

# Africa Oil and Energy

## Funding municipal infrastructure and impact of green economy at local government.

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# PRESENTATION OUTLINE

- INTRODUCTION AND BACKGROUND
- CHALLENGES
- ANALYSIS
- RECOMMENDATIONS.

# **Introduction and background**

The presentation assesses the status of alternative financing mechanism for Renewable energy and Energy Efficiency. The analysis assess interventions, in addressing lack of funding, transition to green economy by local governments, bankability and project preparation within the municipal infrastructure by local governments.

# Introduction (cont'd)

A presentation also assess policies directed at local government and a reflection of whether they contain the components of green growth and green economy and the extent to which they contribute to attaining green economy. Local government is key in achieving green growth and green economy because it is involved at all levels from policy formulation to implementation.

(Rodgers 2016)

# Introduction (cont'd)

According to NDP, a thorough review of targets, planning, technology choices, funding and implementation are necessary. Subject to costs, South Africa could at least have 90% grid connections by 2030, with alternative off-grid options offered to remaining households for whom connection is impracticable. The 90% of households through grid connection or other possible technologies to address future backlogs.

## **Introduction (cont'd)**

Economic development is dependant on natural resources, capital investment, transport, local government capacity and development support. Poor socio-economic indicators such as low revenue base, poor infrastructure, limited access to funding, access to services and low economic base are some key municipal challenges.

# Introduction (cont'd)

**PROJECTED HOUSEHOLDS –APRIL TO MARCH 2018**

**TOTAL IN ALL PROVINCES : 15 954 146**

**TOTAL HOUSEHOLDS CONNECTED AS AT MARCH 2018**  
2 208 898

**HOUSES ELECTRIFIED: 13 745 248**

**HOUSES WITHOUT ELECTRICITY : 2 208 898**

**OVERALL ELECTRICITY ACCESS : 86.15%**

# Challenges

- **The politics of funding**: Funding poorer municipalities depends on government grants and loans. Rural municipalities are unable to draw on substantial tax base; the residents from these municipalities are unable to pay for services and therefore this has a severe impact in maintaining the existing infrastructure.
- **Financial Challenges**: Because of budget constraints, maintenance of assets and construction plants are always neglected, leading to a municipal failure to respond to elementary operations and maintenance tasks and unable to respond to infrastructure failures in time.
- **Water and waste water treatment plants**: basic equipment necessary to perform routine tasks is always missing. Research points that in smaller municipalities, a number of waste water treatment plants do not have a potable water supply, making it impossible for operators to prevent sludge accumulation.



# Green cities and towns.



# **Green economy in local government.**

Local governments have limited contribution to transition to green economy. Municipalities if adequately supported can play a significant role in generating the demand for green products and services. This can create greater localisation of green technologies by local governments. This could drive Public and Private sector investment in green economy. (DEA, 2015)

## **Green economy (cont'd)**

Green Cities and Towns in South Africa ensures that municipalities deliver efficient and essential services to their residents utilising available natural resources in a sustainable manner. Local governments need to drive investment on waste management, recycling, Renewable energy and energy efficiency. This need to happen at the local government level. (DEA, 2015)

## **Green economy (cont'd)**

One of the studies shows that Zambia is embracing green economy by reducing dependence on charcoal as a source of energy which has contributed to loss of forests. Through local government, the country is providing electricity to rural areas as well as installing solar geysers to encourage the use of solar energy. (Rodgers, 2016).

## **Green economy (cont'd)**

Zambia effort to achieve green economy has also been observed through its emphasis on the use of carbon – free sources of energy. The move of reducing dependence on charcoal which causes deforestation is an agent of climate change because it destroys natural carbon sinkers. Initiating of these projects at local government indicate the important role municipalities can play in achieving green economy.

## **Fiscal instruments that better account for natural capital.**

These fiscal instruments could be tax policy, expenditure policy and pricing policy. Some of green economy incentives and disincentives in the form of fiscal instruments could be applying stepped-pricing mechanism to encourage water and energy efficiency with inclining block tariffs, “buy back schemes for waste recycling and materials recovery, fines for littering, taxes and tariffs for inefficient and polluting transport systems

## **Green investment and procurement.**

The South African research also shows that transition to a green economy requires a broader understanding of how to account for the value of ecosystem services and how to optimise the use of natural for green economic growth. Local government should be central to a re-orientation in investments whereby ecological and social criteria are taken into account in decisions involving investments and procurement of goods and services.

# **Analysis.**

There is poor coordination of project management, local economic development and private sector mobilization and communities to activate and stimulate local economic activities. Local economy and renewable projects do not benefit small businesses and there is always poor community involvement in project planning.



## **Analysis (cont'd)**

Researchers have continuously pointed that local municipalities around the world face; to varying degrees ; the same problem of inequality, unemployment, growing poverty levels and exclusion of small businesses in energy renewable projects and limited provisioning of basic services.(World Bank, 2016)

## **Analysis (cont'd)**

Studies also pointed that urban planners and business economists has focussed on examining the development and impact of local economic development initiatives in developed and developing countries, however most literature has concerned with economic development in developed world.

## **Analysis (cont'd)**

Initiatives in developing countries have been documented but, the analysis of the wealth of cases that are found in Asia, Africa and Latin America has been limited. There are important differences in local development in the “North” [advanced economies] and Global South [developing countries] (World Bank, 2016)

# **Fiscal health of local government**

Globally, the fiscal health of the municipality is its capacity to raise revenue in order to be able to provide services at standardized or normative levels. A considerable amount of work has been done globally on measuring the fiscal health of local governments. It is viewed as an important tool for determining the capacity of local government to be able to meet with financial

# **Project preparation and bankability**

The existing problem in local governments within the continent is a lack of capacity by municipalities to prepare bankable funding proposal[s] and a weak consultation between municipalities and the business sector.

# **Access to funding**

Many of the municipalities within the continent solely rely on government budgets for energy efficiency in their existing infrastructure programmes. There is limited access to funding and insufficient implementation capacity necessitated by the fact that many municipalities in the continent have no capacity to raise bankable funding proposals.

# Financing instruments

Financing instrument [tax incentives, loans and more] without analysing in most cases which instrument or combination of tools would be most effective for the project or country at a time. Affordability is one of the critical challenges that developing countries faced when implementing renewable energy.

# **Risk assessment and good governance.**

Countries are governed by the stability, status and fiscal health of state utilities, legal system and links to the risk encore by currency. South Africa and Kenya have committed to clean government thus promoting transparency and transformation of its sourcing strategies to attract private sector investment.



# **Government plans and policies**

Both South Africa and Nigeria have plans in place for Renewable Energy and Energy Efficiency policy targets in line with 2030 vision. Nigeria has implemented a variety of plans and policies with a view to scaling up investment in renewable energy. Resources are being mobilized under Clean Technology Fund to improve access to finance for energy efficiency.

# Recommendations

- There should be increased awareness and improved coordination and involvement of municipalities relating to green economy.
- A green economy transition will require that infrastructure development are low carbon and resource efficient.
- Green economy to be integrated to LED.

## **Recommendations(Cont'd)**

Local government has to put a plan to transition to facilitate a green economy transition in municipalities. Developing renewable energy capacity has a potential to transform energy sector into one that is more sustainable from economic, environment and social perspectives (Oosthuisen et al 2016).

**THANK YOU**