

**ADDRESS BY ETHEKWINI MUNICIPALITY MAYOR CLLR MXOLISI
KAUNDA AT THE CIGFRAO CONFERENCE, 20 SEPTEMBER 2021,
INKOSI ALBERT LUTHULI INTERNATIONAL CONVENTION CENTRE,
DURBAN**

- Programme Director
- The President of CIGFARO: Peet Du Plessis and all CIGFRAO members
- Senior government officials present
- Ladies and Gentlemen

Good Morning

A very warm welcome to all delegates and visitors. We would have liked to see more of you in our warm and beautiful city of eThekweni. However, we fully appreciate the challenges we face in the new normal brought about by the COVID-19 pandemic.

To those who are joining us in person at the Inkosi Albert Luthuli International Convention Centre (ICC), we would like to say welcome to our world-class

and multiple award-winning conference venue. It has been named Africa's Leading Meetings and Conference Centre since 2001 at the World Travel Awards.

Named after our struggle stalwart and Nobel Peace Prize Laurette, Inkosi Albert Luthuli – this facility is also rated in the Top 20 convention centres in the world. Therefore, we are honoured and humbled that the conference organisers chose our city as a venue.

At the outset, let me congratulate the Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) on its 92nd anniversary. Having been founded in 1929, the Institute was and continues to be dedicated to establishing and maintaining high standards of professionalism among practitioners.

Furthermore, it provides a framework for them to collectively enhance, maintain sustainable financial management and good governance in the management of public finances.

While we celebrate this great achievement, we also acknowledge that there is still much work ahead of us. All CIGFARO members, as chief financial officers, accountants, auditors and risk officers, have a huge role to play in ensuring there is quality service delivery to our communities.

We must always strive to improve the quality of life of all our people by reducing the triple challenge of unemployment, poverty and inequality.

Ladies and Gentlemen, this year's conference is held under the theme "New World – New Thinking." The theme is very apt in the current COVID-19 pandemic and the negative impact it has had on the country's economy and financial stability in the municipalities.

This pandemic has also affected the delivery of quality services to our people. As you all know that service delivery is the key output for all of us and the key outcome being the improved quality of life for our people. COVID-19 has had a severe impact on our rollout of capital projects and service delivery.

In a survey of municipalities and government departments, 88% of the survey participants reported redirecting funds towards COVID-19 responses. As expected, there were significant budget cuts to administrative functions, subsistence, and travel.

Funding was also redirected away from municipal services functions such as roads, electricity and water services, infrastructure operation and maintenance, solid waste management and emergency response services – such as firefighting.

The survey also found that several municipalities were starting to find it increasingly difficult to deliver water, sanitation, and electricity to communities. While this is largely due to this global pandemic, there is also additional strain on infrastructure due to homebound residents and increasing illegal connections to electricity networks.

COVID-19 has governments at all levels operating with some degree of uncertainty, faced with difficult trade-offs given the health, economic and social challenges. Often the best organisational response to complex and ambiguous circumstances are to focus on doing the basics right while

maintaining focus on core business. The current situation compels us to be innovative and creative to deal with challenges facing us today.

ECONOMIC DEVELOPMENT

Given the prevailing circumstances, creation of jobs is a key imperative for economic recovery. We are proud that eThekweni Municipality was the first Metro in the country to develop an Economic Recovery Plan which has been acclaimed as a world-class intervention because it had a number of innovative measures to revive the economy of the city. Our Economic Recovery Plan is key to turning around the economy and our finances.

At the heart of this recovery plan is a need for an integrated approach by all spheres of government to avoid fragmentation and duplication in line with the District Development Model (DDM). This has assisted us to maximize support to deserving people and businesses.

Programme Director, this conference must also assist us with tangible proposals to build an inclusive economy that serves all people. You will agree

with me that the structure of our economy does not benefit the majority of our people, blacks in general and Africans in particular.

We would like you to come up with practical solutions on how we can bring those who have been deliberately sidelined into the mainstream economy. On our part, as eThekweni Municipality, we have developed the Mayoral 10 Point Plan which was approved by the Council in June.

This ground-breaking plan is our bold action to institutionalize the New Normal and drive radical socio-economic transformation.

At the centre of this plan is the implementation of the social procurement policy framework which outlines processes and procedures for the allocation of 30% of our procurement spend for the benefit of Co-operatives and Social Enterprises. The targeted beneficiaries of these social enterprises are the Youth, Women, People with Disabilities, Military Veterans, and Indigent Households.

As custodians of budget, you have an unenviable task of not only transforming the economy of the country, but of the African Continent.

As a caring government, we cannot sit by when our people continue to suffer from grinding poverty and high-levels of unemployment. Therefore, we call upon you to use this platform to come up with concrete proposals on how government can intervene decisively in the economy to address the plight of the poor.

