



cooperative governance
& traditional affairs

Department:
Cooperative Governance and Traditional Affairs
REPUBLIC OF SOUTH AFRICA

State of Local Government in South Africa

Overview Report

National State of Local Government Assessments

Working Documents
COGTA 2009

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1. INTRODUCTION

The basic premise of the report is that “*Local Government is Everyone’s Business*”.

Local government in South Africa has contributed to the achievement of a number of significant social and economic development advances, since the ushering in of the new democratic municipal dispensation in December 2000. The majority of our people have increased access to a wide range of basic services and more opportunities have been created for their participation in the economy.

Notwithstanding the valuable role that municipalities have played in our new democracy, key elements of the local government system are showing signs of distress in 2009. This report provides an analysis of the performance and state of local government and begins to point to key matters that must be attended to in the Turn Around Strategy for Local Government. Urgency, prioritisation, speed and timing will be important in addressing the critical issues identified in this report.

The new administration has a clear electoral mandate to deliver on key priorities that must ensure that visible, tangible and positive changes are felt in all our rural and urban communities. These must focus, inter alia on, the Millennium Development Goals (MDGs) and universal household access to basic services (uHABS¹) by 2014.

With this in mind, the 2009 Government Programme of Action committed to build a developmental state, improve public services and strengthen democratic institutions. This is the point of departure for the priority of intervening, stabilising and supporting local government in order for it to fulfil its core mandates.

This State of Local Government Report derives from the consolidated national report of the nine provincial reports, compiled following assessments jointly conducted across the country between April and August 2009. The assessment process and the consolidated National Report is the initiative of the Minister for Cooperative Governance and Traditional Affairs (**COGTA**), Mr Sicelo Shiceka. The assessments were designed to ascertain the root causes of the current state of distress in many of the country’s municipalities in order to inform a National Turn-Around Strategy for Local Government.

In the process of determining the baseline for this assessment, the Minister for Cooperative Governance and Traditional Affairs analysed previous assessments and reviews of the state of local government as well as the evidence as to the degree of process attained. These assessments include in recent years, the 10 and 15 Year

¹ COGTA has developed a uHABS Index to define, measure and track progress on universal access.

Reviews (The Presidency), The 1995 Local Government Review (**dplg**), and the current Policy Review of Provincial and Local Government (COGTA).

The Minister also reviewed the support programmes that have been put in place in recent years. Two key support initiatives included Project Consolidate (PC), and the 5 Year Strategic Agenda (LGSA). Both these initiatives have yielded some progress, first in upping the levels of hands-on support provided to local government, and secondly in creating a systemic mechanism and framework (the 5 KPAs) for local government to work within and report on. These interventions have however not been able to sufficiently address deep rooted problems and capacity challenges.

There have been a number of other government initiatives and programmes to advance service delivery and institutional support. These include the former Planning and Implementation Management Support (PIMS) Centres, the ISRDP and 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). A Policy Review on Provincial and Local Government was also undertaken by the **dplg**. Numerous other smaller programmes and projects have also taken place, largely in the local sphere of government.

Whilst all of the support programmes have assisted in specific ways, it is still clear that a number of stubborn service delivery and governance problems have been identified in municipalities over a number of years. These remain consistently at the forefront of government's developmental challenges. These priority areas include:

- Huge service delivery and backlog challenges, e.g. housing, water and sanitation;
- Poor communication and accountability relationships with communities;
- Problems with the political administrative interface;
- Corruption and fraud;
- Poor financial management, e.g. negative audit opinions;
- Number of (violent) service delivery protests;
- Weak civil society formations;
- Intra - and inter-political party issues negatively affecting governance and delivery; and
- Insufficient municipal capacity due to lack of scarce skills.

From evidence to date, it is clear that much of local government is indeed in distress, and that this state of affairs has become deeply-rooted within our system of

governance. Therefore underpinning the analysis are some key questions, such as how deep-rooted is the state of distress in our local municipalities, what are the causes, and through what measures do we address these fault-lines in our governance arrangements?

It is also evident that national government has allocated hugely significant sums of money to building municipal capacity over the years. In seeking to answer the question why outcomes have been so disappointing, it is clear government needs to begin to do things differently. In assessing the reality of poor municipal performance, cognisance needs to be taken of the unresolved problems identified in previous assessments, and the intergovernmental impact of this failure, both institutionally and for communities.

It is important to note that whilst the main focus of this report is on the problem areas in local government, this is meant in no way to detract from the sterling work being undertaken by many of our municipalities across the country. Many of the councillors and officials in these municipalities are working under difficult conditions and yet continue to inspire with their vision, leadership and commitment to do well under highly challenging environments.

All nine provinces went through the assessment process, bringing provincial and national officials together, and some politicians, to penetrate and examine the fault lines in the working of local government. The foundation for the assessments was simple: *is the municipality delivering on the desired outcomes, and is it operating on a sustainable basis?*

So in summary the central question that this report poses is, ***“What is the state of local government in 2009 and what must be done to restore the confidence of our people in this sphere of government by 2011 and beyond ?”***

This Report does not only summarise the detailed findings from the provincial reports at a high level, but more importantly contextualises them within an assessment of the baselines for functionality and sustainability. The starting point is to identify the mismatch between intent and practice and to assess how far we have met the constitutional objectives for local government.

In so doing, we have begun to reassess which governance and service delivery standards constitute a functional municipality, and to what degree does the state need to re-shape and rationalise its resources to support the intent of developmental local government.

In broad terms a functional municipality is one that is actively striving to meet the outcomes as specified in the White Paper on Developmental Local Government (1998). In 2009 and beyond, there is a need to ensure that municipalities are responsive, efficient, effective and value for money is realised with the allocated public resources.

A Turn-Around Strategy for Local Government is thus needed that will be driven by an intergovernmental and social compact agenda for change. Our maxim must be that by working together, we can turn the tide on local government to create a better life for all.

Acknowledgements

COGTA would like to thank all the government officials from all three spheres of government who participated in the assessment process over the last six months. Their commitment and hard work is acknowledged and appreciated. We would also like to thank our many stakeholders, associates and partners in this process, who have shared knowledge and information, offered insights and wisdom, and who have pledged their support going forward.

2. GOVERNANCE

2.1 Introduction

The Constitutional objectives for local government are set out in Section 152 of the Constitution: these are

- to provide democratic and accountable government of local communities
- to ensure the provision of services to communities in a sustainable manner
- to promote social and economic development
- to promote a safe and healthy environment, and
- to encourage the involvement of communities and community organisation in the matters of local government

These objectives have been in practice for nine years, every part of the country now falls under the jurisdiction of a municipality, with many communities experiencing local and democratic government for the first time within the last decade.

A central challenge for the many new institutions of local government has been their viability and ability to build strong organisations capable of delivering on the principles of Section 53 of the constitution which states that:

..’ a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community, and participate in national and provincial development programmes’.

‘If a municipality can achieve the above objectives consistently, within its financial and administrative capacity, it could be described as a functional, well-performing municipality’².

South Africa has 283 municipalities, based on three Constitutional categories:

- Metropolitan municipalities: six (6);
- District Municipalities: forty six (46); and
- Local Municipalities: two hundred and thirty one (231).

However the distinct differences in capacities and institutional context within the 283 municipalities means they have not all been able to pass through the phases of

² National Treasury, presentation to TCF 2009

establishment, consolidation and sustainability at the same rate or within an even playing field. All municipalities are categorised in recognition of a degree of difference – but how difference is understood – with its fiscal, spatial, functional and governance implications, is only now emerging as unique challenge within the efficiency of the state.

A random sample of some of the best-performing municipalities in the country and why they are credited thus, gives an indication of the direction the ideal, sustainable municipality would take. The success of some of these municipalities may be leveraged going forward. Knowledge-based engagements can assist in the establishment of possible support mechanisms for weaker municipalities.

Table: Examples of municipalities moving in sustainability mode

Municipality	Area of performance	Reasons
Gamagarra (Northern Cape)	Service delivery	Backlogs eradicated Strong economic centre
Overstrand (Western Cape)	Financial viability	Good credit rating Outstanding collection rates Good CAPEX budget spend
Thabazimbi (Limpopo)	Local economic development	Strong economic sectors Good engagement with business sector
Cape Winelands DM	Planning facilitation	Facilitate economic growth in district Excellent approach to PMS, IDP Innovation to district IGR
West Rand DM (Gauteng)	Good governance	Focusing on development facilitation

2.2 Policy context

The Constitution, the White Paper on Local Government and the legislative framework for local government provide municipalities with a structure to manage their administration. It also outlines political decision making systems, and defines principles for structuring administrations.

The current policy and legislative requirements affecting local governance are primarily contained in the Constitution, the Local Government White Paper, 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. The amounts for Intergovernmental fiscal transfers are published yearly in the Division of Revenue Act.

The organisational structuring of local government is explicitly prescribed in the Municipal Systems Act and specifically in Section 51 which provides that “A municipality must, within its administrative and financial capacity, establish and organise its administration in a manner that would enable the municipality to:-

- a) be responsive to the needs of the local community;
- b) facilitate a culture of public service and accountability amongst its staff;
- c) be performance orientated and focussed on the objectives of local government set out in section 152 of the Constitution and its developmental duties as required by section 153 of the Constitution;
- d) ensure that its political structures, political office bearers and managers and other staff members align their roles and responsibilities with the priorities and objectives set out in the municipality’s integrated development plan;
- e) establish clear relationships, and facilitate co-operation, co-ordination and communication, between –
 - i. its political structures, political office bearers and its administration
 - ii. its political structures, political office bearers and administration and the local community
- f) organise its political structures, political office bearers and administration in a flexible way in order to respond to changing priorities and circumstances;
- g) perform its functions-
 - i. through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units; and
 - ii. when necessary, on a decentralised basis;
- h) assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms; and
- i) hold the municipal manager accountable for the overall performance of the administration.”

It is primarily against these and the Constitutional prescripts that the effectiveness of municipal performance may be assessed. The ideal functional municipality can thus be measured against these indicators outlined above.

2.3 Governance challenges

The effective functioning of a municipality begins with its political leadership. In respect to governance the overarching question during the assessment process centred on the effectiveness, capability and integrity of the local political council leadership. Key symptomatic type questions looked at the nature and extent of maladministration and corruption and how deeply has these have been contributory factors to the negative performance of administrations and councils. A related question was to what extent have national government's over-reaching and universal expectations on local government – as reflected in the proliferation of new and under-resourced mandates and functions - contributed to governance failures? Will there be merit in going back to basics and revising expectations according to location, performance and capacity?

Provincial assessments exposed that causal reasons for distress in municipal governance pointed to:

- a) tensions between the political and administrative interface;
- b) poor ability of many councillors to deal with the demands of local government;
- c) insufficient separation of powers between political parties and municipal councils;
- d) lack of clear separation between the legislative and executive;
- e)
- f) inadequate accountability measures and support systems and resources for local democracy; and
- g) poor compliance with the legislative and regulatory frameworks for municipalities.

2.4 Current practice

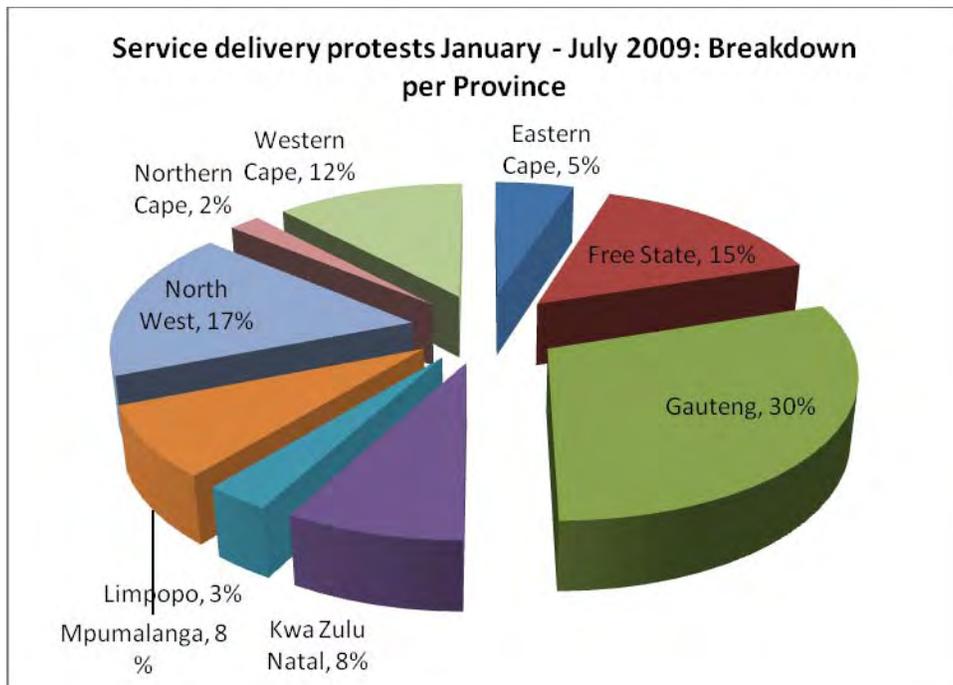
Assessments revealed that party political factionalism and polarization of interests over the last few years, and the subsequent creation of new political alliances and elites, have indeed contributed to the progressive deterioration of municipal functionality. Evidence has been collected to dramatically illustrate how the political / administrative interface has resulted in factionalism on a scale that, in some areas, it is akin to a battle over access to state resources rather than any ideological or policy differences. The lack of values, principles or ethics in these cases indicates that there are officials and public representatives for whom public service is not a concern, but accruing wealth at the expense of poor communities is their priority.

Relationships at the local level are tainted by these contestations amongst the elites of local areas. 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.

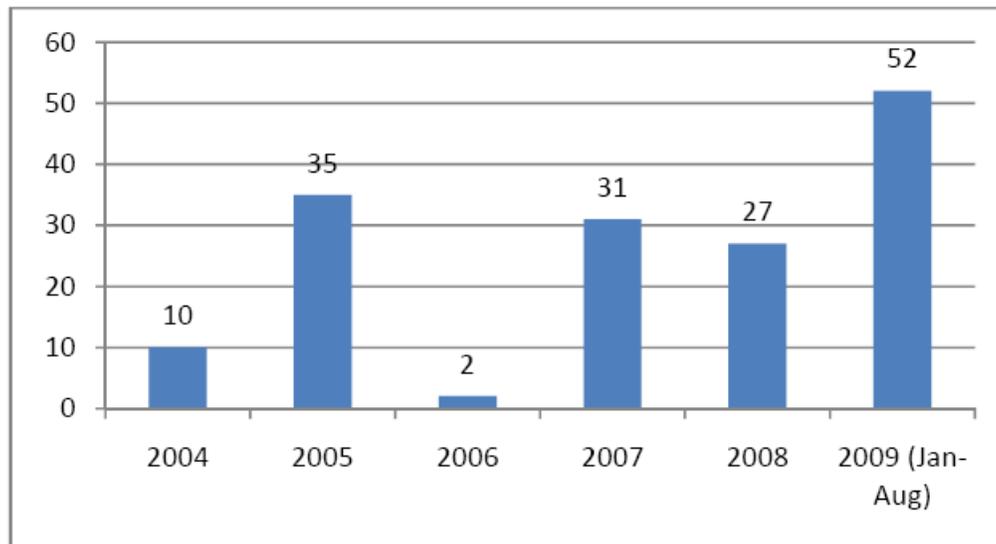
Other social institutions including the media and civil society have also been ineffective in increasing municipal accountability and oversight. There is now a lack of citizen confidence and trust in the system. This has been publicly evidenced in the spate of community protests during the course of the year, which may be seen as a symptom of the alienation of citizens from local government.

The pie chart below illustrates the provincial spread of the community protests:



The figure below illustrates the trends in protests over the last six years, clearly signifying the escalating loss of confidence in governance as expressed during 2009.

Figure 1: Major service delivery protests by year



[Source: **Municipal IQ** Municipal Hotspots Monitor]

Municipal IQ has pointed out that it is not easy to predict the likelihood of the occurrence of protests, given that protests do not necessarily take place in the poorest municipalities in South Africa. Protests do not necessarily occur in municipalities or wards with the worst service delivery backlogs. Population growth and urbanisation are key determinants from which a link with protests can be made. Housing administration and management are also some of the key concerns of residents, followed by the cost of services.

Moreover, councillors have been accused of being arrogant and insensitive to the needs of the community. Lack of effective complaints management and no coherent systems in place to measure service delivery or the quality of client interface are some of the political reasons underlying protest action.

2.5 Local democracy: Ward Committees, CDWs and Traditional Leaders

The White Paper on Local Government announced a new vision for local democratic government, known as *developmental local government*. This means 'local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives³.

³ The White Paper on Local Government 1998

Representative government is complemented by the right of communities to participate in the decisions that affect development in their areas, and a corresponding duty on municipalities to encourage community participation in matters of local governance. National legislation provides the mechanisms for public participation, which include ward committees and a variety of other measures designed to foster open, transparent and consultative municipal government.

There are 3895 wards demarcated wall-to-wall within the six metropolitan and 231 local municipalities of South Africa. The number of wards per municipality ranges from as few as 10 wards in the smaller municipalities to as many as 109 wards in the larger municipalities such as Johannesburg.

These wards form the basic units for participatory and democratic local government. Ward committees are established for each ward in all provinces except the Western Cape. Ward councillors chair these committees and ought to rely on them for support in ensuring that the issues and needs of residents are well represented in the municipal councils.

Each ward committee consists of the elected ward councillor and 10 additional members nominated from the community. This makes a large base of people, more than 40 000, to promote community representation and participation.

However, the functionality and effectiveness of the ward committees is a matter of serious concern. The table below reflects the number of Ward Committees which have been established in each of the Provinces.

The establishment and the term of office of Ward Committees are determined by each municipality through a council resolution and therefore differ from municipality to municipality, although the Minister has now issued new regulations to align the term of office of ward committees with the electoral term of councils.

Table: establishment of Ward Committees per province

Province	Population	No. of Metros	No. of LMs	No. of Wards	No. of Wards Established
Eastern Cape	6 527 747	1	38	636	636
Free State	2 773 059	-	20	300	300
Gauteng	10 451 713	3	8	423	423
KwaZulu-Natal	10 259 230	1	50	771	771
Limpopo	5 238 286	-	25	513	513
Mpumalanga	3 643 435	-	18	365	365
Northern Cape	1 058 060	-	27	174	174
North West	3 271 948	-	21	365	365
Western Cape	5 278 585	1	24	348	243
Total	48 502 063	6	231	3 895	3790

The assessments provide evidence for the underlying problem that despite handbooks, guidelines and training programmes the functionality remains a challenge. Recently COGTA released the ward funding model and indicators for functionality to assist in this regard.

The average numbers of people residing in each ward ranges from as few as 6 000 in the case of Northern Cape Province to as many as 24 000 in Gauteng. Within each province there are also variations per municipality.

The number of people per ward and the geographic size of the wards is a factor that influences democratic representation and participation, as well as costs for the operations and effective functioning.

Table: Provincial Breakdown of number of wards in the country

Province	Population	No. of Metros	No. of LMs	No. of Wards	Average no. of people per ward
Eastern Cape	6 527 747	1	38	636	10 263
Free State	2 773 059	-	20	300	9 243
Gauteng	10 451 713	3	8	423	24 708
KwaZulu-Natal	10 259 230	1	50	771	13 306
Limpopo	5 238 286	-	25	513	10 211
Mpumalanga	3 643 435	-	18	365	9 982
Northern Cape	1 058 060	-	27	174	6 080
North West	3 271 948	-	21	365	8 964
Western Cape	5 278 585	1	24	348	15 168
Total	48 502 063	6	231	3 895	12 452

The ward councillor also ought to serve as a link between the ward community and the rest of government to the extent to which there is proper consultation with local communities with respect to the planning and implementation of provincial and national programmes impacting on the ward. However in practice sector departments hardly ever consult or involve ward councillors in plans and projects.

Further, in the 5 year LGSA reports, Eastern Cape and Limpopo reported functionality of *all* ward committees, in KwaZulu-Natal functionality it was reported at 85%, Mpumalanga at 89%, North West at 70% and Western Cape at 94%. Northern Cape stated 138 functional ward committees. Free State and Gauteng could not report on functionality due to processes they reported were underway to actually ascertain functionality⁴.

With respect to functionality, some assessments reports cited claims that many Ward Councillors do not even attend Ward Committee meetings, and poorly resourced Ward Committees are failing to comply with expectations.

Further, Ward Committee issues often do not find their way into, or are not prioritised in Council meetings, and thus fail to become reflected in the Integrated Development Plans of municipalities and project implementation for basic services can be non-consultative, biased or ad-hoc.

The extent of the reported tensions between Ward Committees, Community Development Workers (CDWs) and Councils also undermines functionality, and indeed may indeed be one of the contributory factors in the escalation of community protests.

⁴ COGTA. 2009. Governance and Administration Cluster report: Progress with the Local Government Strategic Agenda 2006-2011.

