



**the dplg**

Department:  
Provincial and Local Government  
REPUBLIC OF SOUTH AFRICA

# **Policy Review on Provincial and Local Government**

## **Progress and Findings**

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**Intergovernmental Relations**

**Masibambane Coordinating Committee Meeting**

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# Overview

1. Mandate and approach
2. Structure of government
3. Review of core mandates
4. Findings and recommendations
  - Cooperative government
  - Local government

3. Way forward



# Structure of review: Findings – Options to follow

**Chapter 3**  
**Cooperative government**

Structure of government

Allocation of functions

IGR and supervision

Spatial development

**Chapter 4**  
**Provincial government**

Representative government

Service delivery & development

**Chapter 5**  
**Local government**

Representative government

Service delivery & development

**Objectives of national reconstruction and development**

## Mandate and approach

- Public consultation (July-Oct 07)
- Draft document by mid-2008
- Progress Report to Cabinet Jan 2009
- Intergovernmental and public engagement
- Recommendations to incoming government
- Submission to July 2009 Cabinet Lekotla

- *How have these spheres performed their core constitutional mandates?*
- *Are the mandates still the right ones (developmental state)?*
- *What can be done to improve institutional effectiveness?*

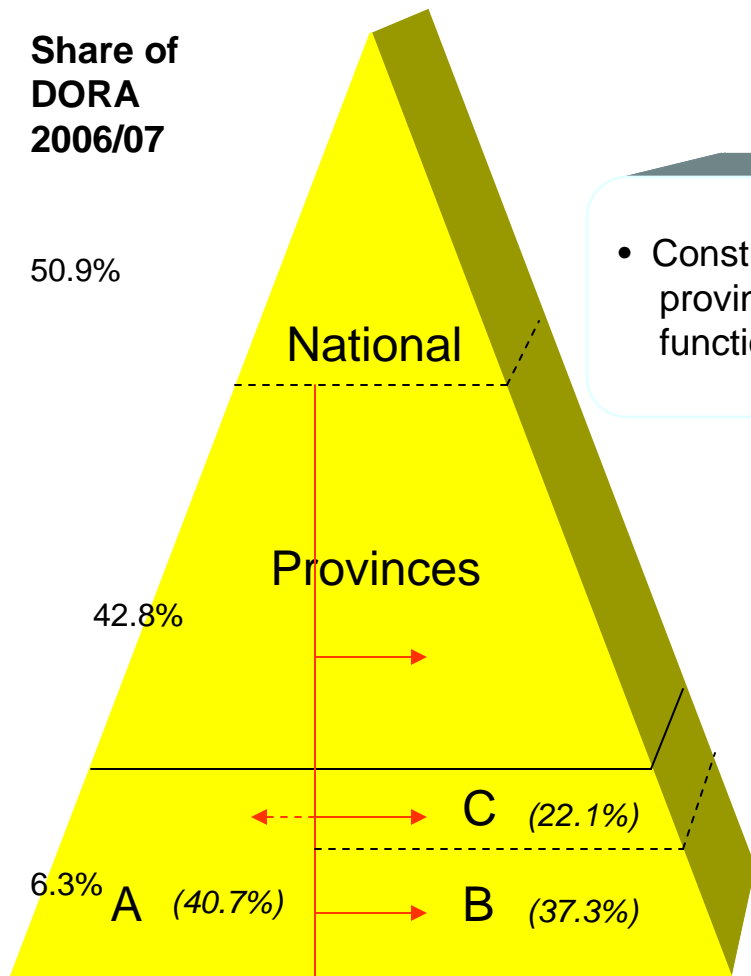
**Cabinet mandate**

**Evidence-based review**

**Policy review**

# The current structure of government

Share of DORA 2006/07



- Four levels of representative government
- Major taxing power with national, major expenditure responsibilities at sub-national level

