



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

---

## **SPEECH BY MINISTER OF FINANCE MR PRAVIN GORDHAN**

**We Design 2016 Conference, SA Institute of Architects  
KZN Durban City Hall  
8 July 2016**

---

Good Morning to all of you and a special welcome to foreign guests. Also I would like to apologise for not being there personally as I'm recovering from a flu that didn't allow me to travel. But I'd like to thank the organisers for making special arrangements that have allowed me to share my message with you about the spatial national revolution and the progress we're making in South Africa, the challenges we face and the determination in which we would approach these challenges in the years that lie ahead.

The National Spatial Revolution is part of what we, in the African National Congress, would call the national democratic revolution. An evolution which is designed to change everything about apartheid and ensure that all South Africans enjoy a better life, a new nationhood and new sense of citizenship and a new environment in our cities, towns and villages in which their children can grow up and future generations can thrive.

It is in this context that on 3 August 2016, South Africa goes to yet another democratic election in local government which will usher in a new set of policymakers at local level who will bear the responsibility for this spatial revolution. The kind of revolution we are talking about must also be seen in the context of current global environment and the manner in which the South African economy is impacted by the global and its own structural issues. One of the things we need to confront more frankly in South Africa is that we have many good things that are working in our economy but there are many aspects in our economy that need fundamental or structural change.

Many of you would be familiar with the fact that many parts of the world and institutions are talking in terms of structural reforms but South Africa itself has designed a set of initiatives – and I'll come back to that later.

To take our economy in a different direction and contribute to the national spatial revolution and the more general transformation that is required in our economy and in our society.

Yesterday, the IMF Article IV report was released and it predicted that South Africa's economic growth for 2016 would be a mere 0.1 per cent. On the other hand, we as the



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

Treasury are slightly more optimistic, although not much more and that we need to confront this reality that low growth of below 2 per cent for a start and below 3 per cent is antithetical to the objectives we set for growth, job creation in South Africa and social wellbeing as a consequence of growth and what growth brings with it.

In our response to the IMF's Article IV report, we said and I quote, "In the immediate term, we expect growth and employment to be supported by several structural reforms and targeted government interventions as guided by the National Development Plan and the Nine-point plan. Furthermore, collaborative efforts by government and private sector aimed at co-investments in infrastructure, supporting Small, Medium and Micro-sized Enterprises (SMMEs) and finding sector specific interventions are expected to further improve growth prospects.

We recognise, as articulated in the IMF report, that a comprehensive package of structural reforms is necessary to increase growth, create jobs and lower income inequality.

The spatial revolution is very integral to the structural reforms we need to undertake in South Africa. The nature of the spatial economy and spatial design for our cities, towns and villages is one of the fundamental faultiness in our inheritance from the past.

In our statement we continued to say: "An IMF/G20 guiding framework for structural reforms recommends that emerging market economies should focus on fiscal reforms, business regulations, labour market, infrastructure, banking/capital markets and product market regulations. South Africa's structural reforms implementation package is anchored by the Nine-Point Plan".

I would like to suggest that this is the true purpose of the transformation we seek in South Africa generally and in our cities, towns and villages in particular.

The IMF and G20 provide certain guidelines for structural reforms. You must see your discussions about spatial as very much part of the structural reforms that not only South Africa but other parts of the world need to undertake. The package of structural reforms can constitute fiscal reforms, business regulations, labour market issues infrastructure banking and capital markets and product market regulation, amongst others.

South Africa's structural reform package is anchored by the Nine-point Plan announced by our President in the State of the Nation Address and it involves

- Resolving the energy challenge



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

- Revitalising agriculture and the agro-processing value chain, an area that has huge potential both in South Africa and on the continent.
- Advancing beneficiation or adding value to minerals. This is a call from many parts of Africa that we don't want to be just commodity exporters, value must be added within our own countries and continent before exports take place. City planners need to provide within their plans for facilities which will enable entrepreneurs to undertake this kind of mission.
- More effecting implementation of a higher impact industrial action plan. You will hear throughout the continent that an emphasis on re-industrialisation and finding new opportunities for larger numbers of skilled workers to be employed in the private sector.
- Encouraging private-sector investment. This is a huge requirement presently given the kind of global climate we have which is making investors risk averse which is discouraging from investing in the real economy but rather chase short-term yields which has its own consequences for economies across the world and indeed for cities as well.
- Moderating workplace conflict (labour). This is a major area of focus and there is a process led by our Deputy President
- Unlocking potential for SMMEs, cooperatives, townships and rural enterprises. This is central to what municipalities do to support infrastructure and other mechanisms; those who have the initiative and wish to be involved as entrepreneurs.
- State reform and boosting the role of state-owned companies: broadband rollout, water, sanitation and transport infrastructure.

