



# Business Regenerating Small Towns Gathering report: Towns Action Network

1 December 2022

The theme for the December Towns Action Network (TAN) Gathering was Business Regenerating Small Towns, held in partnership with the Small Business Institute.

The session featured practical learning on the challenges and successes that businesses have had in enabling municipal accountability in small towns. TAN Support Partner Kagiso Trust concluded by proposing alternative perspectives to enable mutual accountability.

## Highlights included

- Stories of hope from Moqhaka Local Municipality by the RavCom and former member of the Mayoral Executive Committee (Finance and LED)
- Kgotso Schoeman, CEO of Kagiso Capital on confronting realities through honest conversations
- Trialled methodologies of engaging with local government from the President of the Golden Triangle Chamber of Commerce.

A recording of the full TAN session is available [here](#).

Recordings from previous gatherings, published TAN newsletters, as well as support tools for all network members to explore, are available on the [TAN webpage](#).

## 1. Welcome and Introductions

The session kicked off with a slideshow showcasing the [Connections Carnival](#), a TAN project that kicked off in September in Odendaalrus, Free State with the finale held in the Genadendal/ Greyton Valley in November 2022. The Carnival aimed to support small organisations undertaking small town regeneration activities to enable greater impact through partnering, including with municipalities.

The EDP's CEO Andrew Borraine gave a brief background on the EDP, as a public benefit collaborative intermediary organisation that supports government and non-

state sectors by providing an independent partnering platform for people to work together to achieve development outcomes.

TAN is a knowledge-sharing network for people working for small town regeneration across South Africa. TAN works closely with the Cooperative Governance and Traditional Affairs (CoGTA) and South African Local Government Association (SALGA) as the key bodies in the authorising environment, stimulating action within government.

#### **TAN's slogan is built on the three C's**

- **Connect:** Connecting people with the same interests.
- **Communicate:** Documenting and sharing the stories of changemakers who are turning around the fate of their towns.
- **Collaborate:** Working with authorising environment, researchers, changemakers and residents.

Andrew reiterated the purpose of the December gathering, namely the role of business in small towns and the role they play in holding the functionality of the town together and building the local economy.

## 2. Stories of dysfunctionality and hope

Winda Austin-Loeve – Small Business Institute (SBI)

Winda gave a brief history of the SBI, founded 80 years ago and positioned as the big voice for small organised businesses. They promote their members' economic and business interests by influencing the regulatory environment in which their members operate. The Institute also provides research-based evidence used to advocate for business.

Four years ago, the SBI saw a big shift in focus on how to help *grow* sustainable businesses to how to *stay* in business despite the lack of service delivery from small town municipalities.

The SBI has identified five issues that led to the dysfunctionality of municipalities:

1. **The lack of consequence management:** Officials are often placed on precautionary suspension while getting full salaries, and investigations are often not done timeously which does not lead to prosecution. This lack of accountability is detrimental to the municipality and community. Officials sometimes resign under suspicious circumstances from local municipalities and get reappointed in other local municipalities without due diligence.
2. **Procurement integrity:** General non-compliance in procurement legislation as well as supply chain management policies.
3. **Human resources:** the municipality's organisational structure impacts how services are rendered to residents coupled with the inappropriate placement of human resources.
4. **Lack of service delivery** of which there are many examples visible to all.
5. **Revenue collection and payment of service providers:** Municipalities did not take appropriate steps to collect revenue from residents and pay for services rendered by service providers.

Without addressing the above, the SBI believes that business sustainability won't be possible. They suggest that solutions to improve the situation and create an enabling business environment is better than rather taking the legal route.

The SBI's approach is focused on proposing solutions and supporting collaboration, indicating that everything is joined together and no single organisation on its own can solve complex problems and also enable business at a local level.

#### Kevin Maart – Saldanha Black Business Alliance

Kevin introduced the Saldanha Black Business Alliance (SBBA), which was established to advocate for previously disadvantaged business owners in the West Coast to participate in the high-value chain of the West Coast economy.

The challenges experienced by the SBBA are mostly with the local municipality and include:

- **Local procurement:** The closing of the local metal and steel company resulted in the shedding of over 500 jobs, which resulted in employees going into business to use the skills acquired from working at the plant. This led to an increase of newly registered businesses joining the SBBA, due to its ability to negotiate with well-established companies and role players such as provincial and local governments. The SBBA advocated for local procurement but has not seen an improvement albeit numerous meetings including with the municipality. Kevin spoke of the struggle to get the municipality to procure local businesses for services, which has led to the closure of multiple businesses due to the lack of opportunities.
- **Local Economic Development Department:** The SBBA conducted an assessment to help understand the challenges faced by businesses. The LED department failed to assist with programmes that address the shortfalls faced by the businesses to ensure that they are able to compete with other businesses operating in the market. The focus is more on the informal sector.
- The municipality communicates more with other business chambers in comparison to SBBA.

#### Klippies Kritzinger – Golden Triangle Chamber of Commerce working in Emfuleni Local Municipality

Klippies shared his journey of learning how to collaborate with a local municipality in the case of extreme dysfunction. Emfuleni municipality has seen a great decline in functionality over the years and has become a highly politicized space due to factionalism in the area. Interventions from National Treasury and provincial government have not yielded any success. In fact, hours prior to the gathering, Klippies learned that Eskom had attached the municipality's vehicles due to the debt owed by the municipality.