The frequently unhappy relationship between CDWs and councillors is reflected in one allegation that many act as if they are ‘a law unto themselves’. But the services they provide have immense potential value to communities, and they also support the role of the Thusong Centres as ‘one-stop’ shops for government services and as the face of cooperative governance in communities. An example of potential value-add of the CDWs is demonstrated below in the example of the Eastern Cape:

CLUSTER	NATURE OF CASES	DEPARTMENTS INVOLVED	NUMBER OF CASES	NUMBER OF BENEFICIARIES	COMMENTS
Social cluster	1. Deliver IDs 2. Deliver food parcels 3. The old to access grant	1.Home Affairs 2.Social Department 3. SASSA	40 63 14	600 1800 11	1. The number of people without IDs has been lowered 2. Many people have received food parcels 3. Of the 100%, only 5% did not get grant
Economic	1.Cooperatives 2.SMMEs 3.Create jobs	.1 Economic 2.Economic affairs 3.Public Works	10 5 1	88 100 620	1.Number of cooperatives increased 2.Number of SMMEs have increased 2.Many people have received food parcels
Justice	1.Create CPFs 2.Educate people of their rights 3.Facilitate increased police stations	1.Police	12	13 Wards	1.Crime is being tackled
Investment	1.Train people 2.About R30M donated to municipalities	1.Labour,Public works, Housing Departmental 2.DPLG & Traditional Affairs	3 17	360 500 000	1.Many people were trained 2.Roads have been built & renovated in all municipalities
Government & Administration	1.Facilitate establishment of PPU at municipalities	1.Municipalities MPP(DLGTA)	10 1	1000 100 000(Great Kei	1.R30 million was made available to the needy municipalities on infrastructural arrangements 2.Generic policies have been adopted by 10 Local municipalities & two District municipalities

As observed above, the community value of the work of the CDW is undermined by other weaknesses in the governance system, such as inadequate communication between councils and the communities they serve, plus contestation over resources and 'tools-of-the trade'.

An additional area of local concern is that in those municipalities with traditional leaders in their areas of jurisdiction, many have reported a poor working relationship between themselves and the traditional leaders. The current areas of traditional authority control account for approximately 20% of the country's land area and 21% of its population, but contribute only 3% to the formal economy. This suggests a serious under-utilisation of developmental resources as well as posing questions as to the socio-economic conditions, the demographics and the governance arrangements and of such areas.

Going forward, the capacity of traditional leaders must be more fully leveraged in assisting municipalities in service delivery issues. Means are needed to ensure traditional leaders are fully involved in service delivery and planning for their areas as well as with the structures operating in local communities.

2.6 Weak national and provincial oversight of local government

Section 154 (1) of the Constitution requires both the National and the Provincial Governments by legislation or other means to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. Failure in this regard may result in the invocation by the national sphere of government to the provincial sphere of section 100 of the Constitution.

Provincial supervision, monitoring and support of local government is a Constitutional obligation in terms of sections 154 (1) and Section 155 (6) and (7) of the Constitution. The provincial sphere can intervene in a municipality within its jurisdiction in terms of section 139 of the Constitution. To give effect to these obligations, the departments for local government were established with the specific mandate to oversee and support municipalities. The principle for the application of sections 100 and 139 has always been to invoke them as a last resort.

However, as increasing performance challenges built up within the local sphere over the last decade, with over 30 municipalities having experienced an intervention, it became apparent that these mechanisms were not well-supported by national government or sufficiently institutionalised, due to the absence of post-intervention measurement of improvement, and the weak application of intergovernmental checks and balances, i.e.

the oversight and review process by the Minister, the NCOP and the Provincial Legislatures.

Recent examples of interventions are listed below. Most of these were conducted in terms of section 139(1)(b)⁵, with administrators appointed for agreed time-frames within the municipality.

Summary of interventions undertaken in terms of section 139 of the Constitution 2008/09

Name of municipality	Year of Intervention	End of intervention	Nature of Problem
North West			
Ditsobotla	May 2008	Still under intervention	Governance, financial and administrative dysfunctionality
Ngaka Modiri District Municipality	1 July 2009	District contesting the intervention in court	Governance, financial and administrative dysfunctionality
Free State			
Mohokare	June 2008	Still under intervention	Governance and financial
Xhariep DM	9 June 2008	Still under administration	Governance and financial
Eastern Cape			
Alfred Nzo DM	April 2009	Still under intervention	Governance, Financial and HR management
Kou-Kamma LM	April 2009	Still under intervention	Governance, Financial and HR management
Mnquma LM	January 2009	Intervention terminated by a court order in July 2009	Dysfunctional council
Mpumalanga			
Mbombela	Feb 2008	August 2008	Governance and administration
Pixley ka Seme	March 2009	Still under intervention	Poor leadership and financial controls
Kwazulu-Natal			
Amajuba	Dec 2007 June 2008	Still under intervention Intervention disapproved by the Minister.	Service delivery Non-delivery of water services. Party political proportional representation
Umzinyathi	Dec 2007	Still under intervention	Service delivery

⁵ S139 91) (b) states, ' the relevant provincial executive may intervene by taking appropriate steps to ensure fulfillment of that obligation , and assume responsibility for the relevant obligation in that municipality..'

			Non-delivery of water services
Newcastle	Dec 2007	Still under intervention	Service delivery Non-delivery of water services
Utrecht	August 2007	Still under intervention	Financial Administration

The most common failures that have triggered S139 provincial interventions fall into three broad categories:

- (1) **Governance:** political infighting, conflict between senior management and councillors and human resource management issues.
- (2) **Financial:** Inadequate revenue collection, ineffective financial systems, fraud, misuse of municipal assets and funds.
- (3) **Service delivery:** Breach of sections 152 and 153 of the Constitution which outline service delivery obligations of municipalities.

The critical issue is how government can bring the necessary checks into the system before a legislative intervention becomes a necessity. Integral to this would be mechanisms for improved monitoring, an early-warning system and strengthened means for intergovernmental oversight and support measures, particularly in the 'after care' phase.

The problem areas cited as cause for intervention are symptomatic of problems within municipalities across the country. The provincial assessment reports have provided substantive evidence of various serious irregularities, corruption, fraud, financial mismanagement and related wrong-doing. The capacity of national and provincial government to effectively resolve these matters is weak and therefore significant emphasis needs to be placed on this matter in the Turn-Around Strategy.

2.7 Governance and oversight: the role of the provincial Departments responsible Local Government and the Offices of the Premiers

The provincial Departments responsible for Local Government and the Offices of the Premier are the oversight, support and lead governance entities in provinces. Both offices have previously been found to be under-resourced, poorly structured and capacitated, and often lacking a core focus on their oversight and governance mandates⁶. Systemic weaknesses and low capacity translate into poor responsiveness and structural ability to act as a responsive sphere of government.

⁶ Capacity Assessment of the Provincial Departments of Local Government and Housing, dplg 2007

The table below illustrates the almost insignificant budget allocations to the departments of local government (DLGs) in 2005/06⁷. New research into the capacity of provincial government, including the sector departments, is currently being undertaken, but is unlikely to reveal substantive changes in the trend for the DLGs or the Offices of the Premiers.

Table: Provincial budget allocations to local government programs 2005/6

<i>Province</i>	<i>Budget on Local Government Programs</i>	<i>% of Provincial Budget (net of HES)</i>
Eastern Cape	251,377,527	3.8%
Free State	55,418,000	1.9%
Gauteng	129,085,000	1.9%
Kwazulu/Natal	271,212,000	3.3%
Limpopo	310,194,000	3.7%
Mpumalanga	146,083,134	4.2%
North West	77,000,000	0.5%
Northern Cape	106,255,475	7.6%
Western Cape	97,230,000	2.1%
Total / Median	1,366,855,136	3.5%

It can be seen from the table that most local government departments were found to be under-resourced, receiving only, on average, 3.5% of the provincial budget (excluding Health, Education and Social Development).

Analysis of staffing structure showed that all DLGs are very 'bottom heavy, and have a very small proportion of top-level posts. Nationally, 61% of staff is at grade 6 or below, while the top 5 grades together account for only 5% of posts. Limpopo and KZN are exceptionally bottom heavy, with more than half of staff at grade 4 or below. This demonstrates the prevalence of junior staff and the lack of senior skills and experience within this key provincial department.

The wide-spread problem of sourcing high-level skilled personnel with the skills and knowledge to be able to perform many of the core functions of the DLG was frequently cited. Specific shortages were identified and included:

- Economic development specialists
- Project managers

⁷ Ibid

- High-level management to oversee municipalities
- Engineering specialists
- Development planners
- Spatial planners

Similar trends were revealed in the study of the Offices of the Premiers (OTPs). The table below shows the budget allocation for these leading governance structures in the provinces.

Province	OTP % of Operating Budget 2006/07
Eastern Cape	4.4
Free State	3.0
Gauteng	1.7
KwaZulu-Natal	3.1
Limpopo	5.6
Mpumulanga	3.1
Northern Cape	6.8
North West	4.4
Western Cape	6.4
<i>National Mid Point</i>	4.5

Whilst low budgets are a part of the problem, the capacity to spend on value-add programming is still admitted to be weak in many cases.

A 2009 Assessment interview with one Office of the Premier further evidenced the tendency for these offices to be undermined by an undefined leadership role, a lack of sector accountability to their office, and altogether poor intergovernmental relations.

Lastly, the lack of a common vision and a coordinated approach between national and provincial departments regarding supervision of the municipal system with no clear approach to support and intervention is one of the critical factors in the state of distress in municipalities.

2.8 Functionality of local government and spatial differentiation

The overall positive progress and success of the local government system in South Africa is increasingly being overwhelmed by a range of factors and negative practices both internal and external to municipalities. These factors apply to poor governance, service delivery failures, their capacity and performance, but also to the unique challenges experienced in the varying spatial locations of municipalities.

For example there are differing challenges in relation to rural and urban environments, availability of human resource capacity, degree of economic activity and overall institutional strength.

Some administrations are relatively stable and well-resourced, whilst others face huge infrastructure backlogs, the negative impacts of demographic change and prevailing apartheid-based socio-economic legacies.

During the establishment phase of local government (post- 2000), a system of categorisation was introduced to more accurately understand the differentiated challenges facing the 283 municipalities:

- **A:** Metros (6): Large urban complexes with populations over 1 million and accounting for 56% of all municipal expenditure in the country
- **B1:** Local Municipalities with large budgets and containing secondary cities (31)
- **B2:** Local Municipalities with a large town as a core (137)
- **B3:** Local Municipalities with small towns, with relatively small population and significant proportion of urban population but with no large town as a core. (31)
- **B4:** Local Municipalities which are mainly rural with communal tenure and with, at most, one or two small towns in their area (32)
- **C1:** District Municipalities which are not water service authorities (25)
- **C2:** District Municipalities which are water service authorities (21)

Each of the municipalities in the different categories face fairly unique conditions and challenges. The Metropolitan Municipalities, B1 Local Municipalities and to a certain extent the B2 Local Municipalities are well established and consolidated. But they face sustainability challenges due to urbanisation and in-migration that is accompanied with high levels of household poverty. They also require more sophisticated urban management capacity and skills to deal with spatial planning, land-use management and infrastructure life-cycle management.

The B3 and B4 Local Municipalities are very vulnerable both from a revenue generation and from institutional development perspective. They are located in economically depressed areas and have difficulty in attracting and retaining skilled managers, professionals, and technicians.

It follows that some of these municipalities are seriously challenged to fulfil their obligations. They may be financially non-viable, articulate distress via heightened levels of community protests, and be particularly vulnerable to political control and poor

institutional management and compliance. Many of these challenges relate to the external environment: e.g.

- National policies that impact on local government
- The intergovernmental fiscal system for local government
- The legislative and governance framework for local government
- Monitoring and oversight of local government
- Capacity building policies
- Spatial legacies

Internal factors impacting on municipal poor-performance relate to:

- Sound political leadership
- Strong organisational capacity
- Good governance practices
- Relevant policies and programmes to be implemented
- Adequate staffing and systems
- Workable plans and budgets

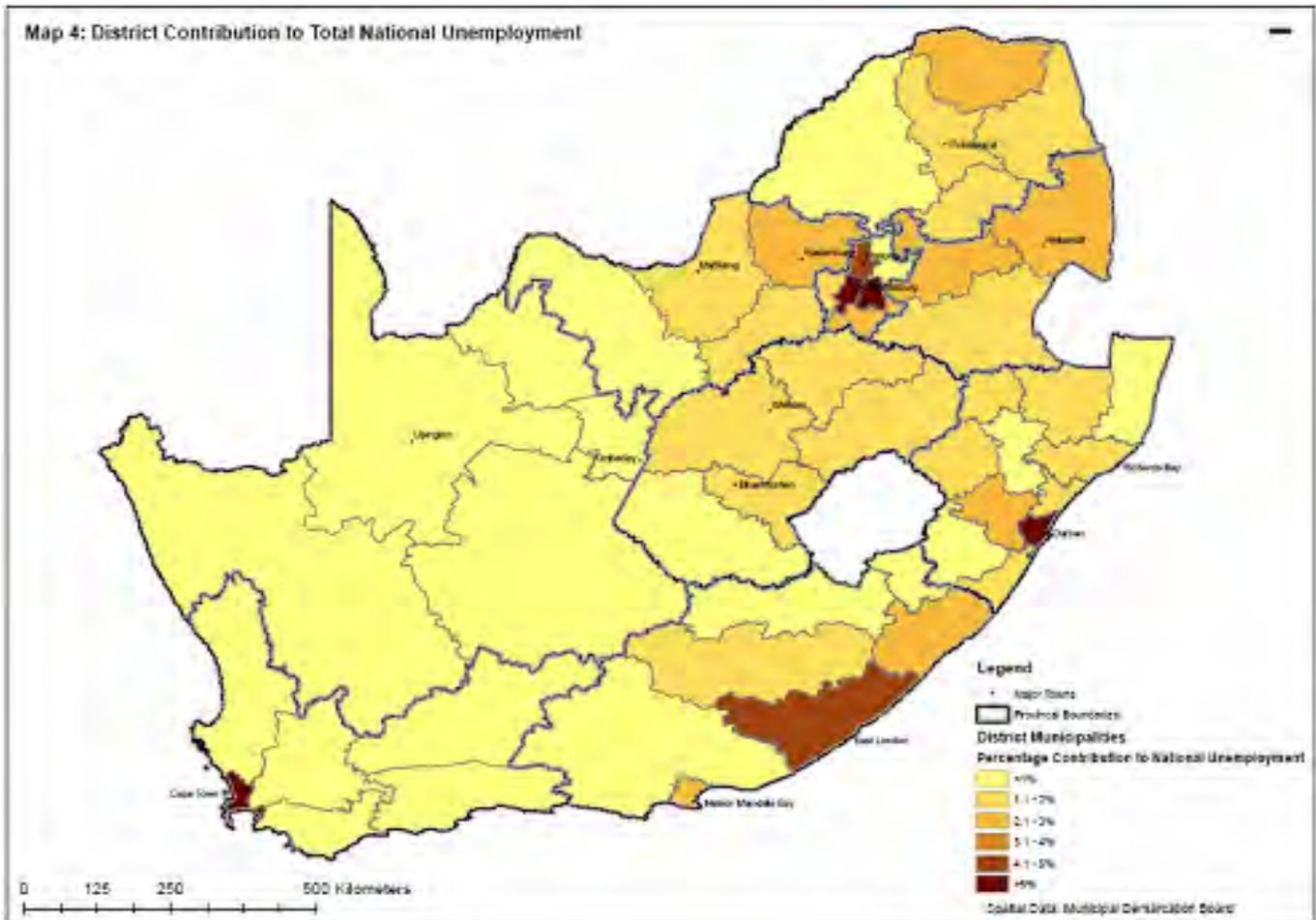
The impact of the combination of these internal and external factors is reflected in the varying external and internal findings provincially depicted below.

2.9 Spatial conditions: unemployment

The Community Survey of 2007 summarised the unemployment realities of South Africa as follows:

- All metros and most districts have unemployment levels of between 26 - 50% of the population
- Five of the six districts in the Eastern Cape, eight of ten in KwaZulu-Natal and two in Limpopo have a percentage of unemployment higher than 50%
- Some districts in former homeland areas have 60%+ unemployment levels

Map: Spatial location of high unemployment



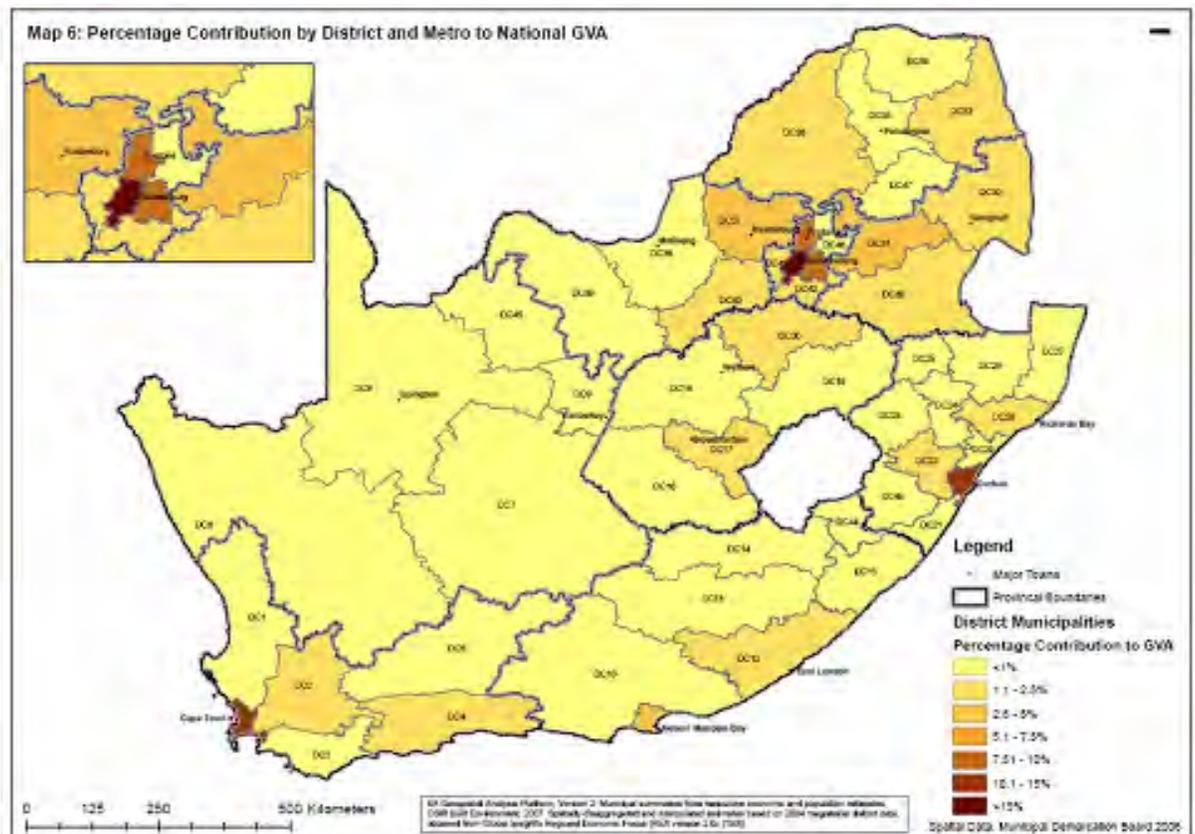
Both Gauteng and the Eastern Cape (53%) are battling with high unemployment – one a densely populated urban area with over a hundred informal settlements circling the city of Johannesburg alone - the other with both cities and former homeland areas within one boundary, signifying complex developmental policy challenges.

2.10 Contribution to the Gross Value Added (GVA)

The spatial data of the Municipal Demarcation Board and data of StatsSA show that the bulk of South Africa's productive economy is concentrated around a few major urban areas. As the CSIR (2006) revealed just 20 municipalities in South Africa account for 82.8 per cent of total GVA to the national economy in 2004. Of these municipalities all of them contain major metropolitan areas, secondary and port cities or large towns.

- Johannesburg contributes more than 15% to national GVA, Cape Town 12% and eThekweni 10%; Tshwane and Ekurhuleni contribute 9.2% and 8.9% respectively;
- District municipal areas with large urban areas generally contribute more than 1% to the total GVA; and
- Districts which are the lowest performers tend to be found in the desert and semi desert areas and or in the municipalities which fall within the former homeland areas.

