DRAFT SPEAKING NOTES: 97TH CIGFARO ANNUAL CONFERENCE: BUILDING INCLUSIVE AND RESILIENT PUBLIC FINANCE LEADERSHIP.

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President of the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO)
CIGFARO Board of Directors
CEO and Management of CIGFARO
Members of CIGFARO
Colleagues
Distinguished guests
Fellow public sector leaders

Dumelang, Sanibonani, Goeie middag, Ndi masiari, good afternoon.

Programme Director, before we go any further, allow us to pause on a matter that weighs heavily on the conscience of this nation.

We gather in a country where women are killed by the men who claim to love them. We gather in a country where children are abused, abducted and killed in their homes, in their schools, in our communities and on our streets.

Every week brings another name, another funeral, another family destroyed. Gender-based violence and femicide is a national crisis, and the killing of children is a shame that all of us carry together.

We cannot stand in a conference about inclusion while women and children live in fear. Inclusion means nothing to a woman who cannot walk home safely, jog or to a mother who buries a child taken by violence.

Let us also be clear that this is not someone else's problem. It is not only a matter for the police, the courts or social workers.

It lives in our budgets. It lives in how we fund shelters and victim support centres, social workers and psychosocial services, police visibility, street lighting, safe public transport and safe schools. When those budgets are cut, underspent, delayed or stolen, women and children pay with their lives.

Let us therefore commit, here today, that every rand allocated to protect women and children reaches them, on time and in full. That is the first test of inclusive public finance leadership.

We must begin by expressing our appreciation and gratitude for the invitation, and for the opportunity to stand before you to make this modest contribution to your conference.

We also want to congratulate you on the 97th Annual Conference, a milestone that is leading you to a centenary. Very few institutions in this country can say they have gathered their members for close to a century.

This is testament not only to the credibility of the institution, but also to its ability to organise highly capable and competent public servants, and we commend you for it.

It is this long history that should form part of the backbone of our continued effort to build inclusive and resilient public finance leadership. An institution that has survived this long has seen this country through war, apartheid, democratic transition and successive economic crises. It has institutional memory that the rest of us must draw from.

We must say, from the time we were entrusted with the municipal finances of the Ekurhuleni Metropolitan Municipality in 2022, and now the provincial finances of Gauteng since the beginning of the current financial year in April, we have come to appreciate one thing. It is the public servants responsible for finance, audit and risk who carry the greater responsibility, with greater risk, and at times at the cost of their lives and livelihoods.

It is for this reason that one of the first things we did, despite some resistance, was to hold a memorial service at Tembisa Hospital for public servants in finance who were murdered for doing their work. We remembered Babita Deokaran, Chief Director of Financial Accounting in the Gauteng Department of Health, killed in August 2021 for exposing corruption at that very hospital.

We remembered Mpho Mafole, Chief Forensic Auditor, and Simnikiwe Mapini, bid adjudicator, both of the City of Ekurhuleni. And we remembered Martha Mani Rantsofu, acting accountant at Emfuleni Local Municipality, killed in March this year.

They were not soldiers or police officers. They were finance officials who refused to look away, and they paid with their lives. We memorialise them, and we continue to fight for their families to access their pensions and for justice to be done. Despite serious challenges, we will not abandon them. More than five years after Babita's murder, her family is still waiting for her pension. That alone tells us how much work remains.

We know the challenges you face. We know of officials who have been threatened for refusing to approve an irregular payment, and of those who have been sidelined, suspended or worse for doing their jobs. We salute those who remain resolute, who refuse to engage in corruption, and who take great care in the duty entrusted to them.

Yours is the responsibility to protect public resources: to ensure that hospitals and clinics have medication, that nurses and teachers are paid, that our people have water, and that, together, we make this economy work.

Colleagues,

You have chosen to gather here at a crucial time. The Minister of Finance, Hon. Enoch Godongwana, is finalising his Medium-Term Budget Policy Statement, and he will once again remind us of the difficult conditions under which we must all put our best foot forward in building inclusive and resilient public finance leadership.

Two weeks ago, the Governor of the South African Reserve Bank announced a repo rate increase of 25 basis points, to 7.25%. For households already under pressure, that means higher instalments on homes, cars and debt. For government, it means a higher cost of borrowing at a time when debt service costs already crowd out spending on services.

