



CHECK AGAINST DELIVERY

Speech by Minister P Gordhan

**Budget Vote 4: Cooperative Governance and Traditional Affairs,
National Assembly
Thursday 14 May 2015**

Honourable Speaker,
Ministers and Deputy Ministers
Deputy Ministers of Cooperative Governance and Traditional Affairs,
Mayors and Councillors,
Our Traditional Leaders,
Chairperson and Members of the Portfolio Committee for COGTA,
Members of Parliament,
Ladies and gentlemen,

Madame Speaker,

I have the honour to present Budget Vote No. 4 of the Departments of Cooperative Governance and Traditional Affairs in the fifth democratic Parliament.

Today we reiterate our vision for cities, towns and villages in South Africa, a vision which underlines our values of human dignity, achievement of equality, advancement of human rights and freedoms, non-racialism and non- sexism.

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We submit a plan which recognises that while building resilient institutions which serve the development and wellbeing of all our people is a decades' long task – we will implement concrete plans and which positively impact on the lives of our people.

All sectors of our diverse and colourful nation – the poor, workers, professionals, small and big business, the youth, the women, all our children – live in our villages, towns and cities.

This government has both a long term and immediate plan to respond to their needs and aspirations.

In the NDP we commit to do things differently, to improve the living conditions of our people, which requires improving the capabilities of the state.

In the year ahead, we will, under the ambit of the back to Basics program

- Reduce municipal debt and improve payment to Eskom
- Improve municipal procurement and infrastructure delivery
- Pilot projects to strengthen districts
- Address root causes of attacks on foreign nationals
- Introduce community feedback mechanisms
- Enforce competency requirement

This Budget Vote debate takes place against the backdrop of the passing of one of our struggle stalwarts and great leaders, Dr Ruth Segomotsi Mompati, who dedicated her life to the creation of a society based on democratic values, social justice and fundamental human rights. She was the epitome of humility, selflessness and concern for the plight of the poor. She served as the Executive Mayor of the Naledi Local Municipality in Vryburg, North West Province. As we mourn her passing, we re-commit ourselves to the implementation of all measures necessary to bring about improvements in the administration of local affairs in order to impact positively on the living experiences of all communities in our country.

It is of note that, on this day, 64 years ago, 14 May 1951, the apartheid parliament, voted in favour of a Bill for the removal of the Coloured people from the voters roll.

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The coloured communities of Cape Town embarked upon a campaign to oppose that Bill and successfully challenged the Bill in court in the Supreme Court, which declared the Bill to be invalid.

Let us look at some numbers:

- Combined budget of municipalities = R380 billion (own revenue and transfers).
- Transfers = R100 billion
- Own revenue R280 billion
- Responsible for 407 992 kilometres of roads, (316 619 km's of gravel roads and 90 373 km's of paved roads).
- In 2011, collected 59 million tons of general waste, 5, 9 million tons were recycled and 53, 5 million tons had to be landfilled.

It is clear that local government is the crucible in which the complex processes of development, governance, transformation of life and living conditions is taking place daily.

IMPROVED COORDINATION THROUGH BACK TO BASICS

In my Budget Vote speech on 17 July last year, I highlighted the important role of local government in giving concrete expression to our constitutional democracy, in promoting social justice and protecting human rights. I highlighted some of the successes we have had in the improvement of the quality of life of all our citizens, but also acknowledged challenges that face us.

On 18 September last year, the President convened a Presidential Local Government Summit, which adopted Back to Basics (B2B) as government-wide programme. Today, I am pleased to present to this august House the positive developments of our plans for next year.

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I can highlight the following as examples of a growing list of successes:

- All provinces have established the Back to Basics Provincial Task Teams. We recognise the active participation of departments such as Water, Public Works Energy and Treasury in these teams;
- Support plans have been developed for identified municipalities and integrated into IDPs;
- COGTA has established a National Monitoring Centre and municipalities are reporting on Back to Basics Performance Indicators on a monthly basis; and
- MECs report on B2B implementation in Provinces at MinMecs where their challenges and requests for assistance are addressed.

