



SALGA

South African Local Government Association

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OUTCOMES OF SALGA NATIONAL EXECUTIVE COMMITTEE POLICY WORKSHOP OF 23-24 AUGUST 2010

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As the representative voice of the sphere of local government it is our role and responsibility to ensure an efficient and effective Local Government through representing the needs and positions of municipalities for better service delivery. As such, the SALGA National Executive Committee (NEC) met from 23 - 24 August this year, to draw up a Local Government position that seeks to influence the policy making process at the ruling party's National General Council scheduled for later this month. We concluded on the following:

BUILDING A NON-SEXIST SOCIETY, through the recognition of women in local government and review of relevant legislation to include specific gender clauses. In this regard SALGA advocates and supports for the process promulgating the Gender Parity Bill. As SALGA we are on record as having pioneered the Gender Parity process as far back as pre the 2006 Local Government elections. This was demonstrated through a 50:50 campaign for councillor representation as an outcome of the 2006 local government elections. This was unprecedented since the post 1994 democratic dispensation and Local Government. Although we did not meet the 50:50 representation of male:female ratio, we nevertheless achieved a significant representation of 37% of women councillors. Steadily progress is being made at various levels, both official and political. As SALGA we remain optimistic and will advocate representation will be achieved in the next local government elections.

URBANISATION AND MIGRATION are a global phenomenon which must be factored into policy and planning processes at all levels in order for it to be effectively managed. As a minimum measure, municipalities should establish migration help desks to create a support and institutional framework for engaging migrants.

When it comes to issues of **LEGISLATURE AND GOVERNANCE**, Local government has been given a very broad and challenging set of responsibilities, but there are a number of interventions targeted at local government which tends to ignore the fact that there are a number of factors influencing municipal performance, which are beyond the

control of municipalities. For example, municipal boundaries, powers and functions cannot be determined by municipalities themselves and these have long been recognised as major governance problems, not merely functional or operational problems.

Effective performance against its Constitutional mandate requires a coherent and co-ordinated set of support initiatives from the other two spheres of government.

In some instances powers and functions will need to be re-assigned; in some areas, institutional reform will be necessary to make more effective use of the limited skills available to support better performance and more effective service delivery.

But greater national control over local government cannot solve the problem and will only harm local democracy and erode the gains made to date.

In this regard, we looked at a number of areas.

With regard to the **TWO-TIER SYSTEM OF LOCAL GOVERNMENT** the Municipal Structures Act makes specific provision for the division of powers and functions between district and local municipalities. The implementation of the legislation has the effect that the vision of strong district local government has not come to pass and local municipalities have remained dominant in a large part of the country. This requires a new strategic focus for local government and districts in particular. There is a need to further distinguish between local municipalities for purposes of assigning functions to them. There would thus be an asymmetrical distribution of functions between local municipalities based on their classifications within the system. The NGC must propose a more nuanced approach to the division of powers and functions between local and district municipalities taking into account the role of provinces vis-à-vis metros and B1 municipalities, and the role of districts vis-à-vis strong and weak local municipalities respectively.

On the issues regarding the governance model of municipalities, SALGA proposes that the **SEPARATION OF POWERS** between the legislative and executive arm of the municipality be implemented to promote greater accountability, mechanisms, checks and balances within the system. This will be in keeping with conventions similar to the National and Provincial spheres. As part of strengthening sound financial governance systems within Local Government, SALGA propose that **MUNICIPAL PUBLIC ACCOUNTS COMMITTEES (LOCAL SCOPAs)** be established within municipalities. These committees will strengthen oversight and complement the role and functions of Audit Committees.

With regard to political and administrative systems, the following areas need attention:

- A clearer definition of the role of councillors - role of a councillor as a voice for the community and an overseer of the municipal executive/administration need to find better expression so as to avoid unrealistic expectations.
- The role definition between executive councillors and senior management must be sufficiently clarified.
- The full-time/part-time nature of councillors should be reviewed with a view to reflect the realities and expectations from communities.

- Through the development of guidelines or a framework, provide clarity around the roles and responsibilities of municipal office-bearers, especially Municipal Chief Whips.
- Develop a model policy to deal with issues of public participation beyond ward committees in order to clarify the elements that constitute public participation.
- Review the continued existence of Plenary Systems with a view to abolish this system.

One of the critical areas for review within local government is a **review of funding to municipalities**. This is necessary as limited funding resources is a major issue for municipalities. We therefore recognise a need for a review of the fiscal framework (funding transfers to municipalities, shrinking revenue base and mandates).

The Constitution of Republic of South Africa creates three sphere of government with different revenue raising capacities. These capacities are complemented by intergovernmental transfers to ensure that each sphere has sufficient funds to discharge their expenditure responsibilities.

The finances of municipalities are fundamental to how municipalities function. Municipalities are financed from three sources, namely own revenues, transfers (grants and equitable share) from national and provincial governments, and loans. The primary sources of municipal own revenue are charges for trading services (water, sanitation, electricity and refuse removal), property rates and the now phased out Regional Service Councils (RSC) levies.

A part of these funds is earmarked for infrastructure development and part of it is spent in terms of the municipality's own priorities. There is a stark difference between the buoyant municipal tax base of large municipalities and the extent to which underprivileged rural municipalities can raise money from their residents. The viability of smaller rural municipalities with minimal economic bases needs to be addressed as a matter of urgency. In addition, municipalities are being owed large sums of money in outstanding rates and taxes. Specific interventions in the form of capacity, support and resources for improving revenue management systems and processes needs to be considered.

As SALGA we are saying:

1. The current revenue sources at municipal level must provide “closure of the investment cycle” with respect to municipal developmental investments (LED); the return on municipal investment must be tangible and predictable, thereby advancing the incentive for LED.
2. The implementation of REDs must take place within the context of the current constitutional and legislative regime so as to ensure the continued financial viability of local government.
3. The funding of district municipalities must be in line with the service delivery obligations that national and provincial government place at their door.

4. The operational and maintenance costs of infrastructure development are not factored into the calculation of the Municipal Infrastructure Grant (MIG) and other grants. The expansion of the developmental component of the Equitable Share is critical if local government wants to maintain the gains of the MIG programme.
5. The formula for distributing equitable share to municipalities needs to be revisited and will be further advanced at the October 2010 Budget Forum.
6. There is also a need to explore other sources of revenue to address challenges as a result of a declining revenue base. SALGA would like to support the consideration of reviewing development charges and contributions for developments and for the introduction of a local business tax. A proposal will be made to the Minister of Finance in this regard.

A REVIEW OF THE ROLE OF ORGANISED LOCAL GOVERNMENT (SALGA) must also be done, with a focus on strengthening its role and properly resourcing it to strengthen its support and advisory role to municipalities. This includes the review of the current part-time role of SALGA in the National Council of Provinces (NCOP) to full time representation as well as full time representation in the provincial legislatures.

It is of concern that the policy documents of the NGC of the ruling party do not adequately address policy issues that relate to **MUNICIPAL INFRASTRUCTURE SERVICES** delivery and the country's response to climate change especially from the point of low carbon and resilient delivery of municipal infrastructure services.

There is an apparent tension between the two key undertakings of local government in respect of size. The two key undertakings are being institutional mechanisms for bringing the effect of governance, as a whole, closer to communities so that citizens may have meaningful participation in determining their destiny (*Providing socio-economic developmental services*). The smaller the size of a municipality the closer it is to communities, enhancing its ability to bring governance closer to communities, but the less viable it is, in respect of economies of scale, with regards to efficient delivery of socio-economic developmental services.

There is a need for a policy debate that seeks to inform how to structure municipal service governance and delivery functions so as to resolve this tension.

With regards to the delivery of basic municipal infrastructure services (**water, sanitation, roads, electricity distribution and refuse removal**) at least three policy performance areas need to be considered i.e.

- Provision of bulk infrastructure services
- Reticulation and distribution services by municipalities
- Infrastructure maintenance backlogs vs. investing in new services to serves those without access to services

On bulk services, SALGA noted that the challenge of bulk infrastructure tends to be discussed as if it is a one dimensional singular problem; the *funding of bulk infrastructure*. The bulk infrastructure funding constraint is real and needs to be urgently attended to. However the other dimension to the bulk infrastructure constraint is *institutional* and this has sectoral nuances. A bulk infrastructure grant discussion without considering the institutional aspects of bulk infrastructure as well as sectoral nuances is not going to solve the problem.

On *water supply*, consideration must be given to the establishment of effective institutional capacity that will focus on planning, financial resources mobilization, development and operation and maintenance of regional bulk water resources infrastructure (regional dams and desalination water schemes); something akin to Trans-Caledon Tunnel Authority (TCTA) but focusing on regional schemes to solve the problem of raw water scarcity.

There is also the institutional constraint related to bulk water purification institutions (Water Boards) which cover only about 40% of the country. In this regard, DWA has to complete the process it initiated some years ago which was aimed at rationalizing the bulk potable water institutions (water boards) so that every part of the country, where there is a need for bulk potable water supply, is allocated to a viable water board.

With regard to *sanitation services*, there is a need to urgently finalize the change management processes related to the location of the function between DWA and the Department of Human Settlements.

Consideration must also be given to the establishment of institutional capacity that will focus on planning, development and operation and maintenance of wastewater purification plants especially where these can be regionalized or are currently regional in nature.

On *Electricity distribution*, the solution to the challenges of the electricity distribution sector was long identified as being the establishment of REDs. Municipalities (SALGA NMA resolutions) have always called for a negotiated restructuring outcome that will lead to viable REDs without compromising the financial viability of municipalities as well as their effectiveness as local government institutions.

There is, therefore, a need to finalize the process of establishing viable REDs taking into account the need not to compromise the financial viability of municipalities and their effectiveness as local government institutions. The REDs process must also be utilized as an opportunity to inject fiscal resources and leverage private sector investment to address the huge electricity distribution infrastructure maintenance backlogs.

Consideration must also be given to whether it may not be appropriate to pass legislation that will force Eskom and future REDs to align infrastructure investment to municipal SDFs and IDPs.

The *refurbishment backlogs* of municipal infrastructure need to be understood within a proper historical context i.e. historical priority to focus on extending services to the unserved majority as opposed maintaining infrastructure that served a minority. There is a need for policy debate and a national policy response on the issue of infrastructure backlogs which recognizes that there continues to be a need to extend services to the unserved in line with the MDGs while the maintenance and refurbishment of the existing infrastructure can no longer be postponed. The solution to this prioritization question should not be left to individual municipalities to deal with.

On investment in and sustainable operation and maintenance of infrastructure, SALGA notes that a review undertaken by government indicates that while both spending and the magnitude of fiscal transfers dedicated to basic services infrastructure delivery has been consistently improving there still remains considerable service backlogs, particularly in rural areas. Recent studies of infrastructure projects just completed also still indicate issues in terms of the quality of construction. The condition of existing infrastructure is still not being maintained at the level required to provide a consistent, adequate level of basic services to the more disadvantaged groups of the population.

It is therefore proposed that consideration be given to the implementation of yet another phase of fundamental restructuring of the structure and functions of the sub-national spheres of government informed by the experiences of the last 15 years. A superficial patchwork does not seem to be adequate.

However, we should not lose faith in and recommit to a decentralized system of government and in the role of sub-national spheres of government. A major policy shift from a decentralized to a centralized governance system will undermine the cause of building a developmental state. There is a dialectical relationship between capacity and responsibility; both work to condition and define the other. The absence of responsibility diminishes the force to build capacity and vice versa. As a conscious change agent, the ANC should resist the urge to diminish responsibility as a result of the current absence of capacity as this will further diminish capacity.

In the context of the above, the government proposal to establish a Special Purpose Vehicle (SPV) to take over and deliver municipal services in low capacity municipalities needs to be rejected, in its current form and alternatives developed, that reinforce cooperative governance and decentralization.

There is therefore a need to:

- Rationalize sub-national government (provinces and districts);
- Complete the review of the role and form of sub-national governance system;
- accelerate the recreation of cities as a different level of government with different relationships with national and **“provincial”** governments;
- Strengthen **“provincial”** and local governments and not “entintisize” government monitoring and support functions or build parallel or alternative capacity to “provincial” and local governments;

- Strengthen “*provincial*” governments to improve their capacity to monitor and support municipalities.

