

# Knowledge Week 09

Making Local Government Work Better





Development Bank  
of Southern Africa

### **Financier**

To contribute to the delivery of basic services and promote economic growth through infrastructure and development funding.

### **Advisor**

To build institutional, financial and knowledge capacity for development.

### **Partner**

To leverage private, public and community stakeholders in the development process.

### **Implementer**

To originate and facilitate key interventions for building capacity and providing development solutions.

### **Integrator**

To mobilise and link stakeholders, resources and initiatives for sustainable development outcomes.



ISBN: 978-1-920227-08-1

### Published by

Development Bank of Southern Africa  
Research and Information Division  
Advisory Unit  
Midrand  
March 2010  
The DBSA Knowledge Week 2009 Proceedings

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# CONTENTS

Foreword by the Chairperson		i
Acronyms		iii
Acknowledgements		iv
Executive Summary		v
<b>Opening Addresses</b>		01
	Ms Lulu Gwagwa	02
	DBSA Board	
	Mr Paul Baloyi	04
	DBSA Chief Executive Officer/MD	
	Mr Ravi Naidoo	06
	DBSA Group Executive	
<b>Summary of Presentations</b>		09
<b>Day 1: IGR and Planning to Fast-track Service Delivery</b>		09
1 Context of the Local Government Turnaround Strategy	Mr Ongama Mahlawe Ministerial Advisor, CoGTA	10
2 Historical Context of Local Government	Mr Mohammed Bhabha DBSA & CoGTA Advisor	12
3 Economics of Local Government	Dr Neva Makgetla DBSA	14
4 Local Government Service Delivery	Dr Peter Vaz Research Triangle Institute (RTI)	15
5 Data Management for Improved Service Delivery: the Local Government Experience	Mr Kevin Allan Municipal IQ	16
6 Challenges of Asset Maintenance in Municipalities	Mr Louis Boschhoff i@Consulting	22
7 Lessons from Siyenza Manje: Key Impediments to Service Delivery	Mr Charles Mvungi Siyenza Manje	24
<b>Day 2- Policy, Structures and Systems</b>		27
8 Key Impediments in the Systems of Local Government	Mr Pascal Moloji Resolve Group	28
9 Municipal Financial Framework	Mr David Savage DTJ Savage Consulting and FFC Commissioner	30
10 Ditsobotla Case Study on Financial Turnaround	Mr Rian Boschhoff DBSA	32
11 Koukamma Case Study on Institutional Turnaround	Mr Louis Scheepers DBSA	34



# CONTENTS

12	Local Government Turnaround	Mr Yunus Carrim Deputy Minister of CoGTA	36
13	DBSA Perspective on Local Government Turnaround	Ms Lulu Gwagwa DBSA Board Member	37
14	A Provincial Perspective	Mr Sicelo Gcobana EC Local Government MEC	39
15	MIG Policy Reform	Mr Pieter Heydenrych CoGTA	40
16	City Structures and Governance	Mr Graeme Gotz Gauteng City Region	42
	<b>Day 3- Improving Governance</b>		45
17	Improving Governance and Accountability in Local Government	Mr Lechesa Tsenoli Chairperson, CoGTA Portfolio Committee	46
18	Improving Local Government Accountability for Improved Governance	Mr Paul Serote Office of the Auditor-General	47
	<b>Discussion</b>		50
	<b>Conclusion</b>		54





## Chairperson Foreword



Jay Naidoo

The Development Bank of Southern Africa's (DBSAs) annual Knowledge Week provides a space for dialogue about pressing development-related issues. The 2009 theme sought to highlight the complexities and challenges of delivery and to prioritise best practice in this regard so as to ensure that local government works better for all citizens and communities across our country.

The national Department of Cooperative Governance and Traditional Affairs (Cogta) proposed Local Government Turnaround Strategy provides an entry point for discussions on how the DBSA might best support this critical process of strategic reform. The turnaround process also affords an opportunity for the country as a whole to review the multitude of interventions, contributions and work undertaken in the local government sphere. The DBSA is equally inspired to fine-tune our role as a Development Finance Institution operating in the local government sphere, towards an enhanced execution of our mandate as regards service delivery.

Diagnostic studies undertaken by government all suggest less than optimal communication with and accountability to communities. The White Paper on Local Government puts an emphasis on a developmental framework that prioritises people at the centre of local government planning and service delivery. As a State funding institution whose major clients are municipalities, the DBSA is committed to assisting government in its efforts to fast-track service delivery and respond to the pressing needs of our communities across the country.

The outcomes of the 2009 Knowledge Week as presented in this Report is but one of the several offerings by the DBSA in support of the Local Government Turnaround Strategy. Others include: a refined Siyenza Manje Programme; support for the national strategy on Rural Development; reengineered financial support services for infrastructure projects in municipalities, and increased knowledge management products including advisory and research services.





## Chairperson Foreword

Through Knowledge Week and other engagements with municipal partners, the DBSA seeks to better understand the real issues confronting this critical sphere of governance and to support government's commitment to delivering on our promise of 'a better life for all. We hope the experiences and lessons shared during our 2009 Knowledge Week: "Making Local Government Work Better" will contribute positively towards this end.

**Jay Naidoo**







## ACRONYMS

AG	Auditor-General
ANC	African National Congress
CBP	Community Based Planning
CBO	Community Based Organisation
CFO	Chief Financial Officer
CoGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
EIA	Environmental Impact Assessment
FFC	Finance and Fiscal Commission
GDP	Gross Domestic Product
IDP	Integrated Development Planning
IGR	Intergovernmental Relations
LG	Local Government
MFMA	Municipal Financial Management Act
NCOP	National Council of Provinces
NGO	Non-Governmental Organisation
OAG	Office of the Auditor-General
O & M	Operations and Maintenance
RSC	Regional Service Council
PALAMA	Public Administration Leadership and Management Academy
PFMA	Public Finance Management Act
SAI	Supreme Audit Institution
SADC	Southern African Development Community
SALGA	South African Local Government Association
SETA	Sector Education and Training Authority
SM	Siyenza Manje





## Acknowledgements

Our sincere appreciation goes to the following persons:

**Project Manager :** Ms Nelly Rampete, DBSA

**Organising Team:** Nolwazi Gasa, Nelly Rampete, Godfrey Mwiinga, Johanna Chiloane, Nomagugu Mashinini, Thenjiwe Mtshali, Dulcee Musi, Sarah Mosoetsa, Zamikhaya Maseti, Helen Moatshe

**Presenters :** Mr Ongama Mahlawe (CoGTA), Mr Mohammed Bhabha (DBSA & CoGTA), Dr Neva Makgetla (DBSA), Dr Peter Vaz (RTI), Kevin Allan (Municipal IQ), Mr Louis Boschoff ( i@Consulting), Mr Charles Mvungi( DBSA), Mr Pascal Moloji (Resolve), Mr David Savage (FFC Commissioner & Consultant), Mr Rian Boschoff (DBSA), Mr Louis Scheepers (DBSA), Mr Yunus Carrim (Deputy Minister of CoGTA), Mr Sicelo Gcobana (Eastern Cape MEC), Mr Pieter Heydenrych CoGTA), Mr Graeme Gotz (Gauteng City Region), Mr Lechesa Tsenoli (Chairperson, Portfolio Committee), Mr Paul Serote (Office of the Auditor-General)

**Facilitators :** Ms Shiva Makotoko (ABSA), Mr Reuben Baatjies, SALGA, Mr Ravi Naidoo (DBSA), Ms Sinazo Sibisi (DBSA)

**Management :** Mr Ravi Naidoo, Ms Sinazo Sibisi and Ms Nolwazi Gasa,

**Editorial Team :** Nelly Rampete, Kate Rivett-Carnac and Nolwazi Gasa



## Executive Summary

### 1. Introduction

The Knowledge Week event was held at the Development Bank of Southern Africa from 3-5 November 2009. The Week was themed "Making Local Government Work Better". This discussion forum had the objective of finding solutions to complex developmental challenges with particular reference to making local government work better. It also sought to inform the Cooperative Governance and Traditional Affairs (CoGTA)-proposed Local Government Turnaround Strategy.

Knowledge Week is an annual event that has been held at the Bank since 2001. The timing of Knowledge Week 2009 was opportune given that CoGTA had just released a report entitled the "State of Local Government 2009". This review was based on assessments undertaken in 2009, and formed the underpinnings of the new Local Government Turnaround Strategy introduced by CoGTA.

Over the course of two-and-a-half days, more than 15 speakers from various organisations and government departments made presentations on resolving challenges faced by local governments in South Africa. In addition, the Knowledge Week had a strong communication and awareness component aimed at broadening the audience. This included exhibitions and radio and TV programmes during which public comments were also received.

### 2. DBSA-proposed 10 Point Plan

As an opening input into the deliberations at Knowledge Week, the DBSA proposed 10 areas of intervention to ensure the success of the Local Government Turnaround:

- a) Strengthen community involvement and participation
- b) Get the skills and technical capacity in place;
- c) Improve political governance;
- d) Strengthen performance monitoring and reporting;
- e) Match municipal roles to capabilities ;
- f) Standardise and simplify processes and systems;
- g) Improve the Fiscal Relations System;
- h) Strengthen the IGR Planning System;
- i) Strengthen national and provincial capacity to facilitate LG turnaround ;
- j) Define accountability and consequences at key decision-points.

These points helped frame the discussions throughout Knowledge Week.

### 3. Key Issues emerging from the Knowledge Week discussions

A summary of the deliberations is provided below:



### 3.1 Inter-governmental Relations and Planning

- 3.1.1 **A differentiated approach** towards local government. Knowledge Week delegates agreed with proposals to institute a differentiated approach in all systems and processes required from municipalities. There is a need to deal with the two-tier system of local government in order to address responsibility challenges within local government, amongst other limitations.
- 3.1.2 **Coordination in government** needs to be improved and strengthened. Delegates argued that the local government turnaround strategy should facilitate the turnaround of government as a whole. In this regard, limited national and provincial government capacity to interact and work with local government was argued as also crippling the local government system.
- 3.1.3 **Knowledge management:** The turnaround process should be based on learning from previous experiences. As an example, one of the lessons learnt from the DBSA Siyenza Manje programme is that interventions in municipalities should be identified in collaboration with government. This supports the point regarding coordination made above.
- 3.1.4 **Planning:** Local government is still struggling to plan and execute spatial plans that will address the apartheid-era spatial set-up. Knowledge Week delegates advocated for better clarity and direction on whether municipalities should promote urbanisation and/or rural development.

### 3.2 Systems and Policies

- 3.2.1 **Procurement:** The issue of non-transparent and varying tender systems and processes in different municipalities was identified as one of the root causes of corruption. Delegates called for transparent systems and, where possible, central standardisation to ensure that quality and value for money are achieved.
- 3.2.2 **Local Government Finance:** Delegates felt that the turnaround strategy must also involve reforming the local government finance systems. These reforms should include funding levels based on realistic population estimates and service level standards, as well as municipal asset needs and maintenance requirements. In this regard, there is a need to review the current funding regime in terms of the new infrastructure and in terms of Operations and Maintenance (O&M). Delegates also underscored the importance of aligning the funding regime with capacity-building initiatives based on the segmentation of municipalities.
- 3.2.3 **Skills development:** Delegates believed that municipalities generally do not employ people on merit, but based on their political affiliations. Political parties should change their deployment strategies to ensure that municipally-elected councillors and management have the required skills. It is important for the country to work on professionalising the local government workforce.



## Executive Summary

3.2.4 A structured feeder system from higher education institutions to municipalities is one of the mechanisms that could be employed to ensure that municipalities are provided with the technical skills they need.

### 3.3 Good Governance

3.3.1 **Public participation:** Delegates expressed the concern that the current public participation mechanisms are not effective in ensuring community participation. They proposed that the ward committee system be reformed to ensure that these committees participate within the processes of municipalities rather than after internal decisions have been made.

3.3.2 **Performance measurement:** Delegates argued for systems to clearly define and establish simple indicators to measure local government performance as part of the turnaround strategy. Local government turnaround would need to develop effective early warning systems. Government should also have mechanisms to ensure that the “monitors” are also monitored.

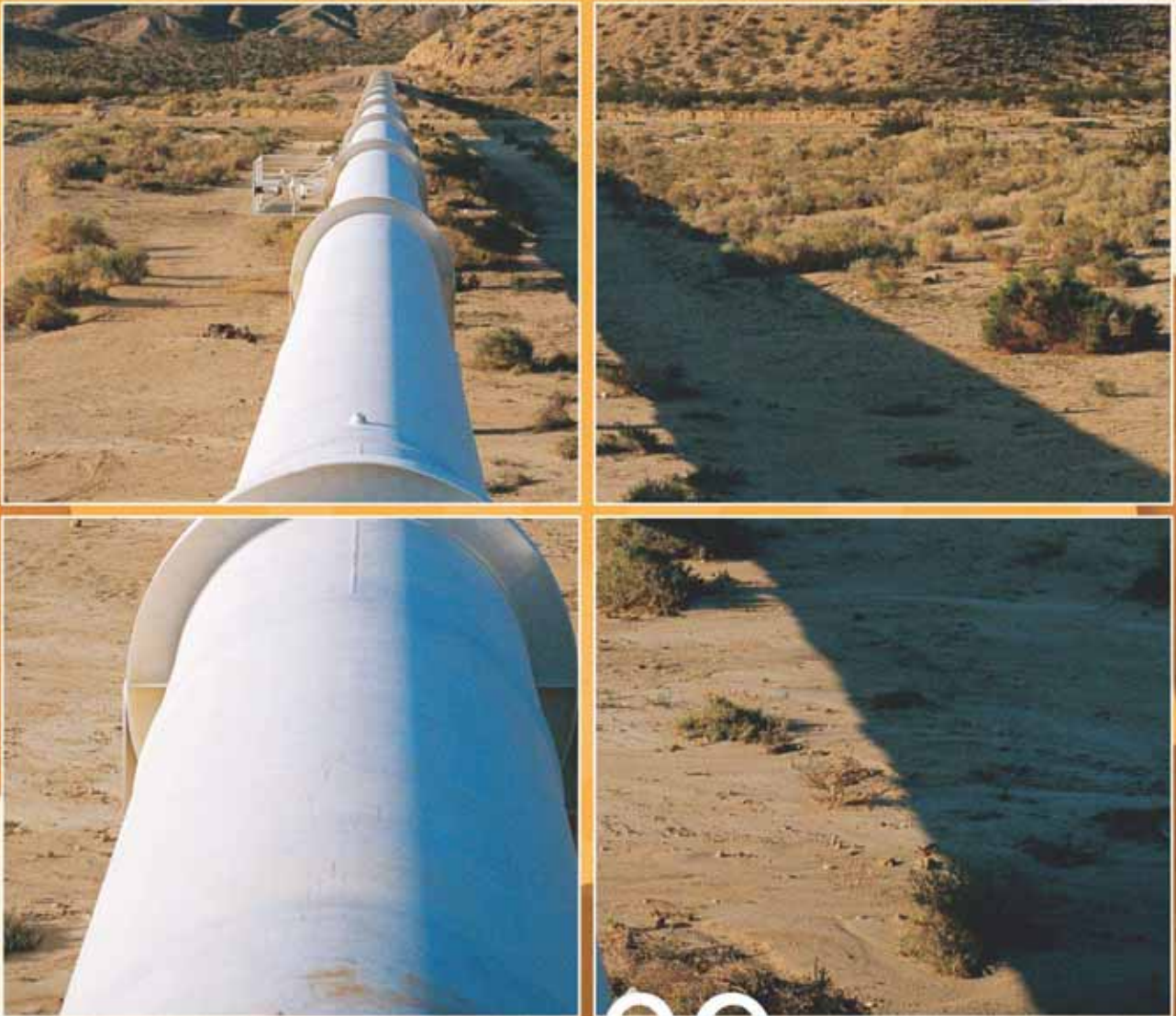
3.3.3 **Leadership:** In developing the local government turnaround strategy, the values and principles required of local government leadership need to be redefined. Furthermore, ongoing leadership training and development is required. Additional proposals included the possibility of rotating leaders between the three spheres - national and provincial parliaments together with council leadership.

