

SPEAKING NOTES

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NCOP Economic Reconstruction and Recovery Plan Conference

Fostering Synergy, Cooperation and Coordination – Towards an Oversight Plan on the Economic Reconstruction and Recovery Plan

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Programme Director, The Hon. Ms Sylvia Lucas - Deputy Chairperson of the National Council of Provinces (NCOP),

Hon. Mr. Amos Masondo - Chairperson of the NCOP,

Ministers and Deputy Ministers

Deputy Ministers and Members of the Provincial Executives and Legislatures here gathered,

Chairperson of the Select Committee responsible for Cooperative Governance and Traditional Affairs and Members and Delegates of the NCOP,

Members of Mayoral Councils and Local Councils,

Members of the Executives of Chapter 9 Institutions and State-Owned Entities,

Ladies and gentlemen,

Compatriots.

Introduction

Today we gather a day after paying tribute to the generation of the '76 youth uprisings, and subsequent youth activists. These generations secured for us political liberation and today's generation continues to contribute to the cause of economic freedom in our lifetime.

Zanazuko Condolences

It is also befitting that you chose this day to host this dialogue on economic reconstruction and recovery. You also host this dialogue as our flags fly at half-mast in honour of a great compatriot and Pan Africanist iKumkani Zanozuko Sigcau, who shall be in turned next week on the 21st of June. King Zanozuko was a fervent defender of the poor rural masses and a champion of local economic development and empowerment. We dedicate our contribution to his memory in the firm belief that our contribution will further promote the unity and development vision he and the development orientated monarchs that came before him. We take this opportunity to extend our condolences to the Royal Family, the Pondo people, South Africans, and Africans at large.

Recapping the Intentions of the ERRP

Honourable Deputy Chair, His Majesty departs at a time when we were working closely with him in realising the aspirations of the Constitution and the Reconstruction and Development Programme which dictate that “*we should bring economic development to the people, in the places where they live*”. Although before the Covid-19 pandemic we were well on our way in realising some of the key objectives in relation to the National Development Plan 2030, which include access to health, education, and basic services, owing to slow growth we were not recording sufficient gains especially on the economic front. The pandemic as tragic as it was offered us an opportunity to reset our economy such that it may be more just, equitable and with benefits to the majority.

Additionally, the pandemic exposed the capitalistic based fallacy that less state could and should lead to even and just growth. Everywhere in the world, even in purest capitalist systems approaches promoting state led recovery, have been adopted. This state led programmes have lessened the potential negative impact of Covid with global shrinkages at 8,5%. This despite initial predictions of between 15% and 20% shrinkage in the global economy. No doubt, public expenditure programmes such as cash transfers, business support and local tax concessions have been at the centre of global economic responses which have cushioned citizens.

Despite these measures an additional 1,5% of the world population became under nourished. Thus about 990 million people were living in hunger in 2020 at the height of the pandemic. The sharpest rise was in Africa where the prevalence of undernourishment became 21% of the population. On other measurements too, the year 2020 was bad. Overall, more than 2.3 billion people (or 30 percent of the global population) lacked year-round access to adequate food. Gender inequality deepened such that for every 10 food-insecure men, there were 11 food-insecure women in 2020, up from 10.6 in 2019.

The situation is similar in South Africa where, according to Stats SA over 10 million South Africans were food insecure at the height of the pandemic. One in every five black Africans were affected by hunger and more than half of women headed households were faced by food insecurity. Whereas all provinces were affected the Northern Cape (17,6%) and Eastern Cape (16,6%) which is a lesser food security number than the national average of 23%. This may have been presumably because more households in those provinces participated in agriculture activities, be they subsistence or commercial. However, the national average of households participating in agricultural activities remained below 20% of the population. With global food price increases, mounting energy

costs, and decline in employment in key sectors such as tourism, construction, and agriculture, the prevailing consensus became that an exceptional, capable, and capacitated state was required to generate the necessary growth and inclusive development.

