

# Competing for urban land: improving the bidding power of the poor

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A discussion paper

Mark Napier, Urban LandMark, 9 June 2008, mark@urbanlandmark.org.za  
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## Abstract

City planners mostly agree that poor people need to be better located in cities to improve their access to social amenities and economic opportunities. Living, or trading, or producing goods on better located land also gives people access to markets, which locational opportunity improves the outlook for sustainable poverty alleviation. If people own the land they live on, they can also pass their property to their children and transact in the property market in various ways. Good urban management and land use planning then adds urban services, transport networks, and opportunities for agglomeration.

This vision has been at the heart of planning for cities in developing countries for decades. And yet it has not happened, at least in South Africa. The poor remain in poor locations, disconnected from physical and market networks, and on low value land.

Urban land with the kinds of characteristics which would give people the means to create wealth, is in high demand and thus sought after by more powerful sectors of the economy. If groups of people invade land, they can perhaps gain locational advantages, and there are examples of this happening. But landowners of more valuable land would use the means at their disposal to resist the occupation of their land or land near to their vested interests. Given the 'logic' of the market, poorer communities, and states acting on their behalf, are often unable to bid competitively on valuable land.

Large private urban interests are usually able to outbid other actors on price because they are able to realise commensurate value from that land (referred to as 'highest and best use'). Market logic can be bucked by state interventions but people subsequently allocated such land, or the use of the space, can be vulnerable unless they are also utilising the land in ways which extract sufficient value. Low income housing, and small production and trade, are rarely profitable or intense enough to compete and therefore to warrant good location, at least in market terms within the current predominant South African urban form.

Therefore the development planning vision of equitable and integrated cities remains unrealised, not to mention the achievement of slum free cities.

This paper (and presentation) looks at this conundrum in the South African context and suggests ways in which poor people can be spatially and economically integrated into cities by increasing their bidding power, including improving the intensity of land utilisation.

If land for investment is to be unlocked by a series of actions which makes property markets and property rights more secure and predictable, the next step would be to propose viable models which partner wealthier land interests with people who would otherwise (for example) be trading or living on the pavements around the high end developments that result. What is the South African experience, and **are there examples of highest and best use in prime locations which include more than just the urban elites? What regulatory and institutional conditions give rise to the integration of the poor into urban projects (large or small)?**

For people living in informal settlements, who in some cases are already occupying valuable urban land, the way in which slum upgrading takes place and the new settlement form which emerges can consolidate the community in their location or undermine their chances of remaining there in the face of land bidding pressure. For proactive state-led projects which seek to house communities currently living in slum conditions, what built forms are commensurate with high land value?

Examples of these kinds of projects will be used to illustrate the case for increasing the bidding power of poor communities to consolidate their place in urban areas.

## Introduction

In a sense, this paper traces a personal journey in thinking about how poorer people can find a place in the South African city. The journey began in the early 1990s while assessing planning and built environment thinking which addressed development and housing. The journey has now, in the late 2000s, come to a point which considers land issues addressing the use of space for not only housing, but also business, small production and recreation, and juxtaposing the 'inevitability' of the 'market' with the rights of poor and vulnerable people to the use of urban space.

In the 1990s Kosta Mathèy was editing a compendium which sought to wrap up the last 50 years of housing thinking. It was called "Beyond Self-Help Housing" (Mathèy, 1992). The work took us forward from the foundational work of John Turner and, on the other side, Rod Burgess in which the solution to the shelter needs of the poor was vigorously debated. The Mathèy compendium coalesced a great deal of experiential learning on what was working and what not.

Last year, SIDA published a small pamphlet called "Beyond Titling" (Schlaepfer & Forsman, 2007). Looking at the underlying building blocks of human settlement and the economy (namely land and titling respectively), commentators are currently trying to balance the solutions offered by Hernando de Soto and the discourses of people like Alain Durand Lasserre and Geoffrey Payne.

It is not clear whether we have gotten beyond either self-help housing or titling, nor whether we should really try. Experience has a way of coming around again under slightly new (more fashionable) names, although these new words build the depth of the debate and therefore the potential effectiveness of the proffered solutions.

The experiences developed between the 1950s and 1970s through implementing self-help housing, sites and services, and core housing are now seen as being too focused and not sufficiently cognisant of context nor structural factors which impede the delivery of infrastructure, sound urban management and the alleviation of poverty. However that experience is now called on, and is an essential component of giving reality to the current calls for 'slum free cities'.

Similarly, many of the fundamentals outlined in Shlomo Angel's visionary book "Land for Housing the Poor" (Angel, Archer, Tanphiphat, & Wegelin, 1983) are still relevant within the whole land, tenure and market debates we are facing today.

Given that we have spent decades having debates, writing books and even doing projects, and that there is huge value in the body of knowledge and practice thus generated, why in so many places do the poor remain on the margins and, more fundamentally, why has urbanisation (at least in sub-Saharan Africa) reproduced the

conditions of poverty which are reflected in poor settlements and insecure land rights?

I am suggesting that part of the answer may lie in bringing together the viewpoints of land rights activists and urban planners on the one side, and land and property economists on the other. Without losing any of the past experiences, we do need to get slightly beyond self-help housing, and titling, and look at land markets, tradable rights and the productive use of space. Although in doing this we do not necessarily need to discard the previous debates.

### **Any place for the poor in the city?**

Starting with the land rights activists and the urban planners, it has been comprehensively argued that the poor should be able to access a progressively more defensible place in the city, and in urban economies. The benefits of urban living which motivate people to urbanise should be equitably spread and equally accessible to all. Affordability effectively limits access to goods and services, but by spatially integrating people into the city and into its grids and networks, people may have the means to reverse the effects and trends of poverty. Planners creatively suggest the urban forms and systems of land management which may realise this inclusive city. In an age of fuel and other energy shortages, and of high costs of urban infrastructure (both capital and maintenance), and with the awareness of urban footprints, the compact city is shown to be functionally and environmentally more efficient. Socially it makes sense not to ghettoise especially the poor, but rather to integrate people into the urban structure (Napier, 2007).

In the South African situation, with the history of urban segregation, these arguments for social and spatial integration have even higher priority as a socio-political project. With a city structure which houses the poorest on the distant spatial and social margins, planners, engineers and urban managers have seen the reversal of this pattern as their key challenge. Many of the spatial planning solutions to re-integrating the city have been discussed and tried.

