

*[The following report replaces the Report of the Portfolio Committee on Cooperative Government and Traditional Affairs, which was published on page 144 of the Announcements, Tablings and Committee Reports dated 09 May 2018]*

**REPORT OF THE PORTFOLIO COMMITTEE ON COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS ON THE ANNUAL PERFORMANCE PLAN AND BUDGET VOTE 4 OF THE DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS, DATED 8 MAY 2018**

The Portfolio Committee on Cooperative Governance and Traditional Affairs (the Committee), having met with the Department of Cooperative Governance and Traditional Affairs and the entities reporting to it, on their five-year Strategic Plan, Annual Performance Plans (APP) and Budget for 2018/19 financial year, reports as follows:

**1. BACKGROUND**

In terms of section 55(2) of the Constitution of the Republic of South Africa, (Act 108 of 1996), the National Assembly must provide for mechanisms: (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of –

- (i) the national executive authority, including the implementation of legislation; and
- (ii) any organ of state.

The Money Bills Amendment Procedure and Related Matters Act, (Act 9 of 2009) vests powers in Parliament to reject or recommend budgets of national government departments. The Act further makes provision for the implementation of recommendations emanating from the Committee oversight.

The Committee exercises its mandate of oversight in line with the above-mentioned legislative framework over the Department of Cooperative Governance and Traditional Affairs (CoGTA) and its entities, namely: the Municipal Demarcation Board (MDB); the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL Rights Commission); the South African Local Government Association (SALGA); and the National House of Traditional Leaders (NHTL). The Committee met with the Department of CoGTA on 27 and 28 March, to receive a briefing on the Strategic and Annual Performance Plans and the Budget of the Departments and MISA. The Committee also met with the SALGA, CRL Rights Commission and MBD on 17 and 18 April 2018 to receive a briefing on their Five-year Strategic Plan, APP and their Budget.

## 2. DEPARTMENT OF COOPERATIVE GOVERNANCE

### 2.1 OVERVIEW OF THE 2017/18 FINANCIAL YEAR

- Through its Regional and Urban Development and Legislative Support Programme (Programme 3), the Department envisaged continuing to facilitate the restructuring of the municipal space economy through monitoring the implementation of the Integrated Urban Development Framework (IUDF).
- The Department of Cooperative Governance also envisaged continuing with the implementation of a specific revenue plan in 30 municipalities by the end of the financial year.
- The COGTA ministry further envisaged effecting amendments to the *Municipal Structures Act (Act No. 177 of 1998)* and the *Municipal Systems Act (Act no.32 of 2000)*. These amendments are still outstanding.
- The Department also introduced the Customary Initiation Bill to regulate the cultural initiation practice in order to reduce the number of fatalities emanating from the practice. The Department successfully introduced to Parliament amendments to the *Traditional Leadership and Governance Framework Act (Act No. 41 of 2003)*.

### 2.2 POLICY PRIORITIES FOR 2018/19

The Department contributes to outcome 9 (responsive, accountable, effective and efficient local government system) of government's medium-term strategic framework, which gives expression to the National Development Plan's (NDP) vision for building a capable and developmental state through interdepartmental coordination and strengthening local government. In this regard, the Department will prioritise:

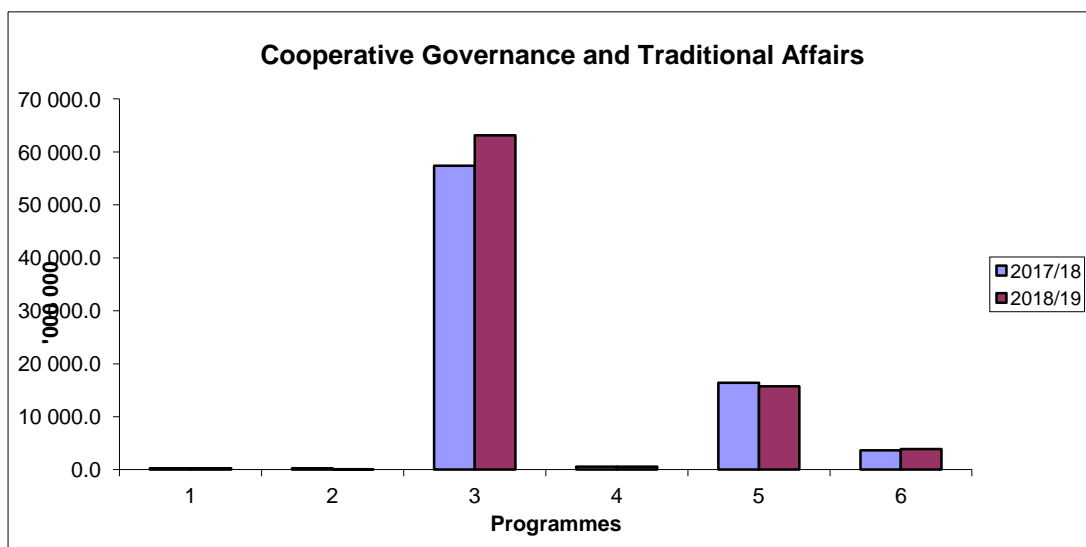
- Investment in skills development in municipalities.
- Providing infrastructure planning, delivery, operation and maintenance, infrastructure management, financial management and resolve governance and administration issues in the 27 priority district municipalities, as well as in the 55 municipalities diagnosed as distressed or dysfunctional.
- Improving water conservation and water demand management in municipalities in order to curb non-revenue water losses in view of the difficult situation South Africa is facing as a water scarce country.
- Coordinating multi-sectoral intervention measures to address the drought situation in all affected provinces.

### 2.3 BUDGET ANALYSIS

Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
<b>R million</b>						

<b>Programme 1: Administration</b>	244,3	258,6	14,3	0,8	5,85 per cent	0,34 per cent
<b>Programme 2: Regional and Urban Development and Legislative Support</b>	248,6	103,5	- 145,1	- 150,5	-58,37 per cent	-60,54 per cent
<b>Programme 3: Institutional Development</b>	57 373,1	63 111,5	5 738,4	2 448,2	10,00 per cent	4,27 per cent
<b>Programme 4: National Disaster Management Centre</b>	548,1	592,2	44,1	13,2	8,05 per cent	2,41 per cent
<b>Programme 5: Local Government Support and Intervention</b>	16 409,8	15 716,2	- 693,6	- 1 512,9	-4,23 per cent	-9,22 per cent
<b>Programme 6: Community Work Programme</b>	3 640,1	3 869,9	229,8	28,1	6,31 per cent	0,77 per cent
<b>TOTAL</b>	<b>78 464,0</b>	<b>83 651,9</b>	<b>5 187,9</b>	<b>826,9</b>	<b>6,61 per cent</b>	<b>1,05 per cent</b>

The Table above indicates that the annual budget of the Department of Cooperative Governance and Traditional Affairs for the 2018/19 financial year increases by approximately one percent in real terms – from 78.4 billion in 2017/18 to R83.6 billion in 2018/19. As the Graph below illustrates, Programme 3: Institutional Development, which receives an additional R2.4 billion for the Local Government Equitable Share (LGES), largely accounts for the Department’s overall increase.

