

Mr Jugal Mahabir, Director at the Public and Environmental Economics Research Centre (PEERC), was invited to be a panelist at the 4th Annual Urban Economic Forum (UEF4) held on 03 and 04 October 2022 in Toronto, Canada. The UEF brings together experts from around the world to create an international discourse on achieving a sustainable urban economy. UEF4 was held under the theme of *Sustainable Urban Finance*. Mr Mahabir was invited to this internationally renowned forum to share the challenges, experiences and best practices of municipal finance in South African cities and municipalities. He formed part of the panel on *Financing African Cities*, which included speakers from the African Development Bank, Sustainable Cities Africa and the United Nations Capital Development Fund, amongst others.

In his input, Mr Mahabir emphasized the challenges South African cities and municipalities face in maximizing their own revenue potential, as indicated by the high levels of debt owed to municipalities in the country. Using the 4th quarter (unaudited) results of the Section 71 Municipal Finance Management Act financial reports as reference, Mr Mahabir highlighted that approximately R255 million (approximately \$15.5 million at the Rand/\$ exchange rate as at June 2022) is owed to local government as at June 2022 for the 2021/22 municipal financial year. Of the total debt, approximately 46% or R117.5 million (approximately \$7 million) was owed to the country's eight metros. The total outstanding debt owed to municipalities constituted around 59% of the total operating budget of municipalities for the 2021/2022 municipal financial year. While it was emphasized that much of this debt was historical and possibly unrecoverable, the magnitude of the debt to total revenue emphasized the foregone revenue that could have contributed significantly to improved service delivery and the financial sustainability of local government.

In spite of these challenges on revenue collection, Mr Mahabir shared with the Forum South Africa's relatively successful implementation of its Free Basic Service (FBS) policies where qualifying indigent households receive a portion of services free monthly. Mr Mahabir quoted research that showed the positive effects of the FBS policies on society and its contribution towards a pro-poor agenda at the local government level but also emphasized several challenges municipalities are facing in effectively rolling out its FBS policies. This includes difficulties in effectively identifying poor households within its jurisdiction, which results in large inclusion and exclusion errors. The inability in effectively identifying indigent households for FBS provision and billing purposes contributes to the current municipal debt situation as highlighted.

As part of the general panel discussion that looked at finances in African cities, Mr Mahabir emphasized that African cities need to get the basics right by improving current performance and efficiency of planning, spending and revenue collection. He emphasized the need to build the necessary expertise and institutional capacity of African cities. This should be done simultaneously with exploring new and innovative ways to finance cities in the continent. He pointed out that even new and innovative ways of financing cities will not be successful if the basics are not in place.