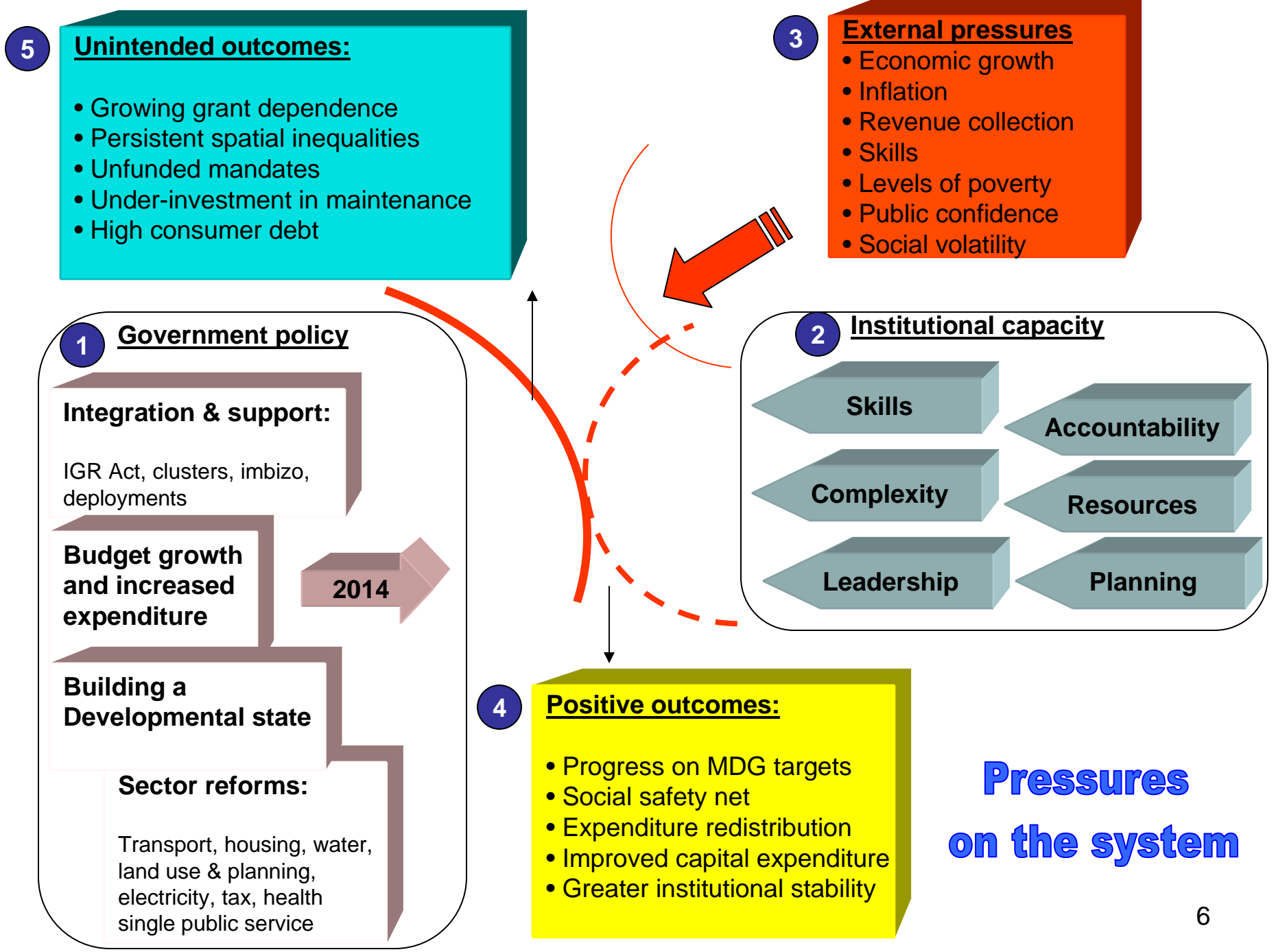
- Constitution provides for *concurrent* provincial exclusive and local government functions

- Provincial boundaries constitutionalized, but statutory demarcation of municipal boundaries

- Redistribution of expenditure, regional equalization and closing fiscal gap primarily a national function (through **transfer system**)

