

2017 CIGFARO ANNUAL CONFERENCE

Sustaining service delivery amidst the challenging economic climate

9-11 OCTOBER 2017
CAPE TOWN INTERNATIONAL
CONVENTION CENTRE

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In his discussion this morning, CIGFARO President Krish Kumar, will be discussing the current state of local government and public sector entities and more importantly on how we as municipalities and support entities can turn around and improve productivity, improve our value-for-money, and ensure growth in the South African economy. He will discuss how three spheres of government (National, Provincial and Local) have to work together to ensure that the key municipal challenges of sustainability, job creation, billing, an ageing infrastructure, and rapid urbanization are addressed. There will be implementable solutions discussed that can counter the challenges experienced by the three spheres of government. This will be based on municipal best practice and will set the tone for the next three days.

“Three Spheres of Government working together.”

Conference Program: Monday, 9 October 2017

Time	Activity	Speaker & Venue
Program Directors: Mbulelo Memani & Paledi Marota		
07:30 – 09:00	Late Registration	Conference Centre Foyer
09:00 – 09:10	National Anthem	
09:10 – 09:30 S1	Welcoming Address	Cllr. Johannes van der Merwe, MAYCO Member for Finance
09:30 – 10:00 S2	Opening of the Conference	Dr. Krish Kumar, CIGFARO President
10:00 – 10:45 S3	Keynote Address: Back to Basis (B2B) and the Intergrated Urban Development Framework Plan (IUDF)	Deputy Minister Andries Nel, Ministry of COGTA
10:45 – 11:45	Refreshments and Viewing of Exhibition Stands	Exhibition Hall
Program Director: Leanne Manas		
11:45 – 12:30 S4	Panel Discussion: Financial sustainability in a flailing economy through maximizing the revenue generation potential of the revenue base	Deputy Minister Andries Nel, Ministry of COGTA Dr Ramos Mabugu, FFC Dr. Krish Kumar, CIGFARO President Patrick Kgoale, Thaba Chweu Local Municipality Sidwell Mofokeng, CIGFARO
12:30 – 13:30 S5	Good fiscal governance as an enabler for service delivery excellence	Kimi Makwetu, Auditor General of South Africa
13:30 – 14:45	Lunch and Viewing of Exhibition Stands	Exhibition Hall 2
Program Director: Leanne Manas		
14:45 – 15:50 S6	Panel Discussion: Spatial planning for effective integration and land use management: <i>Redesigning urban areas</i>	Kevin Jacoby, City of Cape Town Geoffrey Bickford, Cities Network Malijeng Ngqaleni, National Treasury
15:50 – 16:00	Closure	
16:00 – 17:00	CIGFARO AGM	All CIGFARO members
16:00 – 18:00	Viewing of the Exhibitors stands	Exhibition Hall
18:00 - Late	Welcome Reception & Business Networking Session Awards Ceremony Special Guest Performance	Exhibition Hall

IMPORTANT: VENUE THIS EVENING IS CAPE TOWN ICC

PROGRAMME DIRECTORS



Leanne Manas



M Memani



PN Marota

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Message from the CEO

The spring season has landed with its positive signs that are associated to its natural characteristics such as the blossoming of trees and new life given to flowers and other plants. All these bring a spark of hope for good things to follow. There are animals that hibernate and some move to warm areas of the continent during the winter season. This is now the right time for all to take a stance of making their presence felt.

The same phenomenon applies to CIGFARO. It is our peak season period during which we host our prime event, the Annual Conference, as well as the Annual General Meeting (AGM). It is our 88th Annual Conference after having gone through the different hurdles over years which have made this institute much stronger year in and year out.

We are now sending a message of confidence and encouragement through this year's Conference that, even though our economic situation has not been improving, that does not justify the decline of service delivery (quantity and quality) to our communities and all other beneficiaries. It is important to make all aware that there is light at the end of the tunnel. It is however, not a light of an oncoming disaster train but rather the good governance spring light that enlightens a dire need for the Professionalization of the Public Finance Management (PFM) within the entire Government institutions.

We hope and trust that the much envisaged cross pollination of ideas at our 2017 Annual Conference will give rise to the blossoming of new and much more equipped Professionals in the field of Public Finance, inclusive of Audit, Risk and Supply Chain, amongst others. It is anticipated that all Conference attendants will enjoy and, most importantly, benefit from the scheduled three busy days of hard work, knowledge gathering, informative presentations, thought provoking discussions, enriching conversations, empowering networking sessions and the mind unlocking master classes to be launched.

We finally take note of the wise person's words:

"All hard work and no play made Jack a dull boy"

We hope your mind, body and soul will find inspiration here.

Welcome to our 88th Annual Conference!!!

POWERFUL QUOTES THAT WILL INSPIRE YOU TO EMPOWER YOUR EMPLOYEES

People want guidance not rhetoric. They need to know what the plan of action is & how it will be implemented. They want to be given responsibility to help solve the problem and the authority to act on it.

Howard Schultz, Starbucks

No company, small or large can win over the long run without energized employees who believe in the mission & understand how to achieve it!

Jack Welch, General Electric

You know, that a company is only as good as its people. The hard part is actually building the team that will embody your company culture and propel you forward.

Kathryn Minshaw, The Muse

My job as a leader is to make sure that everybody in the company has great opportunities & that they feel they're having a meaningful impact to the good of the society!

Larry Page, Google

In technology, it's about the people! Getting the best people, retaining them, nurturing a creative environment and helping to find a way to innovate.

Marissa Mayer, Yahoo

To be the best place to buy, you must be the best place to work. Treat your employees the way you want your customers to be treated – maybe even better!

Shep Hyken, Customer Service Expert

Customers will never love a company until the employees love it first!

Simon Sinek, Author, Start with why

It's not the tools you have faith in, tools are just tools, they work or they don't work. It's the people you have faith in or not.

Steve Jobs, Apple

Our belief is that if you get the culture right, most of the other stuff, like great customer service or building a great long-term brand or empowering passionate employees and customers will happen on its own.

Tony Hsieh, Zappos

achieving service excellence at municipalities

By Jan Hattingh, Chief Director: Local Government Budget Analysis, National Treasury

When thinking of customer care in the context of local government, the old adage of customers repeatedly telling of bad service experiences rather than good ones, holds true. Similarly, many of us are in the habit of complaining when we experience bad service and almost never compliment the person who provides good service. That is unfortunately how human nature works.