ROLLING-OUT A RELIABLE AND CONSISTENT MUNICIPAL INFORMATION SYSTEM

Although the municipal monthly B2B reporting system was only launched in October 2014, it already provides good examples of why a monthly dashboard can work. After efforts to improve the response rate of municipalities an average of almost 58% of municipalities (161 out of 278) now report regularly.

The aim of the information system and indicators are to produce good quality, standardized, reliable and consistent information in order to be able to support and intervene in municipalities where necessary and to improve municipal governance so that the lives of people on the ground can be improved. It is our intention to progressively strengthen this system, so as to graduate it into a fully functional and regulated local government performance reporting framework.

Madame Speaker

The following concrete progress in terms of rolling out B2B has been reported by provinces and municipalities at the beginning of May 2015:

PUTTING PEOPLE FIRST IN ACTION!

Restoring confidence in local government is a vital priority. An example of our progress to put people first is illustrated through the B2B task team positive engagement with the Thabazimbi rate payers' association to discuss the collapse in relations between the ratepayers and the municipality and. The municipality has since adopted and started implementing the B2B Action Plan.

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The Chairperson of the Thabazimbi Business Chamber, Ms Tokkie Swanepoel had the following to say:

“At least they are starting having meetings with us and they are listening to us. They have changed the attitude towards the ratepayers; I must be honest. From the moment we spoke with the B2B Team, I feel like I can do something for my Municipality. Thabazimbi can become the best Municipality in South Africa.

We are now kept informed about the state of municipal services and any interruptions in the services.

A municipal refuse removal truck was broken for three weeks, but for the first time I saw municipal officials walking and collecting refuse bags. The community really appreciated the level of commitment displayed. Thanks to our Mayor”

CITIZEN PARTICIPATION

An understanding of public sentiment is powerful to determine trends in service failures and successes. Citizens can help in the early identification of issues and service failures. We will pilot with selected municipalities, inviting the public to submit complaints, compliments and photos of service failures and successes.

IMPROVING INFRASTRUCTURE DELIVERY

Improving the delivery and management of municipal infrastructure is vital in improving service delivery. To date, we have received encouraging reports about improvement in service delivery. Increasing numbers of municipalities are improving their response times when faced with electricity outages, sewerage spillages and water stoppages, such as Stellenbosch.

The first step is to improve infrastructure planning. The Inter-Ministerial Task Team on Service Delivery coordinated by COGTA is overseeing a process of developing integrated infrastructure plans for the 27 Districts with the largest backlogs of basic infrastructure. These plans will identify the infrastructure investments required to eradicate the backlogs.

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Through MISA, COGTA will continue to provide support to individual municipalities to develop better sector infrastructure plans covering the construction, maintenance and operation infrastructure, and better integrated development plans to ensure that the sector plans are coordinated (for example, to ensure that water reticulation planning is coordinated with planning for new housing developments). COGTA will request the major industries operating in the area, including mining companies and Eskom, to assist with this support.

Gauteng is an example of best practice where the active involvement of the province has led to the roll-out of infrastructure delivery in previously troubled spots. The situation in Randfontein and Westonaria has improved and the challenges of violent public protests have been put under control, leading to the area of Bekkersdal in Westonaria LM no longer considered a hotspot. The following infrastructure projects are being implemented in Westonaria: building of a school in Bekkersdal in partnership with Sibanye Gold Mine, cleaning and waste management project through Pikitup, upgrading of the sewer infrastructure in Bekkersdal by Makotashime, implementation of the waterless sanitation solution in the informal settlements of Bekkersdal by EnviroLoo and formalization and electrification of Afghanistan informal settlement.

The implementation of these plans and the delivery of infrastructure will be expedited through continuous monitoring of municipal infrastructure expenditure, including both expenditure on the Municipal Infrastructure Grant (MIG) and expenditure of municipal own revenue on infrastructure.

A total number of 247 municipalities will benefit from the 2015/16 MIG allocation amounting to R14,7 billion, from which over 3000 projects have been or are in the process of being implemented by municipalities.