Thus, in October 2020 President Ramaphosa tabled the Economic Reconstruction and Recovery Plan (ERRP). The Plan takes cue from global response plans which have advocated for a more active developmental state, which intervenes in the economy whilst facilitating for aggressive infrastructure investment, job creation, food security, industrialisation, localisation, energy security, gender equality, youth inclusion, the green economy, and mass public employment programmes. Departing from previous plans, the ERRP called for some structural changes in the economy to unlock growth and allow for development. That requires mobilization of all our resources and efforts in economic activities that will put the economy on a sustainable recovery trajectory.

Budget Allocations to Accelerate the ERRP

To this end, COGTA through the Municipal Infrastructure Support Agency (MISA), received R50 million in the past financial year from the R284 million designated for the Innovative Solid Waste Management Programme of the Presidential Employment Stimulus Package.

At this stage 7 379 temporary waste management jobs have been created with the support of 59 Small, Micro and Medium Enterprises (SMMEs) in 16 municipalities in KZN and Eastern Cape. Essentially the programme provides short term employment over four months with a view of delivering technical and innovative solutions to reduce, reuse and recycle waste in rural and semi-rural areas, whilst interfacing with existing recycling programmes. This is done by training local participants and developing local waste management enterprises, which are mainly run by women and young people.

The programme will contribute to cleaner and more liveable towns and villages, whilst creating local sustainable jobs and income streams. We have therefore allocated over R230 million for rolling out the programmes in 25 Municipalities in the rest of the provinces. Work has begun towards the creation of 3 783 temporary jobs in Gauteng, Limpopo, and Mpumalanga, through 29 SMMEs. Plans are also underway to create 4500 temporary jobs in the Western Cape, Northern Cape, Free State and Northwest. However, because the jobs are of a temporary nature and the need for both the jobs and cleanliness are of a permanent nature, we are under discussion with the Presidency,

Treasury, and the affected municipalities to ensure that the programme becomes a permanent feature in the development architecture of our municipalities and communities.

Deputy Chairperson, during our Budget Vote Speech, we also highlighted that we have successfully piloted the remodelling of the Community Works Programme in partnership with the National Youth Development Agency in Mpumalanga. We have dedicated R4,3 billion to this remodelled programme which we believe can play an instrumental role in securing youth and woman employability whilst igniting local economies. Through the savings we have realised we have increased the daily stipend from R97,50 to R110 per day, we will also increase the overall targets from 250,000 to 255,000, within existing budget allocations.

Specifically, in Mpumalanga our pilot site, the NYDA has employed 29 636 participants utilising over R306 million for implements, PPEs, stipends, and training. In Chief Albert Luthuli Municipality in the township of Silobela young people are collaborating community members to transform sites in the proximity of mines into food gardens. They are also assisting the municipality with fixing potholes whilst also caring for the elderly in the Vukuzenzele old Age Home. The young people of Bushbuckridge, Chweni, Mjidini and the City of Mbombela are working with Traditional Councils and schools to plant and harvest the community food gardens to secure food security. Excess produce is sold to the local markets as an income generating stream for the youth, SMMEs and cooperatives. Everywhere where the NYDA is in operation in the province, ECD has found willing educators and care givers and the institution has complemented the efforts of the CWP by training 167 young entrepreneurs in business management. Going forward, the NYDA is collaborating with institution such as San Parks, Take a Lot, IBM, FNB and the various SETAs to secure exit strategies for the participants of the CWP.

Honourable Deputy Chairperson, through these and other programmes of our departments we have learnt that it is far better and more sustainable to build and rely on the agency of local communities. It is therefore our intention to direct more and more of our public procurement to local community organisations instead of big and distant contractors.

To this end, we are collaborating with the relevant SETAs as well as the Ministers of Small Businesses, Transport and Higher Education & Training, to direct training, construction, and maintenance budgets by incorporating the Cooperatives Based Community

Economic Development Model into the District Development Model. Therefore, we will pilot the initiative in six districts through 15 local municipalities, wherein we will train and provide on the job training for 1 000 participants who shall maintain our road infrastructure in those districts, whilst also ridding them of potholes.

