

CIGFARO EASTERN CAPE INAUGURAL CONFERENCE

BUFFALO CITY METRO ICC

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MMC FOR FINANCE – MR. S. CAGA

Effective Governance in an Innovative World – Rethinking an initiative to enhance service delivery with limited financial resources

Program Director

President and CEO of CIGFARO

Members of your leadership team

Finance and Risk Practitioners in our various levels of government

Greetings to you all

I bring fraternal greetings from the Mayoral Committee of our Metro, Buffalo City. We are proud to play host to this esteemed inaugural conference of CIGFARO in our province. From its earlier days as IMFO, CIGFARO evolved to be a foremost organ of professionals, finance, and risk officers within the public sector. As BCM we are glad that some of our managers are members of this organisation. Through this membership, we hope that they will learn from their peers, grow professionally and personally and that these will translate to the improved performance of our Metro.

At a time when our country's public service and municipal administrations are facing severe viability and functionality challenges, conferences of this nature should indeed be convened to not just only diagnose the situation, but more fundamentally to bring forth the so much required prescriptions. We will therefore await the recommendations and resolutions from your deliberations. You dare not fail us!

In assisting to frame some of the issues you may want to consider, allow me Program Director to canvass the participants' informed views on the following matters:

Context of the conference

This conference takes place amidst a period of great consternation and reflection in our country. We are barely emerging from a decade of state capture – what some

chose to call 'wasted years'. From all perspectives, this has set our country back in its developmental trajectory. We lost focus and prioritised negative tendencies in our management of state affairs. We focused on individual priorities, self-enrichment through corrupt means, neglected our people, and forgot about imperatives of national unity and redress of the historical injustice. The lack of ethics and moral uprightness in some of our leaders led to the decay of the same among the rank and file in our administrative sphere. The challenges that dominated our political space translated into the decline in the quality of performance in our municipalities and other spheres of government. The repurposing of state entities saw a massive exit of some of the most capable and skilled public servants, loss of economic opportunities and opened doors to other opportunistic tendencies such as the current load shedding and the related clamour for privatisation.

Colleagues, it is not going to be easy to get out of the state capture legacy. Some who shout reforms and renewal have been found wanting. The recent floods in KZN and part of Eastern Cape are glaringly showing a trust deficit between people and government, especially about how the funds for rebuilding would be deployed and utilised. People have not forgotten what happened with the PPE corruption in GP, EC, and other provinces.

This context indicates a dire need to recalibrate, refocus and re-find our *raison d'être*. We said ours was to serve the people of South Africa, not ourselves not even our political parties. We cannot attain the targets of the NDP 2030 without a major reconsideration of how we run state affairs. This will require a dedicated, unselfish, corruption free and professional government officers. The recent history has shown that capacity alone without ethics leads to all kinds of shenanigans. Some of the people mentioned in the Zondo Commission Reports are highly regarded Chartered Accountants, Engineers, Managers, and other such professionals. Because they lacked ethics, Eskom, Transnet, and other state entities were all captured and refocused. We do therefore need professional and ethical public servants so that we can rebuild trust and regain confidence in our institutions.

Challenges – Elephants in the Room

Members of CIGFARO, once we get the basics right, we can then talk about a capable, developmental, and ethical state. It is only when we have committed public servants that we can start dealing with some of the major challenges facing our country. But some may ask, what are these Elephants in the room that we must confront? Without being overly comprehensive Program Director, these are some of the five Elephants that I suggest this meeting should consider, discuss, and propose solutions to:

- 1. Declining Municipal Revenues** – the state of our economy is such that we can not expecting to be getting much as local government from the fiscus. Some have

even used the terminology that we are in a fiscal cliff. Most municipalities are financially unviable. The Finance Minister the other day mentioned that out of the 257 municipalities, 163 are facing serious financial challenges. Local government generally is under a huge debt strain. As the rate of unemployment and economic decline rise, so is the default rate in paying for municipal services. Some analysis indicates that it would be suicidal for some municipalities to increase their tariffs during this climate. People are not refusing to pay. They are just unable to!