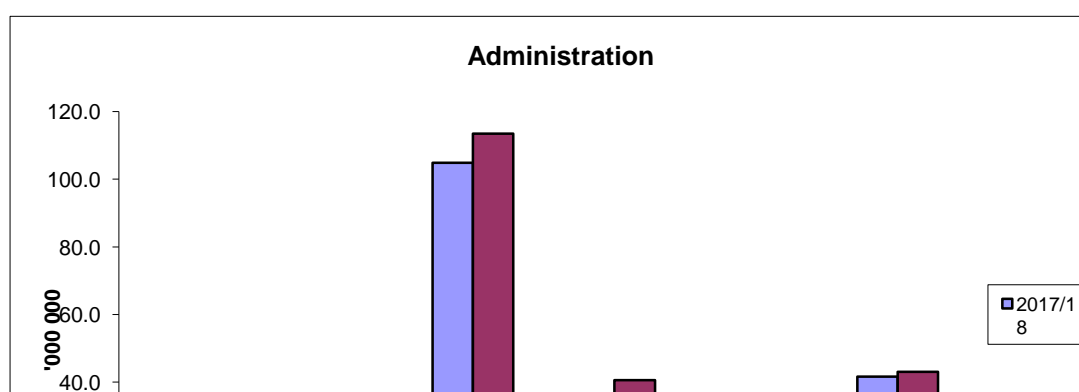


Although Budget 2018 allocates an additional R2.4 billion to the LGES, thus increasing it from R57 billion in 2017/18 to R62 billion in 2018/19, the reality is that in 2018/19 government will spend more on interest payments than on transfers to local government. Since 2011/12, interest payments have grown faster than allocations to national, provincial or local government, crowding out space for increasing productive expenditure.<sup>1</sup>

### 2.3.1 Programme 1: Administration

Sub-Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
R million						
Sub-Programme 1: Administration	26,7	29,4	2,7	1,2	10,11 per cent	4,37 per cent
Sub-Programme 2: Management	18,3	18,4	0,1	- 0,9	0,55 per cent	-4,70 per cent
Sub-Programme 3: Corporate Services	104,9	113,5	8,6	2,7	8,20 per cent	2,56 per cent
Sub-Programme 4: Financial Services	36,4	40,6	4,2	2,1	11,54 per cent	5,72 per cent
Sub-Programme 5: Internal Audit and Risk Management	16,5	13,6	- 2,9	- 3,6	-17,58 per cent	-21,87 per cent
Sub-Programme 6: Office Accommodation	41,6	43,0	1,4	- 0,8	3,37 per cent	-2,02 per cent
<b>TOTAL</b>	<b>244,4</b>	<b>258,5</b>	<b>14,1</b>	<b>0,6</b>	<b>5,77 per cent</b>	<b>0,26 per cent</b>

As the Table above indicates, the allocation to Programme 1: Administration, which provides strategic leadership, management and support services to the Department, increases by 0.6 percent. Accounting for this increase, as the Graph below indicates, are sub-programmes 1, 3 and 4, which receive real increases of R1.2 million, R2.7 million, and R2.1 million respectively. There are no significant issues raised in respect of this Programme.

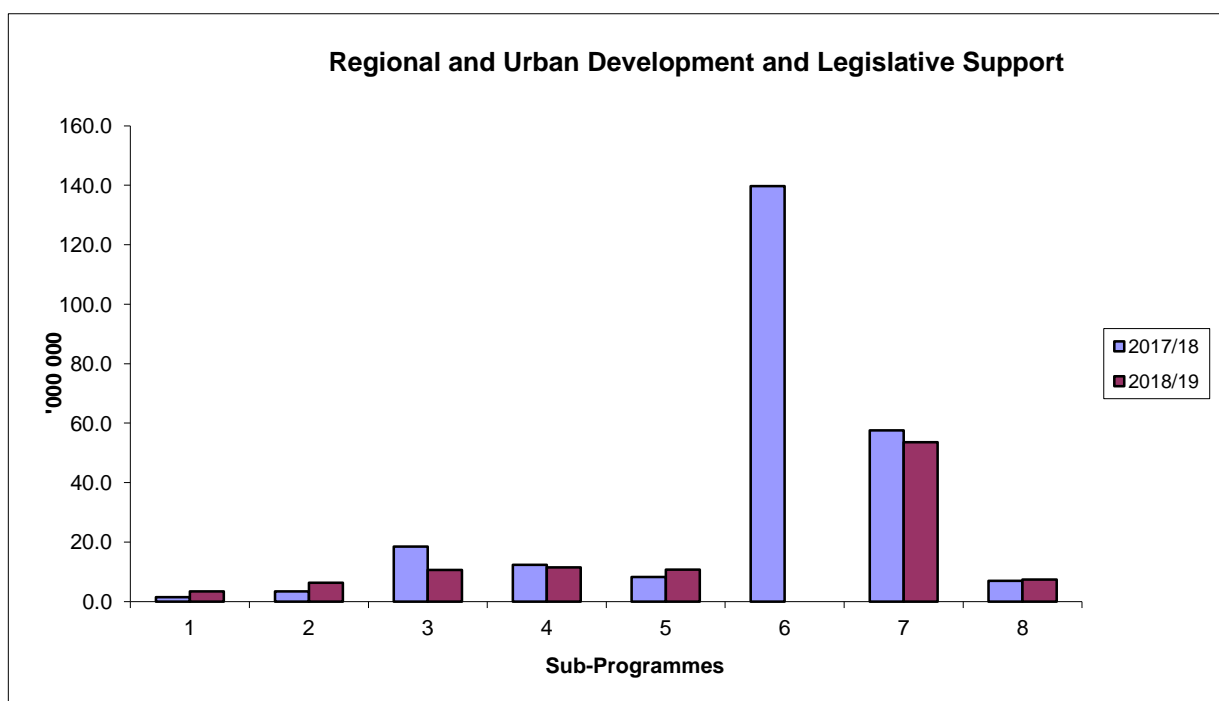


### 2.3.2 Programme 2: Regional and Urban Development and Legislative Support

Sub-Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
R million						
Sub-Programme 1: Management: Regional and Urban Development and Legislative Support	1,5	3,4	1,9	1,7	126,67 per cent	114,85 per cent
Sub-Programme 2: Local Government Legislative Support and Institutional Establishment	3,4	6,3	2,9	2,6	85,29 per cent	75,63 per cent
Sub-Programme 3: Urban Development Planning	18,5	10,6	- 7,9	- 8,5	-42,70 per cent	-45,69 per cent
Sub-Programme 4: Spatial Planning	12,4	11,5	- 0,9	- 1,5	-7,26 per cent	-12,09 per cent

