


DELIVERY AGREEMENT

For Outcome 9:

A Responsive, accountable, effective and
efficient local government system

Final 30 September 2010

Contents

INTRODUCTION	5
1. HIGH LEVEL PROBLEM STATEMENT	5
1.1 Status Quo.....	6
1.2 Vision for Outcome 9	6
2. IDENTIFICATION OF DELIVERY PARTNERS.....	7
2.1 National Departments.....	7
2.2 Provincial Roles and Responsibilities	8
2.3 Municipal Roles and Responsibilities	8
2.4 Other Stakeholders	8
3. LINKING OUTPUTS TO OUTCOME 9	9
3.1 Output 1: IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT.....	10
3.2 Output 2: IMPROVE ACCESS TO BASIC SERVICES.....	12
3.3 Output 3: IMPLEMENT THE COMMUNITY WORK PROGRAMME AND COOPERATIVES SUPPORTED.....	13
3.4 Output 4: ACTIONS SUPPORTIVE OF HUMAN SETTLEMENT OUTCOMES.....	14
3.5 Output 5: DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL.....	15
3.6 Output 6: IMPROVE MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY	15
3.7 Output 7: SINGLE WINDOW OF COORDINATION	16
4. ACTIONS NEEDED TO ACHIEVE EACH OUTPUT	17
4.1 Output 1: IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT.....	17
4.1.1 Output 1: Sub-output 1: Policy Framework for Differentiation.....	17
4.1.2 Output 1: Sub-output 2: More autonomy to 6 metro’s and top 21 municipalities in respect of infrastructure and housing delivery	19

4.1.3 Output 1: Sub-output 3: A Focused Intervention for Clearly Defined, Smaller Municipalities	22
4.2 Output 2: IMPROVED ACCESS TO BASIC SERVICES	25
4.2.1 Output 2: Sub-output 1: Increased Access to Basic Services	25
4.2.2 Output 2: Sub-output 2: Bulk Infrastructure Fund established	28
4.2.3 Output 2: Sub-output 3: Established Special Purpose Vehicle	31
4.3 Output 3: IMPLEMENT THE COMMUNITY WORK PROGRAMME AND COOPERATIVES SUPPORTED.....	38
4.3.1 Output 3: Sub-output 1: Job Creation Supported Through the Community Work Programme	38
4.3.2 Output 3: Sub-output 2: Job Creation Supported through the establishment of Functional Cooperatives where feasible	42
4.4 Output 4: ACTIONS SUPPORTIVE OF THE HUMAN SETTLEMENT OUTCOMES	43
4.4.1 Output 4: Sub-output 1: Increased Densities in Metros and Large Towns SUPPORTED	43
4.4.2 Output 4: Sub-output 2: Land Acquisition for Low Income and Affordable Housing Facilitated.....	46
4.4.3 Output 4: Sub-output 3: Informal Settlements in 45 Priority Municipalities Upgraded	47
4.5 Output 5: DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL.....	49
4.5.1 Output 5: Sub-output 1: Review and strengthen the legislative Framework for Ward Committees and Community participation	49
4.5.2 OUTPUT 5: Sub-output 2: Support measures to ensure that 90% of Ward Committees are fully functional by 2014	52
4.6 OUTPUT 6: IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPACITY	53
4.6.1 OUTPUT 6: Sub-output 1: Improved audit outcomes of municipalities	53
4.6.2 Output 6: Sub-output 2: Reduced municipal debt.....	55
4.6.3 Output 6: Sub-output 3: Municipalities overspending on opex reduced	58
4.6.4 Output 6: Sub-output 4: Municipalities under spending on CAPEX REDUCED	59
4.6.5 Output 6: Sub-output 5: Municipalities spending less than 5% of opex on repairs and maintenance reduced	60

4.6.6 Output 6: Sub-output 6: improved Administrative and Human Resource Management Practices	62
4.7 Output 7: SINGLE WINDOW OF COORDINATION	65
4.7.1 Output 7: Sub-output 1: Review Local Government Legislation	65
4.7.2 Output 7: Sub-output 2: Coordinated Support, Monitoring and Intervention in provinces and Municipalities.....	69
5. SYNOPSIS OF KEY ACTIVITIES, MAIN DELIVERY PARTNERS, INDICATORS, BASELINES AND TARGETS FOR OUTCOME 9.....	75
6. RISKS, CONSTRAINTS AND MITIGATION STRATEGIES	104
7. GOVERNANCE AND REPORTING ARRANGEMENTS.....	108
8. SIGNATORIES.....	108
APPENDIX A: RESULTS CHAIN	109

INTRODUCTION

Government has agreed on 12 outcomes as a key focus of work between now and 2014. Each outcome has a limited number of measurable outputs with targets. Each of the 12 outcomes has a delivery agreement which in most cases involve all spheres of government and a range of partners outside government. Combined, these agreements reflect government's delivery and implementation plans for its foremost priorities up to 2014.

This delivery agreement is a **negotiated charter** which reflects the commitment of the key partners involved in the direct delivery process to working together to undertake activities effectively and on time to produce the mutually agreed-upon outputs which in turn will contribute to achieving outcome 9.

The delivery agreement provides detail to the outputs, targets, indicators and key activities to achieve outcome 9, identifies required inputs and clarifies the roles and responsibilities of the various delivery partners. It spells out who will do what, by when and with what resources. The outcomes apply to the whole of government and are long term. While the delivery agreement may contain longer term outputs and targets, it also includes outputs and associated targets that are realisable in the next 4 years.

This Delivery Agreement will be reviewed annually in the light of learning by doing and monitoring and evaluation (M&E) findings. Accordingly it will be refined over time and become more inclusive of the relevant delivery partners.

The normal budgeting process will continue to determine the allocations to Departments. These Delivery Agreements will be an important input into the budgeting process for 2011/12 and the final budget allocations will affect the order of priorities and phasing of the implementation of this Delivery Agreement. For 2012/13 and subsequently, the annual revisions to the Delivery Agreement will be timed to link with the budget process so that the revised Delivery Agreement is signed off after the budget is signed off.

1. HIGH LEVEL PROBLEM STATEMENT

2010 marks the anniversary of ten years of democratic local government. Despite significant gains, research and assessments have shown that there are many municipalities that are in deep distress. This distress refers to their faltering ability to deliver services, to manage their institutions, and to engage in empowering public engagement with communities. In referencing the steps to be taken to 'do things differently' in local government, this Delivery Agreement has identified a progressive series of intergovernmental initiatives to turn the tide in local government towards 2014.

1.1 STATUS QUO

Problems at municipalities range from issues of poor governance and accountability, weak financial management, high vacancies in critical senior management posts and in a number of instances, an inability to deliver even a core set of critical municipal services efficiently and effectively. Crucially as many as 5.7 million households did not have universal access to water, sanitation; refuse removal and electricity in 2007. All these problems combined have shattered the confidence of the majority of our people in our local government system.

Municipalities were envisioned as sites where our commitment to participatory governance would achieve meaning and content. Instead communities feel alienated and disconnected from decision-making processes and feel disempowered in influencing the affairs of the municipality.

Much of the reason for the limited success of past attempts to improve the performance of local government stemmed from the fact that we tended to treat all municipalities as uniform, undifferentiated entities. This was clearly a mistake and we now recognise that municipalities have different capacities and their social and economic contexts also vary. Our response to turn around local government should thus be conducive to the different contexts prevailing in municipalities. A further explanation for limited success was the inability of the national government departments that impact local government to develop a cohesive plan and fully co-operate to ensure a unified approach in their engagements with municipalities. The problem of coordination and alignment of interventions of departments and agencies impacting on local government remains a massive challenge that requires creative and radical solutions.

1.2 VISION FOR OUTCOME 9

The above situation suggests that we need to address 7 critical issues in order to achieve the overarching goal or vision of a responsive, accountable, effective and efficient local government system:

1. Develop a more rigorous, data driven and detailed segmentation of municipalities that better reflect the varied and capacities and contexts within municipalities and lays the basis for a differentiated approach to municipal financing, planning and support
2. Ensure improved access to essential services
3. Initiate ward-based programmes to sustain livelihoods
4. Contribute to the achievement of sustainable human settlements and quality neighbourhoods
5. Strengthen participatory governance
6. Strengthen the administrative and financial capability of municipalities
7. Address coordination problems and strengthen cross-departmental initiatives

The approach to managing local government support and intervention must have a greater and more sustainable impact than previous interventions such as Project Consolidate and the Five- Year

Strategic Agenda. The central force for change will reconstitute the principle of ***municipal 'own' accountability and the involvement of ordinary people and communities in turning the tide of local government***. This, combined with the concept of ***differentiated support***, and necessary legislative and policy adjustment will create a binding yet supportive force around municipalities. Setting clear direction with regard to the 7 issues listed above in terms of outputs and targets and roles and responsibilities will have a dramatic effect on the achievement of the vision.

2. IDENTIFICATION OF DELIVERY PARTNERS

The following key partners have been identified to share the implementation responsibility for Outcome 9:

2.1 NATIONAL DEPARTMENTS

There is a core of National Departments¹ that have a direct impact on municipalities. It is imperative that mechanisms be created to better coordinate and align their various initiatives. The core departments together with DCOG are National Treasury, Water Affairs, Human Settlements, Energy, Rural Development and Land Reform, The Presidency and Environment. These departments will have to establish a closer working relationship to jointly tackle the following matters at the minimum:

- Coordination of infrastructure funding to unlock delivery of services;
- Coordinate human settlement planning and service delivery planning;
- Evaluate and coordinate capacity building initiatives to ensure greater impact;
- Rationalise municipal reporting requirements
- Liaise with their sector and better organise intergovernmental support to municipalities, e.g. Department of Water Affairs working with their Regional Offices, Provinces, municipalities and Water Service Authorities regarding water access and management;
- Work with their Provincial Sector Departments to support and monitor the interventions agreed upon.

Other departments that will have an important role to play for the implementation of Outcome 9 are:

- Department of Agriculture, Forestry and Fisheries
- Department of Rural Development and Land Reform
- Department of Public Works
- Department of Traditional Affairs
- Department of Environmental Affairs
- Department of Energy

¹ See tables for details of sector roles as delivery partners

2.2 PROVINCIAL ROLES AND RESPONSIBILITIES

Each province will develop a province specific implementation support plan based on the national Local Government Delivery Agreement, and establish provincially based Technical Support Units.

A key role of the provinces in the implementation of Outcome 9 is to undertake critical support, monitoring, and reporting roles based on their provincial-specific municipal implementation support plan related to the outputs and targets agreed to in this agreement. This will include:

- i. Alignment with the National Government approach and national Delivery Agreement and similarly undertake the applicable actions at a provincial level
- ii. Allocation of more and appropriate resources towards the Local Government function
 - Better spending and outcomes in municipalities
 - Alignment and resource commitments of provincial departments in IDPs
- iii. Improvement of provincial participation, including better communication, with municipalities and communities in planning and execution of provincial functions
 - E.g. by ensuring municipal and public participation in provincial sector programmes
- iv. Improved support to and oversight of municipalities
- v. Monitoring and reporting on the implementation of targets and activities.

2.3 MUNICIPAL ROLES AND RESPONSIBILITIES

Municipalities are *the* key delivery partners in the field of implementation. As with organizational performance management systems, the performance management system of government will cascade from the Presidency to the smallest municipality.

The Tables in Section 6, Synopsis of Key Activities detail the proposed roles for local government in the deliverables per output.

2.4 OTHER STAKEHOLDERS

Other stakeholders broadly include the following:

- a) SALGA
- b) Municipal Demarcation Board
- c) Eskom
- d) DBSA
- e) LGSETA
- f) Business
- g) Donors/ development partners
- h) Professional bodies
- i) Civic formations
- j) Traditional leaders

3. LINKING OUTPUTS TO OUTCOME 9

Given the problem statement and key issues to be addressed identified in section 1, to achieve the vision of a “Responsive, accountable, effective and efficient local government system”, seven outputs have been identified. Each corresponds to the 7 critical issues and is summarised as follows:

Output 1: Implement a differentiated approach to municipal financing, planning and support

Output 2: Improving Access to Basic Services.

Output 3: Implementation of the Community Work Programme

Output 4: Actions supportive of the human settlement outcomes

Output 5: Deepen democracy through a refined Ward Committee model

Output 6: Administrative and financial capability

Output 7: Single Window of Coordination

Apartheid divided South Africa into separate and unequal spaces and that design remains imprinted on settlements throughout the country. These marked differences in poverty, wealth and institutional capacity in South Africa’s 283 municipalities has made it necessary to begin tailoring policies and approaches to suit their individual circumstances. The point of departure of a differentiated approach is a more rigorous, data driven and detailed segmentation of municipalities into a number of categories that better reflects the varied capacities and contexts within municipalities across the country.

There is clear and demonstrable progress made by local government in ***accelerating access to basic services for the poor***. Yet, there is considerable scope for further improvement in both the quantity and quality of provision considering the size of the services backlog that remains and the demand pressures emanating from population and economic growth.

As part of our response to tackle poverty and provide livelihood support for poor households, government adopted the ***Community Work Programme (CWP)***. ***This programme*** is a key initiative to mobilize communities in order to provide regular and predictable work opportunities at the local level. This is a ward-based programme the idea being to:

- identify ‘useful work’ ranging from 1- 2 days a week or one week a month initially targeted at the poorest wards; and
- create access to a minimum level of regular work for those who need it, targeting areas of high unemployment and poverty, where sustainable alternatives are likely to remain limited for the foreseeable future.

The spatial form of our towns and cities are characterized by sprawl and the apartheid legacy of marginalizing the poor to areas far from opportunities is very much in evidence. **Actions supportive of the human settlement outcomes** to overcome the apartheid legacy, need to be initiated such as:

- increasing densities in metros and large towns;
- release of public land for low income and affordable housing;
- supporting the expansion of the national upgrading support programme in 45 priority municipalities to facilitate the upgrading of informal settlements;
- developing and monitoring a national coordination grant framework; and
- finalising new national legislation on spatial and land use planning.

There are 3895 wards demarcated wall-to-wall within the six metropolitan and 231 local municipalities of South Africa. These wards form the basic units for participatory and democratic local government. 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. However, the present Ward Committee System raises serious challenges with regard to effectiveness in enhancing the involvement of communities in meaningful local decision-making. It is therefore critical to strengthen our people-centred approach to governance and development and **deepen democracy through a refined ward committee model**.

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 and accountability mechanisms. The lack of compliance with the current regulatory financial management system is a constant challenge for many municipalities. Going forward it will be critical to focus our attention towards **improving the financial and administrative capabilities of municipalities**.

There is a need to ensure that targeted policies and legislation are reviewed and that the various support, monitoring and other interventions by national and provincial departments, SOEs and various stakeholders are better coordinated. The tasks of tackling the varied problems facing municipalities are cross cutting and complex. The concept of a **single window of coordination** is an organisational form intended to bring key departments together to facilitate cross departmental collaborative partnerships to impact more decisively and positively on municipal performance. It will also provide for more focused oversight and support role to municipalities and a greater knowledge bank on municipal environments.

3.1 OUTPUT 1: IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT

The 283 municipalities in the country have different capacities and are faced with different social and economic challenges. Depending on their capacities and context it will be necessary for the municipalities to focus on those responsibilities that they are able to deliver on. This would mean

that certain municipalities ought to focus on a smaller set of functions while other municipalities could expand their focus. Support initiatives from National and Provincial Government and other stakeholders will also have to take the different capacities and circumstances of municipalities into account.

Implementing a differentiated approach would entail taking the unique circumstances of each municipality into account when providing support to that municipality in terms of financing and development planning to provide access to water, sanitation, electricity, waste management, roads and disaster management. These unique circumstances are also further categorized through a data driven approach of segmentation to implement suitable differentiated approaches inter alia differentiated definitions of what 'basic' means), reflecting the varied capacities in the local sphere.

The following sub-outputs were identified as levers towards achieving output 1:

1. Policy Framework for differentiation developed
 - a. Segmentation model
2. Grant the 6 metro's and top 21 municipalities more autonomy in respect of infrastructure and housing delivery
 - a. Accelerate the implementation of the MIG-City programme to the top 21 municipalities; and
 - b. Accelerate the housing accreditation process in the metros and 21 municipalities
3. Design a very focused intervention for clearly defined smaller municipalities that is limited to producing IDP's that are:
 - a. Simplified to focus on planning for the delivery of a set of 10 critical municipal services (services allocated exclusively to municipalities in terms of Part B of Schedules 4 B of the Constitution) for the smaller municipalities as defined per the above;
 - b. Supported by a simple revenue plan (i.e. a plan that will have less than 20% variance between projected revenue and actual revenue) that will better manage costs and enhance the management of revenue.
 - c. Supported by auditing and filling the critical posts of Municipal Manager, Town Planner, Chief Financial Officer and Engineer/technical services with competent and suitably qualified individuals and where appropriate Head of Communications and Head: Corporate Services.

