

ADDRESS BY PRESIDENT PARKS TAU

Gauteng Infrastructure Funding Summit
Gallagher Convention Centre, Midrand
4 May 2017

Honourable Minister Lindiwe Sisulu,
Premier David Makhura,
MEC Paul Mashitile,
Mayors, Deputy Mayors, Speakers & Councillors here present,
HODs & officials from National and Provincial Human Settlements Departments,
Municipal Managers and officials,
Our partners in the building, construction and planning sectors,
International visitors and potential investors,
Distinguished guests,
Ladies and gentlemen:

Thank you for the opportunity to speak to you at this important event that has brought together various spheres of government, business, investors and other key stakeholders to explore opportunities in Gauteng's planned mega human settlement projects. As diverse stakeholders, we are joined by a common commitment to ensure that Gauteng's comprehensive programme of human settlement projects changes the shape of this province for the better – to bring about the benefits of urbanisation to thousands more households.

This Summit takes place at a critical time whereby we have just begun a new five-year term of local government. It is also a time when we are laying out plans to reshape the Gauteng City Region, the Province, and the country as a whole, on an accelerated track towards spatial transformation, inclusive economic growth, and reduced inequality.

"Problem statement"

Since 1994, we have made huge strides in the provision of basic services at local level, thus lifting thousands of households out of poverty. However, despite the sizable gains in access to basic services, much is left to be done.

Notably South Africa is not alone in this challenge. Worldwide, industrialised cities face legacies of fragmentation, with neighborhoods divided along spatial and racial lines as a result of the historical development of the city's economy, planning decisions, and social divisions.

But here we must also note that South Africa confronts the unique legacy of apartheid, whereby these divisions were deliberately planned and perpetuated. Just over twenty years into democracy, reversing the roots of spatial fragmentation and marginalisation arguably remains one of the greatest challenges before us.

High rates of unemployment and poverty are contributing to the rapid movement of people from rural to urban areas. This is as urbanisation puts enormous pressure on municipalities to provide services to an increasing population. As a result of inadequate planning to address

these population inflows, cities face an increased number of unauthorised land invasions, mushrooming of informal settlements and proliferation of backyard dwellings.

All these, in turn, put pressure on municipalities to redirect resources towards emergency accommodation and services, and away from planned bulk infrastructure investment.

Undeniably, the Province of Gauteng faces particular challenges in this regard. Home to one quarter of South Africa's population, yet the smallest province in terms of geographical space. Gauteng is also the fastest growing province, having experienced 33% population growth between 1996 and 2011. In short, cities of Ekurhuleni, Johannesburg and Tshwane together form an economic hub which experiences the downsides of urbanization. At the same time, this attracts the benefits of investment associated with major urban centres.

"Developmental mandate of local government"

We know that local government is ultimately the space where households look to meet their daily needs. The developmental mandate of local government centres around the provision of basic services – such as water, electricity and sanitation, among others. Thus our Constitution assigns responsibility to the local sphere for key functions that include municipal planning, provision of basic services and bulk infrastructure. These are critical to delivery of integrated human settlements, and to the successful completion of these planned mega projects.

We are also mindful of our international commitments and obligations as spelled out in recent global agreements—including the New Urban Agenda, Sustainable Development Goals, and Addis Ababa Action Agenda. The global developmental agenda places local government at the front and centre of the achievement of the essential sustainable development and the delivery of integrated human settlements.

The powers and functions necessary to execute these international imperatives warrant reflection, and point to the importance of devolution and assignment of the built environment functions in the management of integrated spaces.

Imperative of international agreements to address funding framework for development

One of the most crucial imperatives of the New Urban Agenda and the Addis Ababa Action Agenda is the need to expand the scope, depth and nature of the funding framework for development. This is purely to unlock more resources for local and regional governments.

These agreements recognise that current funding instruments are plainly inadequate for the achievement of our developmental goals. New funding approaches, and solutions, are needed.

Paragraph 134 of New Urban Agenda: “4. We will support appropriate policies and capacities that enable sub-national and local governments to register and expand their potential revenue base, such as through multi-purpose cadasters, local taxes, fees, and service charges, in line with national policies, while ensuring that women and girls, children and youth, older persons, persons with disabilities, indigenous peoples and local communities, and poor households are not disproportionately affected.”

Paragraph 135: “We will promote sound and transparent systems of financial transfers from national government to subnational and local governments based on their needs, priorities, functions, mandates, and performance based incentives, as appropriate, in order to provide

them with adequate, timely, and predictable resources and enhance their own abilities to raise revenues and manage expenditures.”

In line with the global developmental agenda, our National Development Plan (NDP) and the Integrated Urban Development Framework (IUDF) call for a greater role for cities in driving economic growth, ensuring social cohesion and effecting spatial transformation.

Innovative funding mechanisms

It is in this context that we presented key priority areas for collaboration with national and provincial government during our response to the President’s recent State of the Nation Address, with the aim of identifying means of accessing innovative financing solutions for the local sphere. This will include the use of pooled financing mechanisms that we have already developed for those municipalities that cannot access the debt capital market.