## 4. Conclusions and the Way Forward

Knowledge Week concluded that the success of the local government turnaround strategy would depend on its implementation. As a way forward, the DBSA's 10-point plan was prioritised with the following top three interventions:

1. **Strengthen community involvement and participation.** This is the most important matter that the local government turnaround strategy should deal with.
2. **Get the skills and technical capacity in place.** The challenge of skilled officials at local government level was highlighted, especially given the fact that most current appointments are based on political grounds rather than merit.
3. **Improve governance.** Participants argued for both institutional capacity enhancement and improved accountability by local politicians. It was proposed that party deployment systems and criteria be revisited to ensure that people with the right skills set are deployed to lead local government.

## Opening Addresses



Knowledge Week 09

Making Local Government Work Better



## Opening Addresses



Director of the DBSA Board  
Dr Lulu Gwagwa

Local government is about delivery. If we cannot get local government right, there is no hope for us as a country, as a continent, to make developmental progress. Let us get this right. There is also frustration at the challenges facing local government service delivery because, as a country, we should know what it is that we need to do. From a policy perspective, we cannot fault the White Paper on Local Government. Looking at the White Paper, we only need to adapt certain parts in terms of the concept of developmental local government. But the question is: why are we not getting it right?

So, the next three days are about asking that question in a very pointed way: what are we not getting right, and how do we get it right this time around?

The CoGTA report is very clear, and has isolated a number of issues that we - local government practitioners - know about. The issues around service delivery backlogs - water, sanitation and housing - have been highlighted yet again. The DBSA is also very clear about its mandate in terms of supporting service delivery and working very closely with the line function departments.

The issue of poor communication between local government and communities is of importance. There are a number of interventions put in place by government to try and improve communication between communities and local government.

Governance of local government is at the centre of the challenges that we face. Until we resolve accountability and governance issues, other interventions will not take us very far. In this regard, institutionalisation of some of civil society formations, in the form of ward committees, would enhance accountability in the local government sphere.

Capacity issues at local government level, in terms of systems, structures and general skills, remain a great concern. These issues need urgent attention. In considering the turnaround



## Opening Addresses

strategy, we need to be realistic and acknowledge that most municipalities are still in the establishment phase. But what is also important to recognise is that some municipalities that had moved into the consolidation phase - almost getting a few steps into sustainability - have actually reversed past gains. So, how do we ensure that this turnaround strategy is sustainable, and not reversible?

All the interventions that the DBSA is involved in seek to support government. As a public entity, the DBSA will generally not lead government programmes, but will take the cue from government regarding areas of priority that require support.

The DBSA has five critical roles. The first is a **financier role** and within that, about 45% of the Bank's investments and financial assistance are allocated to local government. So we are here in these three days of Knowledge Week because local government matters in terms of DBSA's own performance and the performance of its loan book. The second role, as an **advisor**, includes playing a critical role in engaging various departments and public entities; advising on different development-related issues. The third role, as a **partner**, includes partnering with government departments on development issues. More recently, a fourth role as an **implementer** entails engaging on the ground in order to understand and respond to critical challenges. And finally, the **integrator role** includes bringing together various stakeholders onto a platform to encourage learning from each other, and the integration of various interventions. The Knowledge Week is a significant example of the Bank's integrator role.

As indicated, local government is part of DBSA's core business, and we have a major role to play in development-related interventions. Of the various challenges facing municipalities, we recognise that the capacity of the institutions and the people within them is one that is fundamental to a local government turnaround.

With this in mind, the DBSA asks practitioners at this Knowledge Week gathering to help government to act decisively in providing the tools and the solutions to make sure that we are able to move forward. We must act now to establish a sustainable and developmental local government in our country.





Chief Executive, DBSA  
Paul Baloyi

I think it is important for us to begin by reflecting on why these discussions (on the state of local government) are important. At a high level, these discussions add to the discourse around local government, and they inform the variety of strategies that are being developed. But let us not forget the backdrop to our discussions - that in South Africa we face huge challenges: Africa is the poorest of the continents, and we happen to be one of the few African countries that have the resources for development work. So we need to get it right.

Now, if we just pause and reflect on the Minister of Finance's Budget speech and the way in which he spoke about the budget deficit, what I think we probably need to realise is that it is quite easy for us to just spend money to address problems. The one area for me which I think we need to be very mindful and careful about is, how do we repay that overdraft? It is one thing to say that as the economy grows over time, we will hopefully get the money back and begin to do that. But as we find ourselves here in the middle of a global recession, we could find ourselves in trouble.

If we look back, 20 or 25 years ago most countries in Africa got to be highly indebted, largely through the structural adjustment of the World Bank, so there are reasons we can find to blame everyone for that. But the reality for us is the day that this country might find itself in a situation where we are unable to repay our debt: that is the day that we can bid goodbye to the prosperity that we have experienced for the past fifteen years. We will then be at the mercy of global companies, global entities. We will be at the mercy of the IMF and the World Bank which thus far, within the past fifteen years, we have managed to avoid. We have stood on our own two feet and been prudent in how we have managed the fiscus and the country as a whole.

With the global financial distress in which we find ourselves, we have to spend money to get ourselves out of the hole. But as we spend the money as government and, particularly, as we spend the money as local executives in government, we have to ensure two things: the first



is, let us make sure we spend the money towards building productive assets rather than fuelling pure consumption. The second thing is that we need to create an environment and infrastructure that attracts and supports investors who actually carry the country in terms of the flow of funds. So, in short, we need to ensure that the money is spent, and spent correctly. If we get this right in terms of the infrastructure that we put in the ground, we can actually turn around the country from an economic perspective, and we can then begin to see how we can repay the overdraft. If we get the expenditure wrong, we could end up indebted as a country and at the mercy of external powers.

So in the context of the discussion today, I think what we need to realise is, there is an abundance of knowledge, an abundance of ideas, and each one of us is passionate of their own viewpoint in terms of what should be done. What we need to do this time is focus on better co-ordination of government resources. So we need to start building consensus around the plans and to develop an image that takes us in one direction.

We need to shift our discussions towards a different kind of energy. In the past there has been a generation of ideas, new innovations, etc, but we now need to channel those ideas towards finding solutions for the current problems that we have. I hear horror stories from time to time of budgets and monies that are not being spent, purely because there is no agreement. In the context of severe poverty, particularly at a time when it is increasing, we cannot afford not to act. So we need to begin to say to ourselves, if this is what the Department of Local Government is looking to do, how do we converge on those ideas and help them? We simply do not have the luxury of time to sit and continue with a contestation of ideas. We need to co-ordinate government resources towards productivity.

We should start with the realization that South Africa has an abundance of resources in spite of the current global financial challenge, in spite of the fact that we are going to go into deficit. But we do not have the luxury of time. We have to begin to cement where we started, make sure that we get the current government to be productive, because we want stability in the country: stability in the leadership, stability in the concept of delivery, stability in the energy and direction.

Some of the things that we can begin to unpack have been touched on by various people, including the Minister. A typical example is the grant system, which is actually quite fragmented. How do we get those grants to be packaged in one direction where we can begin to get things done in a co-ordinated manner? We also realise that we can actually leverage those grants and be able to truncate the delivery of infrastructure to a much shorter period if we put in the kind of system that we have been talking about. In that regard, what has been good about it is that we are getting consent and agreement from CoGTA, we are getting consent and agreement from Treasury. And over the next few months I am hoping that we will begin to take financial resources, re-channel them and leverage them towards greater productivity.

We also need, in our respective areas, to understand that ownership of the mandate does not translate into knowledge and expertise: it is about building effective partnerships between those with mandates, and those who may have some expertise to contribute. So I urge you all to share your knowledge, agree on the challenges, and focus on unlocking blockages that frustrate our efforts towards development.



Development Planning  
Division Group Executive, DBSA  
Mr Ravi Naidoo

Knowledge Week 2009 should focus on four critical areas to direct our discussion over the next two-and-a-half days. These areas are:

- Finding solutions to complex developmental challenges;
- Partnerships between the DBSA and other key development role-players;
- Making local government work better;
- Sharing knowledge and deepening the understanding of critical issues.

These discussions should be informed by the historical context which has shaped our local government transition. This includes:

- Negotiations for a new democratic and developmental system of local government;
- The redesign of municipal boundaries and rationalisation of councils and councillors, resulting in a wall-to-wall two-tier system of local government across South Africa ;
- First democratic LG elections followed by concretisation of a new LG system;
- Further rationalisation and re-demarcation of municipalities, resulting in single-tier metropolitan governments and a two-tier district model;
- The introduction of an Executive Mayoral system and Section 57 employees. The final phase, which speaks to establishment, consolidation and sustainability of local government - 2005 onwards. This final phase culminated in the roll-out of the new system of local government; restructuring of administrations in line with new boundaries; re-assignment of powers and functions; new policies, legislation, and regulation.



Knowledge Week 2009 will also focus on critical challenges that have arisen since the transformation of local government, namely:

#### **Fiscal Space and Financial Management**

**Affordability** significantly constrains fiscal space. When services are priced beyond the reach of many households, effective asset management is undermined.

**Poor financial management** has been observed in 54.4% of municipalities, which received qualified, disclaimer or adverse audit opinions in 2007/8 (Office of the Auditor General).

**Poor cash-flow management** has been observed in most municipalities. For example, 35 municipalities overspent their total adjusted budgets to the total amount of R2.6 billion, while 182 municipalities under-spent to the amount of R19.1 billion in the 2007/08 financial year.

#### **Governance**

The CoGTA assessment of 2009 cited that political factionalism and polarisation has led to the deterioration of municipal functionality. Redeployment of politicians to the administration without the necessary qualifications negatively affects municipal functionality while external political interference undermined the decisions of councils.

#### **Structural Impediments**

The high correlation between historical spatial marginalisation and poor economic potential results in weak revenues and skills bases. In turn, this impacts on financial viability, the quality of local political and administrative leadership and the municipality's ability to attract and retain talent.

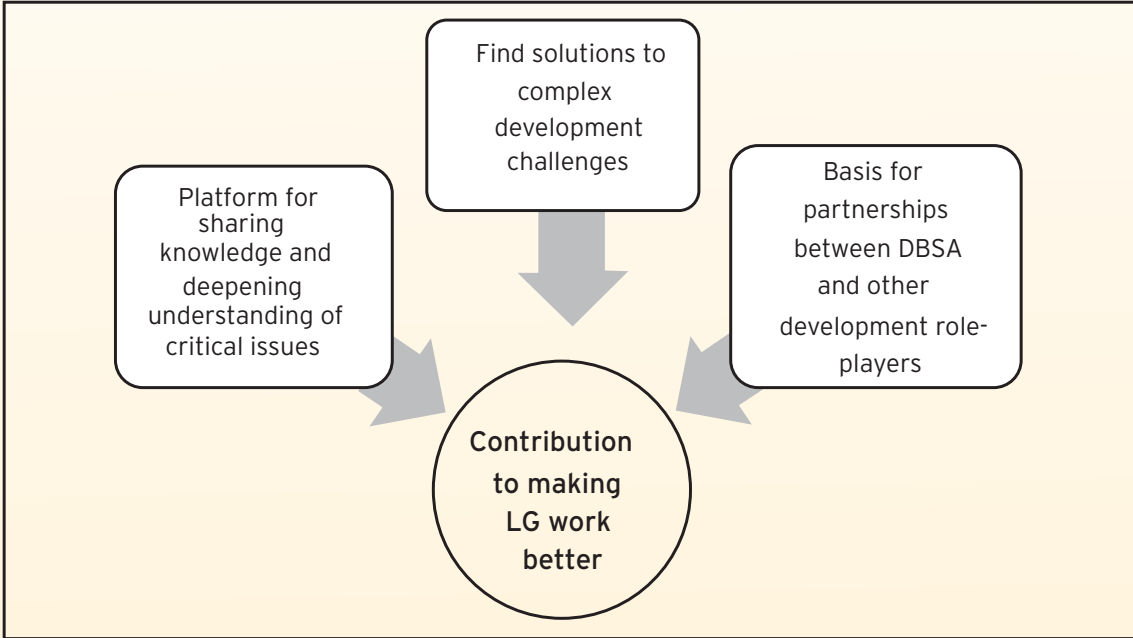
#### **Challenges of the Transition**

The battle for access to resources and opportunities for the previously marginalised and dispossessed impacts upon stability within political parties, party deployment and talent management processes.

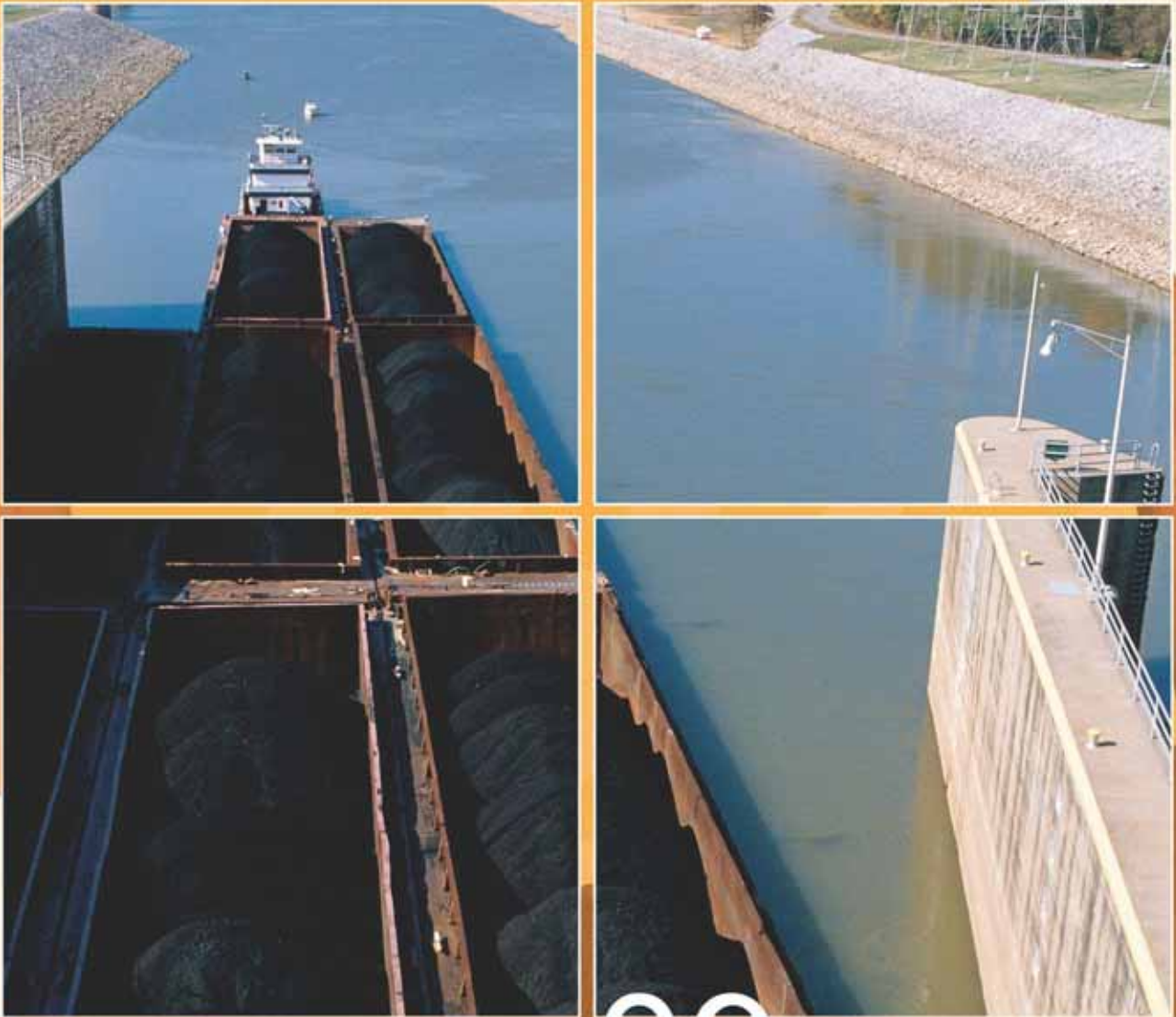
The weakening of civil society post-1994, limited resources and skills within many communities, low levels of social capital, as well as the impact of the "struggle legacy" on the nature of social activism, has resulted in the majority of communities being unable to effectively realise their own agency.