The question that begs, is rather obvious: What is service excellence? Excellence is a much misused word and although it is often contained in mission statements, it is seldom achieved. Simplistically, it is about having your expectations exceeded when, in this context, engaging the municipality. This means that your issue must be resolved when coming into contact with the municipality for the first time. It is about being met by a knowledgeable, friendly, helpful and empowered frontline member of staff. Staff are only empowered when they are trained to be effective and efficient.

Whichever way one looks at it, municipalities must strive to do more with less and limit inefficiencies. This will contribute to improving the response time when engaging customers. This requires some introspection to consider the back office that supports the frontline. A collective effort is required across the municipality's functional areas as customers do not engage a function, they engage the municipality. They expect a seamless and effective process to satisfy their requests for information or resolve their queries. They hate being sent from pillar to post by staff who seem disinterested in their needs and requests. Municipalities must reconsider how they engage internally across the various functional areas so that customers experience seamless business processes.

Today, customer care is almost synonymous with a call centre. Even municipalities that have invested in a call centre are not exempt from negative responses in customer care. Very often call centre staff are ill informed in handling customer queries and redirecting to the appropriate staff.

The ideal would be to minimise the incidence of billing inaccuracies so that billing queries will be less frequent; an exception rather than the

norm. This requires improved internal processes, functional integration, internal controls and a suitably competent workforce that is efficient in executing their responsibilities. Effectively functioning enabling technology is required to support business processes and ensure smooth administration.

The Municipal Standard Chart of Accounts (mSCOA) is a local government financial management reform introduced by National Treasury. Its recent implementation should contribute significantly to achieving functional integration in municipalities. It requires that all municipalities use a single list of items for transacting; this means that all municipal financial systems must be mSCOA compliant and that all sub-systems, such as that utilised for billing and the property valuation roll must be integrated. This system integration will undoubtedly improve the integrity of billing data. Among the benefits of mSCOA is that municipal financial reporting will be comparable as these reports will be generated from the standard chart.

Municipalities striving towards service excellence must take the first step in improving their operational efficiencies. They should comply with the minimum customer care provisions of section 95 of the Municipal Systems Act, Act 32 of 2000. This is a necessary foundation on which to build customer care and effective service delivery. A behavioural and mind set change is required - a willingness to live the values, walk the talk. It is about responding timeously and keeping the customer informed throughout the query resolution process. It is not enough to say that customer care is a priority, customer care must be communicated to all staff and management and it should prominently feature on meeting agendas. A Customer Care Policy, a

Customer Care Charter and service standards are only meaningful if the commitments contained therein are understood and implemented by all. Among the advantages of a customer centric municipality is the gaining of community support by establishing a relationship of trust. This is a powerful tool to eradicating the "culture of non-payment" and even protests by customers.

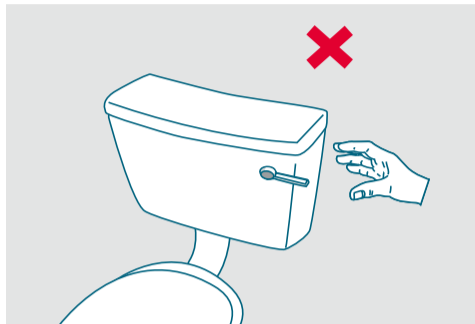
It is not necessary to reinvent the wheel as we can immediately take action by giving effect to our Batho Pele Principles. The time to act is now.

A customer's issue must be resolved when coming into contact with the municipality for the first time.



TOP WAYS TO SAVE WATER INDOORS

**Cape Town has water restrictions in place.
Keep saving by taking these key indoor actions.**



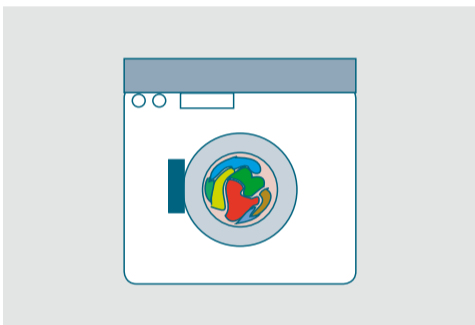
Only flush when necessary.
Don't use it as a dustbin.
'If it's yellow let it mellow.
If it's brown, flush it down.'



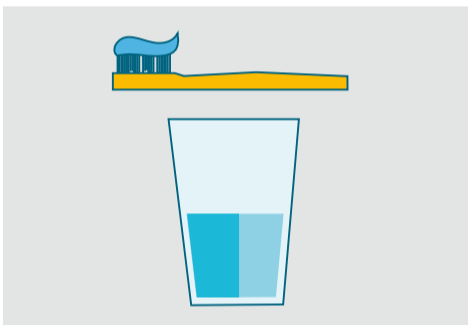
Take a short 2-minute shower.
A standard (non-water-saving)
showerhead can use as much
as 16 litres per minute.



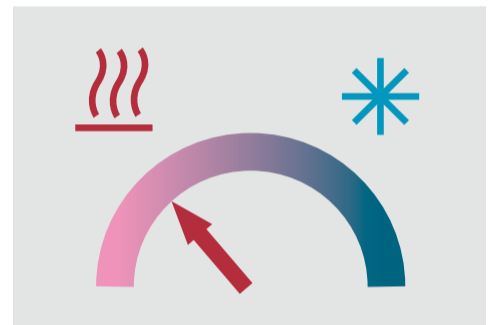
Collect your shower, bath and
basin water and re-use it to
flush your toilet, and for the
garden and car cleaning. *



Wait for a full load before running
washing machines and dishwashers.
The rinse water from some
washing machines can be
re-used for the next wash cycle.



Use a cup instead of running
taps in the bathroom or
kitchen for brushing teeth,
shaving, drinking etc.



Defrost foods in the fridge or
naturally rather than placing it
under running water.



Switch to an efficient showerhead
which uses no more than
10 litres per minute, as
per the City's By-law.



Upgrade to a multi-flush toilet
and/or put a water displacement
item in the cistern which can halve
your water use per flush.



Fit taps with aerators or
restrictors to reduce flow to
no more than 6 litres per minute,
as per the City's By-law.

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* Greywater use has some health and hygiene risks to be avoided. Keep hands and surface areas sanitised/disinfected.

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The need for a different mindset

Professor André de Villiers, Prosgro Project Management

History is only useful when people learn from the mistakes made by people before them and do not repeat the mistakes. Even better is to learn from so called 'best practices' or positive experiences of other countries and people. Directly after World War II there were two completely destroyed countries - Germany and Japan. Their infrastructure, their economies and the morale of their people had been completely destroyed. People were despondent because their leaders had been discredited and had been shown up to be war mongers who had caused the death of millions of their own people.

