

TWENTY YEAR REVIEW

SOUTH AFRICA

1994 - 2014



**BACKGROUND PAPER:
LOCAL GOVERNMENT**



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Disclaimer

The background papers are written by officials in the Presidency and other government departments using inputs from literature reviews, commissioned research, government reviews and reports and roundtable discussions with a range of stakeholders. The views reflected in the background papers do not represent those of the Presidency, but rather reflect authors' views on sector developments.

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Acronyms and Abbreviations

CDW	Community development worker
CDWP	Community Development Worker Programme
CMTTP	Consolidated Municipal Transformation Programme
CoGTA	Cooperative Governance and Traditional Affairs
CSIR	Council for Scientific and Industrial Research
DoE	Department of Energy
DPLG	Department of Provincial and Local Government
DPME	Department of Performance Monitoring and Evaluation
EBSST	Electricity Basic Services Support Tariff
FBE	Free basic energy
FBS	Free basic services
GVA	Gross value added
HSRC	Human Sciences Research Council
IDASA	Institute for Democracy in Africa
IDP	Integrated Development Plan/Integrated Development Planning
IJR	Institute for Justice and Reconciliation
INEP	Integrated National Electrification Programme
ISRDP	Integrated Sustainable Rural Development Programme
JIPSA	Joint Initiative on Priority Skills Acquisition
LGSA	Local Government Five-year Strategic Agenda
LGTA	Local Government Transition Act
LGTAS	Local Government Turnaround Strategy
MDB	Municipal Demarcation Board
MDG	Millennium Development Goal
MFMA	Municipal Finance Management Act
MISA	Municipal Infrastructure Support Agency
MoE	Municipal-owned entity
MSA	Municipal Systems Act

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MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
NDP	National Development Plan
NERSA	National Energy Regulator of South Africa
NPC	National Planning Commission
PAIA	Promotion of Access to Information Act
PAJA	Promotion of Administrative Justice Act
PC	Project Consolidate
PCAS	Policy Coordination and Advisory Services
PFMA	Public Finance Management Act of 1999
PIMS	Planning and Implementation Management Support
PSACS	Public Service Anti-corruption Strategy
PSC	Public Service Commission
SALGA	South African Local Government Association
SASAS	South African Social Attitudes Survey
Stats SA	Statistics South Africa
UNDP	United Nations Development Programme
URP	Urban and regional planning
VIP	Ventilated improved pit (latrine)

Categories of Municipalities

The following categories of municipalities are referred to in this report, based on the categorisation undertaken by National Treasury and used by the Municipal Demarcation Board (MDB) and the number of each category as of 2011:

Category	Description/characteristics	Number
A	Metropolitan municipalities (metros)	6
B1	Local municipalities with secondary cities	21
B2	Local municipalities with large towns and substantial urban populations, although the variation in population size is large	29
B3	Local municipalities with small towns and significant urban population but no urban core; rural areas have commercial farming	111
B4	Local municipalities that are mainly rural, but have villages, communal land tenure and are typically located in former homeland areas	70
C1	District municipalities that are not a water services authority	25
C2	District municipalities that are a water services authority	21

Sources: National Treasury, 2011b: 193; Municipal Demarcation Board, 2012: iii.

Policy summary

Resolving the Structure of Local Government

Do we need to undergo a fundamental restructuring, away from a “one-size-fits-all” model? There have been urgent calls to deal with the significant differentiation between municipalities and also ensure that powers and functions are differentiated between them. While scope for differentiation exists, it has generally not been applied consistently or effectively. As such there is a need for greater clarity and appreciation of the differences between municipalities so that differentiation is applied effectively in practice rather than being consigned to policy frameworks. This requires provincial and national government to engage proactively with municipalities in order to help resolve specific problems. The anticipated impact is a practice and approach to municipal governance that is responsive to the variations in municipal capacities and socio-economic contexts. The strategic focus should be on developing and applying specific mechanisms to differentiate with respect to powers and functions and capacity for the delivery of services.

This includes recognising the variance in capacity across municipalities devolving more responsibilities where capacity exists and allowing only core functions along with capacity building in weaker municipalities;

Improving co-operative governance

Greater accountability should be developed through an improved fiscal-services link. Municipalities that rely heavily on government transfers and those that have large indigent populations that receive free basic services need to strengthen the fiscal-services relationship. In this regard municipal integrated development plans should focus on a core of critical municipal services.

Improving the intergovernmental system will include strengthening intergovernmental structures and protocols between district and local municipalities where there is conflict over the allocation of responsibilities and resources

Stabilisation of the political-administrative interface

This includes moving away from ‘political deployees’ for administrative and technical appointments so that there is clear separation between the political representatives and officials in a municipality. This should be supported by long term skills development strategies for senior managers and technical professionals;

Improving management and operational capabilities

Monitor, measure and support improved management and operational capabilities of local government in key areas such as development planning, service delivery, human resource management, financial management, community engagement and governance.

Improving service delivery

- Services (especially basic services) should be extended to communities that are currently unserved or underserved. This requires a number of critical issues to be addressed, including the financing of services (such as the capital-intensive basic services installations).
- An intervention is required to address the poorly managed operations and neglect of maintenance of infrastructure. In part, this requires technical interventions, but will also require a reprioritisation of municipal budgets.

Executive summary

The Journey Since 1994

The journey that local government in South Africa has taken over the last 20 years is one that has gone smoothly in some respects, but has been a bumpy ride in others. It is a remarkable feat that a single, unified local government system has been designed and established from the fragmented, undemocratic, unaccountable and racially divided system that was inherited. However, the constitutional and political structure of local government, its overall promise of democratic accountability, and the delivery of services to improve the lives of citizens have proven to be more challenging in their implementation.

Significantly, there have been a number of achievements in governance, accountability, capacity development, financial and administrative management and services.

Achievements in governance

Since 1994, South Africa has embarked on an ambitious project of state formation and building; not least in the local government sphere. To this end and led by the Constitution, government published the White Paper on Local Government in 1998, and introduced a series of laws, policies and support programmes to direct the establishment of local government as a distinctive, interrelated and interdependent sphere of government. As a result, great strides have been made in establishing municipal systems and processes, as well as in strengthening and building institutional capability.

Notably, there have been achievements across a range of governance issues. A fairly stable, coherent and functional structure of governance has been established, which must be seen as a remarkable achievement, considering that international research suggests that state-building takes a far longer time than the new democracy has had. Government has created an impressive and comprehensive legislative and policy framework for local government. This has provided a sound platform from which the majority of municipalities have made progress in establishing municipal systems and processes and in strengthening their overall institutional capability. Improved intergovernmental relations have also ensured the provision of support to local government by both national and provincial government.

Achievements in accountability

In summary, the achievements in accountable, transparent and participatory local government have been noteworthy. Since 2000, there has been a general acceptance of electoral outcomes, indicating their legitimacy among citizens. However, intraparty friction has been a cause for concern.

Local government has achieved and implemented initiatives that improve lives on the ground, such as the community development workers (CDWs), Batho Pele principles, and the Thusong multipurpose centres. The establishment of widespread ward committees promotes the right of communities to participate in the decisions that affect development in their areas.

Many measures have also been taken to counter corrupt practices and put in place stronger accountability mechanisms. Mechanisms have been put in place for financial accountability through the introduction of the Municipal Finance Management Act of 2003 (MFMA) and its requirements for improved financial management, as well as various financial support programmes. Evidence from research conducted for The Presidency's 15-year review and from the Auditor-General indicates that initially there was a general improvement in the financial management of state institutions since passing the act. However, more recent reviews of local government finances and financial management show a number of weaknesses, including poor audit outcomes, and revenue and expenditure management.

Achievements in developing skills and capacity

While local government is experiencing shortages in skilled personnel, government has acknowledged this and has taken its constitutional role of supporting local government seriously by introducing various capacity-building initiatives, including the following:

- Capacitating existing officials and elected leaders
- Drawing expertise into the employ of the municipal sector through initiatives such as Project Consolidate, the Joint Initiative on Priority Skills Acquisition (JIPSA) and the Siyenza Manje Programme (this programme spent R933 million between 2006/07 and 2009/10)
- Cultivating expertise that would be available in the short term
- Strengthening interaction between elected leaders and the electorate, and public access to public services
- Developing a tracking system for municipal performance

These interventions have provided a multipronged approach to addressing municipal capacity challenges.

Achievements in Service Delivery

Remarkable achievements have been made in the delivery of water, refuse (solid waste) removal, electricity and sanitation although some challenges still remain in the delivery of sanitation services.

Water: The Millennium Development Goal (MDG) for water is to “halve, by 2015, the proportion of the population without sustainable access to safe drinking water”. South Africa managed to meet the MDG target by 2011 (85 percent), which is four years ahead of the global target. As a country, we have, however, set ourselves a target of 100 percent access. As such, the overall improvement in basic water service delivery since 1994 has been remarkable, with the national average improving from some 70 percent access in 1996 to close to 90 percent by 2011. Most notably, delivery has taken place in B2, B3 and B4 municipalities (local municipalities with large towns and substantial urban populations, local municipalities with small towns and significant urban populations, and local municipalities that are mainly rural and are typically located in former homeland areas, respectively), which are often the most deprived communities.

Refuse removal: Over the past 20 years, the legal requirements for municipalities to provide refuse removal services have evolved and become more demanding. In reviewing local government’s success in providing refuse removal services, it must be borne in mind that the policy framework for undertaking this has expanded the service delivery mandate and expectations since 1994. Notwithstanding, local authorities across the country increased their provision of refuse removal services to communities in the period 2001 to 2011. The most significant improvements are in the Free State (13 percent) and North West (12 percent), with only modest improvements in the Eastern Cape (3 percent). It is also evident that metropolitan and B1 and B2 municipalities (local municipalities with secondary cities, and local municipalities with large towns and substantial urban populations, respectively) are doing well.

Electricity: There has been a significant improvement in access from a national average of 62 percent in 1996 to 85 percent in 2011. Although overall progress in respect of access to electricity has been remarkable, South Africa is unlikely to achieve its 95 percent target by 2014. An emerging worrying trend is the rise in disconnections as a result of steep increases in tariffs.

Sanitation: In 2011, the average level of access to acceptable sanitation across South Africa was 71.4 percent. The MDG was to “halve, by 2015, the proportion of the population without basic sanitation”. South Africa achieved this goal in 2008, seven years ahead of the global target. As a country, South Africa set itself an ambitious target of 100 percent access by 2014, which is unlikely to be met. Although much progress has been made in improving sanitation services to households, many households are still to be reached. The basic level of sanitation services is currently a flush toilet, a chemical toilet or a ventilated improved pit (VIP) latrine. The figures show that, in 1996, the national average for access was about 50 percent, which improved to just over 71 percent nationally by 2011. The B1, B2 and B3 municipalities (local municipalities with secondary cities, local municipalities with large towns and substantial urban populations, and local municipalities with small

towns and significant urban populations, respectively) have shown great improvements in this service, but the B4 municipalities (local municipalities that are mainly rural and are typically located in former homeland areas) remain a challenge (partly explained by their significant rural and former homeland nature).

The Challenges facing local government

Given the context of the fundamental reform of local government, the rationalisation and amalgamation of municipalities and the wide mandate of developmental local government, some challenges still remain in implementing the new system.

Governance

Governance issues include a lack of political leadership, political interference and patronage. There is also a lack of policy coherence, complex reporting demands and a weakening of institutional abilities in many municipalities. The difficulties with inefficient and ineffective municipal administrations can be attributed to: susceptibility to political interference; poor (political and administrative) oversight and weak compliance; an inability to respond to the complexity of demands and expectations; challenges due to variations in spatial location and access across municipalities, a declining skills base to deal with socio-economic legacies; and service delivery failures by municipalities due to uneven and unstable governance.

Accountability

The Medium-term Strategic Framework (MTSF) (2009) reports that accountability concerns are related to levels of distrust in local government. The Human Sciences Research Council (HSRC) (2008) reports that the public has a declining trust in local government and a low awareness of participatory measures. The Markinor survey of 2009, reports declining levels of municipal management from 49 percent in November 2004 to 41 percent in May 2007. A negative perception of the state of local government is also common among all political parties (Ipsos-Markinor, 2009).

According to the 2010 South African Reconciliation Barometer, released by the Institute for Justice and Reconciliation (IJR), confidence remains far lower in the local sphere of government than at the national or provincial levels (Lefko-Everett, 2011). In 2011, only 43 percent of South Africans indicated that they had confidence in local government, compared with more positive evaluations of provincial government (56 percent), national government (65 percent), Parliament (61 percent) and The Presidency (65 percent).

In summary, accountability challenges persist, as noted by the Department of Cooperative Governance and Traditional Affairs (CoGTA), including poor communication with communities, role confusion (mayors, speakers, chief whips, proportional representation councillors vs. ward councillors), a lack of transparency in mayoral committee work, and weak or ineffective ward committees.

Capacity and Skills Shortages

The new democratic, wall-to-wall local government system inherited many gaps in terms of skills and capacity. The gaps in capacity have been exacerbated by the amalgamation and restructuring of local government, which, together with the countrywide “brain drain”, has left significant areas of local government understaffed and underskilled, rendering them unable, in many instances, to deliver on their mandates and meet their public obligations. Negative public perceptions of working in local government, as well as the marginal geographic locations of many municipalities, have exacerbated capacity and skills shortages.

Staffing levels have a direct impact on institutional functionality and the delivery of services. In 2011, the average percentage of total posts filled was 72 percent, suggesting that, on average, vacancies in municipalities are in the region of 28 percent. Vacancies are highest in the B4 and C2 municipalities (local municipalities that are mainly rural and are typically located in former homeland areas, and district municipalities that are a water services authority, respectively), with the percentage of total posts filled averaging 63.6 percent and 68.8 percent respectively. Provincially, the percentage of posts filled is highest in Gauteng and the Western Cape and lowest (by a huge margin) in Limpopo municipalities.

