

The Big Cities Series

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POLICY IN THE MAKING

**DURBAN –
SOUTH AFRICA'S
GLOBAL
COMPETITOR?**



4

OCTOBER 1996

THE **C**ENTRE FOR **D**EVELOPMENT AND **E**NTERPRISE

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POLICY IN THE MAKING

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***CDE Research* no 4, October 1996: *Durban – South Africa's global competitor?* The Big Cities series.**

Produced by Hot Metal (011) 646-8336

Published by the Centre for Development and Enterprise
P O Box 1936, Johannesburg 2000, South Africa

ISSN 1027-1406

CDE acknowledges the financial support of the Urban Foundation in completing this work.

The Big Cities Series

Over the past two years, the Centre for Development and Enterprise has conducted a major study of South Africa's largest cities. This project has been guided by certain core ideas. The first is that South Africa's future will be determined in its large cities, and that developments in them are thus very important for the country as a whole. The second is that the country's leaders and policy-makers do not know enough about the economic, developmental and other dynamics in these cities, and that they need to pay far more attention to the large cities than they have until now. The third is that the abolition of apartheid has cleared the way for a much more intensive focus on cities as arenas of economic growth than ever before. By developing strategies to become more competitive in the global and regional economies, South Africa's cities will more readily discover the means to cope with racial reconciliation and reconstruction.

CDE's Big Cities Series consists of six executive reports. The first report explores the implications of an increasingly integrated and global world economy for South Africa's major cities. This is followed by detailed case studies of four of the country's major metropolitan areas: Durban, the East Rand, Pretoria and Johannesburg. The final report spells out a practical strategy and national policy framework for South Africa's large cities and metropolitan regions.

This second report – *Durban – South Africa's global competitor*² – positions the Durban developmental challenge in a national and international context, and points to the central issues that decision-makers ought to consider if they wish to make Durban a successful city in national and world terms. Through a combination of historical and geographical luck, political pragmatism and the tight focus of local business leaders, Durban is probably South Africa's most promising global competitor. The report highlights why we come to this conclusion, and what is required to turn this surprising potential into results.

Cities are the new arenas for economic activity and competition. This has enormous implications for their governance and management. South African cities now need to view their priorities through an economic lens. Globalisation holds enormous new opportunities as well as dangers for our major cities. ***No city can afford to rest on its laurels. No city can assume that the future will be like the past.***



DURBAN –

South Africa's global competitor?

THE CHALLENGE

As one approaches Durban's CBD, a prominent neon sign exhorts passers-by to join the fight against crime. It pleads: 'Don't stop the miracle!' In fact, Durban's crime rate is significantly lower than that of Johannesburg or possibly even Cape Town (although it is true that the CBD is slipping), and the 'miracle' of course, refers to Durban and South Africa's remarkable political transition which everyone hopes will be translated into broader material successes for ordinary citizens. Yet this will be no easy task, especially in the context of global competition for investment.

Which factors will determine whether greater Durban will rise to the developmental challenges facing it in the late 1990s? In June 1996, Durban residents elected their first democratic metropolitan government and local governments. These authorities will manage budgets totalling nearly R6 billion a year – amounting to the second largest metropolitan budget in South Africa, and larger than the national budget of Namibia. How this money is used, how these authorities will exercise their significant regulatory powers, and how the very considerable fixed assets of the city will be managed are matters of vital concern to the country, KwaZulu Natal province, and the citizens of Durban.

While local and metropolitan government will not alone determine the broader pattern of growth and development in Durban in the decades ahead, their attitudes towards private investment will certainly play a critical role in shaping the city's economic future. This is because most of the investment that will fuel growth in Durban comes from the private sector, and business will only invest where this is worthwhile.

National viewpoints have already emerged on how best to approach the challenges of urban development, and the relationships between public and private investment in cities.¹ Provincial positions are also emerging, inter alia from the KwaZulu Natal ministries of local government and housing, and economic affairs and tourism. At the metropolitan level, the urban strategy division of the Durban Metropolitan Council will soon release a green paper on local development priorities.

All these emerging positions will, no doubt, influence the options local governments, metropolitan government and the private sector will ultimately exercise. They reflect certain positions on how cities should be managed, what types

of investments should be made, by whom, and why.

This issue of *CDE Research* seeks to contribute to this debate. It differs from other contributions in that it is based on independent research conducted by experts on urban development in general and the Durban region in particular. It positions the Durban development challenge in a national and international context, and points to the central issues that decision-makers ought to consider if they wish to make Durban a successful city in national and world terms. These decision-makers will not only be drawn from the ranks of local and metropolitan government. As is evident from this report, private investors, local leaders and many others will also be key players in the very serious business of determining Durban's future. This document, then, is CDE's initial contribution to this historic challenge.

The central message of this report is threefold: first, metropolitan Durban will have to fashion a finely crafted balance between the need to improve the quality of life of most of its citizens, and the need to attract new investment to the city in a context of national and world-wide competition for private investment. Second, Durban should exploit its competitive advantages by means of a programme for economic growth based on 'focused excellence'. And third, creative and decisive leadership will be required if Durban is to attract private investment in the face of national and global competition.

Cities and the global economy²

Under apartheid, South Africa was cut off from many international economic forces and trends. Our newly democratic society is thus a latecomer to many of the dynamics that characterise economic and urban development at the end of the 20th century. But there are some advantages to 'coming late' as we can learn from the experience of other countries.

Economic globalisation can be described in a number of ways. At the most basic level, it refers to the expansion of the market economy over the past two decades, through events such as the rise of the South East Asian economies, the fall of communism in eastern Europe and the former Soviet Union and the emergence of market economies there, and the resurgence of some Latin American economies, notably those of Chile, Argentina and Brazil. More than ever before, there is a growing international integration of markets for goods, services and capital.

Globalisation involves a number of discrete but interrelated economic processes. Despite a long history of international flows of capital, labour, goods and services, a true global economy only began to emerge in the 1960s and 1970s. The difference lay in the intensity of such flows. Since the mid-1970s, world merchandise exports have doubled as a proportion of world output, from 10 to 20 per cent. Associated with this is an enormous expansion in foreign direct investment (FDI). Total FDI in the newly opened economies of Latin America, for example, rose from US\$6.1 billion in 1984-7 to \$10 billion in 1988-9, \$14 billion in 1991, and \$16 billion in 1992.³ FDI has not been confined to routine production facilities alone: increasingly it involves research and development facilities as well, which means that innovation is also being globalised.

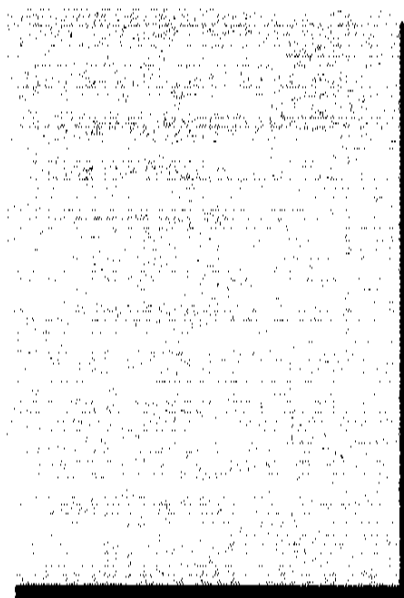
Financial markets and instruments have also been increasingly deregulated and denationalised. Capital now flows freely across national borders, joined increasingly by people, as both individuals and groups migrate between countries on an unprecedented scale. Finally, the formation of a global consumer culture is also a recent and accelerating process. One of the crucial aspects of this is the explosion in tourism in past decades.

Thus it can be said that a new era of global, knowledge intensive, technologically sophisticated capitalism has emerged. This takes the form of an increasingly integrated international economic system, in which multinational corporations often operate through information, production and marketing networks spanning numerous countries.

Globalisation has profound implications for countries. It creates important new opportunities: bigger markets, an expanding array of tradables, larger private capital inflows, and improved access to technology. These opportunities are accompanied by tough new challenges of economic management: if countries wish to integrate with the world economy, they need to adopt and maintain a liberal trade and investment regime. More and more, policy-makers are confronted by a new, stringent form of discipline: the need to maintain the confidence of markets, both domestic and, increasingly, international.

All this has enormous implications for cities. Globalisation poses real threats to 'business as usual' for countries and cities all over the world - while simultaneously creating exciting new opportunities for growth and prosperity. As the *Economist* saw it in 1995:

'The liberalisation of world trade and the influence of regional trading groups such as NAFTA and the EU will not



only reduce the powers of national government, but also increase those of cities. This is because an open trading system will have the effect of making national economies converge, thus evening out the competitive advantages of countries while leaving those of cities largely untouched. So, in future, the arenas in which companies will compete may be cities rather than countries.⁴

Looking closely at the redefined economic role of cities in the new global economy, it can be argued that:

- cities should no longer be seen just as places where people live and governments provide services, but rather as dynamic arenas for economic, social and cultural development;
- with greater mobility for people and economic activities both within and between countries, cities are increasingly competing with one another;
- the roles of cities are therefore being defined in terms of the roles of other, similar cities within the 'borderless' global economy, rather than as local economies within a closed national economy;
- cities act as barometers of pressures in the wider global economy. As a city becomes integrated with the global economy, it is disciplined by the growing strength of external markets, and by the activities of other competing cities;
- cities in the global economy must link flows of products, people, information and finance between often distant sources and destinations. Managing these flows as well as retaining fixed sources of production has become the essence of the city's economic function.

The new global economy holds dangers as well as opportunities for cities. Technological change and telecommunications developments mean that elements of the manufacturing and production process can be split up between different locations. Thus SwissAir's head office can move all its back-up systems and data processing to India. The reasons for particular industries locating in particular places have changed. For example, Johannesburg's CBD was once the only and obvious location for high-level professional and financial services. This is no longer the case, and the effects are reflected in the inner city's decline. *No city can afford to rest on its laurels. No city should assume that the future will be like the past.*

Cities are the new arenas for global economic activity and competition. This has enormous implications for how those cities are managed and governed. South African cities now need to view their priorities through an economic lens. By developing strategies to become more competitive in

the global economy, South African cities will also discover the means to cope with their developmental challenges.

It should be emphasised that we do not foresee a destructive form of inter-urban competition within South Africa being encouraged by this type of strategy. Outward-looking competition based on each city's comparative advantages can only strengthen the country as a whole. All this means is that the best should be made of the country's urban resources, within the framework of globalisation.

DURBAN IN AN INTERNATIONAL CONTEXT

South Africans have become accustomed to thinking of themselves as being in competition with each other rather than with a range of world players. Yet, as a previous issue in this series has shown,⁵ while South Africans were turned inwards during the 1980s and 1990s, the outside world was changing rapidly (*see box on thinkers, makers and traders, below*).

An era of globalisation has dawned in which urban localities are competing with each other for investment on a world stage. Therefore, the issue now is not how Durban compares as a place to do business with Cape Town or Johannesburg, but rather with Sydney, Singapore, Mumbai, Rio, Bogota, or even Port Louis.