The people of these countries were dying of hunger and many gave up their children for adoption. People had very little to live for. Yet, less than forty years later both these countries had been rebuilt, their manufacturing sectors were booming and they were highly competitive in world markets with products such as motor cars, sound systems, cameras and computers. Their economies had grown rapidly, employment rates were high and their people had become of the most affluent on the planet.

Since 1960, when 'uhuru' or freedom became the main battle cry of Africa, every state wanted freedom from its colonial masters. The Uhuru Movement evolved in 1972 and it claimed to be an apolitical ideology (if any ideology or movement can really claim that). According to this movement African Internationalism is supreme and it states that capitalism was born parasitic through an attack on Africa and its people. Therefore, African Internationalism holds that capitalism is imperialism developed to its highest stage. By using certain keywords such as 'primitive accumulation of capital' and 'white monopoly capital', a label or stereotype is attached to it. From then on capitalism becomes labelled as only negative. Inherently the assumption is made that Africa would be much better off if no form of development had ever taken place on the continent. The Uhuru Movement is in essence a strong socialist-communist movement.

Taking this line of thinking further, the BFLF (Black First Land First) movement on 28 September 2017, marched on the offices of Rembrandt International in Stellenbosch singing and chanting 'kill the boer' and 'one settler, one bullet.' Their target was Johann Rupert, chairman of Remgro, because he had used his right to freedom of speech to state that radical economic transformation would amount to stealing from some to give to others. They threatened that they knew where he lived.

Anton Rupert in the 1940s collected capital from relatively poor Afrikaners to start an enterprise called Rembrandt. In the 1950s it became a multi-national cigarette brand. Today Remgro owns many international brands such as Cartier, Dunhill, Chloé, IWC Schaffhausen, Montblanc, Piaget, Purdey, Van Cleef & Arpels and many more. It is the second largest luxury goods company in the world and was largely built on its international markets. Rupert believed in himself, had a lot of courage and took huge, but well calculated, business risks. He succeeded as entrepreneur but has always been aware of his responsibility towards the environment, the South African heritage and education. The group has donated billions to good causes, such as universities, and has put South Africa on the world business map.

The BFLF's venting of its wrath on Johann Rupert is a very direct attack on capitalism. Communism has proven itself to be an ineffective alternative. On the other hand, we are all too aware of the fact that capitalism threatens itself by enough never being enough.

In a very different view, that of the BLSA (Business Leadership South Africa), it was decided on 27 September 2017 that 'the snake's head must be chopped off' and that the membership of Eskom and Transnet must be terminated with immediate effect. This was because state capture and corruption had gone too far.

Being very aware of the racial polarisation of the past year, our Chief Justice Mogoeng Mogoeng, during a Bram Fischer memorial lecture, tried hard to bring back some sanity. He spoke out against the wedge which was increasingly being driven between black and white. He warned against avarice

and greed as well as the idea one group can gain by grabbing from another. He encouraged the establishment of think tanks to solve our many challenges of poverty and inequality.

As level minded, logical and well informed financial leaders of municipalities know full well, runaway emotions are very dangerous. Sound financial management in business, municipalities, and state enterprises depends on level headed and forward thinking leaders. Corruption must be avoided at all cost, because eventually the poor suffer most. Revolutions do not bring about equality but rather the establishment of a new elite.

Wild emotions only lead to destruction and loss of valuable historic properties. Think of the 130-year-old St Mark's Anglican church in District Six, the Bloemfontein city hall, and the Herbert Baker designed Pretoria train station. Think of all the cable thefts, burning of trains and the destruction of municipal libraries. Xenophobic attacks on the spaza shops of ex-pat entrepreneurs are often merely criminal acts due to jealousy, hatred of people who are different and opportunism. In the end the poor also suffer most.

The positive side of capitalism is that through competition, creativity, hard work and innovation the world is today a much better place. The general standard of living is much higher than a hundred years ago. Even the poor are much better off.

Memes or mindsets largely determine how people think and act, especially when emotions take over. Admittedly unemployment, poverty and poor education have a strong influence on a large part of the population. Many feel they have nothing to lose, so why not destroy and murder?

Chapter 7 of The Constitution states that local government has a duty to provide not only services, but should be instrumental in social and economic development. This implies the involvement, commitment and positive contribution of all citizens and communities and leadership by those who are educated to tackle the challenges.

Wild emotions only lead to destruction and loss of valuable historic properties.

Sudoku

					6	3		
5								6
		6	8		3		9	5
7		1				4		8
6			4	1	8			2
8		3				6		9
1	6		5		2	8		
3								1
		4	6					



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Dealing with the R128,4 billion of municipal debt

Simphiwe Dzungwa, Executive Director: Municipal Finance, Trade and Investment – SALGA

Municipal debts have been growing exponentially over time. Various initiatives have been undertaken to curb these debts without any significant decline attained. From the Masakhane Campaign of the mid-90s, Project Consolidate, development of credit control policies, the writing-off of debt, implementation of payment incentive measures, and others. The more this debt remains on municipal books, the more it creates balance sheet challenges, liquidity risks, borrowing challenges and other such problems.

In dealing decisively with the debt, Salga is taking various initiatives and has made proposals which were accepted by the Presidential Coordinating Council and the Budget Forum. Some of these measures are the following:

- National Treasury, working with SARS, to consider amendments in the tax laws to require that municipal debts be settled before tax refunds are made to individuals and companies.
- National Treasury to amend SCM Regulations and the Preferential Procurement Framework to require that no municipality, provincial and national government department, state entity and any other organ of state transact with any entity whose directors and/or the entity itself are not up to date with their municipal rates and tariffs.
- A tariffs/rates clearance certificate has to be made a compulsory requirement in bid submission documents similar to a tax clearance certificate from SARS.
- CoGTA, National Treasury and DPSA working with SALGA to amend the Municipal System Act, Public Service Act, PFMA, MFMA and other relevant legislation to make it a requirement that ALL state employees, state owned entity employees.
- Chapter Nine Entity employees and employees in municipal owned entities are equally required that they be in no more than 3 months' arrears on their municipal bills, otherwise give municipalities the power and authority to deduct from these officials' salaries.
- Treasury and CoGTA working with SALGA, Parliament and the Commission for the Remuneration of Office Bearers to institute similar requirements to the one above.
- Salga and CoGTA to investigate and recommend for procurement a holistic and integrated revenue value chain and billing system that properly profiles municipal clients and ensures efficiency in the billing and revenue management system. This should include an investigation on the setting up of multi-jurisdictional revenue collection agency/agencies.
- CoGTA, National Treasury and SALGA to champion a national campaign that will ensure that the writing off of the debts is executed alongside measures that will ensure that it does not escalate again such as the installation of prepaid metres and other interventions.
- Salga to investigate and propose a multi-jurisdiction revenue collection agency.

