

Keynote Address by Minister Dlamini Zuma during the National Council of Provinces Local Government Week Opening

The District Development Model: A Coherent Plan to Change the State of Local Government in South Africa.

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Colleague the Minister of Finance, Mr Tito Mboweni and other Ministers;

Deputy Ministers for Cooperative Governance and Traditional Affairs Messrs Obed Bapela and Parks Tau;

Deputy Minister for Finance, Mr David Masondo;

President of the South African Local Government Association, Councillor Thembi Nkadimeng;

Members of the Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation and Human Settlements;

Honourable Members;

Ladies and Gentlemen.

Thank you for this opportunity to address this virtual session of the Local Government Week, which the house hosts under the Khawuleza theme, with a view of “*changing the financial state of local government*”. The session is hosted, virtually, in the most of unusual circumstances, as COVID-19 has ravaged the world and our nation.

With over 27 million infections world-wide, South Africa ranks in the top 8 most infected nations in the world with over 640 thousand infections. Thanks to the sacrifices made by millions of South Africans from all walks of life in all races, classes and genders we were able to better manage and contain the spread of the virus, registering at over 87% recovery rate. We wish to take this opportunity to thank this house and all the sectors for playing their part in our fight against COVID-19. Because of our unique circumstances we were able to gradually open up our economy using our Risk-Adjusted Strategy to minimise risk.

However, with the opening of the economy we have had to allow more movement. Since the virus moves with people it means the risks will be greater. Therefore, we must employ greater vigilance. Our individual actions are the make or break between us and a second wave which can be deadlier and faster. Countries like Spain have shown that the second wave can be deadlier, at its lowest the country recorded about 250 new infections a day, and at its peak it has about 7 600 daily infections, now they are recording over 8 000 cases per day, and it is still rising.

It is now indeed in all our hands, we must apply the health and hygiene protocols with more determination. We must wear masks at all times, even when we visit our friends and relatives. We must ensure that we maintain such visits to less than ten people, and not turn these social occasions to riskier gatherings by hosting parties and the likes. We must also always wash our hands, sanitize surfaces and maintain a safe social distance and not attend large social gatherings of which only funerals and weddings are permitted with the limitation of not having no more than 50 persons provided the health and hygiene protocols are strictly adhered to.

The world as we know it will never be the same, but COVID-19 has offered us an opportunity to reset our economy, towards a more equitable and just economy.

The virus reached our shores when our economy was in decline with unemployment, inequality and poverty reaching unprecedented highs since democracy. The pedestrian growth we have registered over the past decade simply was not enough to ensure employment and income for a majority of our people.

This, in turn, had an adverse impact on the local sphere of governance with many households struggling to keep up with payments for services. This resulted in households owing over R127,7billion to municipalities at the end of the municipal financial year in June. Slowed business activities, tax evasion and inadequate collection systems resulted in a total debt of R181,3billion of which R28,9 billion was owed by businesses and R18,1billion by government in all its spheres at the end of the Municipal Financial Year.

This weighed on municipal creditors with municipalities paying them at an average of 180 days, as opposed to the 30-day government policy. At year-end, the municipalities owed over R53 billion to creditors of which about R11,3 billion was owed to Eskom and R6,24billion was being owed to Waterboards. This is compounded leakages in the system which have cost the state over R9,9 billion in, lost water revenue and R10,2billion in electricity losses. These are partially as a result of little or no budgeting

for maintenance, which has been at times accompanied by huge under expenditure in grants directed at building and augmenting infrastructure.

The municipalities with the least capacity, who tend to be in most need are the ones that underspend. The municipalities that tend to lack on service delivery are also often those that have low revenue streams with many of the citizens living in poverty and with little income. We must therefore use this year's local government week to evaluate whether the current funding formula and make up of our municipalities are appropriate to advance us towards a better life for all.