Districts and Regions						
Sub-Programme 5: Intergovernmental Policy and Practice	8,3	10,7	2,4	1,8	28,92 per cent	22,19 per cent
Sub-Programme 6: Municipal Demarcation Transition Grant	139,7	0,0	- 139,7		-100,00 per cent	
Sub-Programme 7: Municipal Demarcation Board	57,6	53,6	- 4,0	- 6,8	-6,94 per cent	-11,80 per cent
Sub-Programme 8: South African Cities Network	7,0	7,4	0,4	0,0	5,71 per cent	0,20 per cent
<b>TOTAL</b>	<b>248,4</b>	<b>103,5</b>	<b>- 144,9</b>	<b>- 150,3</b>	<b>-58,33 per cent</b>	<b>-60,51 per cent</b>

As the Table above indicates, the allocation to Programme 2: Regional and Urban Development and Legislative Support, decreases by 60.5 percent in real terms. The Programme provides policy analysis towards improving local government and cooperative governance. The Graph below indicates that the decrease in allocation to the Programme mainly relates to the discontinuation of the Municipal Demarcation Transition Grant in sub-programme 6. The Municipal Systems Improvement Grant (sub-programme 9 under Programme 3) will make funds available for the completion of demarcation transition work. However, the 45.6 percent decrease in allocation to sub-programme 3 (Urban Development Planning) and 12 percent decrease in sub-programme 4 (Spatial Planning Districts and Regions) are concerning given Budget 2018's emphasis on urban renewal and spatial transformation, and on how cities are the heart of the national economy.

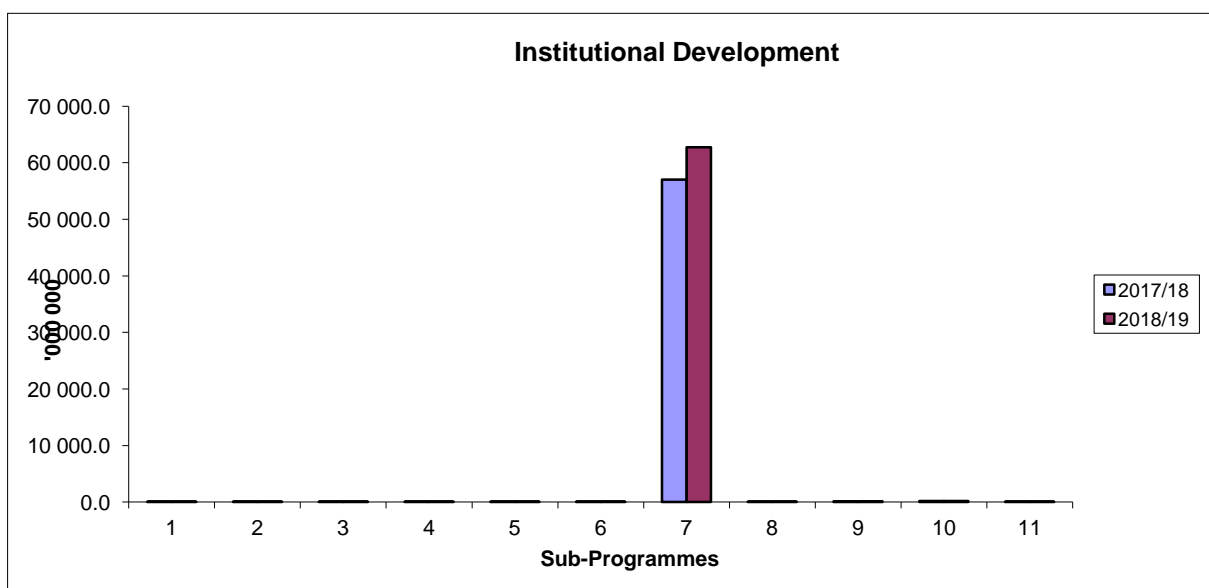


### 2.3.3 Programme 3: Institutional Development

Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
R million						
Sub-Programme 1: Management - Institutional Development	2,6	3,5	0,9	0,7	34,62 per cent	27,60 per cent
Sub-Programme 2: Municipal Human Resource Management Systems	8,8	10,2	1,4	0,9	15,91 per cent	9,87 per cent
Sub-Programme 3: Municipal Finance	28,8	33,1	4,3	2,6	14,93 per cent	8,94 per cent
Sub-Programme 4: Citizen Engagement	7,9	7,3	- 0,6	- 1,0	-7,59 per cent	-12,41 per cent
Sub-Programme 5: Anti- Corruption and Good Governance	5,3	5,5	0,2	- 0,1	3,77 per cent	-1,64 per cent
Sub-Programme 6: Municipal Property Rates	8,3	12,0	3,7	3,1	44,58 per cent	37,04 per cent
Sub-Programme 7: Local Government Equitable Share	57 012,1	62 731,8	5 719,7	2 449,3	10,03 per cent	4,30 per cent
Sub-Programme 8: South African Local Government	31,3	33,1	1,8	0,1	5,75 per cent	0,24 per cent

Association						
Sub-Programme 9: Municipal Systems Improvement Grant	103,2	115,1	11,9	5,9	11,53 per cent	5,72 per cent
Sub-Programme 10: Department of Traditional Affairs	152,5	153,3	0,8	- 7,2	0,52 per cent	-4,72 per cent
Sub-Programme 11: United Cities and Local Government of Africa	12,2	6,8	- 5,4	- 5,8	-44,26 per cent	-47,17 per cent
<b>TOTAL</b>	<b>57 373,0</b>	<b>63 111,7</b>	<b>5 738,7</b>	<b>2 448,5</b>	<b>10,00 per cent</b>	<b>4,27 per cent</b>

As indicated in the Table above, allocation to Programme 3 (Institutional Development) increases by 4.2 percent in 2018/19. The Graph below indicates that the increase mainly relates to the R2.4 billion increase in sub-programme 7 (Local Government Equitable Share). The Programme seeks to build institutional resilience in the local government system. While the R2.4 billion increase in the LGES is welcome, there is a concern that personnel spending may be crowding out the service delivery impact of higher LGES allocations. Using a sample of 11 rural municipalities that received higher transfers because of the new LGES formula, which is significantly more redistributive towards poorer and rural municipalities, National Treasury found that over the period 2012/13 to 2015/16, increased personnel spending absorbed a large share of the higher transfers. Staff numbers remained unchanged over the same period, implying that the increased spending resulted mainly from significantly higher wages for existing posts.<sup>2</sup>



<sup>2</sup> National Treasury (2018).