Financial Constraints

Although progress has been recorded, local government’s overall financial wellbeing is far from optimal. The audit opinions of the Auditor-General for 2005/06 indicated that only 16 percent of municipalities had unqualified audits. In the 2006/07 financial year, only a quarter of local governments received unqualified audits.

Non-compliance is also a problem. The Auditor-General’s annual report on local government found an increase in non-compliance between 2009/10 and 2010/11, when only 13 municipalities (5 percent) had unqualified audits, 45 percent had unqualified audits with findings, 18 percent had qualified audits and 19 percent had disclaimers, while 13 percent had audits outstanding. At 31 January 2012, 43 audits were outstanding. In 2011/12, the situation remained largely the same, when only 48 percent of municipalities received unqualified audit opinions.

Service Delivery Constraints

Great strides have been made in service delivery, but there are some challenges in certain areas. Access to basic services in rural municipalities (B3 and B4 municipalities) showed a slowdown in 2009 across all services (National Treasury, 2011b: 198). These are also municipalities with concentrated poverty and institutional weaknesses.

Municipal service delivery weaknesses are compounded by a range of governance, institutional and financial weaknesses and the weak service-revenue link mentioned

above. The inability of some municipalities to deliver even a core set of basic municipal services efficiently and effectively is also affected by the lack of infrastructure and appropriate delivery models in remote rural areas, as well as the general neglect of maintenance and repairs of municipal infrastructure.

As we approach the end of the fourth phase of local government development, there are persistent challenges in delivering the required basic services to people in South Africa. These include increasing population growth, increasing urbanisation, increasing demand for municipal services and infrastructure maintenance loads, the predominance of slow budget growth and the prevailing effects of the 2008–2010 global financial crises.

Changing Demographics in Municipalities

An important consideration that increasingly contributes to the stresses on municipalities is the dynamic nature of population movement across the country. Through census and other data, and as noted in the National Development Plan (NDP), it is becoming increasingly apparent that dramatic shifts in populations in municipalities are occurring. For example, in most municipalities, people are moving from the rural parts to the urban areas of municipalities, they are moving from smaller municipalities to larger ones and to the metropolitan centres, particularly in Gauteng, causing a greater concentration of (poorer) people in urban areas and the loss of economically active people in rural parts of the country. This phenomenon impacts on almost all aspects of municipal management.

Most significantly, these demographic shifts directly affect economic and fiscal aspects in a municipality. The demographic shifts influence the ability of municipalities to deliver, as these shifts affect expenditure and costs per capita.

Overcoming Challenges

It is important to remember how complex and ambitious the process of crafting a new local government is. As one commentator suggested, “perhaps the biggest problem is that we decreed an advanced vision and system of local government and expected it to materialise”. The following aspects require attention going forward:

- **Improving governance:** What is required is a more systematic approach to dealing with differentiation at local government sphere. The NDP proposes that it is important to distinguish between differentiation that is a result of factors outside the municipal structure (economic, demographic and geographic, for example, more “rural” municipalities) and that which is a result of capacity constraints. For the latter, a long-term strategy is required that will include a gradual increase in powers and functions as capacity is improved.
- **Improving cooperative governance:** There is a need to build greater accountability through improved fiscal-services linkages. Municipalities that rely

heavily on government transfers and those that have large indigent populations that receive free basic services need to strengthen the fiscal-services relationship. In addition, to improve governance, the following aspects need to be addressed to continue building a developmental local state:

- Improving the intergovernmental system, including mediating agreements between district and local municipalities where there is conflict over the allocation of responsibilities and resources.
 - Stabilising the political-administrative interface, including replacing “political deployees” with professionals, so that there is clear separation between the political representatives and officials. This should include long-term skills development strategies for senior managers and technical professionals in the local government sphere.
 - Recognising the variance in capacity across municipalities and devolving more responsibilities where capacity exists, and allowing only core functions, along with capacity building, in weaker municipalities.
 - Strengthening local government by developing an enabling framework for local government with active support and oversight from national and provincial government and by mainstreaming citizen participation.
-
- **Improving accountability and participatory governance:** Participatory local governance in South Africa is in need of revitalisation. One solution lies in a combination of institutional, political and community-focused interventions, primarily aimed at addressing the underlying governance challenges. In practice, public participation has more often than not been approached as an activity or an event, with little bearing on its importance in contributing to local priority setting and development. Local communities may be consulted, as legislation necessitates, but they are not routinely equipped with relevant information and insights to participate in a deliberative process of determining priorities and trade-offs. There is also usually a lack of feedback to communities, once consultative processes have run their course.

 - **Increased and improved financial management:** In addition to the capacity shortages in municipal budget and treasury offices, there is also a need to pay more attention to the poor financial management capacity in key municipal service delivery departments. These impacts on the ability to take consistent decisions and actions in line with principles of good governance that are aimed at improving the sustainability of a municipality’s finances.

 - **Improved delivery of services:** Going forward, renewed focus is required in respect of a number of key areas:
 - Extending services (especially basic services) to communities that are currently unserved or underserved.

- Joint initiatives for each service (water, sanitation, electricity, refuse removal and roads), led by relevant sector departments in conjunction with Municipal Infrastructure Support Agency (MISA) and provinces, should be established to undertake interventions in predominantly (but not exclusively) rural municipalities in the Eastern Cape, Northern Cape, Limpopo and KwaZulu-Natal.
- **Supporting municipalities:** Municipalities should be supported to develop mechanisms to extend free basic services to indigent households and to consider widening access to lower electricity tariffs for low-income households. This has to occur within a broader engagement on how to deal with the high cost of services and the poor recovery of service costs.
- **Addressing the operational aspects of service provision and the current neglect of ongoing maintenance of infrastructure:** In part, this requires technical interventions, but as National Treasury has noted, this will require a reprioritisation of municipal budgets.

Review

1. Introduction & Background

1.1 Conceptual framework and purpose of the review

This 20-year review represents a historical milestone in the assessment of freedom and democracy in South Africa. The main purpose of this review is to reflect on the achievements and challenges in local government over the last 20 years.

The review sets out the story of South African local government since 1994, describing and analysing the many successes achieved, but also reflecting on the challenges that remain. The journey since 1994 is a complex and ongoing one, making it difficult to capture in a short review. However, the key aspects are distilled, so that constructive pointers can be given to guide the way forward.

1.2 Methodology and sources of information

This review is based on key available published material¹. No primary research was carried out for this report.. However, inputs were provided by key stakeholders during workshops set up by The Presidency for the purpose of compiling this review. Data was sourced from a number of places, primarily official Statistics South Africa (StatsSA) sources – including the most recent Census 2011.

Given the extensive reach of issues relating to local government the study needed to focus on key issues. The team identified a broad range of thematic areas and in consultation with the Department of Performance Monitoring and Evaluation (DPME), now Planning and the stakeholders, there were consolidated and narrowed down to the following themes:

- Governance
- Accountability
- Capacity and skills
- Financial management
- Service delivery
- Demographic changes

2. The Journey Since 1994

The journey that local government in South Africa has taken over the last 20 years is one that has gone smoothly in some respects, but has been bumpy in others. To have designed and established a single, unified system of local government system from the fragmented, undemocratic, unaccountable and racially divided system that

¹ The Presidency indicated some source material to look at, including the previous review reports publications by National Treasury, the Auditor-General and the Demarcation Board, as well as the Stats SA and Census data. In addition, extra research and publications were sourced.

was inherited is a remarkable feat. However, the constitutional and political structure of local government, and its overall promise of democratic accountability and the delivery of services to improve the lives of citizens, has proven to be challenging in its implementation. While the racially divisive system of apartheid South Africa experienced from 1948 to 1994 is in all our memories, one easily forgets the “machinery” – the plethora of laws and parallel institutions that propped it up, creating a complex system of governance at the local government level.

The most significant law was the Group Areas Act of 1950, which formalised geographical and racial segregation. It protected the existing white municipalities from the influx of Africans, securing viable rates bases². In the period up to the 1980s, South Africa experienced many attempts to make changes to local government in African, coloured and Indian areas³.

Unrest and protest against this system of governance escalated in the 1980s. Rent and service charges boycotts were used by citizens to try to break down the system. By the end of the 1980s, local government was in crisis. Attempts were made by the apartheid government to “rearrange the deck chairs” by bringing in new institutional structures called joint services boards and regional services councils⁴. While these did channel considerable funds to black local authorities, in particular infrastructure investment, they did little to address the political unease and they can hardly be said to have been geared towards greater equity.

In 1990, the National Party government displayed a serious rethink of its capacity to sustain its racist ideology and system of apartheid in the face of widespread popular protests and international isolation. This gave way to a period in which some white and black local authorities, driven largely by strengthened local civic movements, came together in forums to initiate single or unity negotiations, which ultimately led to the establishment of a nationally driven Local Government Negotiation Forum. This heralded the beginning of a process towards real local government transformation.

The legal basis for the process of transition was secured through the Local Government Transition Act of 1993. A unique, negotiated approach⁵, supported by new laws⁶, resulted in the establishment of the system of local government largely as it is today.

² This section is summarised from the White Paper on Local Government, 1998, pages 12–14.

³ Administration boards, community councils and black local authorities in 1982.

⁴ The Regional Services Council Act of 1985 established new “regional level” local government structures

⁵ Pre-interim Phase: Set up forums to negotiate a “caretaker” council until elections in 1995. Interim Phase: Started after elections and the main purpose was to work out the system of local government and legislate it. Final Phase: Establishment of the new local government system and local government elections in 2000.

⁶ For example, The Municipal Structures Act of 1998.

The institutional framework for government in South Africa was established in 1996, when the country adopted its first democratic Constitution. National government, provincial government and local government were established as three elected spheres of government, each with distinctive functional responsibilities that were simultaneously required to function as a single system of cooperative government.

The apartheid regime bequeathed a local government system that was racially segregated, was built on an uneven revenue base and was unaccountable. In summary, the new democratic local government inherited a legacy characterised by the following:

- Weak and numerous local governments
- Black local authorities that were neither accountable nor democratic
- Local government that was mostly of a centralised nature in terms of finance and administration
- A local government system that served 20 percent of the population
- Displaced urbanisation and fragmented, and grossly unequal spatial forms and settlement patterns

The White Paper on Local Government, which was written during the Interim Phase and passed by Cabinet in 1998, presented a vision of local government to counter the apartheid legacy and guide the establishment of a new, transformed local government system. During the Interim Phase (1994–2000), local governments were consolidated from over 1 200 local authorities during apartheid⁷ to 843 municipal structures.

One of the foundations of the new system of local government outlined in the white paper was the introduction of the concept of “developmental local government”. A developmental local government is one that gives priority to the basic needs of communities and promotes social and economic development.

Local government became a sphere of government in its own right⁸, meaning that it has executive and legislative powers to act and implement laws. These powers are guided by a set of scheduled powers and functions in Part B of schedules 4 and 5 of the Constitution. Chapter 7 of the Constitution deals with local government and, inter alia, established the “wall-to-wall” system of Category A (metros), Category B (local

⁷ See the paper presented by the Deputy Minister of Cooperative Governance and Traditional Affairs at the International Conference on Emerging Experiences in Decentralised Planning, Anand, India, 24–25 March 2011

⁸ Before 1994, local government was created from provincial statutes and was subordinate to the province(<http://www.salga.org.za/pages/Municipalities/About-Municipalities>). (<http://www.cogta.gov.za/index.php/news/174-yunus-carrim/279-participatory-planning-in-local-government-in-south-africa-policy-legislation-and-practice.html>).

municipalities) and Category C (district municipalities). Outside of metropolitan areas, a two-tiered system of local government, with local and district municipalities having a differentiation of local government functions, was established⁹. Within the new democratic constitutional framework, provincial and national government were granted and have a constitutional obligation to support municipalities and help them build capacity.

Through the Demarcation Act of 1998 and the Municipal Structures Act of 1998, a redefinition process of the boundaries of local government commenced, and eventually 283 municipalities emerged from the first demarcation of 843. Once municipal boundaries were determined¹⁰, South Africans went to the polls to elect their local councillors (on 5 December 2000), heralding the first truly democratic local government elections.

Through a negotiated and legislated process, guided by a vision of local government in the white paper, a new system of local government emerged that:

- was an independent and distinctive sphere of government, but interdependent with other spheres;
- was “wall-to-wall”;
- was two-tiered for areas other than metros;
- had identified powers and functions allocated and legislated;
- had to be developmental; and
- was democratically elected.

The immediate post-1994 period saw the promulgation of a set of new legislation and policies, intended to deracialise local government and make it accountable to all communities. This legislation includes the Municipal Demarcation Act of 1998, the Municipal Structures Act of 1998, the Municipal Systems Act of 2000 (MSA) and the Municipal Finance Management Act of 2003 (MFMA). The process of Integrated Development Planning (IDP) was introduced by the MSA in 2000. This allowed local government to plan strategically, identifying and budgeting for required infrastructure and development over a five-year cycle.

⁹ The Municipal Structures Act of 1998 sets out the division of functions between district and local municipalities in section 84. Districts essentially were allocated bulk services (water, electricity, sewage, solid waste, cemeteries), district-wide roads and transportation, integrated development planning and tourism for the district, and a fire-fighting and district health service. The remaining schedule 4B and 5B functions were local municipal functions.

¹⁰ On 1 February 1999, the Municipal Demarcation Board (MDB) came into existence to determine local government boundaries, as determined in the Municipal Structures Act of 1998. At the time, it also included cross-boundary municipalities and district management areas, along with the six metropolitan municipalities, 47 district municipalities and 231 local municipalities. Cross-boundary municipalities fell away in 2005 (Ramutsindela, 2008).