Map 2: Spatial location of Gross Value Added (GVA)



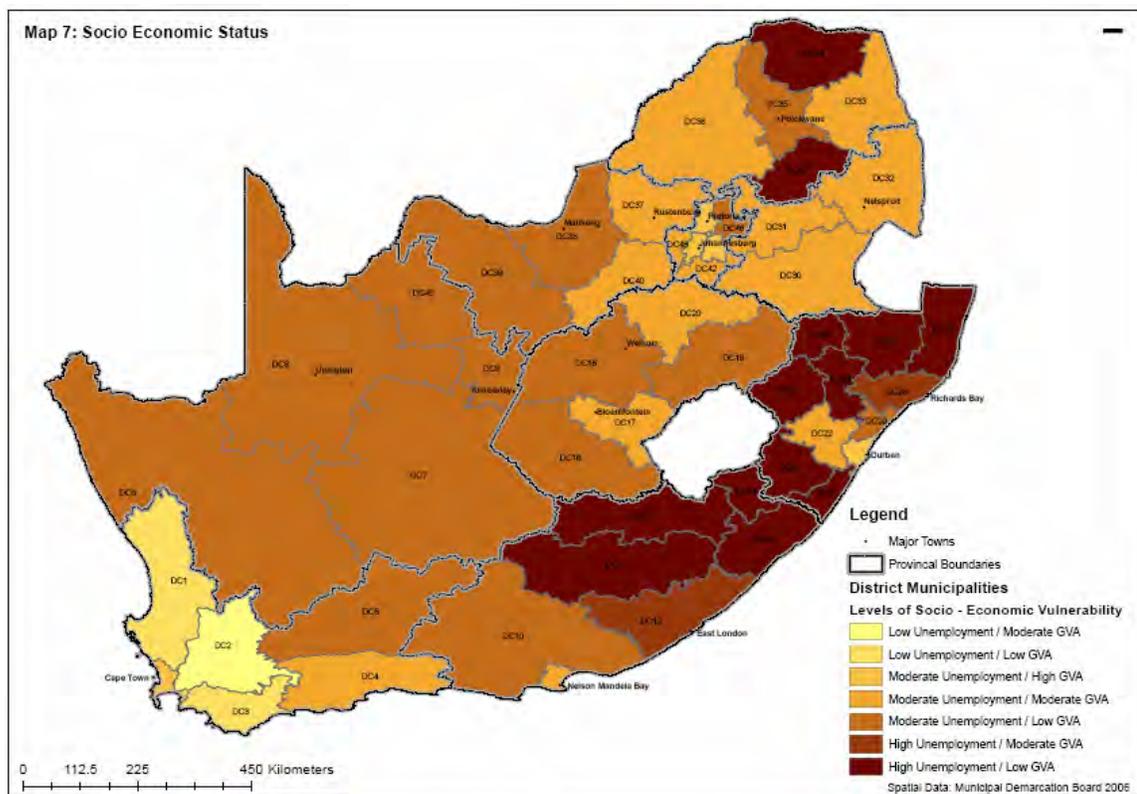
2.11 Socio-economic vulnerability

Poor district contributions to the national GVA indicates weak local economies, high unemployment rates (pointing to high poverty levels and grant dependency) and demonstrate socio economic vulnerability of a region:

- Four districts in the Eastern Cape, seven in KwaZulu-Natal, and two in Limpopo have the highest levels of socio economic vulnerability;

- The districts containing Buffalo City and Richards Bay are ranked as having high unemployment even with moderate GVA – an indicator of the need for focused attention on leveraging of economic opportunity
- All metros have a high GVA and currently, moderate unemployment rates; but they must now increasingly manage rising unemployment and poverty pockets in the informal settlements and urban sprawl around cities requiring regulation and services.

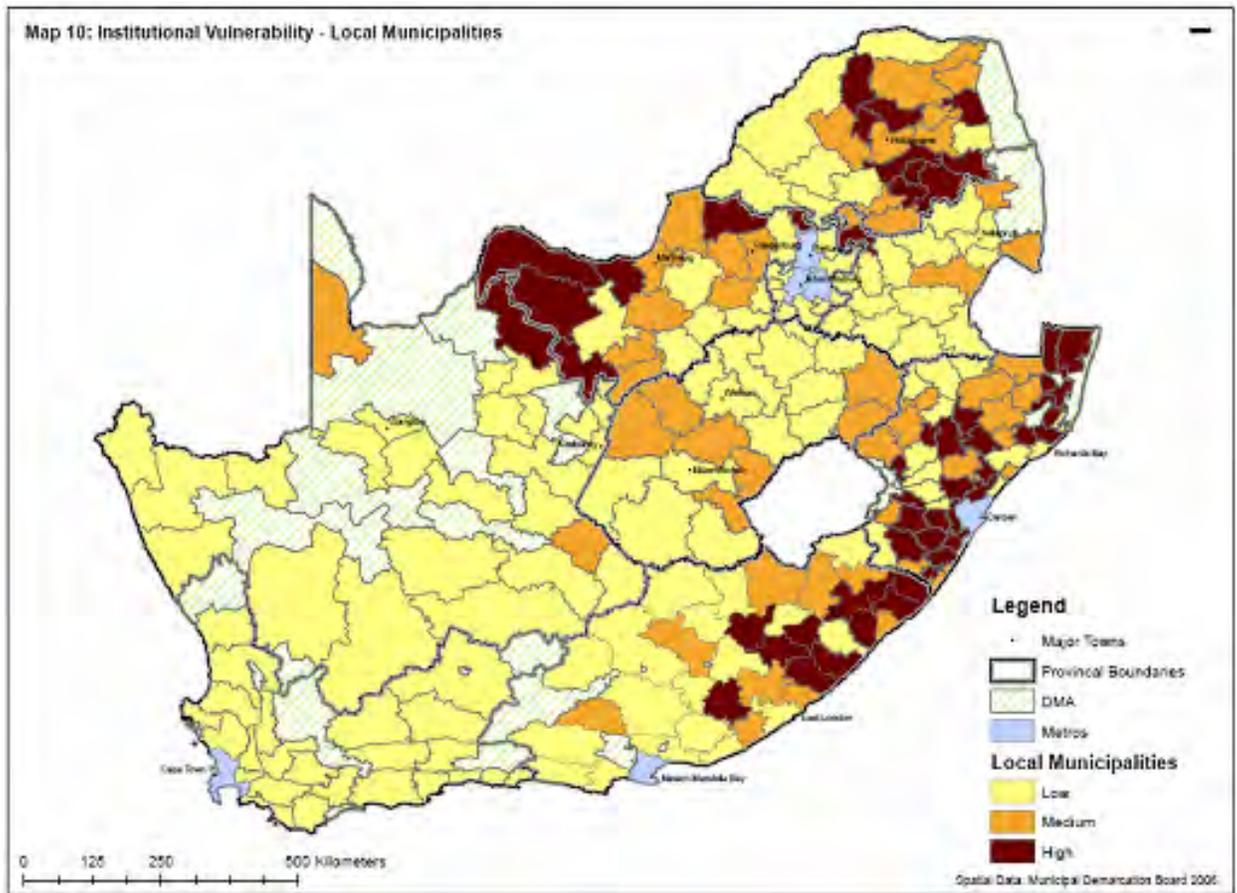
Map: Spatial location of socio-economic vulnerability (Cs) - districts



Most districts in the Free State and Limpopo, three in the Eastern Cape, one in KwaZulu-Natal, and one in Mpumalanga have (medium to) high institutional vulnerability.

At the same time they are all authorised to deliver the water and sanitation functions. This places great stress on these districts, exacerbated by high service delivery backlog figures (e.g. Free State: 31,5% sanitation backlog; Limpopo: 47,6% sanitation backlog).

Map: Spatial location of Institutional Vulnerability (Bs) - Locals



This map reinforces the location of the most highly vulnerable areas - those with highly rural and apartheid-based legacies. That is, parts of Limpopo, KZN, Eastern Cape and North West provinces.

The table below shows the provincial location of the 10 most vulnerable districts (COGTA research 2008/09) in order of performance ranked 1-10.

1	KwaZulu-Natal	Umzinyathi
2	Eastern Cape	O.R.Tambo
3	Eastern Cape	Alfred Nzo
4	Limpopo	Greater Sekhukhune
5	Limpopo	Vhembe
6	KwaZulu-Natal	Zululand
7	KwaZulu-Natal	Sisonke
8	KwaZulu-Natal	Umkhanyakude
9	Eastern Cape	Chris Hani
10	Mpumalanga	Ehlanzeni

The table below depicts the provincial location of the top 20 poorest performing local municipalities in order of performance ranked 1-20

Table showing Top 20 Most Vulnerable Local Municipalities in South Africa (COGTA Research 2008/09)

1	Eastern Cape	Mbhashe Local Municipality
2	KwaZulu-Natal	Msinga Local Municipality
3	KwaZulu-Natal	Umzumbe Local Municipality
4	KwaZulu-Natal	Imbabazane Local Municipality
5	KwaZulu-Natal	Maphumulo Local Municipality
6	KwaZulu-Natal	Hlabisa Local Municipality
7	Eastern Cape	Umzimvubu Local Municipality
8	KwaZulu-Natal	Vulamehlo Local Municipality
9	KwaZulu-Natal	Nkandla Local Municipality
10	KwaZulu-Natal	Nongoma Local Municipality
11	KwaZulu-Natal	Nquthu Local Municipality
12	KwaZulu-Natal	Ndwedwe Local Municipality
13	Eastern Cape	Mhlontlo Local Municipality
14	Eastern Cape	Engcobo Local Municipality

15	Eastern Cape	Nyandeni Local Municipality
16	Eastern Cape	Ntabankulu Local Municipality
17	Limpopo	Fetakgomo Local Municipality
18	Eastern Cape	Matatiele Local Municipality
19	KwaZulu-Natal	Indaka Local Municipality
20	KwaZulu-Natal	Ingwe Local Municipality

2.12 Spatial differentiation for governance and institutional arrangements

The differing municipal realities described above show the anomaly of enforcing a governance framework that applies uniformly to cities, small towns and remote and rural areas when in reality they are very different places with different needs and capacities.

The assignment framework (2007) for the assignment of powers and functions, and many other governance arrangements, such as integrated development planning and financial reporting, did not take into account the significant capacity and functional capacities of the different municipalities.

This has led to the realisation that the 'one-size-fits-all' framework for functional responsibilities is not based on differing municipal realities. The unintended consequences for municipalities has in some instances, led to what may be defined as levels of municipal non-viability, both financially and in respect to functional performance, socio-economic vulnerability and ability to manage infrastructure development and investment.

Spatial differentiation needs to be applied to which specific institutional and administrative mechanisms are needed to address the needs of communities living in remote areas with high backlogs, poor economic potential and high unemployment. The application of policy, planning and the allocation of powers and functions between the different spheres of government will have to take note of the vast differences between municipal spaces across the country.

2.13. Functionality of local government and institutional performance

The ineffective management of many municipalities has been attributed to a combination of factors - from the improper political and administrative interface to weak institutional arrangements and poor supervision accountability mechanisms. The Municipal systems Act provides for organisational performance management, and the 5 Year LGSA has been monitoring this compliance. Filling of vacant positions is also an APEX priority and a government team is currently assessing and reporting progress on this on a quarterly basis.

Whilst clear progress is being made, the difficulty is with sustaining this. In the absence of rules or procedures for dismissals, suspensions and disciplinary cases, Councils can proceed with such interventions outside of any framework of accountability. Municipalities in both North West and the Northern Cape spend significant amounts of their budgets on legal fees when such actions are carried out against officials.

During the assessments it was found that there were frequent cases of performance management systems not established or complied with, and many municipal managers with non-signed performance contracts. For example in Gauteng (as of June 2009) only seven out of 13 municipal managers had signed performance agreements.

A total of 196 (78%) out of 250 municipal managers have signed performance agreements as at June 2009 (A list of municipalities with vacancies is attached as Annexure B). This represents an increase in the number of signed performance agreements from 174 (72%) as at June 2008 to 196 (78%) as at June 2009.

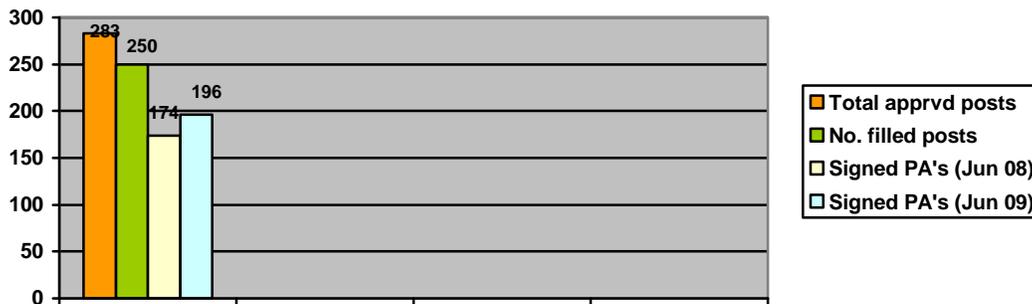


Figure 3: Total signed performance agreements by municipal managers at national level

Failure to sign a performance agreement is a breach of contract and the employing municipality may terminate the employment contract of a manager unless good cause for non-compliance shown. In principle, the no performance agreement, no performance

bonus principle, should be applied. Many municipal managers and managers directly accountable to municipal managers do not conclude their performance agreements within stipulated timeframes as required by regulation 4 of the Municipal Performance Regulations.

It is also a fact that many municipalities do not adhere to regulation 5 of the Municipal Performance Regulations by submitting copies of signed performance agreements to the MECs responsible for local government in the relevant province. This refers back to the poor monitoring and oversight capability of provincial government.

2.14 Vacancies and competencies

There is an overall vacancy rate of 12% for senior managers in local government. It should also be noted that the competency levels for these critical (middle and senior municipal management) S56 and S57 positions posts are not regulated (e.g. technical heads of infrastructure, CFOs). For instance, one team learned that a former tea lady had become the CFO during one municipal assessment. The consequences of poor council / management relations was demonstrated in one municipality where, citing 'a lack of confidence' in the proficiency of the S57 managers, the council outsourced posts to 'mentor' the CFO and the Municipal Manager. This may have been genuinely due to poor capacity, or to personal agendas. This could not be done if tighter controls on Human Resource Management systems at local level were in place.

2.15 Compliance and enforcement

Currently National Treasury and DWAE are formulating regulations to enforce compliance with minimum standards for CFO and Water Infrastructure positions. Another required element to the institutional and local public administration framework for local government is compliance-based systems to strengthen accountability of the administration to the Council, and of the Council to a third entity designed to manage and oversee compliance. There must be consequences for non-compliance.

Another issue is that gender equity in senior positions is very poor. For example, in the Western Cape, out of 30 MM posts, only one has been filled by a woman - in Berggrivier LM. Nationwide only 9% of Municipal Managers are women. Unless there is accountability to comply with gender equity, there will be evasion.

There are numerous incidents reported of irregular or un-procedural suspensions, dismissals and similar. Conversely, there must also be procedural mechanisms to remove those that need to be removed for non-performance or other irregularities, such as those suspended in North West province. Currently, it is reported amongst others that the municipal managers of eight Western Cape municipalities have been suspended, three in Mpumalanga and two in Limpopo.

The regularity with which senior managers and Municipal Managers find themselves suspended by Councils is an urgent issue to be addressed in respect to the separation of powers in municipalities.

2.16 Scarce skills

It was widely pointed out during the assessments that effective professional administration in municipalities is undermined by the difficulty of attracting qualified and experienced technical and management professionals outside of the urban areas. The seriousness of skills scarcity is deepened by the decline of municipal professional associations and poor linkages between local government and the tertiary education sector. This has contributed to the serious breakdown in the supply of municipal professionals.

For example, in Limpopo, one of the poorest and most under-resourced of the provinces, it was reported that in one local municipality, *all* the S57 posts are vacant except for the CFO and the Director Community Services. These scenarios, repeated broadly in the spatially vulnerable areas in particular have enormous impact on service delivery as there may be no experienced senior managers in key posts for planning and infrastructure, and financial management may be weak or exposed to undue influence. The incidence of key S57 vacancies is also particularly noticeable in the Northern Cape which has the highest of all of the vacancy rates. Only Gauteng has all municipal CFO posts filled.

It is clear here that the intent of the policy and legislation to guide organisational performance is often not matched by practice. Further, there has been almost no expert independent evaluation of municipal performance that enables accurate benchmarking and assessment of which municipalities are succeeding and which are failing. 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.

2.17. Conclusion

In conclusion, some key themes have emerged from these assessments in respect to governance. These may be variously identified politically as including a lack of political leadership, or political interference and patronage. There is a lack of policy coherence, multiple reporting demands and a weakening of institutional and organisational abilities in many of our municipalities. Functional overreach and complexity are forcing many municipalities into distress mode, exacerbated by the poor leadership and support from the other spheres and from stakeholders.

In respect to community engagement with public representatives, in instances where it was found that there was a lack of a genuine participatory process, due to political instability, corruption and undue interference in the administration, then it can be said that there is a failure to provide democratic and accountable government. This failure is growing as evidenced by the community protests and intense alienation towards local government being expressed by such communities.

The identification of inefficient and ineffective administrations was premised upon:

- Susceptibility to inappropriate political interference
- Poor (political and administrative) oversight and weak compliance
- Inability to respond to complexity of demands and expectations
- Huge variables in spatial location, skills base and socio-economic legacies

Service failures by municipalities may be attributed to elements of uneven and unstable governance. There is evidence of a high incidence of irregular or inappropriate appointments, coupled with low capacities, poor skills development programmes and weak institutional management. Those municipalities in remote areas experience the added challenge of access to skills and little understanding of their spatial and economic realities. They generally lack the financial and human resources to deliver on their constitutional and legal mandate and on citizen expectations.

3. SERVICE DELIVERY AND INFRASTRUCTURE

3.1 Introduction

The Constitution enjoins that local government must:

- *ensure the provision of services to communities in a sustainable manner*
- *promote social and economic development*
- *promote a safe and healthy environment*

There is clear and demonstrable progress made by local government in accelerating access to basic services for the poor. The comparison of access to basic services in 2001 when the system was established to the results in 2007 from Community Survey data proves this point. And according to the National Treasury's recent review of local government, access to electricity has increased by 10% since 2001, flush toilets by 6% and water by 4%⁸. National government has played an important role through direct financial support to municipalities, policy reforms and legislation. Yet, according to the same review, there is considerable scope for further improvement in both the quantity and quality of provision bearing in mind the size of the service backlogs and the pressures from population and economic growth.

This is because there is a higher concentration of economic activity and population in a few municipalities, accompanied by greater institutional strength and stability in these municipalities, whereas the majority of municipalities are much weaker in terms of both economic and human resource capacity. This situation can paint a rather skewed picture of local government wherein the challenges of the majority of municipalities overshadow the more positive impact that the few well capacitated and effective municipalities may be having on the larger proportion of the population.

The unique challenges faced by weaker and more vulnerable municipalities include complex rural development problems, including a massive infrastructure backlog legacy that requires extraordinary measures to address funding and delivery capacity requirements. On the other hand, it has been demonstrated above that urban and relatively more stable municipalities are also being challenged due to increased urban growth, new household formation and population growth that require better spatial and infrastructure planning and more credible public participation and community interface systems.

⁸ Review of Local Government Expenditure, National Treasury, 2008.

The two main obstacles to accelerating basic services are therefore the lack of critical infrastructure in rural areas and the proliferation of informal settlements in urban areas. Both these obstacles are beyond the capabilities (institutional and fiscal) of powers and functions of municipalities to confront by themselves.

There are some cases where the announcement of unrealistic promises are made by leaders, and this can create a crisis of expectation rather than a more developmental approach where communities are empowered to understand the workings of government and how service delivery and development can be addressed with their participation and involvement.

It is also the case that many municipalities have not been effective in mediating service delivery expectations, and mobilising and supporting communities and other agencies into tapping into the wider network of state and non-state resources. At the same time the two other spheres of government have not deepened the reach of their programmes sufficiently, and have not supported municipalities and local communities effectively.

3.2. Policy context

In terms of the policy context, service delivery and infrastructure are operationalised within the planning framework of government. Coordinated strategic planning should lead to better delivery through integrated planning and greater coordination among government departments. The mechanisms to facilitate planning consist of planning tools that are designed to achieve alignment across spheres.

Whilst the IDP is legislated for in the Municipal Systems Act and the Municipal Finance Management Act, the Provincial Growth and Development Strategies (PGDS) have no firm policy or legislative basis. The consequence of this is that there are no consequences for not engaging in regional planning. Further the district development facilitation role conceived by the Municipal Structures Act is in reality a haphazard arrangement in practice.

The Cabinet cluster system represents the structure that was designed to promote cooperation at a national level. However, due to there being no single window for coordination or single authority in government it has been structurally constrained to deliver on its mandate, key of which is the electoral mandate. This sets out the priorities of government during the coming term. It is the guide to the programmes of the sector departments and the provincial and local spheres of government – ultimately a ‘social compact’ for a speedy recovery from both economic and social down-turns in the country.

Currently, the Five Year Strategic Framework guides government's programmes over the medium term. The planning function will now be a process that coordinates the development of a three-tiered planning product: long-term (15 years) the current MTSF, and then the annual programme of action. The motivation here is to ensure enhanced policy coherence and coordination to facilitate the agenda of government. One supporting mechanism to do this is for a greater focus on the national setting of milestones and targets. This supports a more institutionalised system for a workable integrated development plan for the nation.

The planning system is therefore under review and initiatives for change are intended to improve performance across the spheres, particularly in the area of service delivery and infrastructure. For example, Government has invested R787 billion for infrastructure for the current MTEF. Value-for-money and the performance of the three spheres urgently need improving if the goal of accelerated service delivery and expanded access to basic services is to be fulfilled and scarce government resources are not carelessly expended.

3.3 Current practice: overcoming sole responsibility for planning

To execute the intentions of plans, the principle of alignment of local plans with national and provincial plans remains the key thrust of intergovernmental development planning. Infrastructure development, encompassing the management of building integrated human settlements, and basic services such as water, electricity and sanitation remain the core focus of municipal IDPs but still most plans rarely muster genuine intergovernmental attention and resources.

Plans for local economic development, fostering investment, special projects and alignment to national priority policies such as detailed in the MTSF are additional responsibilities that many municipalities are unable to respond to effectively. It was deduced from the assessments and related evidential research that most municipalities, especially the poorer performing ones, need simply to dedicate their energies to providing basic services and infrastructure.

In the Eastern Cape, for example, the assessment established that the province has the highest percentage (37.2%) of households living in traditional dwellings, meaning that the extent of the challenge for rural development, economic and integrated settlement development are beyond the capability of a local sphere to address alone. This problematic is intensified by its already high service delivery backlogs, and its poor

economic infrastructure, which is a pervasive problem throughout the province. Poor access and poor connectivity constrains the provision of basic services and the leverage of productive investment. Such conditions require a whole-of-government and focused response, whereby cooperative governance comes to mean establishing a stronger role in the mobilisation of resources and support at local level.

