

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING

2004-2005

BUDGET SPEECH

PRESENTED BY MEC IW (BENNY) KOTSOANE

7 JUNE 2004

Honourable Speaker
Honourable Deputy Speaker
Honourable Premier
Honourable Members of the Legislature
Honourable Executive Mayors, Mayors, Speakers and Councillors
Officials of the departments
Distinguished guests, friends and comrades,
The people of our beautiful land.

The recent President's State of the Nation Address conveyed a strong message of a people's contract of a nation working together, towards building a better South Africa and a better world. This is a contract that binds all South Africans with a collective responsibility to ensure that South Africa is a country that we all aspire it to be.

The President further reminded us of a pre-democratic South Africa as a country in poverty, pain and despair, but also a country with a glimmer of hope and a people with determination.

Depicting the day of the first democratic elections he recalls, "They walked the long distances to return to their homesteads of rural squalor, to the mornings of the drudgery of women with buckets full of dirty river water on their heads, to the daily diet of mealie-pap, to the dark, still and menacing nights broken only by the weak flickering light of paraffin lamp and the dying embers of an exhausted fire on a humble hearth." Fellow members this is a picture that gave rise to the 10 years of freedom, which we now celebrate. For most South Africans however, it is not a memory but a stark reality, which we still have to live with. Our collective responsibility as stated in a people's contract to build this country and our Province is to ensure that for the next ten years, a better life for all is not a cliché or a slogan but a reality.

During the recent election campaign our people complained mostly about, unemployment inadequate and poor housing, inefficient billing system, unaccountable councillors and poor service delivery. We promised them that we would attend to these problems urgently. We are bound by this promise if not by our conscience and commitment to ensuring that the aspirations of a people's contract are realised.

These utmost basic people's needs that spell out our responsibilities must keep us focused on answering to the call of duty. These, and not the glamour, must be the reasons we wake up to go to work daily. All our efforts must be directed at ensuring that these dire needs are addressed in the development agenda directed at poverty alleviation. Critically, this agenda aims at creating an environment in which integrated development planning will generate lasting solutions to poverty and underdevelopment.

Mr Speaker, we are celebrating ten years of a democratic government. In these ten years, the following are some of our achievements:

We have provided jobs, developed skills, improved livelihoods and contributed to the stability of some 530 000 families through housing provision. Women and other previously disadvantaged individuals have had access to the building industry, which

prior to 1994, was not even a dream. The introduction of the People's Housing Process (PHP) ensured that beneficiaries were actively involved in the construction of their own homes, thus gaining valuable skills. In supplementing these efforts, we have enlisted the Cuban expertise

The Sunrise Centre for progress pilot project in Masilonyana aimed at integrative planning, was undertaken in partnership with the German Technical Cooperation (GTZ) and Masilonyana municipality, as part of the Urban Renewal Programme (URP).

The Discount Benefit Scheme promoted home ownership and security of land tenure through the transfer of state owned/financed properties. This is an on-going process. The Provincial Housing Strategy identified a 10 % quota of housing projects to be allocated to women, youth and people with disabilities. The quota should be reviewed on an annual basis

As part of the national programme of providing basic services, the Municipal Infrastructure Grant (MIG) was launched in early March 2004. I am proud to say that our Province was the first to launch this programme in the country. MIG is a merger of the Consolidated Municipal Infrastructure Programme (CMIP), the Local Economic Development Fund, the Water Services Capital Grant, the Community Based Public Works Programme, the National Electrification Programme, the Sports and Recreation Grant, and the Urban Transport Grant. This programme is aimed at providing all South Africans with a minimum basic level of service by the year 2013, while simultaneously aligning infrastructure provision with housing development. The political and strategic point of MIG is to create employment through labour intensive projects. These are to be supportive of government's Black Economic Empowerment agenda.

We established a non-racial, democratic Developmental Local Government and succeeded in the rationalization of municipalities from 99 to 25. The department also developed and enacted a series of policy and legislative frameworks geared towards transforming municipalities into developmental entities as envisaged by the Constitution. This culminated in the promulgation of the Free State Local Government Rationalisation Act on 5 March 2004.