Despite the strenuous relationship, the Chamber has fostered good working relations with Midvaal Local Municipality and Emfuleni Local Municipality, and has partnered with the Sedibeng Traditional Black Business Chambers. TAN members are invited to share learnings and guidance on dealing with similar cases

### 3. Stories of hope and positive impact

Nico Palm – Rammulotsi and Viljoenskroon Community and Business Forum

Nico shared how wars, like protests, are often linked to poor performance or decision-making by the government. The survivors are always left to pick up the pieces and regenerate what is left. The lack of basic services is preventable, and requires municipalities to come together with communities to identify sustainable, workable, maintainable and affordable resources.

Stabilising basic services is critical for peace and leads to prosperity and local economic development. Nico flagged the Small Town Regeneration Strategy (STR) as one of the best strategies as it aims to bring communities, businesses and local municipalities together to partner, and emphasises collaboration, cooperation, cohesion and trust building.

Brenton Rooskrans - Kroonstad Chamber and former Mayoral Committee Member of Moqhaka Local Municipality

Brenton shared his experience of working with local government, highlighting that the key factor causing dysfunction in local municipalities is the lack of monitoring and revenue collection coupled with crime – for instance, the theft of water meters – making it difficult for municipalities to track how much water and electricity is being used.

As a former municipal employee, he also reflected on what has changed since the COVID-19 pandemic, where lack of payment for services has made it difficult for municipalities to operate, with Eskom and other service providers not paid. To get municipalities out of debt requires a change in the Division of Revenue Act to enable municipalities to pay off their debt.

Brenton recommended that business chambers include black representatives to speak on their behalf as many municipal officials refuse to engage with white business chamber representatives due to racial tensions. He encouraged all participants to be active community members by participating in municipal processes in order to have an influence.

Andrew highlighted the alignment of Nico and Brenton's inputs in addressing small town dysfunction:

- Municipalities are low-trust environments in many South African towns due to the country's history and current situation. 'Inclusive Localism' can bring communities together to engage with municipalities who may be suspicious of competing interests.
- Ensuring a functioning revenue collection system and clearing overall municipal debt to Eskom – which is currently at R52 billion - while trying to get renewable energy onto the grid will complicate the transition to a low-carbon green economy.
- High-level policy changes in municipal finance are needed, with research showing that the allocation of revenue for municipalities does not match the total powers, functions and obligations of municipalities in the country.

## Lizette du Plessis – Free State SBI and President of Free State Goldfields Chamber of Commerce

The Smart City, Safe City Concept in Madibeng has taken six years to realise the opportunities presented by the concept. Lizette shared some guidance based on their experience:

- Building trust with everyone involved is a lengthy process but forms a strong foundation.
- Improving communication between the various municipal departments and the community.
- The formation of community-lead task and focus teams (under the Smart City, Safe City concept) and the strengthening of existing community forums.
- Understanding the role of all bodies involved (SALGA, CoGTA, councillors) as well as the Constitution and Municipal and Water Bylaws is critical.

## Kgotso Schoeman – Kagiso Capital

Kgotso shared examples of where Kagiso Trust worked in the Free State and Makana, Eastern Cape where government staff members took accountability for their actions, which led to the surfacing of issues faced in both provinces which in turn lead to changes which had a positive impact on the system.

Through brave and honest conversations with the staff of a poorly performing Free State school - including the principal and community – people were enabled to identify the issues at stake and improve on their shortcomings. This led to the underperforming high school producing one of the top matriculants results in the province.

In Makana local municipality, a poor working relationship between the mayor and municipal manager was leading to the underperformance of senior officials and councillors in basic service delivery. Through conversations facilitated by Kagiso Trust, the local municipality was able to hear criticism directly from the community which led them to admit they have failed the residents of Makanda.

Kgotso highlighted the importance of brave and honest conversations to surface issues in the running of municipalities and identify the root causes of dysfunctionality and then work collectively to devise solutions. This is the essence of mutual accountability.

## 4. Closing remarks: Revealing the system to itself

Andrew concluded the session with the following points:

- Honest conversations about accountability between municipality, business and communities are essential. Regardless of party politics, anyone in power should be held accountable for their actions, particularly in cases of non-performance which has dire effects on citizens.
- In dealing with divisions within business, partnering is like charity: it begins at home. Divisions undermine the concept of partnering. Each partner should improve its own partnering approach to become a better partner with other sectors.
- It also helps that everyone does their homework on their system before engaging with other systems.

- The stories of successful engagements with municipalities show that if the process is done right and you can build trust among each other, the majority of time spent in meetings can be dedicated to the next stage of consolidating and growing.

## TAN Support Partners and Resources

The Gathering was convened by TAN Support Partners [Accountability Lab South Africa](#), [Democracy Works Foundation](#), [In Transformation Initiative](#), [Kagiso Trust](#), [Karoo Development Foundation](#), [Restaurare/ Citeplan](#) and the [Western Cape Economic Development Partnership \(EDP\)](#).

The following TAN support tools are available to all participants on the [TAN webpage](#).

- The TAN database – includes contact details of TAN members. Due to POPIA, this is not 'open access'. Please contact [Phefumlela](#) to request contact details of any TAN members or organisations you require.
- An Towns Action Network [Interactive Map](#) which contains TAN members initiatives across South Africa. To be included on the Interactive Map, please share a brief description of your initiative with Phefumlela (email [phefumlela@wcedp.co.za](mailto:phefumlela@wcedp.co.za)).
- A [Towns Action Network](#) research and media articles database on the uKESA platform
- The Offers and Needs Catalogue for network members to utilize for partnership building, vertical and horizontal learning exchange and skills transfer.