We are also eager to investigate social impact bonds, as well as reforms to the regulatory framework to enable more effective implementation of public private partnerships.

To derive the benefits of the 4th Industrial Revolution, we know that the technology and infrastructural investment opportunities already exist to provide embedded renewable energy which takes care of the the free basic electricity requirements without the unsustainable fiscal impact on our members. In this regard, we must work closely with both government and parliament to effect the necessary legislative and regulatory changes which includes changing NERSA’s and ESKOM’s unfettered rights to impact on municipal infrastructure and finance management.

These represent just some of the areas we are actively working on in order to bring about a more flexible, innovative, and expansive financing framework which more adequately responds to our development imperative.

These innovative mechanisms are explored in the context of local and global investors, as well as donors, particularly with respect to funds to address climate change.

"Additional approaches for improving the funding framework"

Apart from innovative funding mechanisms, we are also looking to find means to leverage subsidies and transfers in new ways, so as to maximize the reach and impact of transfers within a constrained national fiscus. This would include necessary regulatory changes to enable the use of capital grants for capital raising.

To this end, we look toward a continued evolution and reform of the grant framework for human settlements and infrastructure, so as to support our rapidly-growing small towns and secondary cities, build in incentives for performance, and enable more integrated planning and delivery across sectors.

A further example of such mobilization is SALGA’s recent initiatives to better support our member municipalities in their quest to build trade and investment, by highlighting and exploring how municipalities can better address trade and investment in a coherent and purposeful manner.

A key aspect of this is work that we have been doing for a while, but which has not got much traction, is with respect to legislative and regulatory reform to promote private sector investment in our member municipalities. The generic approaches to infrastructure investment chasing an illusive economic development dream needs to be replaced by outcomes driven infrastructure investment.

As part of SALGA's new strategy, economic development is correctly concluded to be an outcome of a set of investments which the public sector makes, and to which the private sector responds. We have established a Trade and Investment Working Group which will explore what the IGR System needs to do to encourage public sector infrastructure investments that will promote private sector investment confidence.

We believe that an opportunity exists within the National Spatial Development Framework to identify which areas require particular types of investments to achieve identified economic outcomes.

It follows, therefore, that we need to invest in appropriate infrastructure to ensure these outcomes. In the context of Gauteng, there are the mining regions and towns, the agricultural regions and towns, spaces which were developed during apartheid, those which declined during apartheid and those spaces which were constructed after apartheid but which lock people into poverty.

As part of this differentiation, Salga is also looking at basic red tape reduction in municipalities. These include replacing all existing land use management systems which are appropriate to the economic spaces in which municipalities are, which reduce the time it takes for proposed investments to be approved and to establish the local partnerships for investment and growth. Red tape reduction also means reducing the time it takes to approve building plans, reviewing infrastructure development levies and tariff considerations.

Concomitantly, we are determined to ensure that national and provincial legislation which duplicate or impede on local planning and investment decisions, need to be amended. Since PPP's are a central part of infrastructure investment and economic growth, Salga intends to seek the reform of the PPP regime since it is time-consuming and anti-growth without adding any value to the outcomes being sought.

In the context of the Sustainable Development Goals and meeting our own development objectives within the framework of the the SDGs, Salga is exploring what the infrastructure of the 4th Industrial Revolution are which we will encourage the private sector to explore. In this regard, alternatives to tar as road surfaces, water permeable side-walks, sub-surface water storage and the embedded energy generation referred to earlier are infrastructure investment opportunities which the regulatory bodies, finance institutions and private sector need to embrace.

As Salga we are ready to have this conversation on behalf of our members so that we set the norms and standards for such infrastructure. However, we find that such investment takes place fits and starts only. We need to mainstream that infrastructure which is presently considered to be alternative infrastructure or alternative technologies.

We need only look at the decisions of the motor vehicle manufacturers to recognize that the internal combustion engine is unlikely to be around for the next 50 years. We need to apply that same type of thinking to municipal infrastructure.

In short, as local government, we are committed to pressing forward to improve local revenue generation and financial management, evolve and improve the grant framework, and rigorously pursue more innovative funding mechanisms, in order to meet the international call to expand resources for local and regional governments in pursuit of development.

"Conclusion"

While the brunt of urbanisation largely falls on municipalities, our task is to find solutions to the funding question before us.

We can transform Gauteng into a powerful hub of opportunity for South Africans—a place where the dream of moving here, finding a job, making money to support the family back home, actually works. But to achieve this, firstly we must address the funding framework, through innovation, reform and collaboration.

I thank you.

ENDS

Regards
Phindile



The banner features the Gauteng Provincial Government logo on the left, a photograph of students in a classroom in the middle, and a blue background with white text on the right. The text includes '2018 ONLINE ADMISSIONS', 'Opens 02 Mar', 'closes 12 Jun', 'Gauteng Provincial Government', and 'Hotline: 08600 11000 | www.g'. A small tagline 'Together, Moving' is visible in the top right corner of the banner.

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