

“The Centrality of Cities and City Regions in Driving Africa’s Industrialisation, Intra-Africa Trade and Investment in the 21st Century”.

ADDRESS BY GAUTENG PREMIER DAVID MAKHURA, ON THE OCCASION OF THE 2017 GAUTENG INFRASTRUCTURE INVESTMENT CONFERENCE, GALLAGHER CONVENTION CENTRE.

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Programme Director, Nozipho Mbanjwa;
The Minister of Tourism, Hon. Tokozile Xasa;
Dean of Ambassadors, Ambassador Plenipotentiary Ben Mp’oko;
Ambassadors and High Commissioners;
Members of the Executive Council and Executive Mayors;
Honourable Commissioner, Mr Durosimi-Etti, Babatunde Fuad, Lagos Ministry of Wealth Creation and Employment, and his delegation;
Executive Secretary of NEPAD;
Representatives from the Development Bank;
Senior government officials;
Distinguished experts and scholars;
Ladies and Gentlemen;
Fellow Africans:

Yesterday, we spent the entire day focusing on infrastructure investment as a key driver of inclusive growth and sustainable development in today's modern world. We explored various public and private sector financing instruments and funding partnerships that are available globally and domestically. We also paid attention to the policy and regulatory environment necessary to create investor friendly ecosystems so that we can tap in existing resources. Ethical, visionary and decisive leadership, strong institutions are as important as in achieving the Africa we want.

Today, the Gauteng Infrastructure Investment Conference will focus primarily on the role of cities and city regions in driving Africa’s industrialisation and promoting intra-Africa trade and investment.

Hopefully, we will get insights from government leaders, scholars, policy makers and business leaders on their experiences and work across the African continent.

Perhaps we need to start today’s session by retracing our steps by reminding ourselves of the dream of our forebears and founders of the struggle liberation and independence in Africa.

What is the African Dream that brings together on this day?

Re-igniting the African Dream: the fundamental transformation of Africa

Addressing a public lecture at Columbia University on 05th April 1906, one of the founding members of the ANC, Pixley Isaka Seme, outlined the dread and vision for Africa that is enduring up to this day:

“The brighter day is rising upon Africa. Already I seem to see her chains dissolved, her desert plains red with harvest, her Abyssinia and her Zululand the seats of science and religion, reflecting the glory of the rising sun from the spires of their churches and universities. Her Congo and her Gambia whitened with commerce, her crowded cities sending forth the hum of business, and all her sons employed in advancing the victories of peace-greater and more abiding than the spoils of war. Yes, the regeneration of Africa belongs to this new and powerful period!”

Six decades ago, Kwame Nkrumah, the foremost champion of African unity and independence, had this to say about the African dream:

“No Independent African State today by itself has a chance to follow an independent course of economic development, and many of us who have tried to do this have been almost ruined or have had to return to the fold of the former colonial rulers...This position will not change unless we have a unified POLICY working at the continental level...Common Continental Planning for Industrial and Agricultural Development of Africa is a vital necessity”.

Dr Nnamdi Azikiwe, the founding President of the Independent Nigeria, also had something important to say on the African Dream:

"The realisation of the New Africa can only be possible by the African cultivating spiritual balance, which leads to practicalization of social regeneration, to realising economic determination, becoming mentally emancipated, and ushering in a political regeneration".

The AU Agenda 2063, The Africa We Want, is a consolidation and synthesis of a vision that has evolved over a period spanning a century. Africans have been central to shaping this dream and they must be central to its realisation.

When we see and hear narratives about Africa Rising, we have to ask ourselves fundamental questions about whether such narratives are advancing the dream of the Africa we want.

I have been critical of the fact that Africa Rising narrative advanced by The Economist magazine reduces the fundamental question of Africa’s regeneration to two issues , that is the growth of the African middle class and the size of the GDP of African economies, without dealing with the structural transformation of these economies, at the centre of which is institution-building, skills development, infrastructure development, industrialisation and increased levels of intra-Africa trade and investment.

It is my belief that Africa cannot rise in a sustainable and inclusive way unless we deal with these fundamental structural issues. Looking only at a tenuous and precarious middle class and commodity-driven GDP growth will lead inescapably to some kind of pathological pessimism about Africa’s prospects.

In order to drive a sustainable, more transformative and inclusive path for Africa's regeneration, we need to build Africa's own capabilities and internal resources. We need to build ecosystems that stimulate and support innovation and entrepreneurship, particularly among the African youth, who constitute Africa's major resource, side by side with Africa's rich natural resources beneath the African soil.

It is on this basis that this Conference's focus today is on Intra-Africa Trade and Investment and this includes investment in Infrastructure.

As I pointed out yesterday, Africa's infrastructure deficit is estimated at \$100 billion per annum. Addressing this backlog presents massive opportunities for African entrepreneurs and investors. It also presents opportunities for supporting localisation and industrialization as the infrastructure inputs such as steel and skills can and must be produced in our own continent.