Using the core-periphery concept, which can also apply to multi-nodal cities and regions, the answer may lie in finding the right incentives to improving the transport links, moving opportunities (e.g. jobs) out to the periphery, moving people towards the existing opportunities, or creating corridors along which opportunities are located as people move around the city (see Figure 1). This kind of thinking gave rise to experiments with urban activity corridors and nodes, for example in Cato Manor in Durban and the Lansdowne Corridor in Cape Town.

It was thought that by proactively directing state investment in housing and infrastructure, by having the right kinds of spatial plans and inclusionary planning processes (institutionalised in the “integrated development planning” process in

South Africa), by doing good land use planning and urban management, and by incentivising the private sector, that this integration would be achieved. Thus the post-apartheid city would become a place fit for the 'rainbow nation' to live, and would be socially and economically integrated, mixed use, mixed income, and sustainable.

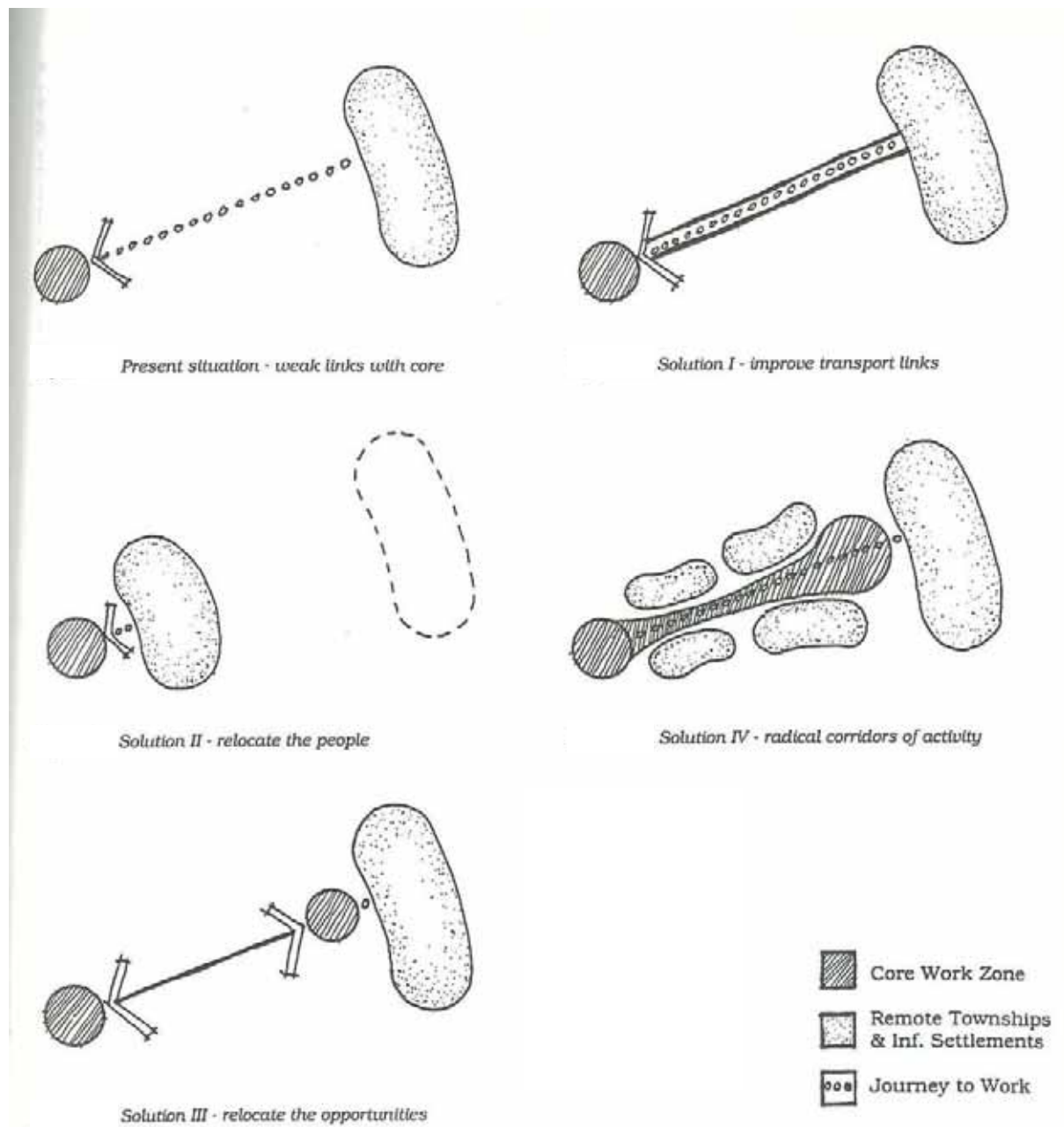


Figure 1: restructuring the apartheid city (Napier M., 1994)

After twelve years of democracy, and the rude awakening brought on by the recent wave of xenophobic attacks, not to mention sustained high levels of crime and violence in South African cities, this vision has not been realised either socio-economically or spatially. The city is still largely segregated, now economically rather than racially, and new formal and informal housing is far from integrated into the urban fabric. Areas where there is private sector investment and where jobs are

created through industry, commerce or residential development (often in gated communities), are located on opposite poles of the city from where poor people still remain concentrated. Unequal growth in property values reveals and confirms this pattern (see Figure 3 to Figure 5 ).

The possible over-sensitivity of South African (large and small) property owners to suggestions of social or class integration are illustrated by both the tendency to fence off or 'gate' residential neighbourhoods and by the adverse reaction to recent suggestions of a national inclusionary housing programme<sup>1</sup> (Property Players Slam Mixed Housing , 2007).

Although municipal investment strategies and national policies consciously elevate the needs of poorer people and of parts of the city which have historically been under-developed, urban infrastructure investment is most often drawn towards development on the wealthier sides of the city. The basket of support provided by the state, or the "social wage", which includes free basic services, housing, education and health care (not to mention child grants and pensions), is concentrated at the other end of the city. Thus the productivity of people working in the formal economy is somewhat improved but travel times to work increase and direct access to markets decreases.

