done include making developers create informal trading or taxi ranks. Municipalities are saying developers won't agree, but it should be a requirement for development dictated by municipalities. The investor, not the State, should carry negative parts of investments.

Markets are very fragile. Perhaps an issue is that the State is unable to understand and work with them. It's not illegal to make money, it's necessary, but negotiation should be about not making money at the expense of the broader public; this is where state needs to get involved.

David van Niekerk, National Treasury: The root cause is specifically around the spatial form of our cities and towns, and around access to opportunities, and the efficiency of how they work to develop economic growth and development. Nodes are created in cities; in townships the NDP is looking at a draft form of creating 'secondary town centres'. David provided an explanation:

Primary network: Identify established nodes, then identify one potential town centre for each township cluster, then connect these regional nodes with BRT systems.

Secondary networks: A neighbourhood hub would become a 'town centre', with a secondary transport system linking neighbourhoods within the township. This hub then connects to the primary network.

This neighbourhood hub would be mixed use and the most accessible place; some townships may have two hubs. Current and future places where people converge are identified, and this establishes a hub. NDP is currently designing a model of what this neighbourhood could look like, referencing traditional African and international precedents. There would be mixed use of recreational facilities. Offices such as call centres are created, followed by more office development. The main principle is that these are places for high density and high investment that are very visible and well connected. These spaces require entities that manage these precincts, to be created over time. If strong urban structure is created at city level, and secondly at township level, there should be catalytic effects.

Rob McGaffin, Urban LandMark: Rob felt that the question of the definition of emerging economies was not addressed in the discussions up to this point. Semantics such as 'global north' and 'global south' are useful terms but also problematic, e.g. is Greece now 'global north' or 'global south'? Many areas are set up without economic logic, therefore the question should be 'how can economic investment be attracted to a place without economic logic?'