In August, Statistics South Africa released its Quarterly Labour Force Survey, which showed a decrease of 16,000 in the number of employed people, and an increase of more than 345,000 in the number of unemployed people.

This is in addition to 3.6 million discouraged workers: people who are capable, willing and able, but who simply no longer see the point of looking for work. These are people who have been excluded from the economy. Behind each of those numbers is a household without income, a young person whose talent is wasted, and a community that grows poorer every year.

Yesterday, the Minister of Mineral and Petroleum Resources announced that both petrol and diesel are now well over R30 per litre. That increase will travel through every part of the economy: into the price of food, the cost of taxis, the cost of moving goods, and the cost of delivering public services.

As if these figures were not enough, our municipalities sit with wastewater treatment systems, half of which are in a state of near collapse. This is not only a window into the state of our municipalities and municipal infrastructure. It is a window into the state of South Africa's water, roads, energy and social infrastructure.

These are the figures, and the reality, that the Minister of Finance must contend with in his MTBPS.

But he is not the only one who must contend with this reality. Those of us gathered here cannot speak of public finance leadership that is not confronted and shaped by these figures. Otherwise that kind of public finance leadership will be self-serving.

It will be public finance leadership for its own sake, divorced from the reality of the people it is meant to serve.

We thought it important to place our modest contribution in this perspective, so that we do not lose sight of the reality outside these walls.

The upcoming local government elections on 4 November only add to the pressure on all of us, and will bring their own challenges. Councils will change. Political priorities will shift. Promises will be made that must be funded. New councillors will arrive, many of them for the first time, and they will look to the finance officials in their municipalities for guidance on what is possible and what is lawful.

The quality of that guidance, in the first hundred days of a new council, will shape the finances of many municipalities for the next five years. That is a responsibility that rests squarely with the people in this room.

This is where leadership, in public finance and in the public sector broadly, becomes even more important.

It is in such decisive moments that inclusive must truly mean inclusive, and resilient must genuinely be resilient.

Colleagues,

The work ahead of us depends not only on our ability to balance the books and to minimise leakages, particularly irregular, fruitless and wasteful expenditure, but also on our ability to confront risk and blatant corruption.

The important question is this: how do we build inclusive and resilient public finance leadership while maintaining a healthy fiscus under constrained economic conditions, in a way that allows us to keep delivering services and also contribute to the economic recovery of this country and the region?

Allow us to make three proposals in response to that question.

The first proposal we want to make concerns public-private partnerships.

The infrastructure backlog we have described is too large for the fiscus to carry alone, especially under current conditions. Wastewater plants, bulk water, roads, rail, energy, hospitals and schools all require investment on a scale that our budgets cannot meet through annual allocations alone.

Properly structured partnerships can bring private capital, technical skill and project discipline into building the infrastructure this country needs.

We should not be shy about this. There is a great deal of capital in this country, in pension funds, in banks and in companies, that is not being invested in our own development, including the Public Investment Corporation, PIC, assets that are heavily invested in the JSE instead of public infrastructure and re-industrialisation.

Much of it sits idle or flows offshore. Part of public finance leadership is to create the conditions for that capital to work for South Africa.

But let us be clear about the terms. A partnership where the state carries the risk and the private partner collects the profit is not a partnership. It is a transfer of public wealth into private hands, it is parasitic.

We have seen too many arrangements where the guarantees are public, the losses are public, and only the returns are private. In some instances, when we get the assets from private sector, it is not what we were promised at the beginning of the partnership.

The state must define the project. The state must own the asset. The state must protect the public interest in how services are priced. And the state must retain the capacity to manage the contract for its full life, which in infrastructure can run for twenty or thirty years.

Value for money must be tested honestly, not assumed in a consultant's report and financial modelling written to justify a decision already taken.

No partnership should become a back door to privatising the services our people depend on. There is a difference between using private capital to build a wastewater plant and handing over control of water itself. The first can serve the public. The second puts profit between our people and a basic right.

A weak public partner produces a bad deal. That is why provinces and municipalities must build the capacity to design, negotiate and manage these partnerships themselves, instead of outsourcing even that function. Too often the same advisers sit on both sides of the table, and the public ends up paying for advice that served someone else.