The key concept in this pattern of global competition is that of local advantage. It is senseless to try doing what other cities do more efficiently and more cheaply. Rather, being competitive depends on making the best of one's own unique

Thinkers, makers and traders

Many cities have emphasised one core capability as a way of accessing global markets. Harvard Business School analyst Rosabeth Moss Kanter has identified three ways in which cities link into the global economy: as thinkers, makers or traders. **Thinkers** gain their competitive edge from continuous innovation, focusing specifically on exporting knowledge and knowledge-based products. Boston is a classic example of a city which specialises in creating new ideas and technologies. **Makers** have superior production skills and infrastructures which support high-value, cost-effective manufacturing. The Spartanburg/Greenville region in South Carolina is a good example of world-class makers. **Traders** specialise in connections, and thus transport goods and services across all types of borders. Miami is quintessentially a trader city. Ideally, cities need to develop capabilities in all three dimensions.⁶

Durban as a world 'hub port'

A recent Integrated Environmental Management (IEM) study of the port of Durban has highlighted the critical choices now facing it and the city. On the one hand, Durban is the leading container-handling port in the country (it handles more containers than all the other ports combined).

On the other, it is struggling to accommodate existing and projected demand for container throughput, given limited wharf and stacking space and existing loading machinery. Portnet's plans to develop a major new container-handling terminal has provoked a major public debate in Durban on future priorities for Durban bay, and Portnet therefore commissioned an extensive IEM study to investigate the development options available.

At issue was whether Durban should try to maximise its container handling facilities so as to become a world 'hub port', or whether such a venture would have negative environmental consequences for the bay, which should rather be viewed as a tourism asset with limited, if any, expansion of container handling facilities.

The IEM study revealed that, at least in the short term, there were various options for significantly expanding container handling facilities that would not extract undue environmental costs, and which would not noticeably damage the bay as a resource for tourism and recreation. However, city and port authorities will need to agree on what their longer-term priorities for the bay are.

If this is to turn Durban into a world-class 'hub port', against competition from other Indian Ocean ports, it will probably be necessary to sacrifice at least some of the environmental and recreational features that currently limit options for expanding container handling facilities. Moreover, if the authorities avoid making a decision on the role of the bay in Durban's economy over the next few years, this could be seen as irresponsible. Such a choice will not be easy, but if it is avoided, the bay will probably become neither a significant tourism asset nor an internationally competitive hub port.

Rather, what will emerge is a sub-optimal mix determined by short-term responses to pressure. If a mediocre compromise is to be avoided, a bold and creative vision of what local leaders expect the city to become will have to be linked to a vision of the port's future.

advantages, whether that be a particular mix of skills, a cluster of industrial experience, a natural attribute (such as a port or set of tourist attractions), etc. In short, South African cities must play to their strengths, while trying to ensure that the mix of strengths they offer cannot be emulated more cheaply elsewhere.

If they fail to do so, they will not attract as much private investment as they could otherwise. As a result, employment and income levels will also be diminished.

When Durban is viewed in these terms, it emerges with two obvious pluses. First, it has the best port in Africa, and is highly competitive in broader Indian Ocean terms (*however, see box on Durban as a hub port, page 5*). Second, Durban's climate is suited to year-round tourism and recreation. Besides tourists, it is also a drawcard for South African and international companies – i.e. it offers a quality of life which

is not easily available elsewhere (*see box below on turning sports events into local investment assets*).

Durban has other, less unique advantages, for example in the industrial sphere. However, these should rather be viewed in a national rather than an international context. This is because the industrial and commercial economy is largely a product of branch investment by South African firms (*see later*).

Whether Durban's industry and commerce can break free of this national dependence and become more internationally oriented remains to be seen.

However, the economic unit of the Durban City Council was probably correct when it asserted, in 1995, that local industry would increasingly need to co-operate not only with southern African countries but with Pacific Rim and Indian Ocean countries as well.

Turning sporting events into economic assets

Two examples illustrate how entrepreneurial approaches to sport and recreation can help boost investment.

The first is the Ocean Action series on the Durban beachfront, led by the Gunston 500 surfing competition. With very modest support from the local authorities, three local beach/surfing personalities have put together a series of beach events, held in July each year, which have captured the imagination of the entire surfing world. The trio has pursued the programme as a business venture, but the broader benefits to Durban far exceed the profits they might make.

Durban's beachfront has suffered an image problem in recent years. However, through an innovative blend of private sponsorships related to advertising, selling beach kiosk space to local small businesses and staging a variety of outdoor events, Ocean Action has become a major tourist drawcard. Research shows that in just 10 days in 1995, the programme brought in at least R34 million in additional tourism revenue. This translates into some 650 permanent jobs, and is more than 100 times

the amount the council provides as a subsidy. Additional free benefits include a highly rated entertainment service to thousands of Durban residents, as well as international television exposure of Durban as a 'fun' city (to buy this exposure would cost tens of millions of rands). And in 1996 the programme was significantly more successful than in 1995.

While the success of the beach and surfing events derive from special natural assets, the case of Natal rugby shows how an entrepreneurial approach towards sport and recreation can succeed even where local cultural and environmental circumstances are not ideal. KwaZulu Natal hardly has the best climate and cultural/demographic mix to be a major rugby centre. The game has historically flourished in the former Free State and Northern Transvaal, which combine a more bracing climate, a commitment to training, and strong community support. Yet Durban is now home to a provincial rugby team which for several years has led the country in terms of competitive success as well as home ground atten-

dance figures. What is less well known is how this success was achieved, and how it interacts with Durban's appeal as a place in which to do business.

The force behind Natal rugby is a small group of people (mostly former players) who have turned the Natal Rugby Union into an innovative, formidable corporation providing popular entertainment. Good players were imported from other provinces, and combined with talented local players to forge a winning team. The spectacle of a winning Natal team has proved so attractive to local businessmen that no corporation wishing to please its clients can do without a private box at the stadium. This patronage, in turn, boosts the Natal Rugby Union.

At the same time, the successful local team helps to build pride and confidence in the local business community, for which rugby is the leading spectator sport. It also helps to boost Natal's and Durban's image throughout the country as a place worthy of envy – and therefore worthy of investment.

DURBAN IN A NATIONAL CONTEXT

Understanding Durban in a national context is useful for assessing its comparative and competitive advantages. Greater Durban is South Africa's second largest metropolitan complex, with a 1995 population of 3.2 million projected to reach 4.8 million by the year 2011. During the 1970s and early 1980s Durban was often thought to be the fastest growing centre in the country. This assessment was based mainly on the rapid proliferation of shack settlements on its periphery. In retrospect, Durban's rate of population growth was overestimated. Nonetheless, it remains one of the fastest growing urban centres in the country, and its projected population growth rate is the highest among South Africa's top five metropolitan areas.⁷

Outsiders often view Durban as the most 'African' of all the metropolitan areas. This is possibly partly because of its subtropical ecological regime, and partly because of its close proximity to rural areas in which African traditions persist – but most obviously because of its metropolitan population composition (*see table 1*). The ratio of blacks (Africans) to whites in the Durban metropolitan area (6.6:1), for example, is far more than twice that of Johannesburg/East Rand (2.5:1), and almost six times that of greater Cape Town (1.2:1).⁸

Durban's supposed cultural uniqueness does not end there. Its sub-populations are also distinctive: it is home to

most of the country's people of Asian extraction, and the whites are disproportionately English-speaking. (In 1995 there were 600 900 South Africans of Asian extraction in Durban, and 336 800 whites.) Durbanites tend to be united by a strong sense of regional identity, but there are also sharp, and sometimes violently expressed, political differences on the periphery of the city.

Developmentally, Durban faces some daunting challenges. These are partly similar to those facing the rest of metropolitan South Africa, but in some respects they are more trenchant. With about half its people (ie about 1.6 million) living in informal settlements, the ratio of unserviced shacks to formally serviced areas is the worst of any of the larger metropolitan areas (*see table 2*). Unemployment and poverty are as bad as anywhere else in metropolitan South Africa, and the crime rate is also high (though not as high as in Johannesburg and possibly Cape Town). The prospects for civil strife linked to party-political conflict are often seen as a lurking (if currently muted) negative social factor, but this does not appear to significantly inhibit investor confidence.

Indeed, Durban has a surprisingly complex and buoyant economy. It has recently overtaken the East Rand as the centre with the most industrial jobs, and prime industrial land in Durban is the most expensive in South Africa.¹¹ Durban's port continues to expand its lead over other South African ports in terms of volumes of cargo handled, despite measures by Spoornet to equalise the costs of overland transport to Gauteng from Cape Town,¹² for example. While Durban does not

Table 1: Population composition of three major metropolitan centres (1995)⁹

	Blacks	Whites	Asians	Coloureds	Total
Durban	2 209 700	336 800	600 900	67 500	3 214 900
Cape Town	602 300	522 300	29 300	1 124 700	2 278 600
Jhb/E. Rand	2 793 100	1 102 300	93 300	186 200	4 174 900

Table 2: Ratios of formal: informal settlement (ie average numbers of shacks per township house)¹⁰

METROPOLITAN AREA	RATIO
Johannesburg/E. Rand/Pretoria	0.76 shacks/house
Port Elizabeth	1.23 shacks/house
Cape Town	1.38 shacks/house
Bloemfontein/Botshabelo	0.52 shacks/house
East London	0.44 shacks/house
Durban	2.25 shacks/house

attract as many foreign tourists as Cape Town, it remains South Africa's premier domestic tourist destination.¹³ And, as in South Africa's other larger metropolitan centres, the numbers of jobs in the commercial and financial sectors are growing very rapidly.¹⁴

But, compared with Cape Town and especially Johannesburg, Durban tends to attract relatively few head offices of national or international firms.¹⁵ Its economic buoyancy derives from the proliferation of local small enterprises or branch plants, the latter underscoring the extent to which Durban is part of the national metropolitan system.

As regards local government, Durban shares with most other metropolitan areas a legacy of racial divisions, inefficiencies and inequities, but these are currently being reshaped

into a more logical system.¹⁶ Special features of the Durban scenario include: the challenge of integrating traditional systems of land tenure and political representation into a modernised form of local democracy; a relatively well endowed former core (white) local authority; a fairly good history of payment of rents and services charges by township residents; and a broad realism and optimism among the various role players in respect of the future fiscal viability of local and metropolitan government.

In what follows, we unpack Durban's development challenges and prospects on the basis of the 10 background research documents commissioned for this study. We then conclude by drawing the contours of a development strategy for the city, in the context of the national and international environment in which it operates.

DURBAN'S ECONOMY: A PLATFORM FOR GROWTH

As noted in the introduction, Durban has a surprisingly positive economic record. Despite the province's problematic political image, and its economic dependencies on the rest of the country, KwaZulu Natal's major metropolitan area has recently outperformed most of South Africa's other metropolitan areas in terms of several important economic variables and trends (*see tables 3 and 4, page 9*). This apparent anomaly raises some interesting analytical and policy issues, but before considering these we must first examine some basic trends in the Durban economy.