In 2013/14 there was a significant improvement to 91% expenditure of the MIG, up from 79% in 2012/13. Municipalities need to be congratulated for this improvement, which was also assisted by the application of reallocation provisions in the DoRA and technical support provided to municipalities by COGTA through MISA. Over the last three municipal financial years (July 2011/12 - June 2013/14), the number of municipalities achieving 100% expenditure on their MIG funding has increased from 110 to 130. The number of municipalities spending less than 51% of their allocation has decreased from 31 to 16 municipalities over the same period.

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We will request municipalities to provide us with information on all their substantial infrastructure projects enabling COGTA to identify bottlenecks at an early stage to intervene where necessary to ensure delivery.

This coming year, through MISA, COGTA will be working with the Chief Procurement Office in National Treasury to improve infrastructure procurement in municipalities.

One aspect of this work will be to put in place national transversal framework contracts for certain goods and services related to municipal infrastructure. We intend to have initial contracts in place for electricity distribution equipment by the end of this financial year. The aim of these contracts will be to procure more smartly and achieve economies of scale, resulting in a reduced administrative burden, lower prices and substantial savings for municipalities. Individual municipalities will be able to place orders against the national contract, without going through their own procurement processes.

GOOD GOVERNANCE:

Support and Intervention Packages

We continue to identify and implement support and intervention packages for all the priority municipalities experiencing governance distress. These packages take the form of invoking sections 154 and 139 of the Constitution. I am happy to report that we are witnessing some improvement.

Provinces have invoked section 139 interventions as measures to improve delivery of services and stabilise governance. There are 16 municipalities in four provinces that are or have been under section 139 of the Constitution in the period starting from October 2014 to date. Six of these municipalities are in KwaZulu-Natal, namely: Imbabazane, Umvoti, Abaqulusi, Indaka, Mpofana and Mtubatuba local municipalities. Another six of these municipalities are in the North West, namely Ditsobotla, Matlosana, Madibeng Tswaing and Ventersdorp local municipalities, as well as Ngaka Modiri Molema District Municipality. The Eastern Cape also has one such municipality, namely Makana local municipality.

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- Following political instability in Mogalakwena Local Municipality resulting in a litany of governance and administrative challenges, including the collapse of delivery of basic services, COGTA working in collaboration with the MEC for Local Government in Limpopo, intervened to restore normality in the municipality. Normality has been restored in the administration of the municipality. We will continue to monitor and support the municipal council.

Apart from the aforementioned, I would like to mention that we continue to work with National and Provincial Departments to support other distressed municipalities such as Oudtshoorn, Makana, Ngaka Modiri Molema and Nelson Mandela Bay Metropolitan Municipality.

Fraud and Corruption

The Department has introduced a number of measures as a way of strengthening the fight against fraud and corruption in municipalities in line with the Back to Basics approach. Out of the 115 forensic reports received, 98 have been assessed by the department with the assistance of law enforcement agencies, office of State Attorney and the National Treasury.

The following actions will be pursued:

- Assets forfeiture
- Disciplinary processes
- Criminal prosecutions
- Civil claims

The department will continue to work closely with law enforcement agencies to ensure there are consequences for fraud and corruption within municipalities.

PROMOTING SOUND FINANCIAL MANAGEMENT THROUGH TACKLING DEBT, IMPROVED AUDITS AND INCREASING MIG EXPENDITURE

Arrear Consumer Debt Owed to Municipalities

In September 2014, the consumer debt to municipalities stood at R98, 9 billion. This debt comprised R 5, 5 billion by national and provincial departments, R22, 8 billion by business, R60 billion by households and the remainder by other debtors.

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The arrear debt by national and provincial departments has accumulated over time, as a result of disputes over municipal invoices. Cogta in collaboration with the Department of Public Works has conducted an audit and verified contested invoices.

This exercise has resulted in affected government departments paying a total amount of R1,5 billion to relevant municipalities between September and 31 December 2014. In the second phase we will deal with all the remaining contested invoices. We believe that while the audit and verification exercise is still underway, extra measures must be introduced to expedite the payment of the outstanding debt owing by government departments to municipalities.

We also urge business which is indebted to municipalities for the amount of R22, 8 billion to do the same. We also urge household to honour their civic responsibilities by paying for municipal services consistently. Government will continue to provide, through the Equitable Share to municipalities, adequate resources to enable them to provide free basic services to the poor.

