

Rebuilding Cities: Reflections on my experiences

Anthony Williams: **Former Mayor of Washington DC**



Anthony Williams took over as Mayor of Washington in 1999, at a time when the city was in serious decline, facing bankruptcy and with a reputation as crime ridden and dangerous. Through sound financial management, strong leadership and by working closely with local business leaders he turned the city around in his two terms at the helm. In the first quarter of 2017 the Centre for Development and Enterprise (CDE) invited Mayor Williams to speak about his experiences as Mayor of Washington DC, and his subsequent experiences as Chief Executive Officer and Executive Director of the Federal City Council. The organisation is a non-profit, non-partisan organization comprised of the Washington DC area's top business, professional, education and civic leaders and dedicated to working with the city to develop and implement solutions to important community problems.

Restoring a broken city

Before I was elected mayor in 1999, I served as Washington’s first independent Chief Financial Officer (CFO) from 1995 till 1998. As CFO I worked hard at formulating a turnaround strategy that would address the economic and financial crisis in Washington D.C. Part of that strategy was to retrench 165 city employees - which angered union leaders. However making this tough decision was essential for solving the district’s unsustainable budget situation. One week later, I announced that if I could not solve the city’s looming bankruptcy within one year, I would resign. Throughout 1997, I continued to battle both the mayor and the control board for accountability on all fronts. I believed it was time that people stopped complaining and faced up to the urgency of fixing the internal operations of the city government. By the end of 1997 things had started to turn around. DC projected a deficit of \$74 million earlier that year. By the end of 1997 it had a surplus of \$185.9 million.

In 1999 I was elected Mayor of Washington D.C, succeeding Mayor Marion Barry. My predecessor was a fantastic civil rights leader. However, being a great revolutionary leader who fought for his people’s rights is one kind of achievement. It does not necessarily follow that such a person will be great at running a city. In addition, he was in power for too long; he had lost any sense of urgency and became set in his ways. This was the broad situation in Washington before I took over. The city needed someone who understood finances and who would make tough, unpopular decisions. There was also a broader problem across the United States. The post-World War II generation inherited a great, dynamic, healthy economy - and by the 1980s we had basically redlined it. We drove the car off the road and then we wanted to give the keys to the next generation. That is not right. At the very least any leadership should strive to improve a given situation for the next generation.

I served two terms as Mayor from 1999 to 2007. During my first term as Mayor of Washington, I managed to get the city back into the financial black by running budget surpluses every year and since the financial control board failed to contribute to this turnaround I allowed the board to terminate itself two years ahead of schedule. I managed to bring about \$40 billion of investment to the city, as well as unprecedented capital investments and service improvements to some of the most disadvantaged neighbourhoods. During my second term, I continued to stabilise the finances of the district and the district’s bond ratings.

One of the first actions I took as Mayor was to restore the broken plinth on the bridge across the Potomac. This bridge, just behind the Lincoln Memorial, was seen by many as the entrance into the city, and the crumbling lion on the bridge’s plinth became symbolic of the state of the city. Many advised me that I should focus on issues that were more important than a statue of a lion, but I believed that fixing the lion had great symbolic importance. It was a signal to many people that I was serious about turning the city around; about restoring Washington’s image as the proud capital of the United States.

“It was time that people stopped complaining and faced up to the urgency of fixing the internal operations of the city government”

Public trust and leadership

When rebuilding a city, leadership is essential. You need to provide people with the sense that someone is in charge and ready to make tough unpopular decisions that will make a real difference in turning the situation around. Sometimes, especially in the early days, it's a question of 'ready, fire, aim' as opposed to 'ready, aim, fire'. You have to build up a sense of urgency or you will never get to your destination.

Restoring what I call 'the public realm' is also a vital component of rebuilding the city. In my mind the public realm is not a physical thing. The public realm is a symbolic shared space, where people in the city, from both the public and private sectors, start to build up shared aspirations, and begin to lay the groundwork for shared action. The public sphere is where the owner and the worker, the secular and the clerical, the public and the private all come together, to work together and to succeed together.

