

ILGM- WOMEN'S CONFERENCE

The Local Government Turnaround Strategy: A Sector Perspective

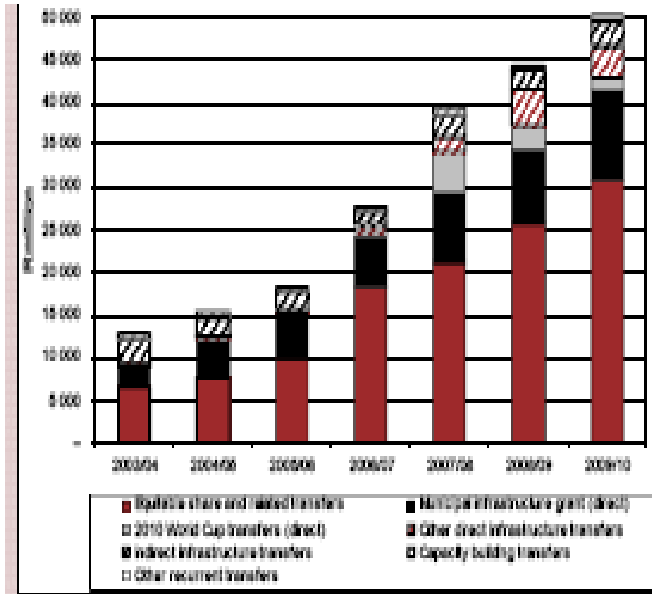
Umhlathuze LM- Richards Bay

March 25 2010

Overview of Presentation

1. Background & Intro
2. Review on Key LG Strategies
3. What is New? Elements of the New Strategy
4. Impact on Municipal Finances
5. Perspectives & Conclusions

Background and Introduction



Transfers by type, 2003/04 - 2009/10

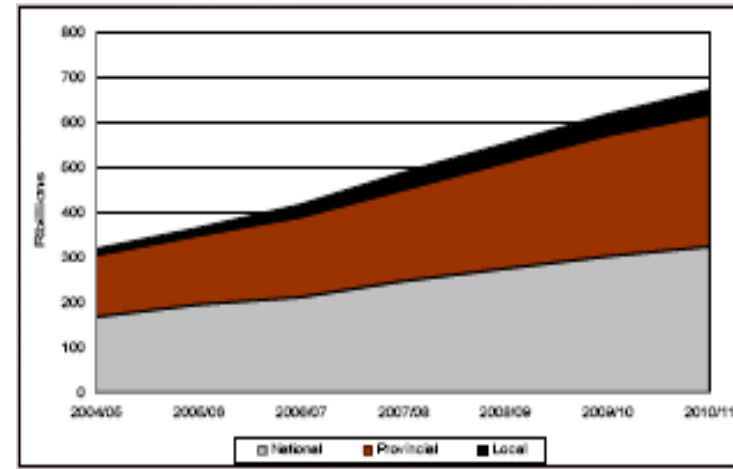
Significant progress in service delivery

LG expenditure averages of 6.9% of GDP

LG infrastructure and services essential inputs to the rest of the economy

Approximately 80% of GDP generated in the 27 largest cities

LG responsible for 24% of total public sector infrastructure expenditure



Vertical division of revenue, 2004/05 - 2010/11

Background and Introduction-Service Delivery Progress

Access to basic water and sanitation services improved

Municipal water expenditure increases from R7bn in 03/04 to R13bn in 09/10

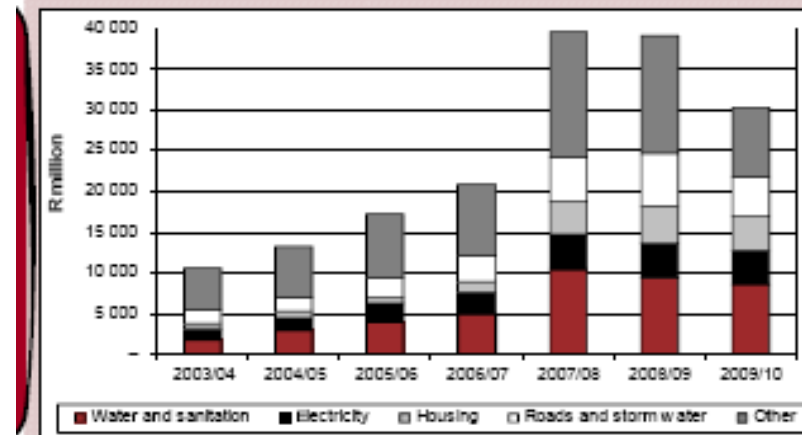
Municipal sanitation expenditure increases from R2bn in 03/04 to R3bn in 09/10