With regard to support to municipalities by “provincial” governments, the focus should be on:

- Monitoring city performance and fostering effective intergovernmental co-operation with the cities.
- Monitoring and supporting medium capacity municipalities to improve technical capacity to operate and maintain infrastructure, borrowing and investment in infrastructure.
- Being effective long-term hands-on service delivery partners of low capacity (B4) municipalities.

SALGA believes that climate proofing development and a low-carbon growth path are key elements of guaranteeing sustainable development and poverty eradication.

CLIMATE CHANGE response is a new development challenge and function.

It is proposed that climate response be recognized as a new developmental challenge and function and that the responsibilities for its various elements must be carefully allocated among the three spheres system of government and funded accordingly. There must also be a massive social awareness creation and mobilization behind a national policy response to climate change that seeks to address both mitigation and adaptation. This should be linked to LG elections and the hosting of COP 17.

LABOUR RELATIONS is critical to Local Government and as SALGA we are of the view that property damaged by strikers during strike action and any other criminal acts must be the liability of the strike organisers whether the said strike is lawful or not. To this end we call on the amendments of the LRA. As SALGA we would also like to indicate that we fully support and respect the constitutional right of employees to embark on protest action, but within the ambit of the law.

On issues of Municipal Human Resource Management SALGA resolved that there needs to be an across the board depoliticising of administrative appointments in all spheres of government not just Local Government. Councillors deployed into Local Government must have a relative number of years, ideally five, in the sphere and that should increase for the top three positions in the municipality. Critical professional key requirements like, no criminal record and level of schooling must be considered.

Lastly we appreciate the connectivity between recruitment of suitably qualified human beings, be it as Councillors or officials to the professionalization of HR and efficient service delivery and Capacity Building. To this end we call on all political parties to field capable and experienced Councillors who would add immediate value to developmental local government for the term beginning after the 2011 Local Government Elections.

LOCAL ECONOMIC DEVELOPMENT (LED) is one of the cornerstones of the national priority relating to the creation of decent jobs. The accumulation of national and

provincial economic development initiatives manifest spatially and impact communities within a local municipal space. It is therefore critical for national and provincial programmes and interventions to be coordinated and aligned between the three spheres of government. This requires a clear definition of how micro level (local) implications of all economic development interventions for creating decent jobs.

SALGA advocates for a much more defined role and positioning of LED. In defining this role focus needs to be placed on its role in supporting and coordinating cooperatives, promoting dialogue between itself and the business sector to reduce red tape and ensure business retention, implementation of LED plans should be done in conjunction with other stakeholders such as parastatals, IDC, DTI, etc, promoting green jobs and industries and improving the rural urban divide.

There is a need to clearly define within the intergovernmental context the role the municipalities can play in complementing support and promotion of SMME's. Local municipalities are also the local point for support and oversight of informal traders. Furthermore the implementation of national and provincial programmes like EPWP should be coordinated at a local level.

The importance of rethinking the spatial form of SA municipalities to improve economic linkages is critical. The rethinking of the spatial form is essential in that it would also address the integration of the historically fragmented municipalities (in terms of basic services, social integration, horizontal and vertical alignment, land use management etc). It is therefore critical to prioritise the review of the spatial form at a municipal level as a key priority for the next term of office (electoral mandate).

In improving conditions for local economic development there is a need to address a number of issues: from reviewing supply legislation to make local procurement, particularly in smaller and more rural municipalities, to support procurement of local production and local businesses to increasing the LED capacity and ensure political oversight in the next term of office and clarifying the role of agencies in economic development and decent job creation.

The role of regulators in securing interests of consumers and key stakeholders to promote economic development – e.g. Competitions Commission, ICASA, Implementation of Consumer Protection Legislation, etc, can also be strengthened.

SALGA has identified capacity building and training for councillors and officials, sharing good practices and approaches, development of credible plans, promoting peer to peer learning for promoting and supporting LED.

ISSUED BY:

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