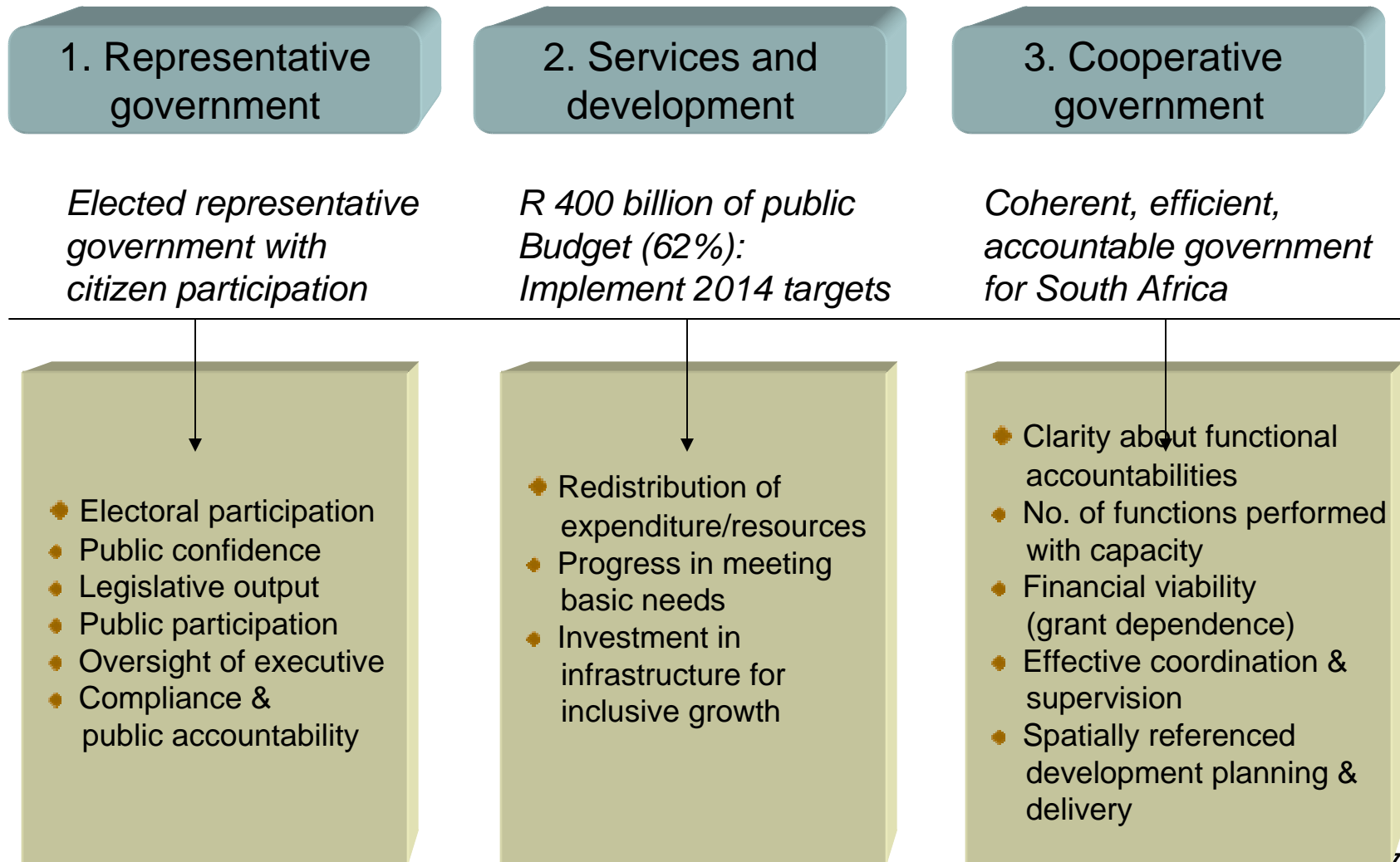
- Symmetrical system but extreme variations in capacity, settlement types, and levels of poverty and economic development

**National government has considerable but not complete authority; sub-national government has enough discretion to ensure responsive government but not enough to compromise national interests**



## Pressures on the system

# Reviewing the core functional mandates of provincial and local spheres



## Summary of Findings and some Conclusions

### Co-operative government

1. *The core roles and functions of spheres should be refined to improve coherence, efficiency and accountability in the system*
2. *A framework for intervention, monitoring and support is needed*
3. *A national regulatory framework or spatial planning and land use is needed*

### Provincial government

1. *The inclusion of provinces contributed to transition to democracy*
2. *Need for provincial government in question, and concerns about effectiveness of current system*
3. *Provincial social and infrastructure expenditure is promoting redistribution but performance, capacity and outcomes are uneven across the system*

### Local government

1. *The establishment of democratic local government an important achievement, but local democracy, accountability and participation must be strengthened*
2. *Access to basic services has improved but sustainability is a concern, and long term solutions needed to address skills shortage, growing grant dependence and municipalities that are not financially viable*
3. *The two-tier system is ineffective, and should be reformed or abolished*