The 10-year review (The Presidency, 2003) reports that significant changes took place in the country's political system during this first decade of freedom. Not only was apartheid rule replaced by a democratic system of government, but South Africa also adopted one of the most inclusive and progressive constitutions in the world. The constitutional objectives for local government are set out in section 152 of the Constitution and include the following:

- Provide democratic and accountable government of local communities.
- Ensure the provision of services to communities in a sustainable manner.
- Promote social and economic development.
- Promote a safe and healthy environment.
- Encourage the involvement of communities and community organisations in the matters of local government.

3. Achievements since 1994

3.1 Achievements in governance

In 1994, South Africa embarked on an ambitious project of state formation and building, including the local government sphere. To this end, and led by the Constitution, government published the White Paper on Local Government, and introduced a series of laws, policies and support programmes to direct the establishment of local government as a distinctive, interrelated and interdependent sphere of government. As a result, great strides have been made in establishing municipal systems and processes, and in strengthening and building institutional capability.

Notably, there have been achievements across a range of governance issues. A fairly stable, coherent and functional structure of governance has been established. This must be seen as a remarkable achievement, considering that international research suggests that state-building takes a far longer time than the new democracy has had. Government has created an impressive and comprehensive legislative and policy framework for local government that has provided a sound platform from which the majority of municipalities have made progress in establishing municipal systems and processes, strengthening their overall institutional capability. Improved intergovernmental relations have also ensured the provision of support to local government by both national and provincial government.

In the first ten years of democracy, South Africa built democratic and inclusive institutions of governance that had support and legitimacy in the eyes of the vast majority of citizens (The Presidency, 2011). The 10-year review noted major advances in transforming the public service, including the rationalisation and integration of the public service, as well as making it more representative of the South African population.

Governance has been strengthened by the introduction of legislation, policies and products, including the Constitution, the White Paper on Local Government, the Local Government Municipal Demarcation Act, the Local Government Municipal Structures Act, the Local Government Municipal Systems Act, the Disaster Management Act, the Local Government Municipal Finance Management Act and the Local Government Municipal Property Rates Act (Department of Cooperative Governance and Traditional Affairs, 2009a). In addition, to ensure transparency and accountability in government, the Promotion of Access to Information Act of 2000 (PAIA) was introduced. It set out a framework on how government should address access to information by citizens.

The 15-year review on governance and administration (The Presidency, 2011) indicated that by the end of 2007, the majority of municipalities had made impressive and significant progress in establishing municipal systems and processes, and in strengthening their institutional capacity.

The acceptance of electoral outcomes by all political parties, as well as organisations and movements, indicated support and lent legitimacy to the local government democratic structures.

Related to the structure of local government and governance at local sphere are intergovernmental relations. The three spheres of government are interrelated and interdependent. The Constitution has allocated both exclusive and concurrent powers and functions. Since 2005, relations among the spheres have been governed by legislation, in particular the Intergovernmental Relations Framework Act of 2005. This act provides an institutional framework for the three spheres with the aim of facilitating coherent government, providing services, and monitoring and implementing the developmental goals of government. According to the background report for the 15-year review (The Presidency, 2011), over the first 15 years of democracy, the three spheres of government met the challenge of cooperative government by doing the following:

- Developing intergovernmental relations institutions at national and provincial level to deal with issues of alignment, integration and coherence.
- Developing intergovernmental relations systems, processes and procedures, particularly planning processes, in terms of which national, provincial and local governments pursue common objectives.
- Engaging in joint work and projects to realise integrated service delivery.

The background report (The Presidency, 2011) goes on to note that since 2005, as the intergovernmental relations system has matured, a number of positive trends have emerged. These include a shift towards the practical implementation of intergovernmental relations, improved local government engagement and

intergovernmental relations structures, and improved integration in planning, budgeting and implementation.

An integral element of intergovernmental relations is the monitoring and support of local government by both national and provincial spheres of government. Provincial supervision, monitoring and support of local government is a constitutional obligation in terms of section 154(1) and section 155(6) and (7) of the Constitution. To give effect to these obligations, the provincial departments for local government were established with the specific mandate to oversee and support municipalities. Since 2000, many local government support programmes have been put in place. These include two key initiatives (Department of Cooperative Governance and Traditional Affairs, 2009a): Project Consolidate (PC) and the Local Government Five-year Strategic Agenda (LGSA). Both these initiatives have made progress in increasing the levels of hands-on support provided to local government.

There have also been a number of other government initiatives and programmes focusing on advancing service delivery and institutional support, including the former Planning and Implementation Management Support (PIMS) centres, the Integrated Sustainable Rural Development programme (ISRDP) and urban and regional planning (URP) nodal programmes, the IDP analysis and training weeks, the bucket eradication programme, Siyenza Manje, the Ilima project (Old Mutual), and the donor-supported Consolidated Municipal Transformation Programme (CMTP). Progress in improving intergovernmental relations is therefore one area in which government has advanced, in terms of achieving integration and coordination. Yet, intergovernmental relations still faces some challenges. The provincial departments responsible for local government are under-resourced, lack capacity and are poorly structured to respond to local needs. This has resulted in a lack of ability to act as a responsive sphere of government (Department of Provincial and Local Government, 2007).

3.2 Achievements in accountability (citizen participation and anti-corruption measures)

The local government system has made significant progress towards achieving an open and transparent public service. The National Planning Commission (NPC) (2012) explains this concept as follows: “Accountability refers to institutionalised practices of giving an account of how assigned responsibilities are carried out and public resources used. In a democracy, it is crucial for political leaders and public officials to account to the citizens for their actions.” This is usually achieved through a system of institutional checks and balances.

The last ten years have seen the enactment of a set of laws and regulations, applicable to local government, to regulate performance and define activities and limitations (Auditor-General of South Africa, 2012). For example, the MFMA and the

MSA determine aspects such as proper financial and performance management, transparency, accountability, stewardship and good governance.

With regard to accountability and citizen participation, there have been several initiatives since 1994. These have ranged from establishing statutory institutions, such as intergovernmental forums at all three spheres of government and ward committees at local government level, to non-statutory mechanisms such as izimbizo and working groups. There have also been real efforts at municipal sphere to involve citizens in decision-making, including ward committees and the Community Development Worker Programme (CDWP), which uses workers drawn from the community to assist citizens in accessing government services. The Thusong service centres have also been established to achieve this objective. Table 1 shows the variety of measures that have been introduced to foster participatory democracy.

Table 1: Chronological development of participatory institutions

Periods	Innovations and reinforcements
1991 - 1993	Negotiated settlement that leads to the adoption of a system of government intrinsically linked to a range of democratic institutions, including the Government of National Unity, and a general system to enhance inclusivity and reconciliation.
1993 - 1996	Institutionalisation and entrenchment of new national and provincial institutions; finalisation of the Constitution of South Africa, (1996) by the Constitutional Assembly and popularisation of the Constitution.
1995 - 2000	Development of the basic institutions of local government.
1996 onwards	Institutional and process focus shifts to executive and bureaucratic structures to help ensure implementation.
1998 - 2007	Establishment of the Presidential Review Commission and development of institutions of The Presidency.
2000 - 2005	Institutionalisation of the izimbizo, the further development of supplementary representational mechanisms such as Ward Committees and CDWs.
2000 - 2007	Integration of processes of government and the introduction of intergovernmental forums to improve governance (to enhance policy alignment and implementation).
2007 onwards	Interventions to improve provincial and local government capacity
2004 - 2008	The emergence of community protest outside the existing local government governance framework
2008 - 2012	Increased community protest.

Source: Booysen, 2008 (adapted); The Presidency, 2011.

The establishment of ward committees at local government level has been an important component of instituting democratic government. According to CoGTA's state of local government report 2009 (Department of Cooperative Governance and Traditional Affairs, 2009a), these committees support the right of communities to participate in decisions that affect development in their areas, while similarly imposing a corresponding duty on municipalities to encourage community participation. There are 3 895 wards demarcated within municipalities in South Africa. The number of wards per municipality range from as few as 10 in smaller municipalities to as many as 109 in larger municipalities. Wards form the platform for participatory and democratic local government. Ward councillors chair the

committees, which comprise up to 10 additional members nominated from the community. This makes up a large base of people to promote community representation and participation, and ensure accountability.

CDWs and ward committees also have a role to play in the development of municipal Integrated Development Plans (IDPs), which form part of the system of planning for growth and development at municipal level (The Presidency, 2011).

Integral to an accountable governmental system is integrity and the professionalism of officials. Since 1994, steps have been taken to counter corrupt practices and put in place accountability mechanisms. In 1996, the Special Investigating Units and Special Tribunals Act was passed, which allowed the President to establish structures to investigate and judge civil cases involving malpractice in state institutions. In 1999, the first Anti-corruption Summit was held. The second and third summits took place in 2005 and 2008 respectively. The National Anti-corruption Forum was launched in June 2001, and in 2002, the Public Service Anti-corruption Strategy (PSACS) was introduced. In 2004, government passed the Prevention and Combating of Corrupt Activities Act, which replaced the Corruption Act of 1992.

Specialised courts to prosecute acts of corruption have been established and have shown some success. Sector co-coordinating structures, the blacklisting of individuals and businesses that engage in corrupt activities and a national anti-corruption hotline (NACH, managed by the Public Service Commission (PSC)) have also been established. To deal with tender fraud, the Prevention and Combating of Corrupt Activities Act of 2004 called for the establishment of a Register for Tender Defaulters, which is currently being managed by National Treasury. Existing laws provide a foundation for open, transparent and accountable government.

In addition to these progressive laws, a number of institutions that deal with corruption and hold public officials accountable have been established. These include oversight institutions such as the Auditor-General and the Public Protector, which were established in terms of Chapter 9 of the Constitution. Despite these wider initiatives, watchdog organisations such as Corruption Watch (Corruption Watch, 2013) reported in February 2013 that local government appeared to be the weak link in fighting corruption. Their statistics revealed that local government had the highest number of reports of corruption, with smaller towns having 42 percent of the incident reports. It was felt that local government not only had financial problems, but was characterised by corruption, maladministration and a lack of accountability (Corruption Watch, 2013).

In summary, the achievements in accountable, transparent, participatory local government have been noteworthy. The monitoring and evaluation systems provide updated, easily accessible information on the performance of government to enable decision-makers to make policy improvements. The e-government strategy ensures

the use of information and communication technology to facilitate public access to information. It also makes government services more accessible and promotes more efficient and effective governance and accountability to citizens, businesses and various stakeholders.

Since 2000, local government in South Africa has also experienced a general acceptance of electoral outcomes, indicating its legitimacy among citizens. Local government has achieved and implemented initiatives such as the CDWs, Batho Pele and the Thusong centres. The establishment of widespread local ward committees promotes the right of communities to participate in the decisions that affect development in their areas.

Many measures have also been taken to counter corrupt practices and put stronger accountability mechanisms in place. Financial accountability has strengthened through improved financial management, the introduction of the MFMA and various support programmes. Evidence from research conducted for the 15-year review and from the Auditor-General indicates that initially there was general improvement in the financial management of state institutions since passing these acts. However, more recent reviews of local government finances and financial management note that despite improved audit outcomes (which nevertheless remain low) and improved budgeting and reporting, the quality of budgeting and spending remains of concern. For instance, in 2010/11, 32 percent of municipalities had budgets that were unfunded (National Treasury, 2011b).

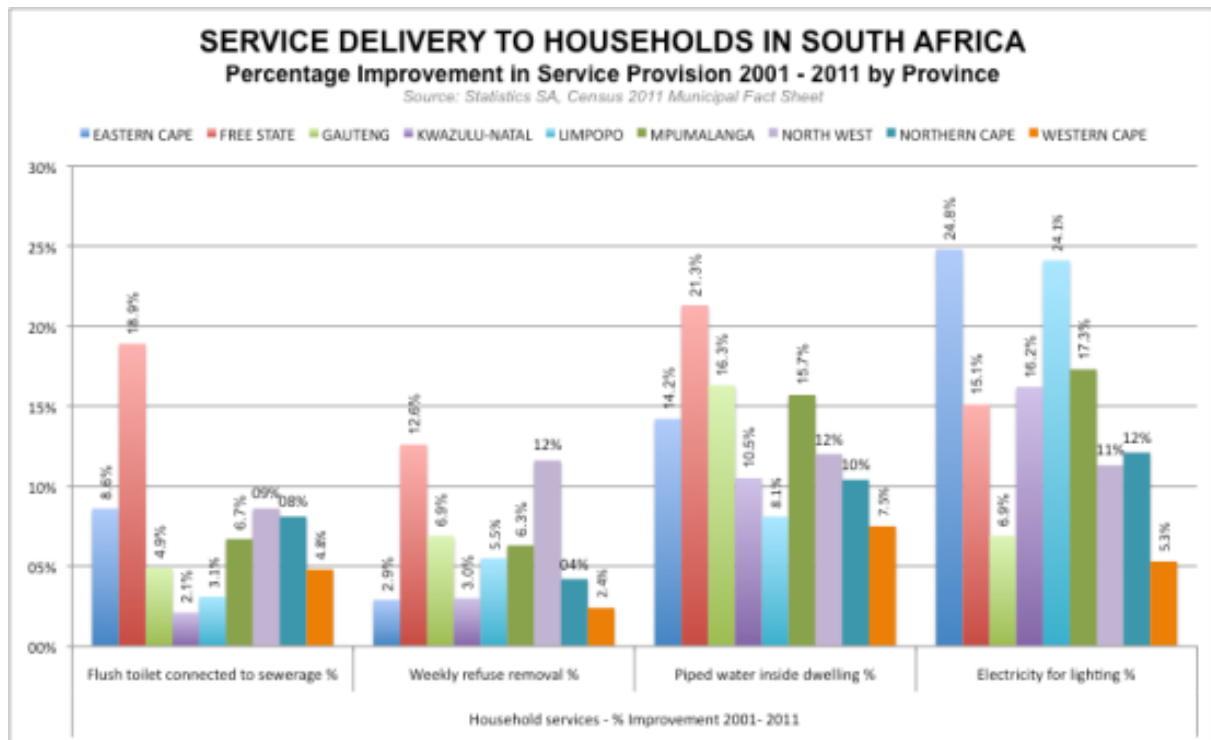
3.3 Achievements in developing skills and capacity

Local government is experiencing shortages in skilled personnel. This impacts on its ability to plan, budget, manage and deliver services. Government has acknowledged this and introduced support programmes to build capacity in municipalities over the last 20 years (Department of Cooperative Governance and Traditional Affairs, 2009a). For example, the Siyenza Manje Programme spent some R933 million in the period 2006/7 to 2009/10 (Genesis & The Project Shop, 2010) to build municipal capacity. Other efforts include drawing expertise into the employ of the municipal sector through initiatives such as Project Consolidate and the Joint Initiative on Priority Skills Acquisition (JIPSA).