McCarthy analyses the relative performance of different economic sectors in various metropolitan centres, and uses this information to distil Durban's comparative and competitive advantages.¹⁷

Using so-called shift-share analysis (ie analysis of the mathematics of differential growth rates between centres) in relation to the population and industrial censuses, he finds that:

- In 1970–8 Durban was only sixth out of eight metropolitan areas in terms of employment growth. The Vaal region grew the fastest, followed by the East Rand, West Rand, Pretoria and Cape Town. Durban was ahead only of Port Elizabeth and the Central Rand.
- On the other hand, employment in all metropolitan areas grew more rapidly in this period than in the country as a whole, and even Durban's relatively modest rate of employment growth was nearly three times higher than the national average.
- The sectors which contributed most towards employment growth in this period were manufacturing, services, com-

merce and financing, in that order. In the case of manufacturing, Durban's rate of growth in this period was the second highest of all the metropolitan areas (first was the Vaal area), whereas growth in employment in services, commerce and financing was more in line with national trends.

- In 1985–91 Durban's relative economic fortunes improved. Its rate of employment growth was now second highest out of the eight metropolitan areas (the Vaal was first yet again). For example, its rate of employment growth was about twice that of Cape Town and the Central Rand. When compared with the population increase, the rate of employment growth was unimpressive, but when compared with other metropolitan areas, Durban's growth was remarkable.
- During the late 1980s and early 1990s (ie 1985–91) manufacturing did not contribute significantly to Durban's employment growth; services, commerce and finance contributed most, in that order. Indeed, fewer than 10 000 new manufacturing jobs were created in 1985–91, but this reflected the poor performance of industry nationally. The growth in industrial jobs in Durban in this period constituted more than one third of the national figure. What this means is that Durban's comparative advantage in industry has increased rather than decreased in recent years.
- Sectors which performed especially well during the late 1980s and early 1990s were commerce (including tourism), financing, and services. Together, these three sectors produced 18 times more new jobs than industry did in 1985–91. especially impressive was commerce (including tourism), which possibly explains the continued emphasis on these sectors in many local policy circles.

Given these and other indicators (there are no reliable figures for the period after 1991), Padayachee outlines a possible future strategy for the city. He first reviews the global context, and suggests that there is room for Durban in the competitive world order.²⁰ Moving on to the national context, he concludes that 'there is a huge amount of value in a domestically grounded, globally influenced, integrated, nuanced and innovative development strategy ... which can be developed, refined and tailored to suit the existing strengths and (potentially) created competitive advantages of regions such as metropolitan Durban'.²¹

Reviewing recent efforts to formulate a local development strategy, however, he notes that 'none really takes the form of an integrated and coherent strategy of development; they are in the main ad hoc lists of "things that should be done" ...'.²²

He then goes on to outline what he describes as 'a more integrated, multilayered approach to development' in metropolitan Durban.²¹ In essence, he believes the key to success lies in 'an attempt to link basic needs provision, tourist development and manufacturing growth'.²²

Padayachee makes a number of specific suggestions for taking such a strategy forward, but perhaps his key point is that this will require more 'skill, vision, information and discipline' than Durban has hitherto been able to muster.²³ We will return to this aspect towards the end of this report.

In the meantime, it is worth noting a dynamic new trend in Durban's economic life – the emergence of growing numbers of small, medium and micro enterprises (SMMEs), many of which are not recorded in the census statistics. Sapsford points out that two thirds of the members of the Durban Metropolitan Chamber of Commerce comprise firms of less than 10 employees – and, of course, there are many smaller enterprises which do not affiliate to such organisations at all.²⁴ In line with this, McCarthy finds that the most buoyant and rapidly expanding component by far of Durban's industrial

sector are firms of less than 40 employees.²⁵ Moreover, in both the commercial and industrial sectors, smaller enterprises are more likely to be owned or operated by Indian or African people.

Historically these enterprises have not received the same support from the public sector that many larger enterprises have. As Sapsford remarks: 'It is the responsibility of local government to create an urban environment that supports SMME development. This could mean the local state concentrating on getting services to localities which have been ignored in the past ... providing facilities for small, market specific/niche concepts ... linking up with organisations such as the Business Opportunities Centre ... etc.'²⁶

Many other interventions are possible, but Durban has specific sectors in which its SMMEs appear to enjoy national advantages – for example, the clothing, metals and furniture industries.²⁷

This suggests that the notion of an integrated, multilayered approach to Durban's economic development should include attention to better performing SMME subsectors. This

Table 3: Employee numbers 1991 by sector and metropolitan region (thousands)¹⁸

Sector/Region	Durban	Cape Town	Port Elizabeth	Central Rand	East Rand	Pretoria
Agriculture	10	8	4	3	8	14
Mining	2	2	1	11	25	2
Manufacture	213	147	73	132	210	63
Electricity	6	5	2	12	10	4
Construction	49	56	16	47	41	26
Commerce	164	133	49	178	122	69
Transport	65	49	17	45	59	31
Financing	55	67	14	103	48	51
Services	249	203	88	270	177	220
TOTAL	813	671	267	802	700	479

Table 4: Growth rates by sector by metropolitan region, 1985–1991¹⁹

Sector	Durban	Cape Town	Port Elizabeth	Central Rand	East Rand	Pretoria
Agriculture	-0.4	-0.3	-0.1	-0.4	-0.2	0.2
Mining	-0.4	0.0	-0.1	0.2	-0.4	0.2
Manufacture	0.1	-0.1	0.0	-0.1	0.0	0.0
Construction	0.0	-0.1	0.0	0.0	0.1	0.0
Commerce	0.7	0.4	0.6	0.2	0.6	0.5
Transport	0.2	0.2	0.1	0.2	0.2	0.1
Financing	0.6	0.5	0.4	0.3	0.4	0.6
Services	0.5	0.2	0.4	0.3	0.4	0.4
TOTAL	0.3	0.1	0.2	0.2	0.2	0.3

Note: For example -0.1 is a 10 per cent loss, and 0.5 is a 50 per cent gain.

would also widen the basis of business support for a new urban development strategy – many new SMMEs are owned by blacks, especially Indians, whereas forums for expressing business interests in Durban have historically been white dominated.

Two other aspects need to be examined. The first is the potential of commerce and tourism, and the second Durban's international economic context.

As table 4 shows, commerce and tourism has been the fastest growing economic subsector in Durban since the late 1980s. Analysts believe tourism may grow far more, but there seem to be no plans for helping it to do so. De Klerk points out that there is significant untapped tourist potential, particularly in respect of foreign tourists who provide much-needed foreign exchange. In fact, he predicts that foreign visitors will soon spend more in the province than domestic tourists – its traditional strength.³⁰ Moreover, tourism is a highly labour-intensive sector which also fits in with efforts to improve the region environmentally.

Turning market forces

'There are limits to the extent to which local and regional economies can change themselves. Powerful national and international market forces have an extraordinary influence on their potential ... Local leaders in many regions have learned how they can turn market forces to their advantage and aggressively develop their economies using that knowledge. But first they must understand how these forces work.'

– Henry Cisneros, US Secretary for housing and urban development³¹

Durban's beachfront has been losing higher-income foreign and domestic tourists, but the construction of the International Convention Centre (ICC) and the redevelopment of the Point area could reverse this trend. More importantly, the planned King Shaka International Airport north of Durban, coupled with plans for environmentally oriented facilities on the relatively undeveloped coast north of the city, will create a new tourism infrastructure for the region. Experts believe the province's coastal appeal could be successfully linked to that of its excellent northern game reserves.

As regards international economic relationships, the economic unit of the Durban Metropolitan Council's urban strategy division points out that the emerging economies of East Asia provide the most obvious opportunities for expanding trade. This is partly because of Durban's population mix (its significant Indian population) and its location (its port and airport are the nearest to the east in South Africa). The unit

suggests that, 'as a city which faces this (Indian Ocean) region of economic exuberance, Durban now has the opportunity to forge stronger trade relations with the East as part of a broader strategy for local economic development ... Having been largely peripheral to international processes of change, we now need to seize opportunities and build on our strengths in order to maximise our competitive potential.'³²

DURBAN'S HISTORY, AND POINTERS TO THE FUTURE

How the Durban economy became what it is today is a complex subject that has been intensively studied. More recently, analysts have concentrated on assessing which aspects of this history are unique to the city, and which are more South African in character. This is a difficult field of enquiry, in which historical evidence may be interpreted differently, but it is relevant to the issues considered in this report.

As noted in the introduction, Durban, like the rest of metropolitan South Africa, is embarking upon a new era. New priorities and objectives are being determined, yet the spirit of fresh enquiry mingles with recollections of which forces produced those characteristics which most Durbanites now wish to preserve or enhance, and which factors contributed to those characteristics which they now wish to change. Looking backwards while moving forwards may deepen one's understanding of future options and possibilities.

In his interpretative review of Durban's economic history, Freund observes that 'the essential core element in Durban's success as a city has been its location and ability to service transport between the Witwatersrand and the

Durban and Johannesburg

By the second half of the 20th century, flows and interactions between Durban and Johannesburg began to dominate the South African space economy. Some basic comparisons of Durban's and Cape Town's relationship with Johannesburg help to put the former's integration into the national economy in perspective:

- about twice as many people fly between Durban and Johannesburg as between Cape Town and Johannesburg;
- three times more telephone calls are made between Durban and Johannesburg;
- about five times more vehicles travel between these two cities; and
- about five times the volume of goods passes between them than between Cape Town and Johannesburg.³⁴

wider world via rail and sea.³³ However, from the mid-1930s onwards Durban also began to emerge as an important industrial manufacturing centre in its own right: capitalising on its location, this particularly involved import substitution and import beneficiation. Yet Durban always has been tied to the broader national economy, especially that of the Witwatersrand. It even draws most of its internal tourists from that area (*see box on Durban and Johannesburg, page 10*).

Durban's special relationship with the Witwatersrand becomes even more evident when one considers the relative sizes of various cities in South Africa. In 1850 (prior to the rise of the Witwatersrand) the small Eastern Cape town of Grahamstown was the second largest urban settlement in South Africa, after Cape Town.³⁵ In the 1920s Johannesburg shot into the lead as South Africa's largest city. Durban also began to grow rapidly, largely because of servicing Johannesburg's growth. By the 1970s Durban had overtaken Cape Town as South Africa's second largest city, a position which currently projected growth rates suggest it is destined to consolidate. In historical terms, therefore, the positions of cities in the urban hierarchy are changeable.

Freund observes that there were aspects of Durban's labour market – such as a relatively cheap and skilled Indian workforce – which may also have contributed to its relative economic success during the 1930s, 1940s and 1950s. Indeed, he notes that historically 'Durban sold itself as having lower wages than either Johannesburg or Cape Town'.³⁶ However, Freund also remarks on the 'limited usage on the part of Durban entrepreneurs' of this apparent advantage (which in any case now no longer obtains), and notes that it is perhaps surprising that these entrepreneurs remained trapped in import substitution/beneficiation and did not focus on export industrialisation.³⁷ That is to say, little was made of the reciprocal opportunities offered by Durban's port and labour endowments. While something was made of things that came in, relatively little was made of things that might go out.

In seeking to explain this, Freund suggests that Durban may have had a relatively weak and colonially minded economic elite, which could have inhibited the extent to which, given its resource endowments, Durban might have grown. In time, the penetration of Durban by branch plants of firms headquartered mainly in Johannesburg brought with it a less parochial business elite.