#### **State-Wide Systemic Weaknesses**

There are inconsistent policy frameworks. There is a lack of inter-departmental co-ordination and poor delineation of powers and functions. Non-aligned inter-governmental planning, delivery and fiscal processes are among the weaknesses. No accountability is linked to consequences in the IGR framework.



**DAY1: IGR PLANNING TO FAST-TRACK SERVICE DELIVERY**



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## Summary of Presentations



Ministerial Advisor, CoGTA  
Mr Ongama Mahlawe

This section provides a summary of the papers, speeches and presentations given during the course of Knowledge Week 2009.

### DAY 1: IGR PLANNING TO FAST-TRACK SERVICE DELIVERY

#### 1. Context of the Local Government Turnaround

Mr Mahlawe emphasised that no proper strategy was yet formally in place although the framework for the strategy had been developed by government.

He also indicated, with reference to the Presidential Indaba that had just been convened, that an assessment of all the municipalities had been conducted throughout the country but that this had not yet resulted in a fully fledged final strategy for Local Government Turnaround strategy. He made the following challenge to the participants at Knowledge Week 2009:

"We expect that you - and the Minister has asked me to make sure that I make this very clear - will come out of this programme, after the next two-and-a-half days, with something that we can look at and consider incorporating within our own turnaround strategy."

Mr Mahlawe provided historical context, indicating that in 1994 when decisions about government were taken, the form, role and functioning of local government was not a priority. He expressed the view that this situation had continued since 1994, and has resulted (particularly in the poor and rural municipalities), in challenges in attracting skilled and capable people. Corruption and nepotism, which were currently the two factors that were very pervasive within the local sphere of governance, were seen as further aggravators of the situation.

Governance, skills and capacity were highlighted as the top three challenges



hampering the execution of developmental local government. Mr Mahlawe also mentioned that there could be no progress if governance, administration and communication challenges within local government were not addressed.

One example provided was that party deployment policies affect the functioning of local government, and political parties needed to review their deployment policies as a matter of urgency:

"...deployment is counterproductive, due to lack of competence on the part of those officials. These officials also feel they are only accountable to the political party. Some officials are senior party officials, therefore even the Mayor is junior at party level ... and (sic) cannot hold the official accountable."

Mr Mahlawe underscored the importance of providing good incentives to attract sufficient skills to local government. He also encouraged Knowledge Week delegates to consider the following key issues:

- The possibility of making the tender processes transparent
- Introducing regulations that would allow for the review of tenders by people who were not influenced by provincial politics; this could be a team that changed regularly

- Making it compulsory to expose the reasons why some tenders were not awarded

When Mr Mahlawe spoke of loss of public trust, he mentioned that people were running out of patience and that they wanted immediate service delivery. He advocated the local government turnaround process to seriously consider issues of nepotism, corruption, accountability and public participation. In conclusion, he underscored the importance of openly debating issues, and asking some tough questions regarding:

- The merits and demerits of the two-tier system of local government;
- The powers of small municipalities versus capacity;
- Resolving the issue of rural-urban migration;
- The role of provincial and national government as well as state-owned entities;
- Whether the provinces play their constitutional role of supporting the municipalities, or whether they compete with them;
- What could be done about municipalities with no revenue base.





## 2. Historical Context of Local Government



**Ministerial Advisor, CoGTA  
Mr Mohammed Bhabha**

Mr Mohammed Bhabha, Advisor for the DBSA and CoGTA, opened his address by indicating that most of the problems faced by local government today arose from the fact that the establishment of the provincial and local government strategy emanated from a political compromise at CODESA, instead of a functional premise. In this regard, he suggested that the ANC did not want provinces, but that constitutional principles prescribed the concept of nine provinces, moving from the fourteen provinces that were planned by the Nationalist government.

“It was a political compromise; therefore, many of the problems we have today are problems that emanate from the fact that our constitutional make-up has been influenced by the circumstances of the day and political ideology. It was more a political settlement than a functional one. We now have an opportunity of looking at that functionality,” he said.

He urged the forum to always keep in mind the historical effects relating to local municipalities, and also acknowledge the mistakes as well as the achievements.

In terms of historical developments, he also pointed out that the agreement taken at CODESA was that there would be constitutional principles and that this was crucial. The final constitution had to be negotiated within the perimeters of those constitutional principles.

“So, if the constitution was to be certified, all the constitutional judges would do is say 'these are the constitutional principles, and this is what has been negotiated', and therefore the constitutional principles dictated the idea of nine provinces,” he said.

He indicated that local government was given original powers through the constitution. No matter who was in power, municipalities would have rights and powers, and this was where the idea of autonomous but inter-related powers was born.

“On the one hand you will have municipalities, but on the other hand they can't live and operate like small homelands; totally autonomous. The idea of spheres of government was then created,” he added.

Mr Bhabha also spoke about the actual effects of apartheid on the implementation of policies in the homelands and Bantu administrations. This challenge resulted in the country opting for a transitional arrangement for local government, and the retention of the three phases of local government setup:

- Pre-interim phase;
- Interim phase; and
- Final-consolidation and stability



In terms of implications for the performance of provinces, and how some provinces were doing better than others, he highlighted the difference as being caused by the inherited cultural values of different administrators and their impact on the way in which each administration and province performed.

With regard to implications on performance of local government, he indicated that the current 283 municipalities had to battle to integrate administrations, and that the municipalities' failures and successes lay within their historical background. There were homelands for whose service the DBSA was created because homelands did not have local municipalities.

"South Africa had to be integrated from what were then 900 municipalities. The integration of Local Government meant several administrations, as well as components of homelands that did not have local municipalities. This is what the reality was and, when we assess ourselves, we should assess ourselves in that light," he said.

"It was neither on spatial apartheid nor on

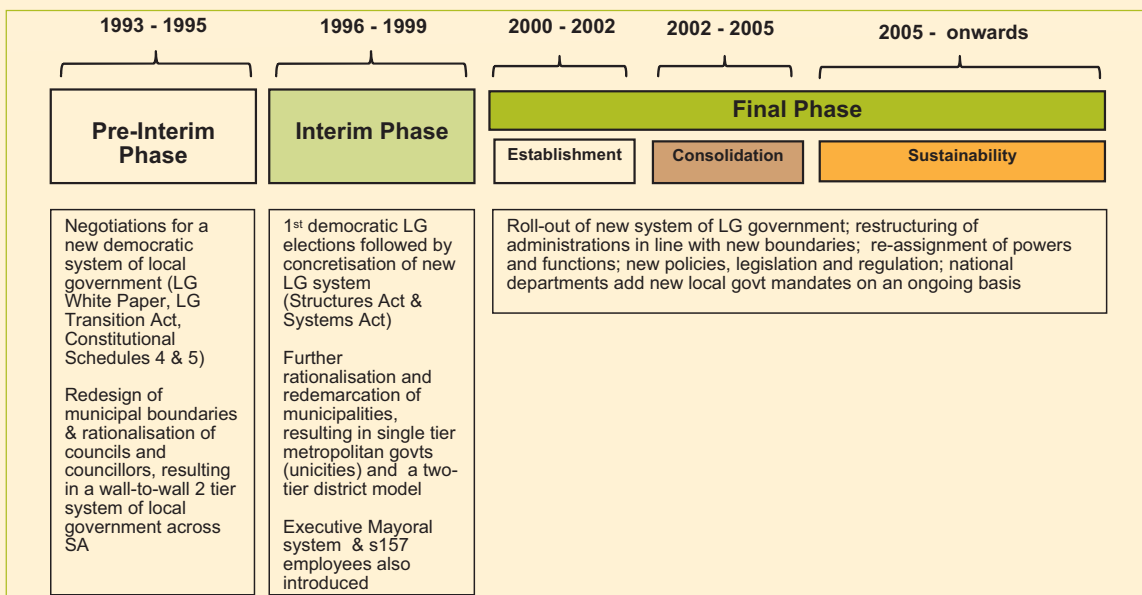
population. It was just an area. And then, eventually, we came into what we call a full democratic order," he added.

He spoke further of the much-debated issue of district municipalities, and emphasised the need to redistribute wealth within local municipalities, especially small rural towns.

He also indicated that regional-level impact could be enhanced if there was policy and planning taking place at district municipalities.

In conclusion, Mr Bhabha underscored the importance of accountability within government as a whole. He expressed the view that one of the biggest weaknesses in government remained that of co-ordination. Here he also mentioned the need to build capacity in municipalities for public servants to deliver services.

Strategists say, "The best strategy may be to set a course at the start, forthrightly monitor progress, and be honest about what has worked and what has not. And make numerous mid-course corrections." And that is what needed to be done.





### 3. Economics of Local Government



**Chief Economist:**  
**Development Planning Division**  
**Dr Neva Makgetla**

Dr Makgetla's presentation highlighted the main challenges of local government from an economic perspective.

Her presentation indicated that the effects of the apartheid legacy, particularly on the poorest municipalities, included low revenue bases. This results from a lack of industry, and poor households not being able to afford to pay for services, resulting in high dependence on grant income. This in turn leads to poor infrastructure development and maintenance.

The presentation also compared South Africa to other middle- and low-income countries, indicating that South Africa still lags behind on electricity, water and telephone landline services.

"If you look at those core services of electricity and water, South Africa is not doing as well as it should be doing, given its relatively high GDP per person. And that's the apartheid legacy," she said.

In terms of the economic downturn, the presentation outlined the effects of the decline on municipalities, job losses and the loss of service users who are able to pay.

Dr Makgetla also referred to research that revealed the increase in transfers (equitable share and grants) to municipalities, and the expectation for growth in these municipalities. She added, however, that the trouble was that growth projection was based on growth in revenues, whilst municipalities didn't have any revenue growth due to reduced rate in the payer base.

Dr Makgetla suggested that in order to address backlogs, fundamental restructuring of resourcing and governance for local governments was required.

"However, this is hindered by conflicting needs to maintain economic centres, uncertainty about long-term settlement patterns, and the nature of political power," she said.

In conclusion the following critical issues were highlighted:

**Should government focus on employment creation or services?**

**What will be the likely impact of the downturn?** One argument was that it would vastly increase the stress at all levels of government, particularly on those local governments that were not able to borrow.



#### 4. Local Government Support Programme



RTI  
Dr Peter Vaz

Dr Vaz shared lessons on the AUSAID-sponsored **Local Government Support Programme** for Knowledge Week.

He indicated that the initial aim of the programme when it commenced in 2004 was to support municipalities in the areas of planning, strengthening of systems and enhancing revenue. The programme initially supported 23 municipalities in five provinces. Additional areas of support now include anti-corruption support and HIV and AIDS in the municipal workplace.

The programme is targeted at both officials and politicians in areas such as **strategic planning, ward committee training, policy development** and other **technical skills** which are determined by municipalities. The programme also assists municipalities with designing and implementing **performance management, financial management, human resource management, procurement issues and public participation** systems. Political will was highlighted as the main critical success factor in these programmes.

The following areas were outlined as achievements of the programme:

- Co-operation was achieved between donors: donors had tended to go to different municipalities alone. A level of co-ordination was achieved with certain donors, in a number of the key performance areas.
- Full-time municipal advisors were placed in a number of municipalities.

Challenges confronted in supporting local government include the following:

- **The institutional readiness of municipalities:** Certain municipalities are in the establishment phase while others are in the consolidation phase. The readiness of municipalities to actually take up support varies.
- **The issue of the depth versus breadth of targeted support:** National government has targets to assist as many municipalities as possible. Funding for support to all the municipalities in need is a challenge.
- **High staff turnover:** High staff turnover affects the continuity of project success. The AUSAID programme worked with a group of municipalities over three years. By the third year, in some of the municipalities there would be different municipal managers and CFOs, affecting institutional memory.
- **Poor Attendance:** Getting the right people and decision makers to attend training and strategic sessions can be a challenge.
- **Political Tensions:** Tensions between



the politicians and officials affects the success of certain of the projects in the support programme.

**Lessons learnt included:**

- **Donor and Stakeholder Relations:** Develop close relationships with donors, partners, the private sector and the government to align interventions.
- **Aligning Priorities:** Working together to co-identify critical areas of intervention will improve the success of projects.
- **The Choice of Municipalities:** The programme did not achieve success with all the municipalities with which it worked. The choice of municipality, looking at a mixture of medium, high and low capacity municipalities, is a challenge.
- **Monitoring and Evaluation of the success of the programme is also not an easy exercise.**
- **Hands-on Experience:** When municipalities do not have relevant personnel, mentoring and support through “hands on experience” becomes impossible.
- **Timing of support:** Working with municipalities over the election periods, or in periods leading up to the financial year end, can prove a challenge.

**What are some of the prerequisites for successful local government support?**

- Certain programmes, such the Anti-Corruption Programme, require a very strong message and ability to see the project through by national and provincial government.

- Civil society's ability to work with local government must be strengthened to ensure that these structures are able to play oversight, monitoring and evaluation roles.
- The ability and willingness of municipalities to share the costs of capacity building must be established as this is not always the case.

**5. Data Management for Improved Service Delivery: The Local Government Experience (abridged paper)**



**Managing Director, Municipal IQ**  
**Mr Kevin Allan**

“Data management” refers to the need to organise and manipulate data in a way that is meaningful for stakeholders, in this instance, in the local government arena of South Africa. It is worth considering the possibilities for a macro assessment of municipalities through data management rather than assessment of the performance management of structures internal to municipalities, although these are advanced in some instances.