3.2 OUTPUT 2: IMPROVE ACCESS TO BASIC SERVICES

Two critical obstacles to accelerating basic services are the lack of critical infrastructure in rural areas and the proliferation of informal settlements in urban areas. Both these obstacles are beyond the sole capabilities (institutional and fiscal) of powers and functions of municipalities to confront by themselves. To deliver on these Basic Services consideration must be given to the establishment of a Bulk Infrastructure Fund to unlock delivery of reticulation services, fund bulk infrastructure, procure well located land, align Provincial Infrastructure Grants and Municipal Infrastructure Grants with housing projects and grants and to upgrade and rehabilitate bulk infrastructure (such as Waste Water Treatment Works).

In this regard the following sub-outputs were identified:

1. Improve universal access to basic services by 2014 as follows:
 - a. Water from 92% to 100%
 - b. Sanitation from 69% to 100%
 - c. Refuse removal from 64% to 75%
 - d. Electricity from 81% to 92%
2. Consider the establishment of a Bulk Infrastructure Fund to better align and coordinate municipal infrastructure funding with a view to:
 - a. Unlock delivery of reticulation services
 - b. Fund bulk infrastructure,
 - c. Procure well located land
 - d. Align Provincial Infrastructure Grants and Municipal Infrastructure Grants with housing projects and grants
 - e. Upgrade and rehabilitate bulk infrastructure (such as Waste Water Treatment Works).
3. To ensure effective infrastructure provisioning consideration should be given to the establishment of a special purpose vehicle (SPV) to provide specialised technical and financial support to municipalities. Such a mechanism will be developed in collaboration with other departments. In particular the SPV should support targeted municipalities to:
 - a. Appropriately structure capital funding and mobilise operational funding to strengthen municipal service provision
 - b. Deliver new infrastructure to eradicate backlogs, rehabilitate existing infrastructure and provide for effective operation and maintenance of infrastructure.

To be effective appropriate governance arrangements need to be put in place. The departments identified under the output 7: A Single Window of Coordination could comprise a joint panel. The joint panel will have a key role in resolving issues of differentiation and categorisation of

municipalities and what this means and overseeing the work of the SPV's (see output 7 for fuller discussion on the single window of coordination concept).

3.3 OUTPUT 3: IMPLEMENT THE COMMUNITY WORK PROGRAMME AND COOPERATIVES SUPPORTED

The primary purpose of the Community Work Programme is to create access to a minimum level of regular and predictable work for those who need it, targeting areas of high unemployment, where sustainable alternatives are likely to remain limited for the foreseeable future. The CWP provides access to a minimum level of regular work on an ongoing and predictable basis for those who need it. In practise, it offers 2 days of work per week (or the monthly equivalent); providing 100 days of work spread through the year.

Additionally, the CWP's purpose is to also achieve the following:

- a. Provide an employment safety net; in recognition that sustainable employment solutions will take time, and will reach the most marginalised last. It is targeting a social protection gap in SA: those willing and able to work, but unable to find opportunities to do so.
- b. Supplement other livelihood strategies and not to replace or displace them: with no expectation that participants will be able to 'exit' into sustainable jobs any time soon. This is in recognition of the deeply structural nature of unemployment in South Africa, the limited opportunities for employment, and the low returns from self-employment and other livelihood strategies in economically marginal areas.
- c. Contribute to the development of public assets in poor communities; it contributes to income security for participants, provides work experience, enhances dignity and promotes social and economic inclusion – all of which strengthen the economic 'agency' of people in marginalised economic areas.
- d. Strengthen community Development Approaches
- e. Strengthen the economic 'agency' of people in marginalised economic areas; providing work experience, enhancing dignity and promoting social and economic inclusion

The following sub-outputs were identified:

1. Create at least 237 000 work opportunities and contribute to the target of 4.5million EPWP job opportunities by 2014
2. Establish where feasible, functional cooperatives at the local level by 2014.

3.4 OUTPUT 4: ACTIONS SUPPORTIVE OF HUMAN SETTLEMENT OUTCOMES

The state of housing delivery in South Africa since 1994 is largely one of remarkable achievement in a comparative international context. Nevertheless, there is still an increasing flow of demand that cannot be met by continuing with a fragmented implementation of policy that undermines the intentions of government. Moreover and crucially, settlement planning has continued to reinforce and entrench apartheid spatial patterns despite a policy stance which seeks to progressively eradicate informal settlements and promote densification and social and economic integration.

Sustainable Human Settlements is an inherently integrated policy matter, in that it involves the coordinated efforts of many different actors with different roles and responsibilities, particularly those of provincial and local government and a range of potential delivery partners.

In practice, the local government sphere plays an important role in the planning and delivery of housing particularly through its role in land use management, town planning, infrastructure development and provision of services. This was recognised in *Breaking New Ground*, which argued that housing supply needed to respond to local demand and that this relationship was best mediated in the local government sphere.

Similarly, Provincial expenditure supports national reconstruction and development in two ways: firstly through education, health and welfare services that directly contribute to human development and to improving the well-being of the most vulnerable in society, and secondly through investing in physical infrastructure that is necessary for economic growth – that is, the creation of sustainable human settlements. The strategic lever for change in successful human settlement planning is effective cooperative governance between the three spheres of government together with a range of private, social and civil partners. The development of clear national norms and standards for different types of municipalities and settlement areas to support our overall objective of creating well functioning, integrated and balanced urban and rural settlements (Detailed Segmentation of Municipalities as envisaged in output 1, a Differentiated Approach to municipal financing, planning and support) will guide the effective governance between the three spheres.

The concept of a Single Window of Coordination for government is invoked to forge cohesion and alignment between key sectors that are primarily and jointly responsible for specific outcomes. Together with the departmental mandate to provide an appropriate institutional and regulatory framework for local government, the department will support Human Settlements in the following areas:

1. Initiate actions to increase densities in metros and large towns by 2014;
2. Initiate actions to release public land for low income and affordable housing to support the delivery of 400 000 housing units on “well located land” with a 30 to 45 minute journey to work and services and using less than 8% of disposable income for transport by 2014;
3. Support the expansion of the national upgrading support programme in 45 priority municipalities to facilitate the upgrading of informal settlements.

- a. Specifically Support the grading and rezoning of informal settlements by the priority municipalities;

3.5 OUTPUT 5: DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL

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 so common in many municipalities that the formal municipal accountability system is ineffective and inaccessible to many citizens. Evidence of this underlying problem was also found during the 2009 State of Local Government Assessment, in that despite handbooks, guidelines and training programmes the functionality of ward committees, remains a challenge.

In order to strengthen local democracy and address intra- and inter- party political factionalism, the alienation of people from meaningful decision-making, the widening disconnect between people and the local state, polarization of interests, patronage and nepotism it will be necessary to strengthen our people-centred approach to governance and development. The following specific sub-outputs have been identified to achieve the envisaged strengthening of democracy:

1. Review and strengthen the legislative framework for Ward Committees and community participation to:
 - a. Broaden participation of and better organize various sectors at a local level; and
 - b. Propose revised / new responsibilities and institutional arrangements for Ward Committees and Community Development Workers;
2. Put support measures in place to ensure that at least 90% of all Ward Committees are fully functional by 2014.
 - a. Find a new approach to better resource and fund the work and activities of Ward Committees.

3.6 OUTPUT 6: IMPROVE MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY

Poor administrative and financial management, the lack of controls and accountability systems impacts negatively on service delivery for communities. 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.

Internal municipal systems result in cumbersome administrative and budgeting systems. 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 the financial viability of municipalities.

There is a structural imbalance between available local revenue sources and the expenditure functions assigned to local government (National Treasury, 2008). Not all municipalities have the same capacity to raise revenues, as levels of poverty vary considerably and are particularly high in mostly rural municipalities. This is one of the root causes of over-spending in some municipalities.

The State of Local Government Report published by the DCoG in 2009 observed that human resource management and systems in many municipalities is below standard, and the vacancy rate is jeopardising effective service delivery. The report also stated that in the majority of municipalities performance agreements are not signed by due date as required. Beyond lack of financial resources and perhaps because of it, smaller less capacitated municipalities also face a particular challenge in recruiting and retaining key staff.

In order to address the above, the following sub-outputs have been identified:

1. Improved audit outcomes of municipalities;
2. Reduced municipal debt;
3. Reduced municipal overspending on operational expenditure (OPEX);
4. Reduced municipal under spending on capital expenditure (CAPEX);
5. Increased municipal spending on repairs and maintenance; and
6. Support access to basic services through improved administrative and HR practices.

3.7 OUTPUT 7: SINGLE WINDOW OF COORDINATION

The pressing challenges facing local government do not fit into neat departmental boundaries. The challenges afflicting municipalities are often cross-cutting and complex. The tasks of municipal financial and planning support and tackling the problems of lack of access to essential services, apartheid spatial patterns and exclusion as well as strengthening administrative and financial capacity requires new organisational forms. Operating on departmental lines has tended to make national government less sensitive to the needs of local government, which are often inter-sectoral in nature.

The limited success of past capacity-building and support initiatives as well as the onerous reporting burden placed on municipalities by various agencies is testimony to this. Thus the Single Window of Coordination is a concept and organisational form to bring about greater cohesion in the work of government, particularly, but not exclusively at the national level.

It is essentially an institutional mechanism to lessen the fragmentation within the cooperative governance arrangements impacting on local government. It will also provide for a more focused oversight and support role for provinces and provide for a greater knowledge bank on municipal

environments. Its practical manifestation will be a cross-departmental committee comprising the departments of Human Settlements, Environment and Water Affairs, Rural Development, Energy and National Treasury under the leadership of the Department of Cooperative Governance.

The Single Window while an output on its own also impacts on a number of the other outputs playing a critical role in their effective implementation. A memorandum of agreement giving effect to the above role of the intergovernmental committee will be signed specifying the respective roles and responsibilities of and formalising the relationship among the departments mentioned.

The primary purpose of this committee is to advise DCoG on the effective implementation of the LGTAS, including:

1. Review and amend local government legislation, policy and regulations where necessary;
2. Craft a new approach to the coordination of all support and capacity-building initiatives, including national or provincial interventions that are occurring in the local government sphere.

4. ACTIONS NEEDED TO ACHIEVE EACH OUTPUT

4.1 OUTPUT 1: IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT

4.1.1 OUTPUT 1: SUB-OUTPUT 1: POLICY FRAMEWORK FOR DIFFERENTIATION

What will need to be done differently

The Constitution states that the three spheres of government cannot function in isolation as the three spheres of government are “interdependent” and “interrelated”. The manner in which planning is approached by each sphere of government therefore directly impacts the other spheres ability to exercise interdependence and interrelatedness. It is now widely acknowledged that the ‘gap’ factor in planning and support has been the lack of differentiation in how national policy has been interpreted and applied. How national, provinces and sectors respond to priority services planning and resourcing in segmented municipalities will be critical in ensuring that differentiation is successful.

The basis for the differentiated approach is that municipalities will be ‘segmented’ or ‘classified’ according to a number of assessed variables and criteria. This has been found to be necessary due to the unintended consequences of the uniform approach to applying legislative, fiscal and policy instruments. Because municipalities are facing different kinds of problems, these must be

confronted in their own right, thus a much more realistic, differentiated and effective approach is needed over the longer-term.

The proposed Municipal Spatial Classification System develops municipal profiles according to functionality, socio-economic profile and backlog status. Four classifications are provisionally identified:

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

This system would be linked to a system which rates municipalities on the basis of a minimum floor level of outcomes and functionality with regard to the delivery of Priority services, effective administrative and financial performance and democratic and accountable government.

The principle of differentiation is that each municipal area's unique circumstances need to be taken into consideration before applying a uniform fiscal and policy regime, or expecting equitable standards in performance and service delivery. There will be many challenges in crafting a functional framework for differentiation, as well as applying norms and standards to different settlement types.

Evaluation of the legislative environment

Currently the powers and functions of municipalities are assigned according to the Constitution and the legislative framework as above. The capacity of municipalities to perform their functions is assessed by the MDB, and recommendations for assignment delegations are approved by the MECs for Local Government.

Evaluation of the existing regulatory framework

The challenge with managing norms and standards for actual settlement areas is avoiding a level of prescription that sectors and municipal areas may not be able to meet. Most sectors have a policy on norms and standards for the delivery of their services – e.g. health, social development, education, and for the provision of basic services such as water and refuse removal.

Evaluate the existing institutional arrangements

A number of intervention strategies have been attempted in the past (such as Project Consolidate and Siyenza Manje) to 'fix' the problems besetting municipalities. However these have been largely ineffective in remedying the situation to any great degree because a) capacity support to municipalities is not sufficiently coordinated, resulting in an inability by national to realistically assess the relevance, impact and value-for-money of support programmes; and b) the interventions have not been sustainable.

The differentiated approach calls for better coordinated and targeted support for smaller municipalities. Clarity is also needed on who is ultimately responsible for oversight and support, and the degree to which national government may intervene directly in municipalities. This requires

regulations to be developed in respect to S154 of the Constitution which refers to the duty of support by national and provincial government for local government.

The development of the Policy Framework will be undertaken by DCoG with support from Presidency.

Evaluate the management systems, processes and skills

In terms of consultation and cooperation, it will be necessary to ensure that SALGA and Provincial Departments of Local Government input extensively on the development of the detailed segmentation. Sector departments also need to be involved, as the provision and functionality of social services such as clinics and schools will also form part of the differentiated model, particularly in respect to access by communities.

Funding framework

The differentiated approach and the segmentation of municipalities will attempt to ensure more equitable support to poorer rural municipalities. This will receive priority attention going forward.

4.1.2 OUTPUT 1: SUB-OUTPUT 2: MORE AUTONOMY TO 6 METRO'S AND TOP 21 MUNICIPALITIES IN RESPECT OF INFRASTRUCTURE AND HOUSING DELIVERY

What will need to be done differently

National government recognises that Local Government, particularly the metros and large cities could play a stronger and more direct role over critical built environment functions such as the delivery of housing. Although mechanisms were introduced to facilitate this, the process to date, has not received the necessary institutional or regulatory backup and relied too heavily on voluntary intergovernmental cooperation with little progress in the housing accreditation of the major cities and metros.

As a first step in terms of what needs to be done differently is the recognition of the centrality and importance of cities as engines of national growth and development. In the main cities have the organisational and administrative capacity and strength to overcome backlogs in services and break with the logic that reproduces inefficient and inequitable apartheid spatial patterns particularly in respect of human settlement formation. However this can only come about with appropriate national government support that empowers cities to take increasing control over built environment functions.

Positive lessons in this regard can be derived from the MIG Cities initiative and this will need to be carried through to housing accreditation and possibly also in relation to public transport going forward. The added benefit is that the MIG for cities flows directly to municipalities and when aligned to the housing grant will give municipalities greater predictability in planning and resource

distribution to creating sustainable human settlements. The approach to be initiated through the Outcome 8 for Sustainable Human Settlements is intended to create a more positive environment and unblock existing impediments, particularly at the provincial level to housing accreditation, but also to ensure that adequate resources and support flow to the cities to establish the competency for the function.

The different approach to be initiated through the Outcome 8 for Sustainable Human Settlements, and the activities to support this Outcome in Outcome 9, will now create a more positive environment for change because specific outputs and measurable have been identified that recognize critical stepping stones towards the objective. Output 1, ('Implement a differentiated Approach to Municipal financing, Planning and Support'), and Output 4, ('Actions Supportive of Human Settlement Outcomes') are both tackling the impediments to the goal of creating sustainable human settlements. The strategies are:

- Recognizing and supporting the potential and the capacity of the metros and the top 21 municipalities to become direct agents for the assignment of built environment functions
- Supporting the legislative and institutional processes required for full accreditation of these entities
- Supporting the direct funding for the built environment through the MIG Cities grant
- Facilitating legislative and institutional arrangements to facilitate land release for higher density urban infrastructure
- Establishing the coordinating framework for the applications, usage and monitoring of the multiple infrastructure grants (See Single Window of Coordination)
- Aligning the differentiated approach to human settlement typologies
- Supporting rezoning and formalization procedures of the national upgrading support programme.

Evaluation of the legislative environment

The Housing Act provides for the accreditation of municipalities to administer national housing programmes.

The Division of Revenue Act (DoRA) defines the minimum responsibilities for accredited municipalities as having:

- The authority to administer housing programmes, including administering all housing subsidy applications
- The authority to grant subsidies and approve projects in line with provincial and national criteria for prioritising and targeting expenditure on projects
- An obligation to comply with the capacity and system requirements prescribed by the province
- An obligation to provide monthly reports on housing delivery.

The review of the intergovernmental fiscal system and the Division of Revenue Act will allow for new approaches to fiscal grant support for municipalities depending on their classification.