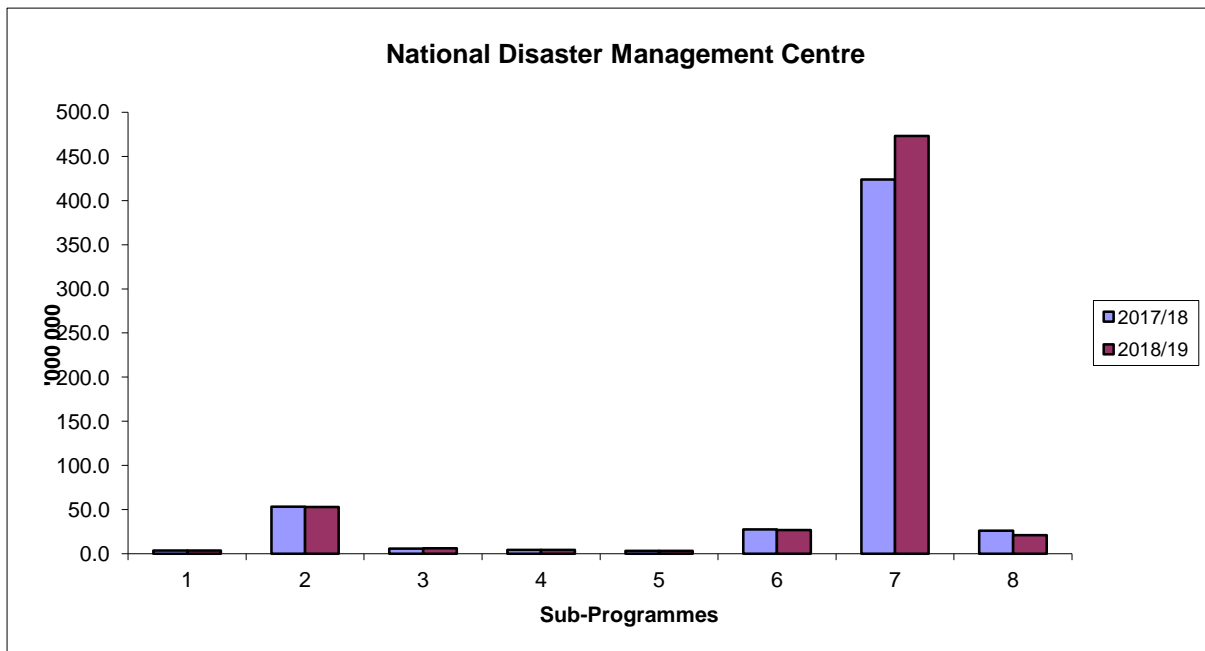
### 2.3.4 Programme 4: National Disaster Management Centre

As the Table below indicates, allocation to the National Disaster Management Centre (NDMC), which promotes an integrated and coordinated system of disaster prevention, mitigation and risk management, increases by 2.4 percent or R13.3 million in real terms during the 2018/19 financial year.

Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
R million						
Sub-Programme 1: Management: Head of National Disaster Management Centre	3,7	3,8	0,1	- 0,1	2,70 per cent	-2,65 per cent
Sub-Programme 2: Disaster Risk Reduction, Capacity Building and Intervention	53,4	52,9	- 0,5	- 3,3	-0,94 per cent	-6,10 per cent
Sub-Programme 3: Legislation and Policy Management	6,0	6,4	0,4	0,1	6,67 per cent	1,11 per cent
Sub-Programme 4: Integrated Provincial Disaster Management Support, Monitoring and Evaluation Systems	4,3	4,5	0,2	0,0	4,65 per cent	-0,80 per cent
Sub-Programme 5: Fire Services	3,4	3,5	0,1	- 0,1	2,94 per cent	-2,43 per cent
Sub-Programme 6: Information Technology, Intelligence and Information Management Systems	27,5	27,0	- 0,5	- 1,9	-1,82 per cent	-6,94 per cent
Sub-Programme 7: Disaster Relief Grant	423,7	472,9	49,2	24,5	11,61 per cent	5,79 per cent
Sub-Programme 8:	26,1	21,3	- 4,8	- 5,9	-18,39 per	-22,65 per

Municipal Disaster Recovery Grant					cent	cent
<b>TOTAL</b>	<b>548,1</b>	<b>592,3</b>	<b>44,2</b>	<b>13,3</b>	<b>8,06 per cent</b>	<b>2,43 per cent</b>

The Graph below indicates that the bulk of National Disaster Management Centre's (NDMC) budget is concentrated on sub-programme 7, which disburses the Disaster Relief Grant (DRG). The DRG receives an additional R24.5 million in 2018/19 in recognition of the fact that disaster in South Africa - and drought in particular - shows no signs of abatement in provinces such as the Western Cape, Eastern Cape and the Northern Cape. On 22 March 2018, the Minister of Cooperative Governance Traditional Affairs, Dr Zweli Mkhize, announced that Government has made available, from the DRG, a total amount of R433.5 million as immediate disaster relief funding for drought within the affected provinces.<sup>3</sup>



Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19	2017/18-2018/19	2017/18-2018/19	2017/18-2018/19
R million						
Sub-Programme 1: Management: Local Government Support and Interventions	3,3	3,5	0,2	0,0	6,06 per cent	0,53 per cent
Sub-Programme 2:	58,8	11,1	- 47,7	- 48,3	-81,12 per	-82,11 per