This is where the finance, audit and risk professional is essential. You are the ones who must interrogate the risk allocation in every agreement. You are the ones who must ask what happens to tariffs in year fifteen, who carries the currency risk, and who pays if demand falls short of the projections.

You are the ones who must make sure that contingent liabilities are disclosed honestly, so that a partnership signed today does not become a fiscal crisis for the next generation. An auditor who reads a partnership agreement only for compliance, and not for its long-term risk to the public, has not done the full job.

Private capital can help us build. The state must remain in charge of what is built, for whom, and at what price.

Colleagues,

The second proposal is insourcing, and it is urgent.

There is now greater consensus across government and society on this matter than at any point before. Over the past months, the nation has listened to evidence before the Madlanga Commission. What we have heard should trouble every person in this room.

It has shown how tenders and outsourced contracts have become a lifeline for criminal networks. It has shown how procurement has been used to capture institutions that are meant to protect the public.

And it has shown how public money has been turned against the very public it is meant to serve. When a contract becomes the prize, those who hold it will defend it by any means, including violence. Many of the threats our finance officials face is rooted precisely here.

Outsourcing was sold to us as efficiency. We were told the private sector would deliver better services at a lower cost. In too many cases it has delivered the opposite. We pay mark-ups, inflated prices and management fees. Contracts are extended without scrutiny. Service standards decline, and the state has no capacity left to step in. All of this for services the state can, and should, deliver itself.

We must prioritise recurring services: the cleaning of our buildings, hospitals and clinics; waste collection; and the security and protection of government infrastructure.

These are not once-off services. They are needed every day, every month and every year. When we outsource a once-off project, we pay a margin once. When we outsource a service that never ends, we pay a middleman a profit margin forever.

That is a permanent leakage, and it is one that we can close.

Consider the protection of government infrastructure alone. Our substations, water pump stations, rail lines, clinics and schools are vandalised and stripped every day, often while under the watch of contracted security.

The cost of replacing what is stolen frequently exceeds the cost of protecting it properly. An in-house capability, accountable to the state and integrated with law enforcement, protects not only the infrastructure but also the budget that would otherwise be spent replacing it.

Insourcing is also a matter of dignity. The workers who clean our hospitals, collect our waste and guard our buildings are too often on insecure and exploitative contracts, earning a fraction of what the state pays the contractor for their labour.

Bringing them into the public service gives them stable employment, benefits and a future. Their wages then circulate in local economies, in the spaza shop, the taxi and the school fees, instead of being drained upwards through layers of contractors.

And let us be clear on one point: we do not need a bill or a new law to do this.

Accounting officers already decide how services are delivered. The Municipal Systems Act already sets out how a municipality chooses between internal and external mechanisms for delivering services. The authority exists. What has been missing is the will.

What is required is diligence. That means proper costing of the current contracts against in-house delivery. It means planning the transition as contracts expire, so that services are not disrupted. It means building the establishment correctly, with clear job descriptions and supervision. And it means protecting the wage bill from abuse, so that insourcing does not become a new form of patronage.

Let us also be honest about the risks, because a finance audience will rightly ask. Insourcing requires capable supervision, proper equipment, maintenance of vehicles and clear performance standards.

A cleaning team without supervision will not keep a hospital clean, whether it is employed by a contractor or by the state. That is why insourcing must come with management capacity and with performance measures that are reported on and audited, just as rigorously as we audit expenditure. The test is simple: the service must improve, and the cost to the public must fall or at least deliver better value.

Done properly, insourcing protects public finances. Done carelessly, it becomes another leakage. The people in this room are the ones who must make sure it is done properly. You are the ones who will cost it, budget for it, account for it, audit it and manage its risks.

Let the public sector be the example of recovery, not the casualty of decline. For us, it is a matter of death.

Programme Director,

The third and last proposal is, in our view, the backbone of everything we have said so far: re-industrialisation through a decentralised economy.

Apartheid spatial planning placed our people far from economic opportunity, by design. Townships were built as labour reservoirs, not as places of production. Three decades into democracy, economic activity remains concentrated in a handful of nodes, while townships, villages and secondary cities house millions of people with almost no productive base of their own.

Our people still travel long distances at great cost to sell their labour elsewhere and then spend their wages elsewhere. A worker from a township may spend a large share of a day's wage just getting to work and back. The township supplies the labour and the consumers, and it receives back very little of the value it creates.