Last year, we successfully co-hosted the 8th Regional Conference of the African Union of Local Authorities (AULA) together with the South African Local Government Association (SALGA). Simultaneously, the Vuna Awards ceremony to reward municipal performance excellence, was held in the province in partnership with DPLG. Three municipalities, namely, Mantsopa, Mangaung and Nketoana made us proud by winning in the Province. We congratulate these municipalities for winning the Vuna Awards.

A project that involves communities in the budgeting, planning and monitoring processes has been piloted in the Matjhabeng Local Municipality through the Australia-South Africa Local Government Partnership (ASALGP). The results of this pilot project will help us to roll the programme out to other municipalities.

Projects in excess of R450 million have been successfully completed in Maluti-a-Phofung, a rural node in Thabo Mofutsanyana District, through the *Integrated Sustainable Rural Development Programme (ISRDP)*. These have made significant difference in the lives of communities in this area. Much as we are satisfied with the progress made, endeavours are made to rally all sector departments and State Owned Enterprises (SOEs) to strategically inject necessary resources into the node. There is a critical need for the nodal municipality to employ skilful and committed personnel to ensure successful implementation of the Integrated Sustainable Rural Development Programme (ISRDP). We continue to call upon other sector departments to align their programmes in the node.

The Traditional Leadership and Governance Framework Act was enacted on 19 December 2003. This legislation requires different departments to identify and delegate some of our functions to the traditional leaders. Partnerships will have to be forged between the institutions and municipalities to this effect. Let me mention Mr, Speaker, that the Premier successfully opened the Free State House of Traditional Leaders last Friday, 4 June 2004. We will ensure that we strengthen the institutional and administrative capacity of this institution. The provincial bill on Traditional Leadership has been developed and we will soon be calling for inputs and comments from stakeholders. We invite all municipalities to participate.

Mr. Speaker, all 25 municipalities in our province have compiled and reviewed Integrated Development Plans (IDPs). These were assessed by the Interdepartmental IDP Alignment and Assessment Committee during March 2004, and are being reviewed monthly by the department to identify implementation needs.

The Free State is a disaster prone province manifested through drought, snow, fires and severe storms that can trigger widespread hardships and devastation. In July 2003, the Disaster Management Act (Act no 57 of 2002) came into operation. This Act provides for an integrated and co-ordinated disaster management policy.

Preparations for the implementation and roll out of the Provincial Disaster Management Plan/Framework in compliance with the Act are at an advanced stage. It is incumbent upon all municipalities to develop and implement disaster management plans as an integral part of their IDPs. We will staff all our Districts with skilled Disaster Managers by August. We will continue to co-ordinate and render necessary support to municipalities. We call upon the municipalities to adhere to the timeframes set out in the Act. Non-compliance with the Act will attract severe penalties.

Honourable Speaker, on Housing the estimated backlog in the province according to the 2001 census is 244 000 housing units. We have commissioned research in infrastructure backlog and a report will be tabled by September 2004.

We note with concern Mr. Speaker, that unscrupulous developers and contractors delivered over a period of time products of poor quality and did not, according to the provincial norms and standards, such developers/contractors will be weeded out of the system and be brought to book.

Mr Speaker, in the next two months we will establish a Housing Research and Investigative unit within the department, which will specifically implement supportive

and corrective measures on the issues outlined above. We will employ skilful and seasoned investigators for this unit. The party is over for those corrupt and greedy developers, contractors, government officials as well as community members who collude with these culprits to the disadvantage of our poor communities.

In future allocations, all developers or contractors will be subjected to a stringent screening process. Renting out and trading of subsidized units by beneficiaries will be uprooted.

At the same time Mr. Speaker, lack of bridging finance to small contractors has often barred them from delivering as expected. In order to circumvent this problem, we forged a partnership with the Free State Development Corporation (FDC), the National Urban Reconstruction and Housing Agency (NURCHA) and other private institutions. This we believe will enhance the capacity of small contractors to deliver quality products within reasonable time-frames.

The growth of informal settlements in most of our towns continues to haunt us. These have mushroomed due to the lack of proactive planning, slow land release and circulatory migration, thereby putting pressure on municipalities to deliver services in these areas.