When revenues are low, the populist and short-cut tendency is to raid the reserves, not pay over statutory deductions, to run budgets that are not cash funded and to indulge in creative accounting. Some municipalities have been unable to pay workers during some months, have not paid SARS, have not paid Water Boards, are not paying Eskom, and a long list of other creditors, especially the SMMEs. In this process compliance legislation is violated and any hope of getting a clean audit is stillborn. This is a sure road to ruin and downward trajectory.

2. **Increasing Demand for Services** – while revenues are low and limited, the demand for municipal services is forever increasing. Inward migration in search of jobs and other opportunities to some of our towns results in informal settlements. In due course these settlements require that municipalities invest in bulk infrastructure and other services. Without innovation and creativity, municipalities tend to drown under the weight of these challenges. Hence, we have seen some school kids crossing through dangerous rivers that have no bridges and other such scary videos that have been circulating around. Without skills to understand and leverage off-balance sheet financing, there is no point for some of our CFOs. There are funding instruments out there but when we appoint maths teachers as our CFOs, we won't win in this battle.
3. **Poor Infrastructure Maintenance**— as we battle the challenge of getting new infrastructure, we are barely able to maintain what we already have. Drive down Oxford Street, you'll be appalled. Some of our infrastructure challenge arises from apartheid spatial planning. It was not designed to accommodate the current numbers, was meant to be used by only a certain part of our population and was not futuristic in its design. With modern technology and design engineering, municipalities must source these skills at a great cost. The skills you find in better paying municipalities you may have a challenge getting in small municipalities. Yet the engineering challenges are the same. This was the logic of the Siyenza Manje program – where these engineers were recruited and paid nationally. Perhaps we can still salvage this situation through MISA.
4. **Climate Change** – as we rebuild our cities and the required infrastructure, we need to be mindful of our impact on the environment. Also more importantly, we need to

learn a lot from the devastation recently caused by the floods in KZN and EC. The fact that most municipalities are paying scant attention to the environment, waste management, planting of trees, proper working drainage systems, well maintained infrastructure is surely a ticking time bomb. The covid situation should have also taught us to plan future cities wisely. While we had been recently focusing on densification, the covid pandemic has exposed some flaws in our planning and design assumptions.

5. **Building the Economy** – local government is a key stakeholder in job creation. This is not only just in terms of creating opportunities, but also in terms of deploying labour intensive approaches. This may require reconsideration of some of the old approaches to service delivery. Instead of putting everything out on tender, better project management methods must be creatively considered so that youth artisan corps can be trained through TVETs and assigned to execute various municipal maintenance projects. Municipal LED units and economic development agencies may need to broaden their mandate and be given assets to leverage in creating jobs. Some of these could be initiatives to set up Cooperatives to do pothole maintenance, secure and guard municipal facilities, provide uniforms, clean up townships and other areas, and so on. Some of our municipalities are not capitalizing on the traditional tripartite to build an economy between the universities/research institutions, business, and local government. Go to any Scandinavian country, they developed their economies around this model.

Related to this is the building of SMMEs. Research shows that the SMME sector is responsible for creating 70% of jobs. This is a great area of potential that must be nurtured accordingly, alongside the Cooperatives.

6. **Poor People Management** – generally people are creatures with a positive self-esteem and a desire to achieve. From early age we pride ourselves and brag about being 'Into Ka Bani'. We spend a lifetime trying to excel and succeed in whatever we are doing. We treat our families well. We take good care of our loved ones. We well maintain our homes. We spend our finances in a thrifty manner – at least most of us. The day we get that good letter that we have been appointed to work in government, all this logic seems to change. We get lazy, we don't care, we do the bare minimum, we stop being professional, we come to work late and leave early, we take long lunch breaks and too many tea breaks, we spend most time chatting on phone, being on social media and doing all other trivial things. If you are a manager, you frustrate and mismanage those who report to you, supervisors do not supervise, and everyone does as he/she pleases. When one good manager tries to change all this, we protest like crazy, join unions not to improve governance but for us to be allowed to get away with this despicable conduct. We want to be untouchables. We all know someone who does this if we are not doing it ourselves. But strangely we are the ones who complain the most that this government is hopeless and useless.

CIGFARO members –

Am I talking nonsense?

Are these not some of our challenges?