South Africa is not unique in its need for data management for monitoring performance and for making strategic decisions. In the United Kingdom, councils - of which nine out of ten have accurate and relevant information - are being urged by the Audit Commission to improve data quality to assist those relying on such information to make key decisions, especially to improve services and cut costs<sup>1</sup>. This line of thinking provides a practical solution to the need for the public sector to "do more with less", as noted by the Minister of Finance, Pravin Gordhan, in his Medium-Term Budget Policy Statement<sup>2</sup>.

Municipal IQ was launched two years ago with the release of a number of indices and monitors of local government performance, with the express intention of supporting clients - policy makers, overseers and financiers - to assess the performance of and risk presented by South Africa's 283 municipalities.

### Data in SA local government

For many in municipalities, data management is still a function relegated to the dark corners of organisations and is not optimally used for strategic purposes. In part, this is because many already overburdened municipalities consider the provision of data simply a regulatory necessity to ensure conformity.

One of the key reasons why data management is not well appreciated in the local government sector is that data quality has traditionally been poor. With local

government redefined, redrawn and rationalised several times since 1994, there is an aversion to relying on what is perceived to be unreliable data. For instance, the 2001 Census and Community Survey 2007 made use of different municipal boundaries.

But fifteen years of stable government in South Africa as well as a period of consolidation in local government, with clearly defined structures, systems and boundaries following the final major re-demarcations in 2001, has seen local government data improve significantly. The most significant and indeed dramatic improvement has been the quality and coverage of National Treasury's financial data. This is due primarily to the detailed regulations standardising municipalities' reporting requirements for financial data in the Municipal Finance Management Act (MFMA) 2003 and National Treasury's commitment to enforcing these requirements. Here it should be noted that this victory for data management was censured by a crucial incentive - compliance is required to ensure grant funding, so there is both a stick and carrot to focus the management of municipalities on complying with reporting.

The annual capacity assessments of the Municipal Demarcation Board (from 2002/03) also represent a significant source of stable quality data post-democracy on both financial and non-financial issues in local government. So, too, it must be noted, the quality of the Financial and Non-Financial Census of Statistics South Africa, as well as their coverage, have improved

1 "Data quality best practice urged in public sector". July 30, 2009. Available from: [http://www.qas.co.uk/company/data-quality-news/data\\_quality\\_best\\_practice\\_urged\\_in\\_public\\_sector\\_4118.htm](http://www.qas.co.uk/company/data-quality-news/data_quality_best_practice_urged_in_public_sector_4118.htm)

2 The MTBPS speech is available on <http://www.treasury.gov.za/documents/mtbps/2009/mtbps/speech.pdf>



and also increasingly represent a reliable source of data on local government.

Furthermore, detailed data should improve. Earlier this year, in terms of the MFMA, in order to further budget documentation that improves governance and ultimately service delivery, the National Treasury released the Draft Municipal Budget and Reporting Regulations<sup>3</sup>. There is however a perception in some councils that the National Treasury's Regulations are too prescriptive, indeed draconian, in their insistence on specifying the format of budget tables, supporting tables and associated charts, intended to translate the budget regulation requirements into outcomes.

For Municipal IQ, the standardisation of reporting assists dramatically in dealing with official data on municipalities. But experience over the past five years may well show that where data are inaccurate or generally poor, this has more to do with poor capacity on the ground to gather, prepare and submit data reports regardless of issues of standardisation or other factors. The solution to municipalities being overburdened by demands for data from a range of agencies would no doubt be to rationalise

such requests, especially regarding duplication. However, the coverage of data, especially through the MFMA, should not be compromised.

A growing concern that Municipal IQ has, is that suggestions of a re-demarcation of dysfunctional local government would set performance assessment back if the data on delivery boundaries were to change in a fundamental and non-comparable way.

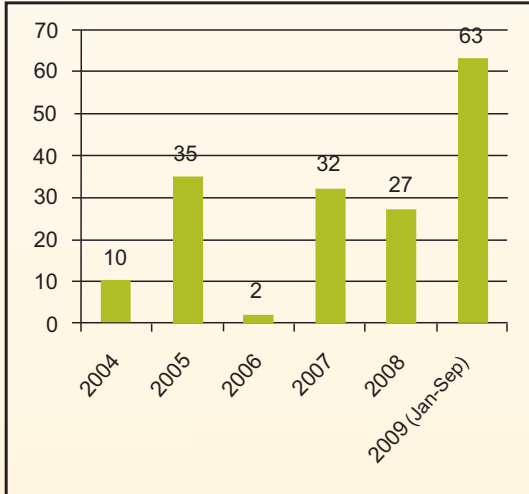
### **Service delivery challenges**

To unpack and better understand service delivery protests, Municipal IQ developed a Municipal Hotspots Monitor, which records major service delivery protests (specifically related to local government), by scanning media reports that are data-based. It became evident by the end of third quarter of 2009 that service delivery protests were a clear and highly significant phenomenon. 2009 protests already account for 37% of major protests recorded between 2004 and the end of August 2009 on the Municipal IQ Hotspots Monitor (see Figure 1) and represent an unequivocal peak in service delivery protests.

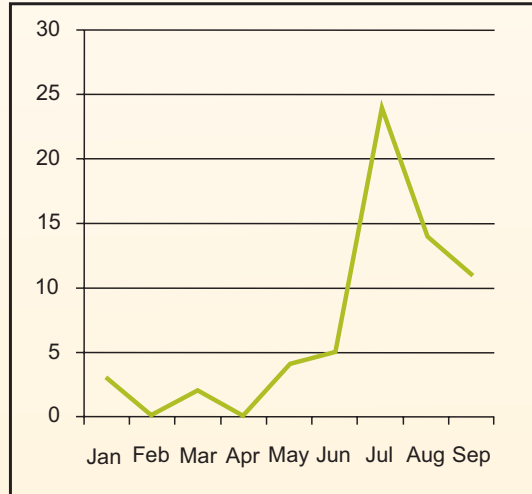
3 Available from: [http://www.treasury.gov.za/legislation/mfma/reg\\_gaz/Gazette%20No%2031804.aspx](http://www.treasury.gov.za/legislation/mfma/reg_gaz/Gazette%20No%2031804.aspx)



**Figure 1: Major service delivery protests by year**



**Figure 2: 2009 service delivery protests by month (to end September)**

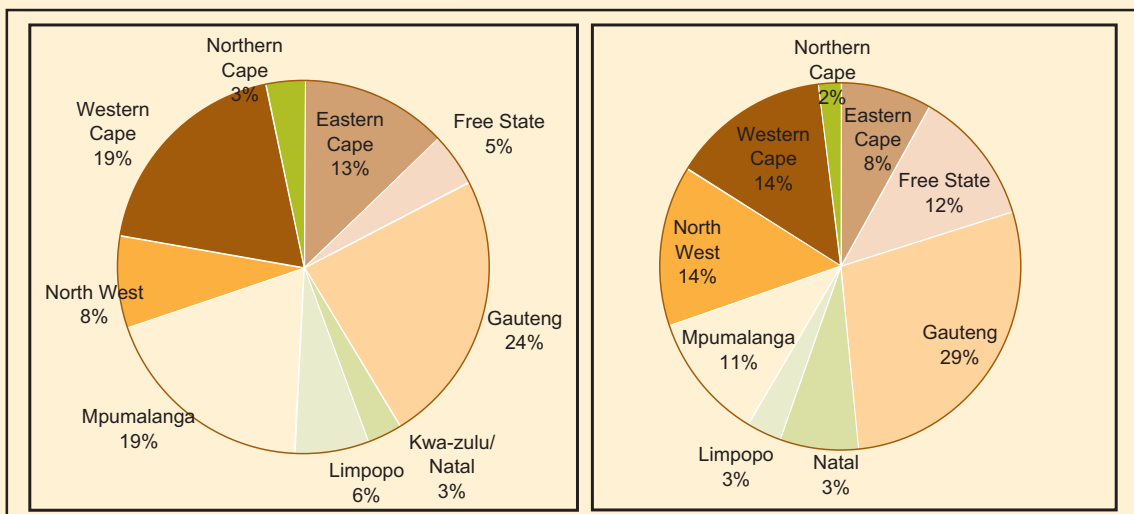


[Source: Municipal IQ Municipal Hotspots Monitor]

Protests, as suggested by many analysts, including Municipal IQ, are exacerbated in the winter months when living conditions in informal settlements (where a significant portion of protests take place), are especially dire, with fires and flooding. Figure 2 illustrates this winter peak.

The provincial profile of 2009 protests (until the end of September) shows that protest action in Mpumalanga tied the province to second place with the Western Cape, behind a traditionally dominant Gauteng.

**Figures 3 and 4: Service delivery protests by province: 2009 (end September) and 2004-2009 (end September)**







### What the data reveals

For many policy makers, a key issue has been whether the data can forecast protests.

There are a number of surprising non-predictors of service delivery protests. Firstly, service delivery protests do not take place in the poorest municipalities in South Africa. According to Census 2001 data (the most recent data at ward level), in those wards where service delivery protests took place between 2004 and 2009, 48% of households live beneath the poverty line<sup>4</sup> - appalling, yes, but less so than a national average of 57%.

Nor do protests take place in municipalities, or wards, with the worst service delivery backlogs: With 23% of protesting communities (measured at the ward level) not receiving access to basic municipal services (water, sanitation, electricity and refuse removal), they are still, on aggregate, better than the national citizen (where an average 27% of ward residents did not receive basic levels of service delivery in 2001). Even discounting the likelihood of deteriorating conditions in some wards since the 2001 data records, it is clearly not

absolute deprivation or the very poorest of the poor that are behind the rising wave of protests.

But two important correlations are apparent: Firstly, the correlation between service delivery protests and the performance of local economies and municipalities, as measured on Municipal IQ's Municipal Productivity Index (MPI™), is high - 74.47% (see Table 1 below) - but not in the direction one would expect. The higher the aggregate provincial score on the MPI (the better the performance of the typical municipality and local economy within a province), the greater the level of service delivery protests registered so far this year. So, at an aggregate level at least, protests do not occur in response to the worst service delivery, or at the very least in the worst-performing municipalities (ward level delivery may not align with strong overall performance and, of course, there are individual cases where service delivery is truly abysmal by any measure).

**Table 1: Link between municipal productivity and 2009 service delivery protests**

Province	Score on the MPI (2008)	Proportion of service protests for 2009
Western Cape	51.8	26.00%
Gauteng	51.4	21.00%
Northern Cape	43.9	3.00%
Free State	40.7	5.00%
Mpumalanga	39.8	13.00%
North West	37.2	11.00%
Limpopo	34.7	8.00%
Eastern Cape	34	10.00%
KwaZulu-Natal	31.1	3.00%

[Source: Municipal IQ's Municipal Productivity Index and Municipal Hotspots Monitor]

4 Earn less than R800 a month



The next variable, rate of population growth and protests, reveals a striking correlation of 78.93%. There is clearly a link between the number of people entering a municipality, presumably in response to perceived economic opportunities (as suggested by high MPI scores), and service delivery protests (see Table 2). The conditions faced by in-migrants to urban areas - typically in informal settlements (notwithstanding vast spending programmes by the fastest-growing cities in South Africa) - therefore probably prompt protests. Further, service delivery protests have taken place in wards with above-average unemployment levels - at 43%, although poverty levels and access to

services in wards are not worse than the national average. The hypothesis is therefore a scenario of in-migration (forced by rural economic decline) to urban squalor and unemployment, prompting disappointment, possibly further aggravated by promises of rapid service delivery and job creation. A further hypothesis suggested by the data is that the issue driving protests is relative deprivation (against neighbours in wealthy municipalities) rather than absolute deprivation.

**Table 2: Link between population growth (2001-2007) and 2009 service delivery protests**

Province	Population growth	Proportion of service protests for 2009
Eastern Cape	4.00%	10.00%
Free State	2.40%	5.00%
Gauteng	13.90%	21.00%
KwaZulu-Natal	7.00%	3.00%
Limpopo	4.90%	8.00%
Mpumalanga	8.20%	13.00%
North West	2.50%	11.00%
Northern Cape	7.70%	3.00%
Western Cape	16.80%	26.00%

[Source: **Municipal IQ's** Municipal Population Growth Monitor and Municipal Hotspots Monitor]

The data trends suggest that rapidly growing urban areas with high levels of inequality (implied by higher levels of economic growth, on the one hand, and pockets of deep unemployment, on the other), are particularly at risk of service delivery protests.

#### **What can be done with data management?**

As illustrated by data and analysis of service delivery protests, data management can be valuable in unpacking issues undermining or impacting on service delivery; essentially working as a performance management

system. Once there is consensus on the Local Government Turnaround Strategy, it will be possible to adequately engineer a data management system.

While this may still seem like a long way to go before local government is fully assessed, it should be acknowledged that there has been considerable progress in the data management system in terms of data reliability. The next step is to ensure that the management of data relates to policy-aligned objectives that meaningfully measure service delivery in a robust performance management system.



## 6. Challenges of Asset Maintenance in Municipalities



Managing Director, I@ Consulting  
Mr Louis Boschhoff

Mr Boschhoff indicated that South African municipalities provide a wide range of asset-based services to businesses, government institutions, social institutions and households. However, the lack of maintenance funding as well as skills for managing the maintenance have resulted in the decline in municipal infrastructure. Some infrastructure requires urgent renewal or recapitalization.

Mr Boschhoff further stated that municipal services are supposed to stimulate economic growth and support social well-being, social cohesion and growth. In this process municipalities, use a lot of assets to provide services. These include roads and storm water networks, electricity distribution systems and potable water networks. There is also a whole range of community assets such as halls, clinics, parks and recreation facilities, which should better lives.

The causes of the current condition of infrastructure, according to Mr Boschhoff, include the **lack of maintenance** mainly due to poor **funding** and skills to **maintain municipal infrastructure**. This situation has been a continuing trend over some time, to such an extent that municipalities do not know the current condition of their infrastructure because there is nothing to benchmark it against.

He highlighted that National Treasury had just this year introduced a new accounting standard on the impairment of assets. There are hopes that the information that will come through this intervention will provide the type of information that is currently not available.

Asset **overloading** and/or **under-utilisation** can be equally harmful to the condition of assets. Mr Boschhoff indicated that we sit with a problem of how to properly assess what our maintenance needs and funding requirements are. The standard of maintenance needs to be related to definite things such as the quality of service we are providing. Some of the questions that need to be asked are:

- What are the acceptable down times?
- What is the quality of water to be treated?
- What is the quality of input products?
- Do we, for example, deal with issues like raw water turbidity?

Mr Boschhoff then specified a number of challenges to asset management in municipalities:

**Weak technical and financial skills**, the absence of life cycle planning, selection of inappropriate service levels and infrastructure solutions are some of the



problems experienced with asset management. **Inadequate cost recovery** as well as **inadequate revenue basis**, **vandalism and theft** are additional challenges to asset management.

There are some very **unrealistic planning practices** that result in a situation in which assets cannot be properly looked after. Municipalities are in **some cases unable to manage the effects** of significant explosions in economic growth of their assets. As an example, the power stations and new mining development in municipalities such as Tubatsi and Lephalale, put massive pressure on existing networks.

