

PREPARATION FOR THE NCOP WEEK: *Building Sustainable, Responsive and People-Centred Municipalities*

The State of Local Government in South
Africa and interventions to assist
municipalities

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BACK TO BASICS : SERVING OUR COMMUNITIES BETTER



Presentation Outline

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 - Water
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Introduction

1. Since the dawn of democracy in 1994, local government has undergone a monumental transformation process to take us from over 1 200 racially segregated, institutionally fragmented and undemocratic local government structures in the early 1990's to 257 democratically elected municipalities in 2016.
2. There has been substantial progress in achieving the objects of local government set out in the Constitution and White Paper, particularly in relation to local democracy, accountability, capacity development, financial and administrative management and services.
3. Local government has been a crucial pillar of the post-apartheid state-building project, which has involved a substantive devolution of political power supported by fiscal decentralisation.
4. A clear and consistent set of institutional arrangements for political oversight, executive management and administration has been implemented throughout the country. This represents an achievement that can be built on, irrespective of the extent to which any particular council, executive committee, or municipal administration performs in terms of its objectives.

Introduction

1. This report therefore covers some of the gains, challenges experienced by municipalities as well as support and interventions that government has embarked on to address them.
2. Of particular practical significance to citizens is the impressive progress since 1994 in increasing access to services such as water, sanitation, electricity, refuses removal and roads.
3. Local government has also been instrumental in delivering on the social welfare agenda of developmental local government through the free basic services policy, which provides for indigent households to receive a package of free basic services comprising water (6kl free per household per month), electricity (50kw free per household per month) as well as basic sanitation and solid waste removal services.

Service Delivery: Water

StatsSA reports in the 2018 General Household survey as follows:

- “Despite early gains in the provision of water, provision slowed down notably after 2014. Although the percentage of households with access to an improved source of water only increased by less than five percentage points between 2002 and 2018 (growing from 84,4% to 89,0%).
- The increases were much more notable in Eastern Cape (+19,0 percentage points) and KwaZulu-Natal (+11,2 percentage points).
- This slow down coincided with a stabilisation in the provision of public or communal taps (dropping from 13,6% in 2002 to 12,3% in 2018) and piped water on-site (increasing marginally from 27,7% in 2002 to 28,5% by 2018) in favour of increasing the percentage of households who had access to piped water in the dwelling. The latter indicator value increased from 40,4% in 2002 to 46,3% in 2018.
- The impact of rapid household growth is borne out by the observation that the number of households with access to water in the dwelling increased by 70,8% between 2002 and 2018, growing from 4,5 million to 7,7 million while the percentage of households with access to water in the dwelling only increased by 5,9 percentage points over the same period”.

PROPORTION OF CONSUMER UNITS BENEFITTING FROM FREE BASIC WATER

Province	2017*			2018		
	Number of consumer units receiving water services	Number of consumer units receiving free basic water services	Proportion benefiting (%)	Number of consumer units receiving water services	Number of consumer units receiving free basic water services	Proportion benefiting (%)
Western Cape	1 307 972	1 006 413	76,9	1 331 926	602 415	45,2
Eastern Cape	1 618 670	680 697	42,1	1 683 486	759 297	45,1
Northern Cape	296 706	65 665	22,1	302 832	67 015	22,1
Free State	781 950	143 615	18,4	797 597	147 304	18,5
KwaZulu-Natal	2 264 355	763 835	33,7	2 401 820	784 655	32,7
North West	915 237	118 297	12,9	946 954	115 399	12,2
Gauteng	3 286 414	1 263 801	38,5	3 363 171	1 153 960	34,3
Mpumalanga	1 089 918	389 908	35,8	1 160 053	331 439	28,6
Limpopo	1 250 745	318 078	25,4	1 301 250	127 550	9,8
South Africa	12 811 967	4 750 309	37,1	13 289 089	4 089 034	30,8

* Some figures have been revised.

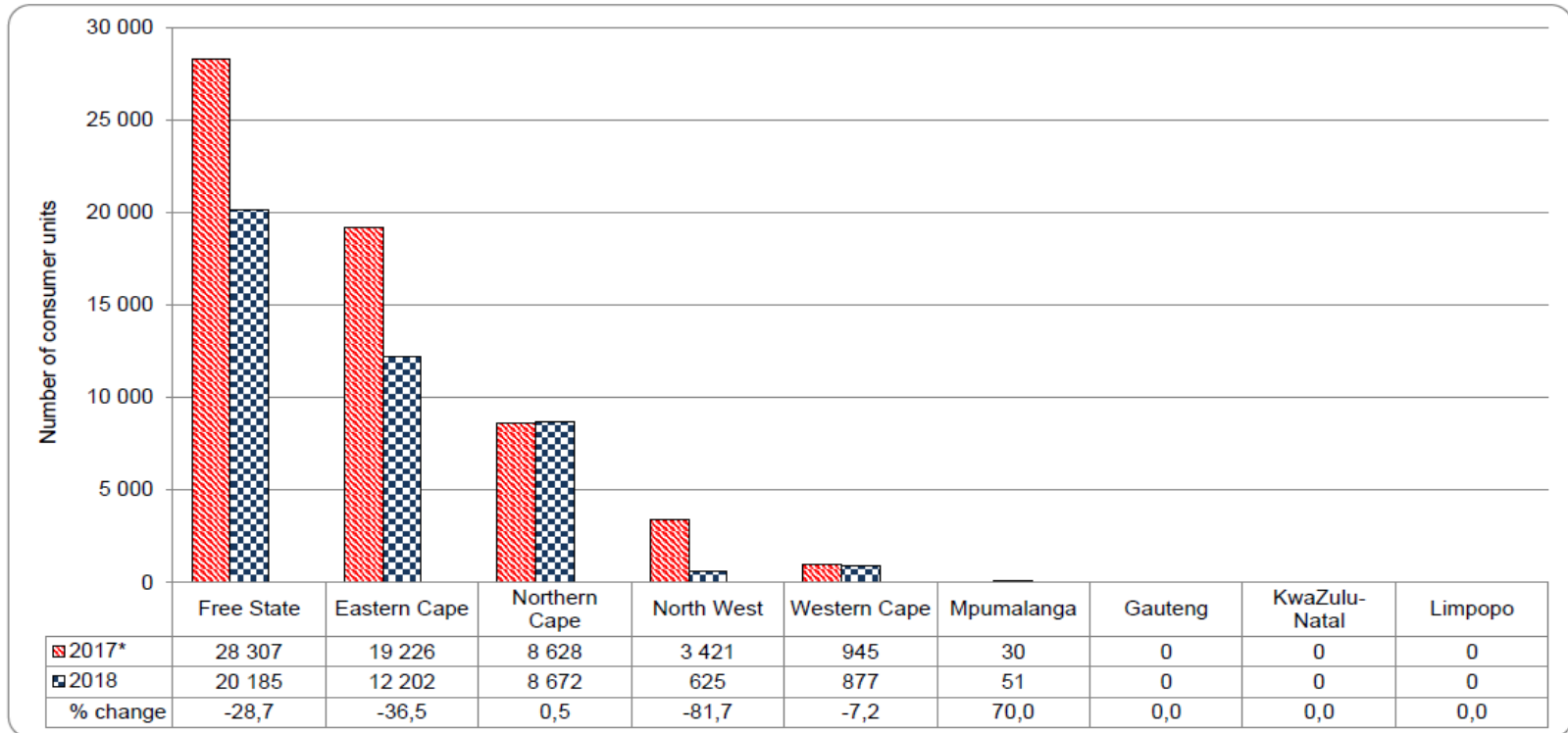
StatsSA. 2019. Non-financial Census for the year ended June 2018.

