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ENSURING CAPABLE AND FINANCIALLY SOUND MUNICIPALITIES



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New approach needed for intervention in ailing municipalities

“It often takes up to 10 years for municipalities to recover from such interventions and to be in position to meet their service delivery mandates.”

On the third day of the Local Government Week, the merits of Section 139 of the Constitution were hotly contested, **writes Abel Mputing.**

Section 139 places a responsibility on provincial governments to assume administration of any municipality in its jurisdiction that is failing to meet its executive obligation of approving a budget, raising revenue, or which regularly incurs gross financial

mismanagement audit reports.

In the panel discussion on the matter, researchers from the Public Affairs Research Institute, Mr Mahlatse Rampedi and Dr Tracy Ledger, observed that these interventions often fail to produce the desired effects. Among other reasons, this is often because the intervention comes too late, once the governance and institutional control of these

municipalities have collapsed.

Their research found that problems in municipalities are often misdiagnosed, which has knock-on effects. “Because of lack of proper diagnosis,” Dr Ledger explained, “it often takes up to 10 years for municipalities to recover from such interventions and to be in position to meet their service delivery mandates.” In addition, when this section is invoked there are often no

clear terms of reference, or targeted objectives and proper assessment.

South African Local Government Association representative Mr Charles Stofile stated that these interventions are a concern because they encroach on the powers and functions of local government. Against this background, he pointed out, “we must determine whether these interventions are strengthening the institutional integrity of local government and the need to expedite their developmental goals.”

To underscore his point, he emphasised that to date 46

municipalities have been placed under administration. Some of these municipalities have been subjected to these interventions five times and the three municipalities have been dissolved. Despite all this, these municipalities were worse off after they were placed under administration. Compounding the problem is that no detailed analysis was conducted, there are no recovery plans in place and no reviews to determine if they have produced desired outcomes.

Citing the case of Mangaung Municipality, Mr Stofile added that the provincial government often

take over the municipalities with no comprehensive assessment of the problem at hand and with no financial recovery plans. This municipality was placed under administration when it was owed well over R630 million by the provincial government and almost R1.5 million by schools.

He suggested that a new approach to the implementation of this section must be applied that will ensure that municipalities’ reports are utilised as instruments to detect early warnings of impending problems. 🏛️



The Chairperson of the Select Committee on Cooperative Governance, Mr China Dodovu

In his reflections on the Section 139 intervention the Chairperson of the Select Committee on Cooperative Governance, Mr China Dodovu, noted that there are more interventions in municipalities now than at any other time since the inception of the NCOP, **writes Abel Mputing.**

In Mr Dodovu’s view, these interventions should be seen within the context of a dying organisation. This would help us get

Section 139 interventions must be ‘fair and rational’ says Committee Chair

Mr Dodovu believes that provincial governments often do not do proper monitoring and evaluation of the municipalities under their jurisdiction.

to the root cause of the problems facing municipalities. The financial inefficiencies, the looting and the corruption at some municipalities are the results of other problems of governance or institutional inefficiencies. Tough decisions have to be taken to fix these, “to differentiate between the root cause and other elements that allow it to manifest”.

The role of the NCOP in this regard should be motivated, he said, “by the constitutional requirements that seek to ensure that there is fairness and rationality in effecting an intervention”. If a provincial government does not meet these requirements, in his view the NCOP should not approve it. This position

would be informed by committee oversight visits and its meetings with relevant stakeholders to canvas for their opinion on the matter. This would then be presented to the House for deliberation.

Despite the reports submitted to them every month, Mr Dodovu believes that provincial governments often do not do proper monitoring and evaluation of the municipalities under their jurisdiction. He also criticised the use of interventions to settle political scores. Often such interventions have nothing do with the governance or viability of a given municipality, but are the result of political factionalism.