What do you suggest we must do to solve these matters?

Do you have solutions to propose? We will be taking hands at the end of the speech

Proposed Solution as the MMC of Finance (MR. S. CAGA)

“From my end I would like to highlight the following solutions”

A. Planning & Oversight

Adopted Integrated Development Plan (IDP), Spatial Development Frameworks, Master plans and Precinct Plans must be followed by a clear plan action overseen by Project Steering Committee to mitigate challenges or bottlenecks and ensure Key Strategic Projects are completed within a reasonable time frame.

B. Project Funding

Conditional grant programmes are administered by a variety of national departments including provincial and local government as well as the National Treasury. It is our responsibility as a Council to ensure that we utilise these grants to the maximum capacity by strengthening skills development and attracting talent and utilisation of human resource capacity within the public service.

Our executive, management teams and Infrastructure Finance Advisory Panel must work tirelessly to identify service delivery projects and ensure that all the criterion of the Conditional grants are met and unlocked. Reporting, Monitoring and Evaluation needs to be done in order to detect if the system is working or failing the institution. Our goal as public servants is to ensure that we deliver on our mandate for the betterment of our people.

Public-Private Partnership (PPPs) programmes can enable the municipality to enter into mutually beneficial relationships while protecting the institution's revenue and tackling service delivery. Private Service Providers (Consultants/Subject Matter Experts/IT Solution Software/ Independent Power Producers /Developers or Contractors) can be appointed at risk or invited to recapitalise/ externally fund the municipality projects with shared value and revenue.

C. Smart City Development & Deployment of 4IR

Looking into technological advancements to deliver exceptional service to our people will ensure that our economy and infrastructure matches that of National and Global standards. We need to take advantage of the solution making our City / Rural areas connected to the internet by approving the rollout of Fibre Projects by the private sector and implementing IT Solutions to the following key department of the municipality.

Energy & Water – Smart Meters and Automated Metering Infrastructure with the capabilities of smart vending system, online account query options, Eskom bill audit, online payment gate-way and implementation of offsite restrictive water or power measures (Cutting off services) for debt collection methods.

E-Learning – rolling out internet connection to our learning environment, institutions and libraries

E- Health – coordinating with the Department of Health, Social Development on the introduction of a smart medicine dispatch solution to reach the elderly, people living with disabilities and the vulnerable in our community.

E- Business – providing more options for application of business permits online, town planning and rezoning application online, EIA online submission, tender clarification meeting and submission online.

In Conclusion

Program Director, let me leave your members with this food for thought. Writing in 1859 in his Preface to the Critique of Political Economy, Karl Marx, who would have celebrated his 204th year on 5 May, stated that “No social order is ever destroyed before all the productive forces for which it is sufficient have been developed, and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society. **Mankind thus inevitably sets itself only such tasks as it is able to solve, since closer examination will always show that the problem itself arises only when the material conditions for its solution are already present or at least in the course of formation.**

The challenges outlined above would have not arisen, according to Marx, unless conditions and tools for their solving are present. Could the members of CIGFARO be those tools, instruments, agents that can solve the lingering challenges of our government and society?

This is a generational challenge we have. We owe it to ourselves and future generations of our country to arrest the speedy trajectory towards being a failed state. The costs of failure are too ghastly to contemplate – for our people, our continent, and the world.

Here is the line of march:

- Let us go and better plan and project manage.
- Let us participate in and deploy 4IR technologies and systems to improve the plight of our people.

- Let us better manage stakeholders and relations locally and nationally. This includes being non-xenophobic and building resilient communities
- Let us scout the globe for better systems and approaches to doing our work.
- Let us make better use of statistics and economic modelling
- Let us cut on red tape and find more efficiency and effectiveness in our approaches
- Let us appreciate that we operate in a predominantly rural province and understand the service deliver context of our motive forces
- Let us be professional and not allow ourselves as public servants to be drawn into political manoeuvring which will result in instability of our institutions and undermine our good efforts
- And lastly, let us strive to be capable, professional, and ethical servants of our people

We look forward to our continuing engagements with CIGFARO. Most importantly, we look forward to hearing your proposed solutions to the challenges outlined.

I thank you