Service Delivery: Sanitation

StatsSA reports in the 2018 General Household survey as follows:

- Access to improved sanitation seems to have stagnated at around 80%, and the last 20% seem to be hardest to achieve.
- Through the provision and the efforts of government, support agencies and existing stakeholders, the percentage of households with access to improved sanitation increased by 21,3 percentage points between 2002 and 2018, growing from 61,7% to 83,0%.
- Most improvement was noted in Eastern Cape where the percentage of households with access to improved sanitation increased by 54,6 percentage points to 88%, and Limpopo in which access increased by 32 percentage points to 58,9%. The installation of pit toilets with ventilation pipes played an important part in achieving the large improvements.
- A range of reasons, including rapid household growth and urbanisation, as well as a preference for flush toilets have all contributed to the slow progress over the reference period.
- The relative scarcity of water and regular water interruptions experienced in many parts of the country will increasingly lead to the use of alternative sources of sanitation.”

Sanitation: Eliminating Bucket Toilets



* Some figures have been revised.

In the non-financial census, for the municipal financial year ending June 2018, Gauteng, KwaZulu-Natal and Limpopo are the only provinces that reported zero in the provision of bucket toilets. Northern Cape and Mpumalanga provinces reported an increase over the period of 2017 to 2018. All other provinces showed a decrease in the provision of bucket toilets.

StatsSA. 2019. Non-financial census of municipalities for the year ended June 2018.

Service Delivery: Electricity

StatsSA reports in the 2018 General Household survey as follows:

- “An increase in the percentage of households that were connected to the electricity supply from the mains from 76,7% in 2002 to 84,7% in 2018, was accompanied by a decrease in the use of wood (20,0% to 7,7%) and paraffin (16,1% to 3,6%) over the same period. The common use of particularly wood in rural provinces such as Limpopo (31,6%) and Mpumalanga (16,2%) is, however, an indication that available resources are less expensive than using electricity, thereby increasing the health risks associated with open fires.
- The data also show that households utilise multiple resources for lighting, cooking and heating. This is indicative of the fact that households opted to use the cheapest sources of energy where available, or that they had to rely on alternative sources during interruptions.
- The survey also found that households’ satisfaction with electricity services actually declined between 2010 and 2018 as the percentage of households that rated the service as ‘good’ decreased marginally from 67,5% to 65,7%.”

Basic Service: Provincial Backlogs

Eastern Cape

Household Backlog	2008	2018	
Sanitation	46.3%	18.6%	●
Water	39.0%	31.3%	●
Electricity	33.8%	12.6%	●
Refuse	59.1%	53.8%	●

Free State

Household backlog			
	2008	2018	
Sanitation	26.80%	16.50%	●
Water	5.70%	2.70%	●
Electricity	11.70%	6.70%	●
Refuse	24.50%	22.50%	●

Gauteng

Household backlog			
	2008	2018	
Sanitation	11.80%	8.60%	●
Water	4.00%	1.50%	●
Electricity	14.70%	9.60%	●
Refuse	11.50%	9.90%	●

KZN

Household Backlog			
	2008	2018	
Sanitation	34.1%	20.0%	●
Water	27.8%	23.9%	●
Electricity	25.8%	10.0%	●
Refuse	47.7%	46.0%	●

Source: *IHS Markit Regional eXplorer version 1749*

Basic Service: Provincial Backlogs

Limpopo

Household Backlog			
	2008	2018	
Sanitation	64.3%	45.4%	●
Water	31.3%	25.6%	●
Electricity	18.5%	5.5%	●
Refuse	82.0%	75.6%	●

Mpumalanga

Household Backlog			
	2008	2018	
Sanitation	45.5%	33.2%	●
Water	18.6%	11.6%	●
Electricity	15.5%	9.4%	●
Refuse	57.0%	55.2%	●

North West

Household Backlog			
	2008	2018	
Sanitation	42.6%	32.8%	●
Water	17.0%	11.7%	●
Electricity	18.2%	9.7%	●
Refuse	53.5%	42.0%	●

Northern Cape

Household Backlog			
	2008	2018	
Sanitation	20.3%	16.1%	●
Water	9.2%	5.1%	●
Electricity	11.5%	7.4%	●
Refuse	28.5%	29.6%	●

Western Cape

Household Backlog			
	2008	2018	
Sanitation	7.4%	5.7%	●
Water	4.1%	1.5%	●
Electricity	6.4%	2.8%	●
Refuse	9.0%	10.2%	●

Source: *IHS Markit Regional eXplorer*
version 1749

Interventions: 57 Identified Municipalities supported by MISA

- A set of strategies and action plans are being developed focused on the short, medium and long-term interventions e.g.:

Area of Intervention	Short Term	Medium Term	Long Term
Water	Repair leaks	Improve water quality	Secure sustainable water supply
	Backfilling of trenches		
Sanitation	Eradicate overflowing systems	Improve operations of waste water treatment plants	Finalize waste water treatment capacity
	Backfilling of trenches		
Roads	Repair of potholes	Upgrade standard of roads (dirt to gravel)	Reconstruction of roads
Storm water	Cleaning of storm water systems	Upgrading of storm water systems	Provision of storm water systems
Electricity	Repair of street/high mast lights	Provision of electricity	Secure sustainable electricity provision
Environmental Management	Cleaning of streets and parks	Identify and implement most appropriate solid waste management solutions	Finalize the provision and operation of landfill sites
	Grass cutting on sidewalks and development of maintenance schedules	Ongoing and according to approved schedules	Ongoing and according to approved schedules.

