



Executive Leadership Programme

on

Accelerating City Transformation for Inclusion, Growth and Sustainability



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

dtiEs SUPPORT
PROGRAMME

**Gordon Institute
of Business Science**
University of Pretoria



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

clTIEs SUPPORT
PROGRAMME

**Gordon Institute
of Business Science**
University of Pretoria

SA cities: performance and trade-offs

What is a city and why it matters



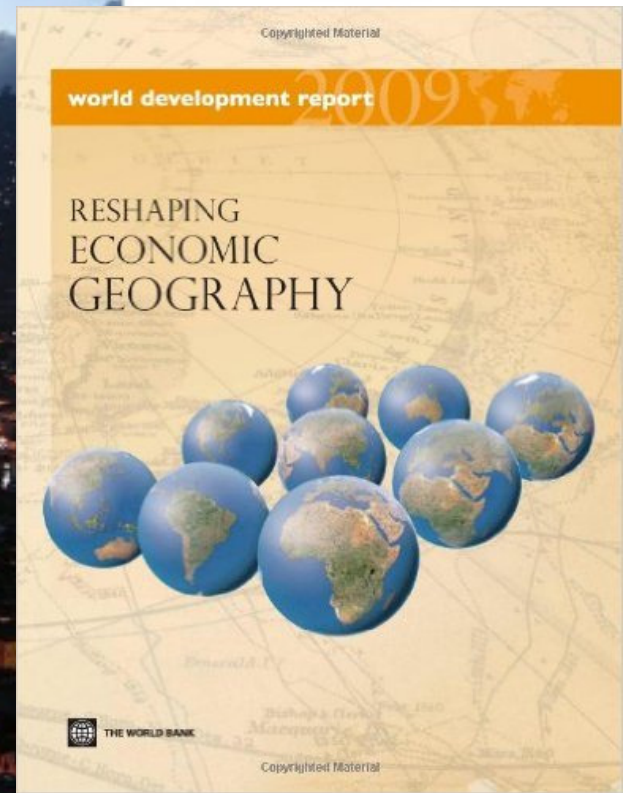
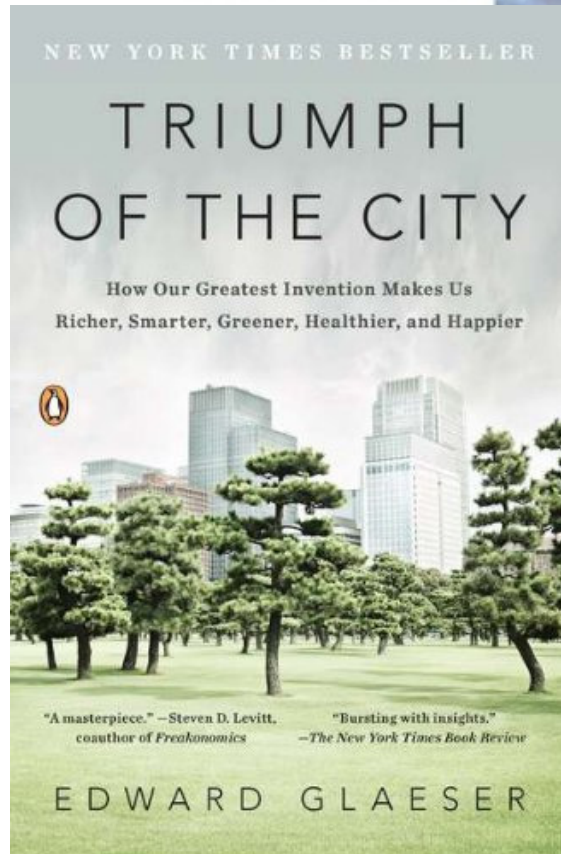


national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

dtiEs SUPPORT PROGRAMME

**Gordon Institute
of Business Science**
University of Pretoria



Executive Leadership Programme

Why cities matter

- WDR 2009:
 - Spatial transformations in density, distance, and division are essential to economic development.
 - Cities are critical, economic growth is seldom balanced, and efforts to spread it out prematurely will jeopardize progress.
- Glaeser:
 - “cities magnify humanity’s strengths”
 - spur innovation by facilitating face-to-face interaction,
 - attract talent and sharpen it through competition,
 - Encourage entrepreneurship,
 - allow for social and economic mobility.