# Findings – cooperative government

## Allocation of functions

- **High levels of instability and uncertainty:**
  - No common definitions of functional areas, and many overlapping functions
  - Increasing budgetary restrictions on provincial discretion for social expenditure
  - No clear scheme of decentralization, but a patchwork of arrangements
  - Ineffective management of devolution and multiple points of decision-making about expenditure assignments
  - Major sector reforms underway, but at different stages of evolution (conflict over functions)
  - Municipalities not performing many functions with capacity or performing functions without authority

### Unfunded Mandates

(5 metros)

- housing/hostels
- health
- museums
- libraries

## Rules for coordination and supervision

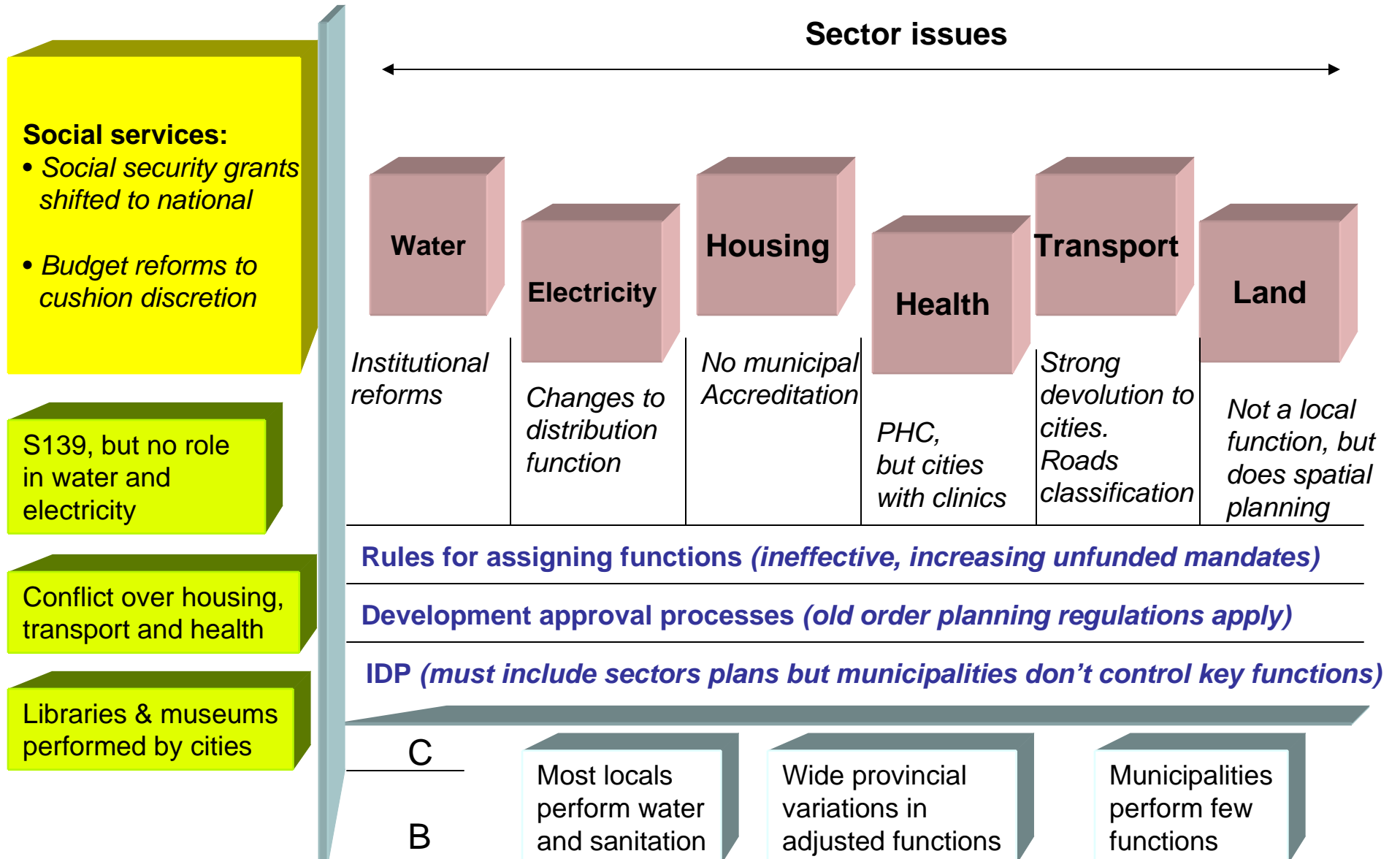
- **System evolving, but uncertain functional arrangements an obstacle and gaps in institutional framework:**
  - IGR structures more predictable since introduction of legislation
  - Better performance and development data and improved monitoring
  - But no legislative framework for supervision, or early warning system for institutional failure, and provinces have limited capacity for supervising local government
  - Dysfunctional regulatory framework for planning, spatial development and land use