Reduction of infrastructure backlog with regards to water supply and sanitation is imperative. We know that water is life and sanitation is dignity. In partnership with the Department of Water Affairs and Forestry, we will accelerate the provision of water and sanitation as part of the basic level of services in terms of the MIG.

The use of the bucket system is not only humiliating to our people but a health and safety hazard. In tackling this problem, we will employ all hygienic alternative modes of sanitation thus ensuring healthier and dignified living conditions for our people. We will prioritize the provision of water-borne sanitation to the first established settlements while providing upgradeable, **Ventilated Improved Pit latrines (VIPs)** to newly established settlements as well as in dolomitic, arid and dispersed areas.

In partnership with the department of Social Development, we will be addressing the social problem posed by the child-headed households in the Province. This is a critical challenge for our Government which we are determined to handle passionately.

We have noted with concern that there are some municipalities in our province that are still grappling with basic issues related to the establishment phase of local government transformation. For an example, the creation of single cohesive municipal administration from disparate administrative units/systems brought about by the re-demarcation process we will continue to render necessary support in this regard.

Mr. Speaker the issue of leadership in municipalities needs to be rigorously attended to with the urgency it deserves. The current realities inform us that most municipalities are under-skilled and struggling to maintain basic systems. The developmental potential of systems such as Performance Management, Integrated Development Planning and Community Participation are easily lost since those institutions are unstable. In our quest to realise the vision of a developmental Local

Government, we will accelerate the building of stable institutional and administrative systems in local government. We will continue to engage and support mayors and municipal managers in their endeavour to build effective and efficient municipal administrations.

Building financially viable municipalities remains a critical challenge despite significant improvements in recent years. The local government finance system must be continuously improved to enable adequate distribution of resources needed for development of liveable and integrated cities, towns and rural areas and empowered communities.

In addressing this need Mr Speaker, R18. 6 million was made available through the Municipal Support Programme. This programme focuses aggressively on supporting municipalities in the compilation of financial statements, development of consolidated credit control and tariff policies and updating of accounting records, assets registers and debtors/data verification.

In addition, an amount of R7, 4 million was made available to municipalities to undertake and implement projects that would have positive impact on cash flow. It gives me great pleasure to inform the house that grant funding to the tune of R10, 3 million has been leveraged from the Development Bank of Southern Africa (DBSA) for a capacity building programme in support of municipalities to discharge their developmental mandate. This programme will be implemented in partnership with State Information Technology Agency (SITA) and DBSA.

The implementation of the Municipal Finance Management Act of 2003 is very critical for all municipalities – specifically clarification of roles and responsibilities as contained in the Act. We implore the municipalities to comply with the Act in order to ensure the smooth running in the municipalities.

The Local Government: Municipal Property Rates Act's implementation framework requires of us to establish a provincial task team to popularise the provisions of the Act. This Act will lay to rest all the uncertainties and the disputes pertaining to the rates to be levied on farms, land and properties. We will soon establish a task team to help in the implementation of the Act.

A pilot project focusing on the implementation of Powers and Functions between category B and C municipalities will be implemented in the Thabo Mofutsanyana District Municipality. This project aims at providing greater clarity on strategies for effective implementation of assigned powers and functions.

Mr Speaker, in our effort to maximise the impact of housing delivery and eradicate squalid living conditions, a total of 10 000 housing units will be allocated to the following areas to create economically viable growth points in addressing the Housing backlog, rapid growth of informal settlements and migratory patterns:

- ✓ **Mangaung**
- ✓ **Metsimaholo**
- ✓ **Matjhabeng**
- ✓ **Moqhaka**

- ✓ **Maluti-a-Phofung**
- ✓ **Dihlabeng**
- ✓ **Kopanong**

In accelerating housing delivery, we will cancel all contracts of non-performing developers/contractors in the next three months and re-allocate those subsidies to municipalities other than the targeted areas mentioned above.

Acceleration of rural housing delivery in Maluti-a-Phofung and Thaba-Nchu is a priority for this financial year. Mr Speaker, 2 000 additional housing units will be built in these two areas. The department is also working with the Department of Land Affairs and the respective municipalities towards upgrading land tenure for the communities in these areas.