Salga to work with CoGTA to introduce a Repeal of the Historical Debt Bill. The Bill should, among others, incorporate the following:

- Writing off all debt above prescription period (3years) or/and that which National Treasury has declared uncollectable;
- Write off all accumulated interest on debts;
- Provide for a once off grant for the installation of prepaid metering systems for households and entities where debts are to be written off;
- Provide mechanisms to ensure the debt does not re-accumulate.

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October is all about pink, the more you know the less you fear.



How can outsourcing the non-core function of debt collection assist in ensuring sustainable service delivery?

By Yusuf Aboojee, Strategy and Special Projects:
Transaction Capital Recoveries (Pty) Ltd

We live in a country where municipalities are owed in excess of R128 billion by the constituencies that they service. Add to this a challenging economic environment plagued by downgrades and low investor confidence, rising inflation, rising unemployment, and political instability, and we have a recipe that could be further problematic to South Africa’s 213 local and 44 district municipalities.

What happens then when a municipality’s revenue is affected by non-payment for services rendered? Does a municipality have to become both a provider of services and a collector of debt? With the skills and capacity available to them, the answer is “of course not”. And as a result this leaves the municipality with a very big problem: a debt book that is increasing daily and no actionable recourse or skills in stemming the tide. Let’s be frank, South African municipalities are not the best when it comes to collecting the debt that is owed to them, it is not their core business and not their specialty.

This also presents a conundrum, and in many cases a double edged sword when it comes to the relationship between service delivery and collection of debt. On the one hand you have the municipality who needs the services that they provide to be paid in full in order to ensure effective future service delivery to occur; and on the other hand you have members of the public who do not want to pay their monthly utilities bill due to a lack of quality service delivery. Sounds familiar? According to the South African Institute of Race Relations (IRR), charges for municipal services rendered account for more than 55% of a municipality’s monthly revenue. A direct relationship thus exists where


if monthly charges are not covered then this impacts on the effective provision of services.

There are various solutions that could contribute to a solution that deals with sustainable service delivery. One of these is through Public Private Partnership, specifically the outsourcing of the debt collection function to external private sector companies. Because municipalities are not in the business of collecting debt, bringing in specialists will allow them to focus on what they do best – providing essential services to the people. The potential benefits to municipalities include:

- Maintaining current collections performance at a significantly lower cost
- Improving current collections performance at a significantly lower cost
- Allowing the municipality to focus on core activities including improving service delivery and query resolution
- Improving relationships between the client and the customers they serve


The outsourcing of non-core functions could ensure that more revenue is brought in to the municipality thereby allowing the municipality to focus on providing core municipal services and support. An increase in revenue allows the municipality to start improving service delivery rather than just maintaining it. It allows a municipality to become a service provider rather than both a service provider and a debt collector.

Outsourcing of non-core functions is not a new concept to municipalities with a number of them making use of external providers. Finding the right service provider that can take your municipality forward is important to success, viability and sustainability. Municipalities should first identify what internal functions are not meeting stated objectives, and should then identify the reasons of why objectives are not being met. Addressing current processes and observing municipalities that have had success in bridging the gap between effective service delivery and collection of debt will definitely pave the way to sustainability for your municipality.



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Sustaining Service Delivery Amidst the Challenging Economic Climate – Part 1

Simphiwe Dzengwa, Executive Director: Municipal Finance, Trade and Investment – SALGA

The theme for this year's CIGFARO Annual Conference 'Sustaining Service Delivery Amidst the Challenging Economic Climate' is most befitting and appropriate. On a daily basis we are bombarded with statistics and economic projections indicating that our economy is not doing so well. GDP growth targets are pointing southwards and tax revenue collection is underperforming by some projected billions. This gloomy picture is also compounded by the findings of the Statistician General that three out of five black South Africans live below poverty line.

This economic state of affairs has a particular bearing on municipalities. This is the sphere where poverty levels are most evident, where the ravages of the poor economic conditions are starkly experienced and where the limited state resources have to find traction in softening the poverty burden on the poor.

What is to be done? Macro-Economic Impact on Local Government Viability South Africa was able to fare well during the 2008 global economic downturn (The Great Recession), but has struggled greatly to recover some of the pre-2008 Gross Domestic Product growth trends that guaranteed a sustainable developmental local government.

The World Bank has observed that in conditions of economic downturn, unemployment increases and therefore the payment of municipal services also decreases. Perhaps, the current debt owed to municipalities which stands at R128,4 billion is a manifestation of this economic climate. Just like in the case of SARS, municipalities are finding it difficult to collect their projected revenue targets.

Recently 10 local government bodies (Municipalities and entities) were downgraded by a credit rating agency. The rationale for the downgrade is deemed as a "reflection of their close operational and financial linkages with the national government, illustrating the centralised nature of the local public sector in South Africa." A country's sovereign credit profile is linked to its sub-sovereign credit profile; if a national government gets downgraded, by default local government will be downgraded. Yet Moody's projects that "SA metropolitan municipalities' borrowing is expected to increase over the next three years to help pay for infrastructure spending needed to provide adequate electricity, water, roads and social housing for growing populations. Rapid urbanisation, fast-rising populations and a historic backlog of work have combined to leave municipalities facing higher bills to maintain or build new infrastructure

To compound the above situation, StatSA's recently released 'Poverty Trends in South Africa' report, titled "An examination of absolute poverty between 2006 and 2015" indicates among other things that:

- SA is experiencing an increasing rise in unemployment;
- More than 30-million South Africans are languishing in poverty;
- Three out of five black South Africans are languishing in poverty;
- Due to very low incomes amongst black South Africans, saving was almost impossible;
- Poor families spend a significant amount of their earnings on food.

These shocking statistics have a greater bearing in municipalities as they have to act as shock absorbers of these realities through indigency provisions.