Short-term Investment

- ❑ Breakdown of expenditure per category in the 57 priority pilot municipalities for the short-term:

Functional area	Budget allocation
Electricity Reticulation	R6,3bn
Housing	R1,9bn
Refuse sites	R727m
Road transport	R12,6bn
Sewerage purification and reticulation	R4,9bn
Water reservoirs and reticulation	R9,2bn
Other	R21,7bn
Total	R57,3bn

Examples of Municipal Areas for Intervention

Eastern Cape:

- ❑ **Buffalo City Metro** (Duncan Village, informal settlements, sewer, water service, poor condition of roads)
- ❑ **Makana Local Municipality** (general infrastructure collapse, National Arts Festival risk)

Free State

- ❑ **Matjabeng Local Municipality** (informal settlements, mining distress, water service)

Gauteng:

- ❑ **City of Joburg Metro** (Back-yard dwellers, informal settlements, inner city, sanitation, roads, spatial transformation & consolidation)

KwaZulu Natal

- ❑ **Msunduzi local municipality** (informal settlements, electricity, roads)

Limpopo

- ❑ **Thabazimbi local municipality** (Mining distress, informal settlements, bulk sewer, spatial transformation & consolidation)

Mpumalanga

- ❑ **Govan Mbeki local Municipality** (Sewer spillage, housing, roads, spatial consolidation)

Northern Cape:

- ❑ **Sol Plaatjie** (informal settlements, water service, electricity, roads)

North West:

- ❑ **Madibeng local municipality** (sewer & dam, informal settlements, mining distress, water services, roads, spatial transformation & consolidation)

Western Cape:

- ❑ **George local municipality** (informal settlements, sewer, electricity, spatial transformation & consolidation)

Support to Improve Community Participation

In 2018/19, DCOG intensified its measures of ensuring that people's concerns are put first, and that the social gap between elected representatives and communities is narrowed through:

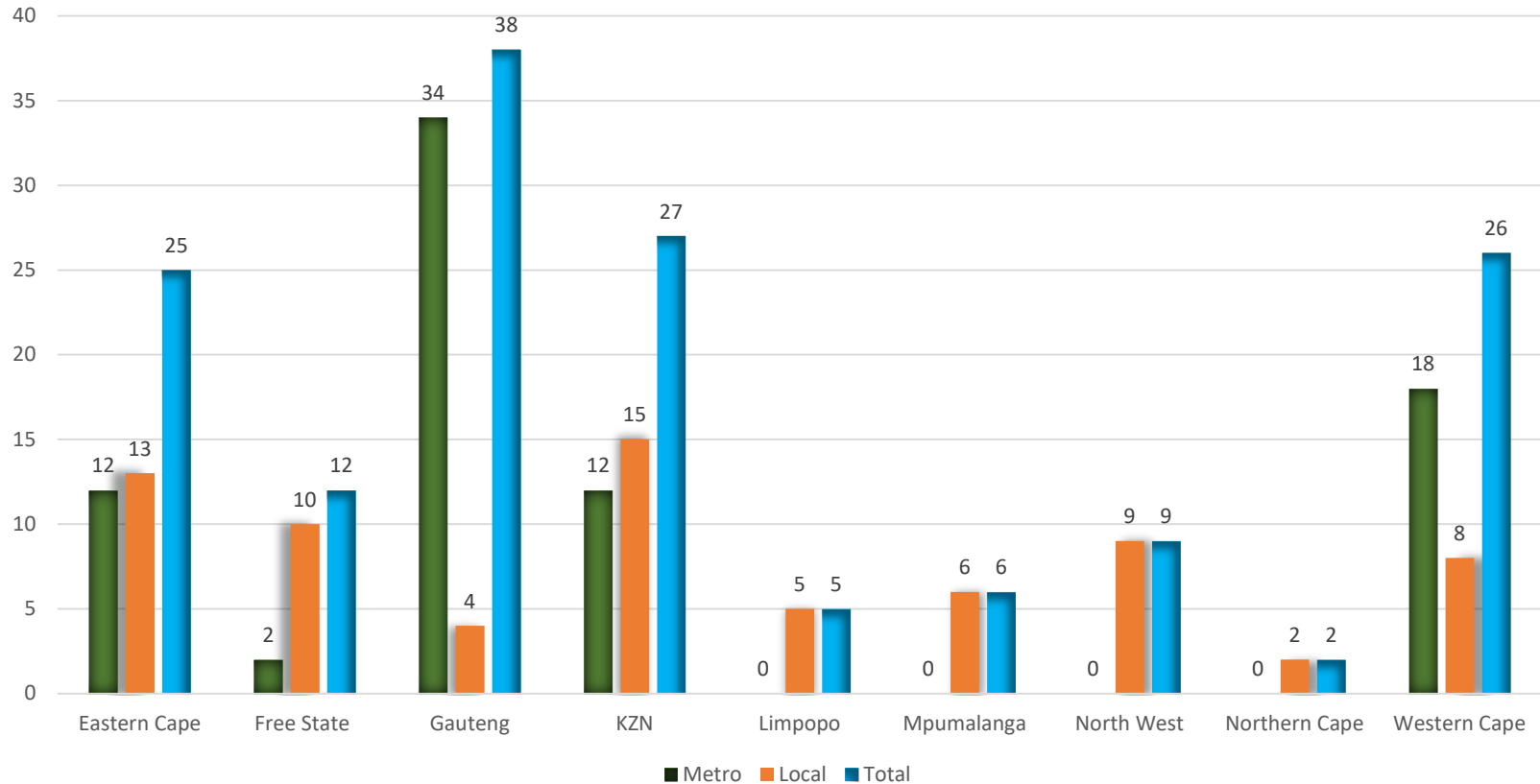
- Supporting municipalities to establish credible ward committees: The functionality and effectiveness of ward committees is critical for improving the delivery of services and closing the communication gap between communities, municipalities and government at large.
- Two hundred and twelve (212) municipalities (Metropolitan and Local Municipalities) have the authority to establish ward committees. Of the 212, 211 have established ward committees as mechanisms for fostering and enhancing community engagement and involvement. This translates to 97, 4% of establishment across all provinces. Of the 212 municipalities, a cumulative figure of 100 municipalities were supported to have functional ward committees.
- Since the LG elections a total of 4278 out of 4392 have been established. Of the 114 that have not been established 107 are in Tshwane Metro. Reasons for non-establishment since 2016 is amongst others disbandment due to a Court ruling brought by opposition party challenging the representivity. Subsequently By-Law was developed, however, this was also disputed. This affects communities in exercising their democratic rights.