One of the proposals that were adopted by the council as part of the Mayoral 10 Point Plan to drive economic transformation was to host the Inaugural Africa Procurement Indaba in November this year.

We want to utilize this Procurement Indaba to provide practical tools and systems to promote Intra-Africa Trade, localization, procurement-led industrialisation and social procurement policy.

Most importantly, this Indaba will help us create a value chain beneficiation model to maximize participation of the majority of people who were deliberately excluded from the economy. We therefore call upon you to support the hosting of this procurement Indaba.

FINANCIAL SUSTAINABILITY AND FISCAL RESILIENCE

Colleagues, as you are aware that while we were grappling with COVID-19 pandemic, we had the unfortunate July civil unrest and a down grade in the sovereign rating which impacted negatively on our finances and the economy. The above inflation increases in bulk electricity and water tariffs are also impacting on affordability and the ability for consumers to pay.

This constrained environment, coupled with the service delivery backlogs, rapid urbanisation, and growing demand for free basic services, are threatening the financial sustainability and viability of government finances.

Moody's found that municipalities with strong liquidity profiles were better placed to cope with short term reductions in cash flow while those with weak liquidity profiles experienced even greater liquidity challenges than before. Accordingly, we all need to build reserves in the future to ensure our financial sustainability and viability.

We need to run a tight fiscal ship where there is efficient spending on the right priorities and a focus on our core mandates. Fraud and corruption need

to be eliminated as it amounts to stealing from the poor. Fiscal challenges relating to climate change need to be addressed. Bulk tariff increases must be below inflation. Overcoming these challenges will ensure fiscal resilience and sustainability of government.

Therefore, we need to ask ourselves a question as to what can we do differently to turn things around? In addition to ideas such as prepaid and smart meters - and staging of the budget like we have done in eThekweni, we would like to see the new ideas emerging from this conference.

COST CONTAINMENT AND AUSTERITY MEASURES

Ladies and Gentlemen, as custodians of the MFMA, we must embrace cost-cutting measures, but not compromise service delivery. Expenditure in key areas, such as consultants, fuel and overtime must be monitored on a monthly basis.

Tough times call for tougher measures and we need to lead by example. We need to walk the talk. As the old saying goes, “We must live with the money we have, not the money we think we might have.”

With the current economic climate and approach of fiscal consolidation, there is increasing pressure to make each rand work smarter and stretch further. To do this, you should not only focus on balancing the budget, but also on driving real and meaningful change and value add.

The key to doing this are financial resilience and doing more with less. In other words, you need to add more value through creativity and teamwork.

Spending patterns must also be closely monitored, and irregular expenditure reduced to ensure no over-spending and deficits. The use of Section 36 and 116(3) must also be closely monitored. These must be the key focus areas of accountants, internal auditors, and risk officers in terms of where they can add value as transformational leaders.

PRODUCTIVITY

We need to ensure that we have the right people in the right positions to execute our strategic plans and to deliver to the people we serve. Moreover, staff productivity is a key issue to ensuring service delivery. We are

employing more staff, yet there is more outsourcing and more overtime, with lower productivity at the end of the day.

This is unsustainable. We need to look at interventions to increase productivity, such as the transfer of skills to minimise overreliance on consultants, reduce wastage, and ultimately enhancing service delivery.

ELIMINATE FRAUD & CORRUPTION

There must be a zero-tolerance approach to fraud and corruption. Effective consequence management is the key. Fraud and corruption will no longer be tolerated, and no one will be protected. Before you do anything, stop, and think of the poorest of the poor and try and envisage how your action will affect them.

In this regard, we have introduced a Clean Administration Strategy which is proving to be effective. We also personally meet with Heads on a monthly basis to deal with remedial action plans to deal with every issue raised by the Auditor-General.

ENVIRONMENTAL SUSTAINABILITY

As a C40 member and part of the leadership structure, I am fully committed to environmental sustainability. Climate change is having a serious impact on cities. Accordingly, building resilience is an essential part of urban policy and a smart investment for cities.

The most important point to keep in mind is that climate change is NOW! According to C40 we have reached a defining moment for our planet.

To achieve the goals of the Paris Agreement and avoid catastrophic climate change we need to act faster and with more urgency than ever before. Most of our Municipalities have developed a Climate Action Plan and as CFOs, you have a duty to ensure that those plans are allocated adequate budget.

CONCLUSION

In conclusion, we want to extend our warm welcome once again to our city and ICC and wish you all the best with your conference.

We look forward to the outcomes of this conference and see how you are going to make a difference in uplifting the quality of life of all our people. Working together we can make our beautiful country a better place for all to live in.

Thank you.