3.4 Achievements in service delivery

The thrust of local government's constitutional functions is to deliver services to communities. These are set out in schedules 4 and 5 of the Constitution (National Planning Commission, 2011).

Figure 1: Summary of service delivery improvement by province



Source: Statistics South Africa, 2011

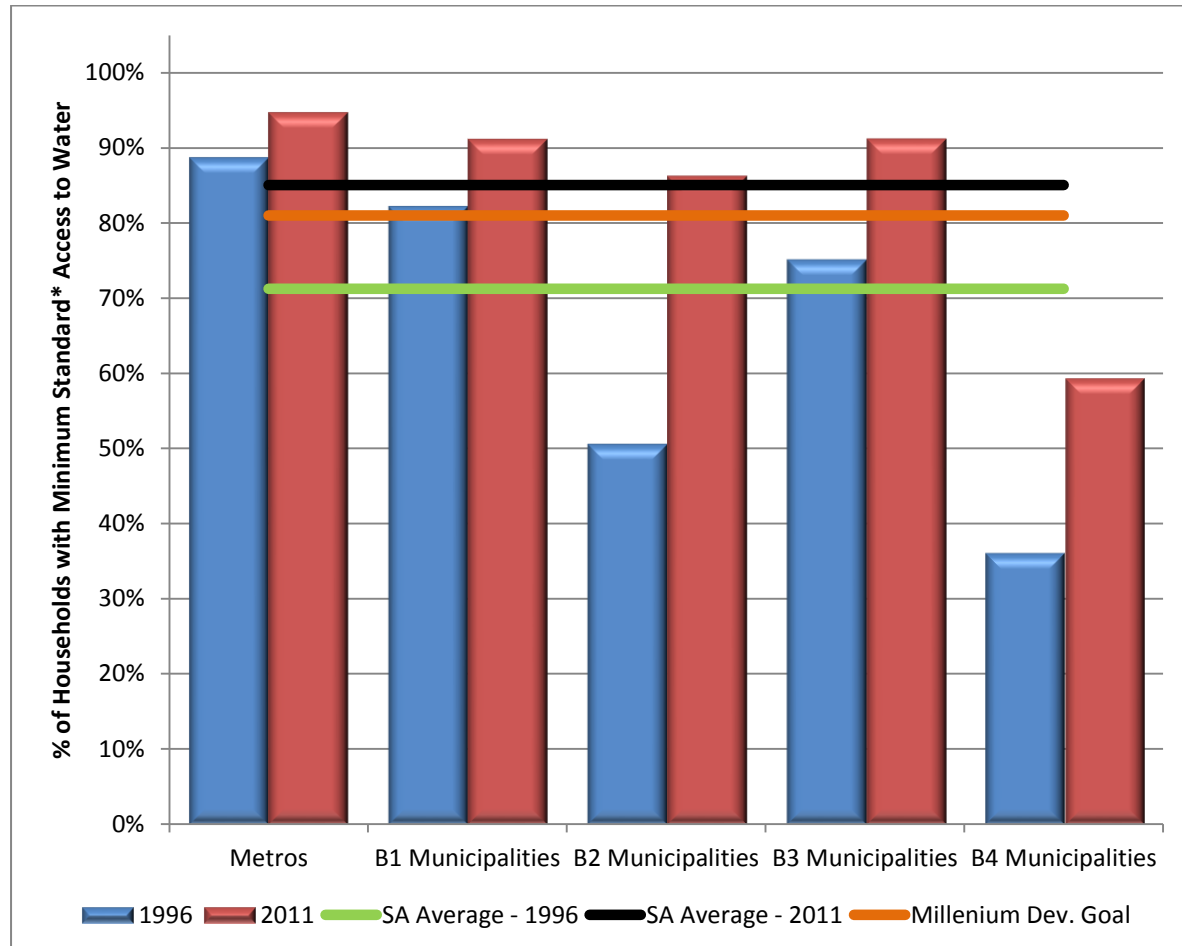
There have been many efforts to improve service delivery, especially the provision of basic infrastructure to poor households¹¹. The trend in the provision of municipal basic services between 2001 and 2011 is one of broad improvement. Nationally, electricity connections and piped water to households demonstrate the largest increases in service at 14.5 percent and 13.8 percent respectively. Waterborne sanitation and weekly refuse removal services have also improved by around 7 percent each over the same period (Statistics SA, 2011a).

While the graph above illustrates variable performance, significant improvements are evident. The Free State showed some of the greatest improvements across the priority services. Limpopo and the Eastern Cape showed the greatest improvements in the provision of electricity for lighting, while Gauteng and Mpumalanga followed closely behind the Free State, with some of the highest improvement in providing piped water to dwellings. KwaZulu-Natal and the Free State showed the greatest improvement for refuse removal, while the Eastern Cape and KwaZulu-Natal followed the Free State in improvements in flush toilets connected to a sewerage system.

¹¹ The Local Government Turnaround Strategy (LGTAS) (Department of Cooperative Governance and Traditional Affairs, 2009b) identifies water, sanitation, refuse removal, electricity and roads as primary municipal services. These are the focus of this review.

Looking briefly at specific individual services, remarkable achievements have been made in the delivery of water, refuse (solid waste) removal and electricity provision while challenges still remain in the delivery of sanitation services.

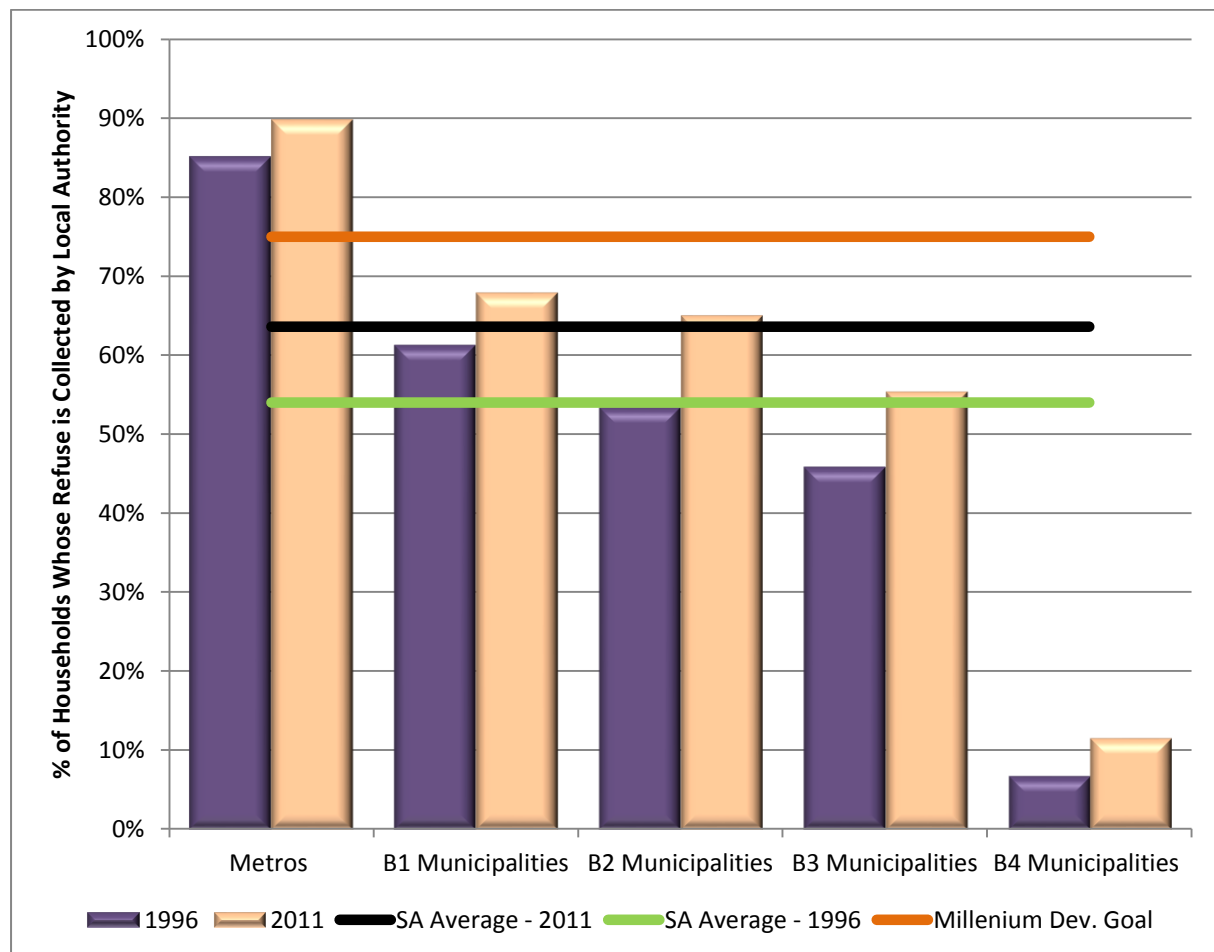
Figure 2: Basic water service delivery, 1996 to 2011



Source: Statistics South Africa, 2010

Water: The MDG for water is to “halve, by 2015, the proportion of the population without sustainable access to safe drinking water”. South Africa managed to meet the MDG target by 2011 (85 percent); that is four years ahead of target. As a country, South Africa has, however, set itself a target of 100 percent access. As such, the overall improvement in basic water service delivery since 1994 has been remarkable, with the national average improving from some 70 percent access in 1996 to close to 90 percent by 2011. Most notably, delivery has taken place in B2, B3 and B4 municipalities (local municipalities with large towns and substantial urban populations, local municipalities with small towns and significant urban populations but no urban core or rural areas with commercial farming, and local municipalities that are mainly rural and typically located in former homeland areas, respectively).

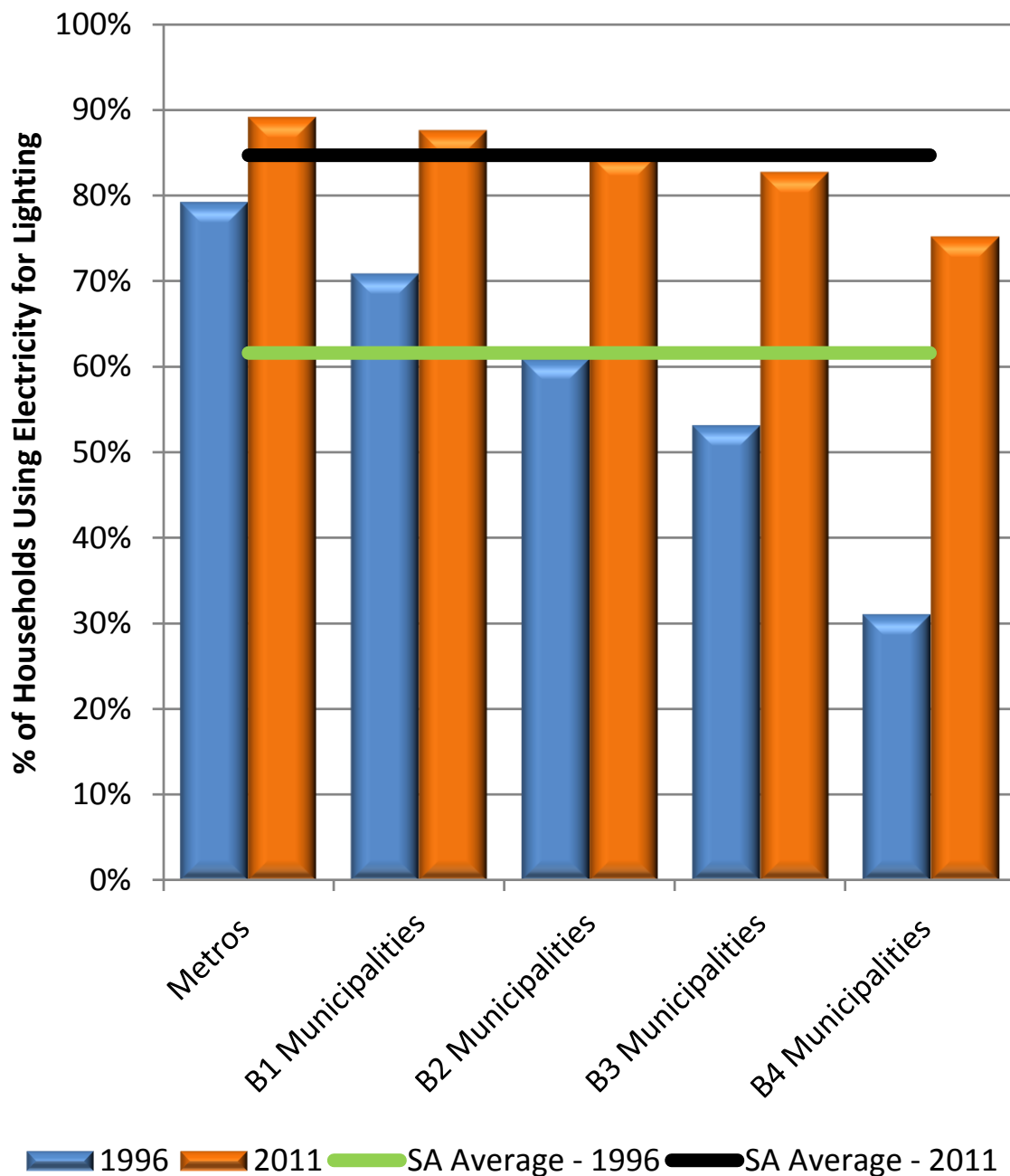
Figure 3: Municipal waste services, 1996 – 2011



Source: Statistics South Africa, 2010

Refuse Removal: Over the past 20 years, the legal requirements for municipalities to provide refuse removal services has evolved and become more demanding. Therefore, in reviewing local government’s success in providing refuse removal services, it must be borne in mind that the policy framework for undertaking this has expanded the service delivery mandate and expectations since 1994 (Republic of South Africa, 2008; Department of Environmental Affairs, 2011). Local authorities across the country increased their provision of refuse removal services to communities in the period 2001 to 2011. Most notable are improvements in the Free State (13 percent) and North West (12 percent), with only modest improvements in the Eastern Cape (3 percent). It is evident that metropolitan and B1 and B2 municipalities (local municipalities with secondary cities and local municipalities with large towns and substantial urban populations, respectively) are faring well.