Building Local Government Capacity to Localise the ERRP

This training of cooperatives and community members is complemented by the training municipal Community Development Workers and municipal officials so that they may all have at least an NQF Level 5 qualification in Local and Community Economic Development.

However, the scarcity of skills and experience in local municipalities permeates beyond the area of Local Economic Development. Our research shows that out of 2,747 municipal officials, only 1,565 officials (53%) meet the minimum competency levels.

Furthermore, only 128 out of 248 chief financial officers have achieved minimum competency levels, while only 53.7% of senior managers have achieved minimum competency levels to effectively fulfil their roles in municipalities. According to the Local Government SETA Skills Shortage Guide 32% of the vacancies which are hard to fill are because of the slow recruitment processes and a further 25% are because of a lack of funding. According to the report the scarcest skills include civil engineering, town & economic planners, policy analysts, finance managers, internal auditors, plumbers, and environmental scientists. To close these gaps many municipalities, spend a considerable amount on consultants, as recently emphasised by the Auditor General's Report on Municipalities.

For its part, MISA has contributed towards strengthening and supporting the capacity of municipalities by implementing programmes that are aimed at capacitating municipal officials, as well as creating a skills pipeline with the view to developing a new cohort of municipal officials for improved infrastructure management. These have included 519 municipal officials who have been trained in refresher courses in infrastructure related disciplines. In addition to this, MISA has recruited 100 apprentices, 399 experiential learners, and 143 young graduates in addition to the 100 young people who are on MISA bursaries.

Floods

Honourable Deputy Chairperson, the implementation of some of these plans and the ERRP, have been interrupted by the recent floods which were of national consequence and wreaked havoc in the provinces of KwaZulu-Natal, the Eastern Cape and the North West, leaving thousands homeless. By all accounts, KZN has been the hardest hit province, with the floods having been described as the most devastating floods in our history thus far.

We are pleased to report that major progress has been made to get the provinces fully back on their feet as we move to the second stage, that of stabilisation, rehousing people, restoring provision of services as well as rehabilitation and reconstruction as part of the Building Back Better programme. We are confident that we will restore critical infrastructure and revive the economy and call on all stakeholders to continue working with us in this mammoth task.

Working through MISA together with the Department of Water and Sanitation specialist engineers, have been providing technical expertise to municipalities, undertaking assessments as well as supporting the National Disaster Management Centre in the assessments of funding requests. However, what is also clear is that all plans of all departments and spheres of government ought to integrate a disaster management plan which must be funded and facilitate for risk reduction and mitigation so that the loss of lives can be avoided or minimised.

It is also clear that our infrastructure requires better maintenance and speedier repairs. To this end, municipalities may now spend up to 10% of their MIG allocations for urgent repair and refurbishment of water and sanitation infrastructure. An additional 5% can also be utilised for Infrastructure Asset Management Planning, which has been an Achilles heel for many municipalities and has led to loss of energy, water, and sanitation resources, which are most visible when sewage spillages happen.

We remain concerned that 39 of the municipalities we support through the MIG have been spending far less than 70% of the MIG allocations, over the past 4 years. 30 of these municipalities are Water Service Authorities with the 64% of them being in the Northern Cape. We are working towards strengthening the support provided by MISA and other sector departments. This will require a more hands on approach, thus we will vigorously

implement Schedule 6B of the MIG, which allows the Department to retain portions of the MIG allocations of underperforming municipalities so that we may directly help them deliver on the much-needed services. The conversion of this portion of the 2022/23 MIG allocations of these municipalities will coincide with the deployment of a detailed support plan.

In the meantime, we are also encouraging the respective underperforming municipalities to utilize the 5% set aside for the enhancement of project management capabilities, which will assist with scoping, expenditure tracking and quality management. We also take this opportunity to commend the 116 municipalities who have spent above 90% of their cumulative allocations, over the past four years, the majority of whom are in Eastern Cape, Mpumalanga and KZN.