We have this the wrong way around. Where people are concentrated, production must follow.

A high concentration of people is labour. It is a market. It is demand. These are exactly the conditions manufacturers look for. We must use them deliberately to attract medium and large-scale manufacturing into these areas.

This is not only about the townships of Gauteng. It is about every province. It is about Soweto and Tembisa, but also Mthatha, Polokwane, Thohoyandou, Rustenburg, Newcastle and Mbombela. It is about every secondary city and every densely populated rural node in this country.

Re-industrialisation that is concentrated in one province will simply reproduce the inequality we are trying to undo.

Let us be emphatic: a country that does not make things cannot employ its people.

Manufacturing has declined as a share of our economy since the early 1990s. We dig minerals out of the ground and export them raw, and then import the finished goods made from them. With every shipment we export jobs, skills and value.

We sell chrome and import stainless steel. We sell platinum and import catalytic converters. We grow cotton and import clothing. This is the pattern of a colonial economy, and three decades of democracy have not broken it.

Re-industrialisation is not one option among many. It is the only path to an economy that can absorb the millions of unemployed and discouraged workers we spoke of earlier. Services, retail and finance alone will not do it. They follow production; they do not replace it. That is why it is not a choice between private or public sector to lead

industrialisation, it is a matter of, we must go first as the public sector, create jobs, and everything else will follow, including the private sector.

Public finance has a decisive role to play here, and that is why we raise it at a conference of finance, audit and risk professionals.

First, we can direct infrastructure spending to these areas. Factories need reliable water, electricity, roads, rail and serviced industrial land. If we keep concentrating that infrastructure where it already exists, investment will follow it there. If we build it where the people are, investment will follow it there instead.

Second, we can make government work at the speed of investment. A manufacturer who waits two years for a land-use approval, a water connection or an electricity supply will simply go elsewhere, often to another country. Municipal and provincial processes must be fast, predictable and free of corruption.

Third, and perhaps most powerfully, we can use the purchasing power of the state deliberately. Government is the largest buyer in this economy. Every year we buy uniforms, school furniture, pipes, water meters, transformers, vehicles, medical supplies and medication.

That demand, if it is planned and consolidated, can anchor local manufacturers and give them the certainty they need to invest. Today, too much of it builds factories abroad.

Fourth, we can align our development finance institutions, our special economic zones and our industrial parks with this objective, so that they support production where people live, rather than in isolated zones that require long commutes.

Fifth, we must invest in the people who will work in these factories. Our technical and vocational colleges must be aligned with the industries we want to attract, so that a young person in Tembisa or Thohoyandou is trained for a job that exists within reach of home. Skills funding that does not lead to employment is another form of wasteful expenditure, even if it is never recorded as such.

Colleagues,

Let us be clear that this is not a call for the state to fund everything. It is a call for the state to plan, to coordinate and to use the instruments it already has with purpose. Re-industrialisation does not happen by accident, and it has never happened anywhere in the world without a deliberate and capable state behind it.

Every country that has industrialised successfully has done so through public investment, protected and nurtured industries, directed credit and a public service that understood its role in development.

Here is the link to resilience, and to your work. When a municipality has an industrial base, it has a revenue base. Factories pay rates and pay for services. The workers in those factories pay for services. Small businesses grow around them. A municipality that depends almost entirely on grants and on a shrinking pool of paying households can never be resilient, no matter how good its financial controls are.

Fiscal consolidation without growth is a treadmill. We cut spending, the economy shrinks, revenue falls, and we cut again. Re-industrialisation is how we step off that treadmill.

That is what inclusive and resilient public finance leadership looks like. It is leadership that builds the economy, instead of only managing its decline. It is leadership that is not self-serving.

Colleagues,

Allow me to now turn to governance and government stability.

Most of you in this room are not politicians. You are leaders in your own right: chief financial officers, accounting officers, budget managers, internal auditors, risk officers and finance professionals.

Politicians come and go. Elections are held, coalitions form and collapse, and mayors change, sometimes several times in a single term. Through all of it, it is often the finance official who keeps the institution standing. You keep the salaries flowing, the suppliers paid and the books in order when the political leadership is in turmoil.

