

BUDGET SPEECH
BY
MEC FOR LOCAL GOVERNMENT AND HOUSING
MR I.W. KOTSOANE
13 APRIL 2005

Honourable Speaker and Deputy Speaker

Honourable Premier

Honourable MECs and MPLs

Honourable Executive Mayors /Mayors and Speakers

Chairperson of SALGA

His Excellency, the Chairperson of the Free State House of Traditional Leaders

Marena le Dikgosi

Heads of departments

CEOs of our parastatals

Business leaders

Leaders of SANCO, SANGOCO and other civil society formations

Baahi ba Thabo - Mofutsanyana

Honourable Councillors

Esteemed Guests

Comrades and Friends

Mr Speaker 50 years back, our people assembled in the dusty open veld of Kliptown 25 June to craft a vision for the post apartheid SA. This vision that was consolidated in the Freedom Charter.

On this occasion of the second budget speech of the Local Government and Housing in the second decade of democracy, we join the millions of our people in celebrating the 50th year of the Freedom Charter.

In doing this, we must draw inspirations from the Freedom Charter that relates to our constitutional mandate namely:

- a) The People shall govern
- b) There shall be housing, security and comfort.

The key question that we must seek to answer is whether indeed the people are governing, through our system of local governance? We must examine whether there is housing security and comfort in our second decade of democracy.

Mr Speaker our budget policy debate takes place at the most critical watershed in the history of our country and its people, the 26th anniversary of the hanging of one gallant fighter and hero of our people on the 6th of April 1979 the last Comrade Solomon Kalushi Mahlangu. His blood has indeed watered the tree of liberty into fruition as we enjoy it today.

In responding to the clarion call of the Freedom Charter, the People shall govern, today after 10 years of our freedom; our elected representatives of the People are assembled here in Thabo Mofutsanyana.

Our presence here is not symbolic but a concrete practical expression of taking Parliament to our people, the poorest of the poor.

Mr Speaker, this is critically so because this district is named after the stalwart of our revolution, the champion and voice of the poor and the workers, the late comrade Thabo Mofutsanyana. For him we keep our banners in his honour.

Mr Speaker please allow me to highlight that we have made achievements that we are proud of, and that have improved the lives of our people through progress in providing free basic services, basic shelter, basic infrastructure services and capacity enhancement of municipalities.

All municipalities in the province have been providing Free Basic Water (FBW) and Free Basic Electricity (FBE since the introduction of Free Basic Services (FBS) policy in 2001. All local municipalities in the province provide 6 kilolitres of Free Basic Water to all households resulting in more than 92% of households having access to water. As government rolls out requisite infrastructure through MIG, the remaining households will benefit. Concerning the provision of Free Basic Electricity the majority of local municipalities, a total of 18 out of 20, are providing FBE to 50% of their households.

On housing, we can proudly announce that we have completed 9 000 housing units out of a target of 10 000 that we had set for ourselves. Of the 2000 rural housing units allocated, a total of 874 units have been completed in Thaba- Nchu and 957 completed in QwaQwa.

Mr Speaker

We have realized that forging of programmatic partnership between all spheres of government and other social actors has been critical in realizing the mentioned achievements. This has demonstrated that citizens, communities, stakeholders have an important role to play in helping government to create conducive conditions for sustainable development.

Mr Speaker, despite all these successes and achievements, the following challenges still require further policy refinement

- Provision of services including Free Basic Services and infrastructure
- Creation of sustainable human settlements and integrating spatial locations
- Eradicating poverty through growing the provincial and local economy.
- Systematic development of skills (with bias to marginalised social groups in our communities viz. women, youth, differently-abled and the aged) of our citizens. This

must be done to improve the chances of people to seek employment opportunities and others to make progress in creating work opportunities for themselves and others through entrepreneurial endeavours.

- Building a strong and efficient local government that is responsive to the needs of communities.

These issues we believe, are the results of inclusion and exclusionary policies of apartheid and stark reflections of the duality of our economy.

In the second decade of our democracy, we will continue to put emphasis on these matters through different programmes of which MIG will be a catalyst.

