

Budget Vote 3: Cooperative Governance and Traditional Affairs

National Assembly

17 July 2014

Minister Pravin Gordhan

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

Madame Speaker,

I have the honour and privilege to present the first Budget Vote of the Departments of Cooperative Governance and Traditional Affairs in the fifth democratic Parliament.

In its Preamble, the Constitution of our country enjoins us all to:

- *“Recognise the injustices of our past; Honour those who suffered for justice and freedom in our land; Respect those who have worked to build and develop our country; and”*
- *“ Believe that South Africa belongs to all who live in it, united in our diversity.”*
- *Heal the divisions of the past and”*
- *“establish a society based on democratic values, social justice and fundamental human rights;”*
- *“Improve the quality of life of all citizens and free the potential of each person.”*

Honourable members, it is in the municipal areas where our citizens and people work, live and socialise that this process of eradicating injustices, healing the divisions, improving the quality of life and where democracy, social justice and human rights become concrete and meaningful in the lives of South Africans.

Local government is the crucible in which the complex processes of development, governance, transformation of life and living conditions is taking place daily. In this way, the area under the jurisdiction of each of the 278 municipalities is where educational, health, recreational, economic, housing and other

related activities take place daily. This is the space in which our children grow to adulthood, where our talents are shaped, our institutions operate and our wellbeing determined.

These are the institutions that are buffeted by technological, urbanization, economic, developmental and other global and local trends with formidable regularity. This is where institutions and people constantly adapt, change, and respond to the currents of change.

These are the spaces in which the colonial and apartheid governments exercised their power to subjugate, to deprive people of dignity, assets, and voice. Ours is the task to unrelentingly loosen the grip of the past on our present and future. A formidable but historically important task

It is a circumstance of happy augury that this Budget Vote Debate takes place on the eve of the late, former President Nelson Mandela's birthday. In pursuance of the call to celebrate the International Mandela Day, tomorrow, in his honour, I sincerely hope that some of the actions outlined in this budget will inspire individuals and communities to action; to each lay their own brick towards building a better South Africa for all our people.

We are reminded of the words of Tata Madiba, on the occasion of his being accorded the Freedom of Durban in 1999, when he said: *"As freedom loving people, we want to see our country prosper and provide basic services to all. For our freedom can never be complete or democracy stable unless the basic needs are met. We have seen the stability that development brings. And in turn, we know that peace is the most powerful weapon that any community or nation can have"*.

OUR ASPIRATION

The Bill of Rights is the cornerstone of democracy in South Africa, which articulates the rights and responsibilities of our citizens. The realisation of the socio-economic rights in our Constitution is central to our aspirations in a democratic South Africa. Local government, therefore, has a central and pivotal role to play in the implementation of programmes, with provincial and national governments, to give practical effect to content of these rights and the way in which citizens experience them.

We would all agree, regardless of political affiliation, that transformation in the lives of our people must mean:

- Functional municipalities;
- A collaborative intergovernmental system;
- A supportive fiscal system;

- Nurturing traditional institutions; and
- Harmonising relations between municipalities and traditional institution.

But the ultimate test of change is when citizens attest that they have a decent living environment; they enjoy safety for themselves and their children; they can easily access education and health facilities; they are part of a vibrant economy creating jobs and promoting inclusiveness. They leave poverty behind and are out of crass inequality.

The NDP has identified a need for greater stability and cohesion within and across the three spheres of government, and also between government and the people. To achieve this, we need to considerably improve service delivery across all spheres of government, in the face of huge capacity and resource constraints. Therefore a key element to be improved is the system of Intergovernmental Relations.

This policy vision makes municipalities the places where a just and more equitable South Africa will be shaped and take root. Municipalities are where apartheid's settlement geography must be confronted, where the trade-offs involved in addressing poverty and investing in growth must be made, where a new and more cohesive society must be born.

The realisation of this aspiration, and to make even further improvements in the lives of millions of citizens, we need a capable and developmental state to deliver to our people. Building a capable state, brick by brick, while at the same time transforming the lives of our citizens is not an event- it's a painstaking and arduous process.

PROGRESS MADE IN 20 YEARS OF FREEDOM

As we celebrate 20 years of freedom, we must recognize the tremendous strides we have made in eliminating 1100 racist local structures and creating the foundations of a new system of democratic local government.

Local government has played a significant role in addressing access to basic services: water, energy, waste, sanitation, transport, and human settlements.

In South Africa it is a reality that before 1994, the average citizen, I'll call her "Mrs Khumalo", had no municipality, no political representation, no access to water, electricity, refuse removal and decent sanitation.

Changes over the last 20 years have resulted in her now living in a demarcated municipality; she has a Ward Councillor and participates in Ward Committee meetings and her voice is heard.

Like the 89% of South Africans, she has access to water; like 85.4% South Africans, she has access to electricity which enables her to light her home, cook and keep her family warm. Her garbage is collected like 63.5% household in the country. She now enjoys the dignity of access to a decent sanitation like 77.9% of people of this country.

Hosi Mdabula is ecstatic about the electrification of 5 of the six villages by the Thulamela municipality. He says the villagers of Mbhalati, Shihosana, Machele, Salani and Mapimele who had no electricity for decades are now electrified and enjoying the benefit of the service.

In the 14 years of its existence, the structure and system of developmental local government has been set on a firm foundation, and have remained resilient in many instances. Since its establishment in 2000, numerous National and Provincial Government support and interventions measures have been implemented: Masakhane, Project Consolidate, Siyenza Manje, 5-Year Strategic Agenda and the Local Government Turn-Around Strategy (LGTAS). All these support measures were not isolated intervention programmes. Rather, they were part of a continuum of contributions towards building resilient institutions and transforming the agenda of local government.

MUCH MORE TO BE DONE

Much more must be done to fulfil our aspirations.

In 1998, the White Paper Political Committee expressed the view that: *“Actually implementing the policies contained in this Paper will take a supreme effort, tremendous resilience and constructive participation of all role players. It will require our participation and rolling up of sleeves, our acting like citizens, as opposed to mere atomized consumers of municipal service. It will require very specific commitment and effort from national and provincial government and not in the least, from councillors and administrators within local government.”*

We need to do this through enhancing our cooperative government system, by promoting effective provincial government, by strengthening developmental local government and cementing collaborative links with traditional institutions and leadership within a constitutional democracy.

UNDERSTANDING AND RESPONDING TO THE TASKS AHEAD

Honourable members,

We are committed to move South Africa forward and work together with all sectors of South Africa to create a better life for all. We intend to strengthen municipal government and its capacity to govern, to meet the service expectations of people, and to work effectively in a collaborative intergovernmental system.

President Zuma, in his State of the Nation Address of 17 June 2014 announced government's plan of action to revitalize local government. The President announced intensive interventions to support specific municipalities. As a matter of priority, in the immediate term, CoGTA will be working with Provinces, the Development Bank of Southern Africa, our municipal infrastructure support agency (MISA) and other partners to provide targeted support to the municipalities mentioned by the President.

We understand our tasks to take South Africa forward into the next phase of transformation as follows:

- a) *Back to Basics: Setting clear benchmarks of performance in our efforts to ensure that all municipalities perform their basic responsibilities, every day, without fail;*
- b) *Responding vigorously to the immediate crises;*
- c) *Understanding and responding to the structural challenges;*
- d) *Continuing to build resilient local government institutions; and*
- e) *Collectively constructing more rigorous systems of intergovernmental relations/ planning and delivery.*

BACK TO BASICS: ENSURING THAT ALL MUNICIPALITIES PERFORM THEIR BASIC RESPONSIBILITIES

Our aim is to ensure that every municipality must perform these basic functions without compromise:

1. Basket of basic services:

- Basic services and maintenance such as, the cutting grass, patching potholes, working robots and streetlights, consistent refuse removal, must be provided by municipalities.

2. Governance

- All municipal council structures must be functional: meet regularly;

- Oversight committees must be in place and perform their responsibilities, without any interference, e.g. Audit Committee and MPAC's; and
- There is transparency and accountability on the outcomes of these processes.

3. Administration

- All municipalities enforce competence standards for senior managers and appoint persons with the requisite skills, expertise and qualifications;
- All senior managers sign performance agreements; and
- Performance management systems are applied in accordance with the law.

4. Sound Financial Management

- All municipalities have a functional financial management system;
- Rigorous Internal controls;
- Cut wasteful expenditure;
- SCM structures and controls with appropriate oversight;
- Cash-backed budgets;
- Post Audit Action Plans are addressed; and
- Act decisively against fraud and corruption

5. Substantive Community engagements and participation

- All Councillors report regularly to their wards;
- Municipality have clear engagement platforms with communities, e.g. ward level service delivery plans, IDP's and Budget report backs; and
- Transparent, responsive and accountable processes to communities, etc.

6. Service Delivery

To ensure that municipalities develop new infrastructure at a faster pace whilst adhering to the relevant standards for such infrastructure, and to enable them to improve operations and maintenance of existing infrastructure to ensure continuity of service provision.

In this regard, CoGTA, working with Provincial Departments of Local Government, SALGA and other key institutions within and outside of government, will be establishing compliance monitoring

capability and introduce mechanisms for managing consequences for non-compliance and poor performance.

RESPONDING VIGOROUSLY TO IMMEDIATE CRISES

Through numerous assessments and the support and intervention measures by National and Provincial Government, a substantial knowledge base has been collected on what the problems on local government are. There is urgency in Government to deal with dysfunctional municipalities or systems, particularly covering areas such as:

- Water service infrastructure; e.g. Bloemhof;
- Infrastructure maintenance;
- Political - Administrative Interface;
- Malfunctioning governance structures;
- Community protests; and
- Municipalities under intervention in terms of section 139 of the Constitution.

In this regard, we will be strengthening our existing Rapid Response capability through working with IMC Task Team on Service Delivery, other key National Departments, Provinces and mobilization of other key delivery vehicles.

UNDERSTANDING AND RESPONDING TO THE STRUCTURAL CHALLENGES

Whilst there are many contingent issues that will be dealt with, the NDP clearly outlines the structural challenges and initiatives that need to be taken to truly transform our environment.

Allow me to outline some of these challenges and our plans:

1. SPATIAL APARTHEID

Integrated and sustainable human settlements are the key to redressing the prevailing apartheid geography, restructuring cities, shifting ownership profiles and choices, and creating more humane (and environment-friendly), safe living and working conditions. In this regard, in the medium to long term, CoGTA will be working with National Departments that have spatial planning responsibilities to ensure

that a coherent National Plan is developed to address spatial integration and transformation aimed at redressing the apartheid spatial geography.

Spatial and land use planning in line with the objectives of densification, managing urbanisation, effectively addressing the spatial divide between residence and work will be urgently addressed with a national framework.

2. RAPID URBANISATION

South Africa's top priority is job creation. Cities and towns can help to create jobs. Cities and towns offer great opportunities for addressing the challenges of poverty, inequality and unemployment and ultimately our ability to achieve the social and economic transformation required. With the projected urbanisation and population growth reaching 70% by 2030, majority of these urban dwellers will be found in the cities and towns, townships and informal settlements.

In this regard, COGTA will be finalising the Integrated Urban Development Framework as a coherent government strategy that seeks to foster a shared understanding across government and society about how urbanisation should best be managed and the goals of economic development, job creation and improved conditions of living for our people achieved.

3. ROLE OF DISTRICTS

The District System is diverse in many respects. Some are water service authority with sizable budgets and responsibility to support local municipalities. Others perform very few functions with little impact on local municipalities. In some instances, the relationship of Districts with locals is characterized by tensions over distribution and location of powers and functions.

The important role of districts in ensuring that we attain our developmental vision in our rural towns and municipalities cannot be over-emphasized. As part of our Back-to Basics approach, our priority will be to strengthen the district municipalities to play their role in regional planning, provision of bulk services, sharing professional services, and generally playing a supportive role.

4. CONTINUING TO BUILD RESILIENT LG INSTITUTIONS

Our aim is to ensure that we build strong institutions, systems and processes in Local government that are sustainable, focused and responsive to the needs of the citizens. The critical areas to address in the medium to long term are the following:

- **Credible Planning**

Need to strengthen intergovernmental planning and collaboration on a basis of an inter-sphere integrated plan. To unlock the inter- sphere resources and plans for targeted support to address inequality, marginalisation and joblessness.

- **Financial Management**

Improve overall financial management capacity and capability to ensure that these systems and processes deliver value in the utilisation of state resources and investments and the impact on peoples lives.

- **Administrative Systems**

Strengthening administrative systems to ensure that their developmental orientation is institutionalised and peoples centred. These institutions are effective, efficient and accountable in the performance of their responsibilities to communities they serve.

- **Oversight and Accountable**

Our institutions of government, elected officials and administrators should not be self-serving, but rather be sensitive to the needs and plight of the people they were elected to serve. Prudent use of state resources to achieve developmental outcome is paramount.

- **Infrastructure Planning Processes and Service Delivery Model**

Deliver infrastructure at faster pace through effective service delivery models that are focused and targeted, and build internal technical capacity for sustainable infrastructure and service provision with a forward-looking planning horizon.

- **Training and Capacity Building Institute**

We will work with Minister Nzimande to shortly announce details of the establishment of a Local Government Training Institute, which will significantly enhance our capacity to train political office bearers; technical managers and staff.

5. GOVERNMENT–WIDE COLLABORATION AND SUPPORT

The Constitution is very emphatic on the importance of national, provincial and local government cooperation. The whole system of cooperative governance must work in a coherent and integrated manner to support, municipalities. Practical steps to be taken in this regard include the following:

- The alignment and integration of planning instruments;
- Development of a clear spatial and functional vision for various local spaces supported by a coherent and coordinated plan from National and Provincial government;
- Recognizing the importance of building information and data collection and analysis capability of the performance of municipalities; and
- The development of early warning systems and monitoring and evaluation.

6. INFRASTRUCTURE: MAINTENANCE AND IMPLEMENTATION

Honourable Speaker - Let me briefly turn to the work being done by CoGTA in respect of improving municipal infrastructure provisioning and maintenance for accelerated service delivery.

CoGTA's support, and that of its municipal infrastructure support agency, to municipalities aim to ensure that municipalities develop new infrastructure at a faster pace whilst adhering to the relevant standards for such infrastructure, and to enable them to improve operations and maintenance of existing infrastructure to ensure continuity of service provision.

The second major focus of the support aims at assisting municipalities to build their internal technical capacity to progressively strengthen their capability for sustainable infrastructure and service provision in the long term.

We will consider introducing legislation designed to incentivise specific positive behaviour among municipalities. Such behaviour will include:

- 10 year infra investment plans on regional basis;
- Review of implementation capability;
- Collaborative work among government agencies;
- Maintenance minimum 7% allocation; and
- Current interventions – as below – but summary

Through our Municipal Infrastructure Support Agency, CoGTA is currently providing technical capacity support to 107 municipalities through the country.

A total of 77 technical experts (engineering and planning professionals) assigned to support these municipalities. This list includes 24 District Municipalities identified by Cabinet for priority support towards addressing their extremely high levels of backlogs on households' access to basic services. Further support is being provided through 25 contracted professional service providers to address specific challenges in relation to infrastructure provision identified during the assessment process.

For example, this programme has been initiated in Vhembe District Municipality, in Limpopo Province, where we have deployed technical experts to undertake operations and maintenance of water and sanitation infrastructure over two years. Through the deployment of this capacity, the functionality of infrastructure and provision of services has significantly improved. For the current financial year (i.e. 2014/15), the programme is also being rolled out in other District Municipalities in KwaZulu Natal, Eastern Cape, North West and Northern Cape.

7. ECONOMIC DEVELOPMENT AND MUNICIPALITIES

Municipalities of all sizes and locations must play a more dynamic, assertive and innovative role in experimenting with economic development projects that utilise an understanding of their local environment and its endowments – both contextual and in terms of human capital.

As economist, Dani Rodrick says:

“The new approaches to development are diagnostic. They acknowledge that we do not know what works, and that the binding constraints to development tend to be context-specific. Policy experimentation is a central part of discovery, coupled with monitoring and evaluation to close the learning loop. ... China certainly learned from its policy experiments without a proper control group”.

National and provincial entities must find new ways of exploring local potential to develop local economies thereby creating jobs and contributing to a widening revenue base for municipalities. National transfers alone cannot meet all local needs.

8. PUBLIC SECTOR JOB CREATION

As a component of the EPWP Non-State Sector, the Community Work Programme (CWP) will be contributing 1 million of the 6 million EPWP work opportunities committed to by the President in his State of the Nation Address. However, this commitment coming to fruition with regard to the CWP will be dependent on National Treasury making good on their commitment to inject an additional R1 billion to the

CWP budget in 2016/2017. The budget increase would enable CWP expansion to every local municipality in the country by the end of that financial year.

Presently, the CWP is being implemented in 149 municipalities. The increase would further facilitate the necessary up-scaling of participation levels in existing sites in order to make the achievement of the 1 million CWP work opportunity target a reality at the end of 2018/19. This achievement would translate into an improved quality of life for 1 million CWP participants, their families and their communities. The wages will enable them to access basic life necessities such as food, child care and transport services.

9. COMMUNITY INVOLVEMENT

While understanding the rights of communities to protests, and acknowledging that often there are weakness in government communication and community engagements at local level, we cannot tolerate the destruction of property and the violent nature of protests, especially when they assume a criminal character and start impacting on the rights of others, and reversing the state investment in community infrastructure. Citizens and communities have rights and corresponding obligations, and must keep their side of the bargain. Zero tolerance to cable theft and illegal connection, and paying for services rendered should be our civic duty.

10. LOCAL GOVERNMENT ELECTIONS

The last general municipal elections were held on 18 May 2011 and the next election of municipal councils must be held by 18 August 2016. Appropriate intergovernmental structures will also be established to oversee the arrangements for the 2016 municipal elections. Deputy Minister Nel will provide further details on this matter.

11. SUPPLY CHAIN MANAGEMENT PANEL

We will, in few weeks to come, establish an Advisory Panel to improve on the integrity of Supply Chain Management or Procurement Systems in municipalities. The panel will include members of civil society and the corporate sector to provide advice on how the procurement systems of municipalities can be improved to inspire greater public confidence in municipal finance management. Furthermore, the Panel will advise on how a new ethic and value system can be infused among all government actors.

12. SALGA

We will be collaborating with SALGA in the implementation of the sustained transformation programme for local government. We take the opportunity to commend SALGA for the strategic advocacy role they have performed on behalf of their member municipalities and their commitment to improving the performance of local government.

13. UNIONS

We are looking forward to a constructive relationship with the unions as we build municipalities that fulfil their developmental responsibilities and their participation in the effort towards the professionalization of local government.

14. MDB

The Municipal Demarcation Board has a crucial role to play in ensuring that demarcation processes contribute to the establishment of viable municipalities. Therefore, the process of demarcation should be used legitimately as an instrument of development.

15. TRADITIONAL AFFAIRS

Madam Speaker let me now turn to the Department of Traditional Affairs.

National Development Plan (NDP) recognises the importance of social cohesion, the role of traditional leadership in governance, administration of justice, socio-economic and cultural development. It is therefore important to harmonise the relations between traditional leadership and local government to improve service delivery and development within municipalities.

16. SOCIO-ECONOMIC DEVELOPMENT

We will continue to promote socio-economic development in traditional communities through partnerships with all stakeholders focussing on cultural tourism, mining and agricultural projects such as Fetsa Tlala Programme, which was launched by the President in 2013.

17. INITIATION

Winter and summer are initiation seasons and at the moment Initiation is under public scrutiny. A high number of initiates have died over the past few years and continue to die due to negligence, lawlessness and commercialization of this cultural practice. Government condemns operators of illegal schools and those who do not take the initiates through the pre-screening process and surgeons who do not apply for permission to open the initiation schools. So far, about 30 perpetrators have been arrested across the country for murder and culpable homicide and we are calling for stiff sentences for the culprits. Deputy Minister Bapela will provide further details in this regard.

We are going to finalise Initiation policy in 2014/15 to ensure that we establish norms and standards to regulate this practice. Government has started implementing Medical Male Circumcision (MMC) in various provinces without fatalities. This modern approach will be rolled out in future in collaboration with the Health Department and traditional leaders to save lives of young men who die in many of illegal schools

18. FINANCIAL RESOURCES ALLOCATIONS FOR THE MTEF CYCLE

During the current MTEF Cycle, the Department's Budget Vote 3 has been allocated a total of R207, 104 billion, of this 95% (197,344 billion) goes to transfers to municipalities and entities, 4% (R8.4 billion) goes to Community Work Programme and the balance of 1% (R1, 387 billion) is for departmental operational budget. The Local Government Equitable Share received a major allocation of (R147, 565 billion), followed by the Municipal Infrastructure Grant at (R45, 547 billion).

In terms of Municipal Infrastructure Grant reprioritisation an amount of R850 million has been earmarked for the total eradication of the hatred bucket system and this will be undertaken by the Department of Water and Sanitation. The total allocations are further split as follows for each Financial Year 2014/15, R63, 213 billion, 2015/16 R69, 641 billion and 2016/17 R74, and 252 billion. The Municipal Infrastructure Support Agency, which forms part of the transfer payments, has been allocated an additional R60 million for the entire MTEF. The total budget now stands at R917, 543 million.

19. CONCLUSION

Madame Speaker,

All South Africans need to appreciate that unless we are able to harness our collective ideas, talents, energies and resources, we will not solve our many intractable problems. So, the central challenge for local government is to reposition itself as true institutions of the people for the people, determined to take the lead in the fight against unemployment, poverty and inequality.

We must all agree on a set of “non-negotiables” and commit ourselves to perform our basic responsibilities diligently:

1. Put people and their concerns first;
2. Create conditions for decent living;
3. Look for opportunities to increase economic activity and widen the revenue base;
4. Cut wastage, spend public funds prudently;
5. Good governance;
6. Maintain infrastructure and budget for this;
7. Constant contact with communities;
8. No failures in services – or restore with urgency;
9. Hire competent staff; and
10. Use CWP – create job opportunities and use the programme to improve the area.

Honourable members - we are here today as free members of a democratic Parliament because Nelson Mandela has impacted our lives in such a manner that we are now obligated to make this world a better place in which to dwell.

This fits into what President Nelson Mandela repeated on his 91st birthday in 2009 and what has become his call to action: *“It is in your hands to create a better world for all who live in it.”*

We as the beneficiaries of his legacy have a duty to see to it that the goals and ideals that he embodied materialise for each South African. Let us all take action aimed at making local government a pleasant experience for all South Africans.

I thank you!