

SPEECH BY CLR MPHO PARKS TAU, EXECUTIVE MAYOR OF JOHANNESBURG, INNOVATING IN FINANCING SOUTH AFRICAN CITIES CONFERENCE, SANDTON, 28 JANUARY, 2015

Your Excellency, Honourable Gauteng MEC for Finance, Ms Barbara Creecy
Mayors
Senior government officials
Business community
Distinguished guests
Ladies and gentlemen.

On behalf of the City of Johannesburg I would like to welcome you all to this Innovating in Financing South African Cities Conference hosted by the City in collaboration with the Global Fund for Cities Development (FMDV). Our theme for the workshop is: *“Creating funding opportunities for world-class African possibilities”*.

Ladies and gentlemen, economic development is high on our priority list and the onus is upon us as political leaders, national government, municipalities, banking institutions, regulatory bodies, those in the business world and the other stakeholders present here today, all of whom have the interest of our cities at heart, to ensure that the goals that are set are attained and sustained. Central to this is infrastructure development, this is key to the development of our economy. With global economic slowdown that hampers revenue targets and thus ability finance most of the infrastructure on balance sheet, it then becomes critical that we address these challenges as a collective.

The harsh reality in South Africa today is that small and medium sized local government entities as well as municipalities need long term financing at reasonable cost for a number of infrastructure projects. Most urban infrastructure projects have been financed by the state up to now. However with the declining availability of state funds, the flow of money to local government infrastructure projects is steadily diminishing.

As limited financial resources may detrimentally affect the rate of infrastructural development, municipalities are obliged to explore innovative ways to fund capital projects. Such funding mechanisms should enable and ensure the availability of financial resources for improving urban infrastructure.

It gives me a great pleasure that since the City of Joburg issued the 1st municipal bond post democratic elections in April 2004 other metropolitan municipalities have followed in our footsteps and issued bonds consistently in the debt capital markets. The municipal bond

issuance has since grown significantly to a total of more than R18.2 billion. The ability by municipalities to access capital markets was made possible by the enabling legislative environment created through the MFMA/

Local capital markets may be a more adequate and sustainable source of financing for local government. However, challenges such as limited capacity in our municipalities to access financial markets and the cost of servicing the borrowing remain as barriers to easily accessing these markets.

The City had to turn some of the challenges experienced into a great success. Subsequent to the issuance of the debut bond COJ01 in 2004 which had R1 billion nominal, the investors had limited appetite for another R1 billion bond within the same year. The City was forced to come up with the innovative solution that addressed the fears of the investors without being punitive to the City of Joburg. This challenge resulted on the structuring and issuance of COJ02 which is partial guaranteed (40%) the IFC and the Development Bank of South Africa. With the COJ total bond issuance to exceeding R9 billion, the bond issuance is indeed a great success. In June 2014 the City successfully issued the Green Bond COJG01 with a nominal of R1.458 billion towards the financing green infrastructure programme.

It is indeed my hope that this conference will yield a positive result with regards to Pooled Financing and address some of the challenges we commonly face as municipalities and allow integrated infrastructure planning, funding and implementation. I believe that as a collective we can achieve these goals and share funding solutions that will be mutually beneficial to all.

Given the difficulty of raising adequate revenue and the need for strengthening our institutions, aid is needed in the form of subsidies and through capacity-building to overcome specific barriers to local government infrastructure borrowing. It is therefore important that the outcomes of the three day conference should be coming up with innovative financing mechanisms for infrastructure development and how financing can be lever to accelerate infrastructure development.

Therefore, let us consider these questions in a meaningful way for the next three days, seeking the crux of our challenges whilst exchanging ideas and mapping the way forward. This is one way in which government (national, provincial and local), corporates and financiers can enhance our relationships with all the benefits that will certainly follow. Various themes are going to be covered in this three days workshop. Such themes will enable us to enhance our knowledge and make informed and nuanced decisions on pressing issues around infrastructural development.

I would like to thank all of you for making time to be part of this event. I would also like to thank the FMDV, and other international organizations, namely the International Finance Corporation (IFC); The World Bank; the French Development Agency (AFD); UN-Habitat; USAID, EIB, KFW; local institutions such as the South African Local Government

Association (SALGA), South African Cities Network; National Treasury; rating agencies, asset management companies, banks and local municipalities for their efforts and support, and particularly for enabling their experts to present on a range of topics in this workshop.

Most importantly, I would like to thank the Honorable MEC Finance Barbara Creecy, for making time for this special conference on Innovating in Financing for South African Cities. I will now hand over to MEC Finance: Barbara Creecy to deliver the main address.

I Thank you