Catalysing Africa's New Industrial Revolution

According to the African Economic Outlook 2017 Report, Africa's industrialisation will differ from the experience of other world regions – the 54 African countries are diverse and will therefore follow various pathways to industrialisation.

Furthermore, Africa's industrialisation will not rely solely on the manufacturing sector, which currently remains modest at 11% of the continent's GDP. Twenty first century industrial policies need to target additional or new sectors with high growth potential, such as value added manufacturing, tourism focusing on areas such as agro-processing as well as services with higher value add.

The kind of industrialisation we are calling for in our continent is not of the kind experienced in the 19th and 20th century, which was characterized by a ruthless destruction of our environment. What we are advocating for rather is a smart, green, technology driven industrialisation, underpinned by sustainable use of our natural resources to develop and create new industries of the future.

Equally important is that Africa's industrialisation will also depend on the solid growth and participation of private companies in our own continent. We therefore need transformative partnerships with the private sector in driving this kind of industrialisation particularly in areas such as infrastructure development. In the case of South Africa, for instance the private sector accounts for 80% of Gross Capital formation and is a significant provider of employment, especially in the productive sectors of the economy.

In this regard the African Economic Outlook 2017 Report asserts that with a dynamic private sector, the entrepreneurial spirit inherent in Africa's people especially the youth and Africa's vast resources, are two critical areas that we must exploit in a way that is sustainable and inclusive continent.

Ladies and gentlemen, while economic growth is necessary, it is not always sufficient. We need the type of growth that creates employment and we in South Africa know that you can have a growing economy that sheds jobs, so as much as economic growth is important it is not enough. We also need the type of economic growth that is inclusive.

We also need to pay attention to small business and the informal sector, which is the key sector that provides livelihoods to hundreds of millions of Africans.

The case for increased levels of intra-Africa trade and investment

In the context of today's increasingly interconnected global market, the prosperity of nations no longer depends on the individual countries productivity but also on quality of trade and the choice of trading partners.

Over the past two decades trade between Africa and the rest of the world expanded four fold – from \$ 197 billion in 1995 to \$ 852 billion in 2015.

Overall, however, African exports remain undiversified with 1 out of 4 African countries relying on 1 or 2 commodities for 75% or more of their exports so diversifying Africa's economy is also a very important task of our century. Expanding the continent's export basket to include more processed and manufactured products is therefore a priority going forward. Putting in place the necessary infrastructure to exploit Africa's tourism potential is also very important.

On the positive side, Africa has enjoyed a significant increase in services trade over the past ten years – from \$ 140 billion in 2005 to \$ 270 billion in 2015.

Apart from its role as one of the drivers of structural transformation we referred to earlier, intra-Africa trade has the greatest potential in increasing Africa's self-reliance.

Intra-Africa trade has also proven to be more resilient than exchanges with other regions of the world. After the 2007- 2008 financial crisis, intra-Africa trade suffered less than trade between Africa and the rest of the world, and in contrast to trade with the rest of the world, primary commodities do not dominate intra Africa trade. Now this is a very important story about Africa. Very often a global crisis does not impact negatively on trade between African countries. In other words intra Africa trade is very stable, which means Africans can do much more and get much more results relating to economic development by increasing intra Africa trade.

Trade between African countries involves a diversified basket of exports and imports and manufactured products constitute more than 50% of regional trade.

To boost intra Africa trade, as African countries we need to focus more sharply on improving infrastructure development for the enhancement mobility of people, goods and services. This Conference must help us in a more coordinated manner in addressing our infrastructure needs.

Equally important is the need to address the low manufacturing and processing capacity which is a major limiting factor for increased trade among African countries, hence the need to industrialise and re-industrialise the Continent.

I was in Ghana in May and the people in Ghana told me that they import 95% of this food to Europe.

The role of African cities and city regions in Africa's Regeneration

Urbanisation and the fourth industrial revolution are two of the most significant issues that will profoundly shape the 21st century. If it is true, as President Thabo Mbeki has argued, that the 21st century is the African century, Africa must be in the lead in grappling with the challenges and opportunities presented by both urbanisation and the fourth industrial revolution.

While I do believe that Africa's time is now, we must also understand that the 21st century is also a century of cities and city regions. So Africa must harness urbanisation as a positive force of industrialisation and modernisation.

It is to the cities and urban centres where the more youthful, educated, creative, innovative, entrepreneurial, ambitious move to. Cities provides clusters of firms, infrastructure, labour, entrepreneurs necessary to fuel growth.

The United Nations Population Fund, further makes the point that; "The world is undergoing the largest wave of urban growth in history. More than half of the world's population (currently standing at 7.3 billion) now lives in towns and cities, and by 2030 this number will swell to about 5 billion".

The report goes on to say that the current wave of rapid urbanisation is "History's largest-ever urbanisation wave will continue for many years to come."

