

**BRIEFING BY MR RONNIE KASRILS, MP,  
MINISTER OF WATER AFFAIRS AND FORESTRY FOR NCOP HEARINGS**

**ON**

**INTERGOVERNMENTAL FISCAL REVIEW**

**EMBARGO: 3 pm**

I am pleased to have the opportunity to meet with representatives from both houses of Parliament as well as from SALGA to focus on a matter of particular concern to me and my Department, the Inter-Governmental Fiscal Review.

Some of you may think that, because water is a national competence, the Department of Water Affairs and Forestry is not interested in inter-Governmental issues.

Those present who are or have been members of our MINMEC will know that is not the case. Many of the issues we deal with, the areas in which we work, involve both provincial and local government.

Here I can highlight

- waste management and control over water pollution;
- support to irrigation farming;
- conservation forestry;
- even the Department's famous Working for Water Programme is essentially a focused nature conservation programme and, as we all know, nature conservation is a concurrent function with the Provinces.

Most immediately important however are :

- water supply; and
- sanitation service provision,

and it is these that I want to focus on this afternoon because they are functions address the basic needs of all our people, particularly the poorest.

If you read the 1994 White Paper on Water Supply and Sanitation, you will see that the position was made very clear even then that local government would be the supplier of water and that the role of national government was to provide the support to enable them to do the job.

This is why, since as early as 1997, the water supply and sanitation activities of my Department have been formally designed as a programme of local government support.

The way in which we support local government is by:

- Providing funds for basic needs water schemes.
- Operating water and sanitation schemes where local government is not yet willing or able to take them over.
- Establishing a family of regional utilities, water boards, or, as the new municipal legislation would call them “multi-jurisdictional service providers” to provide services where local government does not want to provide the service itself.
- Training and capacity building for local government at the levels of councillor, official and technician and artisan.

Since so much of our work involves supporting another sphere of government to execute its responsibilities, it should therefore be obvious that inter-Governmental fiscal matters are of great interest to us.

It is for that reason that we have always sought to participate actively in the process of developing policy and ensuring that it is effectively implemented.

Unless we ensure that local government is financially sound and able to perform its functions, I would be wasting our money by my efforts to persuade Treasury to increase the allocation for our basic needs infrastructure programme. And here I must express my appreciation for the fact that this year we have again been allocated over one billion rand for our capital programme.

But there is no point building reservoirs, putting pipes in the ground if there is no money to pay for the electricity to turn the pumps and make the water come out of the taps. And that means we have to get involved in and understand local government’s financial arrangements.

That is why, as I said, we engage actively in the policy development and review processes.

The first thing I have to say about this is that I don’t think that we always realise the size of the challenges that we are tackling.

What my colleague Sydney Mufamadi, Minister of Provincial and Local Government, has done, in his own quiet way, completely restructuring the local tier of government is nothing short of revolutionary. It is a huge task, one which many richer countries

continue to struggle with. Even where I used to live in London, in the UK, they are still trying to agree on an appropriate system and to divide the powers and functions effectively.

We will only be successful in achieving the effective nation-wide system of local government that we want if we acknowledge the size of the task and focus our energies on tackling it. We must also be prepared to be honest and frank in our analysis of the situation, the problems and challenge, the successes and the mistakes. If we do not engage in review and self-criticism, if we are too quick to claim easy victories, we will fail.

I am acutely aware of the issues because the flagship community water supply and sanitation programme is facing problems directly related to the implementation of the inter-Governmental fiscal system. In the spirit of the ANC which guides this Government, I have not hidden these problems. In fact I told the local government MECs and repeated to the media at my Parliamentary briefing, that spending on our programme was running too slowly, in part because of problems related to the way in which we are rolling out the system.

But I will come back to these problems.

First, I want to turn to the document presented by National Treasury.

I am going to base my comments on those already made by my Department when they were presented with the draft. Some of their comments were incorporated, for which we are grateful, some not.