Evaluation of the existing regulatory framework

The concept of sustainable human settlements, originating from the Breaking New Ground Policy, has not, to date, had sufficient definitive institutional or regulatory backup, as it has relied heavily on voluntary intergovernmental cooperation over critical issues such as access to land, provision of services, and funding mechanisms. These constraints inhibit integrated planning, and are compounded by tensions over resources and the concurrency 'split' of the function between national and provincial government which confuses accountability at local level.

The Municipal Accreditation Framework

The allocation of responsibility to metros or municipalities as provided for in the Municipal Accreditation Framework contained in the National Housing Act is only partial. Accreditation is only permitted in respect of the administration of certain instruments of the housing subsidy scheme. Therefore 'full' accreditation is not yet provided for and this will require urgent revision in order to comply with the requirement for 'autonomy' in built environment functions for metros and the top 21 secondary cities.

This framework sets out the principles underpinning accreditation:

- A logical application of roles and functional assignments
- Authority and accountability must accompany responsibility
- Accreditation follows capacity
- Funding arrangements must be consistent and certain
- Funding follows function
- Efficiency
- Cooperative governance

Once accredited, the municipality oversees the National Housing Programme responsibilities and administration of national housing programmes. Support for the number of accredited municipalities will increase under this Output as the DCOG will provide capacity support.

Evaluate the existing institutional arrangements

There are generally three methods in which powers and functions can be allocated to another sphere of government: assignment, delegation and agency.

In a recent analysis of intergovernmental budgeting, the Fiscal and Financial Commission suggested that accreditation is not the same as assignment as accreditation is not permanent and does not necessarily involve the assignment of the entire housing function (and associated budget) to a municipality. Delegation is a temporary devolution, as for example when an MEC for Local Government authorises a municipality as a Water Services Authority, whilst agency involves a third party, as with respect to granting an external entity a contract to manage a function.

This suggests that full assignment of the function to cities will require an amendment to the governance framework for powers and functions, as well as amendments to the provisions for accreditation in the Housing Act. Further, clear intergovernmental roles and responsibilities will have to be defined between national, provincial and local government in respect to functional relationships with accredited municipalities.

Evaluate the management systems, processes and skills

No municipalities have been accredited as housing service providers since 1997, despite national policy encouraging accreditation. This has led in some instances to the declaration of dispute arising between some provinces and cities over responsibility for the housing function, when accreditation has been denied. Further, municipalities must consult communities on their housing needs in developing their settlement plans, but when provinces rescind on commitments, such as changing their housing budget allocations, or failing to acquire or approve land-use timeously, municipalities must account for these constraints without their having any control over such decisions. . Municipalities are frequently blamed for the housing backlogs in their areas, signifying that the problem of provincial 'discretion' over use of grants intended to fulfill national development objectives is an area for fiscal review.

In theory, once accredited, municipalities can administer any national housing programme in their area of jurisdiction. Accredited municipalities assume powers and functions similar to provinces in that they receive, evaluate, approve or reject applications for subsidies in line with the local housing strategy and delivery goals. However this is a limited interpretation of authority for a function and revisions are necessary to encompass the requirements for more autonomy.

Funding framework

Currently there is no framework for the allocation of additional resources for the administrative and technical requirements involved in accreditation. Looking ahead, the principle must apply that funding must follow function. This matter will need to be addressed in the course of policy development, the revised fiscal arrangements, and improved grant coordination as measures to support successful implementation.

4.1.3 OUTPUT 1: SUB-OUTPUT 3: A FOCUSED INTERVENTION FOR CLEARLY DEFINED, SMALLER MUNICIPALITIES

What will need to be done differently

In response to the evidence collected on significant differences in capacity, performance and socio-economic conditions between municipalities, government has proposed that the IDP planning process will need to place greater emphasis on difference according to spatial classification. This means that the simplified IDP will consist of a focus on ten priority services within the various functional areas classified by the Municipal Demarcation Board, currently standing at 38 in total.

The simplified IDP in smaller municipalities will be backed by a simple Revenue Plan to give effect to the programmes contained in the IDP. The objective is to support smaller municipalities to better manage revenues and costs. The simple revenue plan will need to be accommodated within the comprehensive National Revenue Enhancement Programme, established by the DCoG to support municipalities in improved management of their resource base.

Beyond lack of financial resources and perhaps because of it, smaller, less capacitated municipalities face a particular challenge in recruiting and retaining key staff. Their ability to deliver a focused set of priority municipal services is largely dependent on a professional core team that is able to plan and administer the delivery of essential services. To this end, an audit will be conducted to establish the quality and quantity of existing capacity. While in the past, audits may have looked at skills levels uniformly across the country, this audit will establish patterns and identify locations of greatest need that warrant a differentiated approach to the management of skills and capacity. A further action is to ensure that the performance contract of the municipal manager is based on developing a simplified IDP, inclusive of the MTAS, supported by a simple revenue plan.

The filling of the top four to six critical positions may also require new funding models to allow for longer-term deployments of external skills should suitably qualified personnel not become available due to the problem of attracting scarce skills to such areas.

Evaluation of the legislative environment

The Municipal Systems Act (MSA) and its regulations provide the detailed planning prescriptions for municipalities. An urgent assessment will need to be undertaken to determine if an amendment of the MSA is required to allow for simplified IDPs, or whether this intervention can be undertaken through a regulatory provision and Gazetted.

Whilst the IGFR Act lay outs the formal consultative structures required at each sphere of government and provides a way for all three spheres to work together to interpret national priorities, it does not stipulate how intergovernmental planning specifically is to be managed. This is one of the reasons why the IGRF Act may need to be revised, or absorbed into a broader Act on Cooperative Governance, that provides the scope for a more regulatory environment for planning. Such a revision would support the regulated involvement of national and provincial sector departments in the implementation of the IDP.

Intergovernmental planning also has to take into account that government currently works in different budgeting cycles. The financial year for national and provincial governments is from 1 April to 31 March. Local government's financial year starts on 1 July and ends on 30 June. However a revision to this cycle is proposed, with alignment of the financial years under technical consideration by National Treasury. This revision would encourage improved alignment of planning and budgets across government.

The Municipal Finance Management Act (MFMA) 2003 (Act No. 56 of 2003) promotes the objective of good financial management in order to maximise service delivery through the efficient use of limited resources. Regulations arising from the MFMA govern the compliance and reporting obligations of municipalities. An assessment is to be undertaken to determine how revisions based

on differentiation, may be made to reduce reporting requirements on the smaller and less capacitated municipalities. This is part of the work of the coordination of support for local government, to be managed through the Single Window of Coordination.

Evaluation of the existing regulatory framework

As outlined above, the provisions of the MSA direct the planning framework for government. In addition to a possible review of the MSA, regulations in terms of section 120 may be issued by the Minister to allow for the drafting of simplified IDPs that will focus on the planning for the delivery of 10 critical municipal services. This may also be done in alignment with the Municipal Turn-Around Strategy.

Going forward, the regulatory environment may also be impacted upon through the forthcoming White Paper on Cooperative Governance, and the work of the National Planning Commission.

Evaluate the existing institutional arrangements

To forge a different approach, whereby there is a simplified IDP for the smaller municipalities, with a simple revenue plan, there will need to be a progressive assessment of which elements of the planning system may need to be revised to accommodate differentiation over the longer term. The IDP Forums and the Intergovernmental Forums will have stronger strategic and technical roles to play in guiding differentiation, whilst care must be taken to ensure that the differentiated approach does not result in perceptions of fewer services provided at lower standards.

The concept of a simplified revenue plan will be defined and an appropriate model developed. This will require the development of a specific new framework to support improved financial management and revenue enhancement practices within targeted municipalities. The simplified revenue plan will need to be supported through the comprehensive National Revenue Enhancement Programme, established by the DCoG to support municipalities in improved management of their revenue bases.

The National DCoG and provincial departments of local government are responsible for the oversight and institutionalisation systems and processes for local government human resource management. The DCoG will engage SALGA and Provincial departments Local Government to mobilize smaller municipalities to understand and cooperate with the simplified IDP and the revenue plan.

The South Africa Qualifications Authority (SAQA) is the direct authority on verification of qualifications. The audit of critical posts would require the SAQA verification framework as a basis. Secondly, professional bodies are responsible for the certification process of those intending to practice critical skills. The process of this certification would need to be examined for both short and long-term mechanism to improve the current supply and demand for critical skills. It is recommended that the audit also consist of the review of the efficiency of the councils such as the Council for Built Environment (CBE) amongst others. The support of SALGA will also be essential as the link between entities and policy development processes.

Evaluate the management systems, processes and skills

Evaluation of the segmented municipalities will necessarily require a comprehensive assessment process of institutional strengths and weaknesses, and how the value-chain of service delivery is operating. Processes for skills evaluation and placements are under development as part of the broader capacitation and support programme for local government emanating from the duty of support to local government from national and provincial government.

In this area, the contributions of partners and stakeholders in support of strengthening skills and processes within municipalities will be leveraged and managed as part of the turnaround strategy.

The review of the intergovernmental fiscal system and the Division of Revenue Act will allow for new approaches to fiscal grant support for municipalities depending on their classification. The purpose would be to ensure that the system is sufficiently equitable and supportive especially of poorer municipalities.

The DCoG will consult with National Treasury, SALGA and the Auditor General in respect to the scope and feasibility of a simple revenue plan to accompany the simplified IDP.

The proposed skills audit can be funded from the current capacity building budget allocations in DCoG national and provincial levels. These should however be augmented with support from PALAMA. The donor community would be approached with very specific requests on key actions in support of capacity building directed at provincial and local government. Benchmarking on good practice locally and internationally would be valuable in ensuring that proposed action are sustainable and build on past lessons.

4.2 OUTPUT 2: IMPROVED ACCESS TO BASIC SERVICES

4.2.1 OUTPUT 2: SUB-OUTPUT 1: INCREASED ACCESS TO BASIC SERVICES

What will need to be done differently

Firstly there must be improved understanding of the concept of integrated planning for service delivery. For example, the provision of water and sanitation are interrelated processes and must be planned in parallel. The implementation of sanitation projects should not happen randomly as in cases where reticulation work is undertaken without bulk infrastructure. Whilst water management systems are in place within delegated district and local municipalities (i.e. WSAs & WSPs), the current arrangements are often, in practice, causing constraints in the provision of water infrastructure and services due to poor overall functionality and lack of technical readiness and skills in this field.

The poor state of bulk infrastructure in some municipalities, particularly the water services, sanitation and sewage treatment plants, indicates therefore, a need for a much tighter enforcement

of a regulatory framework backed by more appropriate delegations. Consideration will need to be given to removing certain functions from municipalities, and enlisting third party agencies, long-term deployments or provincial government to manage such functions. Further details need to be finalized with the respective sectors, and a scan of what skills and support are available. Once bulk infrastructure funding requirements and capacity needs have been quantified, weaker municipalities should be continuously supervised and assisted to deliver services to communities.

Support should be provided towards accelerated refuse and waste management implementation. This will be achieved through the rolling out of MIG refuse and waste management projects in municipalities. Municipalities need to prioritise waste management projects in their three year budgets.

This target of 92% household access to basic electricity is based on the assumed funding stream for electrification and the existing delivery arrangements. This assumption will be confirmed with the relevant sector department. The role of the national regulator (NERSA) as it relates to local government will be assessed. Some municipalities perceive their relative autonomy as a local authority in terms of the Constitution, to mean they are not bound by the regulatory requirements of NERSA.

Evaluation of the legislative environment

Whilst the *reticulation* of electricity is the function of municipalities in terms of the Constitution, the prevailing moratorium on the issue of distribution licenses means that unlicensed municipalities are compelled to rely on Eskom. There is a need to enforce the requirements for Eskom to sign a Service Delivery Agreement with municipalities in the absence of the licenses. The reallocation and delegation of powers as well as required institutional arrangements will be finalised once the restructuring process has been completed.

Any changes to the legislation will be determined in collaboration with the relevant national Department and agencies that have regulatory interests and oversight responsibilities for the service.

Evaluation of the existing regulatory framework

There is a need to enforce better coordination mechanisms (e.g. Service Delivery Agreements and Service Level Agreements) to improve integrated planning and implementation between District, Local Municipalities and Water Boards. Water Service Providers should be financially supported and empowered to provide access to water for communities within their areas. Each sector is responsible for determining and enforcing regulations in relation to their area of infrastructure delivery and need to extend the regulatory role to a more hands-on support role. The national Departments of Human Settlements and Water Affairs for example are responsible for developing and monitoring compliance with regard to provision of sanitation services, but are not structured adequately at present to provide sufficient levels of support.

Evaluate the existing institutional arrangements

A thorough evaluation of existing institutional arrangements in the water sector with regard to WSAs, WSPs and Water Boards must be undertaken to improve the provision of water and sanitation services. As mentioned above, the powers and functions of Water Services Authorities and Water Service Providers and the management thereof, will need to be reviewed. The role of Water Boards also needs to be more clearly defined in the relevant legislation (Water Services Act).

There is an institutional requirement for support for planning and implementation of the services to be delivered through the IDP and the SDBIP by sector departments. For example, the national departments of Water Affairs and Human Settlements should assist municipalities to plan for the delivery of infrastructure and reduce rehabilitation backlogs in national water infrastructure; provinces (Human Settlements and Local Government Departments) should develop and implement plans to support municipalities to increase household access to water.

The challenge institutionally is to review the structural arrangements for support across government with respect to the delivery of services at local level. This may need a review of the macro-organisation of the state in some areas, as the disjuncture between the policy and regulatory environment and execution at municipal level requires intervention to close the gap.

Evaluate the management systems, processes and skills

As referred above, a comprehensive programme to assess management processes and available skills will need to re-look at the options available regarding the technical capacity of municipalities to manage their operations. Clearly, for example, a national support programme is required to assist municipalities to develop, implement and monitor the Waste Management Plans of municipalities, with sanitation also requiring urgent attention from this perspective.

Provinces must also find ways to improve their support to municipalities towards increasing household access to electricity and free basic electricity. The main focus should be on provinces with underperforming municipalities like Eastern Cape and Kwazulu-Natal, but with an understanding that these provinces themselves require support due to the legacies of high poverty, underdevelopment and spatial differentiation in these areas.

Thus assessments are required for each area of management and process support required to deliver effectively, essential services to communities. This may also involve re-looking at the issue of costed norms and standards to be applied to the delivery environment, and the application of innovation in service delivery methods.

Funding framework

A revised funding framework will be needed and the precise ways in which integrated or 'joined-up' budgeting can be achieved will be developed with inputs from the sector departments. Funding to deliver water and sanitation infrastructure is available through the MIG, PIG and BIG in the existing budgets, but need to be more carefully coordinated and aligned according to priority infrastructure needs. However, it is important to remember that these grants are limited to address the extreme

numbers for existing backlogs. It is expected that this gap will be partly filled through the mobilization of private sector funding by municipalities through new mechanisms such as the SPV.

Concepts such as shared services, value-for-money' and the value chains in service delivery also need to be more rigorously explored as assessments have indicated there is much wastage of resources at municipal level. This can also be partly overcome through improved oversight of budget allocations and spending patterns, and enhancing accountability for funds spent.

4.2.2 OUTPUT 2: SUB-OUTPUT 2: BULK INFRASTRUCTURE FUND ESTABLISHED

What will need to be done differently

One of the biggest constraints to improving access to services is the availability of infrastructure. This is further exacerbated by the absence of coordinated and integrated planning of infrastructure. The proposal to establish a Bulk Infrastructure Fund (BIF) is intended to establish mechanisms to unlock the delivery of reticulation services, fund bulk infrastructure and procure well located land.

The development of the National Coordination Grant Framework is an activity that is inextricably linked with that of Output 4, namely the procurement of well-located land for infrastructure provision for human settlements and the informal settlement upgrading programme. Additionally it will also align provincial infrastructure grants and municipal infrastructure grants with housing projects and grants to upgrade and rehabilitate bulk infrastructure such as waste water treatment plants.

Currently various grants are managed in isolation from each other by different agencies. The misalignment is reflected in each sector undertaking its own planning in line with its mandate rather than within a coherent and integrated plan for the creation of sustainable human settlements. Consequently communities, especially the poor find it difficult to access services and opportunities. The notion of a Bulk Infrastructure Fund (BIF) is intended to remedy this situation. A BIF can be considered a process and a tool that operates within a sustainable human settlements framework to ensure the systematic development of settlements. It is a process because it seeks to align the critical programmes and initiatives of government in support of the development of sustainable human settlements and a tool because it seeks to facilitate a project or programme-based approach to the planning and funding of built environment infrastructure and services.

The key grants that require alignment within this BIF framework are the MIG, PIG, IHHS, INEP, PTIS and RBIG grants. The Single Window of Coordination comprising a cross-departmental committee as envisaged in output 7 will be the primary organisational mechanism to give effect to the notion of the BIF described above.