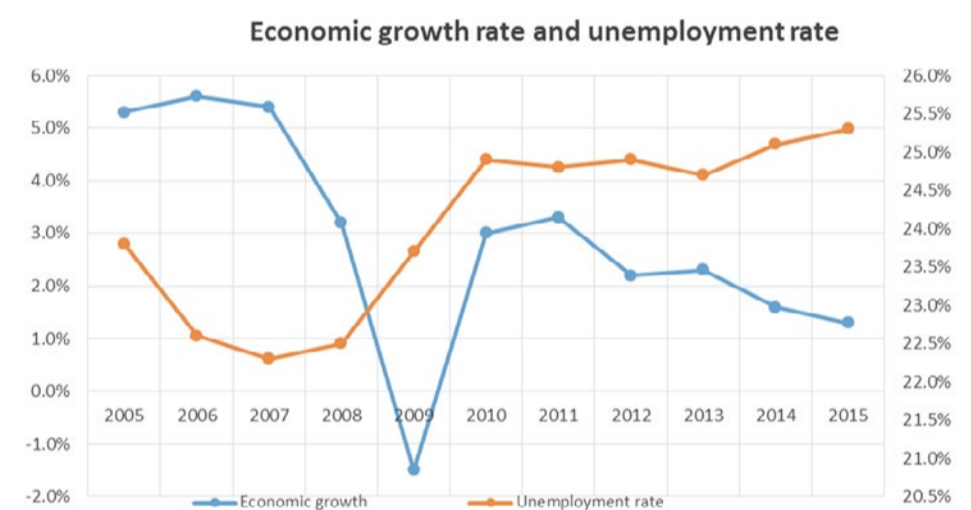
StatsSA's most recent release of its Non-financial census of municipalities (NFCM) report also shows an increase in the number

of indigent households across the country. South Africa's (then) 278 municipalities registered 3,56 million indigent households in 2016, the highest number on record since figures were first published by Stats SA in 2004. Two in every ten households in South Africa were classified as indigent in 2016. Interestingly, this figure falls far shorter to the 18,1 million social grants beneficiaries!

On the other side, UNISA's Consumer Financial Vulnerability Index Q4 report of 2016 asserts that households are spending more than they earn, are highly indebted, have bad financial planning and have low savings. In light of these results, municipalities' ability to get paid for services provided is compromised.

Declining Economic Growth and Unemployment

According to a report by StatsSA (June 2017), South Africa's gross domestic product (GDP) declined by 0.7% in the first quarter of 2017. Akun's law asserts that as an economy grows, unemployment decreases. Based on this law, it is expected that the increasing unemployment rate in South Africa (since 2008) would compromise economic growth and vice versa.



Source: SARB database

According to the latest StatsSA labour force survey (June 2017), on a quarter-to-quarter basis, the official unemployment rate increased by 1,2%, and increased by 1% year-on-year.

Economic literature stipulates that "normal" or full employment levels are expected to be between 4.5% and 5.5%. Such a level is defined by the absence of cyclical or demand deficiency unemployment. Given this benchmark, it is evident that South Africa's average unemployment figures of between 24 and 27% are alarmingly high (World Bank (2013)).

Given the high unemployment rate, high levels of poverty and high household debt levels, it is imperative for municipalities to identify new revenue strategies, broaden the revenue base and ensure that available resources are used efficiently. Tomorrow we will discuss some of the responses that SALGA proposes to these challenges.

South Africa was able to fare well during the 2008 global economic downturn (The Great Recession), but has struggled greatly to recover some of the pre- 2008 Gross Domestic Product growth trends that guaranteed a sustainable developmental local government.

Two in every ten households in South Africa were classified as indigent in 2016.



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Local government is fundamentally compromised by economic downturns. The implications of a recession mean not only a compromised revenue base, but also greater demands on expenditure outcomes.

In the past few years, South African municipalities had to bear the brunt of passing on above-inflation costs from bulk utility charges, most especially Eskom tariffs, to unhappy, hard-pressed consumers, and at the same time, deal with the implications of rising poverty and inequality for residents requiring free basic services. To make matters worse, this takes place in the context of fiscal consolidation, with little recourse for municipalities to leverage additional support from the fiscus.

payment for services, but now it has morphed into a much more immediate demand for job creation.

Another, related area of conflict in economically vulnerable communities is evident in industrial relations; with numerous protests over the past year involving Expanded Public Works Programme (EPWP) beneficiaries demanding permanent employment from councils. This is entirely rational with the reliance on income earners becoming ever more pronounced with rising unemployment, but permanent employment is ultimately outside the design and intention of EPWP projects.

more than core service delivery, albeit with fewer resources. Service delivery for indigent populations needs to take place in a way that is equitable and spreads the greatest benefits to communities (through skills transfer, for instance), while engagement with ratepayers, especially business, needs to ensure optimal levels of engagement, promoting the sustainability of businesses.

Within municipalities there are also opportunities presented in improved revenue collection, but these need to take place in a way that is not unduly disruptive or expensive for hard-pushed administrations.

In essence, the time for smart, accountable local government is upon us.

By Karen Heese, Economist, Municipal IQ

"It is little wonder that there is a perception that many municipalities are not sustaining or improving service delivery, as all-important items like repairs and maintenance are cut by a sector trying to deal with the imperative to do "more with less"

Given the squeeze in revenue options, it is little wonder that there is a perception that many municipalities are not sustaining or improving service delivery, as all-important items like repairs and maintenance are cut by a sector trying to deal with the imperative to do "more with less."

Municipal IQ's Municipal Hotspots Monitor, for instance, registers very clear discontent with the quality and pace of service delivery – not only in municipalities that are faced with daunting service delivery backlogs as one would expect, but also in municipalities that objectively deliver basic services well, according to the prescripts of national policy.

Many metros, for instance, will decry the fact that despite impressive spending per capita, they are subject to at least half of all service delivery protests. This is partially a consequence of ongoing and sustained urbanisation, with residents from shrivelling rural economies seeking out better economic prospects in cities.

A particularly worrying trend witnessed recently in protests in the south of Johannesburg (in May this year), and later on in September in the Western Cape communities of Kleinmond and Hangberg (in Hout Bay) is the demand that local government not only deliver basic services, but also on the complex inter-governmental challenge of housing, as well as the national imperative of job creation.

