



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

Honourable Minister Nhlanhla Nene

Minister of Finance

Opening Address

Day 1: Monday, 9 April 2018

Session time: 08h30 – 10h30, with Opening Address at 09h00

**CITIES AND OUR FUTURE: WHY ANTICIPATORY GOVERNANCE MATTERS FOR
BUILDING STRONG AND ACCOUNTABLE CITY LEADERSHIP**

To the Guests of Honour, our top political and administrative leadership teams from the 10 cities that are represented at this Executive Leadership Programme of 2018:

the metropolitan municipalities of Buffalo City, Cape Town, Ekurhuleni, eThekweni, Johannesburg, Mangaung, Nelson Mandela Bay, Tshwane, and for the first time, the intermediate city municipalities of Polokwane and Umhlathuze;

To our international guest, Dr Joan Clos, former Executive Director of UN Habitat and former Mayor of Barcelona;

To the national partners and stakeholders who have worked closely with the National Treasury in actualizing this Programme:

- the Department of Cooperative Governance which champions our national Integrated Urban Development Framework (the IUDF),
- the Department of Human Settlements who are our custodians for the New Urban Agenda,
- the South African Local Government Association,
- South African Cities Network,
- the Department of Planning, Monitoring and Evaluation in the Presidency, and all other governmental stakeholders;

To our home for the week, the Gordon Institute for Business Studies of the University of Pretoria (GIBS), who have been delivery partners for the ELP courses for the past few years;

And to my colleagues from the National Treasury who have continued with determination and commitment on the agenda of City Support;

Good Morning.

It is my pleasure to join you this morning as you embark upon this weeklong learning journey. The occasion of the fifth Executive Leadership Programme convened by the National Treasury is something that gives me great pride to share ownership of, and it is my belief that this week will be one that contributes to building strong foundations and paths for a great South Africa – the kind of South Africa that Mama Winne Madikizela-Mandela fought for, that many of us made great sacrifices to secure, and that our people continue to dream of and work for.

You might be wondering about how I view the relative importance a course like this, while we are faced with many pressures both fiscal and economic – many of which your cities are at the very heart of. Why fit in a leadership course now? And why talk about anticipation and the distant future now, while 2019 and 2021 might be as far as many of us can seem to see?

I would like to offer you four reasons for why I believe that we need strong and accountable leadership now, more than ever:

1) Firstly, **we are leading in the long run**: While the sense of crisis (globally, nationally, locally) may lure us towards short-termist reactions and orientation, our charge has to continually orient us to our “true north”: our responsibility to delivering on our collective vision for a free, fair, inclusive and prosperous South African society as per our Constitutional charge. There is no political party here that stands apart from that vision. We are in the same boat, and we are committed to the same goal.

But we have to be honest about what we have learned, our challenges, and how long this will take. We will succeed – we *must* succeed. But to do so, we must also admit that our mission is a marathon, and not the 100m dash. Of course, in reality it may feel more like a marathon of many, many exhausting sprints – even with surprise hurdles being randomly introduced – as you are forced to deal with multiple issues and put out fires every day. And we are always aware that some of us may not even get to see the mission through to the end – so suddenly the marathon becomes a relay, and we have to hand over the baton after all the personal effort and sacrifice! But we are in the long race – the marathon – nonetheless.

We, the representatives and servants of the people, operate and impact into a longer-term horizon. Not just the one year of the APP, but for the 5 years (of your administrative term); for the 10 years (which it sometimes takes to complete and embed a programme); for the 20 years (that your infrastructure investments might define); for the generation (that may have to live with your plans, your designs, your

actions or inactions)... And maybe even more time than that. We have to keep ourselves constantly aware of this – of our responsibility over time. We must equip ourselves to lead in relevant, responsible and effective ways for the long-haul. It is both a moral and a professional imperative.

So yes, it is relevant to build our capabilities for anticipatory governance, even when we are busy with the current “sprints” or pressures.

- 2) Secondly, **cities are key to how we will build a prosperous and inclusive South Africa**: This is not a case that we have to argue much for any more, and it is easily demonstrable. Simple demographic measures in our IUDF tell us that that South Africa is close to 70% urbanized, and still growing. An assessment of economic contribution shows us that over 80% of our national GVA comes from our cities and large towns. And 2,500 years of international evidence about the role of cities through history¹ also tell us that they are crucial.

Our cities offer the rich mix of diverse people, skills, infrastructure and capital to drive innovation, and even to lead on emerging and long-range agendas from climate change to digital transformation. This is the “urban dividend” that the IUDF promises as its “new deal”. So when we talk about pushing our economy up that hill, we need the cities to be in-gear and with a foot on the accelerator – otherwise we are not going anywhere.

However, we must also beware: cities have also risen and fallen over history! We know that in the late fourth century, the Roman Empire

¹ Peter Hall’s “Cities in Civilization”, 1998

crumbled after nearly 500 years as the world's greatest superpower, and Carthage (modern day Tunis) – arguably the wealthiest city in the world in those historic times – fell multiple times. Historians who have continued to study these events have offered various theories about the reasons for Rome's collapse – interestingly, these range from military failures to factors that might sound more warning bells for us – economic, administrative and even environmental factors such as: government corruption and political instability, crippling taxation, natural disasters and climate change.

There are also more contemporary examples – you all know about Detroit. Not only the fall from being one of the world's premier industrial cities to its economic collapse from the mid-1950s, but also its 2013 bankruptcy in a mire of economic and administrative factors which included indebtedness, a contracted revenue base coupled with bloated municipal employment, collapse of basic city services, high unemployment, and rampant crime.

And there may be even more poignant examples closer to home, if we are not careful. We have our own urbanization, political and administrative challenges here that sometimes have our cities – in spite of their great potential – teetering at the brink of collapse. Our cities cannot be allowed to fail. And “too big to fail” is clearly not a hope that we can count upon in order to rest on our laurels. Those of us in this room are responsible for ensuring that we are accountable and vigilant.

We need the kind of leadership and governance that moves us beyond the threat of collapse, to the opposite end of *thriving* as a society.

- 3) Thirdly, **the system has to recognize cities as actors, not as subjects**: Although we have made some progress in SA in recognizing

this role of cities, we are still working through how to get all systems pulling the same direction. And we are indeed not unique in this. Way back in 1969, a Professor Daniel Patrick Moynihan (who later became the urban affairs adviser to President Nixon, and then later a powerful U.S. senator) said of the US that:

“There is hardly a department or agency of the national government whose programs do not in some way have important consequences for the life of cities, and those who live in them. Frequently—one is tempted to say normally! —the political appointees and career executives concerned do not seem themselves as involved with, much less responsible, for the urban consequences of their programs and policies. They are, to their minds, simply building highways, guaranteeing mortgages, advancing agriculture, or whatever. No one has made clear to them they are simultaneously redistributing employment opportunities, segregating or desegregating neighborhoods, depopulating the countryside and filling up the slums, etc.: all these things as second and third consequences of nominally unrelated programs.”²

Moynihan was commenting upon balkanized inter-governmental relations in the US, and the failure to recognize and enable cities to play their parts as an integral part of economy-shaping in their own right. In cities, we need to see the virtuous confluence of national housing and human settlements, transportation, infrastructural, economic, environmental, etc. policies and objectives, with local specificity and opportunities.

I have no doubt that the learning activities of this week will have you engage robustly with a range of multi-sector, multi-stakeholder and inter-governmental issues. We have to work through these issues with a practical and urgent orientation.

² <https://www.citylab.com/equity/2013/06/how-federalism-has-failed-cities-and-also-might-reinvigorate-them/5918/>

The ability, therefore, to confront and steer complex systems is not merely academic; it is the reality of what anticipatory governance requires, and it is a life skill that we need in order to steer cities.

- 4) Fourth, and finally, **the time is now! It is indeed a new dawn:** We are faced with a precious window in time in South Africa, and indeed in Africa. It is a time of renewal, so to speak; of new life and prospects. Can you feel it? If not, then wake up and look around. In spite of many, many dire challenges, there is also a renewed confidence and sense of urgency across the continent. And within that, we have our own new national reality and sense of possibility that cities need to be able to capitalize upon. Let that sense of new possibility be one of your guiding lights as you go through this week! For you, it also means renewed opportunity and responsibility.

I think that I have convinced you of the relevance of this week.

I would like to move towards closure by briefly contextualising these arguments that I have made within our current socio-political reality.

We continue, in South Africa, to be confronted with the triple challenge identified in our National Development Plan – poverty, inequality and unemployment. The IUDF states that *“Inclusive economic development is key for addressing the challenges of poverty, inequality and unemployment.”* And I have said before, the reverse is also true – that failure to address the triplets means that we would risk failing to grow the economy, because there would always be dissatisfaction. “Inclusive economic growth” then is not just the latest jargon – it is our only option, and we need to confront the issues and tensions therein head-on.

The current calls for radical socio-economic transformation, radical land reform, radical political change – these are all symptomatic of a deepening impatience with the pace of socio-economic change / transformation experienced by many South Africans.

Given this, it has never been more important that we have a cadre of informed, competent and accountable city leaders – and in this I am including not only local governments, but also among the non-state actors – in order to achieve inclusive economic growth. We need an enabling environment for cities to succeed, and we need to work better collectively in “whole of society” approach – with business, civil society, knowledge institutions, and development partners. This is important for our success, and for sustainability.

The National Treasury pledges its continued support, not to drawing upon your “malicious compliance”, if there is such a thing (I am told that this has sometimes been the response to our PFM role, which is not always the most popular with you) – but rather to act as your partner. Through the efforts of our various units, including the Cities Support Programme and Government Technical Advisory Centre, we have various programmes, projects and services in place which have been designed with and around you.

My commitment to you, personally and on behalf of National Treasury, in building this enabling environment, is to regularly meet with the Mayors, to understand your challenges, to better position our support and to work together. Your success as Mayors is my success as National Finance Minister. Together we need to grow our economy to deliver the jobs and reduce poverty and inequality.

I am sure that I can confidently speak for the other partners who are in the room when I say that they are here to offer their support and enablement too.

The Cities Support Programme argues that cities need to become more inclusive, more productive and more sustainable. In order for our cities to reflect these characteristics, it suggests that they need to be more connected, more compact and reflect transformed urban spaces – essentially achieving the spatial vision of the IUDF. But achieving success in these areas requires that our cities are well-governed. And well-governed cities, in turn, are characterized by:

- 1) vision and leadership to initiate and drive spatial transformation,
- 2) the organisational capability to plan and deliver on this vision, which must include
- 3) the development of productive partnerships with stakeholders given the complex social and political system with multiple and often conflicting interests.

This is not easy. Far from it!

The anticipation and integrative leadership capabilities that you will be developing this week speak to how we strengthen and modernize our capabilities to be well-governed cities. We look forward to your leadership. We are committed to walk with you in this journey and support you.

Thank you.

Enjoy your day, and **MAKE THIS WEEK COUNT!**

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