The Bulk Infrastructure Fund will therefore have to be managed differently from previous conditional grants, in the following ways:

- It should be based on a review of local government conditional grants for coordination of local government funding and develop a national grant coordination framework for local government.
- It should facilitate the establishment of local government conditional grant review coordination committee (Single Window of Coordination).
- It should utilise municipal management performance as a basis for determining the levels to which the municipality will be allowed to implement its own projects;
- Municipalities with sound governance and administration should be allowed to leverage other funds, e.g. donor funds or loans with the allocation;
- Under capacitated municipalities should receive differentiated support, which could include total project management.
- Support municipalities with the application of conditional grants.

Evaluation of the legislative environment

The Division of Revenue Act (DORA) impacts on the provision of Bulk Infrastructure. Currently, there is no national policy position that permits borrowing from private capital markets based on public sector pledged funds. This means a substantial amount of technical work needs to be done to investigate the desirability of leveraging national transfers on the basis of this work a policy framework would need to be developed and presented to Cabinet for approval.

Evaluation of the existing regulatory framework

A further requirement going forward is allowing grants to be utilised for *all* the municipal service needs, i.e.:

- Service Delivery Backlogs: This refers to investments needed to serve households which do not have access to **basic services** that municipalities are meant to provide.
- Rehabilitation: This refers to investments needed to upgrade, repair or replace infrastructure that has deteriorates beyond the point that routine maintenance is adequate. Existing municipal assets are estimated to be, on average 40-50% deteriorated.²
- Growth: This refers to investments in infrastructure needed to support a growing population and a growing economy. Economic growth in South Africa averaged about 3% during the first decade after the end of apartheid, from 1994 – 2004. At that point growth increased, reaching a high of about 5% before the current economic crisis. This sustained period of high growth put severe strains on infrastructure systems across the country.

Evaluate the existing institutional arrangements

Currently there is institutional fragmentation in relation to the bulk infrastructure fund allocation and management, e.g. Regional Bulk Water infrastructure with DWA, internal bulk fund under MIG. We need to create a robust institutional arrangement to oversee and align the various allocations

² World Bank. 2009. *Municipal Infrastructure Finance Synthesis Report*, p.14.

and management for bulk infrastructure under different sectors. DCoG will play a key role in coordinating the alignment of various bulk infrastructure funds.

In order to align the various grants better through a National Coordination Grant Framework, the following has to be considered:

- Lack of horizontal coordination at all spheres and associated lack of integration between existing national grants and policies (funding instruments).
- Conditions of grants (MIG and Housing etc) and donor funding limits integration.
- Fragmented and a lack of appropriate planning at a local level to access and use grants (project planning).

In light of the above the following is proposed:

- Facilitate the establishment of local government conditional grant review coordination committee comprising DCoG, NT, HS, Environment, Water Affairs and Rural Development.
- Review of local government conditional grants for coordination of local government funding and develop a national grant coordination framework for local government.
- Support municipalities with the application of conditional grants.

Evaluate the management systems, processes and skills

Each grant fund has its own management systems and processes. The role of the cross-departmental steering committee will be to harmonise these and facilitate joined up budgeting.

The lack of relevant skills within municipalities to implement and manage infrastructure projects remains a concern. To improve this situation the bulk infrastructure fund should be linked to the Special Purpose Vehicle where capacity constraints have been identified.

Funding framework

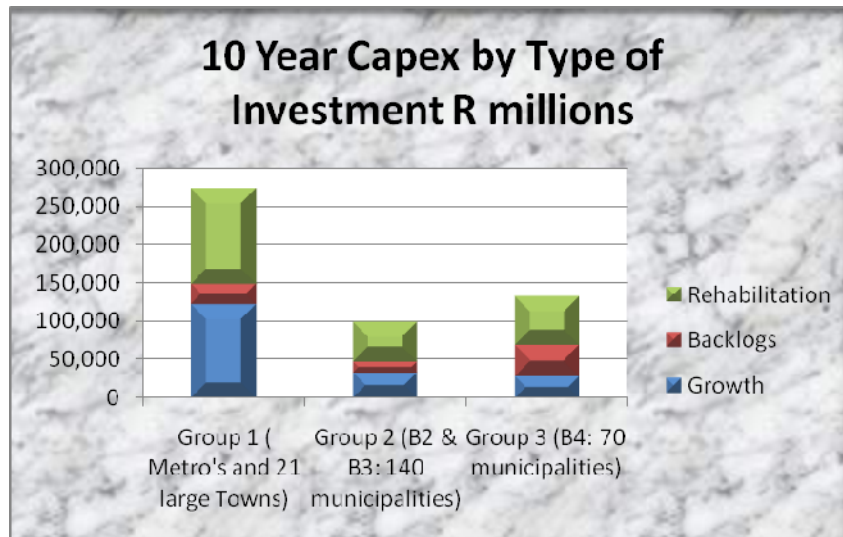
The budgets of municipalities vary significantly according to the funded mandates, the share of MIG and the Equitable Share, the revenue from services and the broader resource base of the municipality. A key assumption informing the review of the inter-governmental fiscal system is that resource allocation to local government is not sufficient. The Single Window of Coordination should ensure that the review of the intergovernmental fiscal system results in a deeper understanding of spatial and functional differences, with resource support varying accordingly.

A revised funding framework needs to be developed with inputs from the sector departments. According to a model developed by Burgert Gildenhuys³ for the World Bank, the following investment requirements needed over a ten year period is estimated at R501,4 billion over the next 10 years:

- R179,9 billion for growth

³ Gildenhuys, B.C. 2009. *Task 1: Municipal Infrastructure Investment Requirements (MIIR)*.

- R80,6 billion for backlog eradication
- R240,8 billion for rehabilitation



4.2.3 OUTPUT 2: SUB-OUTPUT 3: ESTABLISHED SPECIAL PURPOSE VEHICLE

What will need to be done differently

The capacity and skills for infrastructure provisioning is highly uneven amongst municipalities with many without adequate capability. To ensure effective infrastructure planning and provisioning to ensure improved access to essential services a Special Purpose Vehicle (SPV) is proposed. The SPV will provide specialised technical and financial support to municipalities. In the case of municipalities with weak capacity the SPV will be directly involved in supporting the municipality to structure capital funding and mobilise operational funding to strengthen service provision and the delivery of new infrastructure to eradicate backlogs, rehabilitate existing infrastructure and the effective operation and maintenance of infrastructure.

In line with some of the proposals made by the relevant parliamentary committees when the Division of Revenue Bill was processed, the National Treasury is reviewing the fiscal framework for provincial and local government. The review of the local government fiscal framework will attempt to align, without compromising local accountability, the fiscal system to support the implementation of a differentiated model.

Evaluation of the legislative environment

MIG conditions

The intervention proposals, particularly for low capacity municipalities, are based on the use of categorisation of municipalities in DORA, the classification of MIG and MIG conditions, to compel or

incentivise a municipality to cede the delivery function to the SPV. It is lawful to use MIG conditions to compel certain behaviour by municipalities if this makes service delivery more effective, taking national government's responsibilities into consideration:

- It may not compromise a municipality's right to exercise its powers and perform its functions.
- It has the authority to "see to" the effective performance by municipalities of their functions.

The 'threshold' for intervention is crossed when a municipality lacks both internal engineering capacity and the capacity to procure outside assistance, sufficient to operate and maintain the infrastructure which is being provided with grant finance.

If MIG conditions are to be applied to require a municipality to contract with a specific agent to provide infrastructure, the following should be noted:

- The capacity-linked categorisation of municipalities should preferably have some legal status (can be in DORA)
- Payment to the contractor must be covered by the MIG
- Where national government is effectively prescribing a service delivery outcome, DORA should exempt municipalities from sections 77 and 78 of the Municipal Systems Act (see below).

Legal constraints on contracting by municipalities

(a) Procurement requirements – MFMA

A municipality must comply with the Municipal Finance Management Act (MFMA), the Supply Chain Management (SCM) Regulations and its own SCM policy when: (i) procuring goods or services; (ii) disposing of goods; (iii) selecting contractors; and (iv) selecting "*external mechanisms*" for the provision of municipal services. There are exceptions such as contracting *with an organ of state* to procure goods and services under a contract secured by the organ of state, with the supplier's consent.

One way of smoothing the procurement process (for purposes of the intervention for medium capacity municipalities) is to have a tripartite agreement between municipality, SPV and contractor, where the SPV goes through the procurement process and then municipalities enter into a 'transversal contract'. Master or framework transversal contracts should be established but with allowance for a degree of individualisation.

Section 33 of the MFMA governs contracts which impose financial obligations on a municipality enduring beyond three years. This section requires public participation and engagement with National Treasury and others. It is clumsy and processing through the necessary steps is difficult and time consuming (even metros request help). This will have to be considered in the intervention.

(b) Sections 77 and 78 of the Municipal Systems Act

Section 78 is triggered where an existing municipal service is to be significantly upgraded, extended or improved; a new municipal service is to be provided; or an existing service delivery agreement will end in the next year. This is usually a two stage process: internal service provision must be considered as a best option, and only if this proves unfeasible can external options then apply. The definition of a 'municipal service' is important to determine what will trigger this process. In this regard it is argued that:

- Management contractors and implementing agents don't provide 'municipal services' but management services to the municipality;
- Design and build contracts which do not involve ongoing operational activity is not a 'municipal service';
- However operation of a complete system will probably come within the definition of a 'municipal service'.

However, it can be argued that the assessment and categorisation process would have already considered the internal capacity of the municipality to deliver.

(c) Municipal Asset Transfer Regulations

The regulations apply to granting the right to "use, control or manage" capital assets of a municipality to another party. The process must involve public participation; engagement with National Treasury and others. There is a very specific risk allocation requirement: risk in and accountability for the asset to be transferred to the counter-party.

The key question is whether the term "manage" means manage for one's own commercial benefit, rather than on behalf of the municipality. *This will have to be determined as it will inform the use of certain intervention options* (e.g. concessions or BOO type contracts).

(d) Legal issues associated with community-based service provision

There is no legal impediment to using a community-based service provider. If the CBO is to provide municipal services, then sections 77 and 78 potentially apply, and the appointment must be in terms of a written agreement. Because CBOs are not organs of state, municipalities cannot contract directly with them; and proper procurement processes must be followed.

If informal arrangements are used, there are potential difficulties with regard to payments made to community members who are not employees of the municipality. Given the importance attached to community-based service provision it is recommended that legislation is amended.

Contracting models

In facilitating contracts with municipalities the option of 'transversal' contracts with tripartite agreements will be important. In such a case, the municipality remains responsible in a constitutional sense for the service or function.

Recommended changes to the Legislative Framework

Given the proposed intervention and the manner in which it is proposed to function, it is recommended that the following changes to the legislative framework be made:

- Provide legal status to the municipal categorisation structure as this will be associated with resource allocation and intervention decisions
- Upon categorisation of municipalities, MIG be (re) classified into:
 - (i) MIG cities (schedule 4) – for high capacity municipalities;
 - (ii) MIG (schedule 6) – for medium capacity municipalities; and
 - (iii) MIG (schedule 7) – for low capacity municipalities.MIG conditions should be revised.
- Review the MFMA Section 33 process requirements
- Introduce amendments to legislation dealing with community-based service provider arrangements (primarily in the Municipal Systems Act)
- Amend sections 77 and 78 of the Systems Act to avoid the provisions in these sections in the case of contracting with a private sector contractor appointed by national government (with the SPV as its agent).
- Develop new legislation that will establish the SPV and accord it appropriate powers and functions.

Evaluation of the existing regulatory framework

It is lawful to use MIG conditions to compel certain behaviour by municipalities if this makes service delivery more effective, taking national government's responsibilities into consideration:

- It may not compromise a municipality's right to exercise its powers and perform its functions.
- It has the authority to "see to" the effective performance by municipalities of their functions.

Based on the use of categorisation of municipalities in DORA, the classification of MIG and MIG conditions, municipalities will be compelled or incentivized to cede the delivery function to the SPV.

Evaluate the existing institutional arrangements

It is important to understand the context in which municipal infrastructure is planned, delivered and managed. The figure below shows the overall structure of government as it pertains to the delivery and management of municipal services.

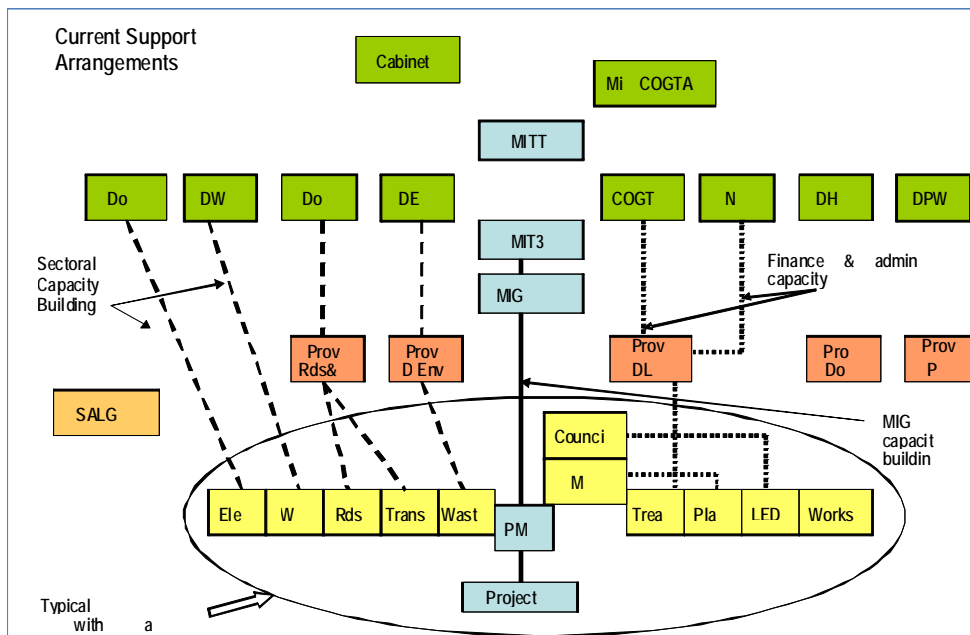


Figure 1: Current Government Structure for Municipal Infrastructure Management

National Sector Departments

The roles and responsibilities of national departments in this structure are identified as follows:

- **National Treasury** regulates municipal finance matters and controls the allocation of financial resources to municipalities.
- **DCoG** regulates and supports local government, and is responsible for the municipal infrastructure grant (MIG). DCoG works closely with provinces that have substantial powers to regulate local government.
- **Department of Energy (DoE)** develops policy and supports municipalities (this is a national function and the department has no provincial offices). It controls the Integrated National Electrification Programme electrification grant and regulates Eskom.
- **Department of Water Affairs (DWA)** is directly responsible for policy and support to municipalities with respect to water supply and sanitation (this is a national function; the department has regional offices with substantial capacity). In reality, DWA plays a significant support role in respect of water services although it has recently moved towards emphasizing its regulatory function. DWA controls the Regional Bulk Infrastructure Grant (RBIG) and is also responsible for landfill site registration and has regulatory responsibility over Water Boards.
- **Department of Transport (DoT)** has policy responsibility for municipal roads and controls public transport grants (Public Transport Infrastructure and Systems Grant and Rural Transport Services and Infrastructure Grant); but has little to do with municipalities.
- **Department of Environment Affairs (DEA)** only has policy responsibility for waste management but does not control any funding streams. Provincial departments of

environmental affairs have a substantial say in terms of environmental issues but do not deal much with landfills.

- **Department of Human Settlements (DoHS)** is responsible for 'housing' which has strong linkages with municipal infrastructure. The department develops policy and has overall control over housing subsidy policy. Provincial departments of Human Settlement have direct control over the allocation of the Integrated Housing and Human Settlement Grant.
- **Department of Public Works (DPW)** is responsible for the Expanded Public Works Programme grant aimed at incentivising job creation in the provision of municipal infrastructure.

Provinces

Provinces have a regulatory and oversight responsibility with respect to local government. While their primary responsibility relates to the delivery of social services, they have some responsibility for engineered infrastructure in the form of provincial roads and housing authority. . There is generally an overlap and lack of clarity between municipal and provincial government with respect to responsibility for rural roads in particular, but the whole roads infrastructure is one of the most serious examples of intergovernmental role confusion between spheres.

Municipalities

Local government consists of (i) district municipalities and (ii) local municipalities.

District municipalities are established over the whole country (excluding the metros and with very little role in B1 municipalities) and have two main responsibilities: (i) development facilitation; and (ii) service provision, primarily water services, electricity and roads. The application of these responsibilities varies: C2 districts have considerable service provision responsibility while C1 districts are primarily development facilitators. The relationship and functionality between district and local municipalities is an important issue given the need to cooperate over infrastructure provision.

Local municipalities are responsible in terms of the constitution for specified services referred to as municipal services; these include: water supply and sanitation, electricity, municipal roads, solid waste and refuse removal and their associated infrastructure. The duplication of district and local services provided for by the S 84 of the Municipal Structures Act has complicated service delivery responsibility and accountability, and may also be seen to be unnecessary duplication of resources and skills.