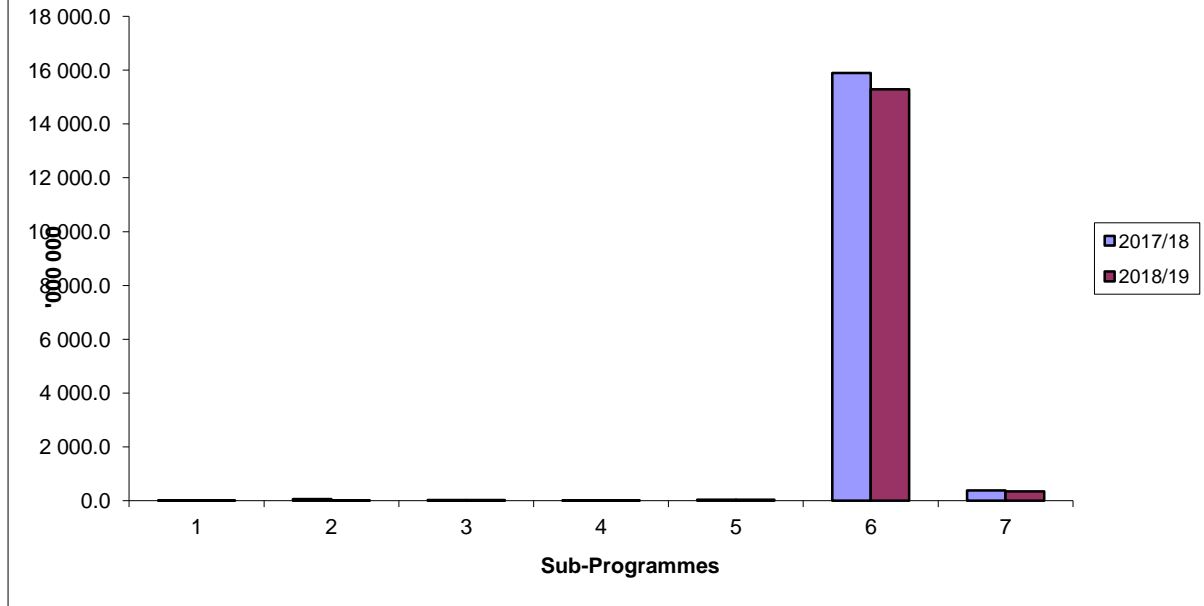
<sup>3</sup> SA Government Online (2018).

Municipal Performance Monitoring					cent	cent
Sub-Programme 3: Local Government Improvement Programme	26,5	26,0	- 0,5	- 1,9	-1,89 per cent	-7,00 per cent
Sub-Programme 4: Litigation and Interventions	12,4	8,0	- 4,4	- 4,8	-35,48 per cent	-38,85 per cent
Sub-Programme 5: Municipal Infrastructure Administration	36,1	37,4	1,3	- 0,6	3,60 per cent	-1,80 per cent
Sub-Programme 6: Municipal Infrastructure Grant	15 891,3	15 287,7	- 603,6	- 1 400,6	-3,80 per cent	-8,81 per cent
Sub-Programme 7: Municipal Infrastructure Support Agent	381,5	342,5	- 39,0	- 56,9	-10,22 per cent	-14,90 per cent
<b>TOTAL</b>	<b>16 409,9</b>	<b>15 716,2</b>	<b>- 693,7</b>	<b>- 1 513,0</b>	<b>-4,23 per cent</b>	<b>-9,22 per cent</b>

Budget 2018 includes proposals to reduce conditional infrastructure grants of provincial and local government by R28 billion over the medium term. Consequently, the Municipal Infrastructure Grant (MIG), which constitutes the bulk of the budget allocation in Programme 5, is subject to a spending cut of approximately 9 percent in 2018/19. Government expects the structure of the formula used to allocate this grant to reduce the impact of reductions on smaller municipalities. The Financial and Fiscal Commission (FFC) has cautioned that the proposed reductions on key infrastructure grants would be self-defeating if infrastructure deteriorates and becomes inadequate for the continued provision of basic services.<sup>4</sup> In this regard, the FFC has advised that government design a plan to reprioritise infrastructure funding in the coming years as a matter of urgency.

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<sup>4</sup> Parliament of RSA (2018).



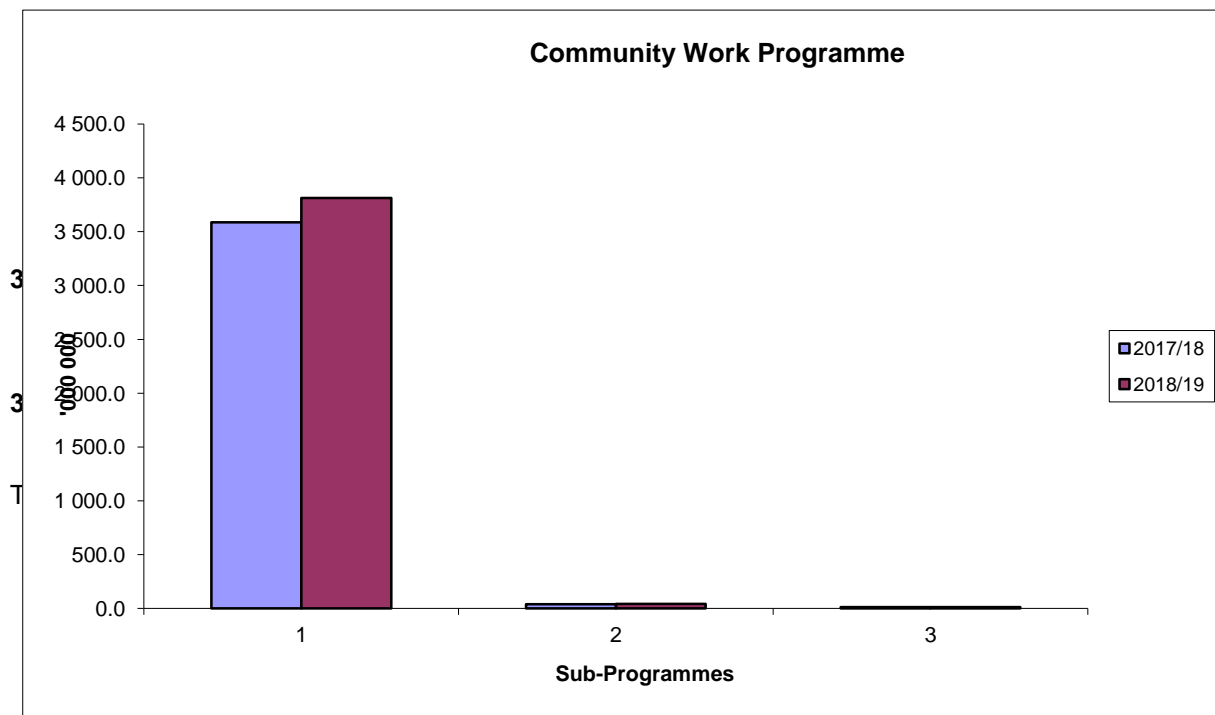
### 2.3.6 Programme 6: Community Work Programme

The Community Work Programme (CWP) seeks to respond to the structural nature of unemployment in South Africa to help address the paradox of an economy unable to absorb the labour of people willing to and able to work. It contributes to sub-outcome 5 (local public employment programmes expanded through the Community Work Programme) of outcome 9 (responsive, accountable, effective and efficient local government system) of government's medium-term strategic framework.