The migratory patterns of our people in pursuit of employment and other opportunities in urban areas have created a substantial demand for social housing. This is particularly the case in the growth points of our province such as Trompsburg, Bloemfontein, Welkom, Sasolburg and Qwa-Qwa. However we take solace in the Rental Housing Act, which became operational on 1 August 2000, which created mechanisms to promote access to adequate housing. To this end, Provision of rental housing is a priority and the department will ensure that it gets off the ground for the benefit of those who prefer this to the ownership tenure. We call on municipalities in these areas to partner with us in meeting the challenge of providing rental housing.

Mr Speaker the department will be piloting Social Housing in Mangaung. In this regard a 1 000 subsidies will be allocated. Other areas will follow in due course.

The department plans to target buffer zones in an endeavour to promote social inclusion through the eradication of spatial distortions. All the apartheid created buffer-zones are being identified in cooperation with municipalities in an endeavour to speed-up social integration, access to services, and closeness to places of work for our people. We will in the process eradicate informal settlements that have become an eyesore in the buffer zones and the periphery of our urban areas.

The quality of our houses needs urgent attention. Both inexperienced and shrewd contractors have contributed to the building of extremely shoddy houses of unacceptable standards. Quality homes as opposed to JUST houses will be the main focus of my department henceforth. Mr Speaker, the increase of the subsidy amount presents an opportunity for us to review the size of housing units in our province. With the acquired Cuban expertise we have compiled a housing building manual for the implementation of PHP. Other factors that have led to the poor quality of housing units in the province is lack of both financial and administrative capacity among our emerging developers/contractors, etc. In partnership with Wits and Free State universities, as well as the National Home Builders Registration Council (NHBRC), Construction Education and Training Authority (CETA) and DBSA, we will continue to provide the appropriate capacity to emerging contractors in masonry, bricklaying, plastering, plumbing This will go a long way towards improving the quality of housing units built through the programme.

Mr Speaker, experience gleaned from the past decade compels us to make aggressive intervention in the building material industry. The industry remains untransformed

and this militates against our noble agenda of Black Economic Empowerment (BEE) Within a month from now, we will convene a meeting of all building material suppliers to engage and sensitise them to the imperatives of time in line with the transformatory agenda of government. They must comply.

Mr Speaker, over and above our pilot project in Masilonyana we will be rolling out the same to Metsimaholo and Maluti-a-Phofung municipalities by the end of September. We want to break new ground in spatial settlement patterns that tend to perpetuate racial segregation. A new approach will ensure that our spatial settlements reflect the kind of society we espouse to be – a non-racial society.

Workshops are planned to improve the understanding of Spatial Development Frameworks (SDFs), their specific roles and functions as well as the process towards the development of uniform SDFs. This will assist municipalities in preparing SDFs in a co-ordinated manner, and the challenge is to address the broader question of inherited spatial distortions and their implications.

In our quest for better service delivery, the department continuously improves the flow and processing of development applications to ensure that these are attended to expeditiously. Funds have been appropriated for town-planning schemes towards ensuring uniform regulatory measures and prevention of unlawful usage of land for six municipalities *viz* Letsemeng, Tswelopele, Matjhabeng, Dihlabeng, Nketoana and Moqhaka.

United in action with municipalities, using appropriate policy framework, we shall intensify our efforts to identify land pressures. We will also assist municipalities in accessing state land for development where such is available. We call upon municipalities to work with us in enforcing the Prevention of Illegal Eviction From and Unlawful Occupation of Land Act (PIE).

IDPs are central to government planning as they include community developmental priorities and needs. The department will assist with the improvement of the quality of municipal IDPs. These plans should be realistic and must inform the municipal budget. We have noted with concern that some IDPs had been recycled, as consultants had designed a one-size-fits-all. These not only fail to address individual needs of communities, but exclude the participation of communities.

Mr Speaker, in the next two months I will be convening a meeting of all consultants to engage and inform them on critical aspects related to IDP formulation and review. IDPs are the cornerstone of the recently launched Municipal Infrastructure Grant. I must therefore, reiterate the importance of quality IDPs.

May I take this opportunity to implore Mayors, Executive Mayors, Municipal Managers and Councillors to assume their responsibilities in leading the IDP and budgeting processes.