Over and above the MIG allocations MISA was also allocated an additional R50million from the Presidential Employment Stimulus Programme to mainstream labour-intensive construction (LIC) methods in the various projects undertaken by 23 municipalities. The employ of such methods has massive spin offs and is addressing unemployment and small enterprise development. The intervention includes training of municipal officials in labour-intensive construction methods of implementing projects, data management and process flows. It also includes the development of the EPWP Policies and proforma tender documents to be utilised by the municipalities. Thus far 2 800 municipal officials have been trained on LIC methods by 31 March 2022. The Division of Revenue Bill B6-2022 published on 11 February 2022 has included a condition that, “*municipalities must ensure that a minimum of 20 per cent of their budget applies LIC methods and complies to EPWP infrastructure guidelines as part of the feasibility phase of the project.*” To that end the mainstreaming of LIC methods equips municipalities to create job opportunities during infrastructure development and service delivery.

Key Deliverables and Projects to Consolidate

Programme Director, it has also become clearer that to capacitate municipalities an all of government and society approach is required. The private sector and other public sector institutions must play a supportive role to the municipalities, wherein they must contribute to key areas such as training and support so that municipalities can be favoured with requisite planning, implementation, and M&E skills and expertise.

The promotion of Local Economic Development also requires that all three spheres of governance collaborate and actively include communities. This will contribute to enabling

tangible and significant economic opportunities for shared wealth-creation, self-sustenance, and resilience to drive local economic community development, particularly in townships and villages. Given that in most localities the public sector is the single biggest investor and spender, the current public procurement systems ought to be revised to better serve the interests of local businesses and cooperatives.

In our interaction with several communities and stakeholders, other ideas have been advanced. We field them here, because we believe that the NCOP could also assist in canvassing them and in guiding us as we process them. Some of these ideas include enhancements which could see, us

- (1) Localising instruments that can finance and support local businesses, which could include the concept of Municipal and Village Banks.
- (2) Introducing a legal framework that will ensure that big business retail shops and malls located in townships, partner with local businesses, including sourcing some of their products and services from local producers, service providers and manufacturers within the township and rural economy.
- (3) Setting up procurement rules and programmatic support which allows government and its main contractors to buy from large groups of township-based and rural firms and cooperatives, with systems linking them so they can supply if they were one large firm. This will build the capacity to supply the private sector and open private sector markets to township firms by enabling discovery of suppliers, de-risking the supply relationship and targeting programmatic support so that it enables delivery. The same will be done with NGO-funding to drive the care economy.
- (4) Utilising the transit economies to turn taxi ranks and train stations into mini CBD's and support the taxi economy to use its scale to grow supporting value chains and industries.
- (5) Converting areas with high commercial densities to into township high streets.
- (6) Compelling all businesses that get government contracts to spend a certain percentage of their procurement spent on township and rural SMMEs and cooperatives.
- (7) Accelerating strategies to absorb and mobilise skilled and semi-skilled labour, taking on unemployed youth as apprentices and employees, as part of a mass scale response to repairing and upgrading public facilities, improving service turnaround times and quality, and improving living conditions in deprived areas. And lastly
- (8) Linking agro-processing and the food economy to social relief to create an explicit market for homestead and small farmers to supply quality food to food insecure households, including through the establishment of municipal enabled "people's

restaurants” following the model pioneered by Brazil as part of the Fome Zero programme.

These ideas we intend to further canvass as we shape the 21 Year Review of Local Government, which we hope that the outcomes of this Conference will also inform.

We also remain committed to accelerating the implementation of Catalytic LED Projects by working collaboratively with all stakeholders to identify and use primarily local resources, ideas, and skills to stimulate economic growth and development, eradicate poverty, and redistribute resources and opportunities to the benefit of all residents.

At all levels of society, we are encouraging people to participate in economic decision-making, which develops creativity and fosters entrepreneurship. Given the country's challenges in creating jobs and eradicating poverty, we feel it is past the time to create a forum for getting all hands-on deck to work toward sustainable short and long-term solutions. As the representatives of the people, we will therefore look to this Parliament to be the steady guiding hand to meet these objectives.

With these words, I want to thank you again for inviting us to this session, and I look forward to many more as we work together to make South Africa a better place for all.

I thank you.