Support to Improve Community Participation

- With regards to institutionalisation of community complaints management systems: 80 municipalities were supported to institutionalise effective Community Complaints Management Processes in line with the Municipal Complaints Norms and Standards Framework.
- The framework provides for effective complaints management processes through norms and standards for municipalities, which are not doing this for themselves, including processes for the management of complaint, petitions and memorandums. The aim is for community complaints to be attended to by municipalities at first contact, thus eliminating unnecessary delays that sometimes leads to community protests.
- In order to address some of the challenges facing the Ward Committee system the department has embarked on a process of reviewing the legislative framework for ward committee system and community participation.
- The main objective of the process is to assess whether the legislative imperatives remain appropriate to meeting the changing demands/challenges in relation to the functionality of ward committees and community participation in local government.

Community Satisfaction: Protests

2019 Protests per Province



Source: Municipal IQ Hotspot Monitor: www.municipaliq.co.za

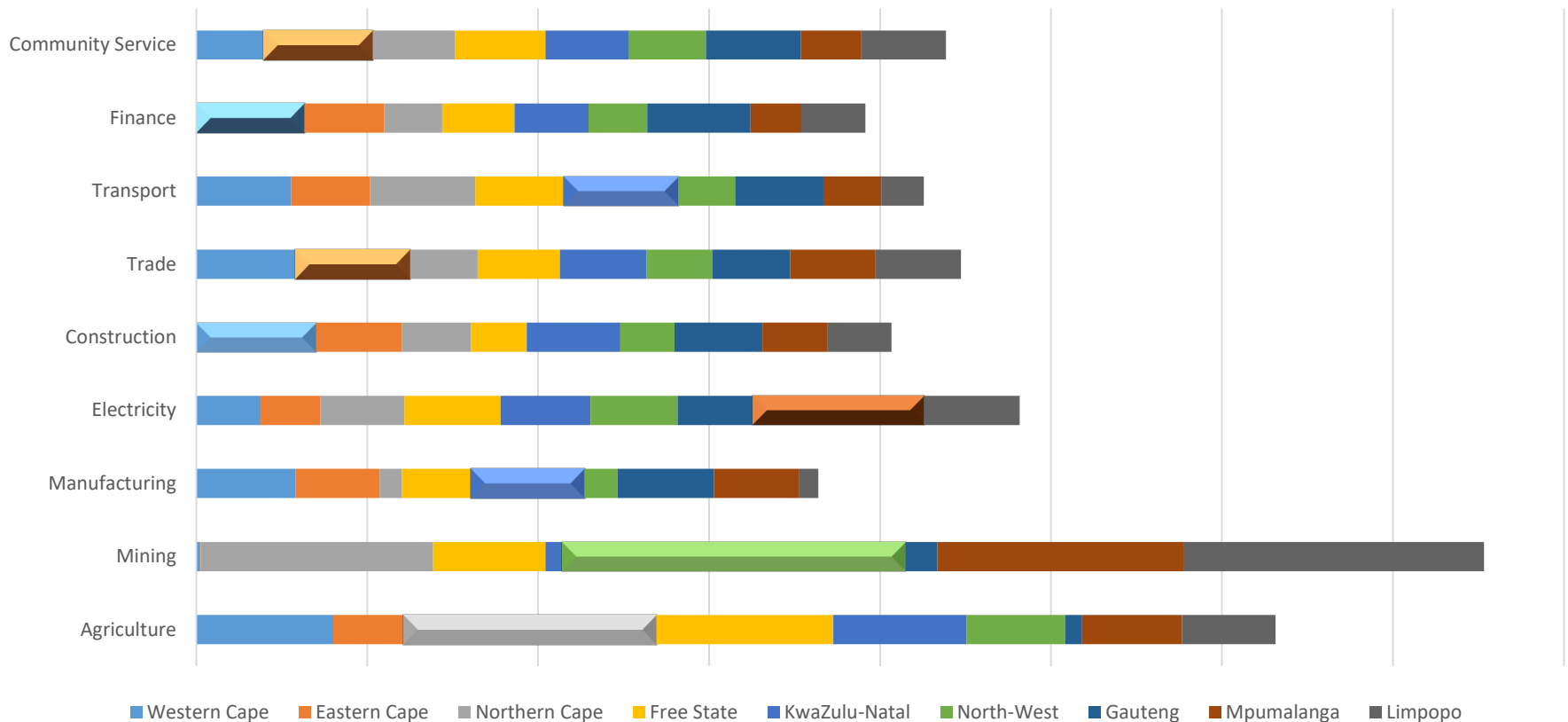
The graph indicates that the highest community protests occur in the Metros. The reasons in order of priority are: lack of communication and feedback to communities by Councillors, housing, water and electricity.

