



# Cities' perspective on urban investment

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

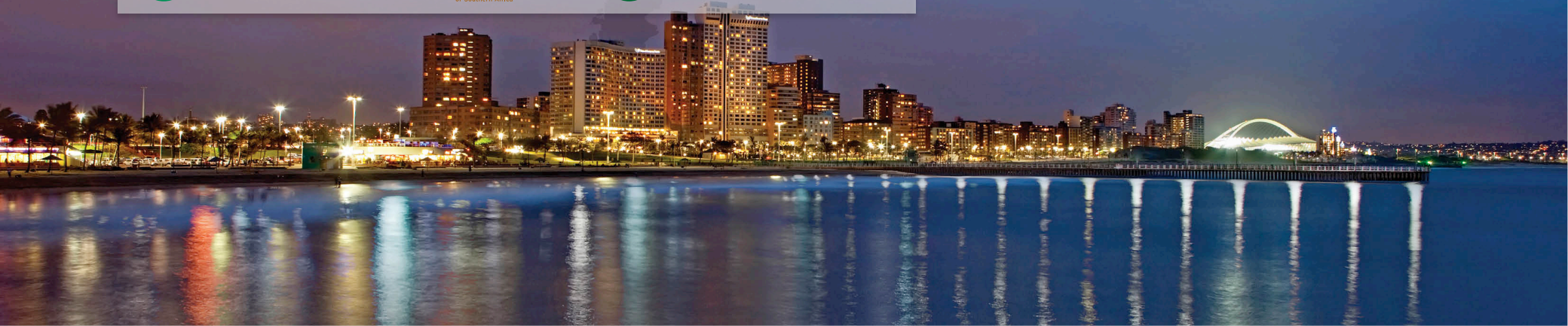


**DBSA**  
Development Bank  
of Southern Africa



**cooperative governance**

Department:  
Cooperative Governance  
REPUBLIC OF SOUTH AFRICA





# Focus of the presentation is...

- To define the construct of urban investment;
- To identify drivers of urban investment;
- To present challenges and opportunities facing cities; and
- To deliberate on what is expected from us as cities, but also what we expect from both the national sphere of government and investors to facilitate urban investment



# Definition of urban investments

Urban investments are about transformative public and private investments in city spaces that have a **catalytic, place-defining impact, thus creating an entirely new logic for cities and a new set of possibilities for economic and social development**



# Urban investments are thus critical to assist cities:

- To improve access and mobility to integrated transport network systems and sustainable human settlements;
- To achieve an inclusive economy that contributes to sustainable job creation and poverty eradication;
- To provide sustainable urban infrastructure;
- To sustain city revenues; and
- To improve urban governance and spatial transformation