This latter demand speaks to the desperation of many South African communities in a recessionary environment which is being directly displaced on to local government. The pressure on poorer residents has been gauged in municipal books for many years in delayed

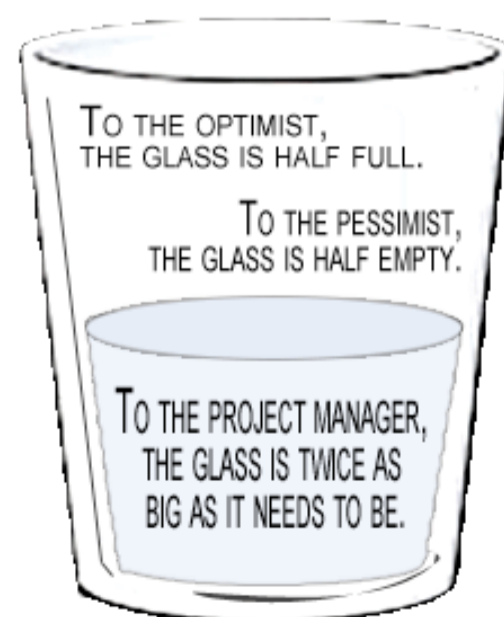
Hence some of the demands of local government, specifically in relation to job creation cannot be realised. Protests have also been registered in numerous communities where there is unhappiness with the use of outside contractors. Again, it is understandable that communities look to municipal projects as a way of creating much-needed direct employment opportunities, as well as the indirect long-term benefits arising from service delivery, but the implications for municipalities is that they not only need to interrogate the projects that are delivered to communities, but the manner in which they are delivered.

From these examples of direct and often intense socio-political pressure on local government as a result of recessionary conditions, compounding the systemic problems of unemployment and poverty, it is evident that what needs to be done in terms of delivery is not just a question of sustaining service outcomes, but also improving these in a way that stands up to transparent interrogation for communities.

Larger municipalities are in a position where they can try and bolster local economies by engaging with businesses to try and facilitate a more conducive working environment that can outstrip the national problems of lagging growth. Clearly this is necessarily done within the confines of national policy, such as fiscal and monetary parameters; but measures such as promoting streamlined building approvals, resolving billing disputes, and day-to-day issues can boost much-needed investment in municipalities.

This growing imperative again points to the importance of local government doing much

Joke of the day!



Women in power: what do the statistics say?

Co-authors: Ms. Hellen Maribe & Mr. Kevin Parry, Statistics South Africa

Regarded as one of the largest demonstrations at the time, more than 20 000 women marched to the Union Buildings on 9 August 1956 to protest against the apartheid government's pass laws. The message was clear: "We've had enough!"

This powerful statement of protest brought the struggle for women's rights to the fore, and signified a critical point in the fight for a non-racist and non-sexist South Africa. How far have we come in the last 61 years in instilling gender equality? We take a look at the numbers.

There are more women than men in South Africa. A meetup of 1 000 people that perfectly represents the country's population of 56,5 million would consist of 511 women and 489 men. In other words, women comprise 51% of the total population.

Despite women making up just over half of the population, they remain relatively unrepresented in positions of authority and power. This is recognised by South Africa's Constitution, which sets out gender equality as a founding principle. The Women Empowerment and Gender Equality Bill in particular calls for 50% representivity in decision-making positions.

If we consider the entire workforce, 44 in every 100 employed individuals are women, according to labour data released for the second quarter of 2017. Women fill 44% of skilled posts, which includes

managers, professionals and technicians. This figure hasn't shifted much over the years; it was 44% in September 2002.

Although South Africa has made great strides, gender representivity is still below the 50% mark for positions that come with a great deal of influence, according to Stats SA's Gender series volume I: Economic empowerment report for 2014. Women comprised 32% of Supreme Court of Appeal judges, 31% of advocates, 30% of ambassadors and 24% of heads of state-owned enterprises. If we take a brief look at the Top 40 JSE listed companies, only one company had a female CEO.

Parliament fares a lot better. South Africa is ranked as the tenth country in the world with the most number of females in parliament, according to the Inter-Parliamentary Union, with just over 4 in every 10 benches held by a woman.

What about city and town councils? In 2016, 276 of South Africa's 278 municipalities had a sitting mayor, according to the Non-financial census of municipalities report. Of these, 107 (or 39%) were female, slightly lower than the 42% recorded in 2011. Municipalities in Limpopo led the charge in gender equality, followed by North West and Eastern Cape.

South Africa has made progress towards the realisation of a non-sexist society, but there is still a way to go before the aspirations of those who took part in the Women's Day march of 1956 are fully realised. Stats SA's Non-financial census of municipalities report provides a wealth of information on issues related to the extent of provision of basic services and free basic services, compliance to certain minimum standards, vacancies in municipal departments, and the number of indigent households.

For more information, visit Stats SA's website at: <http://www.statssa.gov.za>.



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Service delivery from the supply side: bucket toilets and indigents

Co-authors: Dr. Patrick Naidoo & Ms. Hellen Maribe, Statistics South Africa

If you are interested in the extent of service delivery in South Africa, it might be good to know that it can be measured from two different fronts. In most instances, the extent of service delivery is measured from the demand side. Surveys conducted by Stats SA, such as the General Household Survey (GHS), collect data from households on the extent, type and quality of services that they receive.

Not as widely known is that service delivery can also be measured from the supply side. Municipalities (the suppliers) furnish service delivery related data to Stats SA during the annual Non-financial census of municipalities survey.

The latest survey report, for the financial year ended 30 June 2016, provides a wealth of information on issues related to the extent of provision of basic services and free basic services, as well as covering data on the prevalence of bucket toilets and indigent households.

Bucket toilets are on the decline, but are still a concern for some. Nelson Mandela Bay has the highest number of bucket toilets in the country. Of the 68 028 consumer units in South Africa using a bucket toilet in 2016, 24% were located in this coastal metro. This is despite the city making great strides in reducing this form of sanitation.

Nelson Mandela Bay is not alone, as 45 of South Africa's 278 municipalities still provide communities with bucket toilets, most notably in Free State, Northern Cape and Eastern Cape.

Why are bucket toilets still in use? Municipalities responding to Stats SA often state that their initial intention is to provide bucket toilets as a temporary measure while more permanent options are being considered. Various factors – including a lack of funding – often delay the process, making it difficult to replace bucket toilets once they've been introduced.

The number of bucket toilets has fallen in recent years, with municipalities making a concerted effort to provide other options such as flush toilets. During 2016, two more municipalities managed to eradicate bucket toilets entirely: Khâi-Ma and Siyathemba, both located in Northern Cape.