Taking cue from President Thabo Mbeki, we will be conducting an extensive review of how the less-resourced municipalities in our province have executed their developmental mandate. This exercise will provide information for the anticipated review of local government. Strategically, it would also reveal whether the investment

that we have made in municipal capacity building has yielded the desired impact. This review, indicate areas that still need our focused attention.

We will diligently ensure in this financial year the accelerated implementation of the President's Co-ordinating Council (PCC) resolutions on the 15 areas of intervention.

We shall establish **trouble-shooting teams** in the department. These will contribute towards identifying and unblocking bottlenecks for the acceleration of service delivery and local government transformation.

The developmental local government approach commits itself to working with the community to find sustainable ways to meet their socio- economic needs towards the improvement of the quality of their lives. To this end, we will soon introduce 250 Community Development Workers (CDW) in a phased approach in line with Peoples' Contract. By the end of July, we will have the first CDW learnership intake of 60 learners. A provincial task team comprising of SALGA, Provincial Sector Departments, Free State Youth Commission and the Local Government Water and related Sector Education Training Authority (LGWSETA) has been set up to deal with the unfolding developments.

Resources will be provided to selected municipalities to develop comprehensive mechanisms for revenue collection strategies. These will include among others the overhauling of billing systems, development and implementation of strategies to deal with the rising municipal debt.

The work above requires a special type of a public servant cadre; one who is non-complacent, a visionary, dynamic and patriotic.

In building a departmental workforce of highly skilled and motivated personnel, we will be implementing the Performance and Development Management System (PDMS) and the Workplace Skills Development Plan rigorously. Importantly, we will ensure that there is constant interaction among employees. All other necessary tools will be employed to achieve this.

In line with the governments' strategic decision of extending learnership opportunities in the public sector, the department will recruit 20 unemployed youth to be trained in various fields in public administration. This, we hope will develop necessary human resource capacity in the province.

Mr Speaker, I have attached the budget appropriated for our department and we pledge to do our utmost best to deliver on our mandate within that budget.

Mr Speaker, as we step into the 2nd decade of a democratic South Africa, we look forward to the ongoing challenge of bettering the lives of THE FREE STATERS through accelerated service delivery.

We have only just begun and the road ahead looks bright enough to realize our dream. We have achieved in 10 years what the previous government failed to attain. We will triple our efforts with better planning, efficient financial management and commitment to our course towards making the Free State a caring province.

This we can and shall do, as a united nation bound together in a People's Contract to Create Work and Fight Poverty.

Mr Speaker, in conclusion, allow me to draw a leaf of wisdom from James Yen when he said in the 1920s

**Go to the People
Live among the people
Learn from the people
Plan with the people
Work with the people
Start with what the people know
Build on what the people have
Teach by showing; learn by doing
Not a showcase but a pattern
Not odds and ends but a system
Not piecemeal but an integrated approach
Not to conform but to transform
Not relief but release**

I thank you

ANNEXURE

Budget allocation

The total amount appropriated for the 2004/05 financial year for the Department Local Government and Housing amounts to R 571 234 000.00 which includes an amount of R 429 022 000.00 in regard to conditional grants. The total amount appropriated can be summarised as follows:

<u>Per Programme</u>	<u>Amount</u>	<u>Percentage/Budget</u>
Administration	R38 905 000.00	7%
Housing	R463 943 000.00	80%
Local Government	R37 684 000.00	7%
Development and Planning	R20 519 000.00	4%
Traditional Affairs	R10 183 000.00	2%
<u>Per Economic classification</u>	<u>Amount</u>	<u>Percentage/Budget</u>
Compensation of employees	R66 237 000.00	12%
Goods and services	R60 553 000.00	10%
Transfers and Subsidies:	R437 362 000.00	77%
✓ Housing Fund	R385 641 000.00	
✓ Human Settlement	R9 010 000.00	
✓ Provincial Infrastructure	R19 083 000.00	
✓ Informal Settlements	R6 035 000.00	
✓ Local Government Support	R8 048 000.00	
✓ Integrated Development Plans	R1 456 000.00	
✓ Town Planning Schemes	R1 500 000.00	
✓ Capacity Building	R5 900 000.00	
Payment for Capital Assets	R7 082 000.00	1%