Funding is by no means the only challenge. **Staff levels and skills** in local government are also a challenge. Local government employs more than 200 000 people. There is a very **high staff turnover**, of the order of 60% for professionals and 35% for technicians and associated professions. Some 40% of posts remain vacant. In 2005 some 83 municipalities had no civil engineering staff.

**Technical challenges** include that in an urban context, in the future, most of asset creation and renewal will be done in settlement areas. That will significantly push up the cost of asset development and maintenance, as well as renewal.

**Densification and infilling** will significantly stress our current infrastructure systems. We are running out of land in the

metropolitan areas. We also sit with the challenge of aligning engineers, development planners and accountants and gaining sufficient political support for looking after assets.

### Implications

Mr Boschoff suggested that the collapse of municipal infrastructure can be linked to the **outbreaks of preventable diseases**.

Further, that there is also high **pressure to construct additional bulk infrastructure** and to **design for strategic redundancy** where assets are not properly looked after, resulting in asset decay and **depletion of the nation's wealth**. This situation tends to put a **damper on economic growth**, and in some severe cases there would be **economic disinvestment** and lost opportunities from potential investors.

Mr Boschoff questioned what happens when assets are not looked after? He suggested that over time there may be a **loss of confidence in government's ability** to deliver and manage infrastructure.

There could also be **civil protests**, and not just all of a violent nature, though of course the violent ones should seriously serve as a warning. Mr Boschoff indicated the view that many of the recent protests had taken the form of taxpayers grouping together, withholding municipal payments and actually starting to maintain municipal infrastructure themselves.



## 7. Impediments to Service Delivery in Municipalities: Lessons from Siyenza Manje Programme



Manager: Siyenza Manje  
Mr Charles Mvungi

Mr Mvungi opened by introducing Siyenza Manje as a programme of government which started in 2006, and is implemented by the DBSA. The aim of the programme is the provision of capacity support to local government for the implementation of programmes and projects to fast-track service delivery in municipalities. This programme is funded by National Treasury and the DBSA, and was implemented after a number of other interventions in the local government space.

He indicated that the main motivation behind the Siyenza Manje programme is supporting the government mandate on municipalities and infrastructure provision. Through this programme, the Bank employs experts in engineering, project management, finance and planning. The Bank deploys these experts to municipalities, mainly low capacity municipalities, on a full-time basis to provide

support. More recently, deployees have also been placed in medium capacity and high capacity municipalities when there are compelling reasons.

The programme has served as a lesson learning exercise. Many lessons have been learnt in the programme, and a number of impediments to service delivery and the achievement of the programme objectives have been identified. Mr Mvungi identified the following lessons:

The diagnosis of **the problem of service delivery** pre-2006 was not correct. The reason for non-delivery was mainly seen as a project management and implementation capacity gap. Municipalities were not able to implement projects, with the result that infrastructure budgets were not being used. A lot of funding for project delivery was being returned at the end of the financial year. **Thus technical expertise** was identified as the core problem during this period. However, it is now known - as reported - that there are other **major problems around governance**.

Further, as Siyenza Manje was driven from national government level, the assumption at that time was that local government and the provinces were ready to receive the Siyenza Manje programme. That was not necessarily correct. Experience showed that in some municipalities it took a long time, up to a year, for the programme to be accepted as part of the municipal establishment to provide support. In this regard Mr Mvungi further indicated that the mandate given by government to the DBSA to provide support to municipalities was a **mandate without authority**. The roll-out of the Siyenza Manje's support to municipalities was done on the assumption



that there was **municipal willingness to cooperate**. If the municipality did not cooperate, Siyenza Manje could not do anything to change the situation.

Further, Mr Mvungi indicated that when the programme started, **there was no proper communication strategy** which served as a link to the stakeholders to inform them on all aspects of the programme. It was realised much later in the process that for any intervention to be successful, there had to be a **total buy-in from municipalities and provinces**. He explained that a number of the deployed experts had been left in a corner, completely unused, and at other times used in inappropriate tasks.

Mr Mvungi emphasised that each municipality is unique and different from each other; therefore, intervention **support cannot take a 'one size fits all'** approach. Before resources are deployed, a pre-deployment assessment should be done to identify what the real challenges are. Linked to this, the **assessment** must be linked to a **proper business plan** with milestones and action plans that can be developed. Good business plans are the means to solve identified problems.

In addition, when the programme started a few years ago, there were no clear guidelines as to how to enter into municipalities, and what the **exit strategy** should be. The deployments were mostly reactive.

Another lesson learnt, according to Mr Mvungi, was that the **roles and responsibilities** of government stakeholders, who are key to the Siyenza Manje programme, **are not very clear**. Treasury funds the programme while CoGTA has a mandate over local government. At the

same time, the provinces have a responsibility over interventions in municipalities. Sector departments also compete on government priorities. As an example, DWAF would indicate that the national priority was water and that Siyenza Manje should concentrate on this area.

A critical challenge to skills transfer - one of the main objectives of the Siyenza Manje - is that in certain instances there are no municipal personnel to capacitate. Either the municipality cannot attract the right skills, or the positions are reserved for deployments. In these instances, **resources may be wasted in municipalities** as the programme experts' utilisation is not optimised.

While the programme was intended to support low-capacity municipalities, it has been realised that **capacity constraints** are not limited to low-capacity municipalities. We have medium-capacity and high-capacity municipalities with similar problems. Mr Mvungi indicated that a number of sector departments which have roles to play in local government also have capacity challenges.

He indicated that there was also a need to address issues around **institutionalisation and governance**, which have a major bearing on the sustainability of any intervention in local government. **Coordination** of these interventions is also one of the major problems that have been identified. Coordination will ensure that there is no competition but synergy in the whole governance process.

Mr Mvungi reiterated that core identifiable factors which are impeding service delivery in municipalities had been grouped into three themes:



- Project/programme cycle factors
- Institutional factors
- Governance factors.

He indicated, with reference to the impediments highlighted, that South Africa is fortunate to be not unduly challenged by funding constraints, which remain a key limiting factor in many other African countries.

### Analysis of the Key Factors Impeding Service Delivery

The **project cycle for delivery**, especially in relation to infrastructure and service delivery of municipalities, and **Integrated Development Planning**, are interconnected. In the service delivery cycle, Mr Mvungi identified certain **institutional and regulatory impediments** to service delivery. In IDP's, for example, he suggested that municipalities do not get adequate support from either the provinces or sector departments.

**Data and information** is a serious problem in municipalities. Hopefully, with the new MFMA reporting formats and other the initiatives taking place in the country, information will now be available.

The **linkage between strategies, financial planning and budgeting** is missing in many instances. In most instances, the IDP says something different from what the budget is saying. In certain instances the plan over the MTEF is not aligned at all to what is in the IDPs.

The regulatory aspect of IDPs does not have **adequate guidelines**, and there is quite a **lot of bureaucracy**, especially around the spatial planning processes and the roles of departments.

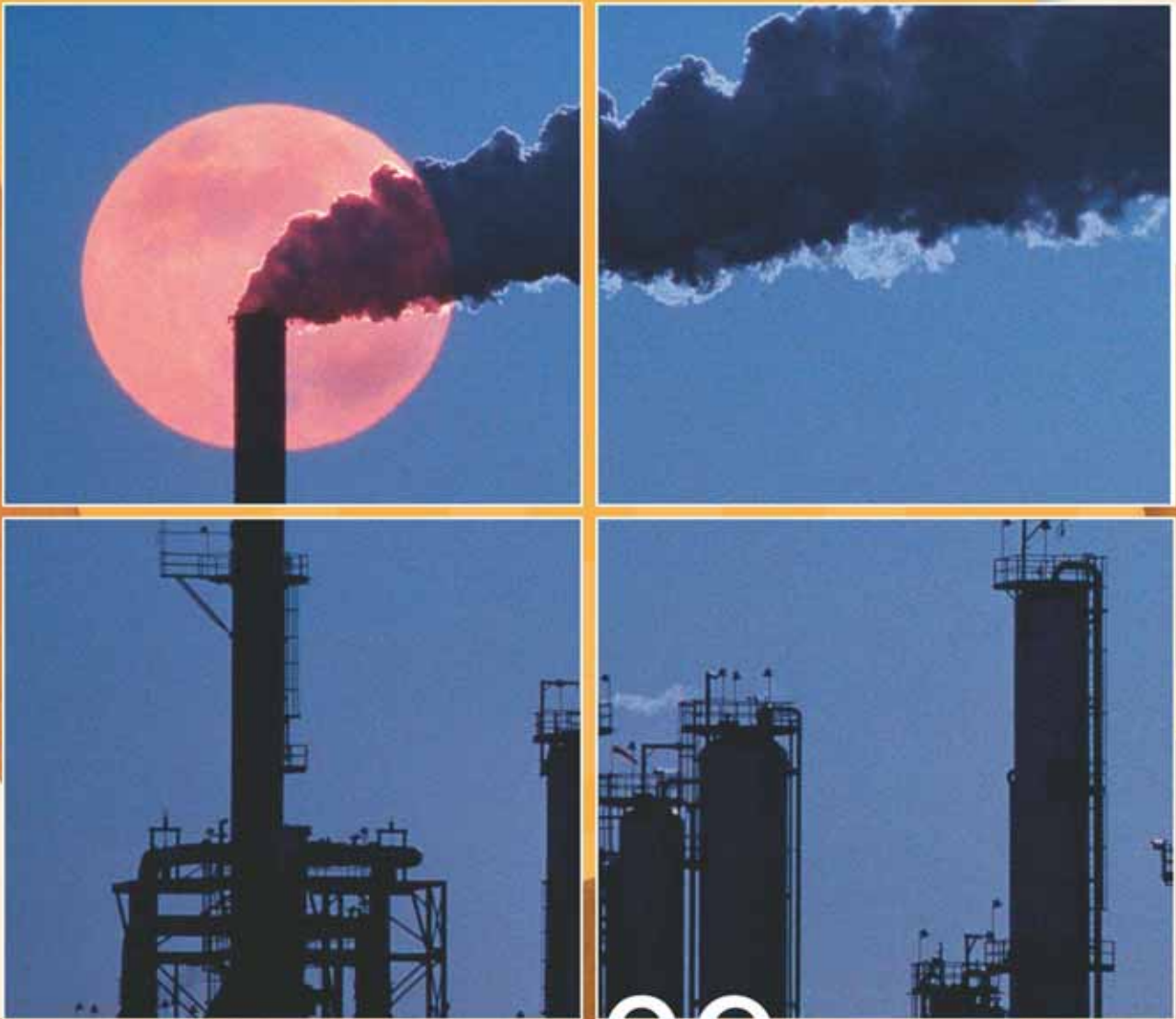
When it comes to the **planning and preparation** of projects, **capacity is also a problem**. Weakness of consultants is a further

issue. Sector departments can delay approvals. For example, Mr Mvungi indicated that the EIA process was a major bottleneck in the implementation of municipal infrastructure projects. He mentioned that Siyenza Manje was now working with the Department of Environmental Affairs to try to simplify procedures for municipal infrastructure projects. Siyenza Manje's view is that these (municipal infrastructure) projects are happening in built-up areas which were planned and have been developed - in some cases, many years ago - but that poor institutional memory results in early EIA reports being misplaced.

Mr Mvungi concluded by stating that Siyenza Manje continues to engage stakeholders very closely. CoGTA and the Treasury are engaged around the issues of service delivery and impediments. Through these engagements, a number of initiatives and proposals have been formulated on how to improve performance in municipalities, and the programme has started directing grants to municipalities to solve systemic problems. Siyenza Manje has itself been reviewed, and will consider a **communication strategy, sharing the services**, and the review of its **entrance and exit criteria** in municipalities. Increasing **training** of officials in municipalities remains a key strategy of the programme. In the last financial year [2008/9] the programme trained 1 200 officials in municipalities. This financial year [2009/10] it trained 7 000, and next year this will double.

In conclusion, Mr Mvungi indicated that despite all the above impediments, there have been many improvements in certain areas of municipal work, and that Siyenza Manje has significant knowledge on how to support municipalities.

DAY2: POLICY, STRUCTURES AND SYTEMS







## 8. Key impediments in the systems of Local Government



Managing Director, Resolve Group  
Mr Pascal Moloi

Mr Moloi opened by suggesting that civil society is increasingly losing faith in local government's ability to deliver. Previous government ministers used phrases like, "We suffer a credibility deficiency," and this seems to be the case with current ones as well. Over the past ten years or so, this stigma around local government has not abated.

He suggested that while on the one hand there is an increasing demand for service delivery, on the other hand there are also increases in migration into our urban

centres. More people and businesses are moving in and the demand for services has been increasing, but our delivery capacity has been on the decline. Institutional incapacity and skills shortage, and more general operational or organisational paralysis, are some of the key challenges faced by local governments. However, this is with the recognition that these are very broad and sweeping statements that do not necessarily apply to all the 284 municipalities across the country. Mr Moloi said it was about time that we started differentiating our approaches to dealing with the municipalities.

He indicated that the future of local government would be largely influenced by the recent outcome of the national government elections. As a result, a new medium-term strategic framework is emerging, and there are new alignments and arrangements within the system of government in general. The type of restructuring that is now being introduced by the Cabinet - the Planning Commission, the Monitoring and Evaluation Commission, the reconfiguration at CoGTA level, Human Settlements, other sector departments - will impact on local government.

### Analysis of local government as it transforms

Local Govt. Today	Local Govt. Future
Core face of service delivery - civic faith lowest in LG	National elections concluded
Increasing demand for service delivery	Municipal elections in 2011 - drive to better LG service before elections
Incapacity and skills shortage	New government. MTSF and priorities
Organisational paralysis	CoGTA-led turnaround initiative - new imperatives and policy shifts?
Lack of role clarity - political versus administrative	Revised Municipal Development strategies
Feeling the pressures of the economic downturn	Revised Municipal Integrated Development plans



## The problems in Local Government

At the centre of problems laid on the table are people. But the actions that people take in organisations, particularly in municipalities, have a lot to do with some of the systemic issues or problems that we are looking at. At the heart of people management are the systems of delegation and how they are put together. The art of delegation is either distorted or completely absent in municipalities. The contrast between relevant positions of power and profiling those positions appropriately, and working out the key relationships between different positions, needs to be considered seriously. Mr Moloi suggested that performance management was at the centre of the situation, and that an estimated 40% of the analysed municipalities require assistance. Those municipalities require assistance with the setting up of performance management systems. Some 70% of municipalities still require skills audits, and do not have monitoring and evaluation tools. But the key question for governance is whether political and management leadership structures are working effectively.

- **Deepening of Democratic Involvement**

According to Mr Moloi, there exists a need to go back to the wards and for new thinking around how we improve the system, processes and policies. As it stands at the moment, the wards do not impact on the municipalities effectively.

- **Financial Viability**

Our entire financial management system is at the heart of the transacting responsibility that municipalities have with their communities, customers and clients. The

question posed by Mr Moloi is: how long does it take to go through approval processes? Key issues would be around procurement, but there are other aspects as well.

Following on from this, how are the basic accounting principles met? This is a two-edged problem. On the one hand, we are going for state-of-the-art accounting standards and approaches with well-meant motivations coming from the Auditor-General's office. But applying them in environments that still require very basic issues to be addressed does not make sense. The question often asked is whether audit reports and clean audits are a useful measure to ensure that this municipality performs, and determine if it meets the basic needs of its inhabitants. Rather, the focus should have been on performance audits and non-performance audit reports.