R1.4 bill

# Looking at functional arrangements

## Provincial

## Local



# Findings Local Government

## Service delivery & development:

- **Progress in meeting basic needs and inclusive growth:**
  - Substantial progress against MDG targets
  - But under-investment in bulk infrastructure and asset maintenance (especially in water sector) and extent of backlogs are major concerns
  - Rising input costs (cement, steel)
  - Significant but low stake in employment creation
  - Major investments in public transport in cities, but under-investment in low volume rural roads
  - Coordination of investment in built environment a problem
- **But problems in finances, capacity, and planning**
  - Growing grant dependence
  - Growing outstanding consumer debt
  - Declining and aging civil engineers
  - Declining experience levels in senior management
  - High vacancy and turnover rates amongst s57 managers
  - Sustainability of IDP system in doubt

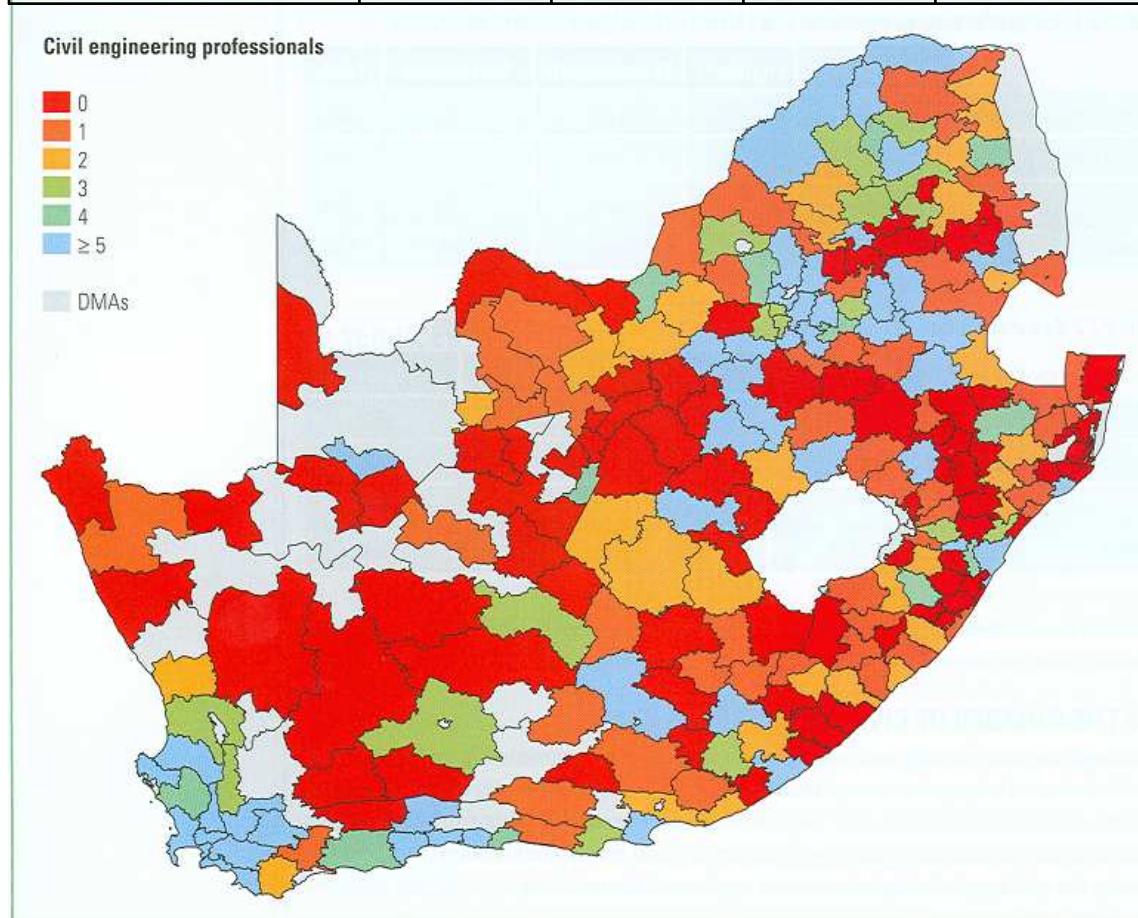
## The Two-tier System is Ineffective

### Two-tier: Need for Institutional Reform

- District functionality in question
- 74% districts performing < 50% functions – 5 provinces no WSA
- 21 districts authorised for Water and Sanitation: only 17 perform with ‘some capacity’ (MDB);
- Long term strategy needed to build the capacity of weaker municipalities
- Comprehensive barometer of institutional capacity needed
- Ranked new typologies under research
- Rigorous technical assessments needed before assignments
- No clear framework for procedures to manage devolution
- Balance needed between sector-led reforms and overall coherence of system.

	•District	•Local	•Metro	•Total
•Total staff aged below 35	•131	•208	•230	•569
•Staff aged 35 to 49	•80	•212	•292	•584
•Staff aged 50+	•29	•155	•197	•361
•Total	•240	•575	•719	•1534

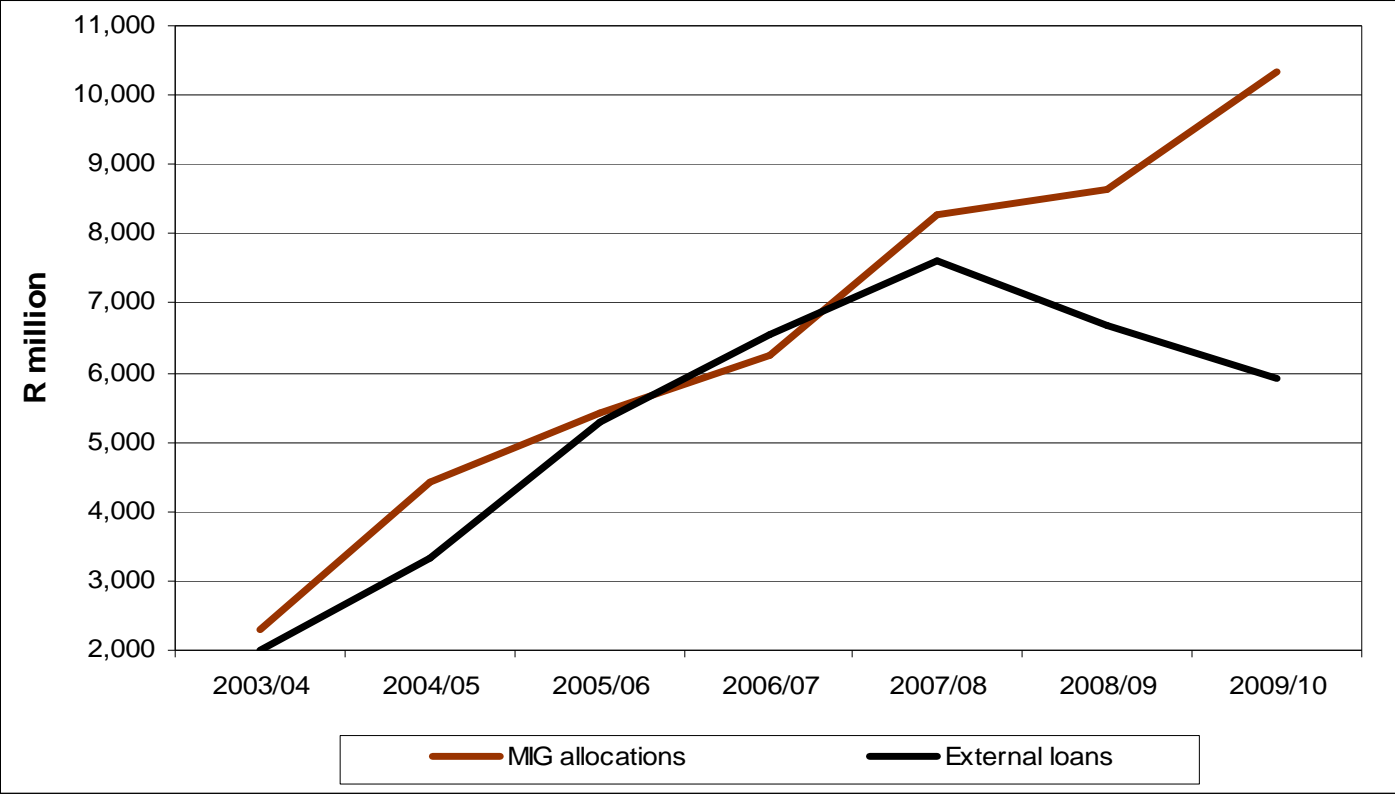
← 24 % approaching retirement age (50+)