Mr Speaker,

Last year we committed ourselves to achieving the following developmental objectives and targets towards collective efforts of improving lives of our people. These were:

- Reduction of infrastructure backlog in relation to water supply and sanitation as well as the eradication of the bucket system through providing hygienic alternative modes of sanitation.
- Strengthening and building stable institutional and administrative systems in local government through a municipal capacity building programme funded by the Municipal Support Programme and the Development Bank of Southern Africa (DBSA) Development Fund. Through a task team, support municipalities in implementing Municipal Finance Management Act of 2003 and Local Government Municipal Property Rates Act.
- Allocation of 10 000 housing units to create viable growth points and addressing housing backlogs and arresting the rapid growth of informal settlements. We will cancel all contracts of non-performing developers and contractors in three months and reallocate them to selected municipalities.
- Allocate 2000 additional housing units for rural housing in Maluti-a-Phofung and Thaba Nchu.

- Partner with municipalities to provide rental housing and pilot Social Housing programme.
- Provision of training to emerging developers and contractors to enhance their capacity to provide quality housing and transformation of the building material industry supply.
- Supporting municipalities in improving their Spatial Development Frameworks and enhancing the quality of IDPs.
- Establishing support teams in the department to identify and unblock bottlenecks for acceleration of service delivery and local government transformation process.
- Deployment of 250 Community Development Workers who will form a link between government and the people, through enhancing communication and an understanding of the government's programmes among South Africans especially in the rural areas.
- Provide resources to selected municipalities to develop comprehensive mechanisms for revenue collection.

We have achieved the following:

We have provided basic infrastructure services such as water, sanitation, roads, storm water drainage, solid water disposal, community facilities and community lighting through Municipal Infrastructure Grant. Out of the allocation of R313.9 million to municipalities, 62% (R195 million) was spent by the end of February 2005. A total of 127 infrastructure projects were implemented by 20 local municipalities and as a result 411, 996 person days employment opportunities were created, 874 persons received accredited training and benefited from these services.

Through the Municipal Support Programme (MSP), the department has allocated R34.57 million to municipalities to enhance their treasury capacity and provide relief to those encountering financial distress. The department has expended R23.6 million of the allocated money by end of February 2005. Critical activities that are central to stable institutional and administrative system in municipalities, such as drafting of

economic tariffs, development of operating and capital budgets, compilation of annual financial statements and maintenance of financial records were concluded. Support to municipalities is being provided in implementing PMS, developing housing sector plans and implementing powers and functions as part of DBSA funded capacity building programme.

Furthermore, in partnership with Provincial Treasury we facilitated five districts workshops on the provisions of the Municipal Finance Management Act of 2003. A total of 403 participants consisting of elected leaders; senior managers, municipal managers and chief financial officers attended these sessions.

We supported four district municipalities in development and finalisation of Local Economic Development (LED) strategies. This strategically confirms the role expected from districts to promote regional development and assist less capacitated municipalities in dealing with LED initiatives.

A total of 230 participants were trained in Emerging Contractor Mentorship and support programme in People Housing Process, Rental Housing, Property Management and Information and Knowledge Management.

In conjunction with DWAF we have intensified the implementation of the Water Act through the Drinking Water Quality Management Programme.

We have cancelled R29 million worth of contracts of non-performing developers. This amount will be redirected to rebuilding houses with defects and completing incomplete houses starting from this financial year.

The department has provided financial support to each municipality (i.e. R58 240) for the gradual development of Spatial Development Frameworks and evaluated these against set guidelines and norms determined by the Department.

The department has developed a Provincial Action Plan on Project Consolidate; a practical hands-on programme of support aimed at revitalizing municipalities to empower them in dealing with service delivery challenges and thus enable them to provide services to our people effectively. This involves the deployment of experts to work actively with municipalities in resolving their service delivery challenges.

An amount of R11.8 million has been allocated to some of the selected municipalities to implement projects (*upgrading of roads, upgrading of sewage purification plants, bulk water supply, installation of high mast lights and surveying*) and for maintenance and operations of their water treatment plants. Institutional arrangements such as district implementation task teams have been established and engagement with stakeholders to partner with government in implementing the programme has started.

The first generation of 95 CDW learners have been successfully recruited and deployed. These commenced with their training in February 2005. The 205 second generation of community development workers is already being interviewed in all municipalities. Redeployment and training of these is envisaged for May 2005.

We have made significant strides in the development of Provincial Legislation on Traditional Leadership. A draft Bill on Free State Traditional Leadership has been developed and has been submitted to the Provincial Legislature for processing and promulgation.

Mr Speaker

We also acknowledge that there are some service delivery targets we have set but that we have not accomplished for a variety of reasons. These are:

- Provision of social and rental housing
- Supporting municipalities in implementing the Local Government: Municipal Property Rates Act, and
- Transforming the material supply industry

- Supporting municipalities in developing IDPs on time.

