



**NCOP MINISTERIAL BRIEFING SESSION ON THE
FISCAL AND ECONOMIC IMPACT OF JULY 2021
PUBLIC VIOLENCE, LOOTING AND DESTRUCTION
OF PROPERTY:**

*“Measures to Mitigate against Fiscal and Economic Impact of
recent Public Violence, Looting and Destruction of Property”*

23 NOVEMBER 2021

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SALGA NCOP Part-time Representative**

Chairperson of the NCOP, Honourable Masondo

Ministers

Deputy Ministers

MECs

Deputy Chairperson of the NCOP, Honourable Lucas

Chief Whip of the NCOP, Honourable Mohai

House Chairpersons

Honourable Members of the NCOP

Special Delegates

I greet you all,

The phrase: “a week is a long time...” is synonymous with politics, and is often used to describe the precarious nature of political life. It accentuates the fact that in politics, a week is more than enough for a seismic event - that has the potential to alter the course of history - to take place. This time around though, the phrase sadly applies undoubtedly the most tumultuous week in South Africa’s post democratic era; that is, 12-18 July 2021. It was a week that saw two (2) Provinces, KwaZulu Natal and Gauteng, brought to their knees, battered by acts of public violence, looting, damage to property, and unabated ransacking of shops, malls, and warehouses.

What made the unrest particularly damaging is the fact that it impacted two (2) of the country’s biggest Provinces in terms of contribution to Gross Domestic Product (GDP).¹ The Province of Gauteng, which is the backbone of the South African economy, contributes more than a third to the national economy. It is for this reason the shockwaves of the violence were felt far and wide.

Honourable Chair, as the local government fraternity, we unequivocally condemn the criminality of the July violence and looting. That being said, it would be amiss of us if we did not extract valuable insights from it. By seeking a deeper understanding of the root causes, we can ensure that our response is proportional to the enormity of the

¹ <http://www.statssa.gov.za/?p=12056>

crisis at hand. The events of that fateful week can be equated to a volcanic eruption that had been dormant but simmering underneath for decades. When it did finally erupt, it released inconceivable destruction that left a permanent scar that will take years to mend. Staying with the same analogy of a volcano, we can rest assured that the next eruption will be even bigger and more catastrophic if we do not roll up our sleeves and tackle the socio-economic challenges and inequality bedevilling our country.

Honourable Chair, nowhere is the impact of the July unrest more acutely felt than in local government. As a sphere commanding the length and breadth of the South African landscape, the sector endured the full wrath of the destruction in a way that is beyond our collective comprehension. Our initial analysis has revealed the following:

1. Extensive damage to municipal assets

Municipalities suffered extensive damages to their key infrastructure such as roads, street lighting, and outdoor furniture, to mention but a few.

2. Cost of repairing infrastructure that was damaged during the unrest

Municipalities will be forced to reprioritise expenditure from planned commitments. This will jeopardise the fiscal health of municipalities, which will in turn result in an increase in infrastructure backlog as some capital projects may have to be put on hold.

3. Further shrinking of the municipal revenue base

Some businesses may take longer to return to normal operation while others may permanently close. This will have a negative knock-on effect on municipal revenue and local economic development at large. Smaller municipalities, which in most cases rely on a single large industry for the lion's share of their revenue, will likely be impacted the most.

4. Rise in unemployment

Loss of employment and income will exacerbate the already chronic and persisting problem of the low payment rate of municipal services.

5. Increase in the cost of doing business

Cost of setting up businesses will likely increase as security will now be a foremost priority for businesses as they attempt to insulate their properties from potential looting and vandalism.

6. Reputational damage

The image of individual cities and towns as investment destinations will likely plummet going forward, and the work to rebuild will be a mammoth one. Cities may also find themselves being downgraded by Rating Agencies, further hampering their ability to access capital at competitive rates.

In the grand scheme of things, the unrest has had a negative impact on brand South Africa as a whole. The unrest received plenty of international media attention and this stands to hurt South Africa's image as an attractive investment destination and its previously uncontested position as the 'gateway to Africa'.

Honourable Chair, while there's no single panacea for averting future unrests, SALGA is of the view that deeper structural reforms coupled with the reconfiguration of the economy can go a long way in bringing about social and economic stability. To this end, we are proposing that we set the ball rolling with respect to the following:

Foster a more inclusive township economy that works for all

Although the looting was spread throughout the commercial and industrial areas in Gauteng and KZN, but there was a relatively higher concentration of these attacks in businesses that are located in and around the townships.

We therefore recommend that municipal level policies be enhanced to encourage co-operation and protection of the township economy from large commercial developments that sometimes displace smaller township enterprises. Exceptions should be made for developments that can prove locally embedded value chains that are linked to the township ecosystem.

Targeting locals for low skill work

Township based shopping malls must deliberately reserve and outsource services such as security, cleaning, etc. to local business enterprises and recruitment of staff should equally be biased in favour of locals.

Provision of public infrastructure

Municipalities should further take deliberate action and design their policies in a manner that compels developers to make provision for public transport facilities such as taxi ranks and bus terminals for all new developments.

Drawing lessons from the Gauteng Township Economic Development Bill

The Gauteng Township Economic Development Bill is a game changer, and SALGA encourages municipalities to draw lessons on the transformative intent of the Bill. It seeks to take deliberate steps that will allow townships to become fully fledged commercial zones. SALGA has been instrumental in the development process of the Bill.

Honourable Chair, these recommendations are a small piece of a much bigger puzzle. In order to meaningfully transform the economy, we need a “whole of government” approach, where all spheres of government work together in harmony in executing their respective mandates. As it is, resources are severely constrained, so we can ill-afford to work in silos. As the guardian of local government, we will play our part in coordinating the rebuilding efforts and providing thought leadership as we usher in a new era of local government.

Honourable Chair, the road to recovery will be long and hard, fraught with pitfalls along the way. Throughout this journey, local government will serve as a beacon, a point of reference, as we navigate these uncharted waters. As a sector, we are uniquely positioned as a frontline sphere and a chief catalyst for economic development, and with this we carry on our shoulders the hopes and aspirations of all South Africans.

I thank you.