At the very centre of the public realm is a strong sense of public trust. Public trust is about transparency, openness, and stewardship of the resources and assets of the community so that, ultimately, we leave things better than we found them. The challenge is to establish a strong "sense of commons", or sense of shared responsibility, between the public and the private spheres for the benefit of all urban citizens.

The most important thing for city governments to do in establishing this vibrant public realm and a strong sense of public trust is creating settled expectations. It is knowing that if I have a contract, my contract will be honoured; it is knowing that if I own a piece of property, then no one is going to take it away from me. Without the public realm and public trust, there can be no meaningful, value-creating partnerships between the public and the private, and ultimately no firm foundation for cities to become beacons of hope. If cities get the public realm and trust right they can quickly become opportunity hubs generating increased social mobility and steadily growing prosperity.

When seeking to attract investment, city leaders must find ways to convince investors that promises will be kept, that there is a certain level of predictability around which investors can plan. To achieve that, leaders have to be careful not to create false expectations. They should be careful not to over-promise; to set deadlines that everyone knows are unachievable. A sophisticated investor knows how tough it is to get things done in a city. I would never tell an investor that everything will be done in three months when I know that it's not going to be done in three months. Instead, I would tell them that it will take a year and a half. If I then succeed in getting it done within the space of one year, my investors will be happy and more inclined to trust me the next time.

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You can apply this logic to cases where cities need to redevelop neighbourhoods. Once again, leaders shouldn't tell people that there will be absolutely no disruptions or displacements. The initial stages of getting a neighbourhood going will always come with some disruptions. You have to be realistic and create settled expectations. It's also important to balance those disruptions with support for those who will be negatively affected. When regenerating neighbourhoods in Washington DC we would always place a few low income units in the new development blocks. The idea would be to show that people from different income groups can live together and that those who are being displaced by rising prices will not be left completely unsupported.

Creating realistic expectations also allows city governments to better assess their own performance. Against realistic deadlines, the city can develop a realistic picture of how it is performing, where it has been successful in completing tasks before time, and where there is room for improvement.

A solid and mutually respectful business-government relationship is essential for faster growth and mass employment. Cities need to build relationships with the businesses that play significant roles in their economies: large employers, international firms with local headquarters, firms in key growth sectors, small business associations: all should all be consulted and feel like they are part of the processes that lead to the rebuilding of cities and the acceleration of economic growth. These relationships need to focus on creating the best possible environment for market-led growth and public-private partnerships.

From what I have seen, the entrepreneurial zeal of people in this country is high, which could be a big advantage in tackling the challenges the country faces. The role of city government is to tap into this zeal and to do more to support it. One challenge is how you work with entrepreneurs in the informal economy so that they can move from their current position as "survivalist entrepreneurs" onto economic pathways where they can become "opportunity entrepreneurs" who employ a growing number of people in expanding businesses. I think South Africa would be a world leader if the country could figure that out.

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Growth must be top priority

People often ask me about how the benefits that economic growth would generate should be shared. This is an important question. However, it is equally important to get priorities right. This is particularly the case in a country like South Africa, where the absence of growth is the biggest challenge. The way I understand it, South Africa is caught in a low-growth, high-unemployment trap. Getting out of it will take a lot of work across a range of policy areas.

Cities should be seen as engines of growth, the locomotives pulling the rest of the economy along. They need to grow at much higher rates than the rest of the country so you have got to figure out a way to get the economy in your cities growing, or else you will have a big problem down the line.

Now in a lot of cities the locomotive is not working. People are just sitting around on a broken train, talking about where we are going to go and who gets to be in first class. Those are important conversations, and they will become more important once the train starts moving, but the priority has to be to get the locomotive going, to stoke that locomotive and to get it to move out the station. Then you can start adding cars and reassigning seats while making sure it keeps moving and accelerating. Unless the locomotive is working, it doesn't matter how many carriages you add to the train or who gets to sit where in the carriages. Until the train starts moving, talking about the carriages and the seating arrangements is futile.

In the example earlier on redeveloping neighbourhoods, the priority was to generate new sources of growth by improving neighbourhoods, generating new investments and adding to the stock of housing. Then, as the economy begins to grow, it becomes easier to build subsidised housing and cheaper housing stock in other parts of the city. As the economy gets going, you will be able to do that, but you simply cannot let the perfect be the enemy of the good. You have to get the locomotive stoked and going as the first priority.