State and private sector planners and urban managers are flummoxed by the failure of apparently sound and well intentioned spatial planning processes and designs to reverse unequal spatial patterns. This is evidenced by widening income gaps between the rich and the poor. Typically the responses which arise include:

- If only the state had more money to buy good land and more money to subsidise public transport.
- Perhaps the state should legislate spatial, social and economic integration in order to reverse these apparently intransigent problems.
- The effective rights of the poor to access land, housing and economic opportunities should be strengthened.

Quietly sitting on the side are property developers and owners who demonstrably lead much of the physical change in the urban core. And sitting near the property elite are economists who understand and predict trends and thus inform and guide investment, while the property entrepreneurs take the risks. The property developers and economists are slightly surprised by the planners being surprised that the apartheid city has not yet transformed. They may be heard to say, "It's the market, silly".

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<sup>1</sup> Somewhat similar to Section 106 Agreement in UK and similar schemes which apply in many other countries.

## It's the market, silly

Economists talk about land being allocated to its “best and highest use” with price, conditioned by demand and supply, as the key determinant (Genesis Analytics, 2008). On first inspection this assertion rather sticks in the throat of land activists campaigning for a better place for the poor in the African city. However, there is some truth in the observation that the market optimally allocates land to the agent or sector which can extract the greatest value from using that space (or not using it!).

This idea was developed and illustrated for the South African context in a recent study done by Genesis Analytics for Urban LandMark<sup>2</sup>. The different sectors (e.g. residential, office and retail) bid for urban land in competition with one another. Given the assumptions that different sectors of the property market bid for a limited supply of land, and that these sectors compete freely, then the assertion is that it will be in the interests of whoever can extract the greatest value from any one piece of land to outbid the others. The study does build a more complex concept of the urban land market in which state regulations and land management practice (amongst other factors) place limits on this market system.

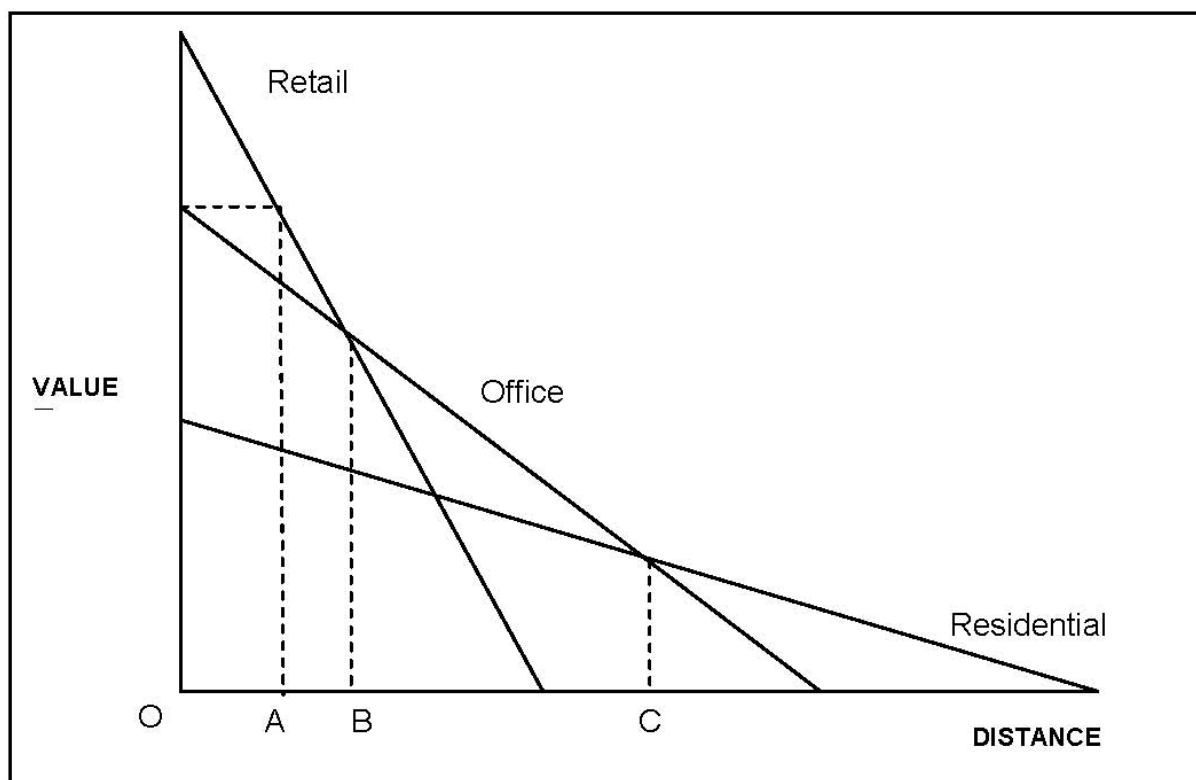


Figure 2: the competitive allocation of land between sectors. Source: Genesis Analytics, 2008.

But going with this logic, the outcome of this competitive bidding is that high prices are put on land which is optimally located. The argument is illustrated in Figure 2 which is explained as follows:

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<sup>2</sup> An agency which promotes access to urban land markets by poor people in South Africa, funded by DFID.

“... land values [are] depicted on the Y axis and distance from the demographic centre of the city [are] depicted on the X axis. As one moves away from the origin (point O), one moves further away from the city centre. The diagram shows that at point A, the retail sector can pay a higher value than the office sector, whereas at point B the office sector is in a position to “outbid” the retail sector. From a market structure perspective it also means that land between points O and B will tend to be used for retail developments while in the area between points B and C, the market will tend to allocate land to the office sector.” (Genesis Analytics, 2008)

Market actors are more willing to pay higher prices for parcels of land that are closer to relevant opportunities, whether that be in a conventional Central Business District or in a new node of a multi-centric city. Applying this logic and even given current regulatory and management conditions, it becomes evident that the state has very low bidding power for land for low density, low cost housing. And individuals and communities with limited buying power also do not usually get a look in on land parcels for living, for retail or for small production, at least in South Africa.

This goes some way to explaining why the apartheid city has not transformed and why low cost housing delivered as part of a fixed grant and delivered by municipalities and private developers is built on the distant fringes of the sprawling city. Essentially that is where land is cheap and can bear low intensity land use. People living and trading there are then distant from much of the formal employment opportunities which have been developing on the opposite pole of South African cities. The potential markets for the goods people may produce are also then far away.

This can be illustrated for South Africa’s largest cities. Again, in the recent work done by Genesis Analytics for Urban LandMark, data generated from the national deeds registry tracks median purchase price at five year intervals.