Service Provision Partners

While municipalities are responsible for the provision of most services, there are important delivery partners who have been allocated agency responsibility for the actual delivery of these services. These are indicated below.

- **Private sector partners:** There are a few contracts with private operators for service provision, example, concessions in Mbombela (Nelspruit); a lease type contract in Lukanji (Queenstown); and an operating contract in uThungulu DM for its area.
- **Private sector contractors, consultants and project managers:** Although there are serious problems with the availability of engineering skills in SA, a robust engineering consulting industry still exists providing their services to municipalities.
- **Electricity:** Eskom provides part of the consumer electricity in most municipalities. It has been proposed to establish Regional Electricity Distributors (REDs), which will take over all supply from municipalities. This is a contentious issue as from some perspectives, as it can constrain revenue for municipalities that are already suffering from a low resource base.
- **Water Services:** There are 14 Water Boards in the country with responsibility centred on major urban areas. Water Boards are primarily responsible for bulk water supply but have taken on bulk wastewater and retail activities in some areas. DWA has plans to expand the role of Water Boards. Although their current supply areas include rural areas, they play a relatively limited role in these areas even with respect to bulk supply. There has been good experience with the use of community-based organisations for water and sanitation during the 1990s although the use of this arrangement has declined in the past decade.

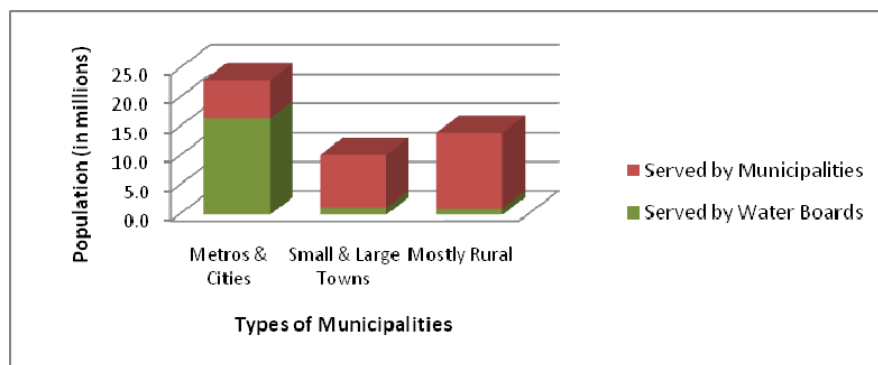


Figure 3: Water Services by Delivery Agent⁴

The current institutional arrangements are not effective due to the ‘autonomy’ of the municipalities as provided for in the Constitution, the perspective of which contradicts the principle of ‘interrelatedness’ which refers to the sharing of services and responsibilities. There is also lack of a framework for the accountability of technical support provided to municipalities. All the existing initiatives for providing technical support to municipalities should be related to the SPV and the main support institutions should be accountable to DCoG. The Minister should be empowered to make decisions regarding institutional arrangements for the SPV. The SPV should have a legislative mandate to intervene where there is lack of municipal capacity to deliver infrastructure for basic services.

⁴ The Municipal Infrastructure Investment Framework (MIIF) estimated the extent of responsibility for water services between Water Boards and municipalities.

Evaluate the management systems, processes and skills

One way of smoothing the procurement process (for purposes of the intervention for medium capacity municipalities) is to have a tripartite agreement between the municipality, the SPV and the contractor, where the SPV goes through the procurement process and then municipalities enter into a 'transversal contract'. Master or framework transversal contracts should be established but with allowance for a degree of individualisation.

Funding framework

A new/ additional allocation will be required from the national fiscus to cater for the establishment and operations of the SPV. The total budget should be determined once the business case is completed.

4.3 OUTPUT 3: IMPLEMENT THE COMMUNITY WORK PROGRAMME AND COOPERATIVES SUPPORTED

4.3.1 OUTPUT 3: SUB-OUTPUT 1: JOB CREATION SUPPORTED THROUGH THE COMMUNITY WORK PROGRAMME

What will need to be done differently

Government is committed to halving poverty and unemployment between 2004 and 2014. Its ability to achieve these objectives seemed possible before the economic downturn. Government recognised that strategies to change the structure of the economy and patterns of distribution will take time, and that SA therefore needs to fast-track complementary strategies that target the most marginalised first. The most important of these is a massive public works/public employment strategy: "EPWP-plus".

The Presidency initiated a process to address the 'second economy' and a Framework was approved by Cabinet in January 2009 with the following objectives:

- It focuses on the need to address inequality and economic marginalization
- It argues that employment should be placed at the heart of all economic policy
- And it presents a set of 'headline strategies' to achieve the above-mentioned

With this in this, the Community Work Programme (CWP) is proposed as the 'anchor strategy'. The CWP is part of EPWP, and complements the other components.

The CWP provides access to a minimum level of regular work - i.e. 2 days a week = 100 days a year. The CWP uses community participation to identify 'useful work' and priorities. The work is multi-sectoral and contributes to public/community goods and services.

This requires strong community mobilisation and strong linkages with municipalities, provinces and other partners. It is an area-based programme, intended to be ongoing that will allow it to target the poorest areas; where market-based jobs are unlikely to come any time soon. In the pilot sites, work varied in each community, but some common themes emerged and these have become the 'anchor' programmes:

- A strong focus on food security;
- Home-based care, mainly for HIV and TB affected households and auxiliary care: cooking, cleaning;
- Care of orphans and vulnerable children, child-headed households;
- Social programmes to tackle alcohol abuse, violence, crime;
- Development of recreation spaces, sporting facilities targeting youth;
- Environmental rehabilitation and maintenance;
- Informal settlement upgrading; and
- Zibambele-type road maintenance.

Evaluation of the legislative environment

Employment under the EPWP is governed by the Ministerial Determination for Special Public Works Programmes gazetted by the Minister of Labour in 2002. Proposed amendments to this legislation have been agreed with by stakeholders at the Employment Conditions Commission and are awaiting promulgation by the Minister of Labour.

Key amendments to this legislation focus on the:

- Introducing of a minimum wage, and
- Removing the two year limitation on the duration of a work opportunity under EPWP.

Evaluation of the existing regulatory framework

Together with the above Ministerial Determination a "Code of good practice for Special Public Works Programmes" was agreed to at NEDLAC in 2002.

The purpose of the Code is to:

- Provide good practice guidelines to all stakeholders involved in EPWP in respect of working conditions.
- Promote a common set of good practices and minimum standards in employment practices among the different EPWP sub-programmes within South Africa.

Currently negotiations at NEDLAC are continuing to finalise amendments to the code based on EPWP experiences in the first phase.

Evaluate the existing institutional arrangements

The EPWP programme is an overarching programme of the Department of Public Works (DPW). There will need to be strong alignment for monitoring and evaluation purposes with DPW. A Memorandum of Understanding between DCoG and the Department of Public Works has been entered into for this purpose.

In order to implement this programme, strong linkages with municipalities, provinces and other partners need to be strengthened. The CWP will furthermore require a crucial set of intergovernmental MOU's, partnerships with all relevant role-players. There is also a need to build strong community mobilisation and Ward Committee participation.

Ward committees are the community-level structures to which elected ward councillors account. Integrated Development Plans are drafted at this level and aggregated at the level of Local Government. This is intended to enable strong grassroots input into local development planning, but the process is still new and often weak. In practice, evidence from the pilot sites show that the CWP is strengthening this process:

- The IDP is an annual cycle – making it hard to sustain involvement. In the CWP, the cycle from identification of work to implementation is often just a fortnight. This is energising these structures;
- The CWP is able to address some of the 'unfunded mandates' at a local level, and to unblock partially funded initiatives.

The IDPs are therefore the mechanism to provide for the implementation of the CWP within a municipality. The legislative provisions for IDPs must be strengthened to compel the spheres of government to upscale the usage of labour-intensive programmes within the communities.

In order to institutionalize the CWP, it will be introduced in at least two wards per municipality. The wards will be selected on the basis of criteria which will target areas of high unemployment and where sustainable alternatives for job creation are limited

Evaluate the management systems, processes and skills

DCoG needs to establish a fully functional and well capacitated unit to implement this programme. The programme needs to be properly placed in the organisational structure of the department. CWP facilitates integrated development at the local level. Priorities for the design phase should address the following:

- Communities are unlikely to prioritise things already being provided, so rather than duplication CWP will address gaps in delivery;
- The link to local government ensures alignment with government priorities;
- 65% labour intensity means CWP has to form partnerships with line departments for larger projects.

Key to the meeting of CWP targets and ensuring quality of the jobs created is the availability of suitable National Implementing Agents. The use of national-level Implementing Agents with capacity avoids placing a further burden on local government but nevertheless delivers increased services and jobs locally. In most cases, the relevant government partners have welcomed the institutional capacity the CWP brings to manage such activities in often remote and marginal contexts where the scale of each individual activity does not easily justify dedicated local capacity, but where the CWP is able to provide a project management and support framework that makes this possible.

The Implementing Agent accounts centrally for finances and effective programme management but accounts locally for the identification and delivery of ‘useful work’. This split accountability enables rapid rollout while building local ownership.

The logistics, programme management and financial management involved in keeping 1,000 people working each week are substantial; these capacities are often absent at local level. Often, this lack of capacity translates into lack of delivery. Important as it is to develop local capacities to perform all these functions, **building such capacity is treated as a concurrent process and not a prior condition** for the CWP to start. This allows delivery to be fast-tracked even in the areas where this poses the greatest challenges.

As the programme has grown, Implementing Agents have managed an increasing number of sites, and in the process, have increasingly devolved local management to local agents (often local CBOs). IAs play a crucial catalytic role in the inception phase of a site, but then increasingly withdraw from day to day management as local capacity grows. This ‘rolling’ process needs to be institutionalised and incentivised. This suggests a model in which IA’s eligibility to take on new sites is linked to their effectiveness in devolving management functions at existing sites to local agents over time. The DCoG urgently needs to ensure procurement of National Implementing Agents as well as to contract suitable local capacity to implement at site level.

Funding framework

The MTEF allocations are consistent with the achievement of the target of 237 000 job opportunities. As institutional arrangements are confirmed, the cost structure will also need further clarity; as well as the targets set for the DCoG Minister’s Performance Agreement for CWP expansion by 2014.

CWP Allocation Breakdown			
Components	2010/2011	2011/2012	2012/2013
Total CWP allocation (R million)	490 325	663 550	871 073
Programme management (R million)	49 033	66 355	87 107
Wage costs	286 840	388 177	509 578
Non-wage costs at site level (Tools, materials, training, site management)	154 452	209 018	274 388
Total number of work opportunities created	57 368	77 635	101 916 ¹

1. The Difference between the number of work opportunities for 2013 and 2014 is expected to be met in the next MTEF.

The financial modeling and preparation for revised submissions both for MTEF and for the Adjustment Budget will be finalized in the 2010/2011 financial year.

4.3.2 OUTPUT 3: SUB-OUTPUT 2: JOB CREATION SUPPORTED THROUGH THE ESTABLISHMENT OF FUNCTIONAL COOPERATIVES WHERE FEASIBLE

What will need to be done differently

The comments of the previous sections apply.

Scope of the CWP

The CWP is implemented at the local level at a site (which generally comprises a 'community/ward'). It is designed to employ a target of at least 1000 people in each site on a part time basis. While it is desirable that participants find other opportunities and exit from the programme over time, it is not a requirement that they do so. Even if the economy expands rapidly to create new jobs, the impacts of this will take time to reach the most marginal areas and the most marginalised groupings; access to an employment safety net will continue to be required by many for some time to come.

Co-operatives allow local communities to participate in local economic development and promote economic stability. Department of Trade and Industry has identified the following potential for co-operatives to contribute to the development of communities:

- a) Create and develop income-generating activities and sustainable decent employment.
- b) Develop human resources capacities and knowledge of the values, advantages and benefits of the co-operative movement through education and training.
- c) Develop business potential, including entrepreneurial and managerial capacities.
- d) Strengthen their competitiveness as well as gain access to markets and institutional finance.
- e) Increase savings and investment.
- f) Improve social and economical well-being, taking into account the need to eliminate all forms of discrimination.
- g) Contribute to sustainable human development.
- h) Establish and expand a viable and dynamic distinctive sector of the economy which responds to the social and economic needs of the community.
- i) Enhance broad-based economic empowerment, thereby assisting the Government in achieving the objectives of its micro-economic reform strategy, inter alia Black Economic Empowerment.

Evaluation of the legislative environment

The Co-operatives Act, 2005 governs all cooperatives established in South Africa.

Evaluation of the existing regulatory framework

The three spheres of government must create an enabling environment that supports the development of cooperatives. The regulatory framework must allow for cooperatives to participate

in government procurement and receive training in basic business and governance principles. The achievement of this output will be informed by the Regulations for Co-operatives developed by the Department of Trade and Industry. DCoG will consult with DTI regarding the applicability of the regulations in the context of supporting the CWP.

Evaluate the existing institutional arrangements

The CWP will be encouraged to use ward committees (or agreed development fora) to identify 'useful work', and encourage alignment with local government and the IDP process. The CWP can strengthen the functionality of Ward committees, by energising them through the cycle from identification of work to implementation.

The CWP may also assist in identifying and acting as interim support for 'unfunded mandates' at a local level, and may help to unblock partially funded initiatives. Evidence from the pilot sites suggests that of this approach has strengthened the CWP, and has helped to institutionalise its links to local government.

The development of the alignment with the IDP is certainly facilitating the link to other spheres of government and can act as a catalyst for a deepening foundation of support initiatives across government and with partners.

Evaluate the management systems, processes and skills

Support to cooperatives demand interaction from all three spheres of government.

Funding framework

The cost structure of the CWP allows for only 35% of total costs to be spent on materials and other non-wage costs. This is a very high labour-intensity ratio. It means that the CWP cannot engage in any large-scale 'works' on its own: it has to enter into co-funding arrangements and partnerships if these are to be prioritised. Such partnerships will in most instances be with the relevant line departments or sphere of government.

The total budget for the CWP for the current year is R490 325 000.00. The previous tables on the funding framework for the CWP are applicable.

4.4 OUTPUT 4: ACTIONS SUPPORTIVE OF THE HUMAN SETTLEMENT OUTCOMES

4.4.1 OUTPUT 4: SUB-OUTPUT 1: INCREASED DENSITIES IN METROS AND LARGE TOWNS SUPPORTED

What will need to be done differently

South African cities are built at very low densities creating a range of inequities and inefficiencies.

Newer areas of higher density are often on the fringes of the urban area with a swathe of low density, detached housing between the inner city and the fringe. This pattern gives rise to a dependence on private transport, and for the poor, on micro-bus taxis or highly subsidised bus transport. For the working poor a considerable proportion of wages (in some cases up to 30%) goes into transport to and from work. Reshaping cities and towns to capture positive agglomeration effects and efficiencies is achievable through densification and encouraging development along (potential) public transport routes.

The above has been accompanied by a growth in informal settlements in the major metros and cities, estimated at 1,7 million households in 2,400 informal settlements throughout the country. Cities have the organisational and administrative capacity and strength to overcome backlogs in services and break with the logic that reproduces inefficient and inequitable apartheid spatial patterns particularly in respect of human settlement formation. All of this points to granting metros and large towns greater responsibility for the management of built environment functions.

In light of the above the following is proposed:

- a) Facilitate the development of a policy framework to ensure densification.
- b) Facilitate the identification and establishment of human settlement committees in cities and large towns.
- c) Review SDF guidelines for cities and large towns within the framework.
- d) Support the review of the Land Use Planning and Management within the framework.
- e) Finalise the National Urban Development Framework.

Evaluation of the legislative environment

In light of the above it is proposed that the policy framework granting metros and large towns greater responsibility for built environment functions be strengthened. As part of this overall mandate, appropriate powers and functions need to be assigned, and close and cooperative relations developed between provincial departments responsible for human settlements, and the metros and large towns. The finalisation of legislation relating to land use planning and management is also critical.

Evaluate the existing institutional arrangements

In addition to a new functional approach that allows for metros and the top 21 cities and towns to manage the built environment functions, supporting policy, legislative and institutional arrangements will be required for land-use management and spatial planning that supports densification.

Going forward, partnerships will be needed with many of the entities involved in land, housing and human settlement planning as well as the sector departments concerned. For example, the National Urban Reconstruction and Housing Agency (NURCHA) provide guarantees for the housing development sector to ensure access to capital, and provision of quality low-cost housing. The Housing Development Agency authorizes land purchase, and Rural Development and Land Reform have access to land audits, prepare spatial development frameworks and identify available land for

development. Other stakeholders to be consulted should include the South African Cities Network, Urban Development think-tanks and the state-owned enterprises (SoEs), some of whom own considerable amounts of well-placed land in urban areas.

