

Municipalities are the most important sphere of government closest to the people

Speech by **Eleanore Bouw-Spies MP, DA Shadow Deputy Minister of Cooperative Governance and Traditional Affairs (CoGTA)**

There is a financial cul-de-sac that many of the local municipalities and districts have already reached across the whole country, with a few and limited exceptions - Auditor-General of South Africa, July 2020

Municipalities are the most important sphere of government closest to the people. They are responsible for providing basic services such as water, sanitation, electricity, and waste management. However, many municipalities are facing financial challenges which are making it difficult for them to fulfil their constitutional obligations. 66 municipalities across the country are dysfunctional. It is possible that this number will increase when the Auditor General presents her next Municipal Audit Outcomes Report.

One of the most pressing challenges facing municipalities is their level of indebtedness.

Many municipalities owe large sums of money to service providers, such as Eskom and water boards, and to their employees. At the same time, many municipalities are owed large sums of money by residents and businesses for services rendered. This situation is unsustainable and requires urgent attention. The issue of debt owed by municipalities cannot be solved without looking at the consumer debt owed TO municipalities. On one hand there needs to be stricter credit control coupled with up to date indigent registers so that those who cannot pay are exempted and those who can pay do.

The local government billing system is a critical instrument for success and that in turn relies on correct data, clean bills and positive revenue collection actions. The improvement of public confidence in the system of local government relies on this. A credible, fair and transparent mechanism is necessary to increase or improve collection from debtors. Debt collection or recovery stands at the end of the revenue value chain

On the other hand, municipalities are compelled by NERSA not to pass on higher costs of bulk electricity to customers but there are limits to the extent to which they can sustainably do that. Municipalities must be allowed to buy power from residents and businesses with solar installations. Small scale embedded generation (SSEG) uptake provides potential benefits for municipalities via cheaper electricity and reduction of technical losses.

A lot of the water and electricity is lost due to lack of maintenance and this results in unnecessary revenue loss. It is of critical importance that National Treasury and COGTA mandates Local Government to allocate sufficient funds, i.e. 7% or more, towards the maintenance of existing infrastructure instead of always prioritising new infrastructure at the expense of maintenance of existing infrastructure.

To address this challenge, national government should work with municipalities to develop a debt management strategy. This strategy should include a plan to pay off outstanding debt owed by municipalities to service providers and employees. It should also include measures to collect outstanding debt owed to municipalities by residents and businesses. This could include a campaign to encourage residents to pay their debts, incentives for early payment, etc.

In addition to managing debt, municipalities need to explore other revenue-enhancing mechanisms to ensure their long-term financial sustainability. One such mechanism is the introduction of revenue-generating projects, such as the development of land for commercial purposes or the installation of renewable energy infrastructure. These projects can provide a new source of income for municipalities and reduce their dependence on central government funding.

Although not new, another way to enhance revenue is through the effective management of municipal assets. Municipalities have significant assets, including land and property that can be leveraged to generate income. Municipalities should explore innovative ways to utilize these assets for revenue generation, such as the leasing of unused land for commercial purposes or the development of affordable housing projects. Many municipalities have too many assets that are poorly maintained...those that are surplus should be sold and the revenue put into maintaining those core assets that remain.

Finally, it is important that we strengthen the capacity of municipalities to manage their finances effectively. This includes improving financial management systems, strengthening internal controls, and investing in the training of municipal officials on financial management best practices. With stronger financial management systems and more skilled officials, municipalities will be better equipped to manage their finances and ensure their long-term financial sustainability.

There isn't always a need to reinvent the wheel or come up with brand new strategies. It is all about the will to get things done. We need competent officials with the capacity to think out of the box.

The monitoring and evaluation of interventions at local government level is failing. It is time to make use of different spheres of society, other than just Treasury and SALGA, for such large scale assistance. To address the challenges facing municipalities and ensuring that they are able to meet their constitutional mandate to provide basic services to all South Africans, requires a concerted effort from all stakeholders, including the national government, municipalities, and the private sector.

The fiscal framework of the local government sphere in South Africa needs urgent attention NOW! 30 years later, local government has failed to be at the forefront of service delivery for all South Africans, and to contribute directly to meaningful and sustainable improvements in the standard of living. Many municipalities are in a state of financial distress.

In almost every sphere, at every level or department of government, we have consistently failed to turn our crises into opportunities, mostly because of an overwhelming need for control and penchant for corruption. For the ANC government, innovation is always stifled by the insatiable drive to steel-first-fix-later approach to any problem. Their absolute disdain for collaboration with other parties, civil society and the capable private sector, as well as the overvaluation of your contribution to a partnership because of imaginary self-serving entitlements that turns any quick solution into a drawn out process plan with no conclusion or implementation.

Well, we ARE at the precipice of a total collapse of Local Government Service Delivery, and if THIS government does not act with urgency, South Africans are ready to take their country back and give the mandate to govern to the DA. The DA has proven time and again that we can govern better, and we govern for the people not a few connected cadres!