Local Economic Development

- The Revised National Framework for Local Economic Development 2018-2028 seeks to create innovation driven local economies. This Framework will bolster the potential of local economies to grow and develop the national economy. It will reimagine the role of regions, metro and local municipalities in generating prosperity.
- The Department (COGTA) seeks to position Local Economic Development (LED) as an intrinsic lever for advancing inclusive economic growth. A specific regional economy has a comparative advantage over other regional economies if it can more efficiently produce the same good.
- The location quotient is one way of measuring this comparative advantage by taking into account production and employment. If the location quotient is larger than one for a specified sector and region, then that region has a comparative advantage in that sector. This is because the share of that sector of the specified regional economy is greater than the same sector in the national economy. The next slide illustrated the provinces' comparative advantages:

Provinces' comparative advantages – i.e. the sectors where job creation would be comparatively easier for a particular region

Regional Comparative Advantage per Economic sector: 2018



Source: *Source: IHS Global Insight Regional eXplorer 1749 (2.6f)*

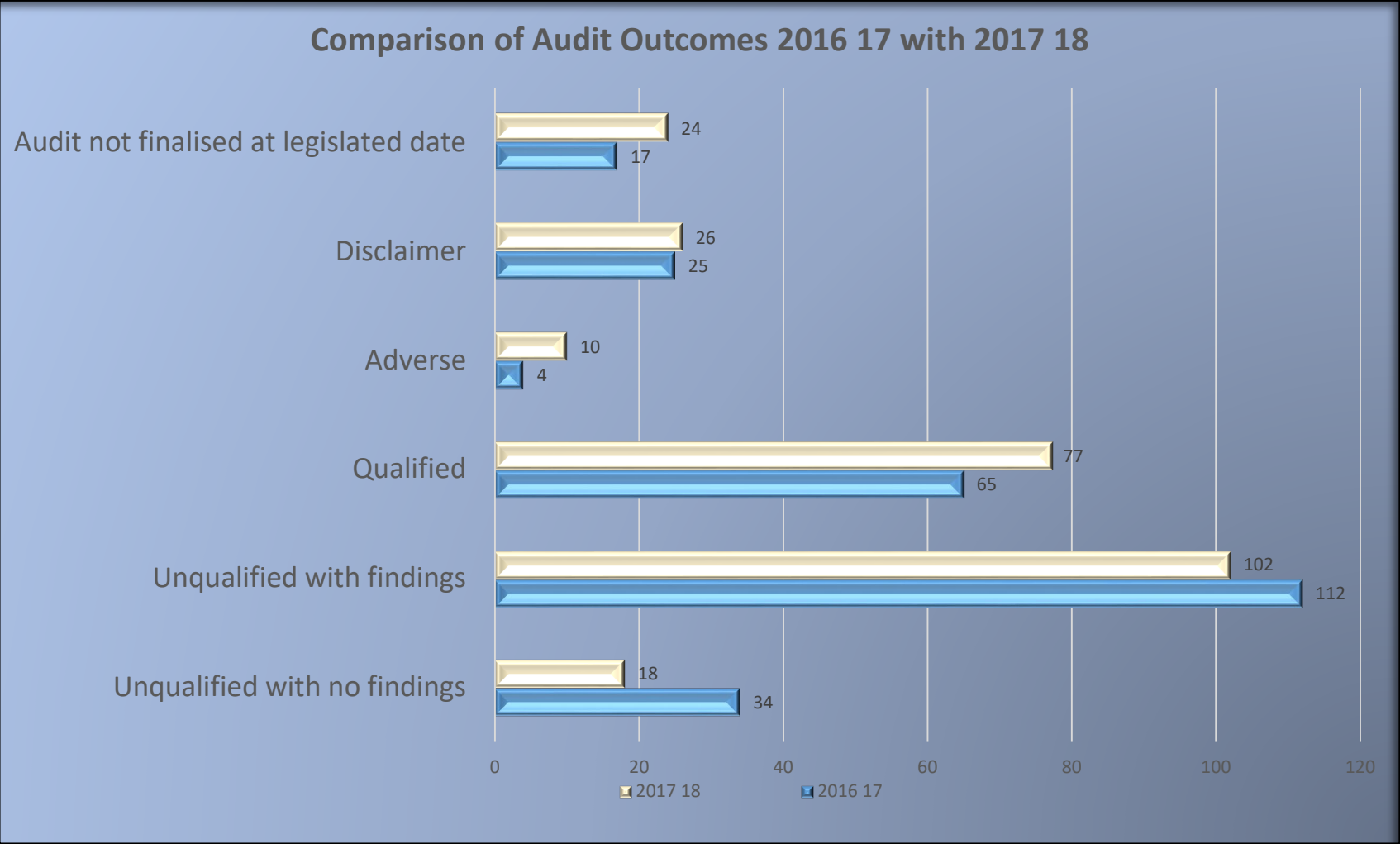
Township Economic Development Programme

- The department is currently developing an integrated township economic development programme, which intends to develop township economies, and to target investments such as in factories, workshops, technical hubs and locally-owned retail operations in our townships, large or small.
- The driving force behind job creation must be the realization that interventions at local level do not need to be only small-scale, but that high value economic activity in townships must also be encouraged.
- The approach to focus on townships is informed by the reality that South African townships are characterised by the highest levels of **unemployment, poverty and inequality**. Therefore, township economies have been identified as a critical vehicle to drive the South African economy to upward trajectory.
- The initiative will be implemented in the following five townships: **Mankweng**, (Polokwane Municipality, Limpopo); **Imbali**, (Msunduzi Municipality, KwaZulu Natal); **Ezibeleni**, (Enoch Mgijima Municipality, Eastern Cape); **Tlhabane**, (Rustenburg, North West) and **Galeshewe**, (Sol Plaatjie Municipality in Northern Cape).

Governance: Audit Outcomes

- The Auditor-General has reported that out of the 257 municipalities, 18 have received unqualified audit opinions with no findings in 2017/18 and 102 have received 'unqualified with findings' opinion, which constitute 47% of all municipalities.
- 77 (30%) of the 257 municipalities received qualified audit opinions while 10 (4%) received adverse opinions and 26 (10%) received disclaimer opinions.
- 24 (9%) of audits were not finalised by the legislated date.











Audit Outcomes 2016/17 compared to 2017/18



The graph shows an increase in the number of audits that have not been finalised as well a decrease in the number of municipalities getting unqualified audit with no findings from 34 to 18.

