



## **NCOP THREE-SPHERE PLANNING SESSION**

**9 JUNE 2023**

**Cllr. S Janda**  
**SALGA NEC Member**

***“Delineating key priorities for consolidation and implementation during the final year of the sixth dispensation (Local Government Focus)”***

Chairperson and Deputy Chairperson of the NCOP

Honourable Members of the NCOP

Ministers and MECs Present

Members of the SALGA NCOP Delegation

Secretary to Parliament

Secretary to the NCOP

Other Members of the Public Service

It is a distinct honour to contribute to this 2<sup>nd</sup> NCOP Three-Spheres Planning Session Members by presenting a SALGA Perspective on local government fulfilling its developmental mandate; addressing challenges of municipal spending on infrastructure grants and key interventions required to enable municipalities to deliver critical services to communities.

Honourable Chairperson,

The 1998 White Paper on Local Government remains a defining policy document that offers insights into the political intentions and thinking around the concept of a “Capable and Developmental State”. The White Paper details the four characteristics of developmental local government as the need for municipalities to:

- i. **Maximise social development and economic growth** through a clear vision for the local economy, and work in partnership with local business to maximise job creation and investment;
- ii. **Integration and coordination** by working closely with other spheres of government and service providers;
- iii. **Democratising development** through the adoption of inclusive approaches to fostering community participation and actively encouraging the participation of marginalised groups in the local community; and
- iv. **Leading and learning** by building relationships between stakeholders to find local solutions for increased sustainability.

These characteristics are supplemented with legislation that has laid out local government's decentralised developmental role through the delivery of essential services, as the sphere closest to the people. While there have been several achievements over the last 25 years, the current development trajectory is not delivering sufficient economic growth, social inclusion, spatial integration, or fiscal sustainability to achieve the outcomes envisaged by Vision 2030.

Honourable Chairperson,

In assessing the role of SALGA towards developmental local government, a diagnostic analysis of local government was done to determine why SALGA's influence on the external environment is limited and why local government, after nearly 23 years of democratic local government, has not established developmental local government. Our assessment concludes that at the core of the problem is that Local Government is inadequately equipped to fulfil its Developmental Agenda. In analysing why local government does not achieve its developmental role, we have identified four root causes, namely:

1. Poor political leadership capacity and weak administrative management;
2. Ineffective utilisation of financial resources including poor financial administration, the inability to collect revenue and insufficient allocation from the fiscus;
3. Inefficient and non-integrated local government delivery mechanisms, systems and processes to enable service delivery;
4. Degenerating infrastructure and non-existent or poor services provided to local communities.

These four root causes, including the resultant effects, have been identified as the essence of local government's inability to discharge its developmental mandate.

Fundamental in making municipalities developmental is an urgent need to sort out some of the lingering challenges arising from the current fiscal framework. Some of these issues must include the following:

- The unsustainable and increasing debts owed to municipalities. The latest statistics confirm that these currently stand at a staggering R305.8 billion, with an amount of R256.7 billion being older than 90 days and may not be realistically collectable by municipalities. This is in stark contrast with the R86 billion municipalities owe their creditors. So, comparatively speaking, municipalities are owed in excess of R219 billion more than it owes its creditors. Bold measures are needed to curb these, ensure municipalities collect and better manage their customers and national interventions are taken to ensure that this growing debt situation does not undermine the solvency of local government.
- The current fiscal framework which allocates a measly 9% to the local government sphere needs urgent reviewing. Without the reconsideration of our fiscal instruments and the allocative formula, some of our municipalities will remain unviable and unsustainable.
- The quality of financial management in municipalities as evidenced by the recently released AG municipal

audit outcomes reports are a cause for concerns, noting that there are pockets of excellence that must be celebrated. However, we propose that more effort be directed to ensuring not only accountability but also the improvement in the quality of spending and the return on the fiscal investment in transforming local space. We agree with COGTA that specific focus should be directed to the spending of conditional grants such as the Municipal Infrastructure Grant (MIG).

- We once more want to use this platform to ask that parliament consider making the necessary regulatory changes through the creation of appropriate mechanisms including the use of capital grants for capital raising.

We believe that a capable and developmental state, particularly at a local level, is one that has the necessary financial and institutional capacity to implement our set objectives. In this regard, the SALGA is exploring means of accessing innovative financing solutions for the local sphere. This will include use of pooled financing mechanisms that we have already developed for those municipalities that cannot access the debt capital market. Other instruments we have been looking into include

social impact bonds, and the effective implementation of public private partnerships.

Honourable Chairperson

As the single biggest conditional capital grant transferred from national to local government, spending of the Municipal Infrastructure Grant, which aims to eradicate basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities, remains a concern. As at the end of December 2022, spending against the grant was sitting at 37.6 per cent which is lower than the 46 per cent reported for the same period in the previous financial year.