3.4 The uneven effectiveness of IDP implementation

Assessment of the problematic in current practice requires a critique of how the IDP is utilised as a planning tool. IDP credibility does not necessarily mean effective implementation and the litany of service delivery challenges can become overwhelming for municipalities. In Gauteng for example, the sheer scale of the problem of ageing and decaying infrastructure that supports bulk services, plus the ever-increasing demand for housing and services to mushrooming informal settlements can be paralysing. Can the weak IDPs of the local municipalities in the province and the realities of high poverty and unemployment in the peri-urban areas really align with the aspirations of a global city region?

Such conditions unveil the prevailing problem that a national, differentiated and coordinated planning effort is required to provide for a new vision for intergovernmental development planning. Many examples of service delivery distress were given during the assessment process, practically demonstrating the urgency of reviewing the planning environment; certainly communities need to be more directly engaged in their own development and this relates to the governance observations outlined above. The charge of an unresponsive political and official environment that marginalises communities was also frequently raised during the assessments and this refers again to the sparks for some of the community protests.

Another element is the accountability of municipalities to communities in the implementation of the development plan. Examples were given of when communities submitted priorities to the public consultation phase of the IDP, the items may be included in the plan, yet the budget and implementation would not be forthcoming. The weakness in many council structures meant that there would little accountability for the failure to deliver the service as agreed.

For example, in some instances, as in North West province, the councillors, the Mayors and local and provincial officials were reportedly seldom available to discuss resolving the community's problems, such as villages without electricity, appalling roads, waste

removal and irregular water tanker deliveries (common to hundreds of villages across the country).

Some provincial reports reflected upon councillor involvement in the IDP, commenting that there is 'minimum participation of councillors in the IDP process.' This supports the commonly expressed view that some councillors are not actually interested in service delivery in their wards and this may be a result of patterns of patronage by certain councillors within the wards of their municipality. This is also a values-based issue and some of the provincial reports refer to these matters.

3.5 Key LED Challenges

Local Economic Development is of critical importance but has been erratic in practice due to the skills required to shape and direct economic growth in local spaces. Part of a new approach will be to make clear the balance between a competitive and welfare focus for LED and thereby clarify thinking on the meaning of LED and its desired impact in local spaces. This will serve to better guide activities and planning in especially small towns and less well-resourced municipalities, and reinforce the policy direction of the LED Framework⁹.

Related to this will be the need to update and review the PGDS Guidelines so that the PGDS should be an iterative process with, on the one hand, credible PGDSs providing inspiration to local and district municipalities and on the other hand, that PGDSs be informed by more credible local and district LED plans.

In line with emerging thinking regarding differentiated approaches to governance and planning responsibilities, a more geographically differentiated approach to LED will delineate more clearly the gap between the systemic competitiveness approach driven in large cities, and LED activities in small towns or poorer municipalities.

⁹ Stimulating and Developing Sustainable Local Economies, National Framework for Local Economic Development (LED) in South Africa

3.6 Overview of service delivery

The key point to emerge from reviews of service delivery is that progress has been uneven across the country with different issues facing different areas, reflecting variable socio-economic conditions and municipal competence.

The performance of the six metros has improved steadily (they are now responsible for 57% of all municipal spending), but they also face the greatest challenges arising from the growing number of poor households and economic expansion. They are simply not keeping pace with the growth in demand for services from these sources, which risks hampering economic growth and failing to improve living conditions for the poor.

This is supported by a review of infrastructure by the Development Bank of Southern Africa, which warned that transport systems in the cities (particularly road, rail and ports) have deteriorated over the last decade through increasing congestion, capacity constraints and lack of maintenance, and that this threatens economic growth (DBSA, 2006).

Highly urbanized areas are now scoring higher on backlogs due to the rapid growth of informal settlements, due to family splitting, homelessness and in-migration, but these cities are unprepared for providing the most basic of services to dwellers of such settlements. The concept of integrated human settlements must urgently address the challenges raised by such rapid urban growth and measures for the health, dignity and safety of shack-dwellers re-assessed.

3.7 Service delivery challenges

In addition to the governance and institutional constraints to effective intergovernmental planning, the reality of managing complex infrastructure projects and responding to the various powers and functions assigned to the sphere became clear in respect to the findings.

Each province has its regional specific challenges and variations in service delivery strengths and weaknesses. Water service delivery in parts of the Eastern Cape presents a depressing picture. The severe drought in the province during 2009 means that expanding sanitation and water connections is out of the question. There are areas without sewerage systems because there is no water to enable the system to function, and inevitably, available water quality suffers leading to risk of disease and even death, as through cholera.

Some municipalities in the Free State rely on bore-holes and underground water to supply communities. During certain months in some areas like Hertzogville, underground water runs dry and communities can only collect water for an hour in the morning and an hour in the afternoon. In Boshoff the municipality relies on the use of army trucks to supply water as a temporary measure. The amount of R50 million was allocated by DWAE in March 2008 to cater for water shortages but this amount cannot be unlocked without a proper feasibility study in place. The municipality does not have sufficient funding to undertake the feasibility study.

The findings from the Mpumalanga assessment also reveal a long list of infrastructure and service delivery challenges and inadequacies. For example:

- Insufficient funds to eradicate infrastructure backlogs or complete infrastructure projects e.g. houses, roads, electricity and water;
- Fast growing informal settlements which are caused by the booming mining industry put pressure on the municipality to provide more services with scarce resources;
- The non-availability of land for township development especially for evicted farm dwellers is impacting negatively on service delivery.

With some justification, many municipalities complain that there are insufficient funds to eradicate infrastructure backlogs on water, sanitation and roads services, resulting in incomplete infrastructure projects e.g. RDP houses, roads, electricity and water. However, individual assessments have also demonstrated examples of under-spending, a degree of wastage, inappropriate usage of funds, and poor oversight.

For example:

- The trend towards diversion of conditional grants to pay for salaries;
- Use of MIG allocations for municipal operational costs;
- Considerable investment amounts are kept by some municipalities whilst there are huge service delivery backlogs;
- There is a lack of monitoring of infrastructure projects by sector departments and provincial local government during the construction phase. This has resulted in poor workmanship being undetected and having no consequences;
- The same poor performing contractors in some cases are appointed repeatedly and in some cases are alleged to be funding political activities;
- There is a lack of planning to meet the infrastructure and services backlogs (e.g. through the Consolidated Infrastructure Plan (CIP), and the Service Delivery and Budget Implementation Plan (SDBIP for the Auditor-General).
- Poor workmanship and low cost material used by many contractors results in poor standards of housing and disappointed citizens; and
- The rural nature and vastness of some provinces has impacted negatively in the provision of the basic services.

In respect to MIG fund usage therefore, some contradictions have emerged. It is important to distinguish between genuine need and misuse of scarce government funds. The varied ability of many municipalities to actually spend their MIG grants is highly uneven.

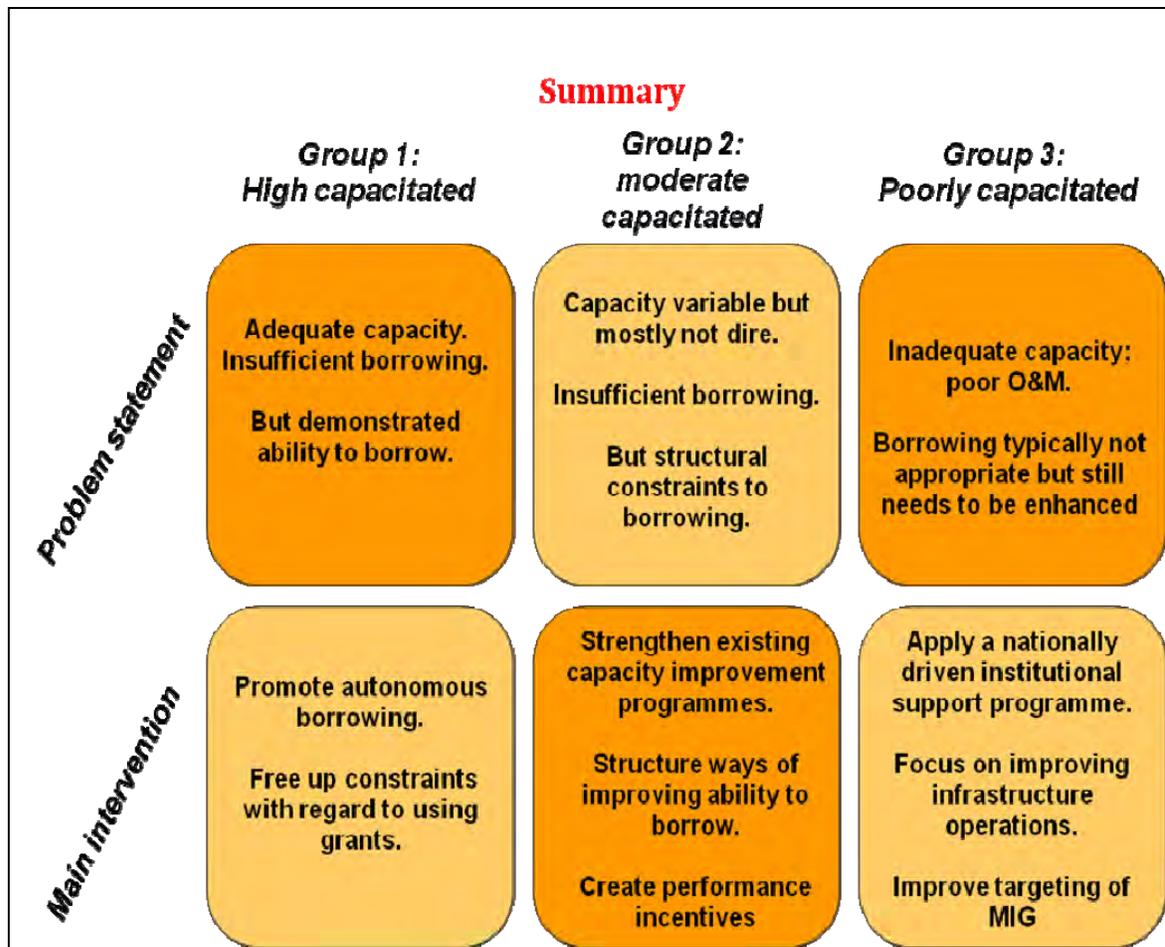
Some of the challenging elements in the current MIG approach include:

- The amount of funding allocated to smaller municipalities on a year-to-year basis is often too small for them to use the funds for larger bulk infrastructure projects.
- Municipalities are not receiving the appropriate amount as informed through a formula which could result in poor selection of projects and ultimately poor outcomes.
- The lumpiness of capital investment in small municipalities is thus a concern.

One proposed solution is to allow MIG funding to be pledged up to 2018 by municipalities in order to acquire loan finance.

The diagram below illustrates the proposed 3 pronged differentiated approach to the management and usage of MIG funding.

Figure: Three categories for the MIG:



Much policy emphasis is laid on leveraging investments and partnerships for infrastructure development, but this is beyond the capacity of many municipalities, and this forms part of the rationale for the differentiated approach with MIG funding. A key policy premise encompassing all of these reasons for poor infrastructure management is that MIG funding can only be effective if the infrastructure management system in the country is effective.

3.8 Water and sanitation

Access to water is also a human right and provided for in the Constitution S27 1(b). Although local government has the primary constitutional obligation to deliver basic services, the national and provincial government have to play a significant role in supporting municipalities to fulfil these obligations. This is often most clearly demonstrated in the management of the Water Service Authorities (WSAs). Many WSAs, as reported by DWAF in 2007, struggle to fulfil their most basic service delivery obligations.ⁱ This is due to vast differences in ability and capacity between weaker municipalities such as those in rural areas and the largely financially self-sustaining municipalities such as metros and secondary cities.

As the water services sector leader, DWAE has urged for a greater say in determining the municipalities who are tasked with the responsibilities of ensuring the provision of water services so that as the regulator DWEA is able to take necessary action to regulate the sector. DWAE agrees with the emerging policy consensus that the 'one-size-fits-all' approach does not work for municipalities in the current local government environment.

3.9. Water backlogs

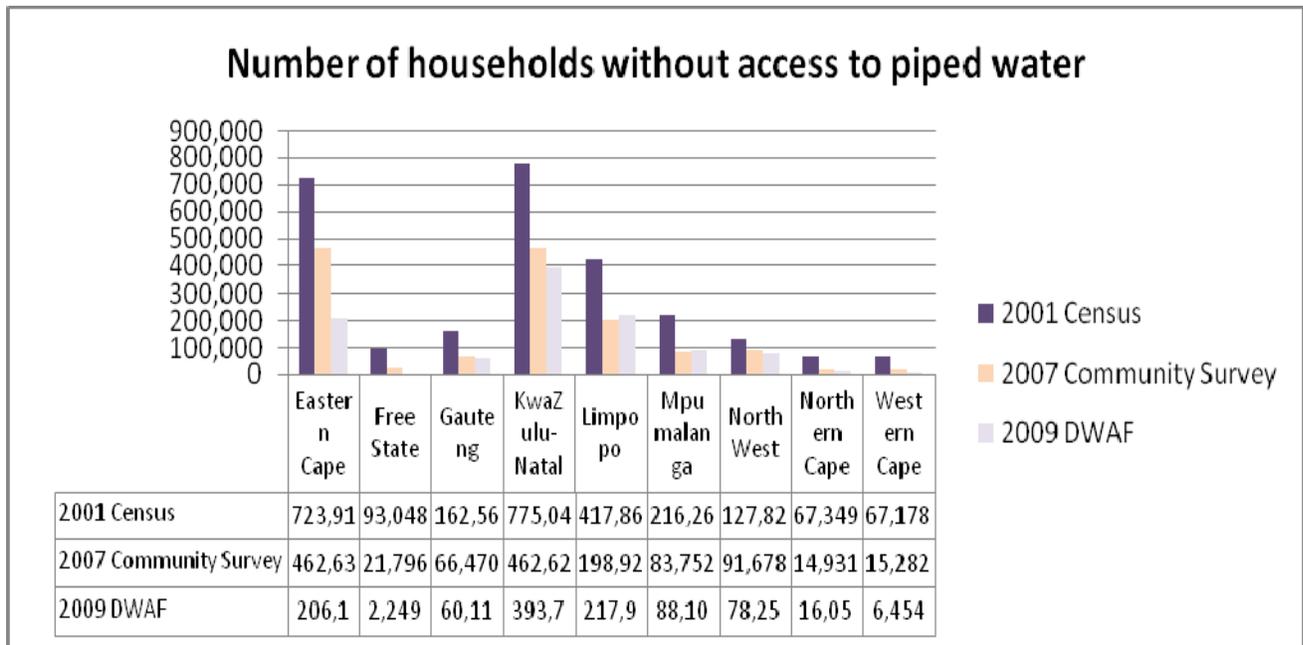
Country-wide, the highest water backlogs per household, provincially, are found in Limpopo (17.2%), KwaZulu-Natal (16%) and Eastern Cape province (12,8%). These three provinces together constitute 75,5% of the national share of water backlogs.

These three provinces are consistently cited in terms of highest poverty, unemployment, and high service backlogs. They are closely followed by Limpopo, whose sanitation backlog figure is at 47%, that is, nearly half, of all households in the province have no or inadequate sanitation. This is a huge health risk.

An important note in the backlog figures is that eThekweni, a large urban metro has the highest percentage share of the national water backlog at 3,9%, and of sanitation, at 5,2%. These figures are closely followed by City of Johannesburg and by City of Tshwane.

There are only 36 municipalities country-wide that do not have a sanitation backlog.

There are 1,069,152 out of 12,996,300 households that are receiving below a basic level of service which constitutes a water backlog. This includes households receiving piped water further than 200m, springs, rain, water tanks, dam/pool/stagnant water and water vendors.

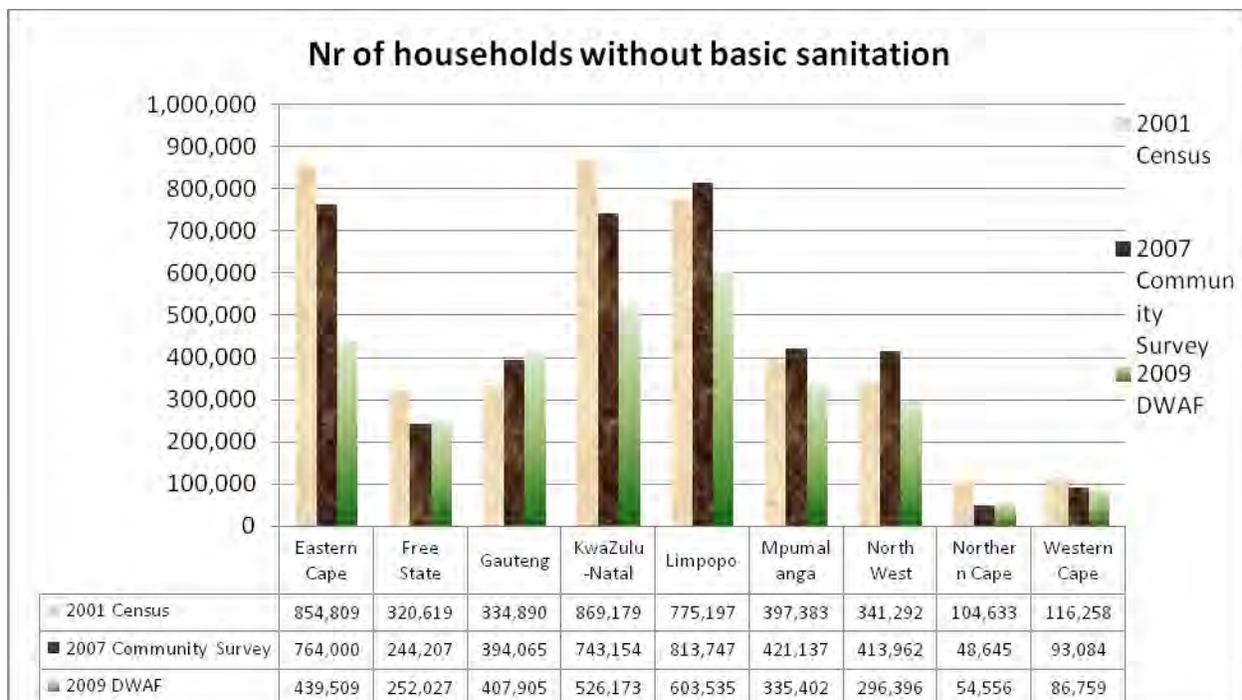


Nationally, 213 830 households would need to be served per year until 2014 to eradicate the existing backlog, which does not take into account growth, formation of new households and infrastructure failures that contribute to backlogs. This is an enormous challenge to be managed across government.

3.10 Sanitation backlogs

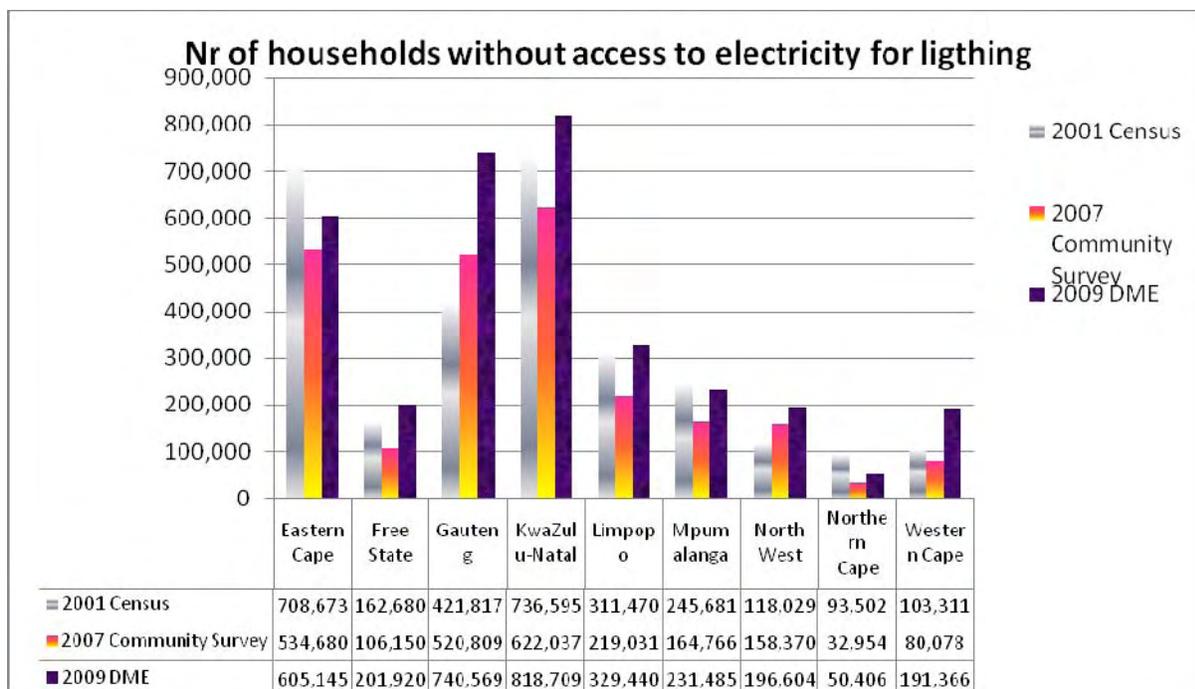
There are 3,002,152 households out of 12,996,300 that are receiving below a basic level of service which constitutes a sanitation backlog. This includes households using chemical toilets, pit latrine without ventilation, bucket latrine or have no sanitation facility.