Household access to electricity improved

Expenditure increased from R14bn in 03/04 to R23bn in 09/10

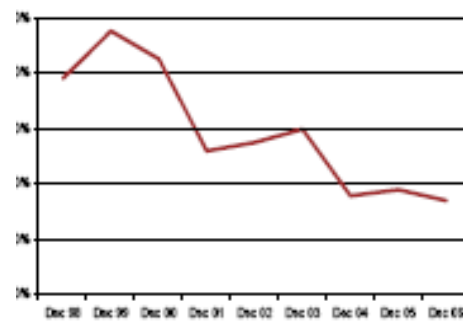
Significant portion of public roads are managed by municipalities

Growth in car registration

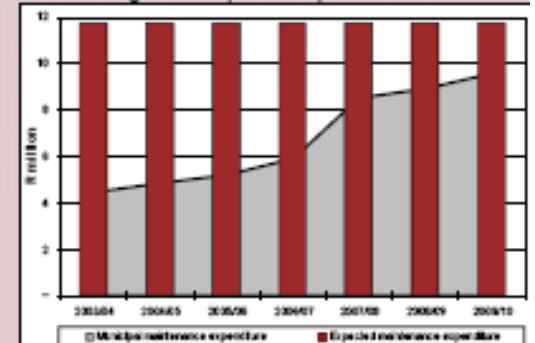


Municipal infrastructure expenditure by sector, 2003/04-2009/10

Municipal capital expenditure as percentage of total value of buildings completed



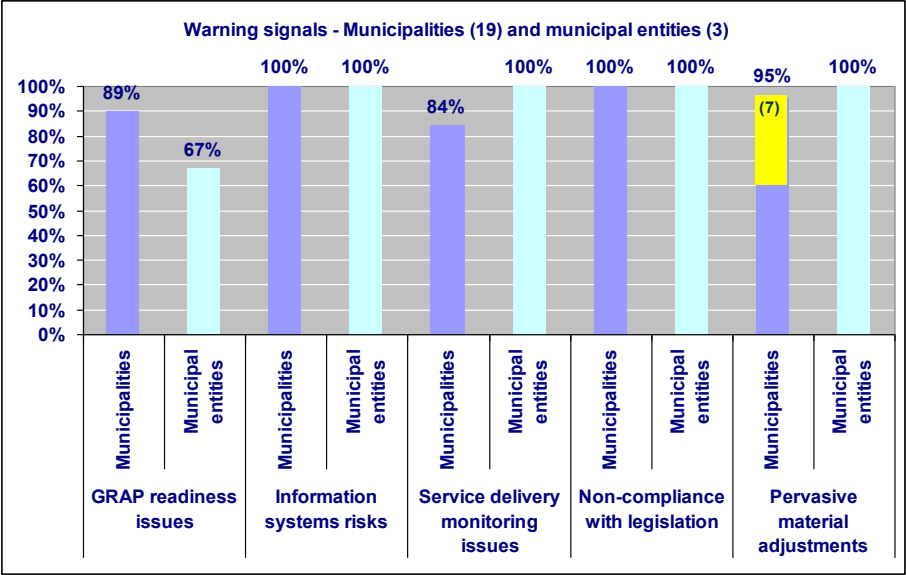
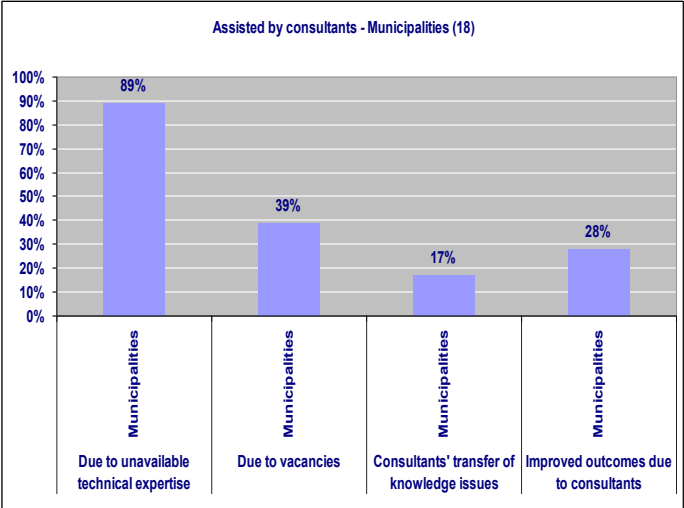
Municipal maintenance expenditure against required expenditure