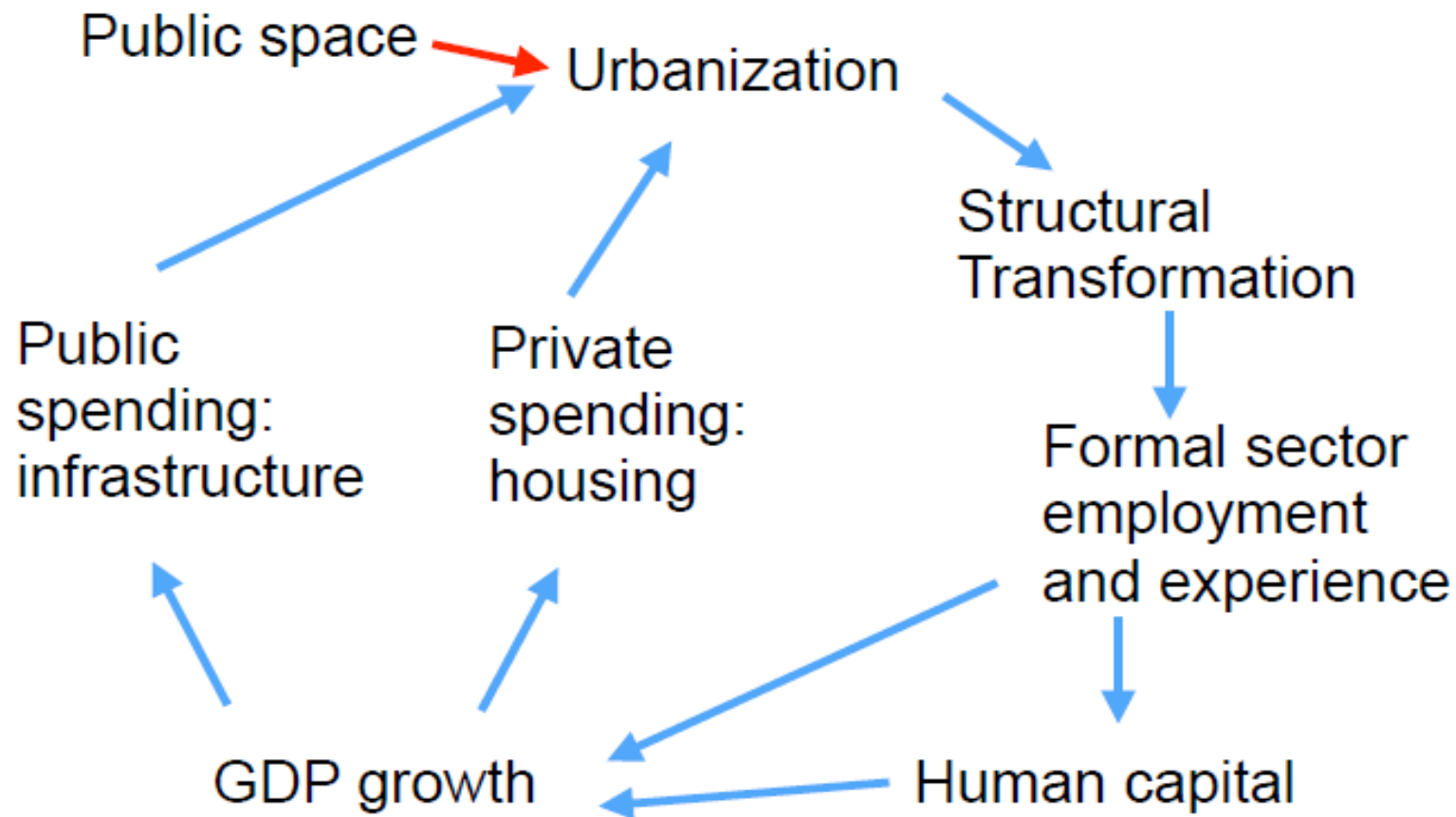
national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

dtiEs SUPPORT
PROGRAMME

**Gordon Institute
of Business Science**
University of Pretoria

Urbanization and Economic Development



Source: Paul Romer



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

dtiEs SUPPORT PROGRAMME

**Gordon Institute
of Business Science**
University of Pretoria

Urban Space Economy– fundamentals

- Cities are a balance between dividends and demons of density
 - Dividends (*'urban wage premium'*): productivity, amenity
 - Demons (*'urban cost penalty'*): land scarcity, commuting, congestion, crime
- Instruments to maximise benefits and minimise costs:
 - **Markets:** Crucial for allocating labour and capital between cities and land within cities
 - But many 'market failures' – interactions not just through markets
 - Policy intervention
 - Correct market failures, manage coordination challenges
 - Provision of infrastructure

Collective action needed to get the public space that allows urban mobility and interconnections

- Built urban area differs from a good like restaurant meals.
 - Governments can let the market supply restaurant meals.
 - If regulation is required for health reasons, it can be added later.
- Collective action is required first to get the public space that allows urban mobility and interconnection
 - The market does not supply it
 - Once urban development takes place, very difficult to increase or reconfigure it
- In SA – how well are we doing in public policy management of our cities?



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

dtiEs SUPPORT
PROGRAMME

Gordon Institute
of Business Science
University of Pretoria