Even so, this new 'cosmopolitanism' also brought with it something of an intellectual dependence on the Witwatersrand during the 1960s and 1970s, and no distinctive Durban view emerged on how best to exploit local comparative or competitive advantages. At least until recently, this appears to have been left to entrepreneurs based largely in London or in Johannesburg.

The parochialism of Durban's economic elite correlated closely with its local politics. Given the colonial and subsequent apartheid privileging of white politics, and in common with other South African cities, Durban's local politics and administration were until very recently dominated by whites. However, the specific character of its white politics was arguably different to that of other South African cities – apparently, a major item on the Durban elite's agenda was to limit competition from businesses owned by Indians.³⁸

Indeed, the Durban City Council almost always thwarted or constrained black and Indian entrepreneurial interests, especially when they threatened to encroach on white-owned monopolies. Moreover, there was a complementarity between the objectives of both the local economic and political elite and their chosen figures of authority in the black community. The latter were mainly based in the rural areas, the assumption being that this was where black political aspirations should be expressed, with African people in the city being perceived as being 'on loan' from the rural areas. This being the case, the urban black population was merely seen as an object of control, usually via the 'induna' system or, failing that, the police.³⁹

Every location is unique

Specific economic activities develop in a city because distinctive conditions make it possible for them to do so. As Michael Porter argues: 'Each location – whether it be a nation, a region or a city – has a set of unique local conditions that underpin the ability of companies based there to compete in a particular field ... competitiveness emerges out of unique local conditions and occurs in businesses where a region can create areas of specialisation.'⁴⁰

Having said this, the Durban local and metropolitan bureaucracy was (and remains) probably the most technically and financially competent in the country. Its engineers, accountants and others are widely reputed to be of the highest calibre.

Moreover, city officials have acquired an enviable reputation as property entrepreneurs and developers in their own right, having launched several successful projects in collaboration with the private sector (such as Springfield Industrial Park, the Workshop Shopping Centre, etc). Not surprisingly, the Durban City Council has traditionally had the healthiest balance sheet of all the local authorities in the country. This is an asset – both in financial and skilled personnel terms – which the new democratic metropolitan government can greatly benefit from.

Of course, the local political economy has also changed significantly in recent years, but it is the historical congruence between patterns of local politics and economic development which is worthy of note at this stage. It is these forces which gave a particular interpretation to Durban's local comparative advantages in the South African and world economy, and shaped the physical form, character and socio-economic conditions which Durban has inherited.

If Freund and Pillay are correct, a particular pattern of economic and political leadership is responsible for the unique context in which Durban finds itself today, even if this position has been forged in combination with more generalised forces in South African society. If this is the case, it follows that new patterns of local and economic leadership could, in time, yield new results, presumably once again in combination with wider South African and international dynamics. How new leaders will choose to interpret the new priorities remains to be seen, but it is already clear that a major factor informing them will be the legacy of social deprivation inherited from the past.

Interestingly, the few large Durban-based firms that have recently contributed to a broader growth strategy for the city have not neglected this legacy. For example, the Tongaat Hulett Group, through its Planning Forum for the Durban Functional Region, has successfully blended a growth-

oriented outlook for the region with a concern over improving the living conditions of the poor. And the McCarthy Group joined Tongaat Hulett in launching Operation Jumpstart, whose proceeds are largely used for socio-economic upliftment.

A small but energetic group of younger business leaders has emerged in Durban; combining a broader developmen-

King Shaka International Airport

For some time, Durban's business leaders have been aware that its current airport is restricting its growth potential. The runways are too short for fully laden Jumbo jets; the airfreight facilities are too small and unable to expand; and the surrounding road system is congested.

A recently formed lobby group, partly funded by the private sector, has evolved plans for a new international airport, to be named after King Shaka, on a 2 000 hectare site at La Mercy to the north of the city. This would place Durban on an equal footing with Johannesburg International as far as handling international carriers are concerned. Current indications are that the airport will be built by the year 2003. The project will create about 15 000 jobs, regional GDP will be boosted, and additional tax revenue generated.

Most importantly, however, Durban will benefit greatly from being directly accessible to world travellers and investors. The area concerned is rapidly becoming the new focal point for high-quality office and business parks, and the airport could therefore service a new zone of corporate headquarters sheltered from the crime and environmental problems experienced elsewhere, for example in Gauteng. Moreover, the local coastal area is one of the most attractive in the province, and could serve as a base for a new tourism thrust into the province; some excellent game reserves will be just an hour away on the newly opened N2 freeway to the north.

A perception exists in Durban that central government has deliberately discriminated against the region by failing to support the new airport. However, in April 1996 the minister of transport, Mac Maharaj, announced that the airport would be built by 2005, and possibly sooner if the finance could be found. It remains to be seen whether metropolitan government and the local business community combined will succeed in pushing through the project - thereby creating an important means for propelling the city on to the broader international stage.

Operation Jumpstart

In the late 1980s, the Tongaat Hulett Planning Forum for the Durban Functional Region did some policy work that helped to boost the confidence of the business community and regional planners. In the early 1990s some forum members formed Operation Jumpstart, an action-oriented development agency; it is headed by Terry Rosenburg, current head of the KwaZulu Natal-based McCarthy Group. One of its most notable successes has been the Natal Lotto game: begun in 1992, it has brought in some R142 million thus far, which has been invested in a variety of community projects. These are all in deprived communities, and include building playing fields, toilets, community gardens and community halls. The biggest emphasis is on classrooms and crèches, a major demand of many communities. Operation Jumpstart has done much to demonstrate the commitment of Durban business to community upliftment in their own back yard. It attests to a degree of goodwill between Durban business and the broader community which few other cities can emulate, and which could provide a sound foundation for future development.

tal outlook with their business interests, they have begun to place the city on a more competitive national and international footing. It is they who first conceived of a new international airport (*see box on King Shaka International Airport, page 12*), and they are working with local political leaders on a range of other local initiatives, including the International Convention Centre (ICC), the Point redevelopment, and the north coast tourism initiatives. Given their good relationship with local political leaders, they may become key partners in a successful post-apartheid growth coalition for the Durban region. This coalition, in turn, could become the engine room of Durban's further economic revival, helping it to become the fastest growing of all the South African metropolitan centres, and also propelling the city more firmly on to the world stage. To do this, however, business leaders will have to be far more willing to work with Indian and African business than they have been in the past. There are already signs that this is happening, and it is a trend that should be strongly encouraged.

SOCIAL CONDITIONS: THE CONTEXT FOR DEVELOPMENT

As in the rest of the country, socio-economic conditions in Durban are highly problematic. To understand the social structure and dynamics of the city today, Morris and Hindson argue, one must recognise the influence of the inherited socio-spatial structure of the city as it developed from the 1940s onwards.⁴¹

The removal of blacks from inner city areas to peripheral townships in terms of slums laws and racial zoning in the 1940s and 1950s set the basic spatial framework for Durban's development which persists to this day, and which will probably not be altered for decades to come. While influx control began breaking down during the 1970s, and racial segregation during the 1980s, a broad class divide has emerged between peripheral, almost exclusively African townships and shack areas on the one hand, and more centrally located, well-serviced former white, Indian and coloured areas on the other.

The growth of political violence and conflict in the peripheral areas in the late 1980s accelerated the drift of the African middle classes into the central areas, and also contributed to the growth of some squatter communities on vacant land in those areas. Today, crime and violence is criminally rather than politically motivated (and underpinned by high unemployment), and strongly influence the locational investment decisions of the private sector and middle classes. The

trend is to avoid any areas near squatter settlements, and also the central city itself, which is inhabited by increasing numbers of street children and other destitute people. On the other hand, the crime rate is lower than in Johannesburg or possibly even Cape Town, which is a plus for investment here rather than elsewhere in South Africa.⁴²

Within the African population, which makes up more than two thirds of the total metropolitan population, class differentiation is becoming more pronounced, and this differentiation correlates with places of residence. Median

household incomes in the peripheral shack areas (R648,50 in 1993) are less than two thirds of the equivalent in the former black townships in the metropolitan area such as Kwa-Mashu and Umlazi (R1 000 in 1993). And median household incomes of African residents in the former white and Indian areas are several times that in the shack areas (eg African household incomes in the former white flatland of Albert Park were R3 064 a month in 1993).⁴³

The real per capita incomes of whites have remained relatively static over the past decade, while those of Indians have risen significantly. Coupled to the relatively high population growth rate of the latter (which has now slowed), this effectively means that Indians have become Durban's new middle class – significantly more so than 'coloured' people have in Cape Town, or Africans in Johannesburg. While there are still many Indian working-class households, and some Indian unemployed, the fact that Indians now outnumber whites by almost two to one, combined with their rising educational and employment status and entrepreneurial success, means that Indians' purchasing power rivals that of whites (*see box on Durban's 'Indian factor' page 14*).

Racial identities, however, are increasingly fading in Durban, particularly among those with higher incomes. By 1993 whites constituted less than half of the population of inner-city flat-land areas such as Albert Park, and Africans living in the area actually had the highest average household incomes and highest education levels.⁴⁴ Such areas, and integrated suburbs such as Westville, appear to be free of racial friction, with the common concerns of residents usually centring on a need to fight crime and enhance the quality of the neighbourhood.

On the other hand, in other formerly less developed inner-city areas such as Cato Manor, where class and racial identities are more differentiated, there are signs that people have integrated less successfully. Here African squatter communities have not been well received by proximate Indian and white groups, and Africans from the adjacent Chesterville

township have even invaded homes earmarked for Indians.

From a developmental point of view, however, it is the peripheral areas of Durban that are the greatest cause for concern. Not only are poverty and unemployment levels at their highest in these areas; in terms of sheer scale, they make the pockets of socio-economic problems in inner-city areas such as Cato Manor pale into insignificance. As yet, these peripheral areas – as against the inner-city enclaves of poverty – have not received the policy attention they need.

While the peripheral areas house more than half the metropolitan population, they have had nothing approaching workable local government in the past, and lack the most basic services. As Smith observes, 'the vast majority (79 per cent) of the informal population use water from communal standpipes, 82 per cent use communal pit latrines, 90 per cent have unsurfaced tracks, 90 per cent have no stormwater drainage, all the population live in basic informal structures, 25 per cent have no educational facilities, half have no health facilities, the vast majority have no telephones, half have no refuse collection, and over 90 per cent have no electricity'.⁴⁵

Addressing these challenges is made more difficult by the fact that these communities are also characterised by violence. Builders and municipal workers have been attacked in

some informal areas. Moreover, McCarthy et al report that over 20 per cent of adults in the Bester's Camp area of Inanda are unemployed and seeking employment,⁴⁶ and Tomlinson reports that one third of income-earning Africans in metropolitan Durban are unable to contribute anything towards a shelter.⁴⁷

Providing services to so many people who are unable to pay, and whose neighbourhood environments are per-

ceived by officials and development professionals as dangerous places in which to operate, will require extraordinary devotion and effort.

But having said this, low-income housing specialists widely believe that Durban's informal settlements are among the most suitable for upgrading in the country. Most have existed for decades, and the quality of structures and their integration into the environment are such that they differ markedly from the slum-like conditions found on the Cape Flats or in Johannesburg's shack areas. Moreover, Durban's temperate climate makes it possible to gradually upgrade and consolidate most peripheral settlements – even those constructed of traditional materials. For these reasons, a strategy of *in situ* upgrading is more broadly supported in Durban than elsewhere.

Overall, therefore, in addressing Durban's housing needs, it would be logical to opt for a combination of densifying the

Durban's 'Indian factor'

Durban residents of Indian extraction show that people of modest rural origins can rapidly become successful in urban areas; and that a formerly discriminated against, yet enterprising, group can challenge the economic lead held by whites.

Casual observers of the Durban economic scene cannot fail to notice how so many small entrepreneurs, and members of middle and upper management in larger firms, are South Africans of Asian extraction. The total income earned by Durban Indians is beginning to rival that of whites, and will exceed it by the year 2010. Most demand for lower- to middle-income commercial housing is

coming from Indians, and the great majority live in privately owned formal dwellings. Car ownership levels are approaching those of whites, as do levels of educational achievement. The largest single group of students at the University of Natal, for example, are now Indians.

Yet, only 40 years ago, most Indians lived in shack dwellings similar to those currently occupied by the African majority, and unemployment rates approximated those currently experienced by Durban's African people. Three factors appear to have been central to the rapid rise in the fortunes of Durban's citizens of Indian origin. The first is a dedication to

education; the second a flair for entrepreneurship; and the third a high level of trade and industrial skills.

Today, the ethnic affinities of Durban's Indians provide an important potential basis for the notion of the city as gateway to the Indian Ocean Rim; and their economic success provides possible models of education and entrepreneurship for other Durbanites to learn from. Durban's Indians have never benefited from political power, yet they have shown that such power is not essential for rapid material advancement. Keeping a low profile politically, their presence is one of the lesser-known contributory factors to Durban's economic success.

formal low-income housing areas in the inner city, and upgrading the largely peripheral informal settlements.

LAND, INFRASTRUCTURE AND TRANSPORT: BUILDING BLOCKS OF RECONSTRUCTION

Even the demands generated by rapid urbanisation, and the need to improve the quality of life of Durban's disadvantaged majority, the issues of land availability, infrastructure and transport loom large as the potential building blocks of an urban reconstruction effort. After all, decent homes for the majority, and effective means of accessing the full range of urban opportunities, are necessary starting points for a democratic urban vision.

In many parts of South Africa, the first stage of such a vision is often assumed to be that of identifying land for the urbanising poor. But the availability of land assumes a somewhat different form in Durban than in Johannesburg, for example.

This is because, as the Urban Foundation observed, most informal settlements in Durban are free-standing, and have been there for many years.⁴⁸ Kitchen explains that:

'Unlike the Witwatersrand, where densities of existing settlements are relatively high and the majority of new households in the next five years can be assumed to be in new/greenfields developments, in Durban there is a large amount of land settled at low densities in locations that are more suitable for absorption of additional population than most greenfields opportunities apart from Cato Manor. In Durban therefore, the focus will have to be on upgrading, and a policy developed in which 65 per cent of the projected population would have to be accommodated in upgraded areas and only 35 per cent in new/greenfield areas (the reverse of the Witwatersrand).'⁴⁹

Regarding land for greenfield developments, experts now seem to agree that there is enough land available to accommodate projected demands for low-income housing over the next 15 years, and that this land is mainly within the existing urbanised perimeter. In the late 1980s and early 1990s, when it was thought that Durban's population would grow far more quickly than it has, the belief arose that there was a shortage of land for greenfield development.⁵⁰ Since then, given dramatically reduced population estimates, and with new inventories of land emerging,⁵¹ this earlier, land-acquisition oriented perspective on low-income housing has been reviewed. More emphasis is now placed on the need to upgrade existing settlements.⁵²

The fact that Durban's low-income housing challenge must be resolved in this way is a comparative advantage in housing terms. *In situ* upgrading can be undertaken within the parameters of current housing policy, which also allows

for houses to be incrementally improved as their owners increase their ability to pay.

Of course, *in situ* upgrading alone cannot meet all housing needs; in this regard, a new source of concern is that the apparently sufficient inventories of vacant land are, ironically, under threat of depletion by land invasions.

Land availability and land invasions

'One of the major problems facing the Durban Functional Region today is the increasing incidence of land invasions by squatters. This is occurring at the moment in Cato Manor, and has potentially catastrophic consequences, as land identified as vacant becomes occupied, with what planning has been agreed to for the area being placed in jeopardy ... As land becomes illegally occupied, the means whereby it becomes developed necessarily change, with greenfields development having to be replaced by upgrading and other programmes.

This entails a very different approach, with substantial community negotiations, community participation in development plans, etc. Thus, the longer it takes for vacant land to be made ready for development, the greater is the chance that it will be occupied by squatters before it becomes ready. This is a major flaw in all inventories of vacant land and their application, as they are often acted upon months, if not years, after their completion, by which time there is a fair chance that they are no longer vacant'.⁵³

Therefore, in Durban (and probably elsewhere in the country), the emphasis on finding new land for low-income families is being replaced by a concern for finding the right combination of:

- *in situ* upgrading of existing settlements;
- limiting land invasions; and
- providing new site and service and low-cost housing schemes.

A key element in achieving this balance is the provision of infrastructure. We have already referred to the daunting scale of this challenge. Todes provides a full review of the nature and scale of the infrastructural backlog, the key features of which are similar to those already mentioned – 60 per cent of formal townships have maintenance problems with existing services, 81 per cent of informal areas have only minimal water services, and 71 per cent have no electricity.⁵⁴ Given these troubling magnitudes, it is surprising that both the World Bank and Tongaat Hulett Properties – each of which

use similar indicators of the backlog to Todes – believe it is financially possible to wipe out the infrastructural backlog in a relatively short period.⁵⁵

The World Bank believes Durban's existing and projected population could be properly serviced within five years; Tongaat Hulett's believes it can be done in 15. The latter assumes a financial model in which services are phased in according to realistic delivery capacity, as well as local and metropolitan tax rates that would not deter local and international investors. So, while the bad news is that Durban has a very extensive infrastructural challenge, the good news is that the money to deal with it can be found (*see box below*).

As Todes points out, however, the issue of financial competence in relation to the infrastructural backlog is less important than that of delivery competence: 'by comparison with finance ... a more pressing problem at present is the inability to spend resources which are available'.⁵⁶ She notes that a lack of delivery capacity has less to do with the absence of the basic elements needed, and more with the absence of appropriate institutional forms. She notes that 'there is a

capacity irony in that agencies which do have the skills to implement upgrading projects in informal areas are small and cannot extend easily, while large public sector agencies lack appropriate skills and capacities'.⁵⁷ This a point which we return to below, since in many respects it goes to the heart of Durban's future development challenge.

Regarding transport, which presents a problem in many cities of the developing world, Durban is relatively privileged. Although it may not be the transport planner's model city, its transport systems function effectively. Some 60 per cent of all trips in the Durban metropolitan region are undertaken on public transport, although a higher proportion of these are road-based than is the case in other South African cities. (According to Todes some 16 per cent of peak hour commuters in the Durban metropolitan region use rail, compared to 29 per cent in the Western Cape and 40 per cent in southern Gauteng).⁵⁸

Roads will probably remain at the centre of Durban's transport infrastructure, since the area's topography will make the building of new rail lines comparatively expensive; it

Finding the money to upgrade services

In 1994, recognising that improving the living conditions of the African majority would be a key priority for a future democratic metropolitan government, the Tongaat Hulett Planning Forum for the Durban Functional Region commissioned an in-depth study of local and metropolitan revenue and expenditure for the region. After exhaustive research, and using a range of econometric scenarios, the Forum devised a preferred model which it believed achieved the best balance between all the variables in a very complex equation.

The preferred model showed that all services in the greater Durban area could be upgraded over 10 to 15 years – most to the 'full' level of service of the former white and Indian areas. Some 30 per cent of Durban's people would have intermediate-level services, and 10 per cent would have basic services as defined by the World Bank, with services being allocated according to residents' abilities to pay for

them. This remarkable goal (considering that half of all inhabitants of the Durban region currently have no services) would be possible if there was a culture of payment for recurrent services, and the capital subsidy system for low-income housing was retained.

The unit costs of services such as water and electricity would not have to increase more rapidly than they have in the past, and rates or property taxes would not have to increase by more than 30 per cent in real terms over a 10-year period. This means that Durban could continue to attract investment. Projected average monthly rates by the year 2005, in 1995 values, were R99 for people living in former white, coloured and Indian group areas, R57 for those living in former black townships, R29 in intermediate areas, and R7 in areas with basic services (mainly upgraded informal settlements).

The Forum's model was presented to, among others, the Provincial Port-

folio Committee on Local Government, the Transitional Metropolitan Council, and training programmes for Durban councillors competing in the June 1996 elections. This 'win-win' model elicited widespread interest and tacit political support, and provides a basis which can be further refined by elected representatives. While Durban's rate of service payments has been much better than elsewhere in the country, political leaders will clearly be required to ensure the broad public acceptance of the principle of cost recovery.

In practice, rates in the city have not been raised to anywhere near the levels found in areas such as Sandton in Johannesburg, and seem likely to rise by only 15 per cent on average a year. While many problems remain to be solved, Durban's system of local taxation and services payments seems to have a sound foundation, and disruptions or sudden changes are unlikely.

seems unlikely that there will be major new investments in rail infrastructure.

Levels of car ownership are also higher than the national average, and taxis now rival buses in terms of proportional usage by the African population. This pattern is not seen as problematic, since 'Durban's road transportation system is good, and levels of congestion are probably much lower than in the PWV or Cape Town'.⁵⁹ To the extent that bottlenecks exist in Durban's transport systems, these derive mainly from poor land use planning.

For example, Todes notes that the main bottleneck at present is 'across the Umgeni River, due to the concentration of 85 per cent of jobs south of the river while some 30 per cent of people live north of it'.⁶⁰ In relieving such pressures, zoning more land to the north for industry and other work-related uses would make more sense than building more bridges over the Umgeni.

Indeed, given that the World Bank and others have argued that Durban has probably already over-invested in roads,⁶¹ much of the emphasis in Durban's transport planning will probably be placed on integrating transport with other elements of the metropolitan system – making transport more efficient; and carefully analysing the relative developmental impacts of alternative infrastructural investments. Fortunately, indications are that Durban and provincial authorities are beginning to grasp this situation.

To summarise, therefore, despite a somewhat depressing backdrop of existing social conditions, the scenario regarding land, infrastructure and transport in Durban is broadly optimistic. The two weak areas are land invasion (and, more generally, weak urban management), and a lack of capacity (as well as institutional obsolescence and inertia). It is to these two weaknesses, therefore, that the next section of our analysis turns.

DEVELOPMENT CAPACITY AND INSTITUTIONAL REFORM

Traditionally, development capacity has been seen as located within the public sector. Inlogov, for example, defines institutional capacity as 'all the structures and systems which are managerially responsible for the execution and implementation of policies decided upon by the legislative and/or executive levels of government'.⁶² This public sector point of departure is conceptually problematic, but it provides us with an entry point to what is probably the most difficult area of Durban's development challenge.