As the Table below indicates, the Programme receives an additional R28.1 million in 2018/19 – a real increase of 0.7 percent compared to the previous financial year.

Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
R million						
Sub-Programme 1: Management: Community Work Programme	3 587,2	3 814,1	226,9	28,1	6,33 per cent	0,78 per cent
Sub-Programme 2: Programme Coordination	40,4	42,6	2,2	0,0	5,45 per cent	-0,05 per cent
Sub-Programme 3: Partnerships, Norms, Standards and Innovation	12,5	13,2	0,7	0,0	5,60 per cent	0,09 per cent
<b>TOTAL</b>	<b>3 640,1</b>	<b>3 869,9</b>	<b>229,8</b>	<b>28,1</b>	<b>6,31 per cent</b>	<b>0,77 per cent</b>

The bulk of the expenditure in the Programme, as the Graph below illustrates, is concentrated on sub-programme 1 (Management: Community Work Programme). Research by the FFC indicates that spending on the Expanded Public Works Programme (EPWP) in general, and the CWP in particular, has had a significant positive effect on the total level of employment for metros, but not for other urban municipalities, namely secondary cities and large towns.<sup>5</sup> However, following persistent challenges around the CWP's Implementing Agents, it is welcome that the Department will be introducing a new Non-Profit Organisation Transfer Model with effect from 01 April 2018.



cultural initiation practice in order to reduce the number of fatalities emanating from the practice. The introduction of this Bill to Parliament was still pending at the time of writing.

- The Department successfully introduced to Parliament amendments to the *Traditional Leadership and Governance Framework Act (Act No. 41 of 2003)*

### 3.2 POLICY PRIORITIES FOR 2018/19

The DTA contributes to outcome 14 (nation building and social cohesion) of government's 2014-2019 medium-term strategic framework, which gives expression to the National Development Plan's (NDP) vision of creating an inclusive rural economy and transforming society through a unified country. Its policy priorities in this regard include:

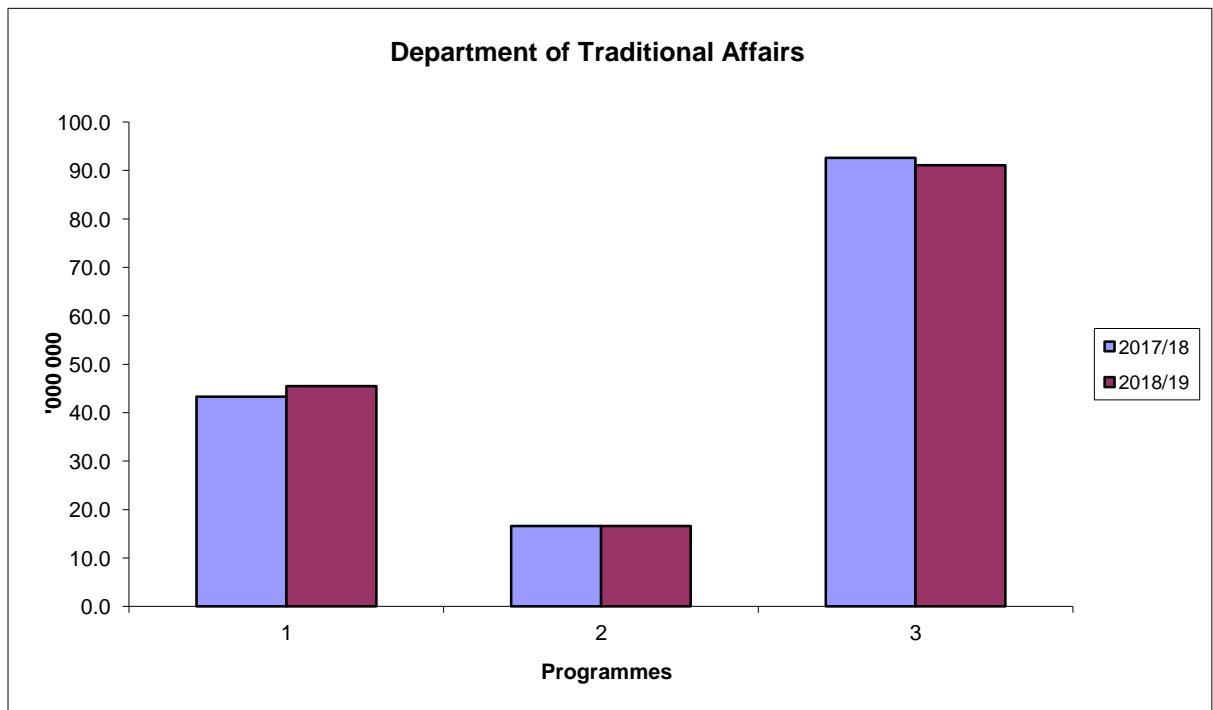
- Strengthening of traditional leadership institutions;
- Transforming the sector through development of policies and legislation;
- Fostering partnerships towards sustainable livelihoods in traditional communities;
- Promoting the cultural and customary way of life in accordance with the Bill of Rights, and
- Promoting social cohesion and nation building.

<sup>5</sup> FFC (2017).

### 3.3 BUDGET ANALYSIS

Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
R million						
Programme 1: Administration	43,3	45,5	2,2	- 0,2	5,08 per cent	-0,40 per cent
Programme 2: Research, Policy and Legislation	16,6	16,6	0,0	- 0,9	0,00 per cent	-5,21 per cent
Programme 3: Institutional Support Coordination	92,6	91,1	- 1,5	- 6,2	-1,62 per cent	-6,75 per cent
<b>TOTAL</b>	<b>152,5</b>	<b>153,2</b>	<b>0,7</b>	<b>- 7,3</b>	<b>0,46 per cent</b>	<b>-4,78 per cent</b>

As indicated in the Table above, the allocated budget for the DTA in 2018/19 decreases by 4.7 percent in real terms compared to the previous financial year. The Graph below indicates that the bulk of the Department's allocation is concentrated in Programme 3: Institutional Support Coordination, which transfers funds to the CRL Rights Commission and the National House of Traditional Leaders, as well as fund the legal costs around traditional leadership disputes and claims. There are no significant issues to raise in respect of Programmes 1 and 2.