Much of this urbanisation will unfold in Africa and Asia. Interestingly the two regions are the same regions that were colonialised and continue to be plagued by historical problems of colonialism. The study goes on to say that these two regions will, over the next forty years, account for 86% of the world's urban population growth.

By 2030, more than 50% of Africa's population will be living in cities, while by 2050 this number will increase to 70%.

The state of the cities will become a national matter as more citizens live in cities. The state and role of African cities and city regions is a matter that must be on the agenda of the African Union if Africa's is to prosper.

In addition African countries, collectively, have a GDP of \$ 1.8 trillion, expected to exceed \$ 2.6 trillion by 2020. Our Continent has a growing middle class, located mainly in the cities. This growing middle class is likely to drive consumption expenditure to unprecedented levels. By 2040 Africa will have the largest workforce on the planet, also helping to drive consumption.

Clearly, African cities and city regions are central to Africa's regeneration and fundamental structural transformation. Key among the reasons that cities and urban agglomerations have become engines of economic development in the 21st century is that they reinforce economic advantages of agglomeration including business access to a diverse labour pool, diverse suppliers base and specialized services and good external connections.

However, the danger of slums, inadequate infrastructure, increasing levels of inequality, informalisation and high rate of urbanisation of poverty lurk in the background if cities are not governed well.

Lagos-Accra-Abidjan corridor in West Africa); Addis Ababa, Nairobi, Kigali in East Africa); Cairo, Algiers and Morocco in North Africa as well as the Maputo-Gauteng-Gaborone-Windhoek corridor in Southern Africa, are becoming dynamic urban centres of new innovations, smart industrialisation and entrepreneurship. Some of these cities and polycentric city regions are key destinations of FDI into Africa. These are the cities and city regions that are driving Africa's new industrial revolution – hopefully a cleaner and smarter path to industrialisation.

These African cities are not only economic entities, but are also dynamic cultural and intellectual spaces which can enhance social cohesion and social integration.

Africa's best brainpower, universities and research institutions are located in major African cities, reinforcing the cities as centres of excellence and innovation hubs.

For Africa to rise in a sustainable and inclusive manner, cities and city regions have to be governed well. Infrastructure investment, efficient service, reliable modern public transport systems, decent housing, promoting entrepreneurship and supporting innovation, effective land use to promote industrial development and green spaces.

As Africans, we must be happy that at the helm of the World United Cities and Local Government is our own son of the African soil who addressed us yesterday - President Parks Tau. I also have the distinct honor to have been elected the Co-President of the World Association of Major Metropolises at the recent Congress held in Montreal in June.

All these responsibilities place Africa at the centre of the United Nations' New Urban Agenda. African cities and city regions are now at the centre of global development. We in South Africa and Gauteng must carry out these responsibilities with a great sense of duty and obligation to our continent. President Parks Tau and myself understand our responsibility to Africa. South Africa understand its responsibility and duty to Africa.

With regards to South Africa, cities are already key drivers of our national economy. Whereas Gauteng contributes 35% to our national GDP, Johannesburg contributes 15% to national GDP, Tshwane 9% and Ekurhuleni 7%. These cities are also drivers of Africa's industrialisation and intra-Africa trade.

Gauteng is the gateway to the continent and a strategic trading partner to our sister countries on the continent. Currently more than 61% of our exports to the continent are destined to countries in the Southern African region, 11,7% to East Africa, 9,4% to West Africa and 11,2% to Central Africa. Our ultimate goal is to strengthen two-way balanced trade between Gauteng and all major sub-national and national economies on our continent.

Our message is that Gauteng is open for business, especially with our sister countries on the Continent. We are of the view that by expanding our focus north of our borders we can help advance our Continent's prosperity while creating new opportunities for all.

To all our South African business people gathered here today we say go and explore bigger opportunities in the different parts of our continent. Think big and act smart. Africa is your stage. Stop narrowing your scope onto the small economy called South Africa. American, European and Asian entrepreneurs have seen what our own entrepreneurs are failing to see - that Africa is the next biggest thing in the global economy.

Let me conclude by quoting from a recently published book entitled: Making Africa Work – A Handbook by the former President of Nigeria, President Olusegun Obasanjo, Dr Greg Mills, Dr Jeffery Herbst and Major General (rtd) Dickie Davis who have the following to say on the challenges and opportunities for leadership on the continent:

“Changing a country’s economic trajectory and dealing with an issue as big as Africa’s projected population growth require strong political leadership. Such leadership not only needs to set out a vision and make the tough choices when resources are scarce, but it also needs the energy, commitment to the common good and attention to detail to drive delivery. Improving governance, strengthening institutions and acting transparently are vital reforms for countries in need of foreign investment, and here strong leadership is also vital.”

Let us all make our Africa’s major cities and city regions work better. When cities work better, Africa will work better! Gauteng is open for business!

Re a leboga! Siyabonga! Thank you! Asante sana! Merci buku!



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