These are some of the areas we are working on both as government, the private sector and labour in South Africa in order to create the right level of cohesion and cooperation so that we could enhance the structural reforms that we've outlined which will again contribute to the national spatial revolution and the specifics that you will be discussing later in the day.

These programmes are further supported by government's collaboration with the private sector through various work streams to boost economic growth. We certainly believe that this cooperation and the social cooperation will begin to create the kind of climate in South Africa which will support the encouragement of growth on the one hand and job creation and economic dynamism on the other. It's in this context that the spatial revolution makes an important contribution. We might want to remind ourselves as Franklin Roosevelt said in 1937 in the post Great Depression period that "*The test of our progress is not whether we add more to the abundance of those who have much. It is whether we provide enough for those who have too little.*" I imagine when you talk about spatial revolution you are also



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

going to discuss how you can contribute towards the welfare of the vast majority of people who are often below or just above the poverty line in making progress towards the middle class both in South Africa and in the continent.

The issue that Roosevelt raised is an important one in today's context. Whether the work that we do in any of our endeavours contributes towards reducing inequality, poverty and create more jobs for the youth and a greater economic dynamism particularly in developing countries or whether it reinforces inequality, reinforces unequal sharing of benefits between the top 1 or 10 per cent and the bottom 99 or 90 per cent in our various societies. That is a challenge as you begin to conceptualise and plan around a spatial revolution that your constituency needs to take on board as well.

The challenge of urban spatial transformation in SA is really a broader challenge of how do we work together to ensure that urbanisation and the accompanying growth of our towns and cities bring with it potential for faster, more inclusive growth. Our current global and economic circumstances require us to put growth in the inclusive sense and at the heart of public policy and debate. This is what the Integrated Urban Development Framework (IUDF) recently adopted by our Cabinet aims to achieve through the kind of framework for our cities and towns.

It provides a national framework for responding to the challenges and opportunities of ongoing growth of our larger towns and cities while ensuring that no areas in our countries are left behind. It recognises the complementary roles that, villages, towns and cities play within our national settlement system. Importantly, it focuses our attention on the need to manage the growth dynamics within each of them in a mutual beneficial way. The IUDF focuses our attention on what many of you would call the urbanisation dividend. It's a well-established fact that cities and towns have a critical role to play in determining the shape and direction of economic growth and the kind of support that that growth and its various actors can receive from local municipalities and other role players as professionals in the built environment context.

For the urbanisation dividend to be realised, the energy of the young and urban population is given the opportunity to drive innovation and investments needed to support higher levels of economic growth and creation of jobs; this is what economists often call economies of agglomeration and it is sometimes witnessed in other urbanising economies across the world.

Our key challenge in South Africa is that we are not capturing the urban dividend well enough. This is partly due to the fact that the legacies inherited from apartheid of



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

segregation, of exclusion of inefficiency and of the burden of all these factors being carried by the poor who live long distances between home and work is a situation that is no longer tolerable in the future. We say so very clearly in the National Development Plan (NDP). We say the current urban growth path is not sustainable and the plan recommends we confront the issues of sprawling, segregated spatial formations not as a symptom but as a significant cause of exclusion and lower-than-necessary economic growth.

The challenge, ladies and gentlemen, is not to re-invent the NDP or re-articulate the necessity for radical revolutions or changes in this area but it's about being decisive about what we should stop doing as a country which enhances the past, for example creating new dormitory suburbs, not taking enough initiatives to build upwards as opposed to building outwards and many other habits that have become very much part of this structure of thinking among South African professionals and policymakers both in the public and private sector. There's a simple appeal, that if we're to begin this revolution let's start telling ourselves in very simple terms that these are the ten things that we should be doing and these are the ten we should stop doing. Among those we should stop doing is imposing more burdens on ordinary workers and citizens who are less well-off in our country.

It would be very good if your discussions today can give us a list of ten things that we must do in order to enhance the spatial revolution and ten things we must stop doing that act as inhibitors in advancing the spatial revolution. Clearly, among the list of things we must stop doing is continuing to build more dormitory suburbs, imposing more burdens on workers and jobseekers and creating social distance between classes of people on the one hand and work opportunities on the other.

Our government has since its inception in 1994, taken several initiatives to lay the foundation for our cities and towns to become part of and indeed lead the spatial revolution. We have a chapter in our Constitution dedicated to local government which clearly specifies both the obligations and the powers of local government. We have a white paper which still serves as a policy framework and various pieces of legislation which have created the roadmap for the implementation of democratic local government in South Africa.