Nationally, 600 452 households need to be served with sanitation facilities per year until 2014 to eradicate the existing backlog. This figure does not take into account growth, formation of new households and infrastructure failures that contribute to backlogs.



3.11. Electricity backlogs

The limited availability of energy has emerged in the past months as a serious resource challenge. It is now clear that the primary electricity supply agency, ESKOM, does not have the generation capacity to meet the rising demand for energy resulting from the robust economic growth South Africa has enjoyed (DME, 2008).



72.8 % of households i.e. 9, 010, 056 households have access to electricity i.e. households connected to the grid.

There are 27, 2 % of households i.e. 3, 365, 644 households are below a basic level of service. This includes households using wood, coal, gas and paraffin.

Table: Percentage share of national electricity backlog

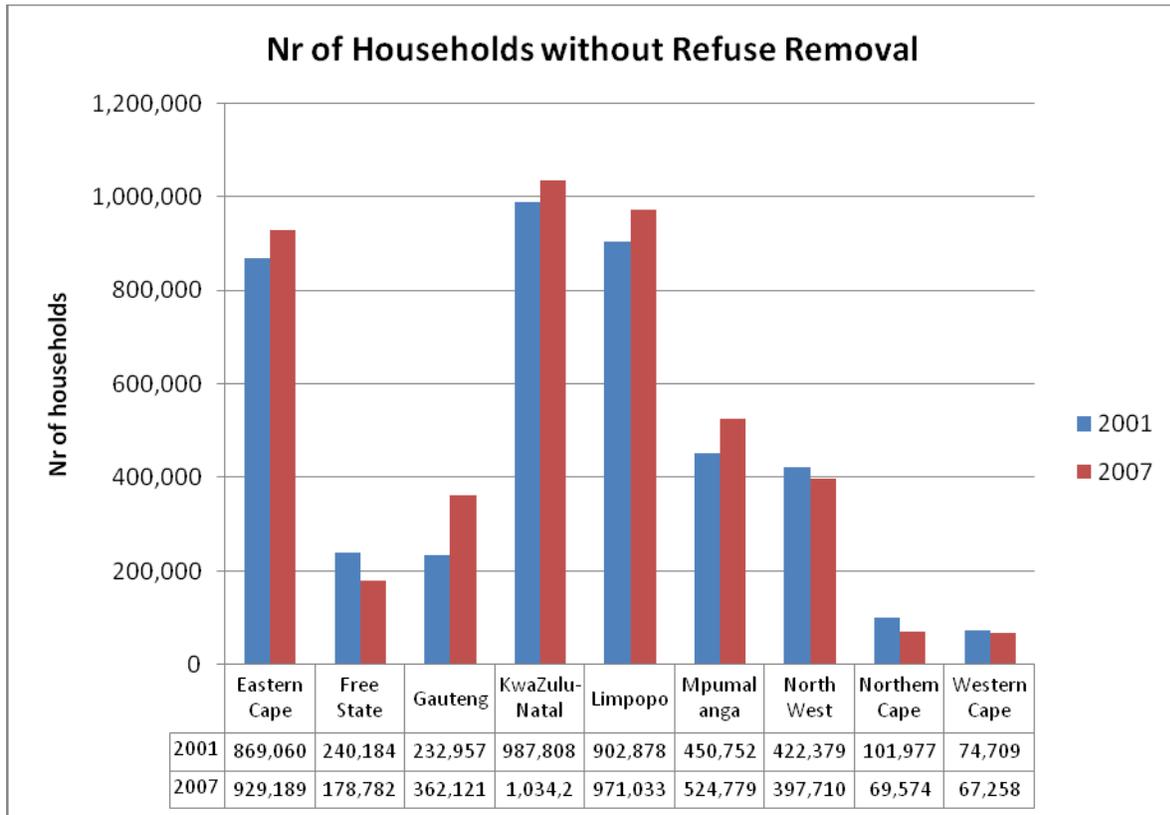
Name of Municipality	Percentage share of the national backlog
Buffalo City	2.5
Umzimvubu	2.2
Ekurhuleni Metropolitan Municipality	7.5
City of Johannesburg Metropolitan Municipality	7.0
Tshwane Metropolitan Municipality	4.1
eThekweni Metropolitan Municipality	5.2
Cape Town Metropolitan Municipality	3.8

DME (2009)

Ekurhuleni Metropolitan Municipality has the highest percentage share of the national backlog (7,5%), followed by City of Johannesburg Metropolitan Municipality (7,0%), followed by eThekweni Metropolitan Municipality (5,2%).

3.12. Refuse Removal

59,9 % of households i.e. 7,478, 334 households have access to adequate refuse removal service. This includes (i) removal by local authorities/private company at least once a week and, (ii) use of communal skip.



There are 40,1 % of households i.e. 4, 998, 787 households are below a basic level of service. This includes refuse removal by local authority/private company less often, a communal refuse dump, own refuse dump, having no rubbish disposal facility or any other means.

Most provinces still have landfill sites that do not comply with legislation Eastern Cape has 40 registered landfill sites and 76 that are not permitted. Free State has 60 waste facilities which do not comply to permit conditions. In KwaZulu-Natal all municipalities have sites but information on whether they are registered is not available. Limpopo has 17 landfill sites that comply with legislation. Northern Cape has 35 which comply and 52 that do not comply. In North West all 21 local municipalities have sites which comply and Western Cape has 240 sites overall and only 81 comply with legislation.

3.13. Roads and public transport

Whilst a number of metropolitan and district municipalities utilise own revenues to finance the delivery of road infrastructure, the majority of the country's 283 municipalities rely on three major conditional grant transfer programmes, namely: the public transport infrastructure and systems grant, (PTIS), the Municipal Infrastructure Grant (MIG), and the expanded public works programme (EPWP).

However, the 2007/08 data revealed that collectively, municipalities spent less than 8% of their budget on road infrastructure, with most amounts being spent by the metros and secondary cities. In some small, rural municipalities, road infrastructure budgets are less than R500 000, precisely in areas where they are most needed.

In Limpopo province much of the road network in the districts are not tarred. Most of the gravel roads are not maintained and many do not have appropriate road signs. The Financial and Fiscal Commission (FFC) has researched the impact of decades of under-investment in road maintenance and management. The following areas of concern were identified:

- The state of roads has an impact on the economic development of the municipal areas. Roads leading to where the majority of the population is located, are not tarred, and as such, hinder the proper transportation of people, goods and services to these areas;
- Lack of regular maintenance on the gravel roads and the high cost to maintain these roads;
- The non-maintenance of access roads in the municipalities is impacting negatively in the provision of other services; and
- Roads constructed in the 1970s and 1980s without storm water drainage system require urgent upgrading.

Following research into these issues, the FFC recommended that there should be an increased and more stable flow of funds for roads infrastructure. One key recommendation in this regard would be to explicitly include a road infrastructure component within the provincial and local government equitable share formula. Another is to expand the role of development institutions and capital market in funding road infrastructure investment especially within provincial and local spheres.

3.14. Housing

While many municipalities have made significant progress in addressing historical backlogs in basic infrastructure, shifting patterns of demand to urban areas and to support economic growth is currently outstripping the investment capacity of municipalities. During the provincial assessments, many municipalities indicated that they are experiencing serious challenges with the provision of housing. Although housing is a provincial competency, the impact of the slow provision of housing is experienced at local level.

The unpredictable nature of provincial housing expenditure and approval for developments undermines the ability of municipalities to adequately plan for infrastructure investments and can lead to delays in both housing and infrastructure projects. Some metros have begun to undertake the housing function on behalf of their provincial counterparts. In such cases municipalities will prepare plans and submit them to their provinces for approval and release of funding. Long delays can be experienced through this arrangement. Better alignment is required between housing and infrastructure conditional grants, to facilitate a 'package of services' to facilitate the integrated human settlements policy.

The KwaZulu-Natal Province reported that the priority to provide housing differed according to the profile of the municipality, i.e. housing was likely to be a priority in urban municipalities. In Gauteng, all the metros noted the challenges to provide housing for the ever growing population and to facilitate the transition of the "poor" living in hostels, informal settlements and historical ghettos (Johannesburg Metropolitan Municipality).

Housing provision is also hampered by a lack of funds and poor alignment of service providers to provide for integrated developments. In Limpopo, the delivery of RDP houses in one LM cannot be done as the 600 completed units are not connected to the bulk water and sewerage network of the local municipality. Some municipalities have indicated that housing projects are delayed by political instability and that some of the unfinished houses are vandalized. The Free State and Limpopo local municipalities indicated that they are experiencing issues with poor quality or incomplete RDP houses.

According to the National Department of Housing an estimated 2 744 informal settlements were identified in 2007/2008. The number of households is 1,240,000 [GHS 2007, Statistics SA]. The National Department of Housing is currently in the process of assisting Provincial Housing Departments with the compilation of a demand database.

Housing formalisation and regularisation of informal settlements remains a planning and management challenge. Fast growing informal settlements put pressure on municipalities to provide more services with scarce resources but the lack of funds for new properties to relocate households to in informal settlements, means many remain unsuitable for habitation. The challenge of keeping pace with the demands of urbanisation is illustrated by the figure below, which shows that despite the large number of new formal houses built over the last decade, the backlog is still considerable and concentrated in the big cities.

There are an estimated 286,000 informal houses in Ekurhuleni, 260,000 in Johannesburg, 180,000 in Cape Town, 173,000 in eThekweni and 165,000 in Tshwane. Together they account for almost half (47%) of all informal housing in the country, and this is where the biggest increases have been over the last decade. The falling average size of households adds to the complication for policy because more units are required to house a given population.

In summary, the following challenges with housing provision were identified during the assessments:

- Poor relations between the Traditional leaders and the local municipality which has a negative impact on the delivery of services. Many traditional leaders allocate land to communities without consultation with the municipalities. The municipalities cannot properly plan for the installation of services in these areas;
- Traditional land ownership can clash with the need to the proclamation of Townships;
- Scarcity of 'free' land for housing delivery in most areas – rural and urban;
- High spatial development cost for a large number of small dispersed villages with less than 1000 people, which have high financial implications;
- Need to repeal regulations of older legislation (e.g. subdivision of property in townships) such as the Black Administration Act;
- Implementation of Property Rates Act is limited due to incomplete valuation rolls and non implementation in rural areas;
- Housing formalisation and regularisation of informal settlements remains a planning and management challenge;
- Fast growing informal settlements put pressure on municipalities to provide more services with scarce resources;
- Illegal occupation of RDP houses due to delays and poor management of housing delivery and incomplete housing projects due to corrupt or defaulting contractors;
- Vandalism of low cost houses as a result of non-occupation by beneficiaries; and

- Lack of equity in the allocation of houses where some communities are given preferences over others.

Reported challenges relating to land include:

- Lack of support to land claims due to poor coordination between the Land Claim Commission and municipalities, resulting in collapse of well intended initiatives within the province;
- The non-availability of land for township development especially for evicted farm dwellers is impacting negatively on service delivery; and
- The role of Traditional leaders in land allocation and upgrading of land tenure rights need to be resolved. Who owns the land? When Traditional Leaders are present they are told that they own the land, when not present the message is the land is owned by the state.

3.15. Intergovernmental cooperation

The expectations from intergovernmental cooperation have largely not been met. The result is that it is still not clear how the various IGR structures function and the extent to which they foster meaningful cooperation between sectors and outcomes focused deliverables.

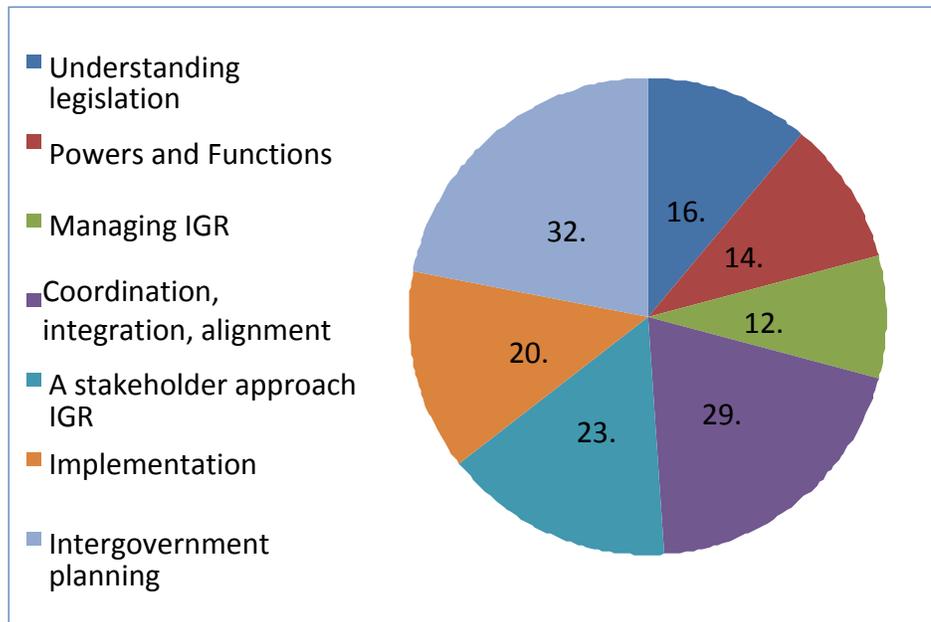
Many municipalities cited a lack of development facilitation support from districts to local municipalities on provision of water and sanitation infrastructure and other sector-based service delivery areas. Clearly intergovernmental coordination is essential for this service to be effective. It demonstrates again that coordination cannot be effective without functional clarity and direction in who is providing and paying for the service and where it needs to be implemented.

3.16. Understanding IGR

In order to deepen understanding of intergovernmental relations at a provincial level, and to ascertain the capacity-building needs at provincial level, in 2008 COGTA embarked upon a capacity building programme for IGR across 4 provinces and 23 districts. The trends picked up demonstrated that it is a poorly understood and institutionalised legislation. The implications of this are practical - poor coordination and restricted application of IGR to developmental outcomes.

There are questions to ask when legislation is poorly understood and implemented. In reviewing the effectiveness of the system of cooperative governance the possibility emerges of revising the IGRF Act. This would primarily be to remove the voluntarism in the system, to clarify the roles of intergovernmental structures and to define the responsibilities of the spheres in coordinated development planning.

The graph below depicts the capacity development needs as identified by the workshop participants at the workshop held in Mpumalanga:



3.17. Conclusion

The current analysis of the constraints to cooperative governance by COGTA reveals the imperative of creating a new policy framework for the practice of cooperative governance across the three spheres. Whilst change and maturity in the governance systems would assist, the weakness of institutionalisation of cooperative governance constrains the evolution. The need for a change in how leadership and management echelons think and perform is also critical to success, as cooperation for service delivery in all its manifestations cannot be managed on a legislative, policy or technical basis alone.

Highly uneven responsiveness to the challenges of local government in the management and provision of services has contributed significantly to the state of

distress local government finds itself in today. It can be said that the key high level problematic in planning, service delivery and infrastructure thus include:

- Poor cooperative governance;
- Poor Implementation of the IGRF Act;
- Ineffective functioning of the Cluster system;
- Poor community / civil society engagement and mobilisation; and
- Uneven and inadequate implementation of government programmes.

These areas of ineffectiveness result in much of the poor implementation of the IDP in municipal areas. Considering the IDP is the representation of most aspects of service delivery per municipality, the gap between the ideals of intergovernmental coordination and the realities on the ground is fundamental.

Following from this identification, it became clear that the lack of a relationship between a system of national indicators that enables government to assess the comparative performance of different municipalities and the planning related powers and functions assigned to them has become highly problematic.

Cities such as Cape Town, eThekweni and the Gauteng complex for example, may require special legislation and functional planning authority to maximise their role in building the national economy, whilst rural municipalities in former 'homeland' areas for example, need to be released from the complexities of compliance with an integrated development plan that is way beyond their capacity to implement.

This reverts back to the issue of policy assumptions – policy goals have to be realised through a joint governance and fiscal lens. It was demonstrated that housing and land policies, continue in practice to confound the local sphere, through complex split authorities that remove decision-making and the regulatory environment from the local sphere. Larger and competent urban metros and municipalities are frustrated by the complexities of accreditation and the role of reluctant provinces in granting any of the three accreditation levels.

Efforts to improve and restructure coordination will not be effective if premised upon the same assumptions that have bedevilled service delivery expectations to date – one mandate – one-size-fits all - combined with prevailing poor performance and a lack of monitoring and support.

4. FINANCIAL MANAGEMENT

4.1 Introduction

Local government has emerged from a prolonged transition to face a second generation of challenges, namely:

- The growing economy has resulted in increased demand for economic infrastructure;
- Ageing assets are increasingly requiring upgrading, rehabilitation or replacement; and
- Urbanisation means the location and nature of poverty is changing.

Due to our country's history of inequity, there remain significant areas of poverty with limited social and economic development in spite of 15 years of attempted redress. This was sought through the intergovernmental fiscal system, which is based on a redistributive approach across all municipalities through the system of transfers.

While there are many examples of exceptional efforts and remarkable successes by individual municipalities, the local government system does not, at present, appear to be responding to these challenges very effectively. Many municipalities can simply not leverage the funds they need for even moderate municipal functionality. The strategies to address service backlogs are therefore now coming up against significant cost pressures.

Compliance with the current financial management system is a constant challenge for many municipalities. Audit reports are uniformly poor for over half the municipalities, the origins of which start with their inability to manage their Annual Financial Statements and the systems and processes described in the MFMA.

The financial environment is further challenged by a poor skills base, weak support from provinces and poor controls that leave the system open to abuse and fraudulent activity. Also, the demands of implementing the Property Rates Act were underestimated as well as the uneven application of systems, software and processes.

4.2. Policy Context

The consolidated legal framework for local government consists of chapter 7 of the Constitution, the Municipal Finance Management Act, together with the Municipal Structures Act, Municipal Systems Act, Municipal Property Rates Act, various sector and other legislation applicable to local government. The South African intergovernmental fiscal relations system is based on section 41(1) of the Constitution, the Intergovernmental Fiscal Relations Act and Division of Revenue Act.

Underlying policy development in the arena of municipal finances is the issue of providing acceptable levels of municipal services to poor households at affordable rates which in turn, requires some redistribution. That source of redistribution can be local, through cross-subsidisation within the municipality or from grants financed from national taxes, or a combination of the two. The conventional view internationally is that redistribution is best effected from the national level. In this regard, an increasing reliance of municipalities on transfers (equitable share and others) from national government to fund their activities is evident. This partially reflects the national priority accorded to combating poverty through providing universal access to basic services.

4.3. Current practice: audit findings

Evidence suggests that, in aggregate, the demands of a growing economy are no longer being met by the levels of municipal investment. Challenges with regard to financial management identified in municipalities during the assessment of the state of local government are not new and have been identified in reports from National Treasury and the Auditor-General.

Poor financial management and lack of controls and accountability systems impacts negatively on service delivery for communities, from lack of provision of water and other services to inadequate funds for technical equipment for servicing basic infrastructure.

Although there has been a reduction in the number of disclaimed and adverse audit opinions for municipalities, from 99 disclaimed opinions for the year ended June 2007 decreased from to 86 (35%) for the year ended June 2008, more than a third of the 283 municipalities obtained either disclaimers or adverse opinions. A further 57 municipalities received a qualified audit opinion in 2007/8, which bring the total of municipalities with qualified, disclaimer or adverse opinions to 152 (54.4%). Furthermore, forty-five per cent of municipalities (67) compared to 38% in the prior year

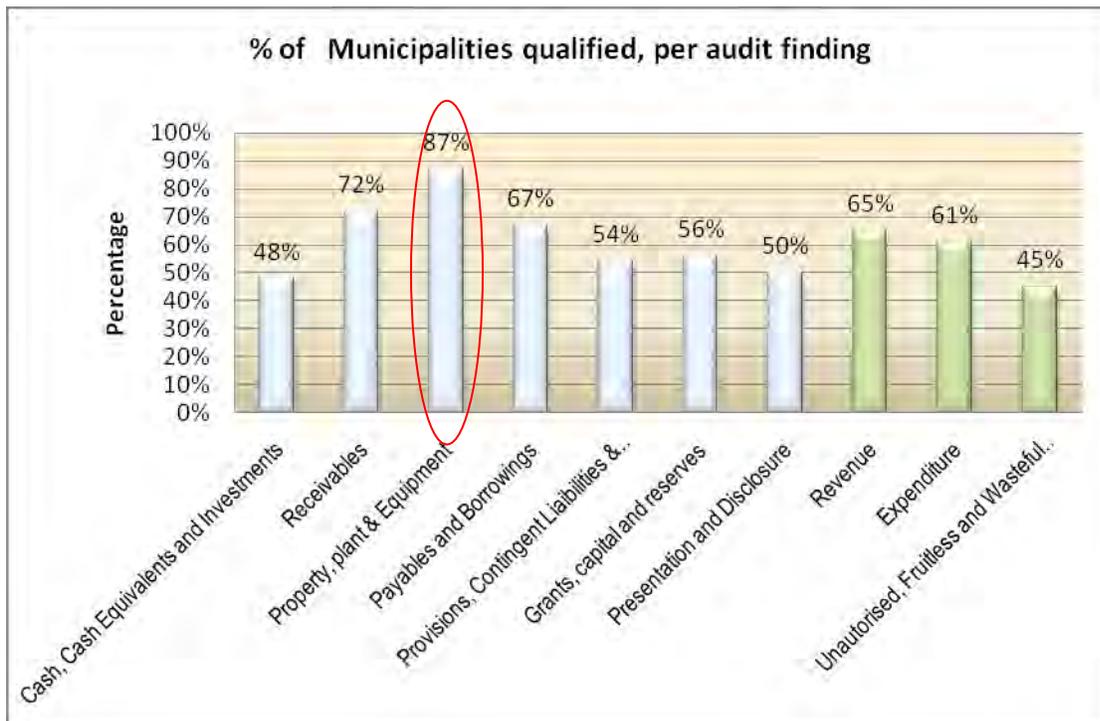
had findings on unauthorized and fruitless and wasteful expenditure leading to qualifications in this regard.