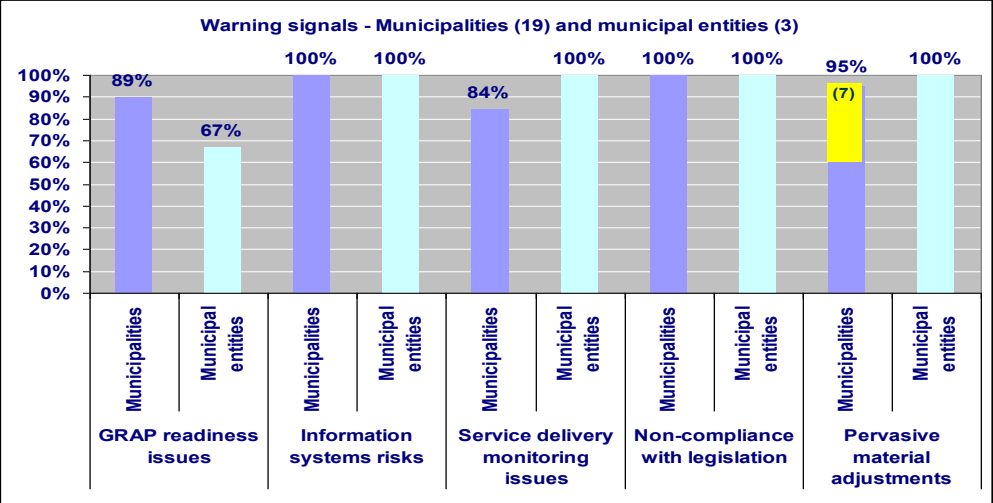
•Improvements in service delivery as reported by National Treasury.....

•But there are still service delivery gaps

Example – FS Audit Outcomes



•The FS example provides a backdrop of some of the financial management challenges that still exist



Example – FS Audit Outcomes

Type of audit opinion	Municipalities		Municipal entities	
	2008-09	2007-08	2008-09	2007-08
Disclaimer	15	17	2	2
Adverse	1	0	0	1
Qualified	1	1	1	0
Financially unqualified (with other matters)	2	1	0	0
Financially unqualified (with no other matters) – clean audit reports	0	0	0	0
Total reported on*	19	19	3	3
Total not reported on	6	6	3	2
Total	25	25	6	5