In Cape Town (Figure 3), there are very low purchase prices (indicated in blue) in the Table Bay basin where the historical townships of Gugulethu, Langa, and Khayelitsha are located, along with the main concentration of informal settlements. Over the years, the economic growth and high property prices (indicated in red) have become increasingly located in the centre of town and along the west coast (e.g. Hout Bay – see the Hangberg case study below). Other research<sup>3</sup> shows that there is fairly extensive informal exchange of properties in poorer housing settlements which would be off-register and therefore not picked up by this mapping (Marx, 2007). However sale prices are very low, constrained by lack of access to finance and the partial absence of a strong profit motive on the part of the residents.

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<sup>3</sup> Done for Urban LandMark by Isandla Institute and Stephen Berrisford Consulting



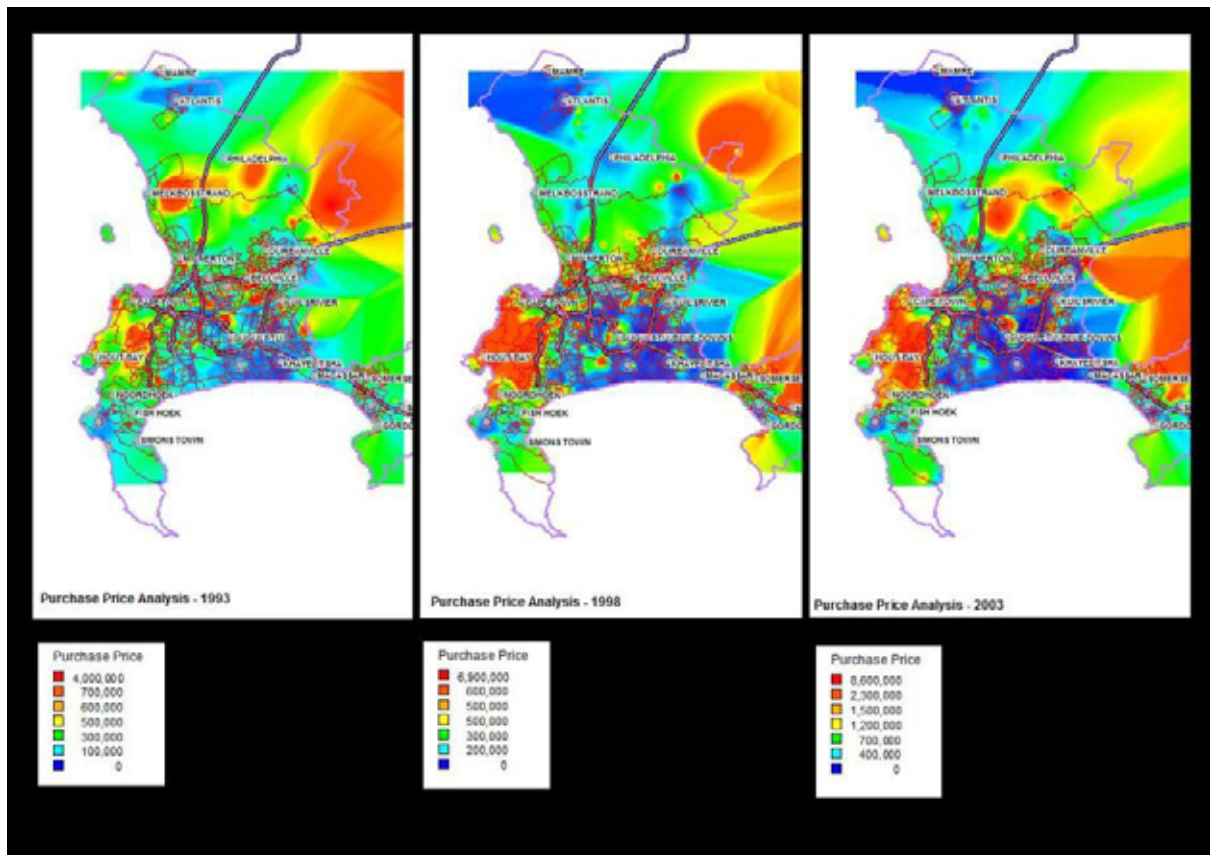


Figure 3: median purchase prices at 5, 10 and 15 years - Cape Town (Genesis Analytics, 2008)

Similarly in Johannesburg (Figure 4) high values are seen towards the central and northern suburbs, and lower values in the south western area of the city (e.g. in Soweto and surrounding areas), although there are signs of an emerging property market in some Soweto neighbourhoods.

In Durban (Figure 5), high value properties are increasingly focused in a lying down T-shape, with the top of the T lying along the valuable coastal zone and the stem of the T lying along the strongest transport route from the hinterland in the west. Referring back to the corridor argument earlier in this paper, instead of the previously excluded poorer communities being focused along activity corridors they are essentially pushed away from the most successful corridors not only because of historical apartheid planning, but also because land values mitigate against their finding a tractable position in more connected locations.

So this illustrates that there continue to be two unequal poles of development and under-development in a number of South African cities with their origins in segregated apartheid which has not been reversed by well-intentioned state investment regimes. In fact, increasing land values in parts of the city, which are also pushed up by infrastructure investment, militate against the entry of the poor into these areas.