Figure 4: Access to electricity, 1996-2011



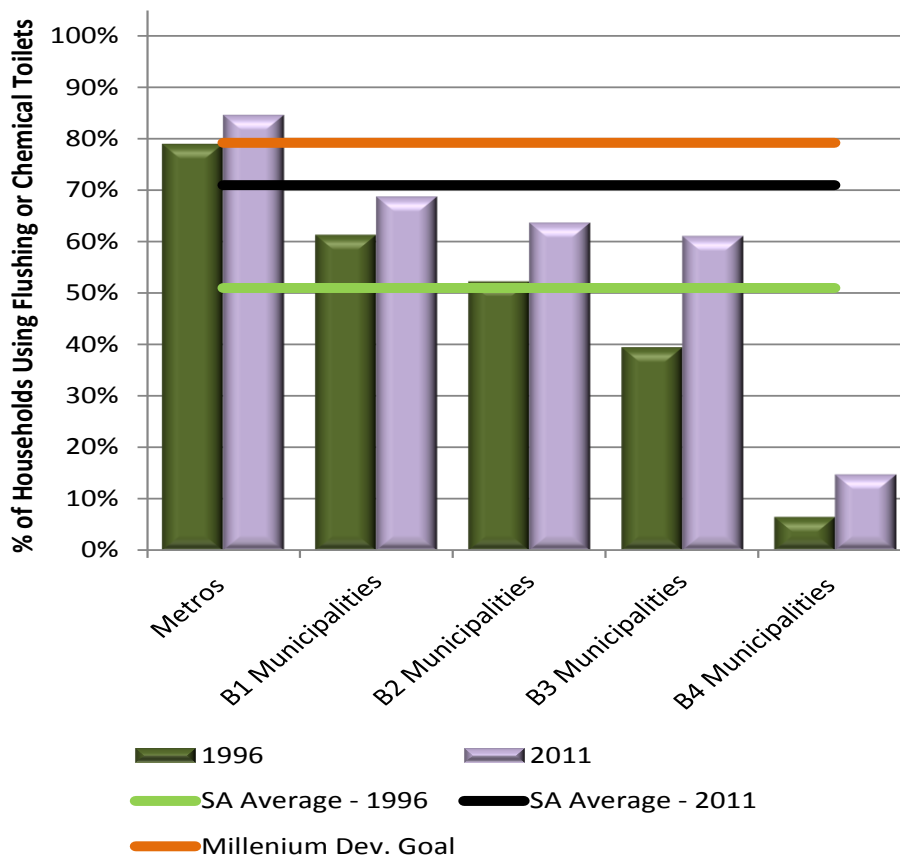
Source: Statistics South Africa, 2010

Electricity: The figure above provides a snapshot of the progress in the provision of electricity since 1996. The data shows a significant improvement in access from a national average of 62 percent in 1996 to 85 percent in 2011. Although overall progress in electricity provision has been remarkable, South Africa is unlikely to achieve its 95 percent target by 2014. The data also not reflect the extent of disconnections or illegal connections either, as many consumers increasingly struggle to afford electricity charges.

Electricity generation and bulk transmission is a function of Eskom and is largely managed through the Department of Energy. Schedule 4B of the Constitution (1996) makes electricity distribution to consumers within the relevant areas of jurisdiction the responsibility of local governments. However, the responsibility for distributing electricity to end users is often shared between Eskom and municipalities, creating a complex service delivery situation in some municipalities. Electricity distribution is also a major source of revenue for municipalities and can generate surpluses that can be used to fund other municipal functions.

Local government’s role in electricity provision was underscored with the introduction of the government policy for free basic services (FBS) (water, sanitation and energy) in 2000. Through this policy, municipalities are responsible for the provision of free basic energy (FBE) within the parameters of the Electricity Basic Services Support Tariff (EBSST) Policy. The policy entitles indigent or poor households to 50 kWh of free basic electricity per month, although some municipalities have elected to provide more at their own cost. Funding for FBE is provided through the equitable share allocation (National Energy Regulator of South Africa, 2012). By 2012, Eskom had some 1.3 million customers approved to receive FBE, with agreements signed with 243 municipalities (Electricity Governance Initiative – South Africa, 2012).

Figure 5: Basic sanitation service delivery, 1996–2011



Source: Statistics South Africa, UNDP: MDGs Country Report, 2010

Sanitation: In 2011, the average level of access to acceptable sanitation across South Africa was 71.4 percent. The MDG goal was to “halve, by 2015, the proportion of the population without basic sanitation”. Significantly, South Africa achieved this in 2008 (seven years ahead of the global target). As a country, however, South Africa set itself an ambitious target of 100 percent access by 2014, which is not likely to be met.

Although much progress has been made in improving sanitation services to households, many households are still to be reached. The basic level of sanitation service is currently a flush toilet, a chemical toilet or a VIP. The figures show that in 1996, the national average for access was some 51 percent, which improved to just over 71 percent nationally by 2011. The B1, B2 and B3 municipalities (local municipalities with secondary cities, local municipalities with large towns and substantial urban populations and local municipalities with small towns and significant urban populations, respectively) have shown great improvements in this service, but the B4 municipalities (local municipalities that are mainly rural and typically located in former homeland areas) remain a challenge (partly explained by their significant rural nature).

4. Towards improvement: challenges facing local government

The journey of local government over the past 20 years has had some bumps in the road. The achievements discussed above have been encouraging. However, there is still much work to do. Before outlining what needs to be done to address the challenges, the key challenges are discussed.

4.1 Governance

After the local government elections in 2000, the implementation of newly amalgamated municipalities was an enormous task. There were not only the structural changes to address, but also aspects such as the rationalisation of staff posts, setting up new offices, determining new conditions of service and performance management, dealing with new, inexperienced councillors, merging billing systems and compiling new asset registers and new financial accounting systems¹². All these institutional reform requirements were occurring at a time when municipalities were required to shoulder the additional responsibility of implementing a developmental planning and participatory agenda.

Many challenges have been identified with respect to governance. These include a lack of political leadership, political interference and patronage. There is also a demanding policy agenda, complex reporting demands and a weakening of institutional abilities in many municipalities. The identification of inefficient and

¹² The Municipal Finance Management Act of 2003 was introduced during this period.

ineffective administrations can be attributed to the following (Governance and Administration Cluster, n.d.):

- Susceptibility to political interference
- Poor (political and administrative) oversight and weak compliance
- Inability to respond to complex policy demands and expectations
- Huge variables in spatial location, skills base and socio-economic legacies
- Service failures by municipalities due to uneven and unstable governance

In an attempt to deal with the non-performance of some municipalities, government intervened through Project Consolidate. This programme was launched in October 2004 by the then Department of Provincial and Local Government (DPLG) to assist 136 municipalities in distress. It was aimed at promoting improved (financial) accountability, extending local economic development, anti-corruption measures and performance monitoring and evaluation. Despite some small improvements in municipalities¹³, the conclusion was that “the programme could not resolve persistent internal challenges such as high staff turnover of the municipal management, corruption and non-compliance in practices” (City Press, 2011). Project Consolidate was followed by the LGTAS in November 2009.

A key problem identified was leadership and governance deficiencies. The MDB capacity assessments highlighted this, and in the 2010/11 assessment, it was evident that on average, municipal managers across the country had been in their posts for only 3.3 years. Qualification levels have, however, been improving and, in 2011, 50 percent of municipal managers had a postgraduate degree. However, in the case of other key posts, including Technical Services (engineering services), almost 50 percent do not have an undergraduate degree or diploma (Municipal Demarcation Board, 2012).

In 2006, the MDB noted that local and district municipalities were not performing all of their constitutional functions (Municipal Demarcation Board, 2006: 59). District municipalities are meant to deliver on 12 functions (Municipal Demarcation Board, 2006: 60), yet it was found that 78 percent of all district municipalities performed less than 50 percent of their functions. Similarly, just over half of all local municipalities performed only half or fewer of their functions. In the second election period (2005–2010), there were growing concerns about capacity shortages, weak institutional structures, poor accountability and corruption, weak financial viability, weak cooperation between spheres of government, declining participatory democracy and a lack of support from provincial and national government. Many of these problems still persist.

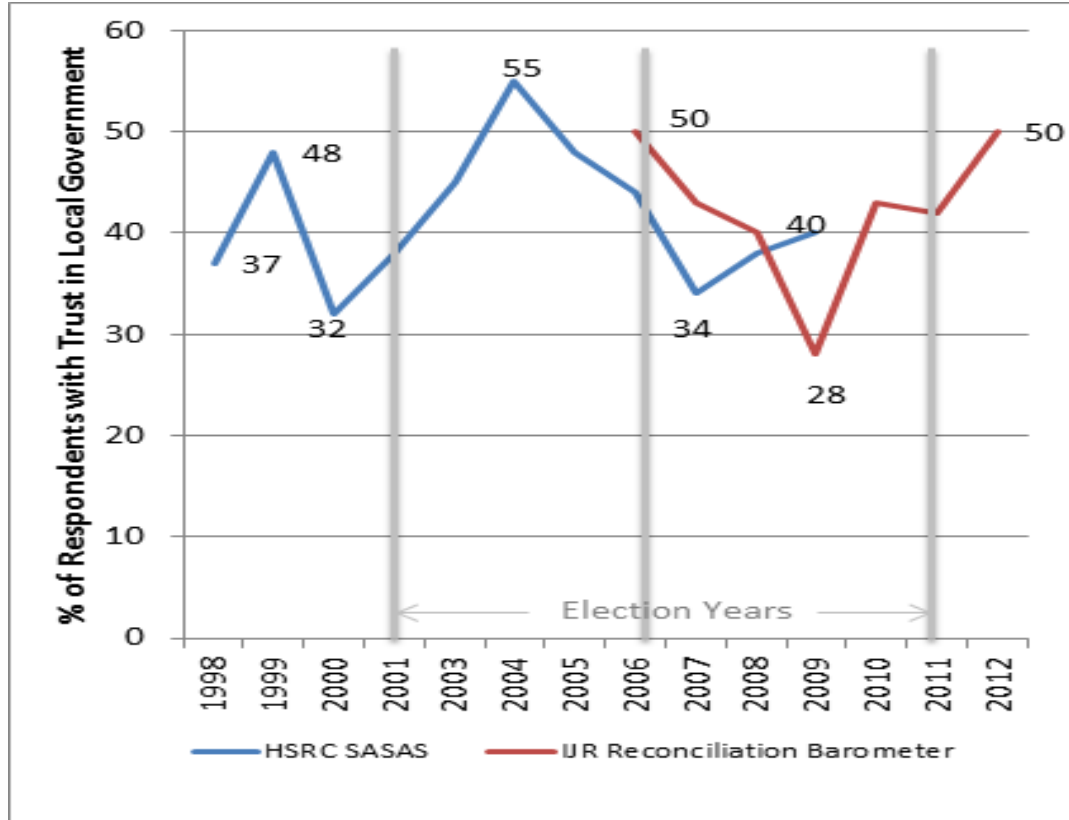
¹³ See Local Government Transformer, Vol. 13 No. 3, June/July 2007, in www.afesis.org.za/local-governance-articles/. Successes quoted include the eradication of the bucket system at three municipalities, and the provision of some important services (roads, water and electricity) in more rural municipalities.

Overall governance concerns are also highlighted by the recent findings of the Auditor-General. Despite improvements over recent years, the 2010/11 audit outcomes for local government paint a worrying picture. While 52 municipalities (17 percent) improved on their 2009/10 audit outcomes, 38 (13 percent) regressed and 129 (46 percent) remained unchanged. More alarmingly, only five district municipalities, eight local municipalities and four municipal entities obtained financially unqualified audit reports with no findings on either reporting against predetermined objectives or compliance with laws and regulations (Auditor-General of South Africa, 2012).

4.2 Accountability

The MTSF 2009 reports that accountability concerns are related to levels of distrust in local government. The Human Sciences Research Council (2008) reports a declining trust in local government, as well as a low awareness of participatory measures. The Markinor survey (2009) reports declining levels of trust in municipal management, from 49 percent in November 2004 to 41 percent in May 2007. A negative perception of the state of local government is also common across all political parties (Ipsos-Markinor, 2009).

Figure 6: Percentage of respondents showing trust in local government, 1998 – 2009 and 2006 – 2012



Source: Human Sciences Research Council, 2008

According to the 2010 South African Reconciliation Barometer, released by the Institute for Justice and Reconciliation (IJR) (Lefko-Everett et al, 2011), confidence remains far lower in the local sphere of government than at the national or provincial levels. In 2011, only 43 percent of South Africans indicated that they had confidence in local government, compared with far more positive evaluations of provincial government (56 percent), national government (65 percent), Parliament (61 percent) and The Presidency (65 percent) (Times Live, 2012).