### Geographical spread of civil engineering professionals

Source: Lawless, A; 2007: Numbers and needs in Local Government: Addressing civil engineering – the critical profession for service delivery, p80.

# Growth in MIG and external loans, 2003/04 – 2009/10



Source: 2008 Local Government Budgets and Expenditure Review, 2003/04 – 2009/10, page 87

### **Problem statement:**

Capacity, backlogs, ineffective two-tier system, financial dependence and approach to regulating local government threaten the sustainability of municipal system

### **Options for two-tier system:**

1

#### **Abolish two-tier system**

*Create single tier local government*

*Re-assign district functions to locals and provinces*

*Re-demarcate boundaries of locals*

2

#### **Reform two-tier system**

*- Service delivery functions devolved to locals (water) and provinces (roads)*

*- Retain districts only in rural areas or where locals weak (in a support role), but abolish elsewhere*

*- Retain political role but focus districts on coordination, support and planning*

*- Districts as technical hubs for locals*

### **Interventions**

1. *Link performance outcomes, functions, planning to capability (asymmetry)*
2. *Long term solution to dysfunctional/ weak municipalities (deploy public service management in areas where municipal capacity weakest)*
3. *Strengthen incentive framework for municipal accountability and community empowerment*
4. *Improve revenue collection and audit outcomes*

## **Emerging recommendations for Local Government:**

### **1. National legislation governing sub-national powers and functions**

**National legislation providing rules and incentives for decentralization to regulate or replace schedules 4 and 5:**

- Sets out national framework for decentralization
- Defines all functional areas
- Allocates functional areas to levels of government
- Provides a mechanism to review functional allocations periodically
- Links expenditure to revenue assignment
- Defines minimum capability to perform a function

**Enacted every five years and linked to electoral mandate and medium term budget process**

## **Recommendation 2: Reforming the two-tier system**

- **Comprehensively review the Municipal Structures Act:**
  - District service functions assigned to locals or provinces
  - Process would require re-demarcation of municipal boundaries
- **Options to be considered for districts -**
  - Combining provincial and district levels of government into a single tier of government (removing one level of representative government)
  - Retain districts as political government only in some areas of the country, but reconstitute its membership (either by shifting the proportion of directly elected and proportional councilors or a full complement from local councils)
  - Retain districts as shared service centers for locals, rather than governments and planning and support hubs for administrative decentralization.

### **Recommendation 3: Long term dedicated public service support for weaker municipalities**

- Establish on a case by case basis long term support capacity in weaker municipalities as entities of the public service, staffed by senior officials, with technical support provided by the public and private sectors
- Comprehensive index of municipal institutional vulnerability would be developed to determine spatial location
- Hubs would support a number of locals in a region by providing:
  - management & specialist technical services to municipalities that lack capacity (through service level contracts)
  - support and mentorship to graduate these municipalities into effective local governments
  - assume responsibility for functions where municipalities are dysfunctional

## Way Forward: Process Issues

2008

1. Publish for consultation (till end March 2009)
2. Engage ruling party
3. Continue research and consultations with stakeholders

2009

1. Progress report to January Cabinet
2. Recommendations to incoming government (with detailed institutional profiles)
3. Legislative and policy reform process linked to proposals

**In respect to the findings and recommendations, the dplg requests a series of bi-laterals to engage with dwaf on proposed institutional reforms for water services delivery and management: e.g. modelling of reform options, content of new legislation.**



**Thank you**