The National Home Builders Registration Council (NHBRC) manages a warranty scheme that sets norms and standards for the construction of low-income housing. All low-income houses built need to comply with the warranty as a part of the housing construction process. The Construction Industry Development Board (CIDB) can assist with facilitating access to emerging contractors for the house-building processes associated with densification.

Institutional arrangements that will provide a platform for this output need therefore to encompass the engagement of key stakeholders from the private sector and from civil society.

Evaluate the management systems, processes and skills

A technical team consisting of DCoG, Human Settlements, National Treasury and the Presidency should be established to develop and implement a policy framework and guidelines for increased densities in metros and large towns as well as coordinate the urgent finalization of spatial and land use planning.

At a local level it would also be required to establish human settlement committees to deal with land use planning issues and related issues and practices to promote densification in metros and large towns. The committees should be comprised of key role players from national and provincial government to work together with municipalities to look at specific issues for particular municipality. Furthermore, the committees should develop action plans for specific municipalities with deliverables and timelines as well as clear roles and responsibilities for each stakeholder. The DCoG will assist with the establishment and coordination of these committees.

Funding framework

The Presidency, Cooperative Governance, Human Settlement and Treasury are expected to play a key role in the development and enactment of the new Land-use Management Act. Following adoption of the Act, new fiscal arrangements to support municipalities in implementation, following the differentiated approach, should be expected.

Cognisance will need to be taken of the variation in how municipalities currently budget for land management, how they interact with provinces, and how they use legislation, such as local by-laws and policy, to manage their land acquisition and land-use.

Finally it will also be necessary to ensure that adequate resources and support flow to the cities to establish the competency for the management of built environment functions.

4.4.2 OUTPUT 4: SUB-OUTPUT 2: LAND ACQUISITION FOR LOW INCOME AND AFFORDABLE HOUSING FACILITATED

What will need to be done differently

The Department of Human Settlements has the responsibility for meeting the target of acquiring 6250 hectares of public land. Where provincial and municipal land has been identified, DCoG will support and assist the Department of Human Settlements in the engagement with the Department of Rural Development and Land Affairs, provinces and municipalities in particular by ensuring the municipality has a spatial development framework that integrates human settlement planning. It is important here that a national spatial plan for the country is progressively developed, in order for a coherent settlement pattern to emerge.

Evaluation of the existing regulatory framework

The South African land-use management system is guided by national and provincial government, but effectively operates at local government level. The main elements of this system are the strategic spatial development framework as a mandatory component of the Integrated Development Plan, a regulatory component such as the local town planning scheme and compliance or law enforcement.

The following areas have been identified as areas that require attention to ensure effective release of public land for affordable housing:

- a) Poor land-use practices have occurred due to insufficient policy guidance and directives on optimal use of public land in municipal spaces. Lack of coordination between spheres and sectors of government and State Owned Enterprises to ensure the strategic disposal of land, e.g. municipalities may sell prime land to the private sector in a bid to raise revenue, but this is an unsustainable practice that results in perpetuating spatial imbalances and negates the developmental objectives of human settlement policy.
- b) Ineffective and slow township establishment practices.
- c) Inappropriate usage of the Development Facilitation Act by provinces resulting in approval for developments by-passing municipal authorities
- d) Lack of National and local registries of identified land to be utilized for low income housing developments.

In light of the above, the following is proposed for what needs to be done differently:

- a) Facilitation of land ownership audit through Human Settlements Committees or through the Housing Development Agency and land disposal committees.
- b) Facilitate the development of a policy framework for the release of public assets for the purposes of low and affordable housing and monitor compliance.
- c) Facilitate the fast-tracking of the process of land claims.

- d) Review of the Expropriation Act to assist municipalities to acquire private land.
- e) Provide for accountability in how land is acquired, leased, sold or utilised by role-players within national, provinces and local government.
- f) Involve local role-players – e.g. rates associations, developers, investors, communities, traditional leaders if applicable, etc.

Evaluate the existing institutional arrangements

In terms of actual institutions, the Housing Development Agency (HDA) is expected to coordinate the release of public land for low income housing. The Housing Development Agency must have the necessary capacity to coordinate and facilitate the acquisition of suitable public land for the development of low income housing. The relationships between the Department of Human Settlements, Land Reform and Rural Development, The National Planning Commission and the DCoG will need to be based on close alliance and coordination for the successful management of this sub-output.

At the local level, Human Settlement Committees should facilitate good practices in the release of public land, including the conducting of land ownership audits and transparency in land use management.

Evaluate the management systems, processes and skills

Management systems and processes pertaining to the effective implementation of legislation and policy and the assignment of powers and functions in respect to land management will need to be structured to support new and innovative forms of thinking in land-use management.

Funding framework

This is not applicable as this will be established by the Department of Human Settlements.

4.4.3 OUTPUT 4: SUB-OUTPUT 3: INFORMAL SETTLEMENTS IN 45 PRIORITY MUNICIPALITIES UPGRADED

What will need to be done differently

Informal settlements are a complex problem, and require innovative and radical solutions that are acceptable to all role-players.

The following areas have been identified as areas that require attention to support the Expanded National Upgrading Support Programme and the appropriate formalization of 400 000 households in municipalities with informal settlements. Key problems to be addressed include:

- Lack of focussed support to ensure the upgrading of informal settlements (400 000 households).

- Lack of understanding of roles and responsibilities and coordination with regard to formalisation of informal settlements.

In light of the above the following is proposed:

- a) Support the expansion of the national upgrading support programme in 45 priority municipalities to facilitate the upgrading of informal settlements (grading and rezoning).
- b) Facilitation of the availability of key information through the human settlement committees such as number of informal settlements and costing thereof. The human settlement committees will facilitate and coordinate the speed-up of formalization processes to provide for the building work, since key role players from national, provinces and municipalities will be assigned responsibilities to unblock challenges that were experienced in the past, and work cooperatively to achieve the Output.
- c) Facilitation of the action plan that identify roles and responsibilities for key stakeholders through the human settlement committees with timelines.

Evaluation of the legislative environment

The main piece of national legislation that currently applies to people living in informal settlements is **The Prevention of Eviction from and Unlawful Occupation of Land, Act**. This act is currently under review with amendments proposed. This Act has been subject to intense debate with numerous submissions relating to the interpretation of how informal settlements should be treated.

Evaluate the existing institutional arrangements

Given that settlement development and service delivery requires the coordination of a range of interventions, the cross-departmental committee (Single Window) will engage with provinces and municipalities to achieve the following:

- Assessment of the backlogs per settlement in each municipality and types of investment needed to address the backlogs and transform existing settlements into sustainable human settlements.
- Development and communication of plans for new human settlements and projected infrastructure requirements.
- Facilitate decisions and approval from responsible departments and spheres regarding their grant commitments on the basis of the above two bullets.
- Development of a project register of approved infrastructure investments per municipality
- Oversee the establishment and operation of a specialised technical vehicle to support and assist municipalities to plan, provide and manage and operate infrastructure.

Funding framework

Funding frameworks are to be determined by the Department of Human Settlements, National Treasury, Provincial Treasuries and Housing departments, and municipalities. Each selected informal settlement should have a project plan to transform it into a sustainable human settlement. The

concept of the bulk infrastructure fund will be used to provide integrated cross-sectoral funding for each project site through the single window of coordination mechanism.

4.5 OUTPUT 5: DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL

4.5.1 OUTPUT 5: SUB-OUTPUT 1: REVIEW AND STRENGTHEN THE LEGISLATIVE FRAMEWORK FOR WARD COMMITTEES AND COMMUNITY PARTICIPATION

What will need to be done differently

The establishment of ward committees is presently not compulsory. However, most municipalities have adopted this model to improve their public participation. The functionality of the current ward committee system is not accurately understood. Both provinces and municipalities are not adequately monitoring or reporting on this matter. The following challenges have been identified:

- There is inadequate support to plan, manage and organise regular and effective ward committee meetings;
- Inadequate support personnel to prepare agenda and minutes;
- Inadequate support to follow-up on decisions taken;
- Inadequate support to effectively communicate date of meetings and decisions taken to the rest of the community; and
- Lack of funding to support ward committee members.

Evaluation of the legislative environment

Key priorities going forward include the following:

- ***Broaden participation*** of various sectors through a Refined Committee Model. Sections 73(2) and 74 (a) of the Municipal Structures Act should be amended so that the ward committee is no longer chaired by a ward councilor and that the composition is not limited to ten members. The number of ward committee members should be determined by the constituency of interest groups within the ward. The current restriction of ten members constrains representivity of the interest groups in certain diverse wards. This could be promoted by establishing ward sub-committees to focus on certain sectoral interests of the community.
- ***Strengthen the Stakeholder engagement framework*** at a local level. It is recognized that broader participation of various stakeholders and participatory processes are vital instruments for a Refined Ward Committee Model. It is the intention that this model will:
 - Ensure that ward committees are consulted in respect of the IDP, PMS, performance, budget, strategic decisions on service provisions requires changing national legislation to

require the proper consultation of ward committees, including the Municipal Systems Act (especially Sections 16(1), 17, 34, 40, 42, 45) and the Municipal Finance Management Act (especially Section 23) in these matters.

- Ensure that audit committees include a representative from ward committees requires amending the Municipal Finance Management Act, especially Section 166(4).

- **Composition and reporting of the ward committee:** Ward Committees should **report to the council** via the Speaker Office (section 74(a)) since ward councilors will be serving in an ex-officio capacity in terms of the proposals.

Evaluation of the existing regulatory framework

Key issues that will require a closer evaluation of the regulatory framework of ward committees will focus on the following:

- The funding model
- The institutional arrangement including delegation of powers
- Stakeholder engagement plan/framework
- Terms and mechanism for engagements
- Regulation for compliance
- Roles and Responsibilities based on the expanded/improved mandate
- Engagement schedule/mechanism
- Monitoring, evaluation and reporting
- Accountability.

Evaluate the existing institutional arrangements

There is a need for more participatory approaches to governance, focusing on partnership among multiple stakeholders that includes civic society, media, faith based organization, businesses, youth, women, private sector, people with disabilities etc. This process should be carefully crafted through a **stakeholder engagement framework**, that will among other things:-

- Procedures for involving citizens, formations or sectors that could not be accommodated in the Ward committee structure due to the limited number of the Ward Committee structures;
- Clarify an understanding of the balance in engagement linkages between vertical linkages (i.e. government and citizens) and horizontal linkages (i.e. among citizen groups) applied to policy goals, accountabilities, performance standards and management systems;
- Instill the recognizing that broader participation is a core value of good governance;
- Outline mechanisms, processes, practices and two-way capacities and resource mobilization that will inform the Ward Committee/Stakeholder engagement; and
- Outline provisions for human, financial, information sources or communication mechanisms.

Evaluate the management systems, processes and skills

Various documents, guidelines and policies were developed and issued to support municipalities with the establishment of ward committees with the provision of information regarding composition, election processes, roles and responsibilities and various other issues. Research conducted indicates however, that:

- There is inadequate support to plan, manage and organise regular and effective ward committee meetings;
- Inadequate support personnel to prepare agenda and minutes;
- Inadequate support to follow-up on decisions taken;
- Inadequate support to effectively communicate date of meetings and decisions taken to the rest of the community; and
- Lack of funding to support ward committee members.

There is therefore a need to strengthen management capabilities of municipalities to manage and monitor ward committees.

Funding framework

Ward committees are not uniformly funded and resourced across the country. A new Funding Framework should be informed by the following operational principles which should include the following:

- a) The system should be manageable, and replicable;
- b) The system should build confidence that it is effective and has impact ;
- c) The system should reward good performance so that communities that do well get more – so rewarding effective ward committees and creating positive accountability loops;
- d) It is important to learn from experience elsewhere, both in Africa and middle income countries with the dualities that South Africa faces (such as Indonesia), and from our experience as it unfolds;
- e) Funding should be provided to all communities, richer and poorer, to mitigate against alienation, or a damaged social contract, and promote common purpose in community action and empowerment.
- f) Consideration must be given for higher funding for poorer communities;
- g) Other resources should be leveraged, both from municipalities and potentially other stakeholders;
- h) Use the recognized legal structure for a community (ward) but they must also provide access to funding for other community structures (e.g. Trusts, associations, CBOs) through the participatory planning process; and
- i) Local information and communication needs to be incorporated so that people can be mobilized to participate in local structures.

4.5.2 OUTPUT 5: SUB-OUTPUT 2: SUPPORT MEASURES TO ENSURE THAT 90% OF WARD COMMITTEES ARE FULLY FUNCTIONAL BY 2014

What will need to be done differently

A newly refined set of roles and tasks for ward committees will lay the basis for a new approach to funding and resourcing them. Some areas requiring dedicated and predictable funding must include providing for:

- Access to office space and equipment;
- Technical and administrative assistance through dedicated municipal staff;
- Communicational material and community interaction systems and campaigns; and
- Out-of-pocket expenses for ward committee members.

Evaluation of the legislative environment

The following areas require legislative and policy amendments:

- **Section 73(5) (d) of the Municipal Structures Act**, as amended. States that the municipal council **may** allocate funds and resources to enable ward committees to perform their functions, exercise their powers and undertake development in their wards within the framework of the law. The section is empowering except that **may** must be amended to become a **must**.
- **Section 77 of the Structures Act**: No remuneration of ward committee members should be repealed and the provision is made for the form of payment/allowance for ward committee members.
- **National Fiscal Framework Acts**: There is need to be review the framework in order to provide sufficient finances if the object of the proposals are to be realised. The funding provisions could form part of the component within the Equitable Share formula or a dedicated grant be established for the purpose of public participation activities. The studies conducted have shown that the insufficient funds are a major contributor to the failure of effective ward participatory system. The current Municipal System Improvement Grant is not sufficient to address this challenge as the grant is also dedicated to other municipal activities.
- **Institutionalising public participation in municipal governance**: The Minister must publish regulations in terms of Section 22 of the Municipal Systems Act specifying the coordination of public participation be housed in a Public Participation Unit to support public participation activities in the Speaker's Office.
- **Democratise ward committees**: The Minister must publish regulations in terms of Section 22 of the Municipal Systems Act and Section 92 of the Municipal Structures Act, specifying the threshold for quorum for ward committee meetings. Stipulation must also be given that ward committees hold community report back meetings at least twice a year. Municipalities must adopt policy that the ward committee system must be properly budgeted for, including

training for ward committee members, especially in the monitoring of projects within the ward.

Evaluate the existing institutional arrangements

The following recommendations require discussion and debate:

- a) Communities implementing projects, services and activities based on grants allocated to wards. In South Africa figures of R25000 to R200 000 have been used, while internationally figures of R80/person of R400 000 to R1.2 million per ward are common.
- b) The roles and responsibilities of different role-players in the Refined Ward Committee Model should include the following:
 - Local government should have overall responsibility for funds including ward funds on behalf of DCoG and Treasury; and
 - National Treasury to provide funds for ward committees.

Funding framework

The Office of the Speaker must be resourced to ensure that it supports and monitors the functionality of the Ward Committees.

The following areas also need to be considered for support:

- i. Allowances for WC members Access to support infrastructure including meeting venues,
- ii. Translation/interpreter fees - consultant or municipal official;
- iii. Travel costs of ward committee members to meetings;
- iv. Attendance/sitting fee;
- v. Meals and refreshments, to ensure attendance where long distances have to be travelled to get to meetings;
- vi. Meeting venues; and
- vii. Telephone/cell phone costs.

4.6 OUTPUT 6: IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPACITY

4.6.1 OUTPUT 6: SUB-OUTPUT 1: IMPROVED AUDIT OUTCOMES OF MUNICIPALITIES

What will need to be done differently

To improve the audit outcomes of municipalities in order to ensure that municipalities with unqualified audits increase from 53% to 100% the department and provinces will need to monitor and support municipalities in the following:

- Establishing and maintaining effective Governance to ensure proper risk management and adequate internal controls.
- Maintenance of adequate financial management systems in order to produce accurate and complete financial statements and performance information.

- Establishment of Municipal Public Accounts Committees (MPACS). The current regulatory framework (MFMA) may need to be amended and will need to cater for the establishment and functioning of MPAC's.
- The timely submission of Annual Financial Statements (AFS) to the AG and the tabling of the annual reports to Councils.
- The training of municipal managers and other non-financial managers in financial management.
- Training on ethics management in local government has to be intensified to ensure officials in local government behave ethically when discharging their official duties. The ethics management training will also be extended to provincial local departments.

In addition to strengthening systems and controls for improved financial management, the programme on Operation Clean Audit 2014 will also drive the strengthening of anti-corruption capacities in municipalities. The management systems and processes will be supported through working with selected delivery partners and a Working Group led by the DPSA.

Evaluation of the legislative environment

The review of legislation on anti-corruption: the Municipal Systems Act, the MFMA and the Municipal Supply Chain Management Regulations will receive priority. Intensive educational and skills development programmes are needed to ensure officials fully understand and comply with these Acts. Sections of the Municipal Systems Act dealing with financial mismanagement and corruption will also be amended and strengthened to ensure Members of the Executive Councils in the provinces enforce their constitutional mandates promptly. Allegations of corruption are to be thoroughly investigated and the outcomes reported to the National Minister.

