



JOINT SITTING DEBATE ON THE PRESIDENT'S
STATE OF THE NATION ADDRESS

15 FEBRUARY 2022

Cllr. Deon De Vos
SALGA Acting President

***“A LOCAL GOVERNMENT RESPONSE TO THE STATE OF THE
NATION ADDRESS”***

Speaker of the National Assembly, Honourable Nosiviwe Mapisa-Nqakula;

The Chairperson of the NCOP, Honourable Amos Masondo;

Your Excellency; President Cyril Ramaphosa;

His Excellency; Deputy President David Mabuza;

Honourable Premiers of our 9 Provinces;

Honourable Members;

Fellow South Africans;

Madame Speaker, I speak here on behalf of the fraternity of local government, cognizant of the increased expectation by local communities of the role of the local arm of state in making a meaningful impact on development.

Former President Nelson Mandela in his address to the Inaugural Conference of SALGA, in November 1996 challenged organised local government when he said:-

“You have the task of doing whatever is necessary to ensure that our new local government system serves the needs of our communities. You have the responsibility to make their voice heard and to provide an effective instrument for them to improve their lives”.

It is against the backdrop of these words that as SALGA we want to respectfully submit to this Joint Sitting that in order to achieve a local government that is capable of playing a developmental and transformative role if we are to reverse the legacy of apartheid, to ensure that all spheres of government supports local government, as the sphere closest to the people and the implementation level of government, to play a fundamental role in building a capable state.

As we emerge from the 1 November 2021 local government elections, serving our people should be at the centre of our actions during this 5th term of local government. It is our belief that we must engage people in co-production and co-creation towards a sustainable country to eradicate poverty, address inequality to ensure prosperity for all, considering the diversity of the people and acknowledging culture and indigenous knowledge.

While it is true that several serious and complex challenges persist in some municipalities, by and large local government has delivered on extending services such as water, sanitation and electricity and therefore immensely contributed towards a better life for the majority of our people. Drawing on the lessons learnt from the 25 year local government transformation journey, there is a need to place municipalities at the centre of our efforts to deal with the persistent challenges presented by our rapidly changing world.

Madame Speaker, the role of Cities, given their importance as engines for economic growth and job creation, in transforming the 'space economy' and reversing our spatial legacy, is key. This comes with particular reflection on the powers and functions necessary to execute that mandate and why devolution and assignment is critical to the management of integrated spaces.

Madame Speaker, we are excited at the President's announcement to commence the process of auctioning of the high frequency communications spectrum. As SALGA we call upon all operators to rally behind this initiative. Not only will this open the market for new players – but more importantly it will unlock opportunities for rural and remote municipalities to access faster internet connectivity. This connectivity will ensure that these municipalities do not lag behind the digital age. As the world rapidly embraces 5G and its associated applications, this initiative has huge potential to ensure that we become at par with more developed areas in the country and as a consequence be more competitive.

Madame Speaker, the rapid deployment of broadband infrastructure across all municipalities through establishing a standard model for the granting of municipal permissions is long overdue. These reforms will indeed revolutionise our technological development. SALGA therefore calls for more direct participation by municipalities in the provision of broadband and fibre.

Firstly, the bylaws should not only be limited in the introduction of a uniform approval process of wayleaves for fibre rollout. Instead, they should also provide a framework for multiple modalities for Public Private Partnerships with broadband operators to ensure a far more financially sustainable revenue model for municipalities.

A secondary dividend of this approach is that municipalities would then be able to compel their partners to also provide some basic internet to its communities – more in particular, the indigent. For example, the PPPs would allow municipalities to participate in the provision of internet connectivity, including providing its own infrastructure to be used in provisioning of this service. In exchange, basic or minimum acceptable internet can be provided to indigent groups - free of charge.

Furthermore, Madame Speaker, as municipalities seek to be more financially resilient – and seeking to diversify revenue streams, it is our view that municipalities should be empowered and funded to rollout fibre to the home using their existing infrastructure. This is a call in line with our submission that Broadband should be the 5th revenue generating utility. Enabling infrastructure already exist in a number of municipalities – including rural municipalities – where fibre can be rolled out to the homes with ease and speed. This can

be funded through several instruments, to accelerate this rollout in areas that have been neglected by private operators.

Lastly, we call for SALGA to be empowered to drive this approach as a sector-wide programme and coordinate this work through centralised officer through its Digital unit. This will further ensure that downstream solutions, that are fit-for-purpose for developmental government are enabled. This includes smart infrastructure, smart services, smart homes, smart planning, and ultimately smart communities and cities.

Madame Speaker, recent engagements in the IGR space have largely focused on debts owed by municipalities to Eskom, Water Boards and Water Trading Entities. Less attention and focus has been on municipal consumer debts which amounted to R264.7 billion as at 30 September 2021, of which government debt constitutes approximately R19.6 billion and households as the largest component constitutes approximately R186.6 billion.

We remain concerned with the impact of this consumer debt on the financial sustainability of municipalities. The situation is further exacerbated by the reality that the current state of local government revenue, compared to the assumptions that underpinned the financial model presented in the Local Government: White Paper are not aligned. Both potential and actual revenue collected by

municipalities fall far short of the assumptions in that planning, implementation, management and expenditure demands placed on local government were radically extended whilst per capita revenue base to fund those demands was radically reduced. A significant number of municipalities will never come close to that target, under the current fiscal framework.

Madame Speaker, it the recent actions by the City of Tshwane to disconnect non-paying ratepayers comes at no surprise. These actions are in line with a standing SALGA resolution that advocates for municipalities to urgently and aggressively enforce credit control management measures. This in our view is to be done in two phases, firstly targeting properties and businesses, through disconnection and a second phase that includes rigorous analysis of the gross debt and restructure debts to see realistically collectable debts and those that could be considered for write off or repeal as historical uncollectable, not forgetting the installation of pre-paid meters to mitigate against the raking up of excessive bills.

Madame Speaker, whilst this in our view is a step towards more financially sustainable municipalities, bold measures are needed to curb unviable municipalities, ensure municipalities collect and better manage their customers and national interventions are taken to ensure that this growing debt situation does not undermine the solvency of local government. As we have done in previous debates

on the State of the Nation, we once more, caution against a piecemeal approach in solving municipal financial sustainability. This would include current considerations to amend the Electricity Regulation Act. For instance, the long outstanding matter pertaining to municipalities' constitutional executive authority for the electricity distribution function, requires that the necessary amendments are likewise effected to the Electricity Regulation Act to factor this reality. In so doing, we would take a huge step towards resolving municipal debt.

Madame Speaker, following through on previous commitments that created heightened expectations at a local level, we are pleased with the President's announcement of a national rural roads programme. We are of the view that if properly designed and implemented, it will be a massive public works Programme in municipalities thus creating job opportunities for many young people, particularly in the context of the current state of the economy.

As I conclude Honourable Speaker, allow me to remind this Joint Sitting of the **1998 White Paper on Local Government** vision that "*Local Government has a critical role to play in rebuilding local communities and environments, as the basis for a democratic, integrated, prosperous and truly non-racial society*". Whereas the journey of local government over the past 25 years in South Africa

has been an imperfect transition, this vision remains relevant and we therefore call upon all spheres of government and stakeholders to partner with us to achieve this noble objective.

I thank you.