



Statement of the South African Local Government Association President, Councillor Parks Tau, at the State of the Nation Address Debate 2018

19 February 2018

Honourable Speaker of the National Assembly,
The Honourable Chairperson of the NCOP,
Your Excellency, President Matamela Cyril Ramaphosa,
Honourable Members, and
Fellow South Africans:

Introduction

Your Excellency, let me join the millions of our people in congratulating you on being elected, and wish you well in the highest office of the Republic.

Your election Mr President has indeed created euphoria - thereby imposing a sense of urgency on all of us to accelerate the implementation of the fundamental socio-economic transformation agenda.

The 2018 SONA was momentous in emphasising change, hope and renewal. We believe this message must be felt by people at the local level of government.

The extent to which things are changing must resonate with lived experiences of people in various localities, villages and towns of our country. For this to materialise, local government must be at the fore and play its critical role in supporting and being part of the broader change, rebuilding and hope initiatives of government.

Back-to-basics

As the South African Local Government Association, we welcome the President's emphasis on the back-to-basics programme that entails, among others, the principles of *batho pele*. This back-to-basics approach is our cornerstone in its emphasis on local government's 'developmental role'. As we know, a developmental local government implies a local

government committed to “work with citizens to find sustainable ways to meet their social, economic and material needs.”

Of course, a capable and developmental local government is one equipped with the adequate financial and institutional capacity. Hence, as the SALGA national executive committee, we are at work to identify means to access innovative financing solutions for the local government sphere.

This includes, among others, the ability to leverage national subsidies for capital raising, access to donor and climate funding, as well as the fundamental review of revenue generating options that are available to local government

More than ever, we need capable, functional and viable municipalities that are able to deliver on both the objective and subjective expectations of their constituencies. This will happen when the municipalities are better organised, better capacitated and better resourced. We have raised on a numerous occasions that:

- The powers and functions among the three spheres must be resolved as a matter of urgency to avoid the various incidents of unfunded mandates.
- That once these powers and functions have been resolved, thoroughgoing and holistic funding allocations to local government must be attended to. More specifically, we have raised as an ongoing concern the fact that after all these years, local government allocations have stagnated at 9%. All research conducted, especially by SALGA and the Financial and Fiscal Commission show that local government is seriously underfunded, yet burdened with a number of critical responsibilities and delivery challenges.
- We do also want to raise the worrisome issue of the ever-increasing debt owed to municipalities by government, business and households. At the last check this was sitting at R143-billion. We do hope that this august house will deal with some of our proposals and give directives, even if through legislation, for all parties to work toward the resolution of this matter.

One available and important instrument to re instill hope and renewal is through social compacts, which are implicit agreements entered into by diverse stakeholders to build consensus for a shared future. These compacts are most relevant given our obligation as SALGA to effectively manage the integration of space, economies and people.

We pledge as the sector to utilise consultation processes in generating integrated development plans as platforms to cement meaningful partnerships with business, labour and civil society.

Madame Speaker,

Resource sustainability

Local government is at the coalface of delivering to our communities some of the most crucial services including water, sanitation and electricity.

Recent developments including the impact of climate change which has resulted in severe drought in all our coastal provinces; plus the intensity of rain and changes in rainfall patterns have placed these services under an enormous strain.

These coupled with supply side challenges from national utilities has impact not only the reliability of service provision, but also on the revenue, and thus financial viability of our municipalities.

Water scarcity

We remain concerned as a sector by the deepening drought crisis in our country. We add our voice to the President's concerns in acknowledging the good efforts made by both consumers and donors in response to the water crisis in various parts of our country. If we do not plan accordingly to effect long-term solutions, we run the risk of worsening our status as a water-scarce country.

As a sector we have also observed significant technical and commercial water losses equating to 38% and an estimated R7.2 billion per annum.

The average water consumption in South Africa is 235 litres per capita per day compared to a world average of 185.

On the supply side, various provinces and municipalities are investigating and implementing desalination of sea water and the treatment of acid mine water.