Evaluation of the existing regulatory framework

The Supply Chain Management Regulations will be strengthened to ensure the procurement of goods and services process is transparent and fair. Although there are systems and improved tender regulations in place in the awarding of contracts, unethical behavior in the awarding of tenders continues to be rife within local government. This can be attributed to various factors, e.g. a lack of oversight, political interference or failure to grasp the complexities of the SCM procedures. Reforms in the regulatory environment will focus on strengthened oversight, accountability and preventative measures.

Evaluate the existing institutional arrangements

The Department of Cooperative Governance is supporting the Department of Public Service and Administration to finalise and implement the Public Sector Integrity Management Framework which will be extended to local government to ensure compliance with the legislation and regulations. The establishment of the Inspectorate will also ensure enforcement and application of sanctions.

In order to strengthen the anti-corruption capacities of municipalities DCoG will establish an Anti-Corruption Inspectorate which will be responsible to support the department and municipalities with investigations, conduct training for municipal officials to carry out preliminary investigations,

adopt a pro-active approach and ensure the required capacity is in place in all the municipalities and provincial department to respond and deal with allegations that are reported by members of the public. The Inspectorate will also prioritise and coordinate all the investigations being carried out in municipalities. In addition, different strategies will be adopted to manage negative public perceptions created about local government and restore confidence in management and leadership. The programme on Operation Clean Audit 2014 will drive this sub-output.

Evaluate the management systems, processes and skills

The management systems and processes in municipalities will be strengthened through working with the delivery partners and the Working Group led by the DPSA. DCoG will ensure that the partners listed above fully support and commit to the implementation of projects designed to support the provinces and municipalities.

Funding framework

In addition the national department (DCoG) will need to investigate the possibility of one financial system for all municipalities (excluding those categorized as requiring reduced responsibility areas) and form and implement partnership agreements with professional associations such as the Institute of Municipal Finance Officers (IMFO), the Institute of Directors (IOD), LGSETA and the Association of Accounting Technicians.

4.6.2 OUTPUT 6: SUB-OUTPUT 2: REDUCED MUNICIPAL DEBT

What will need to be done differently

The root causes for municipal debt are:

- High indigency levels;
- Poor payment levels by communities, government and business;
- Municipal infrastructure that is in a state of bad repair making accurate billing difficult;
- Weak revenue generation and billing; management systems and poor human resources capability; and
- Poor customer management systems.

The sustainability of municipalities is highly dependent on their revenue realisation and collection, thus there is an urgent need for their abilities in this regard to be enhanced. Municipalities are not only confronted with revenue collection challenges, there are also serious capacity challenges around systems of internal control which inevitably lead to low revenue realisation levels.

There are a number of steps that should be taken at a municipal level:

- a) Improved administrative procedures, including credit risk assessments of consumers.
- b) Ensure that consumers contract to municipalities for the rendering of services and understand their duties and obligations under such contracts as well as that of the municipality concerned.

- c) Incentives in the form of tangible service delivery: residents need assurances that payment for services will result in improved infrastructural development for their own benefit.
- d) Greater emphasis on financial sustainability in planning processes, such as the Integrated Development Plan. Better use of technology, both from an administrative perspective as well as an operational perspective, such as tamper-proof metres.
- e) Adoption of processes and procedures that are fair but which do not detract from the need to take legal and other action, including the termination or restriction of services, where appropriate. It is critical that councillors support such processes and procedures and encourage their application on a consistent basis throughout their respective municipalities.

DCoG will roll out a comprehensive national revenue enhancement programme across all provinces and in all municipalities which caters for:

- Debt collection
- Indigent management
- Billing systems
- Automated meter reading systems
- Strategy for rural municipalities who cannot generate own revenue
- DCoG's intervention strategy on collection of government debt
- Development of generic debt-collection by laws

Evaluation of the legislative environment

The implementation of the Municipal Property Rates Act (MPRA) has the potential to result in significant shifts in the burden – or incidence – of the tax across ratepayers. This is driven by three main factors, namely:

- A shift to a full market valuation basis, replacing all other approaches.
- There have been significant changes in property values since the last valuations were conducted.
- Changes in property rates policies, including changes in rate differentials among the different property categories, and new rates in the rand.

Collectively these could amount to a significant public management challenge for municipalities.

Evaluation of the existing regulatory framework

Problems in municipal finance are to be found in both the shortcomings in policy as well as the poor implementation thereof. Redistribution and growth have to be balanced, and differences across municipalities have to be accommodated. Changes are needed in four areas, namely:

- local revenue instruments and policies,
- national to local transfers
- gearing in private investments, and
- budgeting, accounting and financial reporting systems.

The review of the overall municipal fiscal framework should:

- Investigate the viability of local business tax
- Adjust the local equitable share formula to make it more redistributive
- Retain the share of the fuel levy as a dedicated revenue source for local public transport
- Make concomitant adjustments to the vertical split of nationally collected revenues, and
- Ensure correlation between elimination of backlogs and the impact of government grants in general and to incorporate an operating and maintenance financing component in conditional capital grants.

Evaluate the existing institutional arrangements

At an implementation level in municipalities the effective administration of income and revenue must involve a number of steps:

- a) Metres must be read accurately and regularly each month.
- b) Households and the person responsible for payment must be properly identified.
- c) Accurate property value assessments must be performed for rating purposes; evaluate the management systems, processes and skills required for accurate assessments.
- d) Where indigent grants are given, mechanisms are required to target these; unless well-designed, these grants may cause huge administrative and resource burdens.
- e) Accounts must be generated timeously and accurately and be printed; they must be delivered to areas where the performance of postal services is often erratic; and they must often be explained to those people who cannot understand them, or who cannot read.
- f) Accessible locations must be provided where consumers can pay and revenue is collected safely.
- g) A sound receipting system must be in place to prevent fraud and ensure clarity in the case of disputes.
- h) Where pre-payment systems are in place, the infrastructure and administration of these systems must be managed, including the management of prepayment vendors.
- i) And finally, those not paying timeously must be followed up and appropriate sanctions applied.

A failure in any one of these tasks is likely to have considerable knock-on effects, resulting in other failures and widespread non-payment. Acceptable margins of error are small.

Evaluate the management systems, processes and skills

Institutional re-organisation has placed substantial pressure on information technology and related systems. This has led to significant information technology projects, particularly in instances where expenditure and revenue systems had to be so significantly altered to accommodate boundary changes that it became more logical to modernize systems simultaneously, rather than attempt to reconfigure existing systems. All IT systems depend upon sound integration of the technology with business processes and organizational structure.

The flows of information must be aligned with the processes through which activities occur. The organisation must be designed so that the distribution of decision making and responsibilities is consistent with these flows and processes. Billing technology alone does not, in itself, provide a solution. The entire revenue value-chain must be well-designed and well-organised.

Funding framework

The National Treasury in-year report as at 31 March 2010 indicates that national consumer debts amount to R56.8 billion as at 31 March 2010 (unaudited figures) while R290 million in bad debts has been written off.

Metropolitan municipalities are owed a total of R30.6 billion as at 31 March 2010. Consumer debts owing to secondary cities increased from R11.5 billion in the second quarter to R11.9 billion as at 31 March 2010 and have increased from R10.7 billion to R11.9 billion or 11.2 per cent from the corresponding period last year.

Urgent recovery of these debts is required to support the financial viability of municipalities, and allow them access to funds to leverage private sector capital for infrastructure development.

4.6.3 OUTPUT 6: SUB-OUTPUT 3: MUNICIPALITIES OVERSPENDING ON OPEX REDUCED

What will need to be done differently

There is a structural imbalance between available local revenue sources and the expenditure functions assigned to local government (National Treasury, 2008). Not all municipalities have the same capacity to raise revenues, as levels of poverty vary considerably and are particularly high in mostly rural municipalities.

The above points to the need for Provinces (Departments responsible for Local Government & Provincial Treasuries) to develop and implement differentiated support programmes to support municipalities to improve cash flow management in line with national targets.

Evaluation of the legislative environment

According to the Municipal Finance Management Act, MFMA “overspending”—

- (a) in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;

Evaluation of the existing regulatory framework

The provisions pertaining to operational expenditure are contained within the Municipal Finance Management Act. Guidelines are also issued by National Treasury, and oversight should be provided by Provincial Treasuries.

Evaluate the existing institutional arrangements

Research and assessment processes have ascertained that there are insufficient institutional and management controls to support municipalities in matching expenditure to their cash flow. This can also be linked to the issue of capacity, with prevailing systems lacking the necessary skills-base for optimal operational results.

Evaluate the management systems, processes and skills

Most municipalities have the necessary management systems and processes to achieve the objective. However progress with the implementation of financial management reforms has been undermined by the high turnover of senior managers in municipalities, and the ongoing challenge or failure by municipalities to fill these posts with appropriately qualified officials on a permanent basis. Frequent changes in senior management destroy continuity in municipal management and can quickly undermine the budget process, and ultimately service delivery.

Funding Framework

Municipalities' actual operating expenditure increased in real terms by 4.6 per cent annually from 2003/04 to 2006/07 and is estimated to grow by 4.1 per cent in the medium-term. Personnel costs account for the largest component of operating expenditure, averaging 29.4 per cent of total operating expenditure.

Between 2003/04 and 2006/07, real growth in personnel expenditure is 3.3 per cent and is set to increase by 5.8 per cent over the medium term. The higher nominal year-on-year increase in personnel expenditure of 8.9 per cent for the period 2003/04 to 2006/07 does not include amounts spent on private contractors and consultants working for municipalities.

As with all other expenditure, the focus should be on compliance and value-for-money in respect to operational expenditure.

4.6.4 OUTPUT 6: SUB-OUTPUT 4: MUNICIPALITIES UNDER SPENDING ON CAPEX REDUCED

What will need to be done differently?

Provinces (Departments responsible for Local Government & Provincial Treasuries) must develop programmes of differentiated support for municipalities to improve their expenditure records on the capital budget, and ensure the expenditure is in line with national targets.

Support with project implementation should also be provided in low-capacitated municipalities. In this regard the Special Purpose Vehicle (SPV) envisaged to improve the access to Basic Services

under Output 2, above should make a difference to the coordination and consolidation of grants and subsequent levels of capital expenditure.

Evaluate the existing institutional arrangements

A total amount of R7 290 032 000 of capital funding was under-spent for the financial year ending 30 June 2009, reflecting the reverse side of the coin regarding municipal capacity to control expenditure. Whether it is over or under-expenditure, the institutional systems have been found to be present but poorly managed in many instances, due to the skills shortages in critical areas.

Evaluate the management systems, processes and skills

Within municipalities, purchases and appointing of service providers has become onerous due to the complex supply chain process. Appointing staff through the HR process has become time-extensive, and rarely yields the correct results, as technical applicants are often selected by non-technical staff; and training programmes simply do not get off the ground as a result of the complex skills development process and paperwork which must be filled in. Reporting has also becoming a time consuming process which robs technical staff of many hours of productive time.

Funding framework

The funding framework for municipalities is provided for the Division of Revenue Act on a yearly basis, which stipulates the grant allocations to local government, and own revenue from payments for services or economic development activities.

4.6.5 OUTPUT 6: SUB-OUTPUT 5: MUNICIPALITIES SPENDING LESS THAN 5% OF OPEX ON REPAIRS AND MAINTENANCE REDUCED

What will need to be done differently

Assets must be properly maintained right from the beginning: budget allocations must be made, and the work must be carried out. The work is 'self-financing' in the sense that regular maintenance postpones the need to replace an asset (pipe, road, wire, substation, buses, etc), or to incur substantial refurbishment costs. Adequate maintenance will however be impossible if municipalities have lost track of where their assets are.

Provinces (Departments responsible for Local Government & Provincial Treasuries) will in future develop a framework to support municipalities with a differentiated approach to improve expenditure on repairs and maintenance, as levels of disrepair and decay vary significantly.

In this regard, improved reporting and the establishment of an early warning system is critical. The DCoG will support provinces to monitor municipal budget expenditure, and bring a focus on improved expenditure on repairs and maintenance. This aspect will also be provided for in the SPV and the policy framework for all infrastructure grants.

Evaluate the existing institutional arrangements

Various national initiatives to support maintenance of infrastructure are in place, e.g.:

- The Municipal Finance Management Act
- Managing Community Assets Guide
- International Infrastructure Management Manual and supporting guides
- Government Immovable Asset Management Act
- National Infrastructure Maintenance Strategy
- GRAP 17: Property, Plant and Equipment
- IAS 36: Asset Impairment
- Local Government Infrastructure Asset Management Guidelines
- Local Government Capital Asset Management Guidelines
- Verification and Valuation of Major Water Resource Infrastructure Guide
- Municipal Asset Transfer Regulations
- MFMA Budget Formats Guide
- National Water Services Infrastructure Asset Management Strategy
- Comprehensive Infrastructure Plans
- Municipal Services Finance Model
- Various exposure drafts
- Municipal support initiatives of DcoG, the European Union, LGSETA and the Limpopo Government

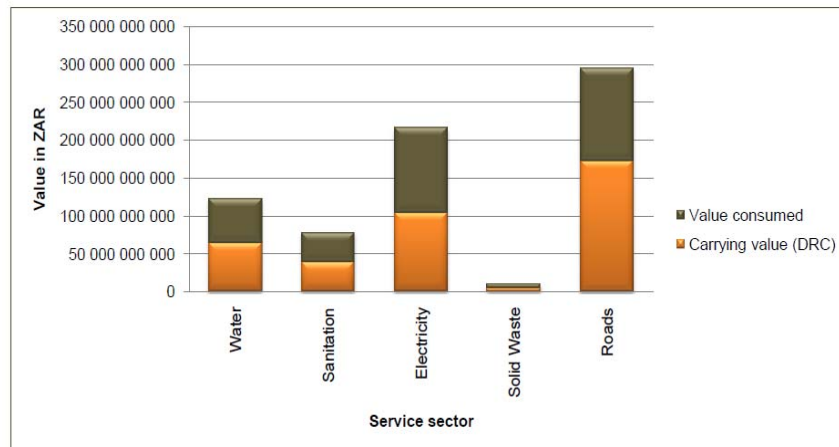
Despite the above, the maintenance of infrastructure has been insufficient. National Treasury estimated **total municipal asset** repairs and maintenance spending at R 8.9 billion for 2008/9 –7% of annual operating expenditure. Some R 12.1 billion per annum is required to maintain and repair the current infrastructure portfolio (weighted 1.68% of current replacement cost (CRC). A further R 3 billion is required for the maintenance and repair of non-infrastructure assets. The current national funding shortfall for total municipal maintenance and repair is then in the order of R 6.2 billion (Boshoff, 2009).

Evaluate the management systems, processes and skills

As with all municipal functions, effective management processes are essential. The pattern of losses in regard to skills, institutional knowledge, critical data, and the dismantling of prevailing systems and procedures has exacerbated the already precarious situation. The improvements in this area will form part of the implementation approach with delivery partners.

Funding framework

Infrastructure under direct control of municipalities has a current replacement cost value of R723 billion (excl. land) (Boshoff, 2009).



Funding for repairs and maintenance going forward will be integral to the approach led by the SPV, which will incorporate the BIF, the MIG and related grants into a coordinated vehicle for development.

4.6.6 OUTPUT 6: SUB-OUTPUT 6: IMPROVED ADMINISTRATIVE AND HUMAN RESOURCE MANAGEMENT PRACTICES

What will need to be done differently

The State of Local Government Report published by the DCoG in 2009 observed that human resource management and systems in many municipalities is below standard, and the vacancy rate is jeopardising effective service delivery. The report also stated that in the majority of municipalities performance agreements are not signed by due date as required.

Beyond lack of financial resources and perhaps because of it, smaller less capacitated municipalities face a particular challenge in recruiting and retaining key staff. Their ability to deliver a focused set of priority municipal services is largely dependent on a professional core team that is able to plan and administer the delivery of essential services. To this end, an audit will be conducted to establish the quality and quantity of existing capacity. While in the past, audits may have looked at skills levels uniformly across the country, this audit will seek for a segmentation process in order to establish patterns and identify locations of greatest need that warrant a differentiated approach.

Initial work has already been undertaken with respect to skills audit. The findings of DCoG, DPSA and National treasury need to be consolidated via a dedicated project team that will be able to delivery on the audit results and propose on short and long-term actions particularly with respect to

vulnerable municipalities. The team will also need to consider the implications of the proposals on the proposed “single public service” approach.

It would be essential that the guidelines for the recruitment of critical posts are published and communicated to all prospective applicants. The guidelines would specify the necessary tests and verifications required before one is formally appointed to any of the critical posts. This process has not been keenly administered and stricter processes of assessment will be necessary to safe guard the integrity of government services.

