

BUDGET OVERVIEW: VOTE 5 - DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT (dplg) FOR THE 2006/7 TO 2008/9 MEDIUM TERM EXPENDITURE FRAMEWORK PERIOD

Presented to

THE PARLIAMENTARY SELECT COMMITTEE ON LOCAL GOVERNMENT AND ADMINISTRATION BY MS LINDIWE MSENGANA-NDLELA, DIRECTOR-GENERAL, NEW ASSEMBLY WING, PARLIAMENT

24 May 2006

Honourable Chairperson, Mr. Sicelo Shiceka;
Honourable Members of the Select Committee in the National Assembly;
Ladies and Gentlemen:

Thank you for providing us with this opportunity to present the budget overview on behalf of our Minister, Mr. F S Mufamadi and the Department of Provincial and Local Government.

In a budget overview presentation for the 2005/06 financial year to the Portfolio Committee on Provincial and Local Government on 1 March 2005, dplg commented as follows:

“Following the Local Government Elections Preparatory Conference that was held in September 2004 and the subsequent approval of a Programme of Action by Cabinet, financial resources have been set aside in order to enable successful local government elections in the 2005/6 financial year.

In the dplg Vote, an amount of R23, 6 million has been allocated to the Municipal Demarcation Board for the 2005/06 financial year and supplementary funding to the Independent Electoral Commission (IEC) through the Department of Home Affairs.”

As you will be aware, we can now proudly report that the South African local government elections were held successfully and were pronounced as free, fair and credible by the IEC. We would like to thank you honourable members of parliament and many South Africans for the many and varied contributions that you made towards a successful poll on 1st March 2006.

South Africa registered a higher voter turnout than the international average of 41 percent in local government elections. We have seen a slight improvement in the national average of voter participation from 48,0 in the year 2000 to 48,3 percent this year.

This term of local government from 2006 to 2011 can indeed be characterized as one of great opportunity and hope for all South Africans, particularly the poor. The positive result of the elections follows the State of the Nation Address by President Mbeki on 03 February 2006 who referred to this phase of our democracy as an "Age of Hope". These elections and many other surveys on consumer and business confidence reveal that the South African public is optimistic and expects government to deliver on its mandate, particularly at local level.

Our presentation to this committee today will therefore focus on how the **dplg** intends to contribute, through the budget and its programmes, in meeting the expectations of our people over the next three years. The presentation will also take into consideration some of the lessons learnt since the advent of our democracy in 1994.

1. MUNICIPALITIES WILL RECEIVE R82bn THROUGH THE DPLG BUDGET

As the Minister of Finance, Mr. Manuel indicated in his budget speech on 15 February 2006 the division of revenue to the local sphere of government, in comparison to the national sphere, is increasing steadily from approximately 4,6 percent in the 2005/6 financial year to 7 percent by the 2008/9 financial year.

Local government will receive R92 billion over this MTEF period. The bulk of this amount (R82 billion) will be allocated to municipalities through the **dplg** budget and the remainder through the national departments of Transport, Minerals and Energy, Water Affairs and Forestry and National Treasury. These national transfers to municipalities can be categorized into three areas: The equitable share and related transfers, funding for infrastructure development and current transfers for capacity building. We will refer to these categories in the course of our presentation today.

2. INSTITUTIONAL TRANSFORMATION AND CAPACITY DEVELOPMENT

Looking back at our recent history, the amalgamation of previously segregated municipalities into single municipal entities and the re-organisation of administrations was a challenge yet a necessary undertaking. Municipalities had to, on one hand manage the transformation process in tandem with the implementation of their constitutional mandate and on the other hand cope with the growing demands for service extension to poorer communities. Therefore the establishment of the new system of local government in 2000 coincided with an acceleration of the national effort to redress poverty and development.

The honourable members will also remember that by the year 2000, the national and provincial spheres had started to come to terms with their own transformation and attained relative stability. However, local government was on a less secure footing than the other two spheres when it had to take on national tasks. The White Paper on Local Government that was published in 1998 paved the way for the basic legislation that sought to support this new system, as indicated below:

- Local Government: Municipal Demarcation Act, 1998
- Local Government: Municipal Structures Act, 1998
- Local Government: Municipal Systems Act, 2000
- Disaster Management Act, 2002
- Traditional Leadership and Governance Framework Act, 2003
- Local Government: Municipal Finance Management Act, 2003
- Municipal Property Rates Act, 2004
- Intergovernmental Relations Framework Act, 2005

Chairperson, I would like to briefly refer the honourable members to the ***Case Study on Municipal Transformation in Ekurhuleni Metropolitan Municipality, Gauteng*** to demonstrate the challenges and opportunities faced by municipalities in the process of institutional transformation.

In December 2000, nine towns (Alberton, Benoni, Boksburg, Brakpan, Edenvale, Germiston, Kempton Park, Nigel and Springs) and two administrations in the eastern region of Gauteng were amalgamated into one municipality. Ekurhuleni has now a population of more than 3 million people and covers an area of 1 889 kilometers.

Before 1994, these towns had within them communities who were separated by apartheid laws along racial and class divisions. A majority of the people lived in densely populated and under-serviced areas. One of the main challenges was and continues to be the stubborn nature of poverty and underdevelopment in these areas.

As we speak, the Ekurhuleni Metro has been able to integrate a total of 13 650 staff members from 11 different entities. The rates and taxes of the nine towns were combined into a uniform rates and tariff structure. One single billing and metering system was implemented. The ward committee system was set up in more than 88 wards and participatory approaches to governance were put in place. Basic services are now provided to poor households.

As this Metropolitan Council enters this new term of local government, like many other municipalities in the country, we marvel at what has been achieved under very difficult circumstances and we are convinced of many opportunities that await communities in these localities.

Funds set aside for improving skills and systems in municipalities

Over the 2006/7 MTEF period, municipalities will receive allocations from the Capacity Building Grant valued at *R600 million* for the next three years. In addition to this amount *R73 million* has been set aside to co-ordinate the implementation of Project Consolidate municipalities and the deployment of technical expertise. Government is pleased with the response from the private sector and development agencies such as the Development Bank of Southern Africa (DBSA) who will be making available technical expertise to support municipalities.

These capacity building initiatives will be directed at improving capacity and systems in local government particularly with regard to performance management, financial management, project management, engineering and other specific skills in the infrastructure environment. With regard to local leadership development, funds have been set aside within the **dplg** budget and the allocation to the South African Local Government Association (SALGA) to roll out induction and re-orientation sessions in the short-term as well as a medium term development programme.

3. BASIC SERVICES AND INFRASTRUCTURE DEVELOPMENT

Lessons from practice in the past 11 years confirm the need for government and all South Africans to have a better appreciation of history, progress and the challenges that we face as a nation. It is clear that the nature and extent of poverty, underdevelopment and infrastructure backlogs that have been inherited by these newly amalgamated municipalities were immense and grossly underestimated.

Despite this reality of historical neglect, some progress has been made, with and through local government to improve access to basic services and sustainable development. For example, today more than 10 million people have access to clean water and 3,9 million poor households receive this water service freely. There are 4 million more electricity connections and 2,9 million households who are recipients of free basic electricity. More than 1,9 million of housing units were built and 75 219 are currently under construction. Poor communities are today recipients of new services in the form of waste removal and new infrastructure in the form of recreational facilities, roads and transport infrastructure.

This success in service delivery was premised on a commitment by government to massively increase the stock of public and municipal infrastructure. This is also illustrated by an analysis of **the dplg** budget and programmes.

Through the Consolidated Municipal Infrastructure Programme (CMIP) and the Municipal Infrastructure Grant (MIG) alone government invested over R10.3 billion in basic municipal infrastructure since 2000. By the end of the 2004/5 financial year, a total of 2 500 projects were supported benefiting over 3 million households. Other positive outcomes included the utilization of 2 712 SMMEs as well as the provision of work and training opportunities. Some of the important beneficiaries of these programmes were women and the youth.