Our national awareness campaign is focused on urging our people to use water sparingly, grey water-usage, plus localisation of storage capacities.

Honourable members,

We also believe that there are opportunities for off balance sheet financing solutions to address the non-revenue water challenges.

At our recent national executive committee meeting of SALGA we have identified the need to pool our resources and capabilities and jointly with government achieve the requisite economies of scale and agglomeration.

Madame Speaker,

Energy sector

The global energy sector is currently experiencing a major transition and disruption. There is a shift away from centralised generation and distribution monopolies to more distributed, user-engaged, digitally integrated energy systems. This shift has the potential to radically alter the way in which the energy sector will function in the future.

The transition in the energy sector is driven by a range of factors such as increasing demands on networks ranging from a reliability and accessibility perspective to technological advances and an increased emphasis on reducing greenhouse gas emissions. These global drivers have resulted in several 'megatrends' in the industry which are acting as catalysts for change. These megatrends can be summarised as follows:

- The electricity distribution industry is experiencing the delinking of economic growth and electricity demand. Sales of electricity in the municipalities have shown a sustained downward trend over the last years and have, in some instances, dropped significantly. These dynamics have radical implications for local municipalities that are compelled to re-define their role in the electricity value chain and adapt their funding and operating models.
- The growth of renewable energy technologies is re-shaping energy systems across the globe. In South Africa, which relies on coal-fired power plants for 90% of electricity generation, this trend suggests a critical shift in dynamics, generating numerous risks and opportunities at local level in the value chain. The re-definition of South Africa's electricity systems indeed commands the need to better understand the business models available to municipalities to maximise benefits arising from this transformation while mitigating risks and balancing trade-offs.
- South African municipalities need to seize arising opportunities and minimise potential risks associated with the introduction of renewable energy technologies in the domestic electricity system.

Having said so, there is an inherent risk flowing from what in general must be considered as a positive development. The growing number of business that are operating off-the-grid indicates an increase in the consumption of clean energy, which is ideal if climate change mitigation mechanisms are to be adhered to.

However, the lesser the number of companies connected to the grid, the greater the chances for our municipalities to be financially unviable. This calls for all of us to find sustainable solutions to municipal revenue generation mechanisms.

As part of the medium-term solutions, we remain convinced that there is a need to unbundle the role of ESKOM within the energy value chain. Ours must be to invest in a reciprocal energy sector whose collective quest is to aid economic growth and reduce the financial burden from our citizens.

We therefore wish to state it upfront, Mr President, that in response to your commitment to engage with the leadership of the sector, this must be one of the urgent matters to be resolved.

Madame Speaker,

Land use management

We welcome the President's bold announcement to implement effective land reform measures to enhance our efforts for transformation, and indeed grow our economy. We are indeed pleased that such efforts will consider a basket of solutions rather than placing more emphasis on one element.

Indeed, we have to address directly the historical injustice accruing from inequitable land allocation - so as to bring to the mainstream marginalised communities whose contributions can spur shared economic growth, contribute to poverty eradication and provide direct and indirect employment.

As part of the Global Land Tool Network South Africa, diversify the tools available to transform land ownership and land use. These may include;

- access to land and tenure of security that involves family and group rights, enumerations for tenure security, deeds or titles;
- land management and planning which entails, among others, citywide slum upgrading, regional land use planning;
- land administrations and information whose focus is on, for example, modernising of agencies budget approach; and
- land-based financing that encapsulates land tax for financial and land management.

Fellow South Africans,

Madame Speaker,

Conclusion

Allow me to conclude with the wise words of Nelson Mandela upon receiving the honour of being an Ambassador of Conscience Award:

"It is my fervent wish that we shine the candle of hope for the forgotten prisoners of poverty. Like slavery and apartheid, poverty is not natural. It is people who have

made poverty and tolerated poverty. And overcoming poverty is not a gesture of charity. It is an act of justice. While poverty persists, there is no true freedom”.

I thank you.