FINANCIAL MANAGEMENT: COMPLIANCE WITH LEGISLATION

The AG’s report states: “Although the Western Cape had the highest regression in clean audits, it still performed better than the other provinces with 57% of their municipalities having material non-compliance findings, while 90% or more of the municipalities in all the other provinces had material non-compliance findings. The Free State, North West and Limpopo were the worst in the country, with 100% of their municipalities having material non-compliance findings in both the current and the previous year.” The Auditor General identified the following most common non-compliance areas:

	MOST COMMON NON-COMPLIANCE AREAS	MOVEMENT	2017-18	2016-17
	Management of procurement and contracts		81% (189)	72% (167)
	Quality of financial statements		81% (188)	77% (179)
	Prevention of unauthorised, irregular and fruitless and wasteful expenditure		74% (173)	70% (164)
	Effecting consequences		60% (139)	54% (125)
	Creditors not paid within 30 days		54% (125)	50% (117)

FINANCIAL MANAGEMENT: INTERNAL CONTROLS

The AG's report for 2017/18 indicates that hundred and six (106) municipalities (excluding the 24 municipalities where the audits were not finalised at the legislated date) needed intervention with regard to their financial controls:

Province	Processing and reconciling controls are good	Processing and reconciling controls are in progress	Processing and reconciling controls are in need of intervention	Audit not finalised at legislated date
Eastern Cape	3	15	20	1
Free State	0	4	10	9
Gauteng	1	4	5	1
KZN	11	27	14	2
Limpopo	1	13	11	2
Mpumalanga	2	6	11	1
Northern Cape	2	9	15	5
North West	0	4	17	1
Western Cape	16	9	3	2
TOTAL	36	91	106	24

CAUSES AND DRIVERS OF ACCOUNTABILITY FAILURES

The AG assessed the following to be the most common reasons for the deteriorating accountability:

- Lack of credible financial statements
- Poor quality of performance reports
- Non-compliance with legislation
- High irregular expenditure

Local government leadership (political and municipal leaders as well as provincial leadership) should take responsibility for the accountability failures of municipalities. It is their duty to turn the situation around, which they can start doing by focusing on the following:

- a) Set the tone from the top through ethical leadership, good governance and accountability;
- b) Capacitate and stabilise the municipal administration and keep it free from political interference;
- c) Enable and insist on robust financial and performance management processes and controls as well as regular, credible reporting to enable all levels of leadership to perform their monitoring and oversight function; and
- d) Ensure consistent, appropriate and swift consequences for transgressions and irregularities.

CoGTA Support to Municipalities

The aim of CoGTA is to have municipalities delivering efficient services to our people to ensure that we reverse what the AG report calls a deteriorating local government. In this regard, the department working together with NT, Provinces and SALGA has embarked on the following activities:

- Development of financial recovery plans and credible budgets in collaboration with National Treasury.
- Support municipalities with the implementation of post audit action plans in collaboration with National Treasury.
- Capacity building on financial and performance management and strengthening Municipal Public Accounts Committees.
- Deployment of District Technical Support Teams and MFIP advisors to support struggling municipalities with focus on building internal capacity.
- Intervention through Section 139 of the constitution for financial and institutional stabilization.
- Established Governance Support Teams; Panels which will be building systems and capacity of dysfunctional municipalities.
- Oversight over party structures processes for speedy resolutions of identification and deployment of appropriately suitable candidates.
- Vigorous training programmes and empowerment of new councilors.

The Fight against Corruption

- The Department continues with the roll out of the training programme on the Local Government Anti-Corruption Strategy and the Municipal Integrity Management Framework to reinforce our efforts regarding the fight against corruption and the promotion of ethics in municipalities. The strategy sets out the strategic objectives to be pursued by municipalities in terms of preventing and combating corruption.
- Further, the Department continues to collaborate with provinces and law enforcement agencies such as the Special Investigating Unit (SIU), Hawks, and the National Prosecuting Authority (NPA) to accelerate investigations and prosecutions in municipalities more especially implementation of recommendations emanating from forensic reports.
- The Department is also finalising processes regarding the signing of a Memorandum of Understanding (MoU) with the Moral Regeneration Movement (MRM) with a view to combat moral decay at municipalities level in order to promote the development of a caring society.

Municipal Public Accounts Committees

- MPACs are established to hold the Council accountable for the use of public resources. The idea is to promote transparency, accountability, good governance, effective financial management, and quality service delivery at municipalities.
- CoGTA, in partnership with National Treasury, SALGA, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) developed an MPAC Guide and Toolkit (“the Guide”) to further improve the oversight and accountability role of all MPACs.
- These measures were intended to curb irregular, fruitless and wasteful expenditure and to hold municipalities to account.
- An implementation plan is being finalised to rollout the Guide in all municipalities.
- The monthly B2B monitoring of municipalities found that although there was an increase in the number of **MPAC meetings** reported between 2016/17 and 2017/18, it was still below the expected meeting rate (not less frequent than quarterly) with 77% and 87% of the expected number of meetings in 2016/17 and 2017/18 respectively.
- Northern Cape municipalities reported a meeting rate below the expected norm in each of the quarters in the two years.

FIGHT AGAINST CORRUPTION

- To reinforce our efforts regarding the fight against corruption and the promotion of ethics in municipalities, the Department will continue with the roll out of the training programme on the Local Government Anti-Corruption Strategy and the Municipal Integrity Management Framework.
- The strategy sets out the strategic objectives to be pursued by municipalities in terms of preventing and combating corruption.
- The Department will continue to collaborate with provinces and law enforcement agencies such as the Special Investigating Unit (SIU), Hawks, and the National Prosecuting Authority (NPA) to accelerate investigations and prosecutions in municipalities more especially implementation of recommendations emanating from forensic reports.

SECTION 139 INTERVENTIONS

1. In the past two financial years, there has been an increase in the number of municipalities placed under administration in terms of section 139 of the Constitution.
2. Currently **40 municipalities** across the country in all 9 provinces are under intervention with North West and KwaZulu-Natal with the highest number of 14 and 10 municipalities respectively. There are also 5 interventions in Mpumalanga, 3 in Free State, 2 in each of Eastern Cape, Limpopo and Gauteng and 1 each in Northern Cape and Western Cape.
3. The section 139 interventions have been evaluated and a number of challenges or reasons for the failures of interventions have been identified. This is partly due to interventions starting too late. In many cases this is a result of provinces not identifying the factors requiring a provincial intervention in a timely manner, and not responding appropriately once the crisis is recognised. The dissolution of a municipal council and appointment of an administrator usually faces local resistance and political counter-mobilisation. In several cases, national government has been compelled to intervene as a result of court orders.
4. Resorting to Section 139 is symptomatic of an underlying breakdown in the systems of intergovernmental cooperation. Given the responsibility of national and provincial government to support local government in the exercise of its functions, the responsibility for the failure of local government to deliver a service or perform a key function is a shared one.
5. Oversight, monitoring and support by the province needs to be strengthened, before Section 139 is invoked.