# Urban investment is driven by a confluence of three trends

**Age of  
urbanization**

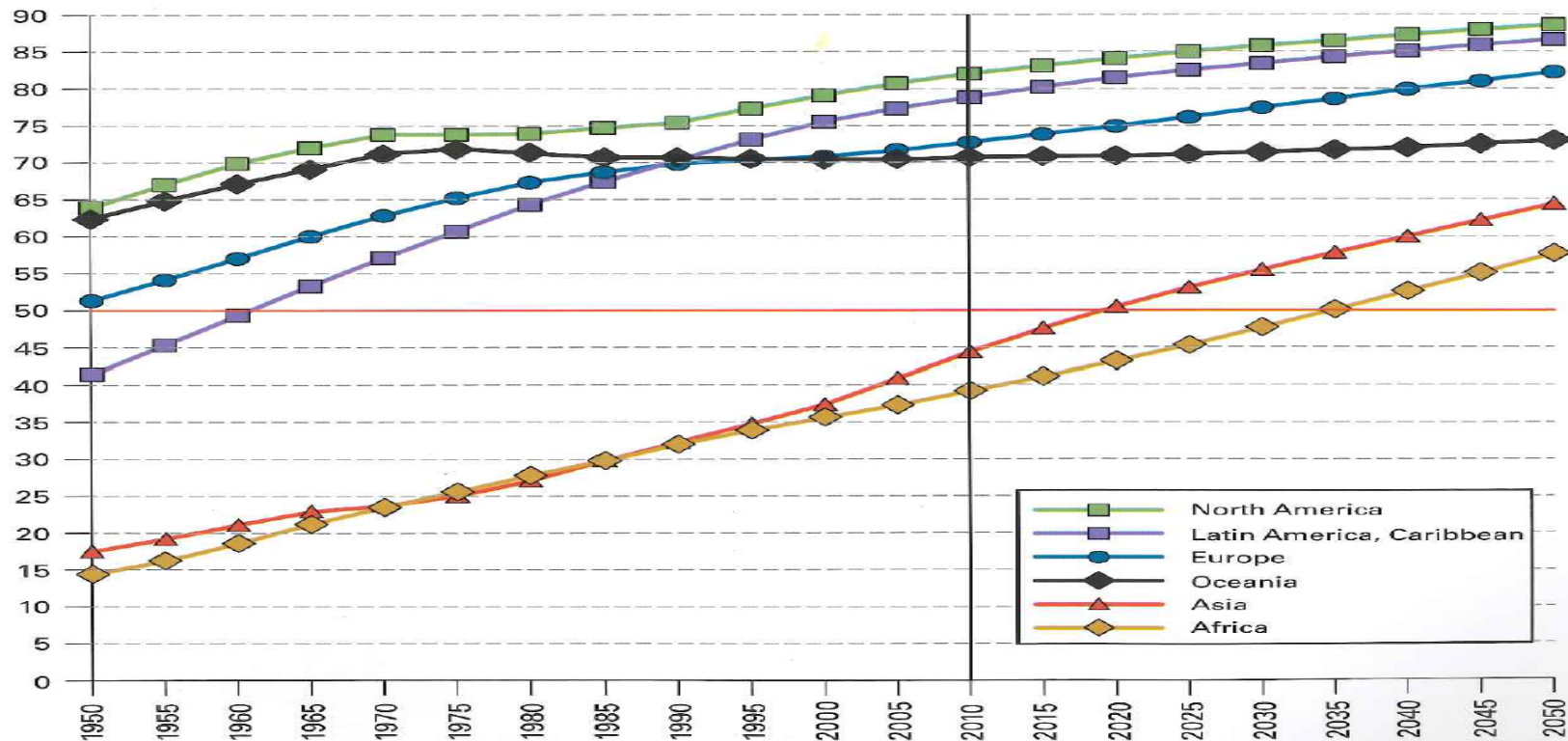
**Rise of cities as  
engines of  
economic  
growth**

**Urban  
infrastructure  
gap**

# WHY CITIES?

## Urbanisation - Global Phenomenon

FIGURE 1 Global urbanisation trends<sup>6</sup>



<sup>6</sup> United Nations (2012) *World Urbanization Prospects: The 2011 Revision*. New York: UN Department of Economic and Social Affairs/Population Division.

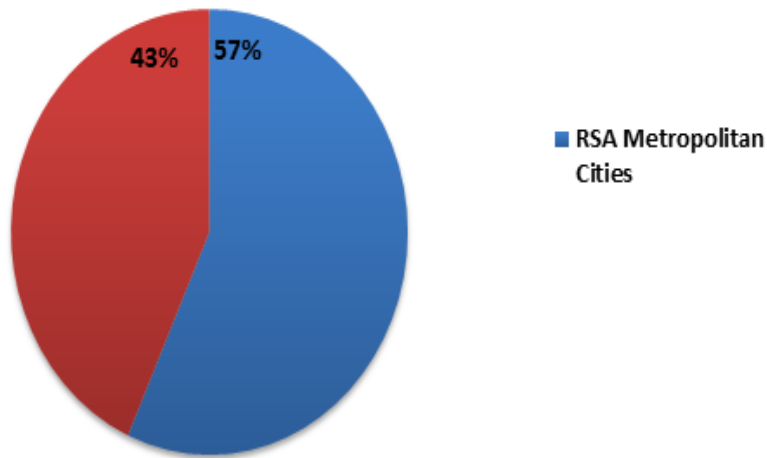
<sup>7</sup> UN-HABITAT. 2010. *Population of African Cities to Triple*. Press release SOAC/10/CSE9 dated 24 November 2010.