In summary, accountability challenges persist, as noted by CoGTA. These include poor communication with communities, role confusion (between mayors, speakers and chief whips, and proportional representation councillors and ward councillors), lack of transparency in mayoral committee work, weak and ineffective ward committees, and community protests¹⁴.

A further challenge relates to citizen participation and the ward committees. According to CoGTA's State of Local Government Report (Department of Cooperative Governance and Traditional Affairs, 2009a), the functionality and effectiveness of ward committees is a matter of concern. The report noted that "the extent of the reported tensions between ward committees, CDWs and councils also undermines functionality, and may be one of the contributory factors in the escalation of community protests".

In short, while government has established more institutions and added more means to improve interaction between society and the state, there is real concern about its functionality and the degree to which it has sought to ensure participatory democracy. As the 15-year review notes (The Presidency, 2011), "it is imperative moving forward that the functionality and effectiveness of institutions established to bring about public participation are ensured. This is important considering that public trust and confidence in state institutions seems to be dependent on their transparency and accountability".

Failure to act decisively on ethical transgressions and corruption has undermined the application of professional ethics and constitutional values. During 2009, the CoGTA assessments (Governance and Administration Cluster, n.d.) found that there were frequent cases where performance management systems were not established or complied with. It noted that "weak support and oversight, and the lack of differentiated assignment of responsibilities point to the failure to provide an enabling framework to build the institutional strength and functionality of municipalities" (Governance and Administration Cluster, n.d.).

There was also growing concern and evidence of misappropriation of funds and corruption in local government. The State of Local Government Report (Department

¹⁴ MTSF, 2010, Local government, data and insights

of Cooperative Governance and Traditional Affairs, 2009a: 12) noted that governance is tainted by contestations among elites in local areas and “the democratisation of the local sphere so well-envisioned in the White Paper on Local Government of 1998 is now fraught with community frustration over poor institutionalisation of systems, poor service delivery and poor political governance. A culture of patronage and nepotism is now so widespread in many municipalities that the formal municipal accountability system is ineffective and inaccessible to many citizens.”

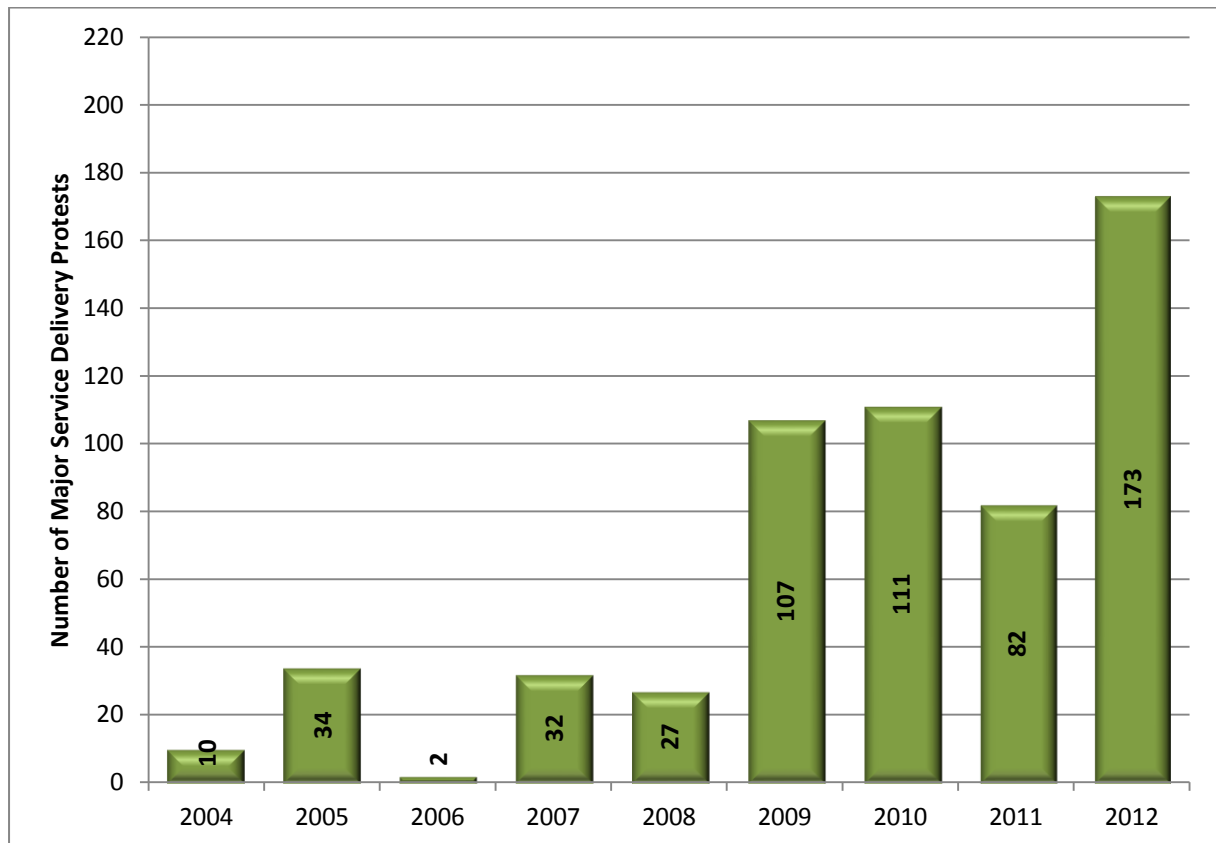
The most recent Auditor-General’s report (Auditor-General of South Africa, 2012) notes the following:

- “At least 73 percent of the auditees showed signs of a general lack of consequences for poor performance. This is evidenced by the fact that modified audit opinions remained the norm. When officials and political leaders are not held accountable for their actions, the perception could be created that such behaviour and its results are acceptable and tolerated.
- More than half of the auditees can attribute their poor audit outcomes to mayors and councillors that are not responsive to the issues identified by the audits and do not take our recommendations seriously. They are slow in taking up their responsibilities and do not take ownership of their role in implementing key controls. If this widespread root cause is not addressed, it will continue to weaken the pillars of governance.”

According to the 15-year review, research on the implementation of the Promotion of Administrative Justice Act of 2000 also shows that the level of awareness of legislation across the public service is very low. This has negatively impacted on its implementation. Poor accountability has contributed to escalating service delivery protests.

Figure 7 shows a significant increase in service delivery protests since 2008, with the frequency almost doubling over the year 2011/12.

Figure 7: Number of major service delivery protests compared to administered price inflation, 2004-2012



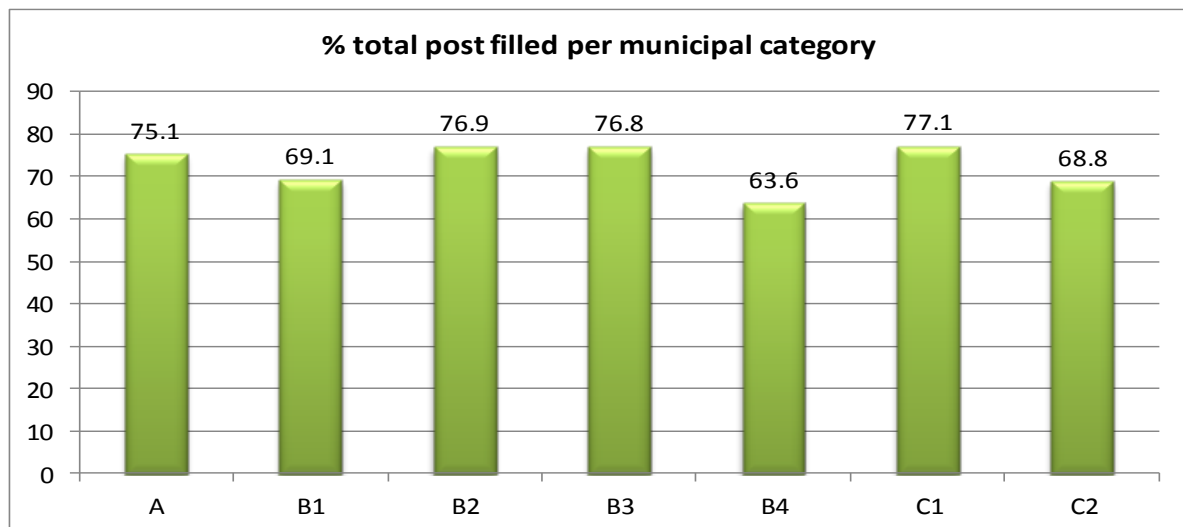
Source: *Municipal Hotspots Monitor, 2013*

4.3 Capacity and skills shortages

Staffing levels have a direct impact on institutional functionality and the delivery of services. In 2011, the average percentage of total posts filled was 72 percent, suggesting that, on average, vacancies in municipalities are in the region of 28 percent (Municipal Demarcation Board, 2012). Vacancies are highest in the B4 and C2 municipalities (local municipalities that are mainly rural and are typically located in former homeland areas, and district municipalities that are a water services authority, respectively), with the percentage of total posts filled averaging 63.6 percent and 68.8 percent respectively. Provincially, the percentage of posts filled is highest in Gauteng and the Western Cape, and significantly lowest in Limpopo municipalities.

A general scarcity of technical skills in the country has contributed to capacity constraints in local government. The inability of local government to recruit and retain the required staff and a lack of financial resources relative to the scale of the needs in communities have also impacted negatively on capacity levels. According to the 15-year review (The Presidency, 2011), the majority of staff vacancies were in technical, professional, senior management and leadership positions, and there was an average vacancy rate of 35 percent for professional staff.

Figure 5: Municipal staffing, percentage of posts filled per municipal category, 2011



Source: *Municipal Demarcation Board, 2012*

The Auditor-General’s recent report (Auditor-General of South Africa, 2012) also raised concerns in respect of municipal capacity and skills, indicating the following: “Officials in key positions at more than 70 percent of the auditees (municipalities and municipal-owned entities (MoEs)) do not have the minimum competencies and skills required to perform their jobs. While a lack of dedicated capacity is at the root of the weaknesses in service delivery reporting, the skills gap is most pronounced in the financial discipline. There is an opportunity to turn around the situation. The provision of dedicated resources for service delivery reporting, the implementation of the legislation on minimum competency levels and the recent amendments to the Municipal Systems Act are important interventions. It will, however, require coordination and commitment from all political structures and government to ensure the success of these legislative reforms.”

According to the NDP, the unevenness in capacity can impact negatively on a municipality, including heightened tensions at the political-administrative interface, instability of the administrative leadership, skills deficits, the erosion of accountability and authority, poor organisational design and low staff morale. The weaknesses in capacity and performance are more pronounced in historically disadvantaged areas, where state intervention is most needed to improve people’s quality of life (National Planning Commission, 2012). The public service is generally becoming increasingly inexperienced and the number of years that employees spend in local government has decreased. This trend suggests that the public service fails to attract and retain people once they have gained experience.

In summary, the new democratic local government system inherited many gaps in terms of skills and capacity. The gaps in capacity have been exacerbated by the amalgamation and restructuring of local government, which, together with the

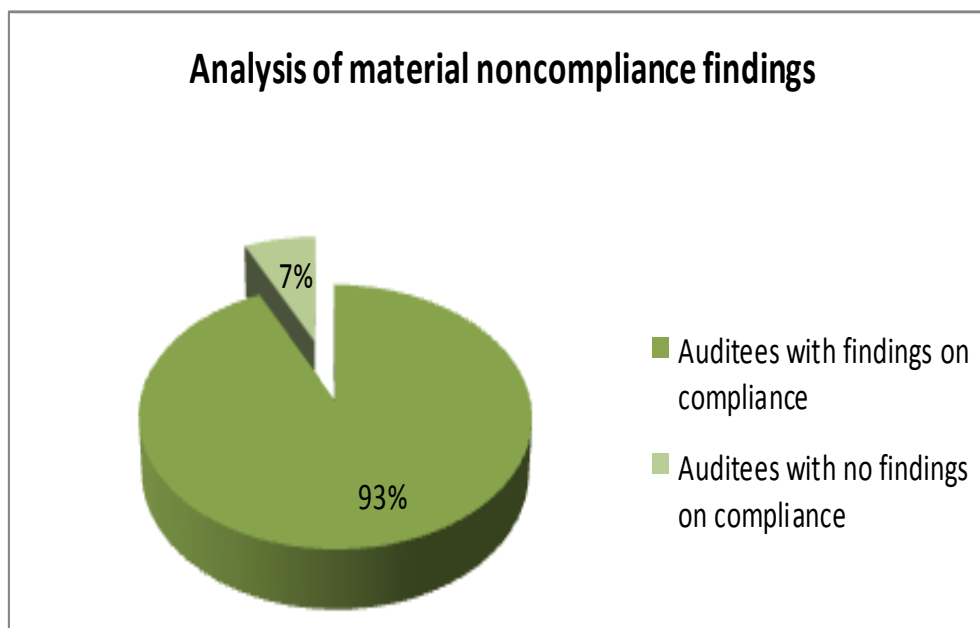
countrywide “brain drain”, has left significant areas of local government understaffed and under skilled. Consequently, it has been unable, in many instances, to deliver on its mandate and meet its public obligations. Negative public perceptions of working in local government, as well as unattractive geographic locations, have left many municipalities with capacity and skills shortages.

4.4 Financial Constraints

The financial situation of many municipalities remains a challenge. The background report for the 15-year review states that revenue collection in municipalities is a problem. The average collection rate of the six metropolitan municipalities was 97 percent, while for the rest of the municipalities it ranged from an average of between 50 percent and 75 percent. Although progress has been recorded, local government’s overall financial wellbeing is a challenge. The audit opinions of the Auditor-General for 2005/06 indicate that only 16 percent of municipalities had unqualified audits. In the 2006/07 financial year, only one quarter of local governments received unqualified audits (The Presidency, 2011).