If the number of consumer units using bucket toilets is expressed as a percentage of total domestic consumer units receiving some form of toilet facility, Nelson Mandela Bay loses its top spot.

Siyancuma in Northern Cape comes out as the municipality with the highest percentage of domestic consumer units using bucket toilets, followed by Setsoto in Free State.

So even though bucket toilets are on the decline, it still remains an ugly reality for residents in particular municipalities.

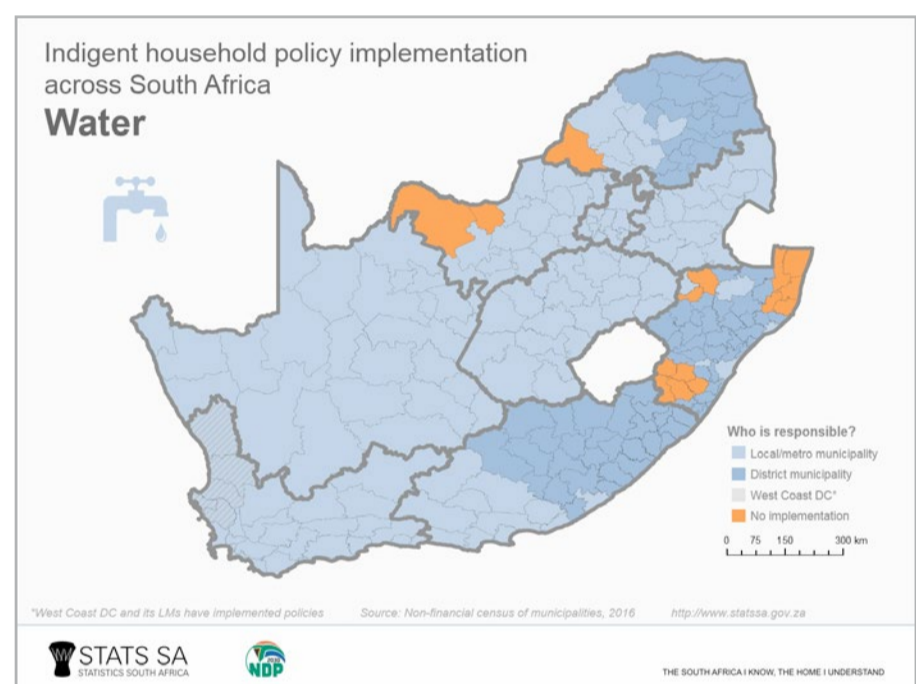
The indigent net widens, but gaps remain. Indigent policies are an important tool that municipalities can use to tackle the problem of bucket toilets, as well as other related service delivery issues. South Africa's 278 municipalities registered 3,56 million indigent households in 2016, the highest number on record since figures were first published by Stats SA in 2004. Indigent policies were in place in 243 municipalities.

Municipalities are responsible for drawing up indigent support policies to ensure that poor households, that are unable to pay for certain basic services, have access to water, electricity and sanitation. But how successful have municipalities been in implementing these policies? There are various factors at play, the most important one being the powers and functions assigned to municipalities.

Municipalities in South Africa come in three distinct forms: metropolitan, district, and local. Local and metropolitan municipalities are primarily responsible for providing various services, while district councils perform more of an oversight role.

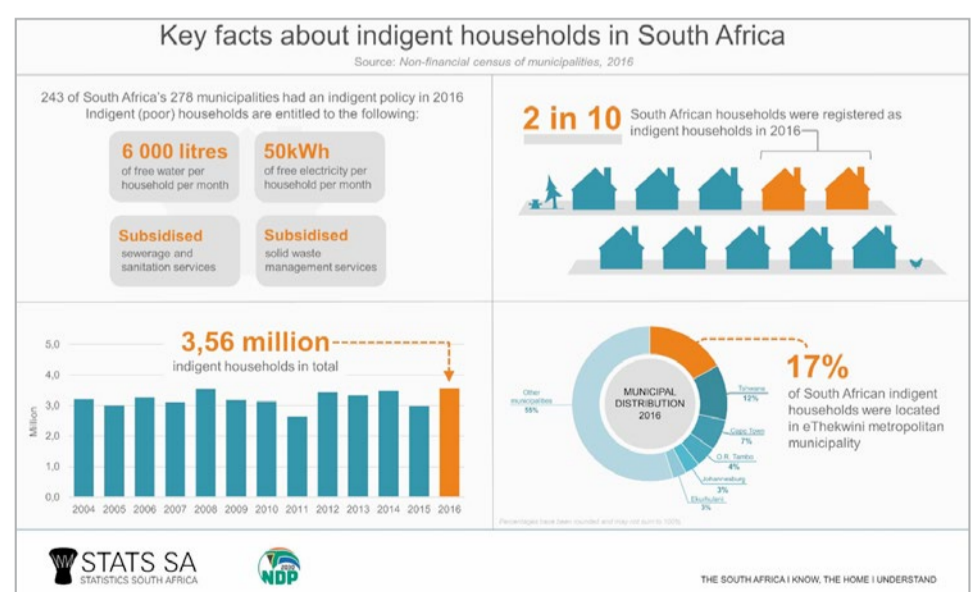
The functions between these three levels have blurred in some provinces. Many local municipalities in the predominantly rural areas of Eastern Cape, Limpopo and KwaZulu-Natal, for example, lack the capacity to adequately provide services and implement indigent policies. The district councils in these areas often step in and take over the role.

The local municipalities shown in dark blue in the map are those that have successfully ceded their indigent responsibilities to the districts in which they fall, for policies related to water. There are, however, areas where both local and district municipalities have not implemented an indigent policy. These include 15 local municipalities clustered in uMkhanyakude, Harry Gwala and Amajuba districts in KwaZulu-Natal, and include Thabazimbi in Limpopo and Ratlou and Kagisano-Molopo in North West.



Similar gaps are evident for sanitation, with 22 local municipalities lacking any implementation. Nine municipalities in KwaZulu-Natal and one in Limpopo lack implementation with regards to electricity and areas falling in 39 municipalities across the country were not covered by an implemented policy for sanitation.

The data indicate that although many municipalities have addressed various issues with regard to providing indigent households with some services, there are gaps where improvements can be made.



For more on the Non-financial census of municipalities report, visit Stats SA's website at <http://www.statssa.gov.za>.