What is important for us is to move beyond further debates and ask ourselves, is the vision in the IUDF and the NDP adequate for us in terms of the kind of future we envisage for our cities, towns and villages Secondly, what level of planning must be done within municipalities and other spheres of government to enable the spatial revolution to take place. One of the challenges with regards to planning is the introduction of great discipline which would ensure that there's a clear alignment between the vision that we have and the plans that we actually develop.



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

Equally important in the planning context is the ability to resist opportunistic factors and players. There'll be many who'll look for opportunities to create settlements some distance away from the plan that the municipality has put in place and will be able to persuade policymakers to - putting it in mild terms - follow the development rather than the developer working with plans set out by the city.

The third is the actual projects and actions which embed these plans and visions where people around our country can experience the spatial revolution as one that is of benefit to them. That's the challenge that policymakers have throughout the world. There are many political events around the world that say we need to manage the relationship between policymakers and elites and citizens in order that citizens don't feel disempowered but feel they are able to direct the democratic structures of the country to do that which is for the benefit of all citizens and not select groups. That's a challenge that politicians, business elites and others have to take on board as we talk about structural change in our various situations.

You have speakers later in your programme from the National Treasury who will indicate to you ways in which municipalities in South Africa, particularly the metros, are being assisted to move in the kind of direction that you envisage by identifying for example a pipeline of catalytic projects, looking at more efficient ways of delivering bulk infrastructure and ensuring that public investment programmes that municipalities and the process of regulatory approvals which is providing a big headache in terms of investment in many cities, are all taking place in a way in which the vision of spatial revolution and the future envisaged in the NDP is being achieved.

The aim must be to take away the high cost of living and transport and it must be less of a burden for the poor and vulnerable households to access economic opportunities.. We must ensure the security of tenure and access to these housing opportunities, as well. Municipalities and professionals that work in municipalities need to ensure that our land use; management and development control systems are modernised to ensure they encourage urban development and densification which is the objective that all of us are beginning to agree upon.

There's a lot of work in various government departments including Cogta, Rural Development and Land Reform, Department of Planning, Monitoring and Evaluation, the National Treasury and Human Settlements are attempting to contribute to a new regime and era of spatial planning and land management in SA which we hope will concretely contribute to spatial revolution that we speak of.



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

As parts of the DONTs that you might want to consider in the list you'll send to me is uncoordinated urban development programmes which require continuous subsidies from the state to be viable.

It's become clear, from a fiscal point of view, that unless we have more dynamic economic growth, the ability of government to continue to fund many of these programmes at the level we're funding them today is going to diminish. The focus on growth and fiscal sustainability, while at the same time, ensuring that developments which are to benefit our citizens on the one hand and in line with structural revolution we want to undertake take place. We must make sure we continue to do the right things in South Africa which will enhance these processes.

We need to relook at the financing strategies; study the changes that are required in the system of grants and subsidies and we will introduce changes over the medium term to the number, purpose and orientation of the programmes that are currently at play. Our metros have the opportunity to borrow more so National Treasury is working with them to ensure that they are engaged with sustainable borrowing so that there's less reliance on the national fiscus whilst the overall financial system remains sustainable. Scope still exists for clear rules and requirements for developer contributions to bulk infrastructure delivery. This is in line with the partnership approach that government has been developing with the private sector and labour. We are also looking for new ideas in respect of financing instruments that will involve contributions from the community, state and from the private sector so that we could rapidly roll out some of the things we want to do.

As we go ahead and begin to give concrete meaning to the spatial revolution, I think it's important that we embed a culture of collaboration between the public and private sector, that we embed a culture of trust and greater cooperation in terms of sharing of resources between public and private sector and that both commit to this new vision which requires us to undertake one of the most important structural reforms in South Africa – the reform to our spatial environment.

Urbanisation and urban management and the steps that we take and plans we implement over the next five to ten years will have a huge influence on whether we get inclusive growth or not, on whether we're able to create jobs for the youth and give them hope for the future, whether we will increase the revenue that government is able to collect and thereby enhance its fiscal capability to contribute to these programmes and above all how inclusive growth can contribute to social cohesion, because social cohesion still remains one of the major objectives we need to achieve in our society.

I want to complement your organisation for putting spatial revolution on the radar screen and clearly spatial revolution is the integral part of structural reforms that we need to undertake in



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

SA and it requires a change in culture, mind-set and requires that we all think about how we do things differently and effectively manage the limited resources we have so that the greatest benefit goes to those who need it most.

Let me end with the quotation from Roosevelt post the 1929 Great Depression, “*The test of our progress is not whether we add more to the abundance of those who have much. It is whether we provide enough for those who have too little.*”

Keep this in your mind as you do your work on a daily basis.

Thank you for this opportunity.