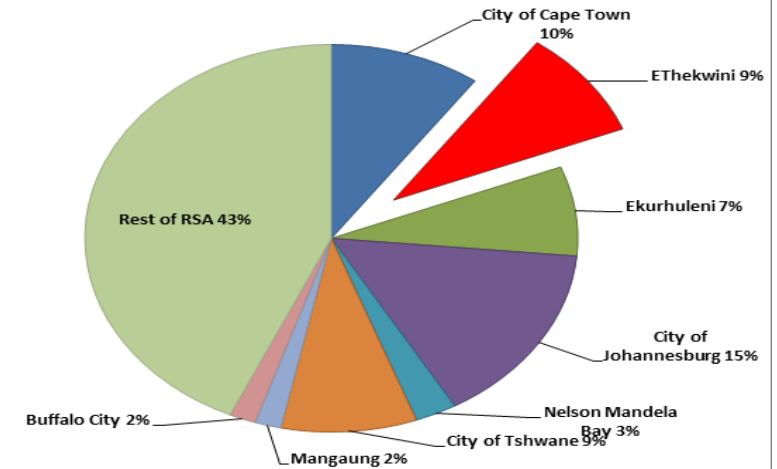
# WHY CITIES

## Economic Reality

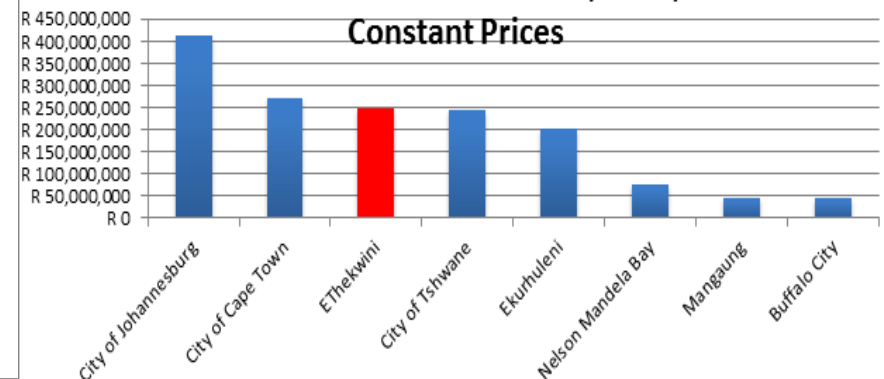
Composition of RSA Economy; Metros vs Rest of RSA;  
2014