- **Infrastructure and Service Delivery**

Mr Moloi posed the question of whether councils have the ability to provide infrastructure that allows people to pay for services. He recognised that the willingness to pay for services is largely affected by the maintenance of existing infrastructure and that project management capacity is crucial in ensuring that such maintenance is implemented and that there is continued delivery.

- **Local Economic Development**

Here he suggested that councils should have an ability to interact with the local economy, contribute to the GDP, and facilitate economic development.

- **Spatial Development Planning**

In conclusion, Mr Moloi suggested that



that translates critical demographic information, and understands the needs and planning of infrastructure. This also involves IDP implementation and monitoring.

## 9. Municipal Financial Framework



DTJ Savage Consulting and  
FFC Commissioner  
Mr David Savage

Mr Savage's presentation looked at a fiscal framework as a strategy that allows government to make trade-offs in tax and spending decisions to optimise both the equity and the efficiencies of expenditure. It determines how well those expenditures are executed in terms of their unit costs and responsiveness to people's needs. This is a core part of modern financial management practice. He said that in South Africa we have a fiscal framework for local government that assigns revenue and expenditure responsibilities to our municipalities. It is based on legislation that defines expenditure, assigns functions that come with expenditure assignments, and also assigns revenues.

The basic principles of our fiscal framework for local government are that local government holds basic service delivery responsibilities and must be accountable for its performance. This framework should be largely self-financing.

### **The role, performance and prospects for the municipal fiscal framework**

Mr Savage said grants were introduced where local government is unable to raise its own revenue. The original local government fiscal framework was part of a comprehensive package.

### **Some of the trends of fiscal framework**

**Increasing share of national resources:** Mr Savage highlighted how, over the past ten years, we have seen local governments get a vastly increased share of national resources from grants from the national government. Local government's share of nationally raised revenue rose from 3% to 9% in the past ten years. It is a very significant leap in the amount of resources, and local governments, including their own revenues, now account for around 20% of total public spending, excluding debt servicing costs.

**Increasing discretion in use of resources:** He also indicated that local government had been using resources that are available to it. Between 1994 and 2000, few transfers were given by national government and these were on a very conditional basis, and for very specific programmes. This situation has changed dramatically.

**Growing equalisation effect:** A growing equalisation effect on the distribution of transfers has resulted in municipalities with more poor people receiving more per household per year than those



municipalities with fewer poor people. Until recently, with the introduction of funding for 2010 and the replacement of RSC levies with a grant, funding tended to distort back towards comparatively wealthier municipalities, which are in larger urban areas. There is however strong evidence of growing poverty in our large cities due to migration.

**Growing transparency and reporting requirements:** The MFMA has radically improved the flow of information both from within municipalities through mandatory reporting requirements, and from municipalities to other spheres of government. Mr Savage proposed that this process could be reversed in terms of the division of revenue process, which is being pushed down to province, and some of the provincial budget procedures that account for expenditures by a municipal area.

### Key Challenges

For Mr Savage, a major concern with the fiscal framework was that it had not resolved three key debates in local government finance.

The first debate was that of **who holds the responsibility for redistribution?** In a country like South Africa, the debate is not whether there should be redistribution in the system, or whether we should redistribute resources from wealthier households to poorer households. The need is obvious given the historical background of extreme inequality. The question should be on how to best achieve the redistribution. A growing dependence and reliance on grants by municipalities could have long-term impacts on the performance of the municipalities themselves. In this regard,

the fiscal framework seems to **limit autonomy**, i.e. "he who pays the piper calls the tune". Certain municipalities may be reaching the limits of their ability to absorb further resources from grants, when there is evidence that large cash balances sit in other municipal bank accounts. Another problem is that the bulk of grant programmes by national government and provinces are poorly designed and executed.

The second debate in the inter-governmental fiscal framework is the one of **grant alignment**. The "one size fits all" approach is inappropriate because it assumes that the context of a rural municipality in the Northern Cape is the same as that of Johannesburg or Tshwane, and that is not the case.

Thirdly, certain **delays that municipalities experience in procurement** are not purely municipal problems, but are contributed to by other spheres, and can undermine outcomes. This is evident in the built environment sector where we are dealing with municipal infrastructure, housing and public transport investments.

### Key elements of a new approach

Four key elements of a new approach were suggested by Mr Savage. These are areas where we need to start thinking in terms of the future fiscal framework for local government.

The first is that we need to put **accountability for outcomes** at the centre of how we measure and design our interventions or support to municipalities, and how we measure success.

The second point is that we need to **focus on differentiation**. There is broad consensus in the country that one size does not fit all



in the way that the national and provincial spheres can relate to the local sphere or individual local municipalities. This dilemma still needs to play itself out in terms of the policy framework, reporting requirements, and the actual grant frameworks.

Thirdly, we need to have a **much stronger set of performance incentives** - incentives that reward success and exceptional effort by municipalities. Mechanisms of transition financing are also critical, realising that municipalities need to shift from outdated and bureaucratic mechanisms of service delivery to more developmentally-orientated systems of service delivery that may actually save costs.

Fourthly, we need to encourage much smarter national and provincial governments that are able to have **clear expectations that they can enforce**. At the moment many policy statements from national government are difficult to implement. They seem to be written by someone who has very little knowledge of the municipal environment and of the core choices to which municipalities need to frame their strategies.

In order to improve expenditure efficiency and revenue effort, local government must change as well, without any excuses. DBSA must also change; it must not compete with subsidised finance for the most creditworthy municipalities. Mr Savage proposed that the mooted DBSA recapitalisation should assist to develop markets for the Bank, and not clients.

In conclusion, Mr Savage acknowledged that there were huge expenditure challenges that municipalities faced: challenges in continuing to roll out services

and challenges in boosting the overall level of investment in economic infrastructure in order to support economic growth. He suggested we need to get municipalities to focus not on fiscal capacity, but on fiscal effort. Municipalities must show how much effort they are putting towards collecting revenues. Research done at the FFC indicates that there is considerable variation between similar municipalities in terms of the amounts of money they collect per household per year. Municipalities that are at very similar levels of poverty and levels of economic activity thus collect vastly different amounts per household every year. Therefore, the emphasis must be on fiscal effort by municipalities.

#### 10. Ditsobotla Case Study on Institutional Turnaround



Finance Expert, Siyenza Manje,  
DBSA  
Mr Rian Boschoff

Mr Boschoff said in his introductory remarks that Ditsobotla Municipality had a budget of about R160 million per annum. It is thus a small to medium-sized municipality. This



case study is the story of a municipality that moved from a negative to positive situation.

In addressing how change was created in the Municipality from a situation of a deficit, he indicated that the process had to look at spending patterns of the municipality. The municipality had made adjustments and changes, and introduced basic day-to-day cash management systems.

**Outcomes resulting from the changes** included expenditure management, asset capitalisation and income management.

**Mr Boschhoff outlined the strategy that was utilised to turn from the deficit situation.** This included:

- Changing the spending patterns of the municipality
- Introducing a refined basic day-to-day cash management system, including centralising the order book
- Paying creditors who charged excessive interest more quickly
- Closing off unnecessary bank accounts
- Building up an investment for forward planning cash flow
- Getting financial data captured timeously on system
- Getting reconciliations up to date and registers in place
- Closing loopholes which might incur unauthorised expenditure
- Mentoring three supervisors in order to enhance decision making, forward thinking and planning

### Lessons Learnt

The first lesson identified by Mr Boschhoff was that the **lack of fully-employed**

**managers hampers decision-making and the ability to strategically look forward.** In this regard, he emphasised that the appointment of competent line managers does not come by elevating junior staff to acting positions with which they are not really comfortable and not competent in, and this should be addressed.

The second big lesson is maintaining the will to create change. If you do not have **the will to create change**, you will not get anywhere.

Thirdly, **keep the focus on service delivery.**

Fourthly, **application of policies is vital.** There are certain policies in place that should be adhered to. It is a council policy, therefore, that is the way to go.

Fifthly, **the ability to say no.** A financial manager has a foot on the brake, and he/she must have the ability to say no to anybody who comes in and asks for money that they know the municipality cannot afford at that time.

In conclusion, Mr Boschhoff emphasised that forward planning was very important. He suggested that cash could not be managed or municipal strategies implemented if there was no forward planning. Furthermore, correct systems need to be in place to support municipal operations. In this regard, he suggested that data must be developed such that it becomes information that can be utilised appropriately in planning and management.



## 11. Koukamma Case Study on Institutional Turnaround



Programme Manager, Siyenza  
Manje, DBSA  
Mr Louis Scheepers

By way of introduction, Mr Louis Scheepers described the Koukamma Municipality as one characterised by two very distinct geographical areas. It falls within the Tsitsikamma area on the one side, and the Langkloof inland area on the other. In the middle of these two areas is the huge Tsitsikamma mountain range. The Municipality also has about 18 small human settlements dotted all around the landscape. Spatially, therefore, it was a very difficult area in which to work.

Mr Scheepers was deployed by Siyenza Manje to the Koukamma Municipality as institutional expert in March 2009. He joined an existing team of deployees in the Municipality; these included financial and technical experts, as well as three technical young professionals. This team has subsequently been strengthened by two financial young professionals.

### Structure of the intervention

In the first two months the team performed a diagnostic review, identifying challenges facing the Municipality and making recommendations about how these should be addressed. A turnaround strategy was then implemented through a partnership with the MEC for Local Government.

### Successes achieved

According to Mr Scheepers, the Municipality has been largely stabilised. A recovery programme has also been established to deal with certain of the basic shortcomings. The programme also managed to stop the illegal practice of using conditional grants to fund operational expenditure. In terms of successes, there have been major improvements in the reporting on MIG spending. This is bringing immediate improvement to the levels of services that the Municipality can deliver. A strategy to leverage the R177 million flood disaster funding was developed as part of this intervention.

### Challenges

According to Mr Scheepers, the turnaround process experienced certain challenges:

- The dual role of administrator/ administrator municipal manager disturbed the power relations in the intervention.
- The absence of direct interaction between MEC and administrator.
- The financial position of the Municipality is precarious and it is not able to meet its monthly expenditure commitments, resulting in the administrator spending most of his



time placating internal and external creditors.

- The relationship between various stakeholder groups in the Municipality is characterised by deep suspicion about each others' intentions .
- A total lack of understanding exists amongst the majority of councillors of the financial and administrative constraints that the Municipality is facing.
- There is very limited management capacity in the Municipality:
- Long-term absence of four out of six top management positions;
- Limited local government and management experience of remaining managers.
- Certain councillors, managers, trade union members and community members are actively working against the intervention.

### Lessons Learnt

Lessons learnt as shared by Mr Scheepers include the following:

Firstly, interventions are expensive and every effort must be made to prevent municipalities degenerating to the extent that an intervention is necessary. It is not only the municipality that is at fault; the province must also take responsibility for the degeneration of municipalities.

Furthermore, running a municipality on a day-to-day basis is a very complex and demanding task. Therefore, if the same people who run the municipality must also look at recovery, it is more difficult to manage the municipality. He proposed that these two functions should be executed in parallel, like train tracks that go in the same

direction, but are separate and do not meet.

Lastly Mr Scheepers suggested that interventions that are not accompanied by financial resources are destined to fail. In addition, people appointed as administrators must be provided with the powers as well as the political backing necessary to turn the situation around.

### Recommendations

Mr Scheepers made a number of recommendations:

- A national manual is necessary to govern section 139(1) interventions by provincial governments. Such a manual must focus on creating sustainability, and clearly spell out the powers of the role players in the interventions. It should be a guide for funding models for interventions and benchmarks for success or failure of interventions and turnaround initiatives.
- National capacity needs to be created for interventions to in turn build provincial governments' capacity to manage interventions.
- The existing policy framework for municipal demarcations should be reviewed.
- Qualification criteria should be created for councillors, that balance the need for technical expertise with representative democracy. Councillors need capacity to make the right decisions.
- Local government management should be professionalised. There has to be an ethical framework in the practice of municipal management. Administration means to serve, and





service to communities can be established only through a professional setup in local government management.

- Fiscal arrangements for local government should be reviewed in order to create a more equitable fiscal environment for local government.
- The two-tier system of local government should be reviewed, as should the division of powers and functions.
- Real economies of scale should be pursued through the standardisation of IT systems, budget formats, etc.
- The capacity of provincial departments of local government needs to be improved to monitor and support local government.
- Skilled, knowledgeable and experienced persons should be employed in municipalities.

At the outset of his address, Mr Carim acknowledged that local government was severely challenged, but he emphasised that it was a crucial sphere responsible for service delivery and development. It is a major barometer of the success of our transformation. He emphasised that we have to get it right and that we have no choice in this.

Mr Carim recalled that the President had met with mayors and municipal managers in Khayelitsha on 20 October 2009. The Department had also organised a major national indaba on local government over two days in Boksburg. There were some 1,100 participants, including representatives of the three spheres of government, trade unions, the private sector, service providers, individual experts and civil society representatives. These gatherings considered the State of Local Government Report.

## 12. Local Government Turnaround



Deputy Minister, CoGTA  
Mr Yunus Carim

## Background to the Report

The report was based on a comprehensive hands-on assessment of every municipality in the country. The assessment was carried out over a four-month period, facilitated by CoGTA, but done by provincial departments of local government, working with the municipalities. These reports were tabled to the provincial executive councils and then brought to national level for consolidation into one report. The report has five major areas of examination:

- governance
- financial management
- service delivery
- labour relations
- apartheid spatial patterns.



According to Mr Carim, the report points to external factors such as political wrangling that affects municipal administration and service delivery, increased community irritation with local government, and poor human resource management in municipalities.

The Department aimed to get Cabinet approval for the National Strategy Framework by the end of 2009. From January to March 2010, the Department intended to take this Strategy Framework to every municipality in the country. Every municipality would then be required to develop, within the parameters of the National Framework, a Local Government Turnaround Strategy through a fully consultative process. The intention was that each municipality should have its own specific Municipal Turnaround Plan by March 2010 and actively implement this through involving the widest range of stakeholders and local communities.

Mr Carim said the intention was that provincial governments would play an active role in assisting municipalities to develop these Municipal Turnaround Plans and ensuring that they are within the framework of the National Turnaround Strategy.

He suggested that the district municipality role of sustaining local municipalities was a wrong model. Rather, a differentiated approach is called for.

In conclusion Mr Carim reported that the following declaration was made at the Local Government Indaba:

**"We acknowledge the indispensable role local government has to play in consolidating democracy and advancing service delivery and development, and our responsibility is to ensure that it**

**effectively fulfils this role. We recognise that the success of our democracy depends crucially on an efficient, effective, responsive and accountable local government system.**

**"We agree that local government is everyone's business. We note this historic opportunity to reflect upon the state of local government in our country and welcome the frank and significantly accurate report....."**

In conclusion, he reiterated that the Indaba had agreed on the need for a National Turnaround Strategy Framework. The National Local Government Turnaround Strategy was being developed through more consultations with key stakeholders over the next few weeks, before it would be taken to Cabinet at the end of 2009.

### 13. DBSA Perspective on Local Government Turnaround Strategy



Director of the DBSA Board  
Dr Lulu Gwagwa

Dr Gwagwa's opening comments emphasised the DBSA's conviction that issues raised in the 'Ten Points' should be



at the centre of the Turnaround Strategy. According to her, the question that needed to be answered was: How do we actually implement this strategy?

She said this issue of governance was something of importance to the DBSA, particularly given the experience of Siyenza Manje. The Board of the DBSA recognised that Siyenza Manje was a short-term intervention; it could not be a long-term solution to the issues of local government.

#### **On the Issues of Governance and Leadership**

She said the DBSA had been trying to assist in the issues of governance and leadership. However, to a very large extent, the political environment made it difficult to implement some of the programmes that Siyenza Manje employees had been trying to support, which relate in particular to the unblocking of MIG.

Dr Gwagwa suggested that at the centre of the Turnaround Strategy there should be at least these three things:

**Political leadership:** very clear leadership is needed on local government, and not just at local government level. Leadership needs to come from the top: national government, provincial government and local government. Local government is about implementation, and therefore everybody in the delivery chain has to show political leadership.

Dr Gwagwa indicated that **governance** was the second point. Proper governance was

essential. The legislation and all the policies that we have are quite clear about what governance means in terms of the systems and the structures. We know what the roles of an executive mayor, the Exco, the mayoral committee and the municipal manager are, in relation to all these structures.

The third point relates to the issue of **performance management and monitoring**.

#### **Role emphasised by the DBSA**

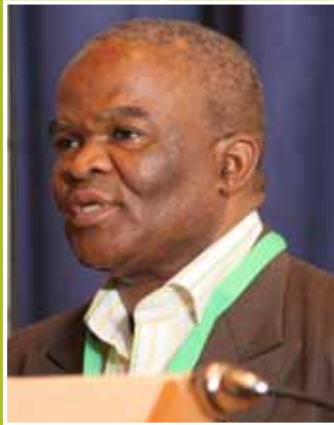
Of the DBSA's five roles of financier, advisor, partner, implementer and integrator, the key in relation to this Turnaround Strategy is the partnership role. The DBSA will partner government in making sure that the Turnaround Strategy is a success.

According to Dr Gwagwa, regarding the **local government nerve centre** hosted by DBSA, this resource would be maintained so that, as government strengthened its monitoring system and performance management, information around local government and general information would be at hand. Linked to the local government nerve centre, the DBSA would also assist with **ongoing research**.

In conclusion, Dr Gwagwa suggested that in reassessing the categorisation and the powers and functions of municipalities, one of the key things was the **simplification of systems and processes**. In this regard she indicated that the DBSA was available to provide the required support as it had experience in these matters from Siyenza Manje employees.



## 14. A Provincial Perspective



MEC for Local Government, Eastern Cape  
Mr Sicelo Gqobana

Mr Gqobana welcomed the debates on local government as an opportunity for a reflection on the system of local government in South Africa. For him, a close examination of all the spheres of government indicated that local government was structured differently from the provincial and national levels of government, and that this structural difference posed a number of challenges in areas such as accountability, the delineation of roles of various offices, and how the staff recruitment process was undertaken.

Mr Gqobana suggested that administrative capacity relates to what is also happening at the provincial and national government level, which is informed by the current recruitment strategy and the methodology used in hiring people with skills. Here he supported the proposal to professionalise the administration of local government. He also indicated that there was a need to turn around local government precisely because

it was becoming very clear that it is highly politicised.

### Factors Contributing to the Turnaround Strategy

#### Issues of Accountability

Mr Gqobana said that at provincial and national level there are committees to act as checks and balances for the administration of departments, but this was not the case at local government level: the structure of the Mayoral Committees in local government was different from those of the provincial executive committees and Cabinet. Here he indicated that members of the very same mayoral committees were also chairs of various portfolio committees, and that issues of oversight had vanished in this arrangement, making issues of accountability automatically disappear.

In highlighting the critical need to turn local government around, Mr Gqobana suggested that the turnaround strategy presented an opportunity to ensure that better change was made and that failure could lead to a very serious situation, as demonstrated by the recent service delivery protests taking place across the country.

#### Inter-linking the Government

He indicated that the focus should not be only at the local government level, but should include all three tiers of government, because what happened in local government would, in one way or another, impact on the provincial and national government. How the national government functioned and discharged certain responsibilities that had an impact on local government would also have to change as local government was transformed.



### **Professionalisation of the Administration**

For Mr Gqobana, the issue of the qualifications of people employed in local government linked with the issue of the professionalisation of the administration. His view was that "deployment" was abused despite the fact that the ruling party's deployment strategy included defined criteria for suitable mayors and municipal managers. In this regard, a mayor was required to have particular political attributes in order for a deployment committee to decide on whether or not the particular individual was suitable for the demands of the task. Equally, that person should also display some administrative capabilities because he/she would not only articulate policy direction, but also be expected to monitor the administration. He suggested that unless the individual had a thorough understanding of how the administration functions, he/she would find it difficult to monitor performance.

### **Financial Management**

Mr Gqobana said the issue of financial management and viability should be linked to the concept of categorisation or differentiation, because the problem of "one size fits all" was a huge challenge facing most municipalities. He suggested, for instance, that the same funding formula could not be applied to rural municipalities and metros alike, and that better mechanisms had to be developed for funding municipalities taking into account the population aspects, and the political and economic challenges faced by each municipality.

### **15. MIG Policy Reform**



**Deputy Director, CoGTA  
Mr Werner Heydenrech**

Mr Heydenrech commenced by saying it had been considered necessary for the policy review process to make a broad assessment of the municipal infrastructure delivery and operations environment. MIG funding could be effective only if the infrastructure management system in the country was effective. Here, emphasis was placed on a MIG programme policy rather than a more narrowly defined MIG funding policy. This included the institutional aspects and the broader issues associated with infrastructure finance.

#### **Proposals put forward for the MIG reform**

- a) An extension of the existing differentiation to deal with specific characteristics of municipalities to unblock service delivery
- b) The establishment of an implementing agency for improved capital planning



and implementation in Group 3 municipalities

- c) Introduction of the capital-raising adjustment to the MIG formula, and a proposal that performance by municipalities should be rewarded
- d) Strengthening the capability of the MIG to ensure grant finance at the right time
- e) Phasing in of the alignment arrangements with other grants to maximise planning and implementation
- f) Pledging of MIG funding by municipalities to secure lower risk loans should be allowed.

Mr Heydenrech said the expectation was that the above recommendations would be approved by Cabinet, and would affect provisions made within the Division of Revenue Bill (2010). CoGTA also argued that there was a need to have further differentiation of municipalities. He suggested that there was also a need for further clarity on specific focal areas if government was to effectively address specific issues with regard to service delivery.

Mr Heydenrech suggested that this process should include the following three criteria:

- The percentage of capital raised from sources other than grants
- An amount of operating revenue raised by income per household
- A number of qualified engineering staff per 100 000 people.

He indicated that although the above proposals were under debate, there was a need for further understanding of the relevant indicators. Almost 80% of the MIG Policy Review vests itself or weighs heavily on the differentiation process taking place.

## Other proposals

### Institutionalisation

Mr Heydenrech suggested that Group 1 municipalities (the metros), would be given **a performance framework aimed at improving the efficiency of capital** and that what was required was an improvement in the regulation of those municipalities to ensure that they began contributing to service delivery.

He indicated that Group 2 municipalities were the ones with the incentive-driven arrangement to share resources and improve access to non-grant capital finance, and that the most contentious of these were the low-capacity municipalities. He suggested that immediate interventions were required in these municipalities in terms of **institutional arrangements** and that there may be a need for a regional implementing agent to take responsibility for planning, project prioritisation, project preparation and packaging of project management. By grouping municipalities, the right amount of technical capacity may be assembled to ensure that service delivery took place.

He further indicated that an appropriate **intergovernmental relations process** had to be established nationally and in each province to oversee the roll-out of this initiative. Here Mr Heydenrech emphasised that national government could not do this all alone and that provinces would need to play a pivotal role in ensuring that appropriate municipalities were identified in the various categories so that interventions reach them. This intervention was also required with regard to institutional arrangements for Group 3 municipalities.



### Financial arrangements

Mr Heydenrech recognised that there was acknowledgement that there were spaces within our country that do not have the ability to raise additional capital to improve service delivery. Therefore, capital-raising adjustments had to be improved or applied to the formula. In this regard he said this meant that municipalities with a lower ability to raise capital would receive proportionally higher levels of MIG funding.

### 16.City Structures and Governance



Director for Research,  
Gauteng City Region Observatory  
Mr Graeme Gotz

Mr Gotz's presentation focused on highlighting structural and governance requirements for cities in efforts to improve local government in South Africa. In opening, he stated that the metros alone represent half of all local government revenue and spending, and that when the 21 largest secondary cities were added, the largest 27 municipalities in the country represent some 64% of capital, and 74% of operating revenue and spending.

Mr Gotz suggested that through their long term City Development Plans, South African cities had grown to understand the impact of the apartheid political economy's logic of forcing poor people out of the cities where they were not a burden on the tax base, and force them into ghettos where they were out of the boundaries and off the budgets of white local authorities. He indicated that cities such as Johannesburg had introduced programmes to address some of these imbalances. These include green belts in townships, road infrastructure for easy access into cities, as well as decentralising business to these areas.

### What has been achieved through the Metropolitan Governance Structures?

For Mr Gotz, **understanding the results of apartheid** highlights the extraordinarily stark distinction in space between where people of different races and different class positions were forced to live. This also explains the way that our cities have grown, given extraordinary differences in access to opportunities, and the concentrations of wealth and poverty. The concentrations of poverty are much higher around the city region, but there are also concentrations of poverty pockets within the Gauteng city region itself. These effects are visible in individual cities themselves. There is an apartheid political economy.

**The Two-tier Metropolitan System:** Mr Gotz indicated that this implies the process of bringing together separate white and black local authorities in metropolitan structures.

First of all, there were the two-tier metropolitan systems in most parts of the country, and then there were single integrated metropolitan municipalities, which created conditions enabling the use



of resources raised in wealthier parts of the city to drive development in under-developed parts of the city. The bringing together of those different parts of the city saw the tarring of the roads in Soweto, for example.

**Growing confidence:** He indicated that the ability to put into place innovative infrastructures has led to new projects like the BRT system in the City of Johannesburg. This has led to a strong feeling of accomplishment. The sense that “more is possible” is a very important thing.

**Understanding the differences in our cities:** According to Mr Gotz, there are differences in overall architectures in South Africa's cities. In Johannesburg, for example, the structure is based largely on municipally-owned entities for major services, whereas EThekweni, for example, has a council executive system, not a mayoral executive system. He also indicated different political administrative interface structures while emphasising that there are no oversight structures anywhere in local government similar to provincial and national government. The City of Johannesburg has experimented with new systems of oversight, such as Section 79 Oversight Committees, which are now three to four years down the line, and which present a number of lessons.

Mr Gotz also highlighted the different systems of participatory government, different approaches to regional administrations, different expenditure priorities, and different tariff structures. He suggested that government had barely begun to comprehend the differences between these systems and that there was a lack of decent analysis on what works and

what does not work. In other words, he suggested, we are not yet able to understand the differences in the various systems and institutional arrangements.

### Some of the Challenges

For Mr Gotz, there is a challenge with the **institutional arrangements** that currently exist for metropolitan government. Here he indicated that there were already processes - within Gauteng - to consider the possibility of a province of metros, where different options for three metros, four metros, or five metros had been canvassed and discussed.

Another challenge identified was poor existing definition of areas of **competence between provincial and local government**. Legislative definitions were sometimes not adequate to clarify the position and to exact the necessary changes. He gave examples from housing, to municipal health, and land use management. The example of the Land Use Management Act that had been eight years in the making, yet was withdrawn again from Parliament in 2008, was highlighted. Mr Gotz indicated here that the ability of the City of Johannesburg to work with provincial government, which was actually responsible for approving township applications, depended on that legislation being passed. At the moment, the matter has just gone through the Supreme Court of Appeal, which went in the favour of the City of Johannesburg. National legislative clarity on land use management is required.

With reference to this, Mr Gotz identified a weak culture of **cooperative governance** as another challenge, and one that was not only restricted to powers, functions and the formal definition, but extended to the





manner in which different parts of government engage in 'turf wars'.

In conclusion Mr Gotz highlighted that it was important for South Africa to begin building on the foundations that have been laid in order to take the local government project forward and to begin to more

powerfully visualise the future of our cities. For him, the Turnaround Strategy for local government should not only look at changing cities, but rather at understanding how the differences in cities can make them functional.

DAY 3: IMPROVING GOVERNANCE



Knowledge Week 09

Making Local Government Work Better



## 17. Improving Governance and Accountability in Local Government



Chairperson of the Parliamentary Committee for Cooperative Governance and Traditional Affairs  
Mr Lechesa Tsenoli

The presentation by the Chairperson of the Portfolio Committee on Local Government highlighted the importance of partnering rather than intervening in local government. He argued that the Local Government Turnaround Strategy should be implemented and developed through a systems process which highlights the impact of systems on people's behaviour. The strategy should also acknowledge power dynamics associated with politics.

### Looking at local government issues through various "lenses"

For Mr Tsenoli, **Complex Adaptive Systems** is the first lens: this requires that all issues and their interconnectedness be considered. Here issues such as historical developments leading to the present and factors contributing towards the current

developments were highlighted for consideration.

He suggested that local government could not work better unless provincial and national government worked better, as these two spheres of government impacted on local government. He suggested that while they are interrelated and interdependent, they are also unique, and there are internal dynamics as well as external influences in local government as well as power dynamics, which need to be maintained.

**Multiple players with different perspectives** was the second lens. For Mr Tsenoli there are movers, followers, opposers and by-standers as stakeholders. He indicated that in municipalities, when you do not have all of the mentioned actors, there is a deficiency in the process. He said these different views were needed in order to reflect on how decisions are viewed. He proposed that critical perspectives be invited and taken on board. For Mr Tsenoli the key to internal dynamics is interaction with all concerned, and maintaining sufficient integration in the process. This, he believes, is also applicable in the relationships between local government and provinces, also with national government.

Accountability needs to be established across the entire system.

Representativeness should also be ensured as part of the decision-making process. Here accountability and proper governance pre-suppose the connectivity with the entire system through effective involvement. Mr Tsenoli concluded that all people affected, be it directly or indirectly, should be involved in the decisions that are taken.



In conclusion he proposed that we must learn from the past. In particular, that we should isolate what is not working and build on what is working. Here Mr Tsenoli emphasized that we need to manage expectations and agree that no easy victories can be claimed.

## 18. Improving Local Government Accountability for Improved Governance



Manager, Office of the Auditor General  
Mr Paul Serote

Mr Serote introduced his address by describing the constitutional mandate of the Auditor-General (AG). He said that, as the Supreme Audit Institution (SAI) of South Africa, the AG's Office existed to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector, thereby building public confidence. The AG report was alluded to, as focusing on the factors affecting improved audit outcomes in local government, including the retention of trained staff and the loss of skilled personnel to the private sector or bigger municipalities.

The overall state of audit opinions - disclaimers, adverse and worst-case audit opinions - were outlined. First and foremost, the audit opinion talks about the need to assess the strength of finance components or finance departments in municipalities that received adverse audit reports.