We will intensify our efforts during the current financial year in ensuring that these targets are indeed attained.

Mr Speaker,

As indicated, we will continue to use the Municipal Infrastructure Grant (MIG) to provide basic infrastructure services to our people, create jobs and fight poverty. Through MIG, municipalities will be expanding access and improving quality of services in critical areas such as the provision of water, sanitation, roads, solid waste, community lighting and other community facilities. To date a total of 119 infrastructure business plans have been approved in response to the above. In addition 13 business plans specifically for bucket eradication programme, have been approved.

For the 2005/ 2006 financial year, government has allocated R435 million for addressing infrastructure backlog i.e. sanitation, roads, storm water drainage and provision of water. Included in this figure, is R73 million specially earmarked for the eradication of the much abhorred bucket system. It must be noted however that this is a three-year programme.

A total of 132 infrastructure projects are at various stages of construction and implementation. We will, through the Provincial MIG Management Unit, rigorously monitor the implementation of these projects.

In the forward estimate for MIG for the next two years is R607.4 million for 2006/2007 and R815.9 million for 2007/2008. This indicates that government is making significant investment in basic infrastructure, job creation and provision of adequate sanitation to our people. Essentially, Mr Speaker, this means that municipalities should start planning now for this year and outer years for infrastructure delivery. Surely these opportunities provide certainty in funding flow for infrastructure and should be used optimally and strategically to roll back the frontiers of poverty and unemployment. The implementation of this, shall comply fully with EPWP principles.

The introduction and implementation of the Municipal Infrastructure Grant was a learning curve last year. Inevitable teething problems were encountered particularly the following: institutional arrangements, turnaround time for registration of projects, development and approval of business plans, quality of IDPs and establishment of Project Management Units (PMUs) at provincial, district and local level.

The department will use the outcome of the IDP hearings held on 5 and 7 April 2005, to develop with district municipalities, a support programme geared towards enhancing the soundness and quality of municipal IDP that are critical for effective MIG implementation and contribution towards the Provincial Growth and Development Strategy (PGDS).

We have to ensure that we use the programme as a lever to make significant contributions towards realizing the strategic goal of government of supporting Black Economic Empowerment.

Mr Speaker, we have come to the realisation that MIG would only be effectively implemented if local government would play its envisaged role. However, we are mindful of the fact that there are some municipalities with limited capacity that require support from other spheres of government. This was recently demonstrated when a number of communities marched to municipal council complaining about service delivery. Some of the demands advanced by these communities are genuine as there has been some breakdown in providing services.

The other contributing factors that triggered these civic protests are:

- The ward committee system not working effectively despite the fact that over 90% of ward committees are established.
- Lack of effective communication and queries processing mechanisms with some municipalities.

- Lack of marketing and popularisation of services provided
- Lack of effective administrative and political leadership.
- The IDP processes not used optimally as communities were complaining about lack of involvement in the unfolding planning and resource allocation processes
- High unemployment rate experienced by many communities.
- Limited revenue base for contracting in labour and maintenance of infrastructure assets.
- Massive service delivery and infrastructural backlog that would only be tackled by municipalities in partnership with other spheres of government and the private sector.

Mr Speaker

In the medium term (two years) we will use Project Consolidate to build the capacity of the 12 selected municipalities to deal with service delivery and institutional challenges that afflict these municipalities. We will intensify our efforts during the course of the year in ensuring the effective implementation of Project Consolidate and the attainment of key resolutions on the programme as articulated in the Premier's State of the Province Address and decisions taken at the Local Government MinMec held on 15 March 2005:

The Department will:

- Ensure that experts and facilitators (drawn from local government and provincial sector departments, as well as other critical stakeholders such as provincial offices of national departments, the private sector, state agencies and district municipalities) are deployed to supplement those deployed nationally to selected municipalities from 01 April 2005. This we hope will bring necessary capacity in municipalities.
- Support the work of the Provincial Working Group comprising the Premier and MECs of Local Government and Housing, Social Development and Public

Works, Roads and Transport announced by the Premier to provide political leadership and guidance- to those municipalities.

- Inaugurate the Provincial Co-ordinating Task Team that will monitor and periodically review the impact of Project Consolidate.
- Develop and implement a resource mobilization plan that will focus on the private sector, civil society, the NGO sector, parastatals and donor agencies for leveraging additional funds and eliciting commitment of these critical stakeholders.