Contribution of RSA Metro Cities to National GDP, 2014



GVA Values in RSA Metro Cities, 2014; 2010  
Constant Prices

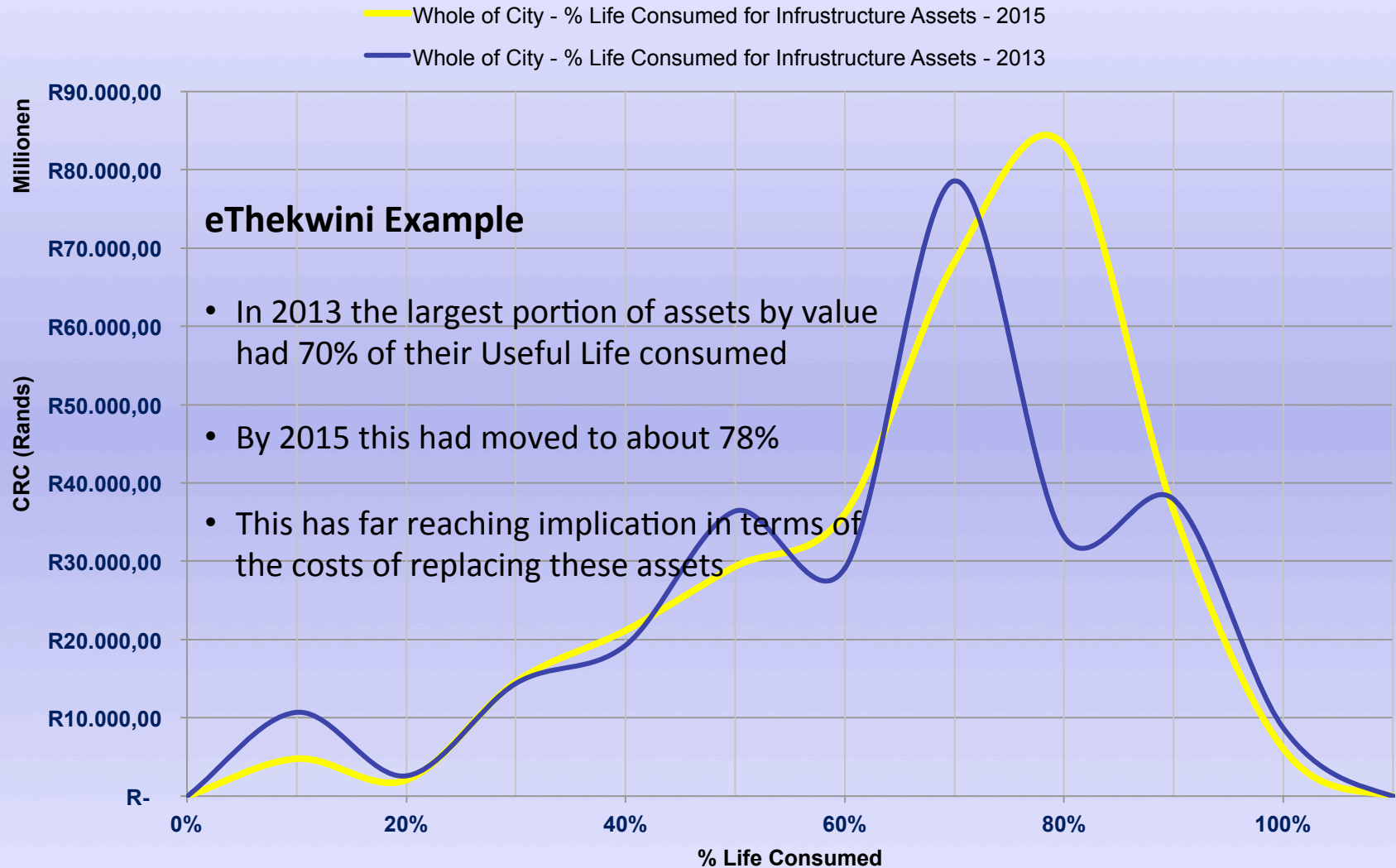




There is a huge infrastructure investment gap but more investments are expected

It is estimated that about \$40 trillion is expected to be invested in the next 20 years globally and mostly in cities or to support cities

# Infrastructure investment gap





# Negative externalities facing cities

## SPATIALLY

- Characterised by low density urban sprawl leading to increases in cost of travel and time to travel
- Growing Basic Service Backlogs
- Growing informality
- Pervasive poverty unemployment, inequality and social ills
- Decaying infrastructure
- Environmental degradation