In direct response to tackle these root causes, in line with our mandate to play a leading supportive role in the wholesale transformation of local government to be developmentally oriented, we have identified high impact interventions to make a strong contribution to the development of municipalities.

For purpose of the areas of focus for our inputs to this Session today, we will focus on the degenerating infrastructure and non-existent or poor services provided to local communities.

It is our considered view as SALGA that in addressing infrastructure challenges municipalities should be guided by, amongst others, the following principles:

- **Accessibility of services:** municipalities must ensure that all citizens – regardless of race, gender or sexual orientation have access to at least a minimum level of services. Imbalances in access to services must be addressed through the development of new infrastructure, and rehabilitation and upgrading of existing infrastructure.
- **Affordability of services:** Accessibility of services is closely linked to affordability. Even when service infrastructure is in place, services will remain beyond the reach of many unless they are financially affordable to the municipality. Municipalities can ensure affordability through:
  - Setting tariffs that balance the economic viability of continued service provision and the ability of the poor to access services.
  - Determining appropriate service levels. Services levels which are too high may be economically unsustainable and jeopardise continued service provision.
  - However, inadequate service levels may perpetuate stark spatial divisions between low, middle or high-income users particularly in urban areas and jeopardise the socio-economic objectives of the Council.



- Cross-subsidisation between high and low-income and commercial and residential users.
- **Sustainability of services:** Ongoing service provision depends on financial and organisation systems which support sustainability. Sustainability includes both financial viability and the environmentally sound and socially just use of resources.
- **Value-for-money:** Value in the public sector is both a matter of the cost of inputs and the quality and value of the outputs. These principles require that the best possible use is made of public resources to ensure universal access to affordable and sustainable services.

As SALGA we are advocating for and will be championing the following key interventions:-

## **1. EFFECTIVE UTILISATION OF FINANCIAL RESOURCES**

- Short term initiatives include Capacity Building on developing Project Pipelines; the establishment of Professional Resource Teams and conducting research on alternative grant expenditure monitoring approaches;
- Medium and long term initiatives include advocating for reforms on the indicators of grant expenditure monitoring and policy reforms on adjustment budget processes, SCM and planning;

- We also intend to see through the implementation of previous Budget Forum resolutions to consider extending performance-based features for the Municipal Infrastructure Grant. The goal is to design performance-based grants best suited for south African municipalities.
- We are also looking into measures to:-
  - eliminate fiscal leakages and inefficiencies that are undermining fiscal credibility and service delivery;
  - Design and deploy a performance-oriented system to direct financial allocations across municipalities;
  - Utilise capacity building grants for lesser-resourced, poorer, and more rural municipalities through a differentiated approach;
  - incentivize consequence management this will ensure that officials and councillors are held legally and personally responsible when they transgress financial management and supply chain management policies;
  - Eradicate contract mismanagement and procurement irregularities through consequence management and extracting accountability;

## **2. As it relates to INFRASTRUCTURE DEVELOPMENT AND SUSTAINABLE SERVICE DELIVERY**

- Municipalities must be supported to:-
  - develop maintenance plans for municipal service infrastructure to promote sustainable access to municipal services;
  - Leverage at scale, private sector capital and technical capacity participation in municipal service delivery through service delivery models that allow private sector to share more of the delivery performance risk;
  - Establish district level capacity linked to DDM hubs for roads infrastructure development and maintenance as a shared service for the District Municipalities and its Local Municipalities that do not have requisite capacity;
  - Collaborate with key stakeholders such as SANTACO, PRASA etc in planning and delivering integrated multi-modal facilities to harness socio-economic opportunities and improved asset management;
  - Utilise accurate indigent registers to influence funding that will facilitate the expansion of universal access to basic services; and
  - Prioritise road infrastructure construction and maintenance as local economic growth depends on road networks.
- As SALGA, in partnership with key role-players, we will:-

- direct support to Municipalities to develop and maintain accurate asset (including land ownership) registers (GRAP standards);
- Implement the municipal support and interventions framework with a focus on municipalities subjected to Section 139 Interventions and Section 154 support.
- Facilitate improved public participation and regular feedback and consultation engagements between councillors and communities;
- Mount a national campaign to mobilise communities to be guardians of their resources to reduce looting as it impacts service delivery;
- Develop and implement a government-wide comprehensive social cohesion strategy and a barometer for social cohesion;
- Conduct community education programmes on service delivery accountability to citizens – e.g. “Did you know” campaigns.

Honourable Chairperson,

This would be our contribution to the conversation in this segment of the programme. We cannot do this alone, as SALGA and this can also not be done alone by the NCOP. We therefore equally call upon not only the NCOP, national and provincial

spheres of government but all other roleplayers, to execute our respective obligations to capacitate and support local government in achieving its constitutional goals. Let me also hasten to add that this must, of course, be done without compromising or impeding but to complement the ability and right of municipalities to exercise their powers or perform their functions.

I thank you.