The number of outstanding audits has also increased dramatically since the previous financial year. Another 38 (13.4%) municipalities were not included in the AG's 2006/7 report due to capacity constraints in finalising prior year audit backlogs and annual financial statements that were not submitted on time. This represents a significant deterioration with the previous year when 13 municipalities (4.5%) were not included.

The Auditor-General's report has identified a lack of controls, mismanagement and lack of governance principle as the key reasons for the state of despair in municipalities. The Department of Co-operative Governance and Traditional Affairs has launched an "Operation clean audit 2014" campaign on 12 August 2009. The aim is to address audit queries in a sustainable way to improve service delivery and ensuring that by 2011, all municipalities and provincial departments have dealt with the causes of disclaimers and adverse opinions.

The figure below provides a breakdown of those audit findings that gave rise to the qualified audit opinions. The audit findings are split between items on the balance sheet (statement of financial position) highlighted in grey bars and the *income statement* (statement of financial performance) highlighted in green bars. One of the biggest challenges in municipalities is asset management as encircled below:

Figure: Areas qualified on reported financial position and/or financial results



4.4. Grant dependency

The design of South Africa's intergovernmental fiscal system is informed by the country's history of inequity and inequality: concentrations of development and economic wealth in certain parts of the country, contrasting with poverty in other parts. The system is based on the understanding that the redistribution challenge is largely a national issue and must be addressed primarily through the national fiscus (the system of transfers). To increase the efficiency of service delivery, the intergovernmental system is dependent on the proper co-ordination of policy, budgeting, planning, implementation and reporting between the spheres.

Substantial increases have been made to the transfers (both operational and infrastructure) of local government over the last few years in acknowledgement of its increased service delivery responsibilities. Yet, many municipalities are not in a position to meet their developmental mandate due to an inadequate economic base or high levels of poverty and unemployment. Internal municipal systems result in cumbersome administrative and budgeting systems, inefficient service delivery, poor management and disproportionate wage bills are adding to the problems of municipalities. National

policies, such as the extension of free basic services to poor households, are also putting added pressure on local government.

At 22.4 per cent of total operating revenue in 2007/08, government grants are the second largest source of revenue for municipalities. The increasing reliance of municipalities on local government transfers is largely due to the rapid growth in the local government Equitable Share and in national conditional grants to local government, as well as the abolition of the RSC levies. The Equitable Share, the only unconditional grant to local government is intended to fund a range of municipal activities, although national free service levels are the main purpose. The distribution of the equitable share has increasingly favoured metros over local municipalities.

In 2003/04, metros received only 20 per cent of the equitable share, while local municipalities received 64.2 per cent and district municipalities the remainder. In 2006/07, 40.7 per cent of the total grant went to metros, 37.3 per cent to local municipalities and 22.1 per cent to the district municipalities.

The bias towards the metros is a result of both their large and growing poor populations and the introduction of the RSC levy replacement grant, which is transferred through the equitable share mechanism. This replacement grant was also allocated to district municipalities.

According to National Treasury's Local government budgets and expenditure review: 2003/4 – 2009/10, metros and local municipalities are receiving almost the same proportion of the equitable share, at 39.7 per cent and 38.5 per cent respectively. This has led to an outcry from a number of local municipalities to urgently review the formulae for the allocation of the equitable share.

Extent of municipalities' reliance on National Government Transfers according to the Local government budgets and expenditure review: 2003/4 – 2009/10:

	Outcome				Estimate		
	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Category A Municipalities (6)							
No. who receive more than 30% of revenue from national transfers	-	-	1	1	1	-	-
50%of revenue from national transfers	-	-	-	1	-	-	-
75% of revenue from national transfers	-	-	-	-	-	-	-
Secondary Cities category B Municipalities (21)							
No. who receive more than 30% of revenue from national transfers	1	4	5	4	5	4	5
50%of revenue from national transfers	-	-	1	2	-	-	-
75% of revenue from national transfers	-	-	-	-	-	-	-
Remaining category B Municipaliites (210)							
No. who receive more than 30% of revenue from national transfers	129	142	153	154	159	163	157
50%of revenue from national transfers	69	79	93	92	97	104	102
75% of revenue from national transfers	28	33	41	37	38	47	45
Category C Municipalities (46)							
No. who receive more than 30% of revenue from national transfers	37	33	43	40	42	43	44
50%of revenue from national transfers	28	22	40	36	38	40	42
75% of revenue from national transfers	11	11	23	20	24	31	32

Source: National Treasury

The above table indicates that 57 municipalities receive more than 75% of their revenue from national transfers. Such municipalities cannot be regarded as financially viable.

A number of local municipalities have even indicated that they are 100% grant dependent. These municipalities do not have a formalized township to collect revenue from and are dependent on the national and provincial government for financial support.

Although there are requests for increased funding, the spending of grants in a number of municipalities, levels of expenditure relative to allocations vary considerably between categories of programmes and individual programmes. The unspent conditional grants are also supposed to be cash-backed – but very often this is not the case with municipalities having spent the cash for operational purposes.

With regard to grants, a number of issues are beginning to emerge and will have to be addressed within the system of transfers over time:

- Co-ordination between programmes remains weak. Delays in housing implementation which is not a municipal function, for example, can slow down the rate of infrastructure investment by municipalities;
- The proliferation of indirect infrastructure transfers further complicates co-ordination arrangements;
- Transfers continue to weaken local democratic accountability. The growth in grant dependence and the prevalence of indirect transfers obscure the accountability of municipalities. The grant conditions often replace local oversight of municipal performance with complicated reporting requirements to national departments;
- Weak programme design, implementation and evaluation procedures limit the impact of grants on the development outcomes sought by government; and
- Programmes to strengthen the capacity of municipalities remain fragmented and are difficult to evaluate.

4.5. Revenue and Expenditure Management

The share of service charges in total operating revenue declined from 49 per cent in 2003/04 to 42.9 per cent in 2009/10 mainly due to the sharp increase in national transfers. The Local government budgets and expenditure review: 2003/4 – 2009/10 indicates that at 42 per cent in 2006/07, service charges are the largest source of operating revenue for municipalities.

In view of service charges being the main source of revenue to municipalities, challenges experienced with enforcing debt collection and an increase in the aged debts (i.e. outstanding debts of more than 90 days), as well as a high level of indigents and the culture of non-payment impact hugely on their financial viability.

Challenges are experienced with enforcing debt collection and an increase in the aged debts (i.e. outstanding debts of more than 90 days), as well as a high level of indigents

and the culture of non-payment. In addition, many local municipalities are reporting losses (both water and electricity) due to illegal connections. This renders the majority of local municipalities financially not viable and unable to upgrade and maintain infrastructure.

At 30 June 2008, there were at least 85 municipalities with debtor levels higher than 50 per cent of own revenue according to National Treasury Reports. In addition, 43 municipalities reported negative opening cash positions for the third quarter ending 31 March 2009. This is a strong indicator that these municipalities are at serious financial risk, especially if there is an ongoing deteriorating trend.

It needs to be noted in this regard that 75 municipalities did not give information on their cash position as part of the 31 March 2009 section 71 returns. A municipality with a positive cash position may still not have enough cash and investments on hand to fulfil its legal obligations to provide for the cash-backing of reserves and other working capital requirements.

National Treasury reported in June 2009 to the Technical Committee for Finance that 56 local municipalities and eight districts are on their financial distress list.ⁱⁱ Most of the local municipalities are in the Eastern Cape (11), the Free State (11) and the Northern Cape (10). The rest of the municipalities are distributed as follows: North West (6), KwaZulu-Natal (5), Mpumalanga (5), Western Cape (4), Limpopo (3) and Gauteng (1). The eight districts in distress are: O.R. Tambo, Cape Winelands, Umkhanyakude, iLembe, Nkangala, Mopani, Metsweding and Namakwa.

Although the Municipal Property Rates Act (2004) took effect from 2 July 2005, the new property rating and valuation system only takes effect when a council has adopted its rates policy and has prepared the first valuation roll in terms of the Act. Municipalities are required to bring their valuation records up to date within four years of the effective date of the legislation, i.e. between 1 July 2006 and 1 July 2009.

The implementation of the Property Rates Act in some traditional areas proves to be contentious, e.g. Limpopo Province. Where the Municipal Property Rates Act has been implemented, positive increases in revenue were observed, e.g. KwaDukuza LM (245.6%) and Umshwathi LM (569.4%).

Political tensions coupled with political instability has rendered many municipalities unable to invite private sector in the IDP formulation processes and thus both foreign and domestic investors have been unable to identify investment opportunities. The rate and level of revenue raising in municipalities is further compromised by deep levels of suspicions between management and politicians.

4.6. Credible budgets

Municipalities are showing a poor ability to accurately plan and spend their budgets (i.e. credible budgets). A credible budget is regarded as one with a variance of less than 20 per cent. 35 municipalities overspent their total adjusted budgets to the total amount of R2.6 billion while 182 municipalities under spent to the amount of R19.1 billion. When analysing the capital adjusted budget spending, 177 municipalities under spent to the amount of R7.3 billion and 32 municipalities overspent to the amount of R350 million.

Analysis of the operating adjusted budget indicates that 24 municipalities overspent their operating budget to the value of R2.6 billion while 166 municipalities under spent to the value of R12.3 billion. A very significant risk going forward is that municipalities' spending plans outstrip realistically collectable revenues.

A worrying trend was identified in Limpopo province which might be indicative of a lack of capacity to adequately plan (budget), particularly the projection or estimation of revenue. The budget for operating revenue was for example R 5,155,606 but a total of R 9,676,916 (187.7%) was received. Of the R9, 676,916 received, R4, 773,176 was spent, which represents an over expenditure against the planned or budgeted R2, 480,821 for operating expenditure. It must also be noted that in Limpopo province the Auditor General qualified 58% of municipalities on expenditure (2007/8) that could either be the result of inadequate filing systems or possible maladministration of revenue.

4.7. Conclusion

The assessment process has revealed that the financial environment in municipalities is a highly problematic area – at worst it is fraught with both a poor skills base, weak support from provinces, and then open to abuse and fraudulent activity. Many municipalities lacking a tax base, short of Equitable Share and with a weak revenue base simply cannot leverage the funds they need for even moderate municipal functionality.

One of the basic principles underlying Municipal Finances is the principle that Local Government is substantially financed by means of own resources. This is an important feature of any democratic local government system. It ensures that municipalities are directly accountable to local residents for the functions they perform and the services they provide.

With respect to financial management, National Treasury reports referred to in this Assessment Report provide clear evidence of the dire financial situation of

municipalities. Municipal revenue collection has begun to fall as greater reliance is placed on transfers as a revenue source. Municipalities continue to face capacity constraints in conceptualising and implementing developmental spending programmes.

Growing grant dependence is creating a dependency syndrome, which in future might be unsustainable. Furthermore, if municipalities had collected half of their outstanding debts, they would have had about 18 per cent more revenue with which to fund the delivery of services. The increase in outstanding consumer debts highlights possible governance problems.

It is argued here that the policy context for financial management may be over sophisticated for many municipalities, and expectations too high. The principle of a differentiated approach towards the different types of municipalities may need to be further entrenched in financial management policies for local government and aligned to emerging policy proposals for a new national approach to differentiation.

It makes sense that government should extend financial freedoms and flexibilities to competent municipalities in order to speed up the provision of services in a manner that can be sustained and to address bottlenecks, backlogs and neglected repairs and maintenance. Conversely, better technical assistance should be provided to municipalities with weak capabilities in financial management, external borrowing, income generation and debt collection.

5. LABOUR RELATIONS

5.1 Introduction

The overview of labour relations details the seriousness of the breakdown of functional labour relationships in many municipalities. Over and above the contested areas between management, councillors and labour, the simple issue of capacity – the poor skills base and lack of training and career pathing, illustrate the unprofessional lack of concern for building a dynamic labour force. The indifference or incapacity to sort out pay parity issues, and health and safety standards or the ignoring of agreements, all point to dysfunctional human resource management and weak integrity and ethics within some municipalities.

Lack of cooperation, poor communication and poor relations between management and organised labour have led to an effective breakdown in a functional relationship between the two parties in many municipalities. This has been especially widely

reported in the majority of municipalities in North West, the Northern Cape and the Free State. Related to this is the poor functionality of Local Labour Forums and the lack of trust between management and organised labour due to the latter's role in reporting cases of alleged corruption and nepotism.

The incidence of low productivity, poor motivation of the work force and poor supervision were raised in a number of municipalities. It was frequently reported that there is political interference of the councillors in recruitment.

Other labour issues that have been identified as of importance in the municipal assessments include skills development and training, occupational health and safety, recruitment and appointment processes, organograms and post structures, salaries, wages, outsourcing and temporary workers.

5.2. Policy Context

The merging of 843 municipalities into 284 in 2000, have led to challenges of aligning salary structures and employee benefits. Personnel in local government are employed by individual municipalities within the framework of the Uniform Conditions of Service agreed to in the South African Local Government Bargaining Council, with effect from 1 January 2004. Employment contracts and conditions of service in local government are negotiated through collective bargaining arrangements with the unions, with SALGA representing local government.

The government is committed to creating a single public service, to ensure greater personnel mobility between the three spheres and improve service delivery and coordination. Plans to develop uniformity between the remuneration frameworks of public service and local government are required. The greatest challenge involves aligning the human resource management practices between the public service and municipalities. This involves aligning the current remuneration grading and conditions of service dispensations.

The Skills Development Act of 1998 provided for the institutional and financial framework for skills development, including the establishment of a Local Government Sector Education Training Authority (SETA). The mandate and obligations of LGSETA are based on the Skill Development Act, but also the South African Qualifications Authority Act (SAQA) of 1995, the Skills Development Levies Act 9 of 1999 and in accordance with the National Skills Development Strategy 2005 to 2010 and the Sector Skills Plan for Local Government. Chapter 7 of the Local Government Municipal

System Act 32 of 2000, prescribes the obligations on municipalities in terms of human resource development and capacity building.

The Organisational Rights Collective Agreement agreed to in the South African Local Government Bargaining Council and in accordance with the provisions of the Labour Relations Act, 1995 provide for and regulate organisational rights for trade unions in the local government sector. The Agreement came into operation on 26 April 2005 and shall terminate on 30 June 2010. SALGA, IMATU and SAMWU are the parties to the Agreement.

5.3. Current practice: Local Labour Forums (LLFs)

Non-functionality of the LLF is a widespread phenomenon in municipalities throughout the country. The Local Labour Forums are not functional and in some cases not effectively utilised due to lack of cooperation between organised labour, councillors and senior management. This exacerbates the instability in administration and has a serious impact on service delivery. Due to this non-functionality many labour demands are not addressed and contribute to the mobilisation of labour against management.

The Organisational Rights Collective Agreement which governs the establishment of Local Labour Forums (LLF) is also not consistently implemented in municipalities. This has led to non-functionality of LLFs in many municipalities across provinces, for example Ba-Phalaborwa LM in Limpopo, Alfred Nzo DM in the Eastern Cape, Mafikeng LM in North West, and Hantam LM in the Northern Cape.

In many cases where the LLF is non-functional, relationships between management, councillors and labour are also adversarial. In the Free State this is reportedly the case in 14 of the 25 municipalities. While three municipalities have been singled out for serious labour challenges KwaZulu-Natal, a further 29 municipalities have moderate labour challenges which need to be addressed.

There need to be engagement on the role of SALGA in the current poor relations between management and organised labour and its improvement. In 2005 and 2007 strikes in the municipal sector ranked among the top six strikes nationally in terms of workdays lost. This is of specific relevance as the strategic objectives of SALGA include ensuring municipal compliance with workplace legislation, to facilitate the implementation of labour and human resource dispensation in municipalities that enhances service delivery and to advocate labour peace in the sector.

Disruptions were experienced during the recent municipal workers strike which saw dozens of striking municipal workers trashing the streets to voice their anger and disdain for the proposed wage increase by municipal employers. In some municipalities, especially in North West province, municipalities have also been experiencing stand-offs between management and labour, which has led to pro-longed strikes, court actions and damage to property.

5.4. Skills development and training

The lack of skills development programmes or committed training in many municipalities has come strongly to the fore. Many of the skills issues raised during the municipal assessments are not new. In its submission to the Policy Review Process on Provincial and Local Government, SALGA identified a number of challenges with skills development and capacity building on municipal level, including:

- Under-investment in people, particularly where technical, management and leadership skills are required;
- Assumptions that there are short cuts to acquire specialist skills except through required education and work experience;
- More creative responses are required to address scarce skills, such as partnering with civil society, private sector and shared services options;
- High turnover of staff due to changes in leadership, especially after elections;
- Not enough attention paid to skills required by politicians in terms of governance and associated accredited programmes to build such skills;
- Political influence in appointment process results in politically acceptable appointments at the expense of technical competence; and
- A poor municipal work environment is not conducive to attracting and retaining talented professionals. This is due to unclear job descriptions, limited incentives, limited career paths and little scope or encouragement of initiative.

In moving forward on skills development, specific attention will be needed to be given to career pathing, defining and enforcing minimum competencies for certain posts, better investment in apprenticeships, applicable programs for politicians and relevant management and leadership training. These needs emphasise the importance of a dedicated local government training institution for providing accredited training.

5.5. Occupational Health and Safety

The ignoring of occupational health and safety standards have been raised by organised labour in many municipalities. This includes the issue that the necessary structures to ensure OHS are not in place or that required protective clothing are not issued, or required periodical medical check-ups are not adhered to. (e.g. Ramotshere Moiloa) There has been some dispute by management in municipalities on non-compliance of these issues. There has been some dispute by management in municipalities on non-compliance of these issues.

In terms of poor working conditions, dilapidated municipality buildings including furniture and equipment, has been identified in some municipalities.

5.6. Recruitment, appointment and organograms

There is reported political interference of the councillors in recruitment and the poor relations between labour and management has been cited as resulting in the flouting of procedures and policies for sound human resource practices e.g. in Mpumalanga. Unions at Mngquma in the Eastern Cape also raised the recruitment of the majority of the work force by councillors.

There have been claims by organised labour that nepotism and favouritism result in erratic appointments and promotions. Cases have been cited where posts are filled without being advertised; people are appointed for posts that they for in technical positions and job evaluations and job descriptions are not in place.

The Public Service Commission proposed in their submission on the Policy Review on Provincial and Local Government that the employment contracts of senior managers including the municipal manager should be longer than 5 years to ensure security of tenure.

The Institute of Municipal Administration for Southern Africa (IMASA) has proposed that the senior management structure of a municipality should consist of professional officials. It should be obligatory for these professionals to belong a professional institute with its own code of conduct. Interventions on the employment of professional personnel are necessary, training, assistance by professional institutes and cities or big towns, and organised local government.

According to the Institute for Local Government Management of South Africa (iLGM), appropriate recruitment and selection processes should be used. Appointment of employees at all levels should be totally de-linked from political office-bearers.

In a number of cases the discrepancy between existing organograms and appointments has been identified in municipal assessments. Outdated, non-functional and unapproved municipal organisation structures have been reported.

National Treasury indicated that 28% of municipal employees are appointed to non-existent positions, which is not reflected on the municipality's organisational structure. This seems to be widespread among municipalities in Mpumalanga, where more than 60% of municipal employees are appointed to positions not reflected on municipal organisational structures. This is also prevalent among municipalities in the Eastern Cape (39%), KwaZulu-Natal (29%) and Free State (23%). This practice may point to problems with municipalities' organisational structures in that they are not aligned to what municipalities do because they are either out of date or poorly designed. It also reflects non-compliance with the legislation governing updating of organisational structures and procedures for making municipal appointments.

5.7. Remuneration framework

Municipal Expenditure on personnel comprises 30% of aggregated operational expenditure by municipalities. In 2006, overall municipalities employed 203 734 people. The six metropolitan municipalities employ about half of the staff in local government, 45% are employed by local municipalities (17.3% by 21 secondary cities, 22.6% by 140 town and 5.8% by 70 rural municipalities) and 5% by Districts. Trends between 2005 and 2006 show that employment has decreased marginally, while the average cost of employment is increasing.

Employee salaries and benefits are not standardised in some cases. While disparities in salaries are due to amalgamations of municipalities in some cases, salary disparities amongst employees of similar ranks are reported to be common in many municipalities. The wide variations in the salary scales of employees in similar size municipalities, as noted by the National Treasury Budget Review are hard to justify.

The non-implementation of the wage curve and the grading of municipalities which are overrated and results in raising expectation of salaries, have been identified as critical issues informing labour action in some municipalities.