To ensure better performance it is important that smaller municipalities be supported in recruiting and retaining professional and experienced technical and management staff. Many municipalities also face undue political interference in staff appointments and administrative decisions. It would be essential that guidelines for the recruitment of critical posts are published and communicated to all prospective applicants. The guidelines would specify the necessary tests and verifications required before one is formally appointed to any of the critical posts. This process has not been keenly administered and stricter processes of enforcement will be necessary to safe guard administrative integrity and accountability.

Key actions to be undertaken will include:

- a. Ensure that the critical posts of Municipal Manager, Town planner, Chief Financial Officer and Engineer/technical services, HR and Communications Manager are audited and filled
- b. Ensure that the performance contract of the municipal manager is concise and crisp and relevant to his / her portfolio.

In this regard, the following activities will be undertaken:

- a. Develop guidelines for the recruitment and retention of the top 6 posts.
- b. Develop guidelines for professionalisation of the top six posts.
- c. Conduct audit of the top 6 posts.
- d. Develop a job classification framework for local government.
- e. Accelerate the filling of the top six posts.

In the case of lower capacity municipalities a further sub-output is to ensure that the performance contract of the municipal manager should be based on developing a simplified IDP, supported by a simple revenue plan, implementing the MTAS, and filling of the top 6 positions

Key actions will include:

- a. Application of the Amended Municipal Systems Act and Regulations
- b. Develop guidelines for the performance contracts of Municipal Managers

- c. Provincial departments of DCoG/Local Government will support and monitor the implementation of the Act and the guidelines.

Evaluation of the legislative environment

Legislation governing the filling, professionalisation and performance management of posts in municipalities is contained within The Municipal Systems Act. Currently the Minister may issue regulations on this matter. However, an assessment will be undertaken to assess if additional amendments will be required to primary legislation

Evaluation of the existing regulatory framework

The outcome of the audit may outline short-comings in both vacancies prevailing, and skills levels of those holding critical skills posts. Where these are identified, the provisions of the Labour Relations Act would need to be followed to ensure that employment rights are not unduly infringed upon if remedial steps were found to be necessary in respect to unqualified incumbents and similar incidents. The forthcoming Competency Framework for senior managers in municipalities will assist in providing a regulatory guide to what skills are essential to confirm appointments.

Evaluate the existing institutional arrangements

Discussions will be undertaken with provinces, SALGA and the relevant professional bodies (e.g. ILGM) to assess what changes are required to the way in which municipalities fill these posts these critical posts.

SAQA and the institutions of higher learning would need to assist in enhancing the curriculum implementation that would produce the desired skills levels for critical municipal posts. This in turn would need to be support by credible professional councils. It is proposed that Ministries directly responsible for the professional councils identify and support critical actions to ensure not only registration but ongoing training for those already qualified in the respective professions. This should allow for retention of skills but also improvement of quality based innovations and technological advancements.

The new DCoG Competency Framework for S57 Managers and improved performance assessment processes to identify training needs will also contribute to an improved institutional environment to upgrade skills and competencies within municipalities.

The support of SALGA will be essential as the link to the unionized labour concerns.

Evaluate the management systems, processes and skills

On-going support should therefore be provided to those experiencing challenges in critical skills posts wherever possible. The need might be for a dedicated team assigned to resolve an existing challenge in a comprehensive manner. Thus the solution needs to be systemic in nature and phased for short and long-term actions. Single, isolated appointments, such as the appointment of a municipal engineer, by itself, may not be enough for a vulnerable municipality to overcome its viability and capacity challenges.

Funding framework

Additional funding to source skills may be required in low-capacity municipalities with weak resource bases who cannot afford a sufficient number of S57 posts. This need will be exacerbated if scarce skills are sourced externally. Consideration will be given to the role that stakeholder and development partners may play in the short term in contributing to sustainable skills development in municipalities, a role that is clearly articulated in the LGTAS. Longer-term measures may be linked to the considerations underway regarding the macro-reorganisation of the state, which will consider issues such as the rationalisation of resources.

4.7 OUTPUT 7: SINGLE WINDOW OF COORDINATION

The outputs and targets defined in this delivery agreement in particular the crucial tasks of municipal financial planning and planning support and tackling the problems of lack of access to essential services, apartheid spatial patterns and exclusion as well as strengthening administrative and financial capacity requires new organisational forms that bring greater cohesion in the work of government. The concept of a Single Window is such a mechanism to bring greater cohesion to the work of government and remove the fragmentation within the cooperative arrangements impacting on local government.

4.7.1 OUTPUT 7: SUB-OUTPUT 1: REVIEW LOCAL GOVERNMENT LEGISLATION

What will need to be done differently

Some of the key problems identified during the State of Local Government assessment indicated that while much has been achieved over the last 15 years the challenges facing the country are considerable and a variety of institutional and other pressures stand in the way of more effective government. The delivery agreement intends to rectify this shortcoming by establishing an intergovernmental committee under the leadership of DCoG.

The next generation of public sector reforms should thus focus on removing these barriers to better performance and improving the functionality of the system as a whole. They should concentrate on providing appropriate institutional and other incentives to make the delivery of Government's core democratic and development mandates more effective in the current context.

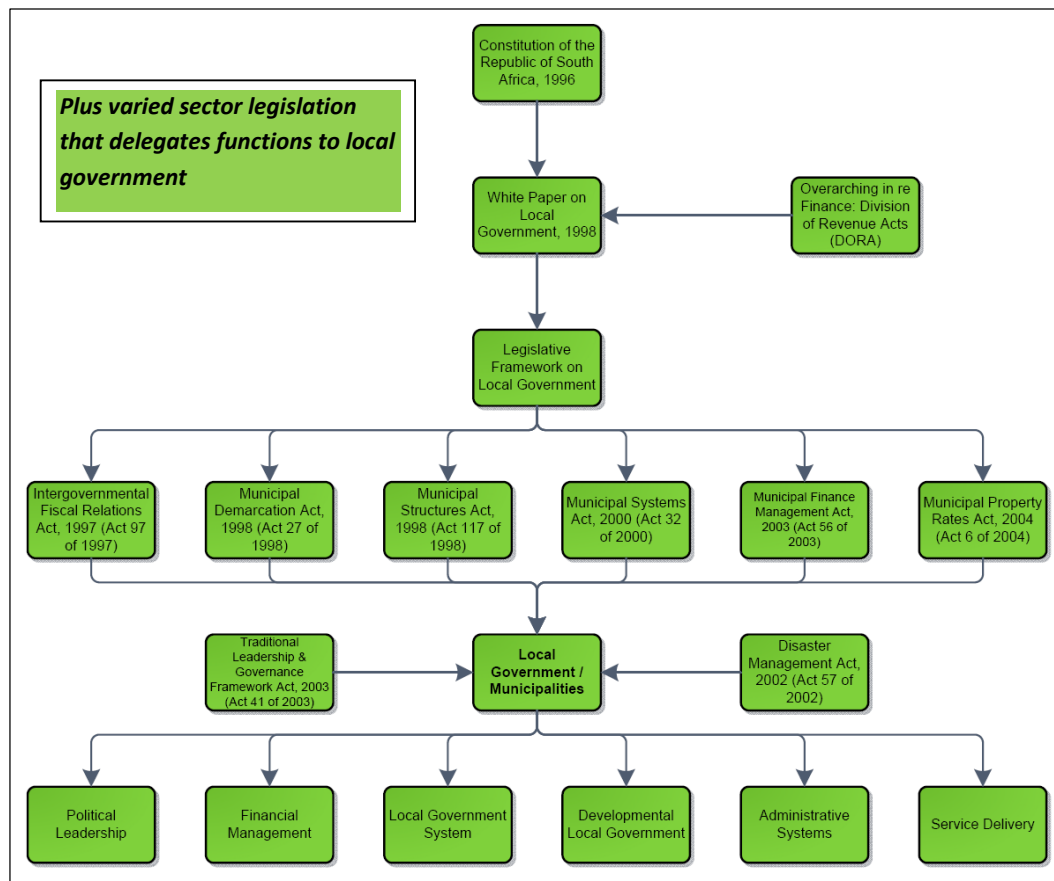
A number of legislative reforms should be considered to address and better improve the following:

- a) Policy Coherence
- b) Optimal Structural Arrangements
- c) Coordination System at Implementation Level
- d) Intergovernmental Fiscal Arrangements
- e) National sector legislation impacting on local government

Evaluation of the legislative environment

The current legislative requirements affecting local governance are primarily contained in the Constitution, the Intergovernmental Relations Framework Act (No 13 of 2005) and the Local Government Municipal Demarcation Act, 1998 (Act No 27 of 1998), the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998), the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000), the Disaster Management Act, 2002 (Act No 57 of 2002), the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) and the Local Government Municipal Property Rates Act, 2004 (Act 6 of 2004).

The figure below illustrates the legislative framework applicable to local government:



Evaluation of the existing regulatory framework

National 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. In respect to national oversight, failure of provincial government may result in the invocation by the national sphere to the provincial sphere, of section 100 of the Constitution. Whilst this is rare, national intervention going forward

may need to be sub-facilitated through governance arrangements that provide for more administrative and institutional support measures prior to a political process being instigated.

The critical issue is how national 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 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. The new DCoG Draft Supervision of Provinces and Municipalities Bill, seeks to provide solutions in this regard.

Provincial Government

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 sufficiently inclusive of national government or sufficiently institutionalised. Apparent is the absence of monitoring, 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.

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 mandates. Systemic weaknesses and low capacity translate into poor responsiveness and structural ability to act as a responsive sphere of government.

Local Government

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 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 regulatory prescripts that the effectiveness of municipal performance may be assessed. The ideal functional municipality can thus be measured against performance set against these indicators outlined above.

Evaluate the existing institutional arrangements

The powers and functions assigned or delegated to local government by Schedules 4 and 5 of the Constitution, and the prescripts of the various legislation, provide the governance platform from which municipalities organise their institutional arrangements. With core duties in service delivery, developmental local government and public participation, a highly complex set of arrangements have evolved.

These include arrangements for managing conditional and unconditional grant allocations, processes for technical and administrative services, front-line services for communities, intergovernmental negotiations for the IDP and engagement with the structures to deepen local democracy.

As noted in the State of Local Government Report and the LGTAS, many of the constraints to effective service delivery are vested in the policy and legislative environment governing municipalities, which demand complex arrangements to undertake, often without concomitant support from sectors or national and provincial government.

Thus the evidence-based reports of poor performance and functionality in many municipalities have been assessed in relation to a holistic agenda for reform. This is premised first and foremost on a deeper understanding of the root causes of municipal dysfunctionality, and responding appropriately to restructure regulatory, institutional and governance arrangements.

Evaluate the management systems, processes and skills

Some of the causal reasons for distress in municipal governance evidenced through assessments conducted during 2009 pointed to:

- tensions between the political and administrative interface;
- poor ability of many councillors to deal with the demands of local government;
- insufficient separation of influence between political parties and municipal councils;
- inadequate accountability measures and support systems and resources for local democracy; and
- poor compliance with the legislative and regulatory frameworks for municipalities.

Funding framework

Within the DCoG, there are sufficient financial resources to manage the internal policy and legislative review process. The new Department of Cooperative Governance's organizational structure provides for the legal resources required in this regard.

Sector departments, province and municipalities responsible for the review of their policies and legislation impacting on local government will be required to provide skills and resources for the achievement of the outcome.

4.7.2 OUTPUT 7: SUB-OUTPUT 2: COORDINATED SUPPORT, MONITORING AND INTERVENTION IN PROVINCES AND MUNICIPALITIES

What will need to be done differently?

In order to restructure the way in which government coordinates support and intervenes in municipalities, appropriate structural arrangements are necessary. Such structures must be highly intergovernmental and direct processes and procedures on a number of levels. As the foundation for change, policy and legislative development and oversight functions must be clarified, whilst operational practice for coordination of support needs to be redefined.

In the first instance, an intergovernmental coordinating unit will be set up within the DCoG as part of the Single Window of Coordination. The National Coordinating Unit (NCU) has the following objectives:

- a) Intergovernmental coordination within the Coordinating Unit to achieve the objectives of Outcome 9
- b) Coordination of policy and legislative development
- c) Intergovernmental reporting and dialogue

- d) Strategic management of the LGTAS programme
- e) Management of the LGTAS Rapid Response facilities
- f) Coordination of support initiatives across government and from stakeholders
- g) Stakeholder Management

The NCU will support the objectives of Outcome 9 and the LGTAS. It will establish Focus Groups representative of critical delivery partners in each of the seven output areas. The Delivery Agreement may be entirely coordinated via the NCU, or in close liaison with an inter-departmental team.

Evaluation of the legislative environment

National and provincial governments have clear Constitutional responsibilities to support and monitor the performance of municipalities. In this regard strengthening the capability and capacity of municipalities is an obligation. As noted briefly in Section 4.7.1 above and elaborated upon here, the Constitutional and legislative capacity-building imperatives are:

LEGISLATIVE REQUIREMENT	RELEVANT LEGISLATION	RESPONSIBILITY
... support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions”.	Constitution, 1996	National and provincial government, by legislative and other measures
“... promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs”.	Constitution, 1996	Provincial government, by legislative and other measures
Build “... the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking”.	Local Government: Municipal Structures Act, 1998	Each district Municipality
“... a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way, and for this purpose must comply with the Skills Development Act, 1998 (Act 81 of 1998), and the	Local Government: Municipal Systems Act, 2000	Each district Municipality

LEGISLATIVE REQUIREMENT	RELEVANT LEGISLATION	RESPONSIBILITY
Skills Development Levies Act, 1999 (Act 9 of 1999)".		
"All spheres of government and all organs of state within each sphere" must, amongst other things, "secure the well-being of the people of the Republic; provide effective, transparent, accountable and coherent government for the Republic as a whole and cooperate with one another in mutual trust and good faith by fostering friendly relations and ... assisting and supporting one another..."	Constitution, 1996	Each municipality
Each "administration in every sphere of government, organs of state, and public enterprises must adhere to the basic values and principles governing public administration"	Constitution, 1996	All spheres of government

The Constitution requires the national government and provincial governments, by legislative and other measures, to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and perform their functions in terms of section 154(1) of the Constitution. Furthermore, section 155(6) of the Constitution provides that each provincial government must, by legislative or other measures:

- provide for the monitoring and support of local government in the province; and
- promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs.

Evaluation of the existing regulatory framework

Sections 100(3) and 139(8) of the Constitution provide that "national legislation may regulate the implementation of both sections 100 and 139, including the processes established by these sections.

Given the provisions of the Municipal Finance Management Act, 2003 (Act No. 55 of 2003) (MFMA) and the Municipal Structures Act, 1998 (Act No. 117 of 1998) (Structures Act) that deal with section 139. The Department noted that the application of, especially section 139 of the Constitution was not consistent across the provinces and that opened the system of interventions to possible abuse. The Department is of the idea that there is a need for legislation in these matters to provide a level of uniformity, stability, and predictability into the system.

It is noteworthy that the Constitution provides only for a framework within which the national and provincial governments should support the municipalities. The Constitution does not define what support entails nor the scale of support and monitoring that are required to be provided. In general, support and monitoring largely require cooperation from the relevant municipality for them to succeed and not coercion.

For a system of regulation and support to function effectively legislation needs to be in place to entrench the basis for the relationships between the parties to function effectively. There are a number of legislative mechanisms in the Municipal Finance Management Act, 2003 (MFMA), and the Systems Act that empowers the provincial government to both support municipalities and intervene into the affairs of municipalities that are in crisis. However, it is imperative to streamline these measures and provide clarity onto the system.

The Department is also in the process of promulgation of the Provincial Intervention in Local Government Bill that will provide for the provincial intervention into local municipalities and create an “early warning system” for support measures. It is anticipated that the Bill will be published for public comment during the latter half of 2010.

Evaluate the existing institutional arrangements

The Siyenza Manje programme, currently administered by the Development Bank of Southern Africa (DBSA), seeks to build capacity in municipalities. Government is currently reviewing the programme to improve its targeting and to ensure its impact is sustainable. Part of the review would look at options to strengthen local government governance, infrastructure delivery and financial management.

A review of section 139 interventions which took place so far showed that the implementation of section 139 is posing a number of challenges such as, amongst others, those outlined below:

- a) There is reference to section 139 interventions in a number of legislation in the system e.g. Housing Act, Water Services Act. Legislation on section 139 would ensure a consistent approach to interventions. Section 139(8) legislation would complement the provisions in the MFMA, which provides a detailed framework for ‘financial’ interventions.
- b) Inconsistent approaches and interpretations of section 139. The fragmented interpretation of the diversity of intervention steps in section 100 and 139 is a cause for concern. Although section 100 has not been widely implemented, the relatedness and nature of the provisions of section 100 and 139, warrants that, in addressing the challenges to section 139 interventions a similar and concurrent process be followed.
- c) The confusion of differing roles and responsibilities of different stakeholders in the supervision of provinces and municipalities. A complex interaction of numