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## **What will housing megaprojects do to our cities?**

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*The building of large numbers of housing units in isolated greenfield locations has had detrimental side effects on our cities over the last two decades. Yet a series of new megaprojects, designed to accelerate the delivery of housing, is now on the cards. Because they are to be built on cheap peripheral land, these schemes threaten to reinforce urban fragmentation, inefficiency and exclusion.*

### **Introduction**

A spate of megaprojects has been proposed by the Department of Human Settlements in order to boost the delivery of housing and to benefit from economies of scale. The growing national interest in massive housing developments coincides with the 2014 appointment of Lindiwe Sisulu as the minister of human settlements. She is a forceful politician with a sense of urgency. Megaprojects are her department's main response to the collapse of the government's programme of building houses: 'The delivery of houses has dropped by 25% over the past five years ... [this] is very serious especially against a backdrop of increasing urbanisation and promises made' (Sisulu 2014). She sees the megaprojects as some kind of 'Marshall Plan' for housing.

Strangely, quite a different urban agenda that is based on longer-term considerations and a broader view of efficiency is being followed elsewhere in government. Its key objectives include urban compaction, integration and densification by encouraging new housing on well-located land within cities and improving public transport connections between neighbourhoods and jobs. Urban concentration also promotes human interaction and enhances productivity, which is vital for social cohesion and national economic competitiveness. Proponents of this approach are the National Treasury and the metropolitan municipalities.

In housing policies all over the world there is a tension between building on greenfield sites beyond the urban boundary, and filling in on brownfield sites to consolidate existing urban areas. The dilemma is acute in South African cities because their average population density rises with the distance from the centre. This is unusual and the situation has deteriorated in the last two decades (Wainer 2015). The question that arises is whether the housing issue is being tackled in a way that promotes urban efficiency and social justice (see Turok 2015 for a fuller exposition).

### **Why the upsurge in megaprojects? The RDP housing predicament**

The post-apartheid government's RDP housing policy has focused on building large quantities of small units to eliminate the housing backlog and ensure better living conditions for the poor. Almost three million such homes have been delivered to date – an impressive achievement by international standards. Government spending on housing and associated facilities has risen from 1% of GDP in 1994 to 3.7% today. This is a faster rate of increase than expenditure on social grants, health or other social programmes (Tomlinson 2015).

Despite this sustained effort, the housing backlog has risen from an estimated 1.5 million to 2.3 million units. There has been a big increase in informal dwellings, particularly in urban areas. A recent upsurge in community discontent and social unrest has focused attention on fundamental limitations of the RDP housing model. These include the falling rate of delivery, inflated costs, the poor quality of construction, and suspicions of patronage, fraud and corruption in allocating tenders and managing waiting lists for housing (Savage 2014; SACN 2014).

Another problem is the location of RDP settlements on the periphery of towns and cities, where land is readily available and cheaper than in built-up areas. This has reproduced and entrenched the apartheid spatial pattern of dormitory settlements in isolated locations. According to the Gauteng Premier, David Makhura, they are 'incubators of poverty' rather than assets to help lift people out of hardship. Poor families trapped on the periphery have to bear the brunt of long and complex journeys to work and school. Average commuting times for black households have increased from 88 to 102 minutes a day over the past decade (see Kerr article, [Econ3x3](#), October 2015).

The housing megaprojects are clearly framed as a response to poor communities' impatience at the slow pace of socio-economic progress. The electoral position of the ruling party is under greatest threat in the major cities, where population growth is strongest and the demands for enhanced social provision are loudest. Political leaders have hurriedly

announced plans to develop a string of major urban expansion schemes and satellite towns. Each is designed to accommodate tens of thousands of urban residents in better living conditions.

The ruling party's belief that it is politically imperative to boost the supply of houses has been confirmed by the ANC's secretary-general: 'Human settlement is at the heart of mass resentment. However, it can be turned around to be the driver of improvement in electoral fortunes for our movement' (Mantashe 2015: 1).

### **A closer look at megaprojects**

Evidence presented by departmental officials to the parliamentary portfolio committee reveals a growing crisis in the provision of housing: outputs are declining, costs are rising, shoddy workmanship has to be rectified, procurement processes are bogged down, assembling land is slow, and external conflict is growing. The committee, in turn, feels the department should: 'be more proactive, act with speed and have aggressive interventions where they are needed' (Human Settlements Committee 2015).

Crucial details of the proposed megaprojects are hard to come by. There is still no policy framework (such as a housing white paper) to explain the approach. Yet the logic is apparent from public statements. Minister Sisulu has talked about getting each of the nine provinces to:

...launch an integrated human settlement Ministerial project that will deliver a minimum of 10 000 houses and 5 000 service stands over five years. This will include 20% rental units, 20% gap housing, 30% BNG (RDP) houses, 10% social housing and 20% serviced sites for employer assisted housing.

The provinces are currently preparing proposals for 50 megaschemes. The total price tag is expected to be R298 billion over five years. The megaprojects will cater for different lower-income groups and provide a mix of housing types within the same settlement, thereby promoting a degree of social diversity.

Key policy considerations include eliminating blockages in the housing pipeline – such as red tape, zoning bottlenecks and access to land for development – in a bid to 'woo the private sector'. The minister has stressed the need to formulate a master spatial plan to coordinate the provision of housing and infrastructure. She believes that megaprojects will be more efficient for her department to oversee than lots of smaller projects, given that the department lacks technical capacity and is under-spending its budget. Similar problems afflict many of the provinces and metros.

Centralised co-ordination within government is seen as the solution to deal with the systemic constraints that undermine delivery. Megaprojects are the vehicle to connect the activities of different parts of government and drive a focused agenda by issuing large contracts to private sector developers to design and execute integrated housing schemes. 'War rooms' are to be established to prioritise megaprojects over other developments and to fast-track decision-making through regulatory hurdles. This is supposed to create delivery momentum and to establish implementation systems that enable housing developments to be scaled-up across cities and towns. According to the minister, megaprojects are '...intended as game changers in the process of spatial planning in our country. They ... will shape the future of human settlements development.'

### Questions and concerns

The energetic commitment to tackle the poor state of many urban settlements is laudable. However, the assumption that megaprojects are the appropriate solution needs careful scrutiny. There are five basic concerns.

1. The choice of language suggests a mechanical process of delivery – seen in the references to pipelines, blockages and delivery engines. There is no mention of encouraging innovative, greener or more inclusive urban designs, or planning for decent living and working environments. The efficiency of government processes is uppermost, with little consideration given to the efficiency for households (e.g. travel costs and distances to work), the efficiency of the wider economy (e.g. congestion resulting from sprawl), or the fiscal implications for urban municipalities of creating and maintaining sprawling infrastructure networks.
2. Megaprojects are presented as a neat solution to government's fragmentation, procedural complexities and capability constraints. There is no analysis of what lies behind the housing backlog, no financial appraisal of mega-project principles and no awareness shown that other policies could help to meet the rising demand for housing; these include infill projects, backyard rental, refurbishment of empty buildings and medium-density rental property. Furthermore, a wave of smaller projects is likely to create jobs and build entrepreneurial capacity in SMMEs more effectively.
3. There are more risks associated with a 'mega approach' than with others. There is a greater chance of major cost overruns, quality problems, undervalued environmental degradation, and the effects on social and economic development are easily overstated. These are universal concerns with large-scale infrastructure projects (Fyvjbjerg *et al.* 2003). All the evidence suggests that megaprojects are no quick fix for institutional weaknesses

within governments. Rather, a well-prepared, capable public sector is crucial if the burdens and benefits of megaprojects are to be distributed fairly.

The dangers seem particularly pertinent in this instance:

- The mega-project objectives are rather fuzzy in relation to both the substance of what is to be achieved and the process of getting there.
- There is little sign of preparatory work such as feasibility studies, technical appraisal of options, and consultation with public, private and civil-society stakeholders.
- Details of the institutional arrangements are unclear, yet these are crucial to efficiency.
- The scale of these initiatives may force cooperation based on centralised control between government departments. This could undermine checks and balances within the system.
- Transparency and accountability are vital to minimise rent seeking and to avoid decisions being 'captured' by vested interests.

Given the inflated expectations and high levels of public funding already envisaged, the megaprojects could end up fuelling the politics of mistrust and backfire on their political champions.

4. The location of the megaprojects is a major concern, bearing in mind the importance of urban spatial structure for access to opportunities, economic efficiency, social integration, public infrastructure costs and the impact on the environment.

The geographic location of the megaprojects is influenced above all by the need for large areas of cheap land that are relatively straightforward to develop. In addition, economies of scale in construction require that the projects be started from scratch on free-standing greenfield sites. Most of Gauteng's proposed settlements are on the urban periphery.<sup>1</sup> The five largest megaprojects are particularly distant from the formal economy at the core of the region. Four of these five schemes also overlap with sensitive environmental areas identified by the Province's environmental unit.

Such 'megasettlements' could thus remain as dormitories that are isolated from economic opportunities for decades, while people lucky enough to have jobs will have to commute even further than they do today. Sustainable local jobs will require the development of a local economic base, which needs externally traded activities rather than personal services that are dependent on local spending power. The chances of success seem slim. There are

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<sup>1</sup> The location of Gauteng's proposed settlements has been mapped by the Gauteng City Region Observatory (GCRO 2015).

powerful forces promoting the concentration of businesses in central Gauteng, including risk aversion and inertia: it is very difficult to shift the pattern of private investment in industry and tradable services. In Cosmo City, it has taken nearly a decade for supermarkets, petrol stations and other formal retail outlets to open there, let alone tradable activities.

5. A related risk surrounds the financing of parallel urban agendas within government (outlined in the introduction) and the fiscal position of the metros. Anaemic macroeconomic performance implies a constrained medium-term fiscal outlook. The public sector will struggle to borrow the capital required to invest in additional bulk infrastructure. Decisionmakers will look to private finance for infrastructure – but this market is undeveloped and private funds could come with unexpected strings attached. The projects could also jeopardise the financial position of the metros, which have to bear many of the costs of dispersed infrastructure and the related service delivery. Metros are likely to be concerned that the megaprojects will divert public and private resources from core built-up areas.

The political priority attached to large greenfield initiatives on the urban periphery could persuade private residential and retail property developers to follow suit. This would compromise the viability of recent public investments in rapid-transit bus systems and other urban infrastructure designed to increase the population density of city cores.

## Conclusion

It appears that the urban consolidation agenda could be jeopardised by a somewhat desperate attempt to launch housing megaprojects. The spatial imperative of such projects – urban expansion – conflicts with the need to densify cities in order to reduce commuting costs and other distance-related inefficiencies. It is vital to reconcile the urban expansion and densification approaches in order to avoid the duplication of effort and the dissipation of scarce resources.<sup>2</sup> If both continue, it is likely that both will fail.

If these processes were aligned, it should be possible to elevate the position of urban policy and give it greater traction. This alignment would require high-level political endorsement, along with stronger municipal systems of spatial planning and development.

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<sup>2</sup> There may be ways in which they could become complementary. Some of the strengths of the megaprojects agenda are weaknesses of the consolidation approach – the sense of urgency, the political backing and the resources for housing. Many of the strengths of the consolidation agenda are weaknesses of the megaprojects, such as the technical capabilities available and long-term thinking.

A fundamental requirement would be for the government to do more to free up land for development within the big cities rather than on the periphery. The state has been far too passive and reactive in their approach to urban land since 1994. Surplus state-owned property should be released for infill development to create mixed-use neighbourhoods with jobs and amenities. Municipalities should do more to help transform run-down districts and derelict buildings into decent and affordable living and working environments.

This kind of city-building endeavour has the potential to harness the energy of all sectors of society, not just to build more houses, but to create better cities. The state should create the conditions and opportunities for the private sector, non-profit organisations and households themselves to exercise their own creativity and initiative to develop more liveable and productive places, without having to wait for the government as the conductor that determines when and what the orchestra should play.

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