



MINISTRY  
COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS  
REPUBLIC OF SOUTH AFRICA

**ADDRESS BY THE DEPUTY MINISTER OF COOPERATIVE  
GOVERNANCE AND TRADITIONAL AFFAIRS, MR ANDRIES NEL at the  
SALGA MUNICIPAL INNOVATIVE INFRASTRUCTURE FINANCING  
CONFERENCE, JOHANNESBURG, 13 June 2018.**

Programme Director, Cllr Mpho Khunou,

MMC for Finance in Ekurhuleni, Dr Nkosindiphile Xhakaza, representing our  
host Mayor, Cllr Mzwandile Masina,

President of SALGA, Cllr Parks Tau, and members of the NEC of SALGA,

Chairpersons and members of the Portfolio Committee on Cooperative  
Governance and Traditional Affairs and Standing Committee on  
Appropriations, Hon Richard Mdakane and Nkwenkwezi Phosa.

Mayors, councillors, senior officials,

Distinguished guests,

Ladies and Gentlemen,

Good Morning and greetings from Minister Zweli Mkhize who is attending a  
meeting of the Standing Committee on Public Accounts in Parliament,  
dealing with municipal debt.

We thank SALGA for taking the initiative of organising this very important and timely conference.

Last month we held our Budget Vote Speech for the Ministry of Cooperative Governance and Traditional Affairs.

One of the key challenges we highlighted was the lack of spending on infrastructure.

In particular we are concerned by the failure of many municipalities to spend the Municipal Infrastructure Grant (MIG).

This impacts directly on the poorest and most vulnerable citizens' access to housing, water, sanitation, roads, electricity - in short the preconditions for the dignified life envisaged by our Constitution.

Over the past five years, a total of R3,4 billion in MIG transfers was stopped and reallocated to better spending municipalities. Only 55 of our 257 municipalities have a qualified engineer.

If we do not intervene, we will end up in a vicious downward spiral where those who are in greatest need will receive the least. It will be the citizens of these distressed and dysfunctional municipalities that suffer the most.

We must intervene, and we are intervening. Our Municipal Infrastructure Support Agent (MISA) has been instructed to constitute District Technical Support Teams to support 55 of the 87 priority distressed municipalities.

Each District Support Team will include engineers, construction and project managers, financial accountants, town and regional planners and governance and administration experts as needed.

By December all distressed municipalities are expected to have a Technical Support Team in place.

These teams will be expected to develop permanent capacity in these municipalities.

This is one of the means we are implementing to ensure that infrastructure funds are actually spent, and that they are spent efficiently, effectively, and accountably.

Integrated planning and collaborative implementation across government and society is essential.

Through the Integrated Urban Development Framework (IUDF) we intend to further enhance our infrastructure spending.

### **The Integrated Urban Development Framework (IUDF)**

It is globally accepted that well managed urbanisation that strengthens the links between urban and rural areas results in cities and towns that are powerful engines of growth.

We need to turbocharge these engines of growth in our economy, to transform it to deal with poverty, unemployment and inequality.

The adoption of the New Urban Agenda at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) by the United Nations (UN) Habitat in Quito attests to this.

When the New Urban Agenda was adopted in October 2016, we had already approved the Integrated Urban Development Framework in April 2016, our own national urban policy, based on our National Development Plan: Vision 2030.

Through National Treasury's City Support Programme key pillars of the IUDF were already being implemented in our metropolitan municipalities.

According to the UN, 54% of the world's population lives in urban areas. By 2050 this will increase to 66%, this rate is quite staggering considering that in 1950 only three in ten (30%) people lived in urban areas.

It is expected that continuing population growth and urbanization will add another two-and-a-half billion people to the world's urban population by 2050.

Ninety percent (90%) of this increase will be in Asia and Africa. Africa is expected to be the fastest urbanizing region between 2020 and 2050.

By 2050 most of the world's urban population will be concentrated in Asia (with fifty-two percent) and Africa (with twenty-one percent).

We know that 63% of South Africans already live in urban areas. This will rise to 71% by 2030, and 80% by 2050.

We therefore need to guide the growth and management of urban areas in ways that unleash the potential of our cities and towns and reverse the terrible legacy of apartheid spatial injustice.

Ensuring that these most rapidly developing cities in the world develop sustainably, is of vital importance, not only for our continent, but for our planet.

With this evidence in mind, I am sure it is apparent to all of us here today that focusing on our metropolitan municipalities alone is not sufficient.

In fact, the IUDF is clear on this. We must start assisting our intermediary cities as well, and our rural towns too. We believe that our intermediary cities are our next zones of growth - Lephalale, Rustenburg, Polokwane, Umhlathuze are striking examples.

Whilst the IUDF points us in the right direction, unfortunately, most of our cities remain spatially fragmented due to segregated and class-based colonial planning systems, and apartheid planning policies.

Our National Development Plan (NDP) stresses this point and devotes an entire chapter to the transformation of the national space economy.