The Preferential Procurement Act 2017 and its benefits to Government Entities

By Yusuf Aboojee –Strategy and Special Projects:Transaction
Capital Recoveries (Pty) Ltd

Radical Socio Economic Transformation. These four symbolic words are becoming a daily utterance in various media across South Africa. For some it's like the great liberator calls of old, for others it signifies a naysayer signaling the end of the good times. But why have companies not transformed and how can the new preferential procurement regulations start to push them in the right direction and ultimately benefit South African government entities.

One of the main challenges and focus points during the last 23 years has been the issue of transformation in all aspects of the private and public sector. According to Mncane Mthunzi; President of the Black Management Forum in an article on Moneyweb; although transformation has occurred in South Africa since 1994, South Africa is not yet transformed, and there is still a long road ahead before black economic empowerment is achieved. There is an argument that states that the transformation that has taken place during these last 23 years is actually reformation, typically disguised as transformation, and which has benefitted only a few. Reformation is about improvement and betterment, but it is not transformation. With transformation, an environment needs to completely change. While the focus of transformation has been on the urban middle class, the rural poor have been ignored. Informal business and individuals have not been included in the economy.

In January 2017, the brand new Preferential Procurement Regulations 2017 was finalized and gazetted. The revised preferential procurement regulations, which intends to give increased state support to small, medium and micro businesses (SMMEs) took effect on 1 April 2017. The regulations stipulate that 30% of appropriate categories of state procurement must be set aside for SMMEs and co-operatives, as well as township and rural enterprises. The revised regulations also allow government departments and their entities to introduce pre-qualification criteria in their tenders to advance historically disadvantaged groups by limiting competition to being only among themselves.

While there were 5 key changes made to the referential Procurement Policy Framework Act (2000), the main components for discussion in this article are as follows:

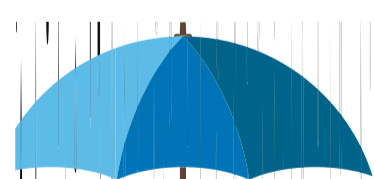
- Organs of state are now able to set a minimum BBBEE status level as pre-qualification criteria. This is an issue for companies that have not transformed or have not achieved favorable BBBEE levels as they may increasingly become ineligible for advertised government tenders. The common practice of untransformed companies lowering price where BBBEE levels are not favorable could also be negated.
- Tenders could also be restricted to those who undertake to sub-contract a minimum specified percentage of the contract to businesses that are, for example, 51% black-owned or owned by black women. This is a positive initiative from government that aims to directly ensure growth of smaller companies in South Africa. The majority of recent advertised tenders have started to include aspects of sub-contracting to majority black owned firms.

So what does this mean for companies and government entities? Companies now tendering for government and government entity contracts need to abide by the new Preferential Procurement Regulations. Failure to do so could result in limited opportunities or total loss of opportunity to do business with government entities until transformation (not reformation) targets are met. Companies also need to ensure that they sub-contract at least 30% of awarded government work to small majority black owned companies. Companies also need to be seen as actively getting involved in improving the companies that they sub-contract to as any company seen as using an entity for fronting purposes will not be considered for future contracts. Government has also stated that companies should not sub-contract to their subsidiaries as it would be taken to mean that they are subcontracting to themselves.

From a government perspective, entities are now in control of how they structure they tenders in the market. Specific criteria can be added in to a tender to ensure that the best transformed candidate is now considered. The aspect of price could now play a limited role in the evaluation of non-transformed company versus a fully transformed companies. This also allows government entities to play an active role in socio economic transformation, the promotion and empowerment of small black owned companies, and inadvertently encourage economic growth in South Africa.

The revised preferential procurement regulations intends to give increased state support to small, medium and micro businesses (SMMEs).

Government entities can actively play a role in socio economic transformation, the promotion and empowerment of small black owned companies, and inadvertently encourage economic growth in South Africa.



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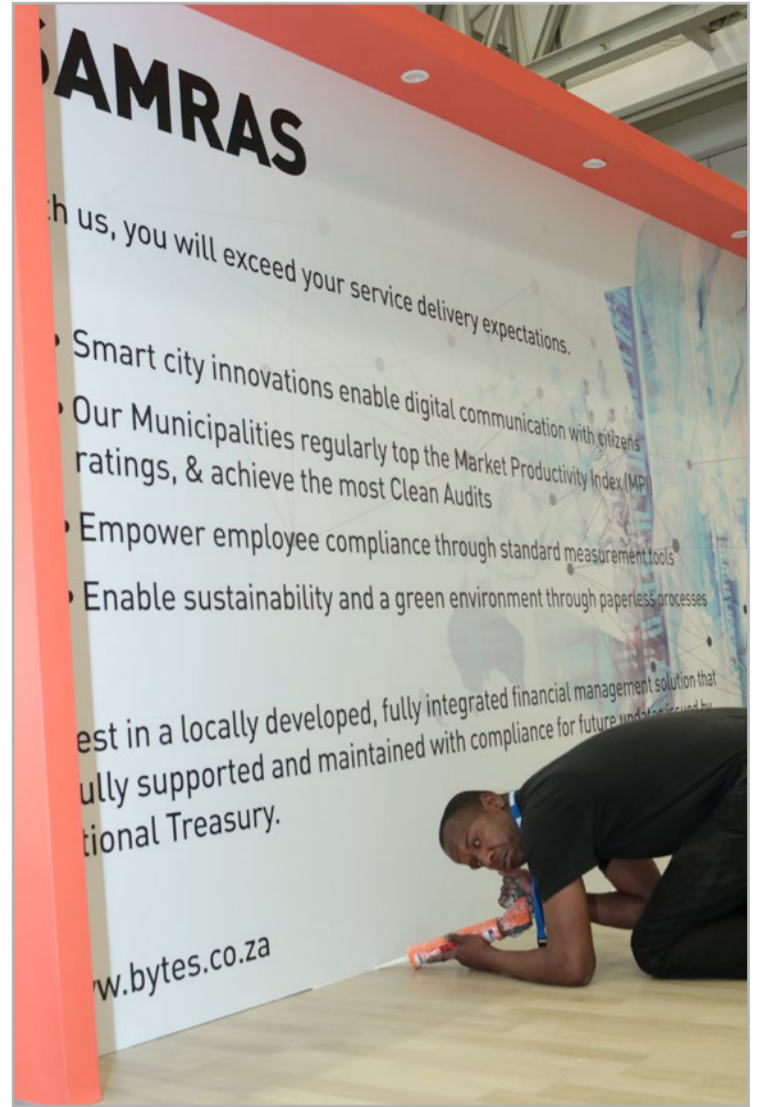
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