That is a heavy responsibility, and it demands integrity.

Integrity means saying no when no is required, even when the instruction comes from above. It means refusing to process a payment that you know is irregular. It means refusing to hide a risk because it is politically inconvenient.

But integrity is not only about saying no. It also means bringing solutions. Do not wait for instructions when you can see the solution. Bring proposals forward. If you can see how a contract can be insourced at a lower cost, put it on the table. If you can see how a budget can be reprioritised to fix a wastewater plant, put it on the table. Leadership is not only the absence of wrongdoing; it is the presence of initiative.

As the elections approach, there will be pressure to spend for the sake of being seen to spend. Projects will be rushed. Procurement rules will be tested. Hold the line. The election will pass, but the commitments made in its heat will remain on the books.

Above all, link your work to the reality outside these walls.

We do not budget for the sake of budgeting. We do not account for the sake of accounting. We do not audit for the sake of auditing, and we do not manage risk for the sake of managing risk. We do this so that clinics have medication and teachers are paid. We do it so that taps have water and wastewater plants work. We do it so that the young person who has given up looking for work finds a reason to try again.

Let us also remember how your work is measured.

Your success is not measured by profits or surpluses. The public sector is not a business, and our people are not customers; they are citizens with rights. A surplus sitting in the bank while sewage runs in the streets and potholes go unfixed is not prudence. It is a failure of planning.

Your work is measured by service delivery, and by the improved livelihoods of our people. A clean audit in a municipality that cannot deliver water is not a success story. A clean audit must mean clean water, working streetlights, collected refuse and paid suppliers. The audit outcome and the service outcome must tell the same story.

When public finance visibly serves the people, the people trust their institutions. They pay for services because they receive them. They participate in budgets because they can see the results. That trust is the real source of governance stability. Political agreements alone will not produce it. It is earned through what our people see and experience every day.

We must also strengthen the bodies that hold all of us accountable. Audit committees, internal audit units and risk committees must be independent, properly resourced and taken seriously by those who lead.

When an internal auditor raises a finding, it must be acted upon, not filed away. When a risk register identifies a failing wastewater plant, that risk must find its way into the budget, not only into the next year's risk register. Governance is not a document. It is a practice, and it is tested every day in the decisions we make.

This is how the technical core of your work, the budgeting, the accounting, the auditing and the management of risk, connects to the stability of the state itself. Stable government is not only a matter of who governs. It is a matter of whether government works.

Programme Director,

The idea is not to make too many speeches.

Since our deployment to this responsibility, our approach has been to work closely with the department, with the great support and cooperation of the Head of Department and the team at the Gauteng Provincial Treasury.

Together we have shown a willingness to push boundaries and to test new ideas. We have chosen to spend our energy in the work itself, in the budget committees, the infrastructure reviews and the revenue meetings, rather than in announcements. Where something has worked, we have built on it. Where something has failed, we have said so and changed course.

We also accept that the old ways of doing things may have brought us this far, but they will not take us forward. A great deal more is now required of all of us: more courage, more initiative, and more willingness to measure ourselves against the lives of our people rather than against compliance checklists alone.

As we close, we want to encourage public servants to look to the East.

The People's Republic of China has lifted more than 600 million people out of poverty in the space of a few decades, the largest reduction in poverty in human history.

It has done so by building inclusive and resilient public institutions, including state-owned enterprises and development finance institutions that carry national development, and by planning for the long term rather than for the next electoral cycle. China built roads, rail, ports, power and industrial capacity in regions that had been left behind, and it brought production to where its people lived.

It treated poverty eradication as a target to be planned, budgeted, monitored and audited, down to the level of the village and the household. Public finance there was not an exercise in keeping books for their own sake. It was an instrument of national development. There is a great deal for us to learn there, not to copy, but to understand how a capable state, with a clear developmental purpose, can transform the lives of its people.

We are not in the East, we are in Africa, but allow me, therefore, to leave you with the words of President Xi Jinping, spoken at his first press conference after being elected General Secretary of the Communist Party of China in November 2012: ***"The people's aspiration for a better life is the goal we strive for."***

That is the measure of public finance leadership. It is not the books themselves, but the lives the books are meant to change, today and for generations to come.

We wish you a successful conference.

Ngiyabonga. Ndo livhuwa. Thank you.