### Overall Audit Qualification Findings

- a) Almost always, qualifications are done on capital assets.
- b) There is a challenge with the management of capital assets.
- c) Receivables are also a challenge.
- d) The expenditure qualification reveals inability to supply financial documents.

### Factors attributable to improved audit outcomes

Mr Serote said that in order to improve audit outcomes, action plans and the ability to understand what the audit findings are saying are required. There are examples of financial support to municipalities by the departments of local government and the treasury in the provinces. The National Department's Municipal Support Intervention Framework has also assisted, particularly in respect of collaboration in provinces between the local government departments and provincial treasury, as well as SALGA.

### Factors attributable to deteriorating audit outcomes

Here Mr Serote indicated a number of factors:

**The retention of trained staff is a challenge.** He indicated that qualified people are constantly lost to the private sector or bigger municipalities, and that some



municipalities have been using consultants for over five years without skills transfer. In addition, certain CFOs delegate the financial reporting responsibilities to consultants. Other challenges include that key vacancies are not filled for extended periods of time. Inadequate staff performing accounting functions also presents a capacity challenge.

**Lack of financial management and/or accounting skills** is a challenge which also talks to the implementation of GRAP. Financial statements should be prepared monthly, as part of a monthly financial management discipline.

**The lack of formal planning or action plans** with clear responsibilities and time frames to address prior audit findings is another challenge. Breakdown in systems of external controls is rife, and this impacts on those basic disciplines that are there on a monthly basis.

**Control over documentation** is a problem, yet it does not require a lot of skills. The most notable challenge is the lack of CFOs' involvement in the preparation and presentation of financial statements. Some

CFOs hand over the responsibility of the financial statements to the consultants, and it has been found in certain instances that explanations provided to AG queries are inadequate, and lead to unnecessary findings. He said the involvement of leadership was required to ensure that the right tone is set from the top.

Other matters picked up are related to **non compliance with MFA and PFMA**.

In conclusion, Mr Serote suggested that good practice indicators should be improved and emphasised within municipalities. These are reflected as very poor in the Audit report, the highest scoring 75% and the lowest 26%. He said further that there had to be a clear understanding that once the audit working papers were in line with standards, external auditors could also look at placing reliance on internal audit, and that this had a variety of benefits.

Mr Serote said the Auditor General's team had developed a set of questions that would guide and encourage councils to review the content and quality of submissions by finance units and internal audit units.

## 19. DISCUSSION POINTS EMERGING FROM QUESTION AND ANSWER SESSIONS





## DISCUSSIONS



A wide range of questions were put and comments made in the discussion sessions at the end of each panel presentation. This section of the Knowledge Week report summarises the key issues that were raised, and highlights issues that were not extensively covered in the presentations. There was, unsurprisingly, a strong level of overlap in the points made, with the same themes emerging time and time again. This indicates the linkages between many of the issues, the protracted nature of local government challenges, and, importantly, broad agreement on areas requiring urgent intervention.

### ON COORDINATION, PROVINCES AND INTERGOVERNMENTAL RELATIONS

**The role of the provinces needs to be explored more openly.** Some of the issues around the role of provinces in the local government turnaround were:

- Many tools already exist to identify early warning indicators and develop early warning systems.
- Provincial government officials should devise a means of understanding

what is happening on the ground. For each and every intervention to work, the buy-in of local and provincial government is required. In order for this to happen, there needs to be greater clarity on the various roles and responsibilities.

- There have been a number of interventions that have compounded the coordination difficulties in the IGR arena over the years. Different programmes and interventions from national government are at times initiated without any coordination within and between provincial and local government. This needs to change.
- Participants felt that there was merit in long-term planning as it would result in stability within the state. Planning should look at the municipality in relation to national trends and issues.

### Specific questions regarding coordination and planning:

- What are the linkages between local government and the national strategic planning framework?



## DISCUSSIONS

- If we have one point of accountability, where should it be? At national level or provincial level?
- How do we capacitate some of the weaker departments and weaker provinces to play an effective role?
- One of the challenges that the local government turnaround process will have to deal with is the existence of too many stakeholders with an interest in assisting with the challenges in the local government environment. These stakeholders propose and implement different perspectives, approaches and ideas. The centre will have to be able to deal with this challenge.
- SALGA has always been seen as the voice of national government to local government. That needs to be changed as SALGA must represent the voice of local government to national government.
- Has the pendulum swung too far towards the autonomy of municipalities?
- There is merit in long-term planning as this would result in stability within the state. Planning should look at the municipality in relation to national trends and issues.

### ON DIFFERENTIATION

**One size does not fit all.** It was suggested that there was a need to understand the specificities of different local municipalities and respond to those specificities, and this includes an understanding of **settlement patterns** and linking it to investment strategies. Core powers should be determined to simplify local government: currently **the mandate for local**

**government is too extensive** with too many post-constitutional statutes guiding operations in this sphere. A recommendation here was the setting of a minimum number of powers (“core powers”) that all administrations need to exercise; furthermore, asymmetry and subsidiarity should be introduced to **match roles to capabilities**. This should consider:

- It is critical that there be basic administrative capacity to implement the requirements of development. One consideration that requires clarity is the specific role of local municipalities and the district with regard to re-distributive capacities and interventions.
- Understanding of how support programmes should be configured to address different administrative capacities in different municipalities.
- Re-segmentation of municipalities should be undertaken into high, medium and low capacity municipalities. A fourth category - that of “totally dysfunctional” - should be introduced for those municipalities that should not exist.
- Jurisdictional borders are not the same as economic borders. Understanding the economic potential of different areas and what this means in terms of what should or should not be done within those areas and, further, understanding that economic potential is not finite, should be put in place.
- Spatially, there is a need to understand the inter-linkages between different municipalities within South Africa. In addition, the





## DISCUSSIONS

spatial and historical realities mean that the poorer the area, the worse its local government is. We should not overlook these factors.

### ON FINANCE AND PROCUREMENT SYSTEMS

It was suggested that while financial management and accountability are important, this should speak to community issues and concerns. This should be done by targeting beneficiaries.

The concern was raised repeatedly that much of the corruption in local government appears to occur within the **supply chain management process**. Therefore, there is a need to make the tender process open for increased transparency regarding conflicts of interest. Revision of supply chain management system should include the following considerations:

- Centralise monitoring (but not awarding of tenders, though this was debated).
- Consider setting up a Tender Board to establish more oversight.
- The centralising of procurement functions needs a cost-benefit assessment. One possible cost could be longer turnaround times which might affect the pace of service delivery.
- How do we create greater transparency while ensuring efficiency and flexibility in the system?
- Pre-registration of all tenders before they are issued, for openness.

**On the operationalisation of the MFMA, the participants raised the following issues:**

- Financial data reporting can be narrowly defined and is accounting-

based, which can limit scrutiny to only those who have a specific set of skills.

- A whole series of questions need to be answered about Audit Committees: Why do we still have a high number of qualified audit reports when we have internal audit divisions or audit committees? How many audit committees actually exist? How are the audit committees run? Are they enhancing accountability?
- The necessity of good management and keeping the books clean should not lead to budget cuts that negatively affect service delivery.
- We need to protect the goose that lays the golden egg - the percentage allocation should consider the levels and standards of service.
- In general, how do we identify technologies that work and make sure that they are used by municipalities?
- A further point is that red tape and bureaucratic processes may make interventions/ assistance difficult.

### ON LOCAL LEADERSHIP

**A lack of discipline that is eroding the value system in the local governance arena was raised as a concern.** It was suggested that **the structural challenges** relating to the socio-economic conditions resulting from the apartheid legacy and the process of class formation (and government as a site for this) need to be addressed.

**We have poor political governance** because we also have a **socio-economic reality that, for many people, becoming involved in politics is the way to move up the class ladder and get access to economic opportunities that they might otherwise not have.**



## DISCUSSIONS

Discussion points in this area included:

- How do you replace political deadwood with individuals who are trainable and committed?
- One challenge is that those who do well are not allowed to serve beyond ten years. In certain democracies the administrations do not change with the change in political leadership. This allows for continuity and stabilisation of local administrations.
- One of the additional problems is the lack of long-term planning and succession planning.
- It was stated that the ANC recognises that the deployment strategy should be reviewed. The lack of administration skills has impacted upon the deployment strategy.
- A set of values should be developed to which public servants subscribe. **A lack of discipline and a poor value system** was suggested as a problem which accompanies corruption.
- Officials with political aspirations are competing with politicians, crippling relations and affecting management in local government. Some of the intervention could include declarations that no manager should be sitting in a political party position.

### ON CAPACITY AND SKILLS

It was suggested that the low levels of literacy that exist should not be underestimated. This relates to the skills shortage, as well as the migration of people to big/ bigger cities. This in turn is seen as impacting upon municipalities' ability to employ the best people for the job. A

number of points were made by participants in this regard:

- Skills and posts within local administrations should become professionalised.
- Succession planning and skills retention can help address challenges around institutional memory.
- A structured feeder system needs to create links between university students and government administrations. It is not clear if universities are responding to the new challenges of the local government system and the different kinds of skills that are needed.
- This will need to be balanced with addressing historical realities of inequity and poverty. A meritocracy should be created while supporting employment equity to address the inequities from our past.
- The model of deploying municipal managers from the provincial level should be explored. There is a need to **align capacity-building initiatives across spheres of government with donor agencies and other key agencies, based on a clear needs analysis**. As an example, government needs to identify Siyenza Manje projects whilst this programme needs people to transfer skills to "warm bodies".

### GOVERNANCE AND ACCOUNTABILITY

Local governance is dependent on **the quality of civil society and the nature of civil society interactions with the state: this should be a fundamental part of the**



## DISCUSSIONS

**accountability loop.** In South Africa there has been a weakening of civil society and therefore of social capital within communities. It was recommended that civil society be revitalised in meaningful ways to ensure that communities are enabled to drive effective and accountable local governance. Some of the specific points in this regard included:

- Community activists employed in CBOs and NGOs do not join political parties because they do not see the political party as a platform to express the desire to build the community. How do we begin to address this? Civil movements that have the ear of government are those that are aligned to political parties in one way or another. This cripples the strength of civil society as community representatives.
- Post-1994 many civil society activists have joined business and government structures. This undermines the civil society movement and the legitimacy of public engagement in the local government sphere. The fact that elected councillors are more accountable to their political parties than to the communities that appointed them weakens public participation.
- The ward committee system was set up to represent different sectors within the ward so as to report to council on real issues “on the ground”, but this has not been the case. In the system of ward committees, how is accountability ensured? Which structure do they report to? To improve the ward committee system,

the following were proposed:

- o The development of annual plans for ward committees;
- o Establishing a new model for public participation;
- o Ensuring government commitment and political will: this implies understanding of the constitutional requirement [by officials] of people's involvement in policy-making. In other words, local government should seek to encourage (rather than discourage) civil society engagement with decision making and accountability;
- o Ensure that there is a consultative process to replace the committee system for councillors.

### MODALITIES FOR IMPLEMENTING THE TURNAROUND STRATEGY

**It was proposed that indicators for governance should be developed, as well as standards and benchmarks.** Further, that the public should “monitor the monitors”. To ensure the success of the turn-around strategy, the participants indicated the need for:

- The development of early warning systems on performance;
- Processes to ensure sustainability of interventions;
- Supporting those responsible for local government? These organisations should first be coordinated;
- Ensuring that the turnaround process links up with the provincial and national processes;
- Alignment with the provincial and local government policy review



## DISCUSSIONS

- Trends in terms of urbanisation need to be understood within the context of reforming local government;
- The role of traditional leaders in local government should be considered;
- We need to ensure that the strategy brings something new.

It was recommended that in terms of the Local Government Turnaround Strategy and seeking to ensure realisation of the strategy, it is important to consider who is actually going to take **ownership, and who is going to drive it at different levels to make sure it succeeds?** In this regard:

- Who will play an oversight role to ensure the Turnaround Strategy delivers its intentions?
- How do we ensure that we learn more effectively from our past experiences?
- The process to audit municipal needs for turnaround should be correctly developed.
- Certain municipalities view the discourse on the Turnaround Strategy as interventionism from National Government. The language used tends to be antagonistic towards local government. How do we address this?

### 20. CONCLUSION OF KNOWLEDGE WEEK

In concluding the conference, participants argued that the success of the Local Government Turnaround Strategy would depend on how it was implemented. It was agreed that issues raised in the “DBSA ten points” covered the critical intervention areas. Participants ranked the interventions in order of prioritisation, as follows:

- a. **Strengthen community involvement and participation:** This, according to participants, is the most important matter for the Local Government Turnaround Strategy. Here it was proposed that innovative community engagement mechanisms be supported to attract civil society engagement to supplement the ward committee system.
- b. **Get the skills and technical capacity in place:** The challenge of skilled officials at local government level was highlighted, especially due to the fact that most of the appointments are based on political affiliation and standing rather than skills. One of the proposals in this regard was that there should be a proclamation that municipal managers should not hold any political party positions. Skills development for technical maintenance in municipalities was also proposed as a priority, and it was suggested that one intervention here could be an intensive artisan programme.
- c. **Improve governance:** This issue was highlighted in most discussions, with participants arguing for both institutional capacity enhancement and improved accountability by local politicians. It was proposed that party deployment systems and criteria be revisited to ensure that the correct people are deployed to lead local government. Another proposal was that there should be rotation of politicians between all three spheres of government.



## DISCUSSIONS

- d. **Strengthen performance monitoring and reporting:** It was suggested that indicators for the performance of local government should be clearly defined and developed with local government, so that they are understood by all. Reports required from municipalities should be rationalised to one or two reports covering all sector requirements.
- e. **Differentiate and match municipal roles to capabilities:** The overall sentiment here was that the differentiation or segmentation of powers and functions of different municipalities is necessary. It was indicated, however, that differentiation should not be introduced to induce poor performance. Differentiation should not only be based on capacities, but also on potential to improve performance.
- f. **Standardise and simplify processes and systems:** Complicated and closed procurement systems were noted as inappropriate in municipal administration. Requirements for MFMA and Auditing also need to be refined.
- g. **Improve the fiscal relations system:** It was proposed that the processes and timelines followed in the intergovernmental fiscal relations system need to be refined. The system should limit compliance requirements to allow for proper accountability to communities.
- h. **Strengthen the IGR planning system:** Discussions in this area centred on spatial planning and data management as two of the critical elements that are necessary to make the turnaround strategy a success. Proper definitions and differentiation of IDP requirements for municipalities were also proposed for action.
- i. **Strengthen national and provincial capacity to facilitate LG turn-around:** The sentiment here was that local government challenges and poor performance are a result of the whole government and governance system. In this regard the capacity of provincial and national departments responsible to support and monitor local government performance was criticised. The proliferation of reporting and other compliance requirements from different sector departments was also highlighted as problematic.
- j. **Define accountability and consequences at key decision-points:** Participants concluded by highlighting the need for clarity on the indicators of governance for local government. Also, the need to involve other spheres of government in the appointment of senior local government officials in order to ensure quality, as well as the need for the Auditor-General to monitor performance using the correct indicators.
- The outcomes of this Knowledge Week will form part of a package of DBSA products to be used in processes to assist with the Local Government Turnaround Strategy. The other areas of support would include interventions through the Siyenza Manje Programme, Vulindlela Academy and South African Operations - all part of the broader DBSA family.







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