## INSTITUTIONALLY

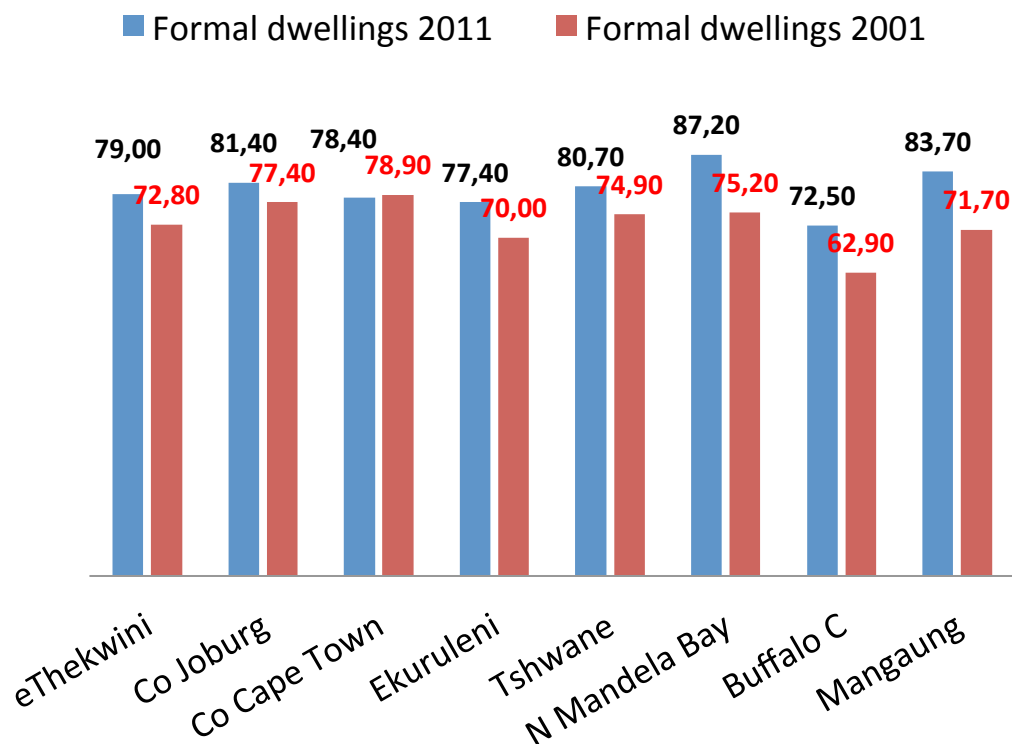
- Fragmentation of functions between spheres of government
- Restrictive fiscal environment with an imbalance between consumptive and productive investment
- Over regulation