Honourable members, these financial woes and the mismanagement of some of our municipalities have led to the deteriorating state of municipal finances. The Auditor General's report shows that 43% of our municipalities received an unqualified audit outcome, with only 11% of them receiving no findings. 28 of our municipalities did not submit their reports on time. 91% of municipalities did not comply with legislation, pointing to a lapse in oversight and the lack of controls particularly as it relates to supply chain management and procurement. This is also at the core of the mismanagement of resources related to the fight against COVID-19 which has seen the state pay up to 5 times the value in certain products especially the Personal Protective Equipment.

These matters of mismanagement, highlight long-standing challenges that have not been addressed in the local sphere. As part of seeking to address these, over the past year the various provinces placed 46 municipalities under section 139. Although 26 of these municipalities received unqualified audits, the challenges particularly as it relates to service delivery still persist. The administrations of 16 of these municipalities failed to submit their reports on time. We cannot hope to get different results by doing the same thing over and over again.

Therefore, these challenges call for the strengthening of oversight structures and a more active role by the various legislative houses including the National Council of Provinces. The business of local government is everybody's business. As envisaged by section 154 of the Constitution:

"the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions".

This requires a developmental local government which is geared towards providing a democratic and accountable government to local communities which according to the White Paper on Local Government must maximise social and economic growth, whilst integrating and coordinating development in the various localities.

Unfortunately, over the past 20 years democratic local government has not adequately fulfilled its developmental role, especially as it relates to economic development. This has largely been because of the horizontal and vertical silos which have defined all spheres of governance and departments.

By emphasizing on the delivery of basic services and other key 'deliverables' the state has created a double-edged sword. On the one hand the 25 Year Review of Democracy shows advancement in key areas especially as it relates to social and human development. However, it also shows a snail's pace advancement in relation to the economic outcomes, particularly as it relates to decent work and the transformation of ownership patterns of the economy.

This despite the Reconstruction and Development Programme envisaging that the delivery of basic services would be an engine by which our local and national economies would be transformed. The overemphasis on delivery has also eroded community participation thus disempowering communities. This is a far cry from what the White Paper on Local Government had envisioned wherein it had seen:

"Local government [as] the sphere of government that interacts closest with communities, is responsible for the services and infrastructure so essential to our people's well-being and is tasked with ensuring growth and development of communities in a manner that enhances community participation and accountability.

This has also created the growing distance between government and the people. The distance has also partially been propelled by inappropriate relations between politicians, business and the administration, and these have favoured individuals and were not to the benefit of society.

To address these and facilitate for better coordination and integration we, therefore, adopted the District Development Model (DDM). The DDM seeks to strengthen the local sphere of governance, moving us away from silo planning, budgeting and implementation. The DDM enables us to pursue socio-economic and spatial transformation through a more tangible common vision for development of the country. By adopting a long term view and interconnecting the local economies we are able to reimagine a better community, district and nation. We are able to transcend our current limitations by capitalising on the endowment structure – what each district has.

By identifying these in every district and metro we are therefore enabled to locate the district's competitive advantage and utilise it for shared growth and prosperity. By purposefully linking local economies with our district and national economies we can

massify, optimise and transform the structure of the economy. This will require that we also pay particular attention to the participation of women and youth, by amongst others reskilling them and paying attention to them accessing financing and credit.

All these will require a developmental and appropriately capacitated local government. To this end, we are employing skilled people to the District Hubs so that we may avail shared skills where local municipalities may lack. The Hubs form part of the district's capacity and will link the localities to provinces and national departments. Thus, the DDM Hubs will serve as a functional network of support and a facilitation system for Intergovernmental Planning in relation to a specific district space. The Hubs will also house critical and scarce skills such as engineers, planners, ICT specialists and administrators, to the districts and local municipalities. Just this past weekend we introduced these professionals to the community of Waterberg, one of the DDM pilot sites in Limpopo.

Together with eThekweni and OR Tambo these three pilot sites will impact on over 10% of our population, the majority of whom are the poorest in our country. The ownership and management structure of these economies are a microcosm of South Africa.