What is the root cause of these Challenges – COGTA & National Treasury

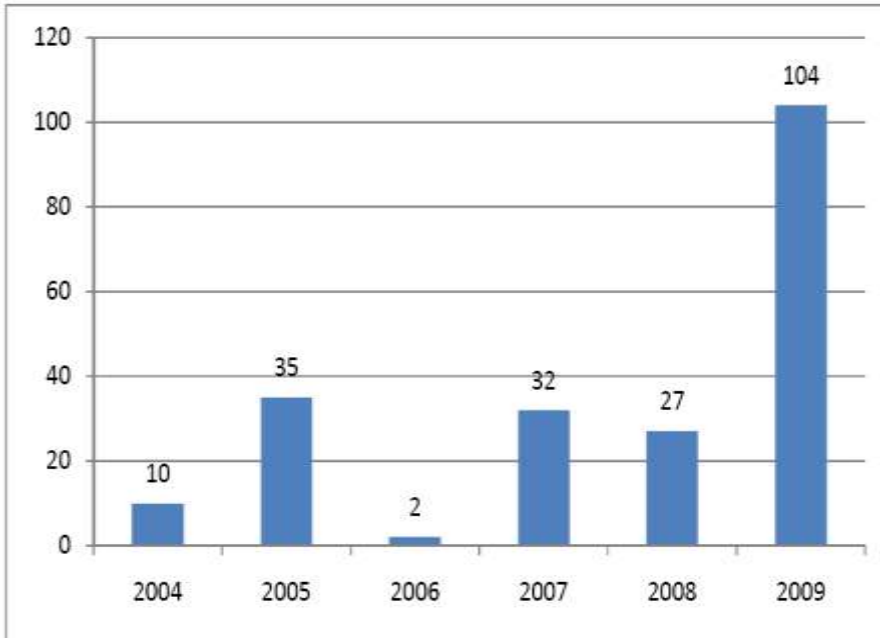
- Inappropriate National and Provincial governments policies, practices
- Socio economic disparities
- Interparty political conflicts in councils – legislative and executive functions
- Unethical behaviour, corruption and lack of accountability
- Non-responsiveness & accountability to communities on development
- Absence of communication and engagements with communities

.....And National Treasury data supports this:



Despite this, Service Delivery protests are on the increase

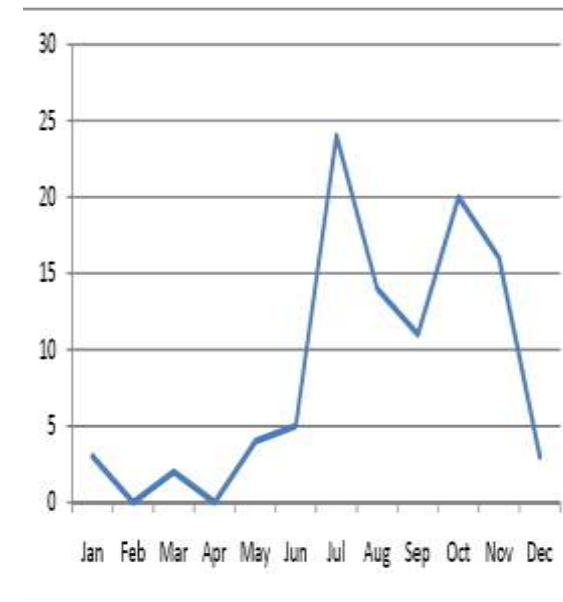
Figure 1: Major service delivery protests by year



[Source: Municipal IQ Municipal Hotspots Monitor]

There has been a progressive increase on Service delivery protests from 2004 to date

Figure 2: 2009 service delivery protests by month (to end-November)



Source: Municipal IQ Municipal Hotspots Monitor]

Review on Key LG Strategies

New Turnaround Strategy

- Basic Services needs of communities should be met
- Build a.... Responsive and accountable LG
- Improve Performance and Professionalism
- Improve National and Provincial policy, oversight and support
- Partnerships between LG, communities and civil society

5 Year LG Strategy

- Service delivery
- Financial Viability Fiscal policy
- Local Economic Development
- Governance and Community Participation

Project Consolidate

- Service delivery
- Financial Viability
- Community Participation
- Local Economic Development

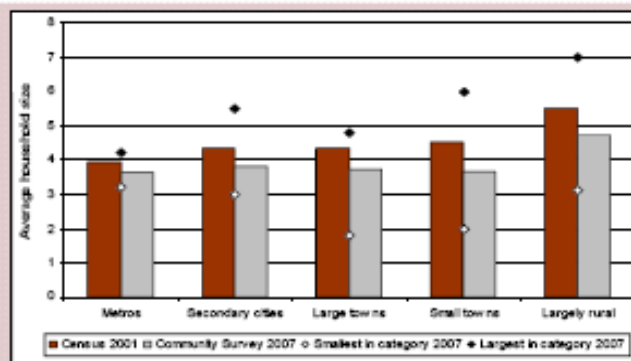
What is “New”? Elements of the New Strategy