SECTION 139 INTERVENTIONS - example

PROVINCE	Municipality	Nature of the Problem
Northern Cape	Phokwane	<p>Lack of cohesion within the caucus of the majority party due to factional tendencies (perceived and real)</p> <p>For three (3) successive years (2015/16 to 2017/18) Phokwane LM's audit was not finalised as a result of failure to submit the Annual Financial Statements by the legislated date. For seven (7) years before then the audit outcome had been a disclaimer.</p>
Eastern Cape	Amahlathi	<p>Political instability and political infighting</p> <p>Lack or poor revenue collections</p> <p>Utilization of MIG funds for operations resulting in lack and poor service delivery.</p> <p>Failure to pay salaries and third parties.</p>
KZN	Mtubatuba	<p>Dysfunctional Municipal Council.</p> <p>Failure by the Municipal Council over oversight of the administration.</p> <p>Constant vacuum in administrative leadership</p>

NB: As seen on the example, most of the problems are political and need political intervention

FINANCIAL MANAGEMENT: IMTT ON ELECTRICITY DISTRIBUTION

The resolutions of the Inter-Ministerial Task Team on Electricity (IMTT) to assist municipalities are being implanted and these are:

- The installation of the prepaid meters in all municipalities.
- The appointment of independent revenue collectors for municipalities.
- The campaign to encourage a culture of payment for municipal services so that municipalities are able to pay their debts.
- The strict management of payment default with firm actions by government before the court process even comes to effect.
- Fixing municipalities to ensure the sustainability of services, good governance and sound financial management practices in line with the current B2B support model where a distinction is made between the municipalities that require intervention and those that require support

FINANCIAL MANAGEMENT: MIG Expenditure as at 30 June 2019

Summary by province	Allocated (R'000)	Transferred to date	Transfers as % allocation	Expenditure to date	Expenditure as % allocation	Expenditure as % transferred	Balance Unspent
Eastern Cape	2,997,685	2,997,685	100.00%	2,814,245	93.88%	93.88%	183,440
Free State	761,828	761,828	100.00%	745,181	97.81%	97.81%	16,647
Gauteng	500,440	500,440	100.00%	307,964	61.54%	61.54%	192,476
KwaZulu Natal	3,311,354	3,311,354	100.00%	3,169,669	95.72%	95.72%	141,685
Limpopo	3,218,586	3,218,586	100.00%	2,605,563	80.95%	80.95%	613,023
Mpumalanga	1,791,352	1,791,352	100.00%	1,778,492	99.28%	99.28%	12,860
Northern Cape	470,291	470,291	100.00%	371,558	79.01%	79.01%	98,733
North West	1,723,707	1,723,707	100.00%	1,571,887	91.19%	91.19%	151,820
Western Cape	512,442	512,442	100.00%	467,333	91.20%	91.20%	45,109
Unallocated			-	-	-	-	-
TOTAL	15,287,685	15,287,685	100.00%	13,831,893	90.48%	90.64%	1,455,792

The MIG has spent R13, 9 billion (90, 64%) of the R15, 3 billion MIG allocation that was allocated to the programme for the 2018/19 financial year.

The highest expenditure reported by municipalities against the provincial allocation was by municipalities in the Mpumalanga Province which spent R1, 8 billion (99, 14%) collectively of their R1, 806 billion 2018/19 MIG allocation.

MIG (cont)

- The MIG Programme has just concluded on its 14th year of implementation in 2018/19.
- Our infrastructure delivery system has been very successful at creating new infrastructure over the past 20 years but it faces challenges. These include:
 - inadequate planning, in particular long term infrastructure investment planning and preventive maintenance planning; and
 - the inadequate management of the assets created, including inadequate attention to the renewal of existing infrastructure and to sound repairs and maintenance.
- Unfortunately, stopping and reallocation due to poor performance of municipalities on the MIG is inevitable even when governmental support programmes are present in the effected municipalities. In the last 5 years, CoGTA has stopped an amount of R3,842 billion. Although this process ultimately reduces the unspent funds to be returned to the National Revenue Fund through the reallocation of stopped fund funds, the challenge is that stopping of MIG funding from under-performing municipalities unfairly penalises the intended beneficiaries of infrastructure.
- CoGTA is investigating mechanisms to allow that the MIG allocations which is transferred directly to municipalities, be transferred indirectly to certain municipalities that are perennial non-performers on the MIG, whilst they are provided the opportunity to address the areas that has led to their poor performance. However, this calls for stringent intergovernmental practices where municipalities at large agree to a principle where implementation is on behalf of municipalities by well-capacitated implementers.

MIG: Support Measures for the current financial year

- Currently (2019/20) the following interventions for financial discipline are implemented to mitigate poor performance by municipalities:
- In cases of non-performance, the MIG funds are withheld:
 - The transferring officer evokes S18 - scheduled transfers are withheld (no longer than 120 days) and the payment schedule is amended to inform future transfers to the municipality when performance improves with regard to expenditure, reporting and commitment levels. This also includes the implementation of S18 when more intermediate transfers are made to certain municipalities.
 - National Treasury evokes S24 - scheduled transfers are withheld and the payment schedule is continuously amended to inform transfers for work completed.
- In cases of non-performance, the MIG funds of municipalities are stopped by the transferring officer by evoking S19 of the DoRA. In other words, the MIG allocation of a municipality as published in the DoRA is adjusted/reduced.
- The challenge is that stopping and reallocation of MIG funding from under-performing municipalities unfairly penalises the intended beneficiaries of infrastructure earmarked for funding through designated MIG allocations. DCoG is investigating mechanisms to allow that the MIG allocations which is transferred directly to municipalities, be transferred indirectly to certain municipalities that are continued non-performers on the MIG. In circumstances where this approach is followed, MIG allocations for affected municipalities will be retained by DCoG as the transferring authority and an implementing agent (IA) will be contracted to manage the implementation of projects on behalf of affected municipalities.

