

Speech by Honourable Mpho Khunou, Executive Mayor of Rustenburg Municipality, South Africa

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Honourable chairman, distinguished panelists

As we meet to take stock of how far each of our countries has progressed in the implementation of the Addis Agenda, allow me to share some comments from the perspective of local governments.

The recent World Economic Forum Conference held in Durban, South Africa, emphasised the theme of “inclusive growth”. This was borne out of an acknowledgement that economic development alone does not necessarily benefit the poor and impoverished, leading to more entrenched inequalities, jobless growth and other similar challenges. It is in this context that our cities and municipalities, as well as many other local governments in the world, have to engage with the imperatives of inclusive growth, sustainable infrastructure provision, job creation and improvement in the quality of life and standards of living.

Having given this background, I want to point to a couple of issues that continue to be challenges for local governments in the developing countries and in South Africa in particular:

1. Face migration challenge – most of our major cities and metropolitans continue experiencing increasing levels of inward migration. People move from various centres to seek employment and livelihood opportunities in cities. This result in the spreading of informal settlements, overburdening of existing infrastructure, aggravated by the chronical underinvestment in urban infrastructure, increased demands for services amidst an inability to pay for these services. To respond to this urban development challenges we need to increase exponentially investments in urban areas, enhance local resources and local capacities.
2. Diversify local revenue generation – besides property rates, and other service charges, most of our municipalities in my country heavily rely on one main revenue source, electricity. As this source is being challenged by new alternatives, off the grid and green energy sources, we need new resources mobilisation options. Without these measures, municipalities will find themselves denied of a revenue stream to cross subsidize other services, support these alternative technologies and implement other necessary projects. To strengthen domestic resources mobilisation, national governments should consider diversify local revenues sources.
3. Enhance cooperation with the private sector – as we had resolved in Addis, the crowding in of the private sector and Development

Finance Institutions into municipal infrastructure investments is more than an imperative. Most of municipal projects could be best pursued through Public-Private-Partnerships, Pooled Funding, Bonds and other such financing instruments. Our municipalities in South Africa are currently pursuing all these instruments to deal with the reality of limited public funds for the execution of most needed infrastructure projects. Our Treasury has revised the PPP regulations to enable a less onerous process. We have been training our municipal officials on how to utilize these instruments and invite you a continental conference on Municipal Bonds, this October in Johannesburg.

4. Develop adequate Municipal Borrowing Frameworks – without access to private capital markets, DFI funding and other off the balance sheet instruments, most municipalities will not have the required resources to invest in public infrastructure. Legislation does allow our cities to borrow for infrastructure projects. It also helps that most of our metropolises have been given an investment grading by the various international grading institutions. We encourage therefore continental and international funders to take up these opportunities to finance our projects. However, in least developed countries, where finance markets are not mature, the role of municipal development funds and banks is critical and

shall be strengthened to finance access to basic services and resilient infrastructures, while strengthening local development in cities that will experiment exponential growth in the coming decades.

5. Capacity Building and Good Governance - As mentioned in paragraph 34 of Addis Agenda, national governments, in partnership with local governments, should encourage syndicated funding with local DFIs, technical cooperation and exchanges, joint capacity building initiatives and sharing of information on best practices. Our national association of municipalities, SALGA, has been very open to sharing experiences on fiscal decentralization, local taxation issues, and other measures to increase local government capacity and exposure to various innovative initiatives. We are willing to explore partnerships and exchange programs with sister associations.
6. Invest in technological revolution at city levels – the speed of technology advancement requires that cities and municipalities tap into these for the common good of the citizenry. Participation by local government in technology research and innovations is a strategic imperative. Municipalities must find measures to increase their collaboration with business and knowledge producers and research agencies. Some municipalities are taking initiatives to

support the investments in fibre optics installations and broadband systems and fight against digital divide.

In Conclusion – dear panelists:

As we said in Addis Ababa, we are open for engagement and for supporting each other. We welcome exploratory engagement with the private sector investors and International DFIs. Our main concern remains that of ensuring that our cities and territories contribute and play a proactive role in fostering inclusive economic growth and sustainable development. We continuously endeavour to find creative and innovative solutions that will assist local governments to ensure the universal access to basic services and infrastructures. This requires prevention of revenue leakages and mitigation of the ever increasing public debt.

These are the issues that need to be taken forward by this conference so that the letter and spirit of the Addis resolutions lives on and finds concrete expression and execution in our municipal space.

I thank you.