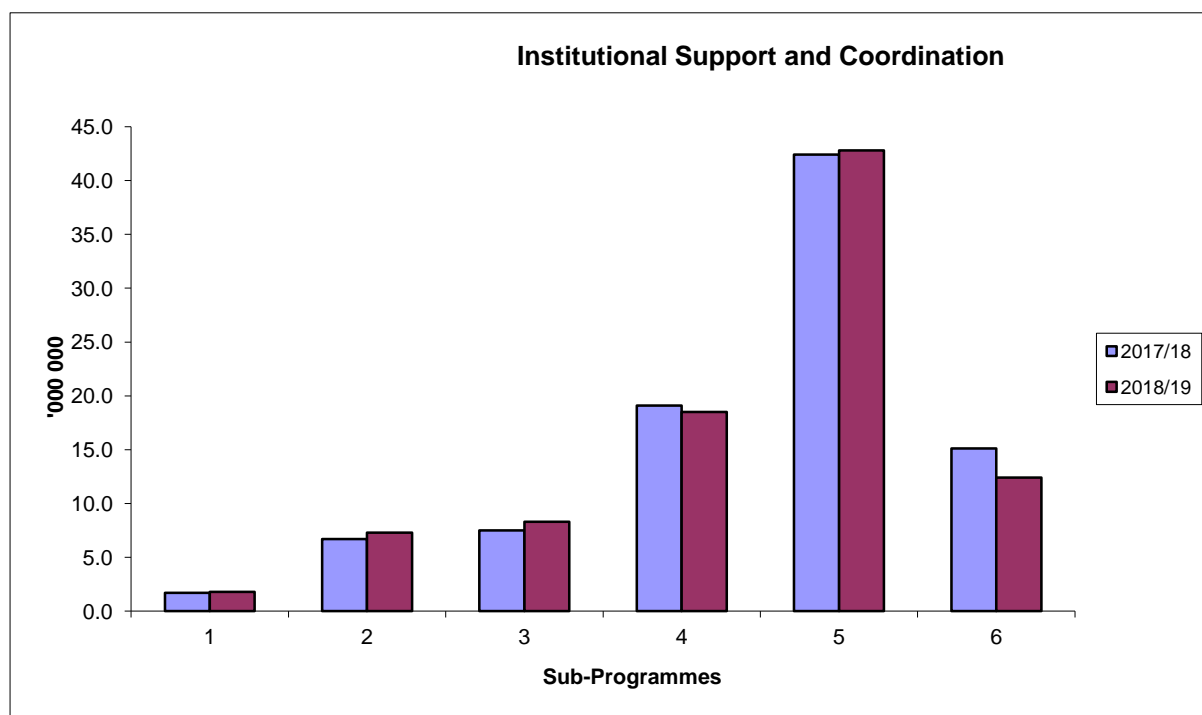


As noted earlier, Programme 3 constitutes the bulk of the Department's budget allocation. The Table below indicates that the allocation to the Programme for 2018/19 decreases by 6.6 percent in real terms.

Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
R million						
Sub-Programme 1: Management	1,7	1,8	0,1	0,0	5,88 per cent	0,36 per cent
Sub-Programme 2: Institutional Development and Capacity Building	6,7	7,3	0,6	0,2	8,96 per cent	3,28 per cent
Sub-Programme 3: Intergovernmental Relations and Partnerships	7,5	8,3	0,8	0,4	10,67 per cent	4,90 per cent
Sub-Programme 4: National House of Traditional Leaders	19,1	18,5	- 0,6	- 1,6	-3,14 per cent	-8,19 per cent
Sub-Programme 5: Commission for the Promotion and Protection of the Rights of Cultural, Religious, and Linguistic Communities	42,4	42,8	0,4	- 1,8	0,94 per cent	-4,32 per cent
Sub-Programme 6: Disputes and Claims Resolutions	15,1	12,4	- 2,7	- 3,3	-17,88 per cent	-22,16 per cent
<b>TOTAL</b>	<b>92,5</b>	<b>91,1</b>	<b>- 1,4</b>	<b>- 6,1</b>	<b>-1,51 per cent</b>	<b>-6,65 per cent</b>

The Graph below indicates that the transfer to the CRL Rights Commission constitutes the lion's share of the Programme budget. However, the allocated to the Commission decreases by 4.3 percent in real terms, which is concerning given the Commission's inability to fulfil its mandate, such as convening National Consultative Conferences. The allocation to sub-programme 6: Disputes and Claims Resolutions also decreases by 22 percent, which is inconsistent with the Department's objective of reducing the number of traditional leadership

disputes and claims over the medium term strategic framework period.



#### 4 MUNICIPAL INFRASTRUCTURE SUPPORT AGENT (MISA)

##### 4.1 OVERVIEW OF THE 2017/18 FINANCIAL YEAR

In the 2017/18 APP, MISA was upfront about the challenges it faced in fulfilling its core mandate of resolving the problem of technical incapacity in municipalities. For example:

- Inadequate internal capacity was constraining MISA's efforts to accelerate delivery and extend its reach to a higher number of municipalities.
- There were also difficulties around the redeployment of technical professionals to the 27 district municipalities prioritised for support, due to persisting capacity gaps in the municipalities that were receiving support.
- There were further institutional challenges around the system of training and developing technical skills.
- Additional challenges included a high turnover rate among skilled and experienced technical professionals in local government; the appointment of technical officials without requisite



qualifications and/or experience by municipalities; and poor absorption and retention of graduates by municipalities after they complete their training with MISA support.

Despite these challenges, MISA continued with the process of addressing backlogs in the 27 priority districts identified in 2011.

#### 4.2 POLICY PRIORITIES FOR 2018/19

MISA contributes to outcome 9 (responsive, accountable, effective and efficient local government system) of government's 2014-2019 medium-term strategic framework. For the 2018/19 financial year, the entity envisages the following:

- Deploying 100 artisans and wastewater process controllers to needy municipalities at the beginning of March 2018.<sup>6</sup>
- Providing infrastructure planning, delivery, operation and maintenance, infrastructure management, financial management and resolve governance and administration issues in the 27 priority district municipalities, as well as in the 55 municipalities diagnosed as distressed or dysfunctional.
- Improving water conservation and water demand management in municipalities in order to curb non-revenue water losses in view of the difficult situation South Africa is facing as a water scarce country.