The recent Systematic Diagnostic Report on South Africa by the World Bank Report released in April 2018 underscores this analysis and states that:

*“Many South Africans continue to live far away from job opportunities, in townships, informal settlements, and the former homelands. Where they are closer to opportunities, especially in urban areas, they still live on the outskirts. This makes commuting expensive.”*

This means that we must relentlessly and deliberately pursue the implementation of our policies in order to promote integrated and sustainable urban development.

During a recent visit to the Departments of Cooperative Governance and Traditional Affairs, as part of his visits to all government departments, President Cyril Ramaphosa challenged us to be bolder and more ambitious.

He made it clear that the IUDF is can no longer be just a Framework, he stated that it must be an Integrated Urban Development Revolution.

The IUDF marks a New Deal for South African cities and towns. It will steer urban growth towards a sustainable model of compact, connected and coordinated towns and cities.

It provides a roadmap to implement the NDP’s vision for spatial transformation – creating liveable, inclusive and resilient towns and cities, while reversing the apartheid spatial legacy.

Many of the issues that intermediate cities are dealing with are structural and require a long-term vision and plan which is implemented with determination.

The aim is to create more compact cities structured around public transit corridors and nodes. This will improve city productivity (by improving efficiency) and inclusivity (by improving the access of historically disadvantaged citizens to employment and consumption opportunities).

At the same time, improving governance and financial management in the intermediate cities will allow them to more effectively use and leverage both grant and own sources in pursuit of development objectives.

These measures will be backed up by reforms in infrastructure grants with incentives for performance and for more flexibility and strategic use of funds.

We have introduced the Integrated Urban Development Grant (IUDG). This grant is our incentive component to the implementation of the IUDF in the intermediary cities in order to ensure that our infrastructure implementation programmes in these cities are linked to our spatial development framework, which are our spatial transformation tools.

The main purpose of the IUDG is to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure.

The ultimate goal is to ensure that these public investments are spatially aligned and to promote the sound management of the assets delivered by cities.

In essence the IUDG aims to achieve three main outcomes:

- Improved access to municipal infrastructure,
- Improved quality of municipal services through infrastructure that is in a better condition, and
- Improved spatial integration.

We firmly believe that infrastructure investment that is informed by a sound spatial rationale is key to transforming space and unlocking inclusive economic growth.

The IUDG is our tool to provide funding for public investment in infrastructure for the urban poor.

The IUDG also promotes increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure.

This will be done through the use of a performance-based allocation component in the grant.

Lastly the IUDG will assist to promote sound asset management in order to ensure that infrastructure remains functional and thus that public investment in infrastructure does in fact result in functional urban environments on a sustainable basis.

While the intentions of the IUDG are clear, it is worth noting that the IUDG is currently a consolidation of existing government grants with a 10% incentive portion.

It is also important to indicate that the consolidation of the grants into the IUDG is going to be implemented progressively over time, based on

negotiations with key national sector departments. This is work that we are currently pursuing with National Treasury.

We will be sharing more details on this at the IUDF Seminar that is scheduled to take place on the 5th of July. This session will be attended by all Intermediate City Municipalities (ICMs).

In addition to this, we are in a process of exploring partnerships that will increase the incentive portion of the IUDG. As part of this process, we aim to mobilize additional grant funding that will allow qualifying ICMs that will meet the agreed criteria to access these additional grants.

In essence, these grants will serve as a top up and ensure that the incentive portion of the IUDG is larger.

Another area of work we are exploring with our partners in the IUDF family relates to exposing our intermediate cities to credit ratings.

These credit ratings will be a tool that will encourage sound financial discipline and give our ICMs a sense of what they need to do to access additional funding.

The credit ratings we are hoping to introduce to our municipalities will also be helpful to prospective lenders. In order to start this process, we will be having an orientation session with our ICMs on credit ratings and what they entail.

There is no doubt that we have developed an excellent national urban policy. However, we must implement it, and this is the challenging part.

We strongly believe that better spatial planning cannot, on its own, transform space - it requires strong and sustained leadership over a long period of time. It also requires an ability to raise funds needed to budget for long-term change and co-ordinated investment across different government agencies.

Sustained partnerships with the private sector and citizens are also required. In other words, achieving spatial change requires impact in a variety of areas including governance, sound financial management, fiscal leveraging, service delivery etc.

Urbanization is a complex challenge and managing it demands a complex set of responses, involving a whole of government and whole of society approach which involves many actors and role-players.

Our key message today is that, as a sector or department, we cannot manage sustainable urbanization alone, we need partners, donors, the private sector, civil society, investors, communities, research bodies and think-tanks, technical specialists, and many more.

We need all of you, seated here, to realise what President Ramaphosa refers to as the Integrated Urban Development Revolution. Local Government is Everybody's Business.

Together, taking advantage of the spirit of the New Dawn, giving true meaning to collaborative action, channeling our infrastructure investment in our cities in the right places, we will see our spaces transform in a manner that integrates our communities across race and the class divides and build the united, non-racial, non-sexist, democratic, prosperous and just South Africa that our Constitution enjoins us to continue striving for.

Thank you!