We will be mounting a government-wide campaign to cultivate a culture of civic responsibility and payment for services throughout all communities in our country. We call upon all honourable members of this House, as elected public representatives on a non-partisan basis, to support this campaign. We will reach out to all public representatives, all public servants, all business leaders and all those in gainful employment to heed the call.

In the same vein municipalities are expected to continue provide services consistently and to the right quality of standard. The ability of municipalities to provide such services depends on the revenue collected, and their ability to reinvest a portion thereof towards services infrastructure, operations and maintenance, and service quality improvements.

Non-Priority Expenditure

We have further noted with concern that some municipalities are still spending municipal resources on non-priority items. Recent media reports have indicated that expensive vehicles are still being bought for use by public office-bearers in municipalities. As the third term of municipal councils come to an end just over a year from now, all municipalities must, with immediate effect, refrain from purchasing any new vehicles for use by public office-bearers.

BUILDING CAPABILITIES THROUGH COMPETENCY REQUIREMENTS AND SHARED SERVICES MODEL

Enforcing Competency Requirements

The MEC's have to date made 5 applications for declaratory orders which are still pending in the courts to nullify the appointments of the municipal managers without relevant qualifications in the following municipalities:

- Mogalakwena
- Abaqulusi
- Nama-Khoi
- Ga-Segonyana

In KZN, Emnambithi, Umfolozi, Umuziwabantu, Imbabazane and Edumbe municipalities recommended candidates who did not meet the minimum competency requirements. These councils were advised by the MEC that they were non-compliant.

Our data shows the following:

MM's 56% have already completed all four minimum competencies. With a vacancy rate of 19%, the remainder 25% are in progress to complete the fourth area of FM and SCM.

For CFO's 61% have already completed all four minimum competencies. With a vacancy rate of 19%, the remainder 20% are in progress to complete the fourth area of FM and SCM. Further work will be done to ensure the appointment of competent officials in key positions.

Strengthening Districts

I indicated last year that districts have an important role to play and that we plan to strengthen their governance capabilities. We found in our B2B assessments that the Pixley ka Seme District Municipality in the Northern Cape has put in place a Shared Services model to alleviate the financial and human resources strain on local municipalities.

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The District has built a centralised capacity to support municipalities to perform responsibilities for which they possess neither the finances nor human resources.

Out of a minimal annual contribution they make to the central designated district fund, local municipalities benefit from a basket of shared services and technical expertise in Planning, Internal Audit, Performance Management, Disaster Management, Risk Management, Legal Services and Labour Relations management. The District also has established an Audit Committee that is shared by number of municipalities.

I am pleased to announce that three districts have been identified to implement pilot projects in this regard:

- John Taolo Gaetsewe
- Ugu; and
- Central Karoo.

COMMUNITY WORK PROGRAMME

For purposes of improving efficiencies in the CWP and enabling a larger proportion of the CWP budget to go towards providing work opportunities to a larger number of participants, transversal tenders for the procurement of items that are required across CWP sites are to be instituted. Presently, the CWP budget comprises a wage and a non-wage component at a 65:35 ratio. With transversal procurement arrangements, we will see the wage component stretch further to ensure that more participants, their families and communities are cushioned from the adverse effects of poverty and unemployment.

The CWP continues to alleviate the effects of poverty and unemployment and to restore dignity among our poorest citizens through community-based work opportunities that provide income support. Likewise, the equitable representation of youth, women and people with disabilities in the programme will continue to receive priority attention.

INTEGRATED UURBAN DEVEOPMENT FRAMEWORK

Some of the prioritised activities for the IUDF going forward include developing the IUDF Implementation Framework, developing instruments to promote densification and mixed-use spatial development. To this effect we will establish a team to review and assess spatial integration plans of metropolitan areas, including assessing the alignment between national, provincial and municipal spatial plans. We will also facilitate the development and implementation of inter-governmental spatial investment contracts in targeted areas, to ensure a coherent inter-sphere spatial investment plans in municipal spaces.

Private Sector and other Contributions to B2B

The Department initiated a programme known as the District Business Development Forum Programme (BDF) in 2013/2014 Financial Years. A key aspect of this programme is to promote the active involvement of the private sector in the planning and implementation of catalytic commercial economic development initiatives at the local level.