Institutional Capability

The following table shows the managerial positions according to section 56 of the Municipal Systems Act, 32 of 2000, per province as reported to the non-financial census of municipalities

Province	Full-time				Part-time				Vacant posts		Total (including vacancies)	
	Male		Female		Male		Female		2017*	2018	2017*	2018
	2017*	2018	2017*	2018	2017*	2018	2017*	2018				
Western Cape	103	112	28	25	12	7	1	0	17	25	161	169
Eastern Cape	138	130	68	83	2	0	0	0	44	50	252	263
Northern Cape	77	74	23	19	5	5	0	1	37	37	142	136
Free State	63	65	26	27	0	0	0	0	48	41	137	133
KwaZulu-Natal	153	168	45	68	5	5	6	5	93	62	302	308
North West	65	62	23	34	0	0	0	0	70	55	158	151
Gauteng	66	88	28	43	6	0	2	0	24	33	126	164
Mpumalanga	64	66	32	27	0	0	0	0	26	37	122	130
Limpopo	69	83	36	35	0	0	0	0	74	51	179	169
South Africa	798	848	309	361	30	17	9	6	433	391	1 579	1 623

* Some figures have been revised.

Instability or Vacancies in key positions could affect audit opinions

The AG indicated for the 2017/18 Audit outcomes when municipalities experienced instability or vacancies in key positions that could affect the audit opinion. A summary of this observation per province is tabled below:

	% of municipalities receiving an 'Unqualified with no findings' opinion with instability or vacancies in key positions	% of municipalities receiving an 'Unqualified with findings' opinion with instability or vacancies in key positions	% of municipalities receiving a 'Qualified' opinion with instability or vacancies in key positions	% of municipalities receiving an 'Adverse' opinion with instability or vacancies in key positions	% of municipalities receiving a 'Disclaimer' opinion with instability or vacancies in key positions
Eastern Cape	0.0%	22.2%	38.5%	50.0%	100.0%
Free State	N/A	50.0%	100.0%	N/A	100.0%
Gauteng	0.0%	55.6%	N/A	N/A	N/A
KZN	0.0%	38.2%	25.0%	50.0%	0.0%
Limpopo	N/A	100.0%	100.0%	100.0%	100.0%
Mpumalanga	0.0%	71.4%	50.0%	100.0%	100.0%
Northern Cape	0.0%	40.0%	81.8%	N/A	100.0%
North West	N/A	100.0%	100.0%	N/A	100.0%
Western Cape	0.0%	23.1%	66.7%	N/A	N/A

Institutional Support

1. More recent data of the Department of Cooperative Governance shows the following with regard to the vacancy rates of the top 6 senior manager positions, the Municipal Manager and the Chief Financial Officer:
2. **Top 6 critical senior manager positions:** A total of 1 218 out of 1 549 positions have been filled and 331 vacant, as at March 2019, representing a **vacancy rate of 21%**.
3. **Municipal Manager positions:** A total of 220 out of 257 posts have been filled and 37 vacant as at March 2019 constituting a **14% vacancy rate**.
4. **Chief Financial Officer posts:** A total of 203 out of 257 posts have been filled and 54 vacant as at March 2019 constituting a **21% vacancy rate**. The highest vacancy rate was recorded in North West with 45% vacancy rate followed by Free State with a vacancy rate of 39%.
5. The Department of Cooperative Governance has committed to complete the development of municipal staff regulations, incorporating minimum competency requirements for staff below management echelons, pending the translation of the regulations to the second official language in the 2019/20 financial year. Once promulgated, the Regulations will foster uniformity across municipalities in addition to ensuring fair, efficient, effective and transparent human resource management.

Institutional Support

The National Treasury (*The State of LG Finances and Financial Management as at 30 June 2018*) show the extent to which minimum competency levels have been achieved by key senior management positions:

- A total of 107 out of 223 Municipal Managers (47,9%) complied with the minimum competency level;
- A total of 83 of 224 Chief Financial Officers (37,1%); and
- A total of 418 of 1 037 Senior Managers (40,3%).

- COGTA and NT have attributed these low levels to:
 - ✓ Political influence in the appointment process that resulted in politically acceptable appointments at the expense of technical competence;
 - ✓ Turnover of senior staff due to changes in leadership, especially after elections;
 - ✓ Management and leadership training and capacity support offered to municipalities not tailored to requirements and specific contexts; and
 - ✓ The absence of mechanisms to enforce minimum competency requirements.
 - ✓ The list includes CFO's from the Municipal Entities.

Conclusion: a Window of Opportunity

- Given the challenges and gains recorded by South Africa over the first 25 years of democracy, the next 12 months provide a **window of opportunity** to deepen the developmental state agenda as contained in the NDP as well as continental and global action plans such as *Agenda 2063: The Africa We Want* and the Global Sustainable Development Goals: 2030.
- To adequately do so, the IGR implementation mechanisms and institutional delivery arrangements require **reinvigoration** so as to bring about a step change and transform the quality of life of all South Africans, particularly the most vulnerable, who include blacks, women and young people as well as those who live in townships and rural areas where poverty, unemployment and economic exclusion is highest.
- The purpose of enhancing cooperative governance through a new district coordination model is to improve the coherence and spatial targeting impact of all three spheres of government working together in unison.

Conclusion: A District Coordination Model

- The main objectives of the new model include the following:
 - To focus on the District/Metropolitan spaces as the appropriate scale and arena for intergovernmental planning and coordination.
 - To focus on the 44 Districts + 8 Metros as developmental spaces (IGR Impact Zones) that will be strategic alignment platforms for all three spheres of government.
 - To produce a Spatially Integrated Single Government Plan (as an Intergovernmental Compact) for each of these spaces that guides and directs all strategic investment spending and project delivery across government, and forms the basis for accountability.
 - This approach reinforces an outcomes-based IGR system where there is a systematic IGR programme and process associated with the formulation and implementation of a single government plan. This signifies a shift from highly negotiated Alignment of Plans to a regulated cooperative governance One Plan.
 - One of the core objectives is to take development to our communities as key beneficiaries and actors of what government does, and where they have a stake.

Conclusion: A District Coordination Model

The key principles that underpin the new District/Metropolitan coordination model are:

- *Existing Constitutional Framework Remains as is, whilst strengthening the regulatory framework for Cooperative Governance*
- *Reinforce Local Government and its Proximity to Communities*
- *Distinction Between Long-term and Medium-term Strategic Planning / Implementation Mechanisms*
- *Build on Existing Good Practices – Current MTSF Alignment (DPME) and Operation Sukuma Sakhe (OSS) and other emerging best practice*

THANK YOU
Siyabulela
Re a leboha
Siyabonga