In South Africa, I would advise mayors to discover ways to take advantage of the energies unleashed by urbanisation and to make effective use of the productivity gains that cities can provide. As I understand it, Johannesburg, Cape Town, eThekweni and Tshwane generate most of South Africa's GDP. These places have the potential to transform the entire country. Getting the economy going in these cities is part and parcel of earning people's respect. Once you get growth going then governments will develop the reach, the capacity and the ability to focus on making that growth inclusive. I repeat, policy makers must move away from allowing the perfect to be the enemy of the good. Inclusive growth is impossible if the economy doesn't grow at all.

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Cities must attain global standards and develop their own identities

One thing you have to grapple with as a city is your identity. You have got to establish a strong identity as a global city, and you have got to establish a strong identity as a local city, and you have to know the difference between the two. A strong global identity is important as it establishes a city on a global platform. At the same time, every mayor needs to ask themselves; what are the things that really distinguish our city, that makes it liveable, that makes it special? How do we emphasise these things and really exploit them to our advantage?

City managers need to work with others in the city to develop a vision for how the city can become globally competitive. They need to get a virtuous circle going on the basis of this vision. They need to attract talent and investment, which will lead to job creation and improvements in people's lives, which will put the city on the global map and make it more attractive for other investors and talented people.

People will invest in cities if they know that health care, education, and infrastructure are world class, that these things meet certain global standards. However, aiming for global standards shouldn't detract city managers from building a unique local identity. Such a local identity is important because it will give the residents of the city a sense of pride. It will also allow you to develop a competitive edge in competition with global cities by emphasising the things that make your city uniquely attractive. It is also important to get cities to focus on regionalism. Sectors such as transportation and tourism should really be managed on regional platforms.

A city's competitiveness depends on its productivity; a more competitive economy is one that is likely to grow faster over time. At the moment, South Africa is ranked 49th in the global competitiveness of cities index. At the same time there are some strong indications of the unique strengths that South African cities could develop to make themselves attractive destinations for investments and skilled immigration. The competitiveness index shows that South Africa hosts the continent's most efficient financial markets, and that the country's cities benefit from strong institutions, particularly property rights and a robust and independent legal framework.

However, to take full advantage of this potential requires strong city level governance and initiatives. In South Africa, city government is still seen as less important than national and provincial politics. This does not match the reality of the central role that cities play in the South African economy, nor does it take into account the demands on city governments if they are to take the lead in pursuing competitiveness and global standards, while also developing local identities and strengths.

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Public-private partnerships are essential

Public-private partnerships are difficult but necessary. When you bring in the private sector to buy, leverage or to finance a government asset, the general feeling is that you are taking a valuable resource and giving it away. People don't understand how, if it is done right, such an arrangement can create a lot of additional value. Many countries, including South Africa, don't centralise knowledge about the holdings of subnational government entities. As a result there is a huge amount of waste as these assets are left languishing and are typically very badly managed. In most countries public wealth is immense, but is largely overlooked as an asset that can be used to leverage additional value.

To understand how to do this, I would urge you to read a book by Dag Detter and Stefan Fölster, titled *The Public Wealth of Nations*. The book sets out the proper way of leveraging and financing public assets and shows how the effective management of public wealth can turn a city's finances around and generate rapid economic growth. The book obviously goes into much more detail but three principles are key in this regard: (1) transparency; (2) pursuing a clear objective; and (3) shielding commercial assets from political interference.

As difficult as they are to "sell", public private partnerships are vital to a city's health and future prosperity. In these times, it is important to find a politically defensible way of bringing the private sector in to finance public assets. The key ingredient is creating an intermediate structure that can act on behalf of the government, but which is acting as a private entity, using best business practices to leverage specific assets. Wall Street or the JSE provides the financing, but there is a well-established, credible interface between the public and private spheres.