#### 4.3 BUDGET ANALYSIS

Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2017/18	2018/19	2017/18-2018/19		2017/18-2018/19	
R million						
Programme 1: Administration	60,3	67,9	7,6	4,0	12,54 per cent	6,67 per cent
Programme 2: Technical Support Services	321,2	262,0	- 59,2	- 72,8	-18,42 per cent	-22,68 per cent
Programme 3: Infrastructure Delivery Management Support	0,0	12,6	12,6	11,9	-	-
<b>TOTAL</b>	<b>381,5</b>	<b>342,5</b>	<b>- 39,0</b>	<b>- 56,9</b>	<b>-10,23 per cent</b>	<b>-14,91 per cent</b>

<sup>6</sup> Department of Cooperative Governance and Traditional Affairs (2018).

The allocated budget for MISA decreases by almost 15% in 2018/19, as indicated in Table above. As the Graph below indicates, the bulk of the budget reduction relates to Programme 2: Technical Support Services, which is central to MISA's mission and mandate of rendering technical advice to municipalities to enable them to optimise municipal infrastructure provisioning. The funds allocated to this Programme mainly cover the costs of remunerating technical professionals responsible for the provision of technical support to municipalities, as well as payments to professional service providers appointed to supplement the technical capacity created through technical professionals.<sup>7</sup>

## 5 IMPLEMENTATION of 2017/18 RECOMMENDATIONS

The following information below is progress report regarding the implementation of 2017/18 recommendations by the Department of CoGTA.

Recommendation	Action taken
The Committee advises that DCOG and National Treasury should monitor the adherence to the agreements between municipalities, Eskom and Water Boards to ensure that proactive interventions can be made if a municipality fails to pay for services rendered.	An Inter-ministerial task team headed by the Minister of Cooperative Governance and Traditional has been set up to look at these issues. The Committee had joint meetings with the PC on Energy, PC on Public Enterprises and PC on Water and Sanitation to get status updates
The Department should report to the Committee on a quarterly basis on progress made with regard to payment of government debt to municipalities;	Committee received update
Salga should have continuous engagements with Eskom to assist the municipalities with the issues of payment of bulk electricity accounts;	Ongoing interaction with Eskom, NT and municipalities, to resolve these matters
National Treasury should brief the committee on the activities of the Municipal Financial Recovery Service;	The committee was briefed on this issue.
MISA should brief the Committee, by June 2017, on what action plan they have in place to strengthen controls in supply chain management, the management of performance information as well as human resource capacity.	Done
The Committee requests that the DCOG	Ongoing process

<sup>7</sup> MISA (2018).

improves the management of the CWP contracts signed with implementing agents; an asset register for CWP that adheres to the minimum requirements for an asset register, as prescribed by National Treasury must be maintained by the Department.	
The Committee must organise a workshop with the CRL rights commission and other relevant Portfolio Committees, to discuss the challenges of initiation and religious institutions.	The Committee had extensive engagement with the CRL and the religious sector. A report was tabled to the National Assembly that will be debated in the House.
The Department should brief the Committee by June 2017 on when the Local Government: Laws Amendment Bill will be finalised and brought for Parliamentary processing.	Briefing completed, bill to be submitted for Parliamentary processing.

## 6 COMMITTEE OBSERVATIONS

**6.1** The presentations by the Department and its entities was appreciated and interrogated by Members of the Committee.

**6.2** The Committee noted that, Budget Speech made specific reference to the importance of urban renewal and spatial transformation, and to how cities are at the heart of the national economy. The 45.6 percent decrease in allocation to sub-programme 3 (Urban Development Planning) and 12 percent decrease in sub-programme 4 (Spatial Planning Districts and Regions) appears inconsistent with this policy priority.

**6.3** The Committee noted with concern that despite the strained fiscal environment and cuts to local government allocations, there has been a clear prioritisation of funding to municipalities, including a real growth in the equitable share allocation over the 2018 medium-term expenditure framework period.<sup>8</sup> Research by National Treasury indicates that this funding growth has been commensurate with increase in personnel expenditure rather than service delivery.

**6.4** The Committee observed with concern that, 112 municipalities have passed unfunded budgets. The Committee need a briefing from provincial as well as the national Departments of Cooperative Governance to ascertain what support and assistance will be provided to the affected municipalities.

**6.5** The low number of skilled technical professionals and artisans is one of the major constraints facing the majority of South African municipalities. Yet, over the medium term, MISA proposes to

<sup>8</sup> Financial and Fiscal Commission (2018).

decrease the number of apprentices enrolled in its Artisan Development Programme (ADP), namely 230 in 2018/19, 180 in 2019/20 and 120 in 2020/21.

- 6.6** The Committee notes that MISA's presentation on its 2018/19 APP provides no indication on progress in respect of the problems constraining the implementation of its annual targets for the previous financial year, including inadequate internal capacity and problems around the redeployment of technical professionals to the 27 priority districts.
- 6.7** The committee notes with concern that the MISA has not appointed a permanent CEO as the current incumbent is still acting. MISA should look at fast tracking this appointment,
- 6.8** The Committee takes note of the real 4.3 percent decrease in budget allocation to the CRL Rights Commission. The Commission is in dire need of financial resources to, among other things, convene National Consultative Conferences with religious, linguistic and cultural communities. The importance of this has become urgent following the recent tragic incident of criminality perpetuated under the guise of religion in Engcobo.
- 6.9** One of the Department's strategic objectives over the medium term is to reduce the number of traditional leadership disputes and claims. However, the budget allocated for the resolution of traditional leadership disputes and claims decreases by 22 percent in real terms for 2018/19.

## **7 COMMITTEE RECOMMENDATIONS**

**7.1** The Department of Cooperative Governance and Traditional Affairs should look at capacitating its legislative support structure to ensure faster processing of legislation.

**7.2** DCOG, National Treasury, Eskom, Department of Water and Sanitation and Water Boards should devise a plan to have the issue of debt owed by municipalities to Eskom and Water Boards resolved.

**7.3** The Department of Traditional Affairs should consider increasing funding/allocation of funds to the CRL Rights Commission to convene its National Consultative Conference.

Further, the Committee is encouraged by the Annual Performance Plans for 2018/19 of the Department of Cooperative Governance and Traditional Affairs, SALGA, CRL Rights Commission, MISA and MDB, and accordingly supports their implementation.

The Committee recommends that the 2018/19 budget allocation to the Department of Cooperative Governance and Traditional Affairs and its entities, be approved.

Report to be considered.