Municipalities will receive additional funding to roll out free basic services

Over the 2006/7 MTEF period, an amount of *R35,7 billion* will be transferred directly to municipalities through the Local Government Equitable Share (LGES). With these increased resources, supplemented by local revenue, our municipalities will be placed in a better position to fund the provision of free basic services and sustainable development.

R21, 4 billion has been set-aside for Municipal Infrastructure over the next three years

The Municipal Infrastructure Grant (MIG) will receive an additional boost of *R21,4 billion*. Municipalities will utilize these funds for infrastructure development and maintenance, particularly with regard to water, refuse removal, municipal roads, community halls, sports and recreation facilities. This amount includes *R1,2 billion* for the eradication of the bucket sanitation system. In line with the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA), municipalities are expected to utilize labour-intensive methods in order to create jobs.

Metro and District municipalities to receive additional funding for Municipal Health Services (MHS)

The MHS will be funded to an amount of *R550 million* over the medium term. This additional funding will be part of the Basic Services component of the LGES, and will be made available to metropolitan and district municipalities to assist them in carrying out the Municipal Health Services function.

Metro and District Municipalities to receive new Regional Services Council (RSC) levy replacement of R24 billion

The six metropolitan municipalities and the forty-six district municipalities will receive an additional amount of *R24 billion* over the MTEF period, in order to perform their mandate and improve service delivery. These funds will replace the RSC levy that these municipalities previously collected from local employers and the business sector. It is expected that employers will utilize this relief of *R7 billion* in the 2006/07 financial year to increase job opportunities for local communities.

4. INTEGRATED PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)

One of the main aims of ASGI-SA is to ensure that growth is shared amongst all classes of South Africans. The imperative is to spread growth to the poor. This goal cannot be achieved without locating a role for local government in creating more favourable conditions for economic development. Therefore, LED would be the outcome of effective

and efficient municipal governance and a manifestation of macro-economic performance at a local level. Due to the differential nature of South African municipalities, these areas do not contribute equally to the national economy. The six metropolitan municipalities alone contribute 55,4 percent to the national Gross Value Add (GVA) of our country.

Data from the Council for Scientific and Industrial Research (CSIR) reflects that of the 53 district and metropolitan areas, the economies of 13 of them grew consistently above the national average of 2,5 percent, per annum, over an 8-year period from 1995 to 2003. The strongest growth was represented by:

- uThungulu District (Empangeni, Richards Bay in Kwa-Zulu Natal Province) at 5,8 percent;
- Bojanala Platinum District (Rustenburg, Moretele, Koster, Brits in Mpumalanga Province) at 4,7 percent;
- Tshwane Metro in Gauteng Province at 4,6 percent;
- Johannesburg Metro in Gauteng Province at 4,2 percent;
- Frances Baard District (Kimberly, Barkely-West in Northern Cape Province) at 3,7 percent;
- Eden District (George, Knysna, Plattenberg Bay in Western Cape Province) at 3,5 percent;
- Waterberg District (Elisras, Warmbaths, Potgietusrus in Limpopo Province) at 3,4 percent; and
- Nkangala District (Middelburg, Witbank in Mpumalanga) at 3,0 percent.

I refer to this empirical evidence to demonstrate the potential that remains to be tapped as government continues to create opportunities for economic development in these local geographic areas. Collective action and practical partnership programmes with other sectors of society, particularly the private sector, labour organizations and communities, can maximize these efforts by government.

Chairperson, I would like us to briefly consider a ***Case Study on Integrated Development in Khayelitsha Township in the Cape Town Metropolitan Municipality, Western Cape.***

In 2001, Khayelitsha had a population of approximately 329 000 people, representing 11,37 percent of the city's population. The latest surveys suggest that the population is

closer to 500 000 because of high in-migration levels from neighbouring provinces. A significant number of households, 64 percent, live in informal dwellings and 35 percent of the economically active population is unemployed. Because of the distance from employment opportunities, access to affordable public transport is critical.