A non-profit, non-partisan organization like the Federal City Council, of which I am currently in charge, would be very effective in facilitating a better working relationship between city governments and private businesses in a country like South Africa. It is not really about lobbying, but rather about putting together a group that is dedicated to serving the public interest with the ability to use their convening and facilitating authority to bring people together.

Cities should welcome immigrants

I have been told that the population of Johannesburg is quite fluid. There is a lot of migration from other parts of South Africa as people stuck in places that are stagnant or in decline move to the city in search of better opportunities. For the same reasons, Johannesburg also gets a lot migration from neighbouring countries. This is an important and difficult challenge for those who are in charge of the city. However, in my opinion, any sane, self-respecting mayor is pro-immigration, because immigrants are the fuel for city growth.

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CDE's views on immigration:

South Africa should welcome, with a minimum of conditions, any migrant with skills. The notion of 'skills' must be defined widely so that it includes anyone with a formal tertiary qualification from a recognised institution, as well as people with entrepreneurial ability (not just investors with millions to invest, but proven smaller entrepreneurs). Skilled immigration is not only compatible with, but essential for, developing local skills. The enormous skills deficit in this country means that until efforts to improve local skills bear fruit, South Africa needs to encourage skilled immigration from other countries in Africa and beyond. As a country, you need to do more to capitalise on the energy of migrants on the one hand, and prevent outbreaks of xenophobia on the other. Cities are at the forefront of dealing with this multifaceted challenge. Large cities need to develop strategies for maximising the positive benefits of migration. At present, far too much of the responsibility for integration falls on poorer communities, which have the least resources.

Cities need to actively manage the reception of new arrivals and their impact on community dynamics. While this needs to form part of a broader national discussion of migration policy and resource allocation, at a minimum, city leaders need to find symbolic ways to welcome migrants, to legitimise their presence, and acknowledge their contribution to the South African economy. Despite the economic primacy of our cities, South Africa's constitutional system and political culture underplay their economic and political importance. The upshot is that the cities – key vehicles for national growth, employment and regeneration – do not receive the attention they need from policy makers, nor in general do they attract the quality of leadership and management talent required for what are some of the most important jobs in the country. Foreigners will use their hard-won skills and capabilities, often obtained at considerable cost, to help build the South African economy; create more jobs; develop cities, towns and rural areas and improve service delivery in public services such as health and education. If the country is to grow at a much faster pace, we need to dramatically increase the entrepreneurial nature and capacity of the economy. Foreign entrepreneurs bring new skills, innovative ideas, and technology. By doing so they will expand economic opportunities for the local population. Countries benefit enormously from skilled and entrepreneurial migration. These kinds of migrants expand the tax base, create jobs, link the country to global markets, establish low-cost retail outlets where locals have failed to do so and can potentially pass on their skills to locals.

Once upon a time there was out-migration from the American city and a big part of that was not just bad management of the cities and crimes in the cities, but it was also racial distancing. In many cities in the US this has turned around as cities have turned themselves around; they have started to grow again and have benefitted from the migrants settling in the cities. City leaders need to remember that people who work pay taxes, and those taxes are crucial for running a city.

Many people moving into cities in South Africa may not be citizens of the country, but if they pay taxes they are a major asset. How to integrate such immigrants into cities and how you regulate relations between citizens and non-citizens are crucial issues that have to be dealt with, but city leaders should never seek to restrict the numbers of the people who want to settle there. As long as they are law-abiding, pay their taxes and contribute to the growth of the city, they should be welcomed.

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To read more on the recent CDE publications related to cities, jobs and skills see links below:

The Growth Agenda: Priorities for mass employment and inclusion, 2016. This series of reports include:

- Insights and key recommendations
- Cities
- Jobs
- Skills
- Accelerated inclusive growth
- Business and government
- An EPZ for Nelson Mandela Bay metro

To read more on other CDE publications related to migration and skills links below:

- CDE’S response to Green Paper on international migration, 2016
- Cities of hope: Young people and opportunity in South Africa’s cities, 2014
- Skills, growth and borders: Managing migration in South Africa’s national interest, 2010
- Managing migration in South Africa’s national interest: Lessons from international experience, 2009
- South Africa’s migration policies: A Regional perspective, 2011



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