Participating in the discussion, the

Deputy Minister of Cooperative Governance and Traditional Affairs Mr Parks Tau asked what should be done to rectify this situation. Mr Dodovu replied: “We need to develop clear

guidelines to quell all the ambiguities that occasion this provision.” To this end, a draft bill is in the offing to address some of the issues raised in this discussion. The department is in

consultation with various stakeholders, including National Treasury, regarding the bill. Thereafter, the legislative process will begin. 🇿🇦

Effective local government relies on skilled staff and ethical leadership

These are, among other things, political interference and political instructions from outside the council; partisan bureaucracy; political pressure on the administration



KNOWLEDGE IS POWER: Graduation ceremony

The Executive Mayor of the Mid Vaal Local Municipality, Mr Bongani Baloyi, says efforts to professionalise local government depend on a combination of skilled staff, good governance, ethical leadership, consequence management and political will. Mr Baloyi was participating in the discussion on the professionalisation of municipalities during the NCOP’s Local Government Week, **writes Mava Lukani.**

Local government is complex, he went on to say, and it will not be up to the task without staff with the requisite professionalism. “Professionalisation of local government is a critical component of sustainable capacity building and the entirety of the process of administration. The aim of

professionalisation should be seen as an effort to improve local government capability,” Mr Baloyi emphasised.

On consequence management, he said there must be a zero tolerance policy when it comes to misappropriation of resources. There must be enforcement of accountability on both the political and administrative levels of the municipality. “Any form of misappropriation must be acted upon with the necessary rigour in all instances and that helps to restore confidence in the institution,” he added.

However, it will not be possible to professionalise local government without the “political will” to do so. “Political will is the atrium where

action begins. It is the engine of change and the most powerful tool in the transformation of local government. It is needed to reach agreements on what needs to be done and to start taking immediate action,” Mr Baloyi continued.

Also participating in the discussion on the professionalising of municipalities, the Public Affairs Research Institute’s Dr Thina Nzo highlighted a number of factors contributing to poor performance in municipalities. These are, among other things, political interference and political instructions from outside the council; partisan bureaucracy; political pressure on the administration; and political appointment of senior municipal

administrative officials.

Dr Nzo told delegates to the NCOP that political pressure on the municipal administration breaks the policy and the rules of the municipality. Municipal administration is unable to discipline a senior member of an influential political party in a municipality

because of a fear of implications of the disciplinary action.

Also participating in the discussion, the National Assembly's Chairperson of the Portfolio Committee on Cooperative Governance and Traditional Affairs Ms Faith Muthambi noted that in some municipalities,

members of staff are highly qualified for the work, but they rely on consultants and performance is poor. As an example, she referred to one municipality with a chief financial officer who has an accounting and financial management qualifications, but the municipality has a disastrous audit outcome nonetheless. 🇿🇦

'No evidence' that demarcation improves a municipality's performance



“Merely amalgamating municipalities without addressing basic issues of capacity, training and skills base in municipalities will not have significant impact on the improvement of governance after mergers.”

The Chairperson of the Municipal Demarcation Board (MDB), Mr Thabo Manyoni, says there is no evidence that the redetermination of municipal boundaries results in improved performance of municipalities, or that the size of a municipality can impede its performance, **writes Sakhile Mokoena.**

Participating in the National Council of Provinces (NCOP) Local Government Week a panel discussion - The impact of municipal boundary redeterminations on municipal governance, service delivery, financial sustainability and effective performance of local government.” Mr Manyoni stressed that service

delivery was not wholly a demarcation issue, and there are several factors that impact on it, many of which can be attributed to a crisis in governance in the South African case.

Mr Manyoni, added that “merely amalgamating municipalities without addressing basic issues of capacity, training and skills base in municipalities will not have significant impact on the improvement of governance after mergers. After mergers, fruitless, irregular and unauthorised expenditure as a percentage of total expenditure increased in most municipalities in the country.”

Adding that reports on the state of local government suggest that the problems of local government are beyond demarcations. “Visionary, capable leadership and solid institutions are a necessity for municipalities to be effective instruments for service delivery. No amount of boundary redetermination or amalgamation can replace that. Boundary redetermination must be seen as an addition to assist the effective instrument for service delivery,” he emphasised.

Mr Manyoni further told delegates that poor service delivery, or lack of services, cannot be addressed by demarcation processes.

However, they can be addressed, he believes, by municipal councils and administrations, and interventions by provincial government and other key role players in local government.