Other labour force issues identified in many municipalities include what is perceived by organised labour as unilateral outsourcing, the use of outside lawyers in disciplinary cases, the prolonged contracts of temporary workers(e.g. Ratlou) and the inflation of the labour force of municipalities with general workers, which are neither properly qualified nor properly utilised in the municipality. (e.g. Ditsobotla and Tswaing).These matters must be addressed in a process where there is proper access to information to all parties.

5.8. Conclusion

The analysis of labour issues indicates that the current municipal working environment is not an attractive proposition. The poor human resource management prevalent in many municipalities does not assist in attracting and retaining the skilled and professional staff required to ensure service delivery. This is further compounded by political interference in the recruitment process, appointment of persons to non-existent positions and disparities in salaries. A lack of compliance with work place obligations have been reported widely.

There is an urgent need to facilitate engagements between the workers and employers to stabilise the deteriorating relationship, illustrated by protracted labour disputes. The way the current organisational rights collective agreement is implemented, mediated and monitored requires review. The need for dedicated and accredited training for the local government sector is evident from the lack of current meeting of skills development obligations.

6. CONCLUSION

The transformation of local government has probably been the largest undertaking within the entire democratic governance transformation process since 1994. Enormous progress has been made but much still needs to be achieved before all 283 municipalities are fully functional, effective, efficient, responsive and sustainable. In response to the numerous performance and viability failures amongst municipalities, and the deteriorating service delivery record, government decided that an urgent and comprehensive intergovernmental Turn-Around Strategy (TAS) for local government is needed.

The process to develop the TAS began with the provincial municipality-by-municipality assessment process. From these assessments the Consolidated National Report is being compiled, from which this Overview Report has been derived. The purpose of the provincial assessments was to ascertain the key problem statement per thematic area and to establish the root causes of poor performance, distress or dysfunctionality in our municipalities.

The provincial assessments were also based on enquiries focusing on four thematic areas: governance, service delivery, financial management and labour relations. The legacy of our apartheid spatial patterns is also analysed in the governance section of this report. The findings point to the need for a number of adjustments and reforms in the leadership, policy, regulatory and oversight environments. The summary below highlights the key problem statements or the impact of the failure on each thematic area and outlines the root causes underlying them.

From this exploration of the root causes of pressure points, the Turn-Around Strategy will begin a process of substantiating issues and shaping the roles of government and its partners in the planning and implementation phase of the national Local Government Turn Around Strategy.

7. TURN-AROUND STRATEGY: SOME DIAGNOSTIC APPROACHES

Sample assessment of key problem areas and root causes per thematic area

Problem Statement (Symptom)	Root Causes
Governance	
1. Insufficient human and financial capacity to deliver on constitutional and legal mandates and on citizen expectations	<p>Policy inconsistency and incorrect policy assumptions between spheres and communities with regard to municipal ability to deliver which results in a gap between citizen expectations, policy goals and municipal ability to deliver</p> <p>Clear measurable targets not communicated locally with communities and differentiated:</p> <ul style="list-style-type: none"> a) spatially b) organizationally c) individually
2. Over-complexity in the system; Municipalities fail to manage their powers and functions and related responsibilities	<p>Persistence of the one- size-fits-all approach to the governance framework for local government</p> <p>Inability of municipalities to refuse unfunded mandates / additional responsibilities</p> <p>Undeveloped concept of spatial differentiation between municipalities to guide functional assignments, monitoring and levels of oversight, support</p>
3. Little positive impact on coordinated and cooperative governance through either national intergovernmental system, political leadership, IGR Forums, sector engagements et al	<p>Undefined and voluntaristic nature of cooperative governance and IGR</p> <p>Instability between spheres of government; lack of governance or policy coherence</p> <p>Proliferation of new mandates; unsustainable 'over-reach' of mandates – onerous and costly regulatory regime</p> <p>Ineffective 2-tier system unable to deliver on its governance role</p> <p>Over-complex undertakings and reporting</p>
4. Weak oversight, supervision, support, intervention mechanisms across government	<p>Absence of clear and spatially targeted indicators for local, provincial and national government</p> <p>Absence of 'early-warning system' to alert provincial / national of impending failure / stress / disaster</p> <p>Weak Council leadership and oversight over their administrations in the best interests of the municipality as a whole</p> <p>Weak national M&E</p> <p>Over-complexity in the system</p>

Problem Statement (Symptom)	Root Causes
5. Contested political /administrative interface: dysfunctionality and instability	Unclear allocation of roles and responsibilities of the Troika
	Deployment issues and interference by political parties
	No clear distinctions between councils and Administrations
	Unclear boundaries between political representatives and the administration
	MSA code of conduct not being enforced
	Poor political management and leadership
	Insufficient application of oversight function on all levels
	Insufficient controls within the system
	no clear framework or lack of understanding of party-municipal relations
	Poor Councillor skills base in many areas
6. Too many opportunities for fraud & corruption to take place	Nepotism
	Cronyism
	Poor ethics
	Poor values
	Weak accountability frameworks
	Political factionalism results in territorial economic elites
7. Break-down of local democracy: <ul style="list-style-type: none"> • Community alienation: • Break-down in social compact: <ul style="list-style-type: none"> • Community protests • Breakdown in trust between government and the people • Community participation weak • Unresponsive government 	Political factionalism undermines democratic principles
	Ineffective implementation and support for provisions of Systems Act, Structures Act, White paper on LG, CDW policy,
	Socio-economic conditions: <ul style="list-style-type: none"> • Poverty • Living conditions • Attitudes of Councillors • Corruption • Unrealistic expectations
	Poor adherence to Code of Conduct
	Limited effectiveness of service delivery efforts, poor communication
	Governance paralysis; poor support to cope
	Unclear procedure for ward committees/communities to ensure issues raised or elevated to Council agenda
	Insufficient monitoring and accountability of mayors and councils

Problem Statement (Symptom)	Root Causes
	IDP's not responding to community needs
8. Insufficient institutional and organisational professionalism / accountability	Performance management policy not rolled out to all levels (e.g. councillors)
	Inability to attract skills
	Few incentives for attraction of skills to poorer areas
	Weak controls in the system - e.g. no enforced competency framework for officials
	No accredited training frameworks for MMs and senior managers; no mandatory registrations with professional associations
9. Irregular and un-procedural suspensions, dismissals and disciplinary procedures within municipalities; lack of labour law protection for senior managers (no Collective Agreements)	Legal 'space' created where lack of regulation over Councils allowed for unaccountable practices to flourish (MSA Amendment has created set of uniform procedures – ensure complied with)
	Systems and controls
	Neglect of chapter 7 of the Municipal Systems Act
	Weak HRM; no oversight / accountability for decisions taken by Councils
Wasteful expenditure on defending of labour cases	
Planning, LED, Service Delivery	
Poor understanding of spatial differences of areas to deliver services; consider value-for-money of service provision	Relevance of establishment of some municipalities as independent entities; institutional capacities not all sufficient to sustain services and infrastructure development
Weak economic growth and opportunity, particularly in small-towns and rural areas	Lack of intergovernmental sector focus on how to develop robust local economies and creating productive jobs and incomes for local populations; Lack of recognition that local or regional competitive advantage rests on local interactions, knowledge 'spillovers' and institutional synergies; Weak integrative focus between PGDSs and IDPs and LED plans
Uneven response to demands of rural and urban environments	No policy focus on extraordinary measures to address funding and delivery capacity requirements Rural municipalities challenged by existing and legacy issues re infrastructure and economic connectivity Uneven focus on demands of rapidly urbanising environments
Poor record of MIG expenditure outputs	Poor coordination, oversight, lack of capacity in life-cycle and infrastructure management
Community alienation	Insufficient attention to 'bottom-up' planning and consultative processes
Increasing backlogs	Lack of a differentiated rationale for managing infrastructure

Problem Statement (Symptom)	Root Causes
	investment and insufficient leveraging of alternative approaches to service provision
Finance	
1. Poor Audit Outcomes	
Majority of municipalities have audit qualifications and/or disclaimers	Poor financial skills /capacity
	Poor Financial management
	Lack of financial controls
	Non- standardised systems
	GAMAP/GRAP implementation - too many national standards and targets and many were unrealistic led to report fatigue and poor and uneven responsiveness as well as officials 'mindlessly' trying to comply
	Weak oversight and monitoring (poor quality of in-year reporting) insufficient record keeping
	Fraud and corruption
2. Financially Non-viable municipalities	
Insufficient revenue base/generation – i.e. the ratio between the demand for services and the revenue that can be generated is unsustainable.	Spatial – Poverty relationship Demarcation
	Unfunded mandates, e.g. Maintenance of bulk infrastructure, e.g. water pipes; Health services, Library services etc.
	Debt collection systems e.g. Billing databases are not updated
	Debt collection systems are not reconcilable with financial management systems (e.g. meter reading and billing)
	Two-tier system
	Powers and functions – e.g. Water services provider vs Authority
	Inefficient expenditure management
	Mayors and municipal councils taking decisions and acting in ways that are inconsistent with the principles of good governance and compromised the sustainability of their municipalities' finances
	Inability to implement the Municipal Property Rates' Act
	Inability to manage Indigents' registers
Fraud and corruption	
3. Increasing Grant dependency	Top-down policy-making that placed the burden of alignment (in regard to policy, planning, budgeting and resolving powers and functions uncertainties) to the municipal level e.g. burden of free basic services policy
	Poor IGR (Coordination): Intergovernmental Fiscal Relations Arrangements unfair, complicated (DORA & Equitable Share, MIG)

Problem Statement (Symptom)	Root Causes
4. Credible budgets	Budgets are not aligned to expectations for service delivery
	Insufficient capacity to plan/budget correctly
	Over and/or under expenditure
Labour	
1. Strikes	Non-adherence to labour policy
	Dysfunctional Labour Forums
	Local Labour Forum has very limited powers to conclude or resolve on substantive matters. The Bargaining Council therefore impact directly on the relationship of the parties at municipal level due to the long delay in concluding agreements. The powers and functions of the bargaining council structures and the Local Labour Forums need to be addressed.
	Non-standardised salary scales e.g. section 56 and 57 employees
	Break-down in labour / management interface
2. Weak and insufficient service delivery capacity	The authority to appoint and dismiss Sec 56/57 employees should be reviewed.
	Job specifications should standardised
	Scarce skills to be addressed per national policy

The proposed Turn-Around Strategy now presents government with an unique opportunity, together with civil society partners and stakeholders, to forge new directions in the internal and external environments that shape local government. COGTA welcomes contributions to the Turn-Around Strategy from all stakeholders to strengthen existing or establish new parameters for improved, functional, effective, efficient, responsive and well-performing municipalities.

Local Government is Everyone's Business.

ANNEXURE A: COGTA MUNICIPAL SPATIAL CLASSIFICATION SYSTEM

Listings of local municipalities per province according to functional classification

This municipal classification system, designed to develop municipal profiles according to spatial location, is based upon results from the following indicator sets: functionality, socio-economic profile, and backlog status. Its purpose is to inform a differentiated approach to the management and governance of our municipalities across the rural and urban landscape of the country.

The four municipal classifications developed by COGTA¹⁰ are:

- Class 1: Most vulnerable (57 local municipalities)
- Class 2: Second most vulnerable (58 local municipalities)
- Class 3: Second highest performing (58 local municipalities)
- Class 4: highest performing (58 local municipalities)

(Total: 231)¹¹

Classification 1: Most vulnerable municipalities nationally

The municipalities found in Classification 1 are the most vulnerable local municipalities falling within the lowest quarter nationally. The majority of the disestablished apartheid Bantustans were previously located within these provinces.

Approximately half of the local municipalities in the Eastern Cape, KwaZulu-Natal and Limpopo are found within the lowest percentile.

Table 1: Provincial location of the classification 1 municipalities

Province	Total municipalities the category	% of Municipalities in Province
Eastern Cape	18	47.4
KwaZulu-Natal	24	48.0
Limpopo	13	52.0
North West	2	9.5

¹⁰ A range of indicators were selected, weighted and ranked per municipality to develop the COGTA municipal ranking and classification system. Data used was mainly from Stats SA, Global Insight, the MDB and National Treasury.

¹¹ The metropolitan municipalities will also be assessed by COGTA going forward; the 48 districts have also been assessed.

Map 1: Spatial location of the Class 1 Municipalities

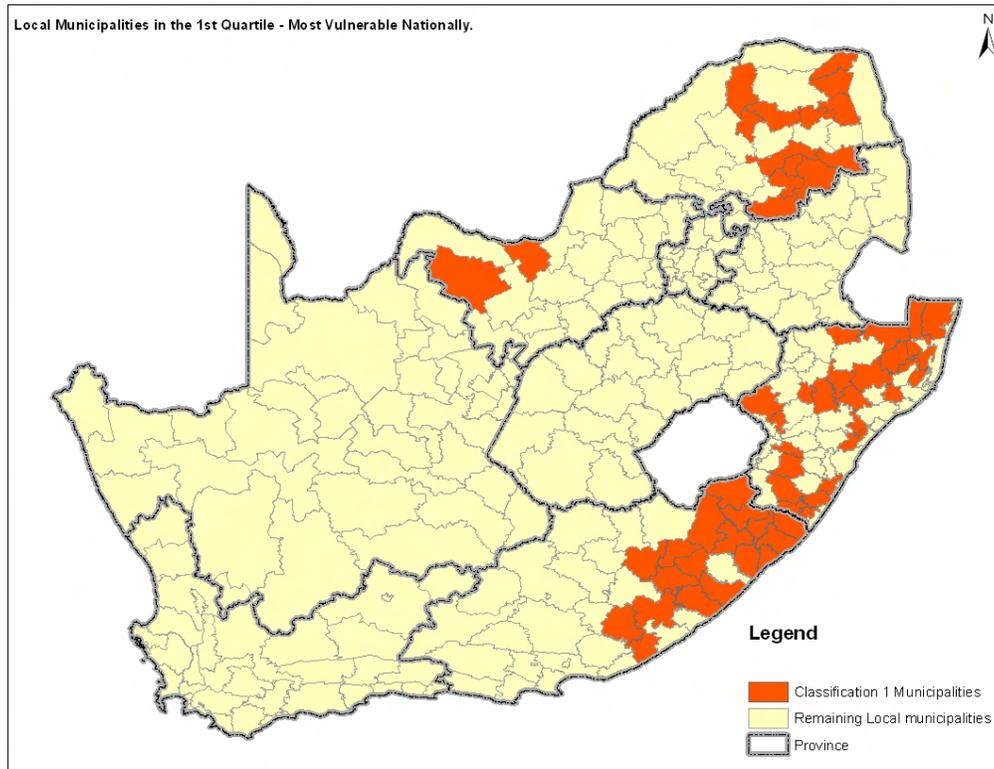


Table 2: List of the 57 most vulnerable municipalities nationally

Province	MDB Code	Municipal Name
Eastern Cape	EC121	Mbhashe Local Municipality
Eastern Cape	EC137	Engcobo Local Municipality
Eastern Cape	EC442	Umzimvubu Local Municipality
Eastern Cape	EC152	Ntabankulu Local Municipality
Eastern Cape	EC155	Nyandeni Local Municipality
Eastern Cape	EC156	Mhlontlo Local Municipality
Eastern Cape	EC135	Intsika Yethu Local Municipality
Eastern Cape	EC441	Matatiele Local Municipality
Eastern Cape	EC151	Mbizana Local Municipality
Eastern Cape	EC153	Qaukeni Local Municipality
Eastern Cape	EC122	Mnquma Local Municipality
Eastern Cape	EC154	Port St Johns Local Municipality
Eastern Cape	EC138	Sakhisizwe Local Municipality
Eastern Cape	EC141	Elundini Local Municipality
Eastern Cape	EC124	Amahlati Local Municipality
Eastern Cape	EC136	Emalahleni Local Municipality
Eastern Cape	EC126	Ngqushwa Local Municipality
Eastern Cape	EC127	Nkonkobe Local Municipality
Kwa-Zulu Natal	KZN242	Nquthu Local Municipality

Province	MDB Code	Municipal Name
Kwa-Zulu Natal	KZN244	Msinga Local Municipality
Kwa-Zulu Natal	KZN265	Nongoma Local Municipality
Kwa-Zulu Natal	KZN274	Hlabisa Local Municipality
Kwa-Zulu Natal	KZN213	Umzumbe Local Municipality
Kwa-Zulu Natal	KZN283	Ntambanana Local Municipality
Kwa-Zulu Natal	KZN286	Nkandla Local Municipality
Kwa-Zulu Natal	KZN294	Maphumulo Local Municipality
Kwa-Zulu Natal	KZN271	Umhlabuyalingana Local Municipality
Kwa-Zulu Natal	KZN236	Imbabazane Local Municipality
Kwa-Zulu Natal	KZN272	Jozini Local Municipality
Kwa-Zulu Natal	KZN293	Ndwedwe Local Municipality
Kwa-Zulu Natal	KZN233	Indaka Local Municipality
Kwa-Zulu Natal	KZN215	Ezingqoleni Local Municipality
Kwa-Zulu Natal	KZN235	Okhahlamba Local Municipality
Kwa-Zulu Natal	KZN261	eDumbe Local Municipality
Kwa-Zulu Natal	KZN266	Ulundi Local Municipality
Kwa-Zulu Natal	KZN211	Vulamehlo Local Municipality
Kwa-Zulu Natal	KZN214	uMuziwabantu Local Municipality
Kwa-Zulu Natal	KZN431	Ingwe Local Municipality
Kwa-Zulu Natal	KZN224	Impendle Local Municipality
Kwa-Zulu Natal	KZN273	The Big Five False Bay Local Municipality
Kwa-Zulu Natal	KZN435	Umzimkhulu Local Municipality
Kwa-Zulu Natal	KZN262	uPhongolo Local Municipality
Limpopo	LIM352	Aganang Local Municipality
Limpopo	LIM355	Lepele-Nkumpi Local Municipality
Limpopo	LIM342	Mutale Local Municipality
Limpopo	LIM351	Blouberg Local Municipality
Limpopo	LIM474	Fetakgomo Local Municipality
Limpopo	LIM353	Molemole Local Municipality
Limpopo	LIM475	Greater Tubatse Local Municipality
Limpopo	LIM335	Maruleng Local Municipality
Limpopo	LIM343	Thulamela Local Municipality
Limpopo	LIM331	Greater Giyani Local Municipality
Limpopo	LIM332	Greater Letaba Local Municipality
Limpopo	LIM472	Elias Motsoaledi Local Municipality
Limpopo	LIM473	Makhudutamaga Local Municipality
North West	NW381	Ratlou Local Municipality
North West	NW391	Kagisano Local Municipality

Classification 2: Second class of most vulnerable municipalities (58 LMs)

When examining the spatial location, the classification 2 municipalities tend to be found in the following locations:

- Commercial farming areas with small service towns;
- Municipalities in which a portion was previously located in the disestablished apartheid homelands;
- Semi desert areas or those with low population densities.