Let us hasten to mention that other municipalities will also be supported although the focus and attention will be placed on 12 selected municipalities that need our immediate support in the province. The DBSA funded capacity building programme will be used to benefit all municipalities in the province and will focus in all areas of governance including leadership development. This is critical in particular for the new cadres of elected councillors who will be faced with great challenges of improving service delivery and address infrastructure backlog and ensuring that our municipalities are indeed true spheres of developmental state.

Deepening democracy and involving communities in municipal governance

We will be training the remaining 205 CDW learners who will be used during their experiential component of the CDW learnership programme to supplement our efforts of strengthening ward committees.

As resolved in the provincial ward conference held on 22-23 March 2005 that was attended by ± 500 (ward committee members and elected leaders), we will be developing a Programme of Action Plan on strengthening ward committees in partnership with South African Local Government Association (SALGA) Free State provincial chapter and all district municipalities. Critically, we will be training 25 officials in essential skills so that they will be supplementing the efforts of municipalities in conducting a series of training sessions on roles and responsibilities of ward committees. Empowered and capacitated ward committees will be able to understand their role and therefore work in partnership

with municipalities in ensuring that the needs of communities and developmental opportunities in communities are used strategically for the benefit of all of our communities. Importantly, this would deepen local democracy and give life to an ideal of participatory democracy “ *the People shall govern*” as enshrined in the Freedom Charter.

The mentioned provincial Bill on Traditional Leadership presents opportunities for bringing rural communities within the realm of democratic local governance. We will be working with the Traditional Leadership Institutions in ensuring these communities are agents of socio-economic developments and with other social partners are able to identify opportunities for sustainable rural development. However, for these partnerships to be effective, the principles of co-operative governance should be used in framing these.

Housing Delivery

The National Ministry of Housing has recently unveiled the Comprehensive Housing Plan to accelerate the delivery of housing, develop integrated sustainable human settlements, alleviate poverty, create employment opportunities, eradicate informal settlements and redress spatial settlement patterns.

Through the Comprehensive Housing Plan, the government has issued an injunction compelling provinces to attain set target in eradication informal settlements. Our province has been given a target of eradicating all informal settlements within three years. However, there are daunting challenges that we will encounter such as acquisition of well-located land, planning and servicing of this land, construction of social amenities and institutional capacity at municipal and provincial level towards the implementation of this programme. For ameliorating these challenges we will be forging programmatic partnerships with sister departments, state agencies and the private sector.

We are going to complete incomplete houses and repair defective houses. However this will be preceded by undertaking an extensive costing exercise to determine the required degree of reparability. Financial resources will be made available for this work in this financial year.

We will continue to provide an emerging contractor mentorship and support programme to enhance the skills of developers and thus contribute towards improving the quality of housing. Strategically, as a proactive measure, we will be closely monitoring compliance with housing contracts and promptly enforcing penalties to contractors that contravene these contracts.

We have established a security unit in the department to investigate alleged fraudulent activities and we will strengthen the unit during the course of this year.

We will ensure that contractual documents are revised to ensure the incorporation of Expanded Public Works Programme (EPWP) principles. These would ensure that the lofty ideals of training people in relevant skills, promoting small and medium enterprises and labour extensive methods as encapsulated in the EPWP are enhanced.

We will be concluding 10 housing sector plans for selected municipalities in the province and the outcomes of these plans will be used in enhancing the Provincial Multi-Year Housing Allocation Plan. The department will be using an open bid system to implement the said plan from 2006/2007 financial year.

Mr Speaker, let me remind this gathering that in our 10th year of democracy, the 50th year of the Freedom Charter that served as the guiding light and inspiration in our struggle for this freedom, we have experienced far-reaching civic protests in our province as a result of dissatisfaction with basic provision of services. These acts have been a reality check for local government and a rude awakening that our people are not content with the little that they get. Our people expect more, and more they will get.

- Our policy statement present a holistic approach in building administration capacity of municipalities in the consolidated phase of transformation.
- Identify critical areas such as IDPs, CDWs and ward committees in order to enhance accountability.

- Focus on specific institutional needs for service delivery.
- Finally identify priorities for the second decade of our democracy.

We, as a united Province, need to build a South Africa that truly belongs to all, a South Africa that we would want the next generation to inherit. Martin Luther King once said: “The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy.”

Thank you

Kea Leboha

Baie Dankie