Non-compliance is also a problem. The Auditor-General’s Annual Report on Local Government (Auditor-General of South Africa, 2012) found an increase in non-compliance between 2009/10 and 2010/11. Of the then 243 municipalities and municipal entities, only 13 (5 percent) had unqualified audits, 45 percent had unqualified audits with findings, 18 percent had qualified audits and 19 percent had disclaimers, while 13 percent had audits outstanding. At 31 January 2012, 43 audits were outstanding.

Figure 6: Auditor-General’s non-compliance findings, 2010/2011



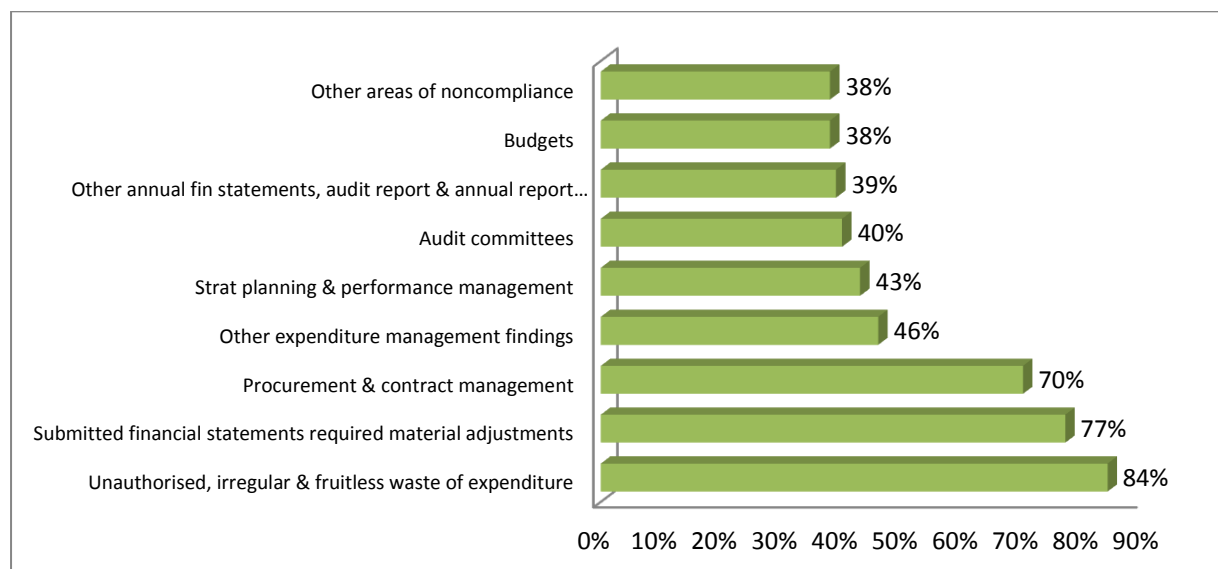
Source: Auditor-General of South Africa, 2012

The Auditor-General of South Africa (2012) projected that the actual rate of material non-compliance would be 94 percent (321 auditees). According to the report, the largest non-compliance finding was that accounting officers did not take reasonable steps to prevent unauthorised, irregular and/or fruitless and wasteful expenditure in 253 municipalities of MoEs (84%).

The figure below is instructive, as it charts the main areas of material non-compliance in audit reports in 2010/11. Most troublesome is the observation by the Auditor-General that “there is a trend in the opposite direction, because many municipalities, including metros, that had achieved clean audits in the past, had regressed” (Auditor-General of South Africa, 2012).

Closely related to the financial status of municipalities and their ability to undertake all the powers and functions allocated to them, is the growing realisation by government that the “one-size-fits-all” model of local government may need review. This was also supported by the strong correlation between the category¹⁵ of municipality and the number of households living in poverty, and hence its backlogs and vulnerability (Department of Cooperative Governance and Traditional Affairs, 2009b).

Figure 7: Transversal reported areas of material non-compliance



Source: Auditor-General of South Africa, 2012.

Integral to the debate on a “one-size-fits-all” municipal structure is the nature of the fiscal framework for local government. It is designed to link accountability with service delivery, in what National Treasury calls the revenue-service link (National

¹⁵ The constitutional categorisation of municipalities proved to be a rather “blunt” instrument and many other departments and organisations developed more nuanced categories, based on criteria such as financial performance, size, rural character and backlogs (for example, the MDB, National Treasury, the Council for Scientific and Industrial Research (CSIR), Project Consolidate and CoGTA).

Treasury, 2011b). By raising most of its revenue from service charges and property rates, a municipality should have greater accountability to residents¹⁶. However, with the introduction of free basic services to indigent households, poorer residents do not pay for services or property rates, weakening accountability on this link. Municipalities that receive most of their revenue from government transfers also have a weaker linkage. Hence, the revenue-service link is important, not only for generating income and servicing residents, but also for deepening democracy and accountability in local government¹⁷.

4.5 Service delivery constraints

Great strides have been made in service delivery, but there are challenges in some areas. If one compares the information on service delivery, institutional capacity and poverty, it is possible to draw a link between service delivery problems and the category of municipality. Municipal service delivery weaknesses are compounded by a range of governance, institutional and financial weaknesses and the weak service-revenue link mentioned above. The inability of some municipalities to deliver even only a core set of basic municipal services efficiently and effectively is also impacted upon by the lack of infrastructure and appropriate service standards¹⁸ in remote rural areas, as well as the general neglect of maintenance and repairs of municipal infrastructure.

As South Africa approaches the end of the fourth phase of local government development, there are persistent challenges in delivering the required basic services to people in South Africa. These include increasing population growth, escalating urbanisation, increasing municipal services demand and infrastructure maintenance loads, and the predominance of slow budget growth and slow economic growth.

In the Local Government Budgets and Expenditure Review, 2006/07–2012/13, National Treasury (2011c) notes that continuous pressure on municipalities to

¹⁶ This is explained as follows by National Treasury (2011b: 45): “The local government fiscal framework is deliberately designed to raise municipalities’ level of accountability to residents. Municipalities need to ensure that residents receive the trading services (so that the municipality can earn income off them), that the general level of municipal services is adequate to maintain property values (so as to maintain the municipality’s rates base) and that residents are generally satisfied with the municipality’s services (so that they are willing to continue paying their rates and service charges). When residents pay for municipal services, it empowers them by establishing a direct, reciprocal link to the municipality. If the municipality does not provide services to these customers, it will not earn any revenue. There is thus a strong incentive for the municipality to ensure that services to paying customers are not interrupted. Residents who do not pay for their services can only hold the municipality accountable indirectly, via service delivery protests or once every five years through the ballot box.”

¹⁷ National Treasury (2011b: 46) comments that municipalities that are heavily dependent on government transfers show a correlation with the lack of accountability for the use of municipal funds.

¹⁸ Service standards are applied across a municipality and a standard that has been developed to suit a higher-density urban development may be too costly or unaffordable to low-density, more rural circumstances.

expand local infrastructure and “...address capacity constraints through increasing the supply of local infrastructure and services, as well as through structuring tariffs to moderate the growth in consumption... both of these requirements imply that tariffs for municipal services will need to increase.”

The report goes on to identify challenges, including that illustrated in Table 2, which relate to the provision of solid waste management services in municipalities. It shows that there have been important improvements in access to solid waste services across all categories of municipalities, but especially in the B2 to B5 municipalities.

Table 2: Municipal refuse removal access, 1996-2011

Local Government Category	1996		
	Highest	Lowest	Average
Metros	93.1%	65.7%	85.2%
B1 Municipalities	92.7%	22.5%	61.4%
B2 Municipalities	92.7%	15.1%	53.5%
B3 Municipalities	86.2%	4.2%	46.0%
B4 Municipalities	29.1%	0.1%	6.8%
Local Government Category	2011		
	Highest	Lowest	Average
Metros	97.0%	71.3%	89.9%
B1 Municipalities	92.8%	27.0%	68.1%
B2 Municipalities	97.1%	26.2%	65.2%
B3 Municipalities	92.8%	7.1%	55.6%
B4 Municipalities	82.9%	1.3%	11.7%

Notwithstanding these improvements, the review (National Treasury, 2011c: 33) describes the challenge of improving municipal solid waste management as follows: “... to reconcile the need for price increases with the imperative of ensuring that services remain affordable to consumers. Ideally, price increases should be balanced with efforts to improve internal cost efficiencies. Stepped tariffs (or inclining block tariffs) are also necessary to protect poor households.”

One of the biggest challenges in the electricity distribution sector is the need to achieve universal access to electricity through the Integrated National Electrification Programme (INEP). There is a backlog of 3.4 million households still without electricity. This number is projected to grow at 2 percent annualised growth (Department of Minerals and Energy, 2007).

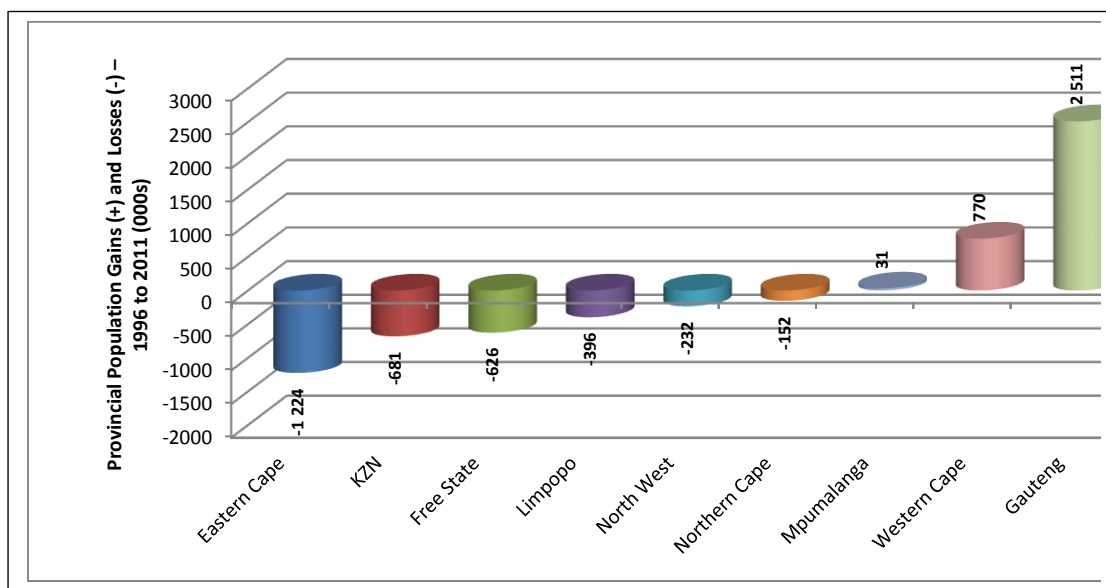
Smaller municipalities are generally unable to deliver the quality of supply required of them, as they are heavily under-resourced. One of the bigger problems with the current backlogs is that 75 percent of these are in rural areas in which Eskom is a licensed distributor. The INEP is also complicated by the fact that both non-licensed and licensed municipalities access money from the Department of Energy (DoE) and provincial governments to implement projects in Eskom areas of supply.

Municipalities are required to “top up” funding of electrification projects, which affects the overall municipal budget. This translates to a growing burden for poor, grant-reliant municipalities with severe cash shortages. Informal settlements form a significant component of the remaining 25 percent non-rural electrification backlog. DoE currently provides for the electrification of informal settlements, and each informal dwelling is also provided with a prepaid meter connection and basic connections for electrical fittings that need to be funded from other sources.

4.6 Changing demographics in municipalities

An important consideration that increasingly contributes to the stresses on municipalities is the dynamic nature of population movement across the country. Through census and other data (also contained in the NDP), it is becoming increasingly apparent that dramatic shifts in populations within and between municipalities are occurring. This phenomenon affects almost all aspects of municipal management. For example, if the national average annual population growth rate between 1996 and 2011 is applied to each provincial population between 1996 and 2011, benchmark populations can be estimated.

Figure 8: Provincial population gains and losses, 1996-2011



Source: Statistics South Africa, 2011a

Figure 11 indicates the variance between these “benchmark” populations and the actual numbers determined in the 2011 Census. From this, it appears that a number of provinces (Eastern Cape, KwaZulu-Natal, the Free State, Limpopo, North West and the Northern Cape) have “donated” populations to the remaining provinces (Mpumalanga, the Western Cape and Gauteng). Gauteng was by far the largest recipient of these migrants, receiving a net additional 2.5 million people relative to what its population would have been if it had simply experienced the national average population growth rate.

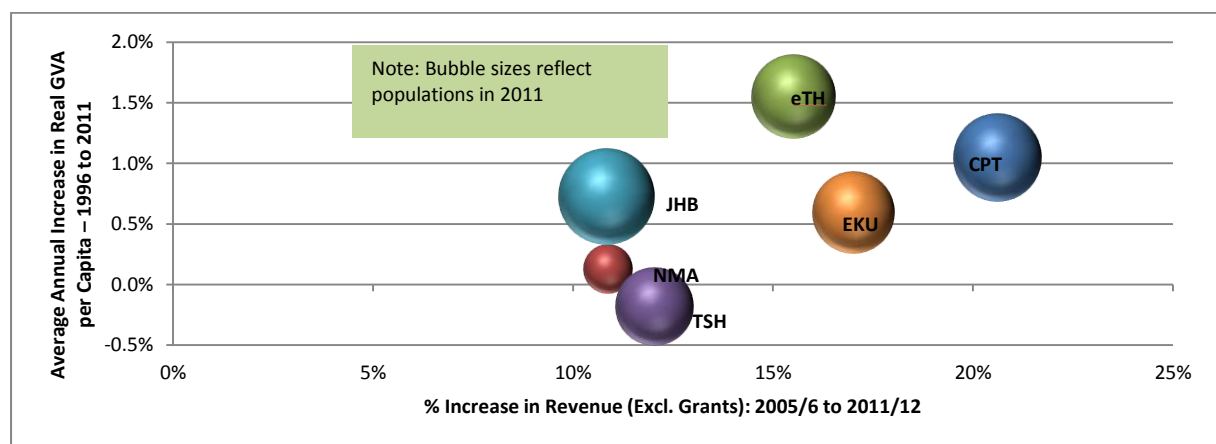
The populations of some local municipalities have grown exponentially, while others have contracted rapidly. For example, Naledi in the Free State experienced a decline in population of close to a third between 1996 and 2011, the population of Hlabisa in KwaZulu-Natal has dropped by close to 57 percent, and Buffalo City in the Eastern Cape has seen its population fall by 22 percent over the same period. Relative to their respective benchmark populations, these declines are more marked.