The Mayor of Dr Beyers Naude Local Municipality, Councillor Deon de Vos also agreed that municipal demarcation should not be seen as a solution for viability and sustainability of municipalities. "The merger of smaller municipalities, without a rates, leads to them becoming even more financially unviable. National Treasury's financial distress scores found generally that there was no change in their status before and after the formal mergers occurred," said the Mayor whose municipality was established after the merger of three local municipalities.

The mayor of the newly established Collins Chabane Local Municipality, Councillor Moses Maluleke, said re-determination of municipal boundaries has had some positive impacts, one of which is the decrease in violent service delivery, which threatened the 2016 local government elections. "Since the establishment of Collins Chabane Local Municipality in 2016, service delivery protests are limited. Before re-determination of municipal boundaries Malamulele experienced a high level of service delivery protests.

"Villages in Collins Chabane Local Municipality benefited and are still benefiting from the fruits of municipal boundary re-determination for the reason that the workload has been reduced from Makhado and Thulamela local municipalities," Mr Maluleke said. 

Prudent financial management gets compromised to please partners in coalition-led municipalities



Mr Makhubo, said the City of Johannesburg has experienced an increase in the contravention of supply chain management regulations during the 2016-2019 period.

There seems to be an observable trend in amalgamated coalition-led municipalities, wherein prudent financial management is compromised by leading political parties in order to appease coalition partners, **writes Justice Molafo.**

This view was expressed by the Executive Mayor of the City of Johannesburg, Mr Geoff Makhubo, who made a presentation on the state of financial management and governance in municipalities with coalition governments.

Mr Makhubo participated in a panel discussion under the topic "The State of Financial Management and Governance in Municipalities with

Coalition Governments".

Mr Makhubo, who was elected as an Executive Mayor on 4 December 2019, said the City of Johannesburg has experienced an increase in the contravention of supply chain management regulations during the 2016-2019 period.

He said: "The Auditor-General observed, during the 2016-2019 period, that there was an increase in the contravention of supply chain management regulations, in particular the use of Regulation 32 as the preferred procurement method in the City of Johannesburg."

He further said that one of the factors that contribute to the use of

Regulation 32 is the need to use a procurement process that permits the targeting of preferred service providers as compared to a normal competitive process.

Although the theme of his presentation covered all coalition-led municipalities in the country, Mr Makhubo shared his observations and experiences based only on the City of Johannesburg, in which he said the city witnessed significant underspending of infrastructure grant funding between 2016/17 and 2018/19 financial years, resulting in some funding being withdrawn.

“One of the factors that contribute to this is failure to conform to the conditions of grant funding, as well as preference to shifting funding to alternative projects in different areas and the failure to build environment performance plans,” said Mr Makhubo.

There are various factors that inform the budget and financial management of a municipality, either led by a majority party or through a coalition, including national grants, tariffs setting, effective revenue collection, expenditure management, supply chain management, and sustaining the key financial ratios of the municipality in line with investor covenants and National Treasury.

Mr Makhubo also reiterated that these factors, including by-laws, represent the basis upon which a council is required to carry out a vote, and that a coalition-led municipality is prone to be held at ransom by those represented parties with opposing views. 🇿🇦

Day three in brief

A moment of silence as a gesture of respect to human rights activist Adv George Bizos, who passed away the previous night.



PLENARY: Debate on Local Government week

Day three of the programme was marked by a moment of silence as a gesture of respect to human rights activist Adv George Bizos, who passed away the previous night. Calling for a moment of silence at the beginning of the programme for the day, the Deputy Chairperson of the NCOP Ms Sylvia Lucas described Adv Bizos as a revolutionary and the defender of people’s rights against the brutal terror of apartheid, one who kept a close link with the people’s struggle throughout that painful journey of the struggle.

Day three was devoted on panel discussions on:

Section 139 Interventions: A Critical Reflection on its Application, Successes and Challenges

The State of Financial Management

and Governance in Municipalities with Coalition Governments

The Impact of Municipal Boundary Re-determinations on Municipal Governance, service delivery, financial sustainability and effective performance of local government

Professionalisation of Local Government: Political Leadership, Professional Administration and Good Governance for Building Capable Local Government

The programme ends with a debate on Local Government Week. 🇿🇦