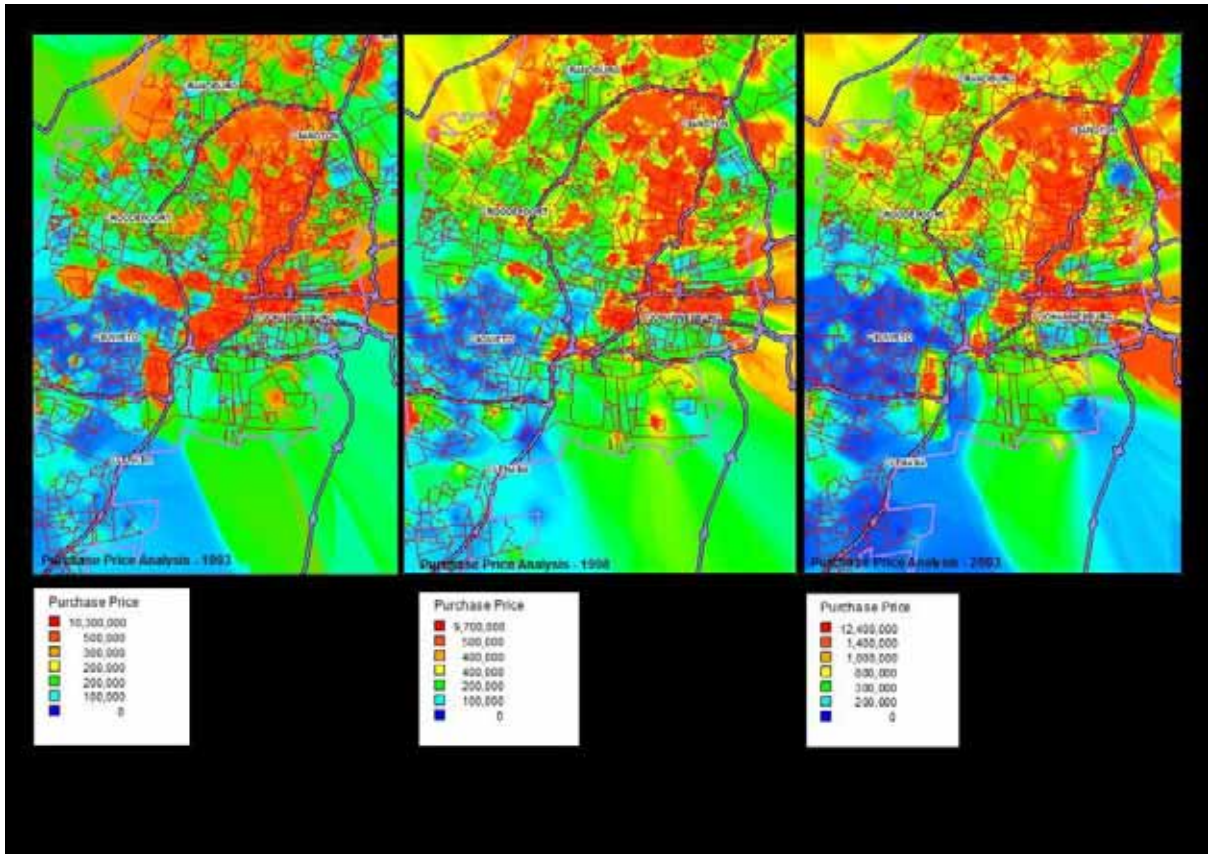


Figure 4: Median purchase prices at 5, 10 and 15 year intervals - Johannesburg (Genesis Analytics, 2008)

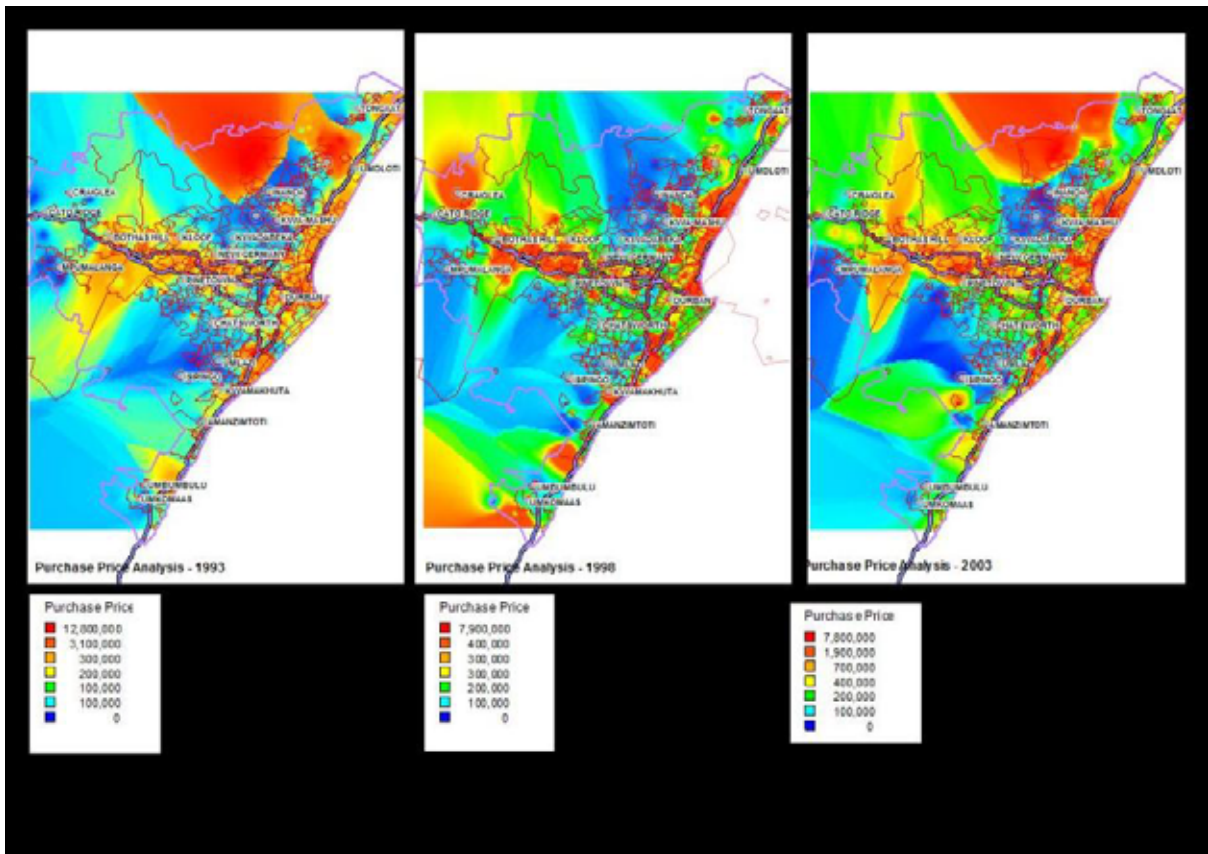


Figure 5: Median purchase prices at 5, 10 and 15 year intervals – Durban (Genesis Analytics, 2008)

Sometimes, though, urban areas grow out to encompass previously badly located townships and informal settlements (such as parts of Soweto, and Khayelitsha's proximity to growing economies to the east), or groups of people manage to secure better located land which is better integrated into urban service grids and into markets. It is therefore essential to build in the time dimension to this discussion, realising that opening up space in the city for poor people may be a strategic long term project which considers the direction of future urban growth, in much the same way that the private sector makes these predictions and then invests accordingly. While the state may not be as adept at these predictions as the private sector, it has other tools at its disposal which allow it to prioritise infrastructure investment and manage gains in land values in the public interest.

## Valuable land and the poor

Despite the potential to manage land values, this is often beyond the current purview and capabilities of most South African municipal planning departments, and not normally factored into national policy and programmes.

The state response to the domination of the urban land market by the private sector and the (possibly linked) exclusion of poorer communities, as well as the lack of spatial transformation over the previous twelve years, is to manipulate the market especially for land for living and small production by:

- appealing for social and class integration (Mbeki, 2004);
- developing high level urban strategies (e.g. the National Spatial Development Perspective) which suggest an economic motivating logic for state urban investment;
- establishing state funds for purchasing private sector land for housing;
- lobbying within government for state departments and state owned enterprises to make their own land holdings available at below market prices (which has met with mixed response, where some less valuable land has been released);
- introducing inclusionary housing policy and possible legislation to incentivise the private sector to build mixed residential development;
- supporting voluntary agreements to encourage commercial banks to offer mortgages on smaller properties (through a Financial Sector Services Charter), and a Property Charter to transform the larger property concerns;
- providing tax incentives for inner city developments;
- amending property rates formulas to extract greater value from wealthier land users;
- amending land expropriation laws; and
- establishing a national Housing Development Agency which will, amongst other functions, purchase land for housing. (Napier & Ntombela, 2006)

While these interventions range from political appeals to tax incentives to direct land acquisition, they are characterised by the tendency to either mobilise large amounts of money to purchase land on the market (or “throwing money at the problem”<sup>4</sup>), or otherwise to somehow channel market forces or buttonhole market players into being more philanthropic.

Few work effectively as they rarely combine the harnessing of market forces with the use of the sophisticated tools in the hands of government to manage land and land values, through planning, regulations, taxing and state investment.

But most importantly, where the state is directly involved or where the private sector is being pressured, *no-one is sure what poorer communities and households will do once the few gain access to these land and property windfalls, or what the market will do if large tracts of land are redistributed via these means.*

The private sector looks on some of these interventions with some favour (for example, voluntary charters being an acceptable way for the private sector to regulate the effects of its own actions), and sees others as wilful market distortions.

Given the competitive bidding process for land on the market outlined above, a more viable route (for the private sector) is to suggest that the state sells off well located land to the highest bidder at market value, and then uses this to bolster municipal funds enabling them to reinvest in poorer areas (Genesis Analytics, 2008, p. 135). Another route is to improve the efficiency of property rating and to also use this to reinvest in historically and new areas where poor people live and where infrastructure needs upgrading. This investment, it is argued, would lead to the emergence of a more vigorous property market in peripheral areas thus giving the poor the means to accumulate wealth.

There is also a suggestion that by allowing people the means to access land below their own affordability level, that this would lead inevitably to sub-optimal land use, to downward raiding and to inevitable market adjustment where the poor are unable to defend their place against the bidding power of the market.

Is this really true or are there ways to improve the place of the poor and also achieve close to optimal land use in better places which are some improvement to what is traditionally the lot of the poor within a predominantly market system?

Is this an unachievable vision, the integration of the poor into the African city? Will the market inevitably displace the poor despite the attempts of the state, civil society and international donors?

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<sup>4</sup> A description used by Alain Bertaud on 9 April 2008 at a World Bank/ South African Treasury workshop in Pretoria.

Are there ways to create conditions in which the poor can produce and use at the intensity required to satisfy the rule of best and highest use, without fundamentally distorting the market?

Before concluding this section, it is important to point out that at least in the South African case these two registers (state investment logic and market logic) are often very far removed from one another. In a recent conference held by the South African Property Owner's Association (SAPOA)(Cape Town, 29-30 May 2008), there was a debate between a SAPOA-aligned economist<sup>5</sup> and the chair<sup>6</sup> of the government's 'Panel on Foreign Land Ownership', both university professors.

The chair of the government panel, set up to review the impact of foreign land ownership in South Africa and possible state interventions to limit it, talked about the historical dispossession of people in Africa from their land, of cultural connectedness to the land, and of collective ownership of a national resource. The economist talked simply about the market and about the need for foreign direct investment. The greater the investment, he argued, the greater the benefit to the economy of the country, whatever form that investment might take.

Whilst the one's discourse was couched in culture, history and agency, the economist's discourse was couched in the immutability of market logic. The South African government could legislate in some way against foreign land ownership, but the market would respond and self-correct so that new opportunities could be exploited under the new legislative system.

In this debate there was almost no meeting of the two registers. It illustrated why state policy makers and planners remain surprised by the ongoing displacement of the poor in South African urban areas, and why economists cannot see why not.

## Improving bidding power

So this paper suggests that there may be ways to design appropriate intensities of land use into town planning schemes, land management practices, legal and regulatory systems, and urban interventions (e.g. informal settlement upgrading initiatives) which allow traditionally more vulnerable communities to defend their place in the city against what the economists would say was the inevitability of the market.

There are a number of caveats to discussing the means by which the bidding power balance may be shifted in ways which lead to integration. Firstly, a healthy (macro- and local) economy is an underlying precondition for improving the chances of the

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<sup>5</sup> Prof François Viruly – University of the Witwatersrand.

<sup>6</sup> Prof Shadrack Gutto - Director, Centre for African Renaissance Studies, University of South Africa.

poor in urban areas. Secondly, the economy needs to be characterised by shared growth in which policy is aimed at deliberately structuring the economy more equitably. Thirdly, we are not suggesting that by improving the market (or state) allocation of land and property, that this can by itself alleviate poverty, although urban land (for housing, production and retail) accompanied by secure tenure is a hugely important foundation to sustainable wealth creation and participation in a (growing) economy. Defendable property rights supported by strong land registries are also crucial.

Given that some of these conditions are favourable to viable urban development, how might communities gain access to, and utilise, sought-after land in the face of competitive market pressure?

### Quantity

The lack of integration of the poor into urban areas in South Africa is not solely a function of the market (or its immutable logic) or that the poor (or the state acting on their behalf) are not able to put the land to good use. *There is also a lack of market supply of land in the right quantities, in the right places and with the right designated uses.*

The typical example which is repeated in many sites across South Africa is that when retail shopping malls are built and opened, within days there is vibrant street trading activity on the pavements around the malls<sup>7</sup>. Some shopping centres allow carts or trolleys to trade in the circulation spaces but these are often run by the large concerns which also rent retail space in the same centres.

The same happens for new neighbourhoods of government housing where there is little provision for commercial and production spaces. Within weeks of people being allocated state houses through the national housing subsidy programme, informal stalls are established at the entrance to these neighbourhoods and on street corners.

In Durban, a city of over 2.5 million people on the east coast, the municipality has for many years now formalised pavement trading by demarcating bays for traders. The traders are organised into associations and also liaise with the formal shop owners in the vicinity where they trade. The arrangement is supported by an informal economy policy adopted in 2001 (Kitchin & Ovens, 2008, pp. 12-15).

What this highlights is that if appropriate quantities of affordable space are made available where there is a vibrant market, that there will be take-up by small traders. The Durban case is one of the exceptions, and small amounts of retail space are rarely planned into formal shopping outlets.

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<sup>7</sup> Pointed out by Prof Francois Viruly referring to the development of the new Maponya Mall in Soweto, and also observed personally in other cases (e.g. Sandton City in Johannesburg).

In a way this is similar to the sachet idea popularised by Prahalad in the Bottom of the Pyramid framework (Prahalad, 2006). By making small parcels of space available for productive use, there will be demand for what is otherwise an unaffordable commodity on the market.



Figure 6: Ethekwini street trading (Felicity Kitchin)

### **Intensity**

The argument that the poor cannot put land to good use may be true if there is no support or framework for higher intensity land use.

Again referring to a case from Durban, the Mansell Road Night Market was established in 1998 on land in the central business district leased from the railways. Since the 1980s women had been occupying land informally to trade goods to bus passengers and traders who were coming to Durban from rural areas. Multi-purpose accommodation was built along with a bus station which allowed the women to sleep and trade from the same premises (Kitchin & Ovens, 2008, pp. 7-11). The combination of transport node, retail space and overnight sleeping accommodation has meant that the use of the land is intense enough to warrant its location in the eyes of the municipality, the railway property owner, and the market.



Figure 7: Mansel Road Market (Felicity Kitchin)

In other work on home-based enterprises, there was a case study of small producers working in an Indonesian Kampong in Surabaya (Tipple, 2006). Within the Banyu Urip Kampong there were many activities relating to the production of papier mâché masks, traditional Javanese furniture, decorated birdcages for export, rattan, wooden handicrafts or clothing to order. On some of the fairly large 'residential' plots more than ten different activities were concentrated on one plot, housed in rambling single storey buildings. Some of what was being produced was sold on the international market (e.g. printing logo's onto merchandise for Hong Kong hotels, and selling bird cages to Japan).



Figure 8: Surabaya small production

South Africa rarely sees this intensity of land use for small production since markets are very localised and informal settlements are rarely located in the inner city. Residential zoning regulations also limit what businesses may officially be run in residential areas.



## Local value capture

In some cases communities and individuals already have effective tenure over valuable land. Whilst this may not be the norm in South Africa, and therefore the assumption is not always true that *in situ* upgrading of informal settlements is the best intervention, there are cases where communities wish to consolidate their hold over land which they are occupying.

The Development Action Group, an NGO in Cape Town, is working with the Hangberg community in Hout Bay (see reference above to the property market in this area) to secure their rights to live where they are living (IDASA, 2008). The community occupies prime hillside land with views of the bay which are keenly sought after by private property developers. The settlement comprises mainly shack housing but to ensure their position on the land, the community would need to find both a viable source of funding to improve their own housing and also to maximise the value of their own position there. This is a case where the community would be threatened by the interests of property developers if the community wished to remain on the land and not simply sell it. And one solution would be to zone the land so that the community could collectively extract value from their prime position, if necessary extracting rent from parts of the land (de Groot, 2008).