With the rich mineral and flora resources of Waterberg the majority of the land is owned by a hand full of white males. Despite its captivating wild coast which is abundant with potential, only 15% of the people in OR Tambo are employed and the overwhelming majority of 65% live in poverty, the majority of whom are women who constitute 53% of the population. eThekweni displays the apartheid spatial planning patterns with the majority living far from work spending thus spending close to 20% of their income on transport, whereas the international norm is less than 10% of income.

We will therefore use the DDM to reimagine the future of all 44 Districts and the 8 metros, starting with profiling the localities. This will allow us to ensure that we have a common understanding of the challenges and opportunities confronting these areas. We have now completed the profiles of all the 52 districts. This means we are now at a point where we have a good understanding of the major development issues in all our districts. This was a critical step in the process of the implementation of the District Development Model because we now know what we need to do to improve the quality of the lives of our people.

This understanding will guide us on how we approach and package capacity building programmes and delivery interventions to drive the development agenda. We will be able to harness the inherent potentials and opportunities in these spaces. In this regard, the Model offers the greatest opportunity for reorganizing government programmes and budgets.

The President has also assigned all Ministers and Deputy Ministers to districts and metros across the country. Ministers and Deputy Ministers have already started engaging with their allocated districts. The provinces have also allocated MECs to districts and their technical teams supporting this process. This is an important step towards the realization of the dream of working together across the three spheres of government in one district.

The District Development Model is an operational model for improving Cooperative Governance aimed at building a capable, ethical Developmental State. It is an all of Government and Society Approach with a method by which all three spheres of government and state entities work in unison in an impact-oriented way. It is changing the way government functions.

The District Development Model will be implemented through the spatialisation and reprioritisation of each and every department, state entity and municipality's plans and budgets. The One Plan which will inform the One Budget is an intergovernmental strategic framework for investment and delivery in relation to the district and metropolitan spaces.

The DDM embodies an approach by which the three spheres of government and state entities work in unison, in an impact-oriented way. The District Development Model is all about how we work together as one government in all our district and metropolitan spaces, even if each sphere, sector or entity has its distinct, interrelated and interdependent constitutional powers, functions and responsibilities. In this case working together means planning, budgeting and implementing as one, while we hold each other accountable along the process.

The approach also looks to society-wide contributions so as to crowd in investments in a locality. To that end, we must formulate delivery partnerships to implement the model. Already we are working with various institutions including the DBSA, the CSIR, the Public-Private Growth Initiative (PPGI), and various other corporates, cooperatives and civil society organisations.

We will also need to strengthen the role of traditional leaders, as these institutions are often closer to the people, particularly in the rural setting.

All these partnerships set us on the right path towards One Plan and One Budget for all our districts. In undertaking this planning and budgeting we must pay particular attention to Gender Responsive Budgeting, so that we may be able to address gender inequality in our society.

As we go on this journey of re-imagining our country, we are certain that we will take advantage of the opportunity that COVID-19 has presented to us. While the impact of the Covid-19 pandemic has been devastating and has added to this complexity and requires immediate economic recovery and social upliftment interventions. We have to explore new local economic paradigms and socio-economic models together with improved intergovernmental delivery systems aimed at fundamentally changing the conditions of our people and the places they live in.

We have to move beyond just delivering outputs like houses or schools and individual services but build more functional and liveable villages, towns and cities.

We need to also make sure that we are investing in the right places and in line with demographic trends and communal aspirations. This is only way that we can overcome the legacy of apartheid spatial geography that continues to undermine efforts at social and economic inclusion. To assist us we have utilised our constitutional obligations and the White Paper on Local Government.

So far these have provided us with solutions. However, implementation has shown certain inadequacies which we hope will be strengthened by the DDM. However, we must use the opportunity provided by this local government week to interrogate the adequacies of these. We must use this time to reimagine a better, more equal and equitable society, which can only be attained through a vibrant, sustainable, prosperous and climate-smart communities which can be best facilitated for by a strong, capacitated and capable local government.

I thank you.