In their commissioned report, Kitchin and Robinson list the various public or parastatal institutions dealing with development in the city.⁶³ Of particular interest is the relative importance of each of the role players, and in this regard one stands head and shoulders above others – the former Durban munici-

pality. While there have been 66 different local authority structures in the DMR in the past, and a 'maze of intergovernmental (ie vertical) relationships inherited from the apartheid era (which) compounds this already fractured and confused situation',⁶⁴ the Durban municipality has been the institutional Goliath in the midst of the confusion.

In 1994 the Durban City Council's annual operating budget was R2.5 billion; it has assets of R3.5 billion, and a staff of 16 000. By comparison, the second largest entity, Pinetown, had an operating budget only 3.3 per cent of that of Durban, about 5 per cent of Durban's assets, and 7 per cent of its staff.⁶⁵ The Joint Services Board (JSB) had an annual budget almost twice that of Pinetown, but a staff less than half its size; the Development Services Boards were relatively small; and the provincial and KwaZulu governments played a role roughly commensurate with that of the JSB.⁶⁶ Not surprisingly, in the light of such comparisons, the World Bank concluded that the former Durban municipality would be the linchpin of future public metropolitan development.⁶⁷

A solvent city

While exact comparisons are difficult to make, a comparison of metropolitan and local government finances in major South African cities as of August 1996 portrays Durban in a very positive light. The combined capital and operating expenditure for 1996/97 in the metropolitan and local council areas are some R6 billion – just behind Johannesburg at R7.3 billion, and nearly twice that of Pretoria. Moreover, Durban is running no deficit at all, while cities such as Johannesburg are borrowing R0.5 billion a year in Regional Services Council levies (supposedly meant for capital projects) in order to finance operating deficits – deficits which have led, for example, to the 200 per cent rates increase in Sandton. Pretoria local councils alone have an accumulated deficit of about R340 million, and have budgeted for an additional R138 million deficit in 1996/97. This has allowed it to raise its rates by only 10 per cent this year, but it is unclear how these deficits will be covered in future. Therefore, Durban's tradition of conservative budgeting is being continued, and is paying dividends.

In terms of returns on its R2 billion investment portfolio alone, Durban is able to spend an additional R100 million a year. Moreover, the Convention Centre and special low-income housing expenditures of R250 million for 1996/97 are made from sources other than Durban's general operating and capital expenditure accounts.⁶⁸

The dilemma, however, is that the institutional weight and scale of the former Durban municipality is not necessarily matched by experience in areas where development activity is now most needed. Its historical bias has been towards servicing the formal sector demands of a white electorate, and although adjustments are now being made, the momentum of the past will bear down heavily on future approaches and practices.

With the institutions of the former Durban municipality now being reallocated to the new metropolitan tier and new local authorities, opportunities are arising for institutional innovation in collaboration with the broad range of smaller departments, development agencies and organisations operating in the Durban area (see Kitchen and Robinson, 1994, for an impressive compendium). Many of these agencies have significant developmental experience and skills, and could, combined with elements of civil society (eg civics, churches and youth groups), multiply the developmental impact of the former Durban municipality several times.

Besides this, there is significant private sector capacity in Durban in the engineering and construction fields – at least equal to that of any similar city in the developing world. Not all of this capacity is experienced in or orientated towards servicing low-income areas, but if risk/reward relationships are adjusted appropriately, it could add a great deal to public sector capacity. Given that financial constraints are not a primary concern, it would certainly not be in the interests of the poor to ignore this as yet untapped potential.

To utilise it, however, will require that Durban find new ways of doing things in the course of addressing its development challenges. It is no longer feasible to work on the basis that a given entity will 'rule' and that others will 'follow' Durban, and indeed all urban South Africa, is now too complex, open-ended, democratic and plural to be run that way.

There has to be a shift from debilitated government to effective governance; from decaying authoritarianism, which cannot deliver, to partnerships which can actually deliver; or to private sector institutions which can act decisively with public support.

A number of practical suggestions flow from this diagnosis, and these will be presented in the penultimate section of this report.

Before we do this, however, a central aspect of Durban's developmental challenge remains to be examined: the spatial/environmental framework for its future growth and prosperity (*see map, page 19*).

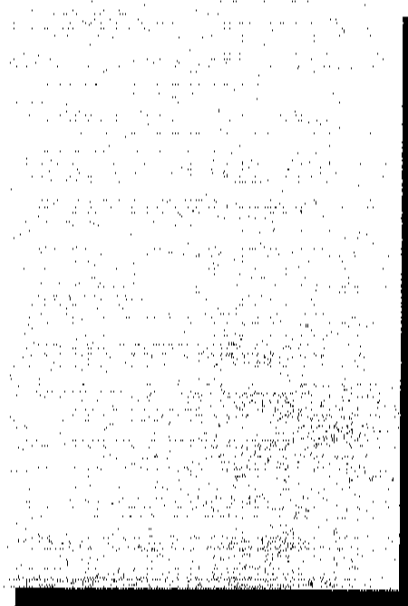
SPATIAL FRAMEWORKS FOR DEVELOPMENT

Interestingly, Durban has probably been more successful than most other South African metropolitan areas in forging a loose consensus among professionals on what development should take place where – or the so-called spatial framework for development. But this has not always existed, as Kiepiel's review of the history of metropolitan planning in Durban reveals. He points out that the 1973 Durban Regional Guide Plan, produced by provincial planners, was the dominant spatial planning framework during the 1970s and 1980s, but was controversial from the outset.⁶⁹ This framework concentrated on directing the pattern of industrialisation towards industrial estates close to black townships (eg Hammarsdale), and on limiting the spatial spread of the (white-dominated) city by applying so-called green belt policies (green belts are girdles of farmland or open space surrounding a city, which exclude further development). The guide plan was criticised because it used race-based criteria for planning, but its most controversial aspect was the green belt concept, which was especially criticised from within the private sector.

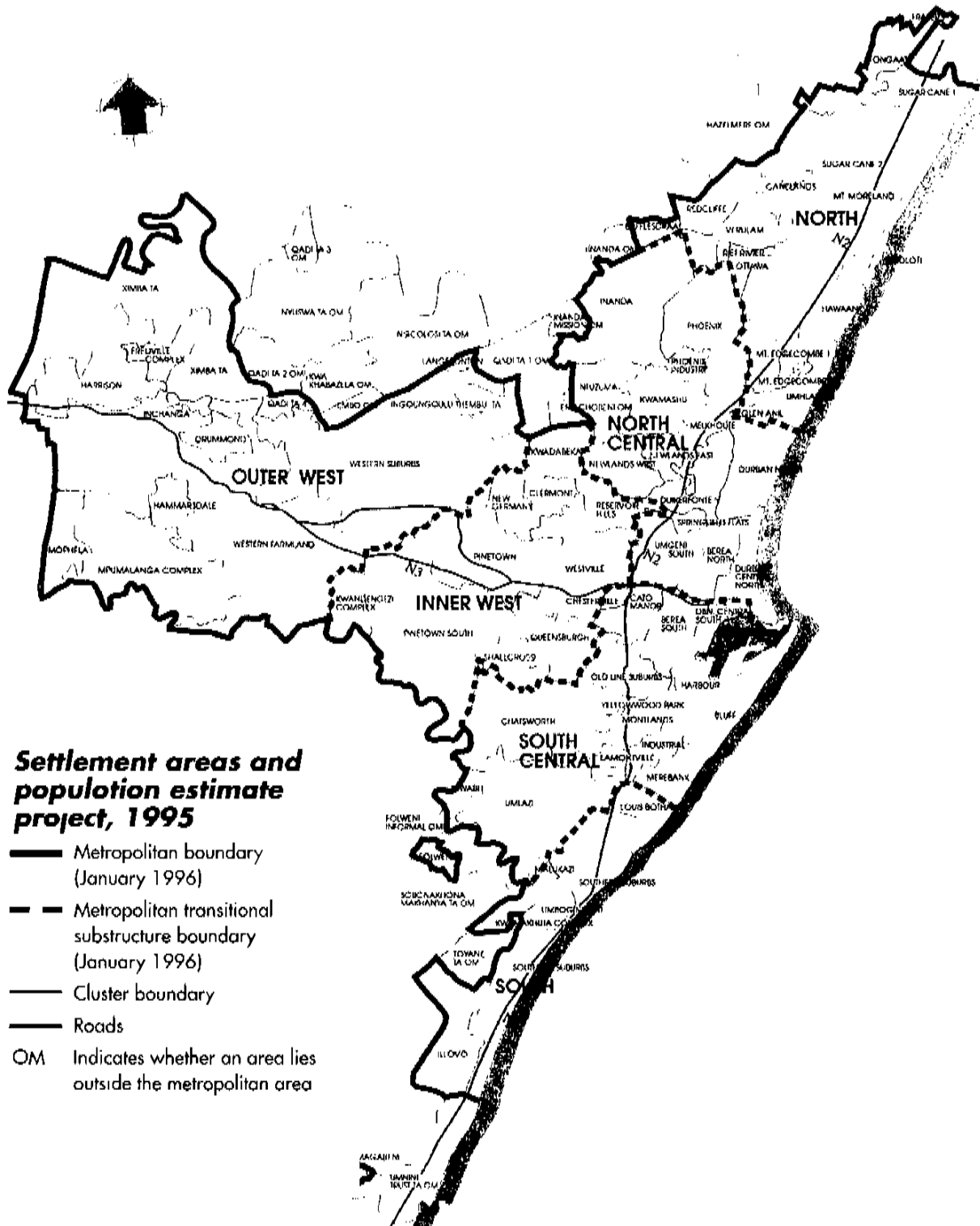
Limiting the spatial spread of urban development was hardly a priority for the next major metropolitan planning effort – a joint RSA/KwaZulu development programme known as the RKDP. As Kiepiel records, the central and KwaZulu governments launched this major planning exercise in 1984, in respect of the peripheral black areas of greater Durban.⁷⁰ Here the emphasis was on consolidating and extending areas such as Inanda to the north, Umlazi and portions of Umbumbulu to the south, and the Dassenhoek/ Kwandengezi and adjacent KwaZulu areas to the metropolitan west. These areas were all at least 20 kilometres from Durban's centre, and in certain instances 35 kilometres away. Moreover, the RKDP

actively implemented projects, and did not restrict itself to controlling development, as the 1973 provincial guide plan did.

A significant departure from this emphasis on the spatial dispersion of 'black areas' and containment of 'white areas' came in the late 1980s. Concepts such as densification and infill, together with the growing national consensus on post-apartheid planning,⁷¹ informed the Greater Marianhill Structure Plan for instance. Produced by Uytendogaard *et al* for the Natal Provincial Administration, it focused on housing lower-income people on large tracts of land in southern Pinetown.⁷² The planners were highly critical of the suburban model of urban development for low-



Durban metro and substructure boundaries



Source: Urban Strategy Department, Corporate Services, City of Durban

income people, and emphasised the advantages of high-density living. The plan was fairly well received in policy circles, although some planners and politicians queried the emphasis on very small plots.⁷³ Ultimately, the plan is still seen as a useful pioneering effort at urban infill and densification – a theme which has continued in plans for areas such as Cato Manor. However, in both cases there have been criticisms about the rate and scale of delivery, and the once widespread enthusiasm for state-supported densification projects is beginning to wane. The private sector has proven – at projects such as Mount Moriah – to be as adept at delivering on densification projects as NGOs or the state, and while this may not yet be seen as ‘politically correct’ in time the private sector’s ability to deliver may become a telling factor.

The next major intervention on the metropolitan planning front came in 1990 from the Tongaat Hulett Planning Forum. Its plans also emphasised compaction, densification and activity corridors in the post-apartheid city, but placed more emphasis on the need for economic renewal, the immediate repeal of all racial legislation, and establishing political inclusivity, and much was made of a process approach in which a variety of stakeholders were to make policy together. The report broke new ground by including inputs not only from the private sector but also from the then banned political parties, as well as senior provincial and municipal officials. At about the same time, the province issued a parallel report with similar but more cautious substantive emphases (for example, it proposed ‘free settlement areas’ as a key policy instrument). As Kiepiel points out, ‘unlike the Tongaat Hulett report, very little attention was devoted to initiating an inclusive process for the management of development ... (Since then, however, the province has adopted a more inclusive approach).’⁷⁴

Most subsequent metropolitan planning in Durban has continued to emphasise the themes of spatial integration, economic renewal, and a process approach involving a broad range of stakeholders. A report of the Interim Development Committee (IDC) is an example of this, although it appears as if this report was also influenced by the ‘spatial efficiency’ theme adopted by the World Bank’s report on Durban.⁷⁵ In writing the report, Smit *et al* produced a broad metropolitan spatial plan for the development of Durban which emphasised activity corridors, infill projects in areas such as Cato Manor, and the *in situ* upgrading of peripheral informal settlements.⁷⁶ This plan was accepted by the widely inclusive IDC, although, strikingly, there is still no official metropolitan planning framework guiding the everyday activities

of various planning authorities. This has probably helped to inhibit the private sector from investing further in the city – but the most recent signs are that the Durban Metropolitan Council’s urban strategy department is rapidly moving towards building investor confidence through consultative metropolitan planning.

As Kiepiel comments, most past metropolitan plans paid very little attention to environmental and ecological issues;⁷⁷ however, recent studies are beginning to do so in the context of a new emphasis on ‘sustainable cities’.⁷⁸ Improperly interpreted, the environmental thrust could constrain developer confidence in the future. However, if creatively utilised, Durban’s new-found emphasis on environmental issues could find a ready ally in the tourism-oriented lobby in local economic development policy circles, for example. How this new emphasis will dovetail with the simultaneous thrusts towards densification, infill and economic renewal remains to be seen, but the tradeoffs involved will probably have to be reached by the application of geographical information systems (GIS).

The issue here is that densification, infill and certain forms of industrial development can, for example, conflict with metropolitan open space preservation and/or other conservation priorities. Fortunately, in a large and complex metropolitan area such as Durban, such conflicts could be minimised, for example through GIS-based calculations which can calibrate the tradeoffs entailed in individual localities. Some areas could specialise in industry, for example, and others in tourism. These sorts of calculations will have to be made in other metropolitan areas as well.

In summary therefore, while much metropolitan planning remains to be done, there is a loose consensus on what form it should assume, and there are signs that the city is rapidly moving towards building the spatial framework necessary to improve environmental quality and inspire investor confidence. This could give Durban a head start over other South African cities, several of which are at loggerheads over a range of planning issues.

THE OUTLOOK FOR AN INTEGRATED DEVELOPMENT STRATEGY

Ultimately, Durban’s developmental challenge will not be met by technical means, but rather by reinforcing some promising new trends in political and economic leadership. In the first publication in this series,⁷⁹ the role of local businesses and entrepreneurs in developing successful urban

growth coalitions internationally was noted, and Durban is no exception.

Given emerging areas of consensus, it should not be too difficult for local business to motivate a new and energetic development strategy for Durban, and to give it analytical substance. Certainly, the analyses referred to above go some way towards providing that substance, and they also suggest a start to the process of building a new 'urban growth coalition'. However, such a coalition would have to be grounded in a liberalisation of development controls and in a number of concrete projects, and would need to move rapidly beyond the 'think-tank' or diagnostic mode. Very little energy seems likely to emerge around abstract concepts of development, even if they are specifically tailored to Durban's needs.

On rare recent occasions, the provincial and metropolitan governments as well as local business have been galvanised around concepts designed to enhance Durban's comparative and competitive advantages. Perhaps the most striking example of this has been the support for the King Shaka International Airport. In this instance, a specific project – aimed at enhancing the region's business and tourism poten-

tial – appealed to a wide cross-section of interests, united under the leadership of the provincial premier and minister for economic affairs.

By comparison, other projects – even apparently successful ones such as the Point redevelopment or the Convention Centre – have sometimes proven to be politically divisive. More abstract and multisectoral policy proposals developed in isolation of projects have elicited even less interest. For example, the Regional

Economic Forum in KwaZulu Natal (a multi-party/stakeholder policy group), which has adopted a multisectoral and provincial perspective, has struggled to impress itself on the public mind. Within Durban itself, the economic unit in the Durban Metropolitan Council's urban strategy division has done some sound, multisectoral policy planning which is being fashioned into a green paper for possible adoption by the Metropolitan Council.

How the Metropolitan Council will combine with the private sector in pursuing economic goals will be critical. The concept of leverage is central here, and deserves further elaboration, since it has not been part of Durban's strategic repertoire in the past. Simply put, leverage means making the most

'Leading edge' projects

As a contribution to the debate on which projects could give Durban a leading edge in the national and international race for investment, CDE suggests the following six priorities:

- Support the development of Durban harbour as an environmentally sensitive world 'hub port', positioning the city as a leading centre of trade and container cargo handling on the Indian Ocean Rim
- Support the rapid development of King Shaka International Airport, thereby adding to the city's international trade links and positioning the area north of Durban as a new business-cum-leisure mecca of the southern hemisphere.
- Mount a major political cam-

paign to make Durban the most fiscally disciplined yet developmental metropolitan authority in the country.

- Aggressively position Durban as the most investor-friendly city in the southern hemisphere, which processes development applications faster than any other, and supports selected infrastructural projects on the basis of their leverage ratios of public:private funds.
- Draw on local public and private sector capacity and community participation to make Durban the country's leading centre of delivery of low-income housing and residential services.
- Promote those aspects of industry and tourism in which Durban

has a national as well as international comparative advantage.

Whilst these are CDE's perceptions of priorities, they may not accord with the vision of Durban's own growth coalition; and the priorities and energy of that coalition matters more than our own analysis. What is required of that coalition is, in the language of business strategists, a short-list recipe for 'focused excellence'. It is noteworthy, however, that what weaves the abovementioned priorities together is an emphasis on Durban as an international transport and trade centre, and in this there is common purpose with the Metropolitan Council's new green paper on the economy.

effective use of limited public sector resources by mobilising other (eg private sector) resources towards the same ends. For example, if a public body such as the Metropolitan Council is able to spend, say, R1 billion on capital projects in a given period, the question arises of which other funds may be mobilised from other sources towards the same public goals. Clearly, it is not prudent to spend large proportions of public funds on ventures which yield little response from other sectors, when there may be cases in which the impact could be multiplied several times over. Methods for calibrating these leverage ratios should therefore become a key instrument of public urban development strategy.

All of this, however, begs the question of what exactly it is that Durban is seeking to lever into operation, and this brings us back to the question of policy. In the short term, there seems to be little option other than to operate in terms of the loose consensus which seems to have emerged on the social, infrastructural, economic and spatial priorities outlined earlier. These priorities are not very different from those separately developed by the urban strategy division of the Metropolitan Council, among others. So there is a reasonable prospect of immediately marrying a loose consensus on policy to methods for assessing leverage (*see box on 'Leading edge projects for Durban, page 21*).

The missing link, in the longer term, is the vexed ques-

tion of the appropriate institutional form, or forms, for developing and implementing policy. There is an uncomfortable feeling in urban development circles that unless new institutions are forged to consolidate the policy momentum that has already been generated, the wisdom accumulated thus far could be lost in favour of *ad hoc* responses to pressure. This will yield very poor returns on investment.

Our analysis thus far suggests that institutional innovation is a priority of the highest order, and that this is not something that the public sector should seek to undertake on its own. The private sector – broadly conceived, and including black business and the SMMI sector – will be a critical component of such an initiative. The focus must be on institutional innovation, built around the broad policy themes identified earlier; on practical delivery by the private sector, supported by other actors; and on incentives for innovative development partnerships. Community organisations and representatives of civil society will also be significant participants in such institutional innovation.

Given the current local political transition, the initiative for such a strategy should probably not come from the public sector; a private sector consortium might be best placed to set the process in motion. Hopefully, this document will provide a starting point towards that end. Clearly, however, the initiative will have to operate in terms of a broadly based

Competitive advantages

'Going global' partly means looking at South African cities through the eyes of the international community. This requires realism, toughness and putting aside one's own locally inherited sentiments. For instance, Durban officials have historically favoured the downtown areas when trying to promote tourism. Still today, many public tourist initiatives (eg the Point redevelopment and the International Convention Centre) goes against the tide of urban change affecting the inner city (though the level of inner-city decay does not yet rival that of Johannesburg, for example).

While sentiment dies hard, and there are merits in supporting downtown revival, international analysts evaluate a place as they see it now. For example, the new *Fodor's* guide to South Africa describes Durban's central beachfront

area as 'tacky, unattractive, and phenomenally popular ... if you like Blackpool or Coney Island, you'll probably get a kick out of it.'¹¹ World tourists are advised: 'If you want a sun, sea and sand holiday, get out of town and visit Umhlanga' – a view with which most readers of Durban's *Daily News* concur, and one shared by a number of Durban's tourist consultancies.¹²

While Durban has always been more attractive to domestic rather than international tourists (and the central beachfront areas cater mainly for the former), the provincial authorities have recently – correctly – focused on the more lucrative international tourism market.¹³ This is because foreign tourists spend much more per capita, and because international tourism has grown very rapidly – something like a 75 per

cent increase between 1994–95, though this trend is probably tapering off because of rising crime.¹⁴ Unfortunately, perceptions of the distribution of crime further undermines central Durban's tourism potential.

If Durban wants to attract international tourists, it might have to promote areas such as Umhlanga and others on the north coast (for example, *Fodor's* commends the Hluhluwe game reserve). In any case, the suburbanisation of international tourism has occurred in other leading tourist cities in similar societies to ours – among them Rio de Janeiro in Brazil. There, the fashionable beach spots are also moving further and further out of town, and beach areas closer to the city, such as Copacabana – the hot spot of the 1960s – are increasingly being shunned by tourists.

coalition which will be at once locally inclusive and outward-looking. In this way, Durban can begin to build on its strengths and overcome the errors of the past.

However, innovative institutions will need a framework in terms of which to operate. In policy terms, the key balance that will need to be crafted will be that of making the city attractive to local and international investors on the one hand, and making the benefits of development available to the poor on the other. Fortunately, as noted earlier, detailed financial investigations have revealed that this balance is achievable, for example at the level of local and metropolitan finances. The challenge is not so much that of generating more public funds, but of judicious use of existing revenues to multiply the developmental impact – particularly through attracting private investment. We have already noted that the port, secondary industry (especially SMMES) and tourism are key sectors to promote. Working together with private sector and community partners to promote projects that will strengthen Durban's lead in these areas would seem to be a wise investment of public effort. This, in turn, will require careful appraisal of *what* sorts of development projects are most suitable *where*

in Durban, since these two factors can sometimes conflict. However, policy development should not stall the urgent need for implementation, as the private sector is currently frustrated at the slow speed with which development proposals are dealt with.

While projects in specialist subsectors could yield the jobs required by Durban's citizens, it will not automatically enhance their residential conditions, for example in the shack areas. For this, a concerted and prolonged effort will have to be made to upgrade the service levels of the majority – a task which is financially viable, but currently constrained by capacity limitations. Again, a partnership approach and institutional innovation seems the solution to this challenge. Indeed, if there ever was a need for institutional innovation, it lies in the area of creating the capacity to upgrade the informal settlements in greater Durban. While there have been some successful upgrading experiments (for example Bester's Camp, St Wendolins and Luganda), the capacity to undertake such projects appears to be diminishing rather than expanding. This, in turn, is related to a variety of factors, including the need for appropriate bridging finance, the need for better risk/return ratios, and the need to cross-pollinate

ourism and industry

As the head of the Greater Durban Marketing Authority acknowledges, there is little reason why this trend should not be encouraged in Durban, since the metropolitan area extends all the way up to Ballito. Moreover, the problem is not an either/or one, as the central areas can continue to be pitched at the low- to middle-level domestic market.¹⁰ But a bold new vision is needed if Durban is to attract foreign tourists as well as domestic ones.

Industry provides a second illustration of the conceptual reorientation that may be required, and which is now beginning to emerge. In the past, the location of industry was partly influenced by government's inward-looking decentralisation and deconcentration policies, with places such as Hammarsdale being established to lure industry to

areas bordering on the black 'homelands'. Yet these areas have been stagnant, and have even lost business, partly because their locations defy acknowledged market norms, and partly because the industries typically located there are now exposed to unconstrained competition following on trade liberalisation and a weakening of port and customs controls. While something can and should be done about the latter, international competition cannot be avoided, and planning for industrial growth must take this into account. In essence, the challenge is to make business and industry comfortable wherever it wants to be.

The Outer West Local Council (under which Hammarsdale falls) aptly illustrates the challenges and opportunities facing both business and local

government in this regard. It has a far larger proportion of people – 70 per cent – living in informal settlements than any other local council area, yet, apart from the beleaguered Hammarsdale, it contains little commerce or industry. As a result, its local finances are among the most precarious. Both the mayor of the Metropolitan Council, Obed Mlaba, and the mayor of the Outer West Local Council, Meshack Radebe have responded to this problem and are trying to attract commerce and industry to areas close to the N3, in an effort to emulate successful highway-oriented growth elsewhere, as at Midrand. While much remains to be done, the two mayors seem to have a pragmatic and investor-sensitive approach which bodes well for the future.

the skills and resources of local communities and the public and private sectors. Apart from the fact that securing such new institutional arrangements would improve the living conditions of the poor, many new jobs and small enterprises could be created, thereby decreasing poverty and unemployment, reducing crime and violence, and stimulating further investor confidence in the city.⁸⁰

Ultimately, it will not be possible or desirable to unify these priorities and actions into one master plan. Rather, what Durban requires is flexible and innovative leadership dedicated to a series of project-linked strategies, focused in turn upon leveraging funds into its areas of specific competitive advantage and development needs. This requires a continuous and rapid review of the city's comparative positioning within the national and world economy, as well as a sensitivity to the needs of the urban majority. Who could be better equipped to manage this than some combination of the newly elected local and metropolitan authorities and representatives of the local business community?

As was pointed out earlier, Durban now has an energetic group of business leaders whose interests in future regional growth coincide with a broader concern for socio-economic development. Their sense of 'belonging' in Durban, combined with their business acumen and flair for innovation, has already notched up several successes on the planning and development frontier that have not been matched by other South African cities. Besides this, some innovative thinking has emerged within the Durban Metropolitan Council on the city's competitive advantages in an international context – for example, the economic unit's emphasis on Durban as a trade centre, and its notion of a potential 'gateway' role to the east – and these strands of innovative thinking among council staff itself could be encouraged by a democratic council dedicated to the needs of the poor and the unemployed. In the meantime, a vibrant entrepreneurship among Durban's SMMEs is linked to the rapid rise of fortunes of the Indian and now increasingly African middle classes. Taken together, these factors suggest a potential 'growth machine' that can deliver jobs and homes to Durban's poor and unemployed on a scale unparalleled elsewhere in the country. With some luck and good leadership, Durban could provide a competitive urban development model that others will find difficult to match.

CONCLUSION: CAN DURBAN BECOME SA'S GLOBAL COMPETITOR?

Like all other South African cities, Durban has complex development challenges to address. However, it has some

especially promising attributes. Indeed, in the context of the studies of other South African cities in this series, we arrive at what for us, and perhaps for many others, is a counter-intuitive conclusion. Through a combination of historical and geographical luck, political pragmatism, and the relatively tightly knit focus of local business leaders, Durban is South Africa's most promising global competitor.

Relatively low crime levels, the country's leading port underpinning a new focus on Durban as a 'gateway to the East' – a new, truly international airport, a thriving industrial economy, a sound system of local and metropolitan finance, and the country's largest domestic and fastest growing international tourist market are all signals of a potential which is only just beginning to be realised.

This does not mean that other South African cities cannot compete on their own merits, and it is by no means a foregone conclusion that Durban's new leaders will make the tough choices needed to turn the city into a truly global player. But it does mean that the prospect of being South Africa's leading global competitor is there for the taking. Durban's success will centre on the following qualities and issues:

Vision

Durban's key stakeholders need to define a vision for the city. Can Durban become a world-class port? Is this what the city's leading constituencies want? What are the other alternatives for growth and development?

What is needed is an agreed vision of the city's future – a growth-oriented vision of focused excellence. The process of developing such a vision will need to build on a thorough understanding of the nature of Durban's economy, and the trends that affect it; take cognisance of current and potential competitors; and define the obstacles to success. Given an agreed vision which is 'collectively owned' by all the important stakeholders in the city, it will be possible to:

- define the programme of action necessary to achieve this vision;
- choose priority areas for public and private sector intervention; and
- make the tough tradeoffs required to achieve results.

Leadership

Cities, like companies or other organisations, need effective leadership. Likewise, turning market forces to Durban's advantage will require dynamic leadership. The opportunities and threats associated with its new role in the regional and global economy will require new forms of urban initiative and drive. Across the globe, cities that succeed are led

by bold individuals who identify the opportunities, and take others with them.

Durban already has a competent, tightly knit and committed business and political leadership. The challenge facing this emergent group is to turn around a legacy of parochialism; move beyond racial constraints, and build on the city's unusually diverse political and ethnic mix; start thinking globally while acting locally; make the right policy tradeoffs; and communicate the reasons for these decisions to their constituencies.

Executive mayors?⁸³

A city can undertake many of the policy and strategic actions suggested in this review. But without someone to lead, it is very difficult to see how a city can become a global competitor. This is especially true of cities in the developing world. For those trying to revive cities, turn around depressed inner cities or promote cities as global players, the first priority has to be to identify and support the leadership figures who can mobilise the resources necessary for success. Surely, we need to fundamentally rethink the way in which our cities are governed. The status and image of local politicians needs to be raised if high-calibre people are to be involved in leading the country's large cities. Do we need executive mayors, for example?

Social contract

Durban, more so than most other South African cities, has the 'infrastructure for social collaboration' – the ability to mobilise around local development goals. This priceless asset should not be wasted. This 'social glue' must now be used to develop a bold and inspiring vision, and then to make hard decisions about priorities and tradeoffs. If used correctly, Durban's strong 'infrastructure for social collaboration' can also be a means to enhancing its development capacity by maximising the contribution to delivery of all sectors of the city.

New roles

At least three sets of stakeholders need to reorient themselves if Durban is to become a global player. First, the nature and function of city government needs to change. Local and metropolitan governments must facilitate growth and development in line with a new set of goals. To achieve this, they must become more informed and more politically sophisticated. Also, metropolitan and local bureaucracies must be geared to the vision of a globally competitive city.

Second, the business community also needs to reassess

its role in realising the new vision for the city. It needs to decide what its interests in the city are, and what it is prepared to do to further those interests, both individually and collectively. Similarly, trade unions, NGOs, universities and other major elements of civil society also need to decide how they will relate to the new vision for their city.

For example, cities that compete in the global economy need to market themselves to potential investors and traders. This task should be shared by all stakeholders in the city, as all have access to different networks, and therefore to different opportunities to promote the city and its assets. To a degree, cities need their own 'foreign policies' in order to compete globally. In some cities, leading businessmen have been the most effective 'salesmen' for their region. This has not been done for altruistic reasons, but because business will benefit if other world-class companies relocate to that region.⁸⁶

National agenda

If Durban is to realise its new vision, it will need help from others in the country. Some of this will be in the form of positive actions, and some in the form of persuading other cities and other levels of government to refrain from certain activities.

Thus, a successful Durban will need a political strategy. First, it will need to collaborate with other large cities on acquiring the power and influence they all need to deal with issues that affect their future. For example, Durban will need a strong say over local ports, airports, trains and other forms of transport that have hitherto been exercised by central government.

Second, Durban will need to market its vision of becoming globally competitive to provincial and national leaders. Everyone else will need to see the benefits for the country as a whole of Durban succeeding as a city. Third, Durban will need to monitor national policies and programmes to ensure that nothing is done that will prejudice its attempts to become globally competitive; and, conversely, that everything possible is done to support its efforts. Resources and senior personnel will have to be allocated to this important task.

Success will not come to the meek in the tough global marketplace. Achieving a world-class city will require a degree of boldness, confidence and independence not traditionally characteristic of Durban's leadership. In highlighting the positive features of the Durban area and its potential, this study is advocating a new approach altogether.

Democratisation poses new challenges to a city already struggling to deal with the consequences of rapid population growth and urbanisation. We are suggesting that – perhaps more so than in any other South African city – a new level of leadership, vision and drive can help Durban to realise

some of the benefits of South Africa's return to world competition, and turn this city into a global competitor to be reckoned with. Many other cities have turned market forces to their advantage, and found a successful niche in the global economy. Durban can do so too. This will require great determination – strong leadership, and a unifying vision that will make all Durban's people aware of the huge benefits of living in a world-class city.

ENDNOTES

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- 5 See *CDE Research no 3, Cities and the global economy*.
- 6 Rosabeth Moss Kanter, 'Thriving locally in the global economy' *Harvard Business Review*, September/October 1995, p 153. Cited in *CDE Research no 3, 'Cities and the global economy' October 1996*.
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- 33 W M Freund, 'The Durban functional region and its economic growth path in the 20th century – an analytical survey' commissioned report, CDE, 1994, p 1
- 34 See Board, Davies and Fair, 'The structure of the South African space economy' *Regional Studies*, 1970 and subsequent update enquiries.
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- 38 Pillay, 'The local dimension of the Durban functional region'
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- 40 Michael Porter, 'The competitive advantage of the inner city' *Harvard Business Review*, May/June 1995, p 57
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