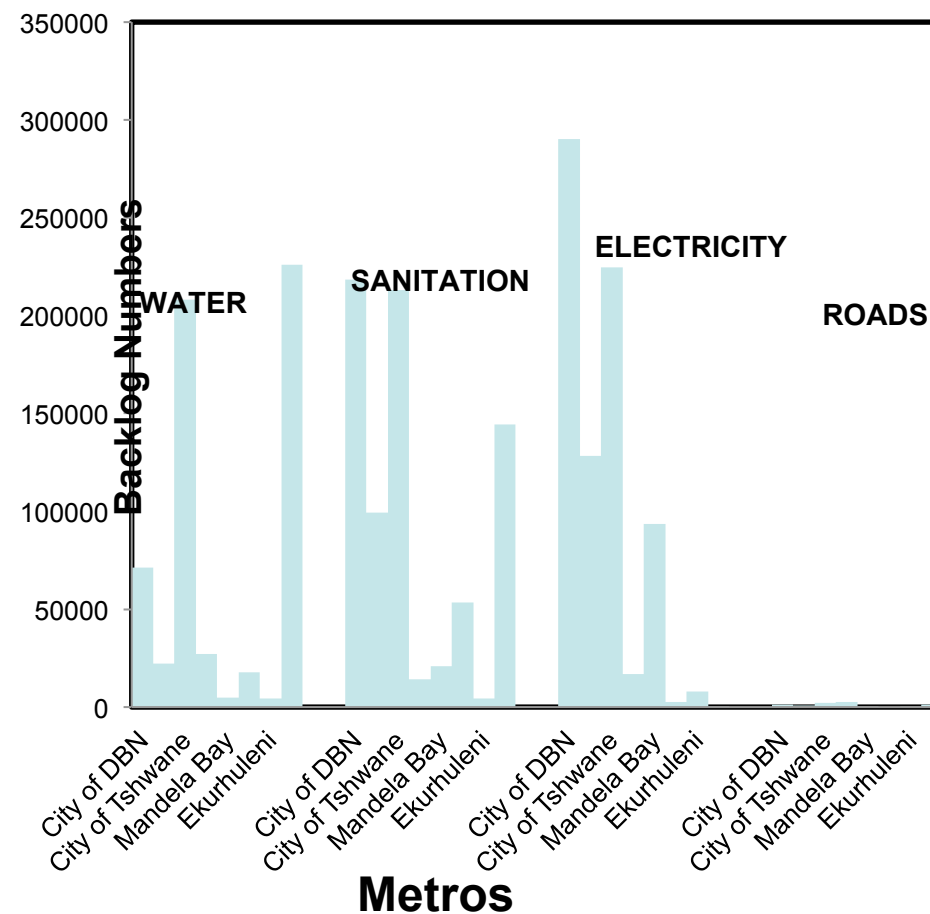


# BACKLOGS

**SA Metros 2011 and 2001:  
Formal Dwellings**



**2013-Metro Backlogs**





# Notwithstanding these challenges, our points of departure are...

- That South African cities individually and as a collective have done and continue to do immensely well in relation to delivery of services since our democracy
- These cities are endowed with exceptional human capital that can technically compete with the best-in class-cities in the world
- They are generally well-managed and financially sustainable
- Have collected numerous international awards to prove their prowess and competitiveness - which put them in commanding heights to attract investments



# Our constraint, however, is that:

- The South African economy is not performing in line with its peers and commensurate to people's needs; and
- This places a burden for cities to grow at double what they have recorded thus far if the country's economy is to grow sustainably to address inequities in income distribution, unemployment and poverty especially in urban areas

**THE QUESTION IS HOW DO WE ENABLE CITIES TO BETTER PLAY THIS ROLE?**



# Opportunities

- Smart Cities dividend– Internet for Everything is going to influence the way cities provide services from policing, traffic management, pavement management and demand management for water, sanitation, electricity and public transport
- Resilience dividend associated with how we deal with climate change and the green economy
- Urban dividend resulting from enhancing peoples capabilities, a more resilient, productive and job creating economy and making city spaces more liveable with greater social integration, safety & access to opportunities
- Rollout of Integrated Public Transport Networks as key spatial transformation/restructuring elements
- Capitalising on investment programmes associated with key national infrastructure (SIPS)
- Cities have identified catalytic projects at various stages of implementation, which require financial support from investors



# To capitalize on opportunities cities require to:

- Raise their maturity level in managing mega infrastructure projects especially with respect to conceptualization, packaging, scope creep, cost overruns and dealing with optimism bias of such projects
- Address the perception of corruption in the public sector
- Leverage land assets and land use management systems to expose investors to opportunities
- Create certainty and a business environment that is investor-ready
- Build human and social capital to attract investment
- Create a balance between social spending and economic infrastructure spend to achieve sustainable results and impacts



# What national government must do?

- Review the regulatory framework to allow space to broaden funding envelopes & to explore more funding options to maximise delivery
- Progressively allow cities to execute the full government mandate within city spaces through rationalisation of roles and responsibilities, assignment and agency agreements
- Streamline and consolidate funding flows to allow cities the flexibility to maximise impact.
- Develop an enabling framework for increased partnerships with the Private Sector and the investment community
- Improve IGR across all clusters and departments and SOEs
- Reinforce the rollout of Public Transport Networks as key restructuring elements around key corridors





# Our understanding of investors' expectations

- Sound corporate governance fundamentals
- Stability in the macro-economic & political environment
- Certainty in terms of long-term planning and budgeting approaches
- Return on investment
- Assurance of supply of bulk services



## But primarily, cities expect investors to...

- Forge strategic partnerships with cities based on mutual benefits and sustainability;
- Enter into ongoing dialogue with cities about their needs and to explore alternative financing options
- Understand cities' business and customize solutions to that environment
- Consider project-based funding for commercially viable projects
- Undertake joint feasibility studies on some of the development proposals that cities are advancing



# Conclusion

- Urban investment is critical for cities to achieve their developmental mandate and to grow the country's economy
- Cities provide the greatest bang for your buck & are the spaces to realise a new Society
- Our appeal is for you to invest in these spaces & be part of making the greatest possible difference on the ground to the majority of our people



# THANK YOU