It is within this context that five years ago, the Cape Town Metro in association with National Government and the Development Bank of Southern Africa (DBSA) embarked on feasibility studies into the development of a Central Business District (CBD) on 73 hectares of public owned land. The intention was to invest in public social and economic infrastructure and attract private investment.

The Cape Town Metro prioritized the funding of public spaces. Amongst these was the development of 500 residential units, a transport interchange valued at R25 million, a bus and a taxi terminus valued at R8 million, pedestrian walkways together with public squares costing R2,3 million and a sport facility with a cricket oval and a swimming pool costing more than R4 million.

In the same vein, the Department of Social Development constructed a social services facility. The Department of Home Affairs built offices, which will issue identity documents and improve access to different kinds of social services. The Department of Justice and Constitutional Development constructed a Magistrate Court. The Arts and Culture Department erected a Wall of Remembrance to record the history of the people of Khayelitsha.

With the active involvement of the private sector, a 17 500-sqm center was completed in November 2005, with tenants mainly in the banking and retails sectors. Today, the Khayelitsha CBD represents one of the largest public-private investments in a South African township. The total development cost for the first phase was R451,6 million. The case study on integrated development in Khayelitsha is one out of many possibilities and opportunities in a new South Africa.

Government will focus on building integrated and co-operative governance in this next term of Local Government

Integrating planning across the three spheres, improving the quality of municipal Integrated Development Plans (IDPs), enhancing Local Economic Development (LED)

and implementing the Intergovernmental Relations Framework Act (2005), were core aspects of the President's State of the Nation Address and are key features of government's Programme of Action (PoA). An amount of *R94 million* over the MTEF period has been set-aside for this purpose in the **dplg** budget.

5. TRADITIONAL LEADERSHIP, GOVERNANCE AND COMMUNITY PARTICIPATION

Honourable Chairperson

We are pleased to report that in 2005, all of the six affected Provinces were able to pass provincial-specific legislation as required by the Traditional Leadership Framework Act of 2003. This commendable progress will go a long way in confirming the role of the institution of traditional leadership particularly in traditional communities. The Commission on Traditional Leadership Disputes and Claims is proceeding with public hearings and related activities.

A total amount of R68,2 million over the MTEF period has been set aside as a contribution to the promotion of this institution. Of the total amount, R26 million will be transferred to the National House of Traditional Leaders, R22 million to the Commission on Disputes and Claims and R18 million within **the dplg** budget. In addition, the Commission on Cultural, Religious and Linguistic Communities will receive R43,3 million over the same period.

With regards to good governance and community participation, the inadequate accountability mechanisms straddle both the administrative and political domains in some of municipalities. It is for this reason that this new term of local government will be characterized by a decisive shift towards strengthening accountability and public participation mechanisms.

The induction and re-orientation sessions for councilors will emphasize the importance of municipal good governance that is rooted in community participation. However, it must be noted that social mobilization is not the exclusive responsibility of government. The participation of other stakeholders in society, particularly non-governmental organizations, faith-based organizations and traditional leaders must receive greater attention in social mobilization efforts by municipalities.

Honourable Chairperson

Government has undertaken a qualitative assessment of the local sphere of

Informed by the benchmarks we have set for our municipalities over the next five years, three overarching priorities for local government will be undertaken. These priorities constitute a combination of the following:

and fiscal environment for local government.

This budget of R82 million within the dplg over the MTEF period therefore represents a financial commitment and contribution to improve performance at provincial and local government.

After only 11 years since the establishment of a constitutional democracy, South Africans are in a better position to learn from the past, celebrate the country's successes, address challenges and stand to be counted amongst the greatest nations in the world. Each and every South African has a vital role to play in this national enterprise for sustainable development. I thank you.

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