So when we saw the draft, we suggested that:

*“A key comment is that the document by its nature focuses on the areas of greatest expenditure. This may perversely have the effect of ignoring certain key strategic areas of particular policy importance to government due to their implications for social transformation and the eradication of poverty.”*

Talking specifically about local government, we noted that:

*“In general, it is striking that the focus of the review is on the urban municipalities (where the bulk of expenditure occurs) rather than on the rural and district system (where the major challenges of service delivery and poverty eradication are located). It would appear that this is due to the absence of coherent data from the latter sector but this reflects the need for greater rather than lesser focus on these areas. If this is not done, the effectiveness of the fiscal review as an instrument to assist Government in achieving its transformational and equity goals will be seriously weakened.”*

I am pleased to note that this is reflected in the conclusion of Chapter 9 which promises that the next Review will focus on the affairs of the newly demarcated municipalities when more data is available.

This highlights our concern, also now reflected in the review (Chapter 8), that

*“The challenge of establishing effective local government in the rural areas where the majority of South Africa’s poor still live cannot be overstated. In these areas, revenue generation potential is low, institutions are weak and service provision is generally both more complex and more costly as a result of the absence of formally planned settlements.”*

*The funding available to municipalities serving such communities is limited and does not adequately cover their basic administrative requirements. As a result, funding intended for specific purposes, such as the local government equitable share, is often used for other purposes. During the current year, these municipalities have also been particularly seriously affected by uncertainties about the mechanisms for the allocation of the equitable share. This situation is under review at Ministerial level”*

Treasury has also correctly focused on the fact that the introduction of the free basic services policy will only be effective if the mechanisms by which local government is supposed to pay for these services are clear – because as we all know, very little is free in this world and someone will have to pay for free services.

We also need to focus on the fact that if, as we plan, we are to transfer the water services run by my Department pretty much on a shoe string, we have to recognise that these are substantial businesses. Local government will have to be re-capitalised if they to run the services successfully and introduce the improvements that their citizens hope and expect.

One thing that does concern me about the Review is that, while it focuses on the need to support local government, it does not extend that brief far enough. It is the job of all of us at national level to support local government, not just Minister Mufamadi’s Department. In energy, transport, public works, health, environment and water .... the list could go on, local government will be effective if we support it to become effective.

We must realise that we are all part of the support system. This means that we must design not just our individual departmental programmes but also inter-Departmental mechanisms (such as the Integrated Strategic Rural Development Programme) as well as financial mechanisms (such as the conditional grant system) to provide coherent support.

This is a very practical problem for me.

As some of you may know, my Director-General, Mr Mike Muller, earlier this year warned about the dangers that the Division of Revenue Act could cause problems in the implementation of our water supply programme.

While we fully support the objective that local government should promote and take responsibility for service provision projects in their area of jurisdiction, we must recognise the limits of capacity, the confusions that still exist over the roles and responsibilities of B and C municipalities, as well as about the division of funds between them.

We were concerned that these matters, as well as the fact that administrations have not yet been fully merged, do not yet have Integrated Development Plans, meant that we should not be too hasty in insisting on detailed compliance with a set of procedures that make sense but require capacity.

I have in fact told my Director General that, if it is necessary to break the law to implement our water programmes, then he must do so. He has said that it has not yet got to that stage, that if Treasury grants the necessary exemptions, we will be able to proceed within the framework of the Division of Revenue Act.

This experience highlights the need for us to be practical as well as to be bold, to be ambitious but also to be measured in our approach. Mr Chairman, ladies and gentlemen, I hope this has given you some sense of our approach to and concerns about the current state of inter-governmental fiscal relations.

I want to end by commending National Treasury for producing such a detailed and incisive review – for unless it had raised the issues I have addressed, I could not have taken them further. I must also congratulate the Committees for promoting this invaluable opportunity for us to come together and discuss what remains one of our great challenges and successes, the backbone of Minister Mufamadi's remarkable new system of local government which, in time to come, will I believe come to be seen as one of the most important achievements of our new democracy.