Table 3: location of the classification 2 municipalities by Province

	Total municipalities in the category	% of Municipalities in Province
Eastern Cape	10	26.3
Free State	9	45.0
KwaZulu-Natal	13	26.0
Limpopo	5	20.0
Mpumalanga	7	38.9
Northern Cape	6	22.2
North West	8	38.1

Map 2: Spatial Location of Class 2 Municipalities

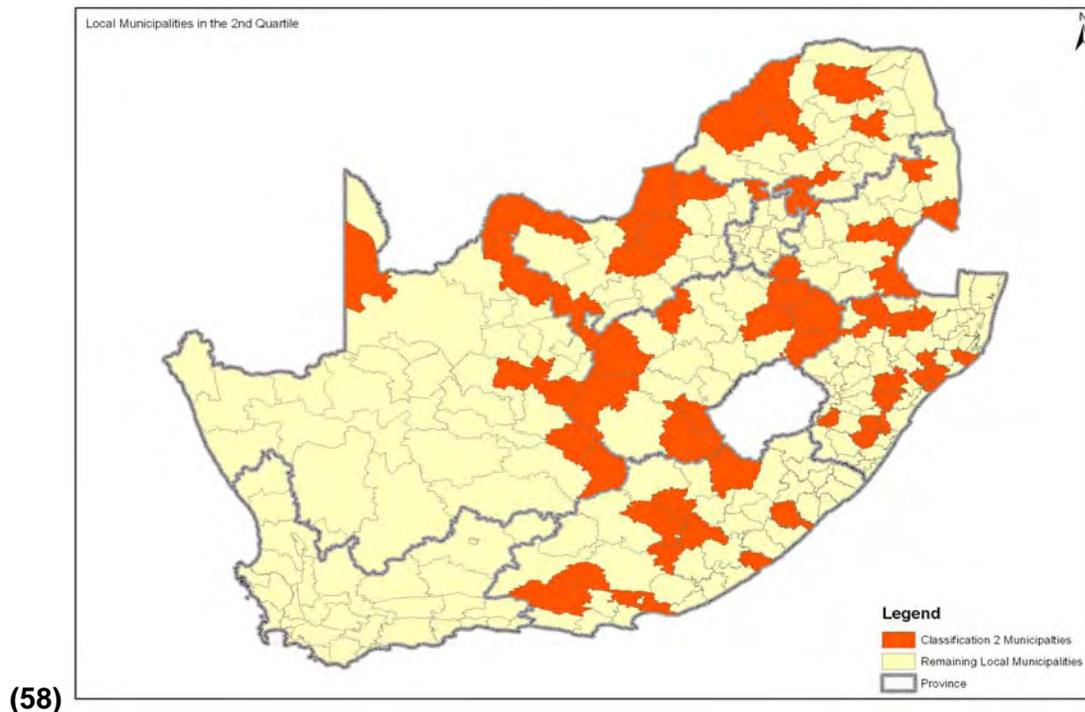


Table 4: Listing of the classification 2 local municipalities

Province	MDB Code	Municipal Name
Eastern Cape	EC103	Ikwezi Local Municipality
Eastern Cape	EC106	Sunday's River Valley Local Municipality
Eastern Cape	EC107	Baviaans Local Municipality
Eastern Cape	EC123	Great Kei Local Municipality
Eastern Cape	EC128	Nxuba Local Municipality
Eastern Cape	EC132	Tsolwana Local Municipality
Eastern Cape	EC133	Inkwanca Local Municipality
Eastern Cape	EC134	Lukhanji Local Municipality
Eastern Cape	EC142	Senqu Local Municipality
Eastern Cape	EC157	King Sabata Dalindyebo Local Municipality
Free State	FS161	Letsemeng Local Municipality
Free State	FS163	Mohokare Local Municipality
Free State	FS171	Naledi Local Municipality
Free State	FS182	Tokologo Local Municipality
Free State	FS185	Nala Local Municipality
Free State	FS193	Nketoana Local Municipality
Free State	FS194	Maluti a Phofung Local Municipality
Free State	FS195	Phumelela Local Municipality
Free State	FS205	Mafube Local Municipality
Kwa-Zulu Natal	KZN221	uMshwathi Local Municipality
Kwa-Zulu Natal	KZN226	Mkhambathini Local Municipality
Kwa-Zulu Natal	KZN227	Richmond Local Municipality
Kwa-Zulu Natal	KZN245	Umvoti Local Municipality
Kwa-Zulu Natal	KZN253	eMadlangeni Local Municipality
Kwa-Zulu Natal	KZN254	Dannhauser Local Municipality
Kwa-Zulu Natal	KZN263	Abaqulusi Local Municipality
Kwa-Zulu Natal	KZN281	Mbonambi Local Municipality
Kwa-Zulu Natal	KZN284	Umlalazi Local Municipality
Kwa-Zulu Natal	KZN285	Mthonjaneni Local Municipality
Kwa-Zulu Natal	KZN291	Mandeni Local Municipality
Kwa-Zulu Natal	KZN432	Kwa Sani Local Municipality
Kwa-Zulu Natal	KZN434	Ubuhlebezwe Local Municipality
Limpopo	LIM333	Greater Tzaneen Local Municipality
Limpopo	LIM344	Makhado Local Municipality
Limpopo	LIM362	Lephalale Local Municipality
Limpopo	LIM367	Mogalakwena Local Municipality
Limpopo	LIM471	Greater Marble Hall Local Municipality
Mpumalanga	MP301	Albert Luthuli Local Municipality
Mpumalanga	MP303	Mkhondo Local Municipality
Mpumalanga	MP306	Dipaleseng Local Municipality
Mpumalanga	MP315	Thembisile Local Municipality
Mpumalanga	MP316	Dr J S Moroka Local Municipality
Mpumalanga	MP324	Nkomazi Local Municipality
Mpumalanga	MP325	Bushbuckridge Local Municipality
Northern Cape	NC072	Umsobomvu Local Municipality

Province	MDB Code	Municipal Name
Northern Cape	NC075	Renosterberg Local Municipality
Northern Cape	NC078	Siyancuma Local Municipality
Northern Cape	NC081	Mier Local Municipality
Northern Cape	NC093	Magareng Local Municipality
Northern Cape	NC451	Moshaweng Local Municipality
North West	NW371	Moretele Local Municipality
North West	NW375	Moses Kotane Local Municipality
North West	NW382	Tswaing Local Municipality
North West	NW383	Mafikeng Local Municipality
North West	NW384	Ditsobotla Local Municipality
North West	NW385	Ramotshere Moiloa Local Municipality
North West	NW394	Greater Taung Local Municipality
North West	NW395	Molopo Local Municipality

Classification 3: Second most highly performing (58 LMs)

The municipalities found in Classification 3 are the second highest performing group of municipalities. The majority of these municipalities fall outside of the disestablished apartheid Bantustans. These municipalities tend to contain:

- commercial farming areas supported by small towns;
- the smaller mining towns, and or
- semi desert areas.

More than a third of the local municipalities in the Free State, North West and the Northern Cape are found within this quartile.

Table 5: Location of the classification 3 municipalities by Province

Province	Total municipalities in the category	% of Municipalities in Province
Eastern Cape	3	7.9
Free State	9	45.0
Gauteng	1	12.5
KwaZulu-Natal	9	18.0
Limpopo	5	20.0
Mpumalanga	5	27.8
Northern Cape	14	51.9
North West	9	42.9
Western Cape	3	12.5

Map 3: Location of Classification 3 Municipalities

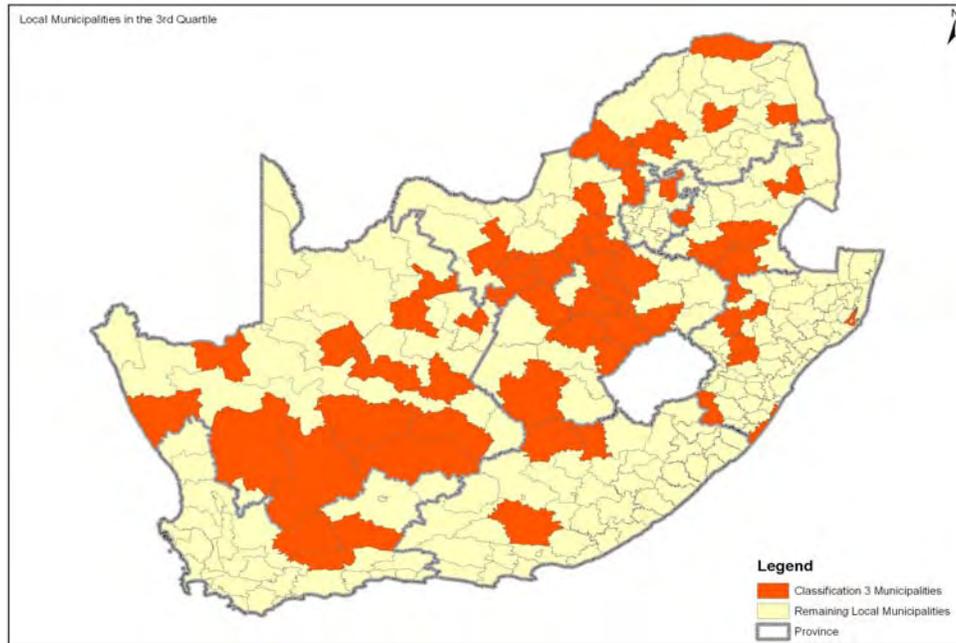


Table 6: List of the classification 3 local municipalities (58)

Province	MDB Code	Municipal Name
Eastern Cape	EC102	Blue Crane Route Local Municipality
Eastern Cape	EC143	Maletswai Local Municipality
Eastern Cape	EC144	Gariep Local Municipality
Free State	FS162	Kopanong Local Municipality
Free State	FS173	Mantsopa Local Municipality
Free State	FS181	Masilonyana Local Municipality
Free State	FS183	Tswelopele Local Municipality
Free State	FS184	Matjhabeng Local Municipality
Free State	FS191	Setsoto Local Municipality
Free State	FS192	Dihlabeng Local Municipality
Free State	FS201	Moqhaka Local Municipality
Free State	FS203	Ngwathe Local Municipality
Gauteng	GT461	Nokeng tsa Taemane Local Municipality
Kwa-Zulu Natal	KZN212	uMdoni Local Municipality
Kwa-Zulu Natal	KZN216	Hibiscus Coast Local Municipality
Kwa-Zulu Natal	KZN223	Mooi Mpofana Local Municipality
Kwa-Zulu Natal	KZN232	Emnambithi-Ladysmith Local Municipality
Kwa-Zulu Natal	KZN234	Umtshezi Local Municipality
Kwa-Zulu Natal	KZN241	Endumeni Local Municipality
Kwa-Zulu Natal	KZN252	Newcastle Local Municipality
Kwa-Zulu Natal	KZN275	Mtubatuba Local Municipality
Kwa-Zulu Natal	KZN433	Greater Kokstad Local Municipality

Province	MDB Code	Municipal Name
Limpopo	LIM334	Ba-Phalaborwa Local Municipality
Limpopo	LIM341	Musina Local Municipality
Limpopo	LIM354	Polokwane Local Municipality
Limpopo	LIM361	Thabazimbi Local Municipality
Limpopo	LIM365	Modimolle Local Municipality
Mpumalanga	MP302	Msukaligwa Local Municipality
Mpumalanga	MP304	Pixley Ka Seme Local Municipality
Mpumalanga	MP305	Local Municipality of Lekwa
Mpumalanga	MP311	Delmas Local Municipality
Mpumalanga	MP322	Mbombela Local Municipality
Northern Cape	NC064	Kamiesberg Local Municipality
Northern Cape	NC065	Hantam Local Municipality
Northern Cape	NC066	Karoo Hoogland Local Municipality
Northern Cape	NC067	Khai-Ma Local Municipality
Northern Cape	NC071	Ubuntu Local Municipality
Northern Cape	NC073	Enthanjani Local Municipality
Northern Cape	NC074	Kareeberg Local Municipality
Northern Cape	NC076	Thembelihle Local Municipality
Northern Cape	NC077	Siyathemba Local Municipality
Northern Cape	NC084	!Kheis Local Municipality
Northern Cape	NC085	Tsantsabane Local Municipality
Northern Cape	NC092	Dikgatlong Local Municipality
Northern Cape	NC094	Phokwane Local Municipality
Northern Cape	NC452	Ga-Segonyana Local Municipality
North West	NW372	Local Municipality of Madibeng
North West	NW374	Kgetlengrivier Local Municipality
North West	NW392	Naledi Local Municipality
North West	NW393	Mamusa Local Municipality
North West	NW396	Lekwa-Teemane Local Municipality
North West	NW401	Ventersdorp Local Municipality
North West	NW402	Potchefstroom Local Municipality
North West	NW403	City of Matlosana Municipality
North West	NW404	Maquassi Hills Local Municipality
Western Cape	WC041	Kannaland Local Municipality
Western Cape	WC051	Laingsburg Local Municipality
Western Cape	WC052	Prince Albert Local Municipality

Class 4: Highest Performing LMs (58)

The municipalities found in Classification 4 are the best performing group of local municipalities nationally. Almost all of these municipalities fall outside of the disestablished apartheid Bantustans. Rather, these municipalities tend to contain:

- Highly urbanized communities;
- Large urban centres,
- Mining towns, and or
- semi desert areas.

More than 80% of the local municipalities in Gauteng and the Western Cape are found within this quartile.

Table 7: Location of the classification 4 municipalities by Province

Province	Total municipalities in the category	% of Municipalities in Province
Eastern Cape	7	18.4
Free State	2	10.0
Gauteng	7	87.5
KwaZulu-Natal	4	8.0
Limpopo	2	8.0
Mpumalanga	6	33.3
Northern Cape	7	25.9
North West	2	9.5
Western Cape	21	87.5

Map 4: Spatial Location of Class 4 Local Municipalities

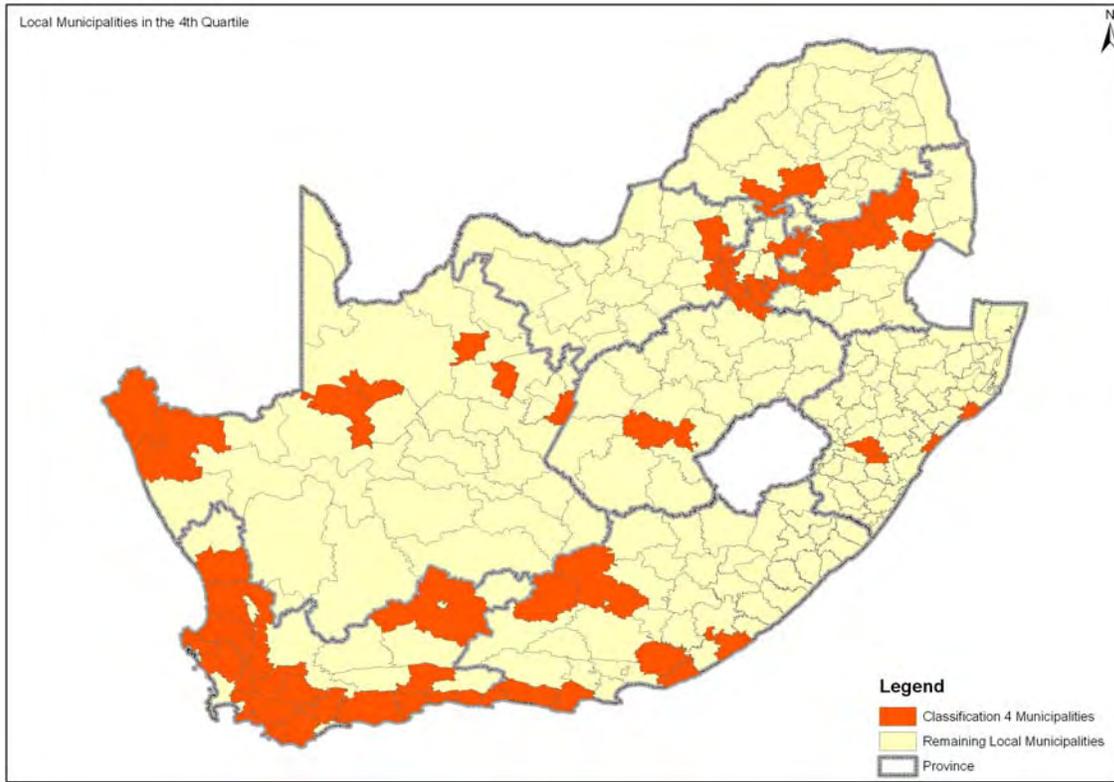


Table 8: listing of classification 4 local municipalities

Province	MDB Code	Municipal Name
Eastern Cape	EC101	Camdeboo Local Municipality
Eastern Cape	EC104	Makana Local Municipality
Eastern Cape	EC105	Ndlambe Local Municipality
Eastern Cape	EC108	Kouga Local Municipality
Eastern Cape	EC109	Kou-Kamma Local Municipality
Eastern Cape	EC125	Buffalo City Local Municipality
Eastern Cape	EC131	Inxuba Yethemba Local Municipality
Free State	FS172	Mangaung Local Municipality
Free State	FS204	Metsimaholo Local Municipality
Gauteng	GT421	Emfuleni Local Municipality
Gauteng	GT422	Midvaal Local Municipality
Gauteng	GT423	Lesedi Local Municipality
Gauteng	GT462	Kungwini Local Municipality
Gauteng	GT481	Mogale City Local Municipality
Gauteng	GT482	Randfontein Local Municipality
Gauteng	GT483	Westonaria Local Municipality
Kwa-Zulu Natal	KZN222	uMngeni Local Municipality
Kwa-Zulu Natal	KZN225	The Msunduzi Local Municipality

Province	MDB Code	Municipal Name
Kwa-Zulu Natal	KZN282	uMhlathuze Local Municipality
Kwa-Zulu Natal	KZN292	The KwaDukuza Local Municipality
Limpopo	LIM364	Mookgopong Local Municipality
Limpopo	LIM366	Bela Bela Local Municipality
Mpumalanga	MP307	Govan Mbeki Local Municipality
Mpumalanga	MP312	Emalahleni Local Municipality
Mpumalanga	MP313	Steve Tshwete Local Municipality
Mpumalanga	MP314	Emakhazeni Local Municipality
Mpumalanga	MP321	Thaba Chweu Local Municipality
Mpumalanga	MP323	Umjindi Local Municipality
Northern Cape	NC061	Richtersveld Local Municipality
Northern Cape	NC062	Nama Khoi Local Municipality
Northern Cape	NC082	!Kai! Garib Local Municipality
Northern Cape	NC083	Khara Hais Local Municipality
Northern Cape	NC086	Kgatelopele Local Municipality
Northern Cape	NC091	Sol Plaatjie Local Municipality
Northern Cape	NC453	Gamagara Local Municipality
North West	NW373	Rustenburg Local Municipality
North West	NW405	Merafong City Local Municipality
Western Cape	WC011	Matzikama Local Municipality
Western Cape	WC012	Cederberg Local Municipality
Western Cape	WC013	Bergrivier Local Municipality
Western Cape	WC014	Saldanha Bay Local Municipality
Western Cape	WC015	Swartland Local Municipality
Western Cape	WC022	Witzenberg Local Municipality
Western Cape	WC023	Drakenstein Local Municipality
Western Cape	WC024	Stellenbosch Local Municipality
Western Cape	WC025	Breede Valley Local Municipality
Western Cape	WC026	Breede River/Winelands Local Municipality
Western Cape	WC031	Theewaterskloof Local Municipality
Western Cape	WC032	Overstrand Local Municipality
Western Cape	WC033	Cape Agulhas Local Municipality
Western Cape	WC034	Swellendam Local Municipality
Western Cape	WC042	Hessequa Local Municipality
Western Cape	WC043	Mossel Bay Local Municipality
Western Cape	WC044	George Local Municipality
Western Cape	WC045	Oudtshoorn Local Municipality
Western Cape	WC047	Bitou Local Municipality
Western Cape	WC048	Knysna Local Municipality
Western Cape	WC053	Beaufort West Local Municipality

Further research is being undertaken by COGTA to verify this classification system, and test for anomalies and differences within the categories.

The system is intended to support a range of governance, policy and institutional reforms that will be supporting the Turn-Around Strategy over the longer-term.

The table below reflects the most poorly performing local municipalities from a purely financial indicator-based assessment, and is the work of National Treasury.

ANNEXURE B: National Treasury: 64 Municipalities on Distress List

National Treasury reported in June 2009 to the Technical Committee for Finance that the following municipalities are on their financial distress list:

MDB Code	Name of Municipality	Fiscal Capacity List	Financial Distress List	Audit Outcomes List
EC133	Inkwanca	Yes	Yes	adverse opinion
EC136	Emalahleni (Ec)		Yes	-
EC138	Sakhisizwe	Yes	Yes	adverse opinion
EC141	Elundini	Yes	Yes	-
FS162	Kopanong		Yes	disclaimer
FS163	Mohokare	Yes	Yes	-
FS171	Naledi (Fs)		Yes	disclaimer
FS181	Masilonyana	Yes	Yes	disclaimer
FS182	Tokologo	Yes	Yes	-
FS183	Tswelopele		Yes	-
FS185	Nala		Yes	-
FS194	Maluti-a-Phofung		Yes	disclaimer
FS195	Phumelela	Yes	Yes	-
FS203	Ngwathe		Yes	disclaimer
GT483	Westonaria		Yes	-
KZ212	Umdoni		Yes	-
KZ261	eDumbe		Yes	disclaimer
KZ272	Jozini		Yes	-
KZ281	Mbonambi		Yes	disclaimer
MP301	Albert Luthuli	Yes	Yes	-
MP321	Thaba Chweu		Yes	-
MP323	Umjindi		Yes	-
MP325	Bushbuckridge		Yes	-
NC061	Richtersveld		Yes	-
NC065	Hantam		Yes	disclaimer
NC073	Emthanjeni		Yes	disclaimer
NC074	Kareeberg		Yes	-

NC075	Renosterberg		Yes	disclaimer
NC077	Siyathemba		Yes	disclaimer
NC078	Siyancuma		Yes	disclaimer
NC082	!Kai! Garib		Yes	-
NC085	Tsantsabane		Yes	disclaimer
NC092	Dikgatlong		Yes	disclaimer
NP343	Thulamela		Yes	disclaimer
NP361	Thabazimbi		Yes	disclaimer
NP367	Mogalakwena		Yes	-
NW371	Moretele		Yes	disclaimer
NW374	Kgetlengrivier		Yes	-
NW391	Kagisano	Yes	Yes	-
NW401	Ventersdorp	Yes	Yes	disclaimer
NW404	Maquassi Hills		Yes	-
WC031	Theewaterskloof		Yes	-
WC041	Kannaland		Yes	disclaimer
WC043	Mossel Bay		Yes	-
WC053	Beaufort West		Yes	-
DC15	O .R. Tambo	Yes	Yes	disclaimer
DC2	Cape Winelands DM		Yes	-
DC27	Umkhanyakude	Yes	Yes	disclaimer
DC29	iLembe		Yes	-
DC31	Nkangala		Yes	-
DC33	Mopani	Yes	Yes	disclaimer
DC46	Metsweding		Yes	-
DC6	Namakwa		Yes	-

FS184	Matjhabeng		Yes	disclaimer
KZ252	Newcastle		Yes	-
MP312	Emalahleni (Mp)		Yes	-
NW372	Madibeng		Yes	adverse opinion
EC102	Blue Crane Route		Yes	-
EC103	Ikwezi		Yes	-
EC104	Makana		Yes	adverse opinion
EC106	Sundays River Valley		Yes	disclaimer
EC107	Baviaans		Yes	-
EC109	Koukamma		Yes	-
EC122	Mnquma	Yes	Yes	adverse opinion

COGTA is currently working on the spatial application of these municipalities within provinces, their correlation with COGTA findings for distress and vulnerability, and the relationship of the National Treasury 'distress' indicators to those of the department and other sources.

Ends