“Interventions like Project Consolidate and the 5 year Strategic Local Government Agenda lacked political championing and failed to focus on the root causes of Local Government distress. In addition, they had no Command System, and neither did they **enforce** a single window of co-ordination approach. Both Project Consolidate and the 5-Year Local Government Strategic Agenda applied a one size fits all approach, whereas the LGTAS caters for individual municipalities’ specific challenges.”

{04 March MinMec Media Release}

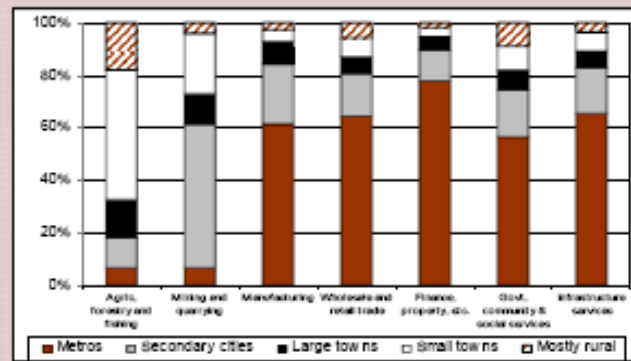
- Differentiated approach from a legal perspective and institutional/support
 - Supported by an enhanced municipal classification
- Professionalisation of the sector; and a separation of legislative and executive functions
- Incentive mechanism in the fiscal system
- National & Provincial coordination ?
- Direct interventions?

Demographic trends



Average household size by type of municipality, 2001 and 2007

Economic profiles



Gross value added by municipal types, 2004

Significant scope exists to access private finance

Capital budgets have grown but remain inadequate

- On average, capital budgets grow by 16% between 2003/04 and 2009/10
- Municipal capital expenditure is lagging behind the growth in economic activity
- Municipalities have budgeted only R7.3 billion for repairs and maintenance of capital assets in 2009/10
- Service delivery backlogs remain high

Scope exists for further growth in private capital funding

- Trends in municipal capital budgets reveal that national transfers are the major source of finance between 2003/04 – 2009/10.
- External loans contributed 27.6% as a funding source to the municipal capital budgets between 2003/04 – 2006/07. This is expected to decline to 18.5% between 2007/08-2009/10

Estimated scope for additional borrowing

- R30bn over the next three years to boost infrastructure investment
- 6 metros and 21 secondary cities are well positioned to increase their borrowing

LGTS Execution Plan

Phase 1

20 January and 9 February 2010:

Provincial Support Teams undertook visits to Municipalities to identify 2 of the most vulnerable municipalities per province which required urgent assistance from government.

Phase 2

10 February – 30 April 2010:

The full roll-out of Municipal Turnaround Strategies for priority / targeted municipalities as well as the completion of Municipal Turnaround strategies for all 283 municipalities in the country. The consolidation of the MTAS priorities with the Integrated Development Plans (IDPs) and budgets of municipalities is critical in this phase.

Phase 3: 1st April – 30 June 2010:

Focus on provincially coordinated IDP Analysis Sessions to examine draft IDPs and Municipal Turnaround Strategies within them. During this phase the IDPs, and the Budgets and Service Delivery Budget Implementation Plans (SDBIPs) will be adopted by municipal councils.

Phase 4: 1st July – 31st March 2011:

MECs will comment on the commitments made to the IDPs. Implementation of the IDP will go hand in hand with **hands-on** Rapid Response support processes, leveraging of stakeholder support, and reporting and monitoring.

A Perspective on the LGTS-

- Appointment of the right people and professionalisation of the sector
- Value for money principles
- Financial management and fiscal policy
 - Clean audits
- Vision and accountability
- Infrastructure planning- land use and urban planning
- Alignment of powers & functions
- Revenue & expenditure management
- Leveraging private sector finance
- Intergovernmental transfers