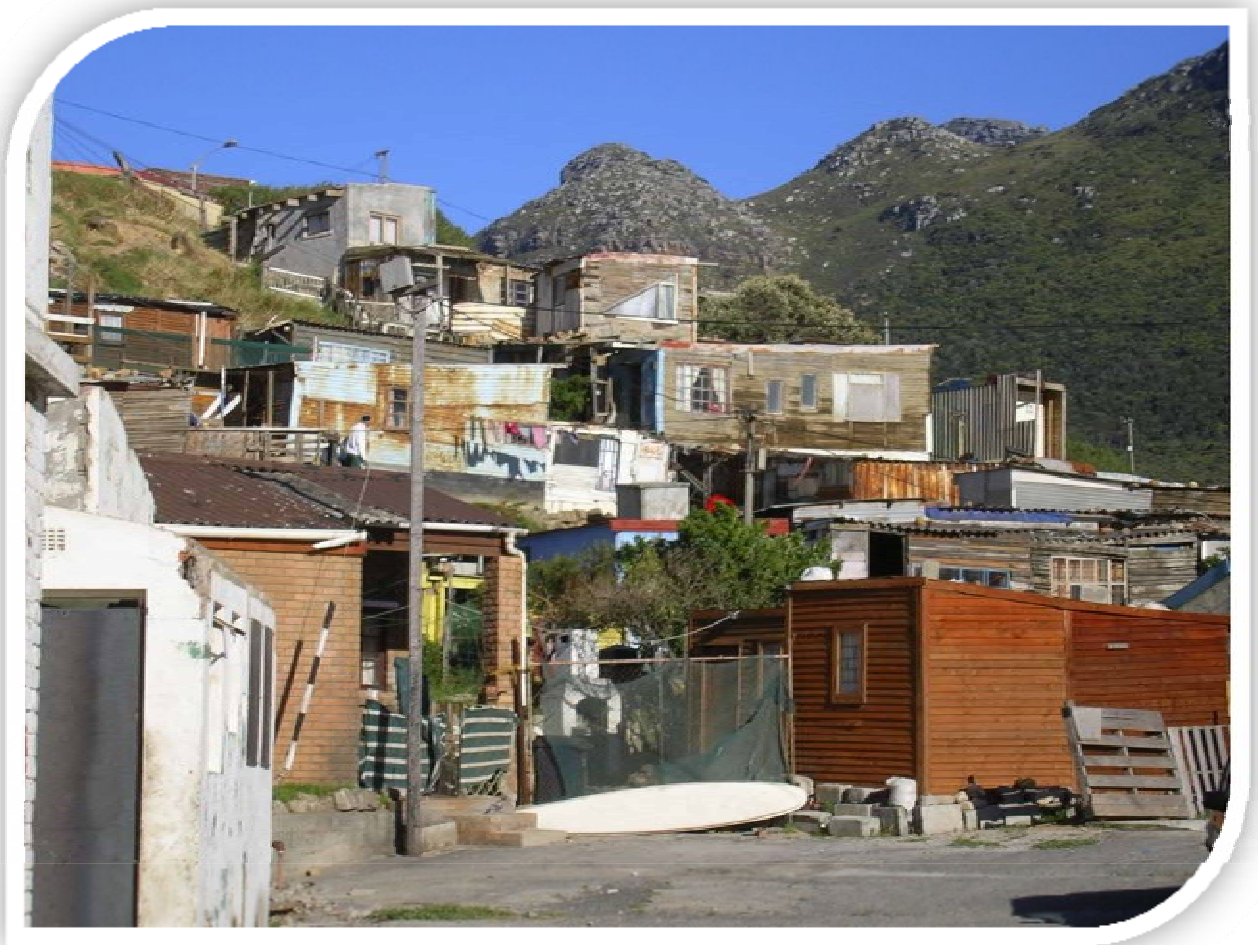


Figure 9: Hangberg, Cape Town (Paul James Robinson)

A similar tension is felt by historical land claimants who are trying to finalise what development should take place in District Six in Cape Town, a community (in)famously displaced from their neighbourhood by the razing of the settlement to the ground in 1965. Although the land claims have mostly been settled, the high value of the land near the Cape Town CBD makes it very difficult to resolve who of the original residents (or their descendents) should have the right to extract value from the land.

In upgrading informal settlements, there is rarely a direct regard for the land values (real or potential) that underlie the settlements, and the potential markets which residents are able to access (or not access) because of their location. While much is made of the social networks and livelihood strategies that households in informal settlements develop while living in such settlements (and correctly so), and there is some attention to accessing labour and commodity markets, very little is made of the position in the property market. Therefore the idea of “value extraction” is applied to what municipalities might derive from rezoning, servicing and developing land, and not to what a community might extract. An understanding of land value, or lack of it, and of access to space for productive use should also be understood in the local context and factored into the future viability of settlements.

### Partnerships

Finally, the private sector’s bidding power is often strengthened by the formation of groupings of common interest. In working with vulnerable communities, traders and producers, the association of collective interests is another means to compete (Amin, 2008). In the earlier example of street traders in Durban, an association of informal traders is the key bargaining body for negotiating the rights of traders with the municipal Informal Trade Business Support Unit and the local Chamber of Commerce, which bodies are represented on an “Informal Economy Forum” (Kitchin & Ovens, 2008, pp. 12-15).

Similarly, communities in Cape Town who still live in shack settlements or have moved to state funded formal housing, struggle to get fair treatment around their rights to land, the valuations of their properties, and the municipal bills they receive based on those valuations. Most often in contention is the basis of their tenure claims in informal settlements or the availability of their title deeds in formal neighbourhoods. One route for improving this situation is the formation of localised resident associations which have increased ability to lobby the state for clarity on these issues, and for the securing of property rights (Cole, 2008).

The state is most often in partnership with communities in improving living conditions. Private sector agencies do deliver urban infrastructure and build housing but shy away from forming longer term relationships with communities. South African townships have high incidences of home shops (referred to as ‘spaza’ shops)

(Napier & Mothwa, 2001) but as the buying power at the 'bottom of the pyramid' is slowly increasing, large retail concerns are moving into traditionally poor areas. At the moment, large liquor outlets form direct relationships with a wide network of township 'shebeens'. As retail outlets move closer to where people live, they could also form direct relationships with spaza shops to improve their reach. Similarly small amounts of retail and production space should be made available within retail premises as argued above.

The consideration of all of these factors should serve to improve the bidding power of the poor on urban land, in competition with other sectors. While the bidding power of the poor is limited because they are poor, a role for the state would be to enhance this bidding power in the short term in order to empower people in the longer term, as they are able to put the land and space to good use. This requires that the state regulates land and manages land use in ways which improve this bidding power.

## Conclusion

The means to achieve all of this, apart from a growing economy in which the benefits of growth reach all sectors of society, probably resides in state action to manage land, creating enabling and efficient regulations and administrative systems, deepening land and property rights, improving tenure, directing infrastructure investment, and understanding markets while targeting spatial planning towards the needs of the poor.

Bottom-up demands and negotiation power can be improved by the formation of associations of the poor in partnership with NGOs if needed, and recognised by municipalities and in law. Private sector driven partnerships can be incentivised by the state. Municipalities can impute value to land and location by the way they plan and invest, while keeping a weather eye on enhancing the position of poor communities and individuals in those processes.

The management of urban land in a way which builds a solid set of access, tenure and property rights for the most vulnerable sectors of society and integrates people into urban economies would also, it might be argued, create a predictable investment climate for larger investors. As the South African case has recently demonstrated, cities which ghettoise the poor and relegate generations to the economic and spatial margins also make for an unpredictable and volatile investment climate.

Cities are made up of different land uses, and informal settlements are large components of many African cities. They are very much a part of the urban economy and in intervening for their improvement their role in the urban economy needs to be properly understood if the (geographical) position of the residents is to be

enhanced. Otherwise the market will often displace the people who were meant to benefit by the intervention.

To conclude, there is a line from the popular film, the Matrix (Warner Brothers, 1999). As the agent from the matrix wrestles the hero (Neo Anderson) onto a railway line while the sound of an approaching underground train makes it clear that there could be a premature and messy ending to the story, the following exchange takes place:

**Agent Smith:** You hear that Mr. Anderson?... That is the sound of inevitability... It is the sound of your death... Goodbye, Mr. Anderson...

**Neo:** My name... is Neo.

Having asserted his chosen identity (“my name is Neo”), he finds the strength to fight back. He rises above the inevitable and goes on to make another two sequels.

If the (exclusionary) logic of the urban land market is indeed inevitable (and it sometimes sounds like it), then the claims that less powerful urban citizens make on urban space are indeed in vain. But if, as I have argued, access to space and to markets can take place in different ways where the poor may bid competitively on land (secure in their identities as full urban citizens with accompanying rights), then we may all get to live another day.

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