These demographic changes have the following impacts:

- Town, spatial and infrastructure planning and budgeting are being affected.
- “Donor” areas are being denuded of economic activity, skills and rates bases, causing deterioration in the municipality’s ability to deliver services to residents.
- The capital cost of supplying infrastructure is increased in the now less-dense areas, and their capacity to recover costs and to provide for maintenance is reduced.
- Additional demands are being made on infrastructure in the “recipient” location.

These demographic shifts also directly affect economic and fiscal aspects in a municipality. The figure below shows some correlation between the growth in real gross value added (GVA) per capita (as a proxy for real incomes) and the percentage increase in revenue (excluding grants from other spheres of government) in the metros between 2005/6 and 2011/12.

Figure 9: Correlation between average annual growth in real GVA per capita and the percentage increase in the non-grant revenue of the metros



Source: Statistics South Africa, 2011a; National Treasury, 2011a

Those metros that achieved the highest average annual growth rates in real per capita GVA also experienced higher own revenue growth.

Johannesburg experienced higher growth in real GVA per capita, but lower revenue growth. Tshwane was the only metro to experience negative real growth in GVA per capita. Cape Town emerges with the highest revenues on a per-capita basis, but it also has the highest employee costs per capita. Both Nelson Mandela Bay and eThekweni have higher-than-average total revenue per capita, but once grants from other spheres of government are excluded, the former's own revenue per person drops significantly. The demographic shifts influence the ability of municipalities to deliver, as they affect expenditure and costs per capita, as illustrated in Table 3:

Table 3: Implications of populations for budget indicators

Metro	Total Revenue per Capita in 2011	Total Operating Revenue per Capita in 2011	Total Operating Revenue excluding Grants per Capita	Employee Costs per Capita	Capital Expenditure per Capita
City of Cape Town	R 10 022	R 8 888	R 7 725	R 1 821	R 1 134
Nelson Mandela Bay	R 8 964	R 6 591	R 4 348	R 1 619	R 2 373
eThekweni	R 8 889	R 7 393	R 6 380	R 1 671	R 1 575
City of Tshwane	R 7 190	R 6 188	R 5 079	R 1 527	R 1 002
City of Johannesburg	R 7 950	R 7 055	R 5 607	R 1 560	R 895
Ekurhuleni	R 7 925	R 7 258	R 6 044	R 1 615	R 666
Average – All Metros	R 8 490	R 7 229	R 5 864	R 1 635	R 1 274

Source: Statistics South Africa, 2011a; National Treasury, 2011a

5. Summary and recommendations

The journey of a transformed local government from racially based, diverse, parallel and multiple structures that lacked accountability has not been easy. The vision was clearly set out in the White Paper on Local Government, but the implementation has posed enormous challenges. What the Deputy Minister of Cooperative Governance and Traditional Affairs, Mr Yusuf Carrim, aptly stated in 2011 is still relevant today:

“The local government model is advanced, progressive, and transformative. Unfortunately, it is not working well in practice. There are a variety of reasons for this, including the lack of capacity, inability to raise enough revenue, inadequate intergovernmental fiscal transfers, the complexity of the two-tier model of district and local municipalities, inadequate community participation, undue party political interference in municipalities and corruption.”

It is important to remember how complex and ambitious the process of crafting a new local government is. As one commentator suggested, “perhaps the biggest

problem is that we decreed an advanced vision and system of local government and expected it to materialise”.

The outcomes of the last 20 years are not all doom and gloom. There are many aspects that are worthy of praise and celebration. It is fair to say that local government has come a long way.

It is easy to forget that a monumental transformation process had to ensue to take South Africa from over 1 200 local government structures in the early 1990s to 283 in 2011. It was not only about the numbers, one also has to keep in mind that the system was fragmented and structured along racial lines. Additionally, the whole concept of the local government that was inherited was that of a hierarchical structure of government, which meant that local government was not independent but fell directly under the arm of provincial and national government. The new concept of local government, new laws, the rationalisation of structures and the formation of single tax bases all had to be introduced while still undertaking functions and operations.

Democracy has been deepened and citizens accept democratic local elections as the way to get their representatives into government. Innovative policies and products to plan for new government structures have been introduced, for example, integrated development planning and spatial development frameworks, which equip the new local governments to think strategically and plan across the entire area of the municipality, to link plans of different sectors to one plan and to link all strategies to the budget of the municipality. Local government has also made considerable strides in service delivery to communities. This is evident in the significant increase in access to services such as water, sanitation, electricity, solid waste and roads. Local government has also been instrumental in delivering on the social welfare agenda of developmental local government (The Presidency, 2011).

At the time of the 15-year review, significant challenges remained, including improving the performance of the public service and local government, strengthening the capacity and organisation of the state, intensifying the fight against corruption in the public service and further strengthening state-society relations. Furthermore, there have been no significant changes to the White Paper model of local government and the focus has been on finding solutions to problems as they emerge. The following aspects require attention going forward:

5.1 The need to Improve Governance

South Africa essentially has a model of governance that decentralises responsibility for implementation, while maintaining national oversight and the use of centralised funding mechanisms to achieve distribution. Additionally, local government is two-tiered. According to the NDP (National Planning Commission, 2012: 385), there has

been debate on whether local government needs to undergo a fundamental restructuring, away from a “one-size-fits-all” model. One suggestion is that cooperative governance needs to improve. An often-cited reason for poor cooperation is that the powers, functions and responsibilities of local government are not always clear. They can also be adjusted between district and local municipalities, and delegated and assigned from provincial and national government to local government.

There is acknowledgement that there is significant differentiation between municipalities and that powers and functions are also differentiated between them. What is required is a more systematic approach to dealing with differentiation at local government sphere. The NDP (National Planning Commission, 2012: 388) proposes that it is important to distinguish between differentiation that is a result of factors outside (economic, demographic, geographic) the municipal structure and those that are a result of internal capacity constraints. For the latter, a long-term strategy is required that will include a gradual increase in powers and functions as capacity is improved. Hence, arguments are emerging to categorise municipalities more systematically in order to differentiate between them in terms of capacity, allocate powers and functions according to capacity, and monitor, support and review them as capacity is improved.

The debate about a two-tiered municipal system has also come to the fore (National Planning Commission, 2012: 389) (especially in cases where district municipalities receive funding for functions performed by a local municipality and do not transfer the funds). The role of district municipalities emerges as the nexus of the debate. In many instances, this model is more beneficial to the more rural and former homeland municipalities, because districts play a role in enhancing capacity and bringing resources to these areas. The differentiation debate also extends to metropolitan local governments. Larger metropolitan authorities need more powers devolved down to them, so that there is more coherence in the planning and development of the built environment (National Planning Commission, 2012: 391) to achieve spatial restructuring (for example, through housing accreditation, transport functions).

5.2 Improving cooperative governance

A second issue is to build greater accountability through an improved fiscal-services link. Municipalities that rely heavily on government transfers and those that have large indigent populations receiving free basic services need to strengthen the fiscal-services relationship. Suggestions have been made (National Treasury, 2011a: 48) that communities must pay something towards the services they receive to build greater accountability towards them by the municipality. The argument is that when residents pay for services, it empowers them, because if the municipality does not provide the service, it will not generate revenue. Residents who do not pay for services can only hold the municipality accountable in indirect ways such as through

service delivery protests or by electing new politicians every five years (National Treasury, 2011a: 45).

The NDP (National Planning Commission, 2012: 44–46; 74–75) notes that developmental states try to improve the quality of what they do and to build their capacity by learning from experience, and suggests that the following aspects need to be addressed to continue building a developmental local state:

- Improving the intergovernmental system, including strengthening intergovernmental protocols between district and local municipalities where there is conflict over the allocation of responsibilities and resources.
- Stabilising the political-administrative interface, including moving away from the practice of making “politically motivated” appointments in the administration, so that there is clear separation between the political representatives and officials. This should include long-term skills development strategies for senior managers and technical professionals at local government level.
- Recognising the variance in capacity across municipalities and devolving more responsibilities where capacity exists and allowing only core functions along with capacity-building in weaker municipalities.
- Strengthening local government by improving systems of active support and monitoring by provincial and national government for local government, including improvements to mainstream citizen participation.

5.3 Improving accountability and participatory governance

There can be no doubt that participatory local governance in South Africa is in need of revitalisation. Patronage politics, weak leadership, weak capacity (both human and financial), mismanagement and corruption continue to be challenges that undermine the ideal of inclusive, participatory local governance. The solution to a local government system that is in distress lies in a combination of institutional, political and community-focused interventions, primarily aimed at addressing the underlying governance challenges.

The seeming disconnect between public participation on the one hand and development trajectories and outcomes on the other, is partly a result of how the relationship between the local government and civil society/community/citizen is conceptualised.

In practice, public participation has more often been approached as an activity or an event undertaken for legislative compliance with little bearing on local priority setting and development. Local communities may be consulted, as legislation necessitates, but they are not routinely equipped with relevant information and insights to participate in a deliberative process of determining priorities and trade-offs. There is

also a lack of feedback to communities once consultative processes have run their course.

5.4 Increased and improved municipal management

What has emerged from the analysis of local government is that there is a need to pay more attention to the poor financial management capacity in key municipal service delivery departments, even in the face of capacity shortages in municipal budget and treasury offices. Secondly, decision-making, supported by consistent action to uphold the principles of good governance and improving the sustainability of a municipality's finances must be promoted (State of Local Government Finances, 2012).

More specifically, National Treasury (2011b) suggests the following as key areas for consideration and intervention:

- Government should ensure that municipalities remain going concerns and are able to sustain existing services and progressively extend services. This means that credible budgets with realistic revenue projections, appropriate operating expenditures and a manageable capital budget should be developed. At a practical level, municipalities need to get the basics of cash management and revenue management right. In addition, a careful balance will need to be struck between adjusting taxes and tariffs to cover the full, long-term costs of service delivery and improved expenditure efficiencies.
- Municipalities should pay greater attention to maintaining existing assets, including appropriate systems of asset management and levels of spending on repairs and maintenance. This requires tariffs for the trading services that are cost-reflective, incorporating all the input costs associated with the production of those services.
- Municipalities need to revisit how they fund their capital budgets. They specifically need to examine the balance between their operating budgets and capital budgets and ensure they structure their operating budgets in such a way that they generate the surpluses required to fund infrastructure. In addition, municipalities need to explore opportunities for leveraging private financing for the expansion and delivery of services, especially those that support local economic development.
- Consideration should be given to more inputs from national government to contribute to the improvement of municipal capacity, specifically in respect of sewerage and water treatment plant operators, road maintenance supervisors, health inspectors, and planning and project managers.
- Ways of extending the differentiated approach to the local government fiscal framework need to be pursued, so that the more capable municipalities are able to exercise greater discretion in the way they pursue their developmental mandates.

5.5 Improved delivery of services

Although significant progress has been made in service delivery, many challenges remain. These are exacerbated by the exponential growth in populations and households in some municipalities (notably metros). On the other hand, rural and district municipalities face significant infrastructure and services backlogs within the contexts of already limited resources and economic potential. Going forward, renewed focus is required in respect of two key areas:

- The extension of services (especially basic services) to communities that are currently un-serviced or underserved. This requires a number of critical issues to be addressed, including the financing of services (noting that in respect of many basic services – such as water – critical constraints exist in respect of bulk infrastructure installations). In addition, as has already been identified, the issue of technical capacity shortages need to be addressed. An intervention is specifically required in respect of weak infrastructure delivery performance (planning, contracting and quality assurance). The work of MISA should be ramped up urgently to address this.
- Joint initiatives for each service (water, sanitation, electricity, refuse removal and roads), led by relevant sector departments in conjunction with MISA and the provinces, should be established to undertake the following in predominantly (but not exclusively) rural municipalities in the Eastern Cape, Northern Cape, Limpopo and KwaZulu-Natal:
 - Establish service delivery norms and standards for basic services and determine and quantify service backlogs per municipality in predominantly rural areas according to these norms and standards.
 - Determine and agree on a portfolio of projects to overcome the backlogs for these municipalities and prepare a pipeline of projects, with budgets, to address maintenance, refurbishment and new infrastructure needs in each municipality (i.e. prepare an infrastructure capital investment and maintenance plan for each municipality).
 - Develop and implement mechanisms to either support these municipalities to plan, implement, operate and maintain municipal infrastructure projects where support is needed, or devise alternative institutional mechanisms to do this where capacity is absent (i.e. an institutional and financial plan for the municipality).
 - Establish a focused information and programme management and monitoring system to track the implementation of the pipeline of projects.
- Support municipalities to develop mechanisms to extend free basic services to indigent households and widen access to lower electricity tariffs for low-income

households. This has to occur within a broader engagement on how to deal with the high cost of services.

- Finally, an intervention is required to address the poor operations and neglect of maintenance of infrastructure. In part, this requires technical interventions, but as National Treasury has noted, this will require a reprioritisation of municipal budgets.

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