



NCOP DEBATE ON THE 2011 DIVISION OF REVENUE

12 April 2011

Honourable Chairperson of the NCOP

Honourable Minister

Honourable MECs

Honourable Members

The division of revenue should in terms of the South African Constitution seek to strengthen the ability of provinces and municipalities to provide basic services and perform the functions allocated to them. It should thereby seek to promote the improvement of the living environments and livelihoods for all constituents by means of providing for developmental and other needs.

The President in his State of the Nation address assured our people that: “We have instituted a turnaround strategy for local government, focusing on, amongst others, the strengthening of basic administrative systems, financial management and customer care.”

Over the medium to long term all of us will have to work together with municipalities to achieve the strategic outcome of establishing a responsive, accountable, effective and efficient local government, particularly following the imminent local government elections.

The new term of local government will also have to focus on supporting and contributing to government's 5 priorities. Municipalities are important stakeholders in achieving priorities of job creation, health, rural development and crime prevention

Chairperson, the Minister of Finance reported on the recovery and growth in the economy of about 3.1% last year and expressed the anticipation of continued growth of about 3.6% in the current fiscal year.

It is acknowledged that government through its budgets continues in its move to accelerate the pace of employment creation, encouraging small enterprise development, expanding investment in skills and education, combating crime and corruption, promoting service-oriented public service administration and improving the capacity and effectiveness of municipal development planning.

The Division of Revenue Bill

It is noted that the Municipal Infrastructure Grant (Cities) that the metros received was combined with a top slicing of the Human Settlements Development Grant to provinces to create a new grant for the metros, the Urban Settlements Development Grant.

The consolidation and ring-fencing of the funding for cities is welcomed. It lays the foundation for the devolution of housing and public transport functions to the cities and the integration of other grants to form a proper fiscal instrument in support of city built environment projects.

Chairperson, while this important policy intervention is welcome, we hope that future policy developments concentrate on finding similar funding solutions for rural areas of our country. We are hoping that the next division of revenue will address the funding and capacity issues in under capacitated and unviable municipalities to allow them to ensure sustainable service delivery.

Local Government Allocations

Local government receives R34.1 billion in 2011/12, R37.5 billion in 2012/13, and R40 billion in 2013/14 of equitable share which is an upwards revision to the baselines by R1.2 billion over the next three years. It is noted with appreciation that the equitable share makes provision to sustain basic service delivery and revisions towards strengthening governance and administration in smaller municipalities.

Government also provided R8.6 billion in 2011/12, R9 billion in 2012/13 and R9.6 billion in 2013/14 as the metros' share of the General Fuel Levy. SALGA understands that the two municipalities who will become metros following the local elections, have been included in these allocations.

SALGA notes as positive that the national transfers to local government for infrastructure which amount to R29.5 billion, R33.1 billion and R35.5 billion for each of the MTEF years include over and above municipal services

infrastructure, funding for municipal disasters. The largest portion for infrastructure transfers goes to MIG, the funding structure which was established to supplement municipal own revenue in delivering basic service infrastructure and stimulating local economic development and job creation over medium term.

Chairperson, SALGA believe that the role of national and provincial government is to support and monitor policy outcomes of municipal infrastructure investments. The efforts of these spheres of government should focus on improving the capacity, efficiency, effectiveness, sustainability and accountability of the local government sphere and making the integrated development plans (IDPs) the primary mechanisms for intergovernmental coordination.

Good municipal governance is built upon an effective interface between councillors and officials, strong links between financial and technical support functions, and an appropriate organisational structure. It is appreciated that national government continues to commit funds on capacity building initiatives. The increase in the Financial Management Grant to R1.4 billion over the MTEF for the modernisation of financial management and building of in-house capacity in municipalities is noted. However, as identified in the Turn Around Strategy more attention is going to have to be paid to building the required technical and professional capacity of municipalities.

SALGA recommended to the 2010 Budget Forum that a fiscal framework review of local government be undertaken. This review should focus on revisiting local government's share of nationally raised revenue, reforms to the equitable share formula and conditional grants should take into consideration the ever increasing demand for basic services, bulk prices of municipal services and the developmental responsibilities of local government. A revised fiscal regime for local government has to consider the differentiated needs of urban and rural areas alike.

The input requested the Minister of Finance to establish an independent commission to undertake the review of the local government fiscal framework in consultation with key stakeholders.

Chairperson while it is important to engage government on improving intergovernmental fiscal transfers, we acknowledge that municipalities need to continue to improve revenue collection and billing as well as explore new sources of revenue in order to address service delivery challenges and promote economic growth.

Chairperson, in conclusion SALGA supports the 2011 Division of Revenue Bill. Let me reiterate that the basis from which these inputs are made is to indicate that there is significant progress with regard to achieving the mandate of local government.

I thank you

Cllr IR Iversen

SALGA