

DBSA
KNOWLEDGE WEEK: MAKING LOCAL GOVERNMENT WORK BETTER –
TURNING LOCAL GOVERNMENT AROUND CONFERENCE

THE NATIONAL LOCAL GOVERNMENT TURNAROUND STRATEGY
FRAMEWORK: SOME ISSUES

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Unique National Local Government Indaba

May I, in the first place, say how pleased I am to be here, and congratulate DBSA on organising this valuable Conference? I bring too the very good wishes of Minister Sicelo Shiceka.

Let me also, at the outset, express appreciation for the work DBSA does in local government. In view of this work that you do, it's important that our Department interacts closely with you and the National Treasury. Minister Shiceka is to meet Minister Gordhan and the DBSA leadership soon to pursue the need for this.

Local government, as you know, is severely challenged. Yet it is a crucial site of democracy, service delivery and development. And it's a major barometer of the success of our transformation. We just have to get it right. We have no choice about this. We must just do it. All of us – together!

To set the basis for this, the President met with the Mayors and Municipal Managers of all the municipalities in Khayelitsha on 20 October and during the following two days our Department organised a National Indaba on Local Government in Ekurhuleni, which drew over 1100 participants, including representatives of all three spheres of government, the private sector, trade unions, NGOs, traditional leaders, professional organisations, experts and other sections of civil society. The Indaba considered the *State of Local Government in South Africa* report.

This report was based on a comprehensive hands-on assessment of every municipality in the country carried out over a four-month period that our Department facilitated. The MECs for Local Government and the provincial departments of local government initially put together provincial state of local government reports. These reports were discussed in the Provincial Executive Councils and then sent to our Department, which consolidated these provincial reports into a national report.

There were five major areas that were examined – governance, financial management, service delivery, labour relations, and apartheid spatial patterns.

Of course, the assessments were done in a very short period and not all municipalities were covered with the same rigour. The report is uneven overall – but it is the most comprehensive hands-on report of its kind ever done. And even if we'd spent a year on it, it's not as if the trends that would have emerged would be significantly different from what's in the current report. It's a very frank and substantially accurate report. I strongly recommend it to you.

As it's already been covered in some detail in the media and in view of the time limitations of this input, I will deal with the report in somewhat cursory terms.

Overview of Local Government Report

The Report suggests that there are both external and internal factors that impact on local government. Factors external to the control of municipalities are:

- *Demographic Patterns and Trends* (in-migration; household growth; rural-urban migration; growth of informal settlements)
- *Macro-micro economic issues* (unemployment; revenue base declining; tax evasion by businesses)
- *Intergovernmental Relations* (weaknesses in policy and regulatory frameworks; voluntarism; fragmented support; poor oversight; unfunded mandates)

Factors that can be controlled and managed by municipalities include:

- *Political management and stability* (intra and inter political conflicts; limited ability to develop and enforce by-laws)
- *Professional administration and management* (lack of skilled staff; unqualified staff and appointments; conflict of interest)
- *Financial Management* (lack of systems and controls)
- *Accountability* (poor mechanisms of community consultation and feedback; ward committees poorly resourced)

On Governance: The evidence suggests that the political/administrative interface has resulted in polarisation and factionalism. Role confusion, and conflict, amongst key political office bearers or between politicians and administrators is common. There are weak performance management systems and a progressive dereliction of oversight duty by districts, provinces

and national government. The Intergovernmental Relations system is not effective in coordinating planning across the three spheres of government. Reporting systems for local government are burdensome for municipalities and there is no standardized data collection and vetting procedure, which results in duplication and sometimes large discrepancies in, for instance, statistics on backlogs. Local government cannot be expected to coordinate the entire state in local areas through its municipal integrated planning process, which has no legal and political authority over the other two spheres.

Financial Management: There is poor financial management and lack of controls and accountability systems in a significant number of municipalities. The share of service charges in the total operating revenue of local government declined from 49 per cent in 2003/04 to 42.9 per cent in 2009/10 mainly due to the sharp increase in national transfers. Challenges experienced with enforcing debt collection and an increase in the aged debts (i.e. outstanding debts of more than 90 days), as well as a high level of indigents and the culture of non-payment, impact hugely on the financial viability of municipalities. There are 57 municipalities that receive more than 75% of their revenue from national transfers.

Service Delivery: The 2009/10 IDP national assessment shows a better institutionalisation of planning, but poor communication between national sector departments, provinces and municipalities persist. The severity of the ever-increasing backlogs of all the basic services means that it may not be possible for government to meet our 2014 Millennium Development Goals. There are insufficient funds to eradicate infrastructure backlogs. The mismanagement and inappropriate use of Municipal Infrastructure Grants also emerges clearly in the report.

Labour Relations: In respect of labour issues, the report suggests that the current municipal working environment is not an attractive proposition. The poor human resource management prevalent in many municipalities does not assist in attracting and retaining the skilled and professional staff required to ensure service delivery. This is further compounded by political interference in the recruitment process, appointment of persons to non-existent positions and disparities in salaries. A lack of compliance with work place obligations has been reported widely.

Apartheid Spatial Plans: The spatial data in the report shows that the nature of distress is very different for urban municipalities and those municipalities located in former homelands or predominantly rural areas and that the apartheid spatial and settlement patterns have not been significantly reversed. The economically stronger metros and large cities are generally the better performing municipalities. But they are also struggling to manage the huge social and economic implications of urbanization and apartheid spatial planning – growing populations; extremely high levels of poverty, unemployment and inequality; large informal settlements on the urban fringe; inadequate public transport and a shortage of land for development. Of

course, the economically weak municipalities are located in predominantly rural areas or former homelands. But the apartheid spatial patterns within municipalities has not been significantly changed either, not even in the better performing metros and secondary cities!

From the report it emerges clearly that each municipality has a different combination and level of the above external and internal factors impacting on its ability to deliver services to communities, and that a "one-size fits all" model of local government is unrealistic given the vast differences between municipalities. A differentiated approach to supporting municipalities has become necessary.

National Local Government Turnaround Strategy Framework

Based on the report, the National Local Government Indaba agreed to a declaration committing participants to cooperating in addressing the local government challenges and supported a National Local Government Turnaround Strategy Framework.

The Declaration noted:

"We acknowledge the indispensable role local government has to play in consolidating democracy and advancing service delivery and development, and our responsibilities to ensure that it effectively fulfils this role. We recognise that the success of our democracy depends crucially on an efficient, effective, responsive and accountable local government sphere. We agree that local government is everyone's business.

We note this historic opportunity to reflect upon the state of local government in our country, and welcome the frank and significantly accurate report compiled by the Department of Cooperative Governance and Traditional Affairs and the provincial departments of local government. We particularly welcome the unique process through which this report was drawn, and the fact that it is substantially an outcome of a hands-on and inter-active assessment of every municipality in our country."

The Indaba agreed on the need for a National Turnaround Strategy Framework, which should be based on the following considerations:

- a) Understanding and addressing root causes of problems faced by municipalities
- b) Learning from previous local government support programmes and interventions
- c) Making local government everyone's business
- d) Promoting "good citizenship" that is underpinned by governance values such as ethical behaviour, transparency and

accountability of public office, loyalty to the Constitution, volunteerism and community service amongst others.

- e) Building ward-based systems and developing effective, efficient and accountable municipalities wherever we live and work.
- f) Laying a differentiated framework for each municipality to identify and adopt its own turnaround and/or improvement strategies and actions.

It was also agreed that the strategy should address the following, among other, issues:

- a) Strengthening political accountability to citizens while building inclusive communities that are partners in their own development and destiny.
- b) Developing a common classification of municipalities and a differentiated approach for municipalities, because the current one-size-fits-all approach will not address our challenges appropriately.
- c) Reviewing the legislative and regulatory framework of local government.
- d) Addressing poverty arising both from urban growth and migration and the persistent legacy of rural under-development.
- e) Reviewing the financial and fiscal model to respond to asymmetrical economic patterns.
- f) Strengthening financial management and accountability.
- g) Rooting out corruption in all its forms.
- h) Ensuring an appropriate role for traditional leaders in local government.
- i) Identifying and addressing areas of dysfunctionality amongst municipalities, including through improved managerial practices and relevant and quality training and education.

The National Local Government Turnaround Strategy is being developed further through more consultations with key stakeholders over the next few weeks before it's finalised by government. In a limited sense, my engagement with you today is part of our further consultation process, but, of course, we will also engage with the DBSA more formally.

We aim to get Cabinet approval for the National Strategy Framework by the end of the year. We intend from January to March next year to take this Strategy Framework to every municipality in the country. We would like to see every municipality develop, within the parameters of the National Framework Local Government Turnaround Strategy, through a fully consultative process, its own specific Municipal Turnaround Plan by March

2010, and actively implement it through involving the widest range of stakeholders and local communities. Yes, yes the March deadline is onerous – but we all need to help to meet it. Let's certainly try! Provincial governments should play an active role in assisting municipalities to develop these Municipal Turnaround Plans and ensure that they are within the framework of the National Turnaround Strategy.

Of course, there are aspects of the turnaround strategy that will be implemented in the period leading to the 2011 elections and other aspects that will be implemented after the elections.

We are to appoint a National Coordinating Committee, comprising a wide range of a stakeholders and experts, to monitor progress on the implementation of the National Local Government Turnaround Strategy. We believe provinces and municipalities should also set up Municipal Turnaround Strategy Coordinating Committees.

All of this is very well, you may say – but this is just yet another strategy. What's so different about it? Why will this one fare any better? And you'll be right to think this. But you'll be wrong to think you're right. This turnaround strategy *is* different. And how so will depend on you – on the role you and others play in giving effect to this strategy. Make no mistake about this! This is not government's strategy. It's society's strategy - at least as represented by the wide range of stakeholders that were present at the National Local Government Indaba two weeks ago. And remember: these stakeholders gave their commitment to making this strategy work. And we are going to hold them to it!

The prospects for this strategy are better, even if by no means guaranteed, because it is based on a unique, comprehensive report on the state of local government in the country. The strategy has a very high level of support from a very wide range of stakeholders. In fact, there's a far higher degree of support for this turnaround strategy than previous ones. Partly it's because there's an increasing recognition of the dire straits in which municipalities are and how this adversely affects all of us. We all sink or swim with local government. We have no choice. We must get it right! So local government is indeed everybody's business.

The prospects for the turnaround strategy are better too because there is going to be a phased, temperate approach to implementing it, with practical and realistic deadlines. We are also clear that the strategy has to be sustainable and lead to sustainable outcomes. Over time, we hope to rationalise the many capacity-building programmes and ensure greater co-operation between the reconstituted service providers. We are grateful for the good work done by the DBSA in local government, but it does concern us, for example, that the *Siyenza Manje* project is not adequately geared to ensuring that municipalities acquire their own capacity over time to do at least some of the work that the project currently does.

The prospects for this strategy working are better too because of the serious attention national government is giving local government. The President's meeting with mayors and municipal managers was the first of its kind. And it wasn't just a symbolic meeting. He committed himself to, in cooperation with Minister Shiceka, responding practically to the issues raised with him by the local government representatives. I suggest you read the President's speech at the beginning of the meeting, but perhaps even more important, his speech at the end of the meeting.

We also, of course, have a very activist Minister who is very hands-on and doesn't hesitate to swoop into municipalities facing service delivery protests or which are otherwise distressed. The Department too is becoming increasingly activist. The provincial MECs of local government and their departments are also working with municipalities more actively.

The ANC is also giving active attention to local government, and this very weekend the major focus of National Executive Committee meeting of the ANC will be on local government. The Alliance Summit a week later will also be considering the *State of Local Government* Report and the National Turnaround Strategy Framework. A major focus of the SACP's Special National Congress in mid-December will be local government.

Local government will be very much in the air too because of the 2011 elections. But also a major review is underway of the powers and functions of the three spheres of government, and in particular, the model of local government. The turnaround strategy will have to facilitate participation in the public review of local government, and increasingly incorporate measures to implement aspects of the new model that are consensually agreed to.

So will this turnaround strategy be successful? Why not? Provided all of us, not least the DBSA and all of you here, play your full part. The jury is out. But this time not just on government – but on all of us!

And just in case this is not understood clearly enough, let me quote the concluding paragraph of the Local Government National Indaba:

"We are very encouraged by this Indaba and feel that such an Indaba should be held annually. But we are clear that future Indabas should not just monitor government progress, but the progress of all of us collectively here. After all, we all have a responsibility to implement the Framework National Local Government Turnaround Strategy.

Local government, as we say, is everybody's business! "

Indeed!