To date, the department has established twelve BDF's in West Coast DM, Sedibeng DM, Sarah Baatman DM (former Cacadu), uMgungundlovu DM, Waterberg DM, Bojanala DM, Ehlanzeni DM, //Khara-Hais LM, Matlosana LM, Greater Tubatse LM, Thabo Mofutsanyana DM and Bojanala DM.

Companies such as Alcelor Mittal South Africa (AMSA), PPC, Tronox and others are working with the provincial Department of Economic Development and Tourism and local government to expand their offerings of practical work training opportunities for over 900 Artisans in the West Coast District Municipality.

In the Eastern Cape Province, in Sarah Baartman District Municipality (former Cacadu) the BDF programme has successfully unblocked a commercial aquaculture investment valued at over R 300 million and providing 400 jobs for young people when at full production supported by Blue Karoo Trust, the Giant Flag programme supported by companies such as

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Toyota, Eco Pullets, Montego, Giant Flag Trust and Ernest and Young will provide over 800 jobs and an investment of over R200 million.

In KwaZulu-Natal Province, in uMgungundlovu District Municipality the programme has facilitated the unblocking of a major investment in Msunduzi Local Municipality by Alumicor, valued at over R 200 million which will create over 500 permanent jobs.

We would also like to appreciate our donors supporting the B2B. These include the European Union (EU) Dialogue facility which has committed 119 840 Euro for support to the Policy Dialogue on Urban Development Policy and the GIZ through their Governance support programme supporting the development of case studies on District municipalities.

Madam Speaker

Disaster Management

During March 2015, representatives from 187 UN member States adopted the first major agreement of the Post-2015 development agenda, a far-reaching new framework, the Sendai Framework for Disaster Risk Reduction, which we need to incorporate in our national strategies. I will be hosting a national disaster management conference as a platform to discuss the implications and implementation of the recently adopted Sendai Framework for disaster risk reduction (DRR) for SA in the course of this financial year.

Honourable members

Municipal Role to address attacks on Foreign Nationals

I would like to commend the NDMC, PDMC and MDMC and municipalities that were affected by the attacks on foreign nationals for their speedy response to providing relief support to foreign nationals. On the 29 April 2015, I met with the Executive Mayor of Metropolitan Municipalities and MECs for Cooperative Governance and Traditional Affairs to discuss sustainable interventions that addresses root causes of the attacks of foreign nationals, such as, enforcement of by-laws related business licensing, rezoning, management of RDP housing beneficiary processes, illegal occupation of land and buildings and others. Municipalities will continue to mobilise communities to promote social cohesion and peaceful co-existence.

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TRADITIONAL AFFAIRS

Congratulations to King Sigcau

I would like to congratulate King Calvin Mpendulo Sigcau – Ah! Zwelonke. Tomorrow there will be an official coronation of the king, the first event of its kind in the country after 1994. As government, we are pleased that we have come this far to recognise and restore the dignity of the institution of traditional leadership.

Initiation

Madam Speaker

The government has declared *“zero tolerance to initiation deaths”*. I am pleased to announce that Cabinet approved the Initiation Policy Together with the Justice Cluster and our traditional leaders, government will ensure that those who are operating illegal initiation schools, and those that perform criminal activities in the name of the practice are prosecuted.

Recognition and integration of Khoi and San in traditional leadership in South Africa:

The Ministry will finalise the enactment of Traditional and Khoisan Leadership Framework Act, and for the first time, the Khoi and San people will be recognised, affirmed and integrated in traditional leadership in South Africa.

Role of traditional leaders in the promotion of socio-economic development within traditional communities

We commend the good work that traditional leaders in various provinces are doing to advance socio-economic and job creation in traditional communities.

Best practices of participation of traditional leadership in municipal councils

Collaboration between traditional councils and municipal councils is the key to service delivery and development within traditional communities. In the past years, we have seen best practices of collaboration between traditional leadership and municipalities in Ehlanzeni and Gert Sibande District Municipality in Mpumalanga and other provinces.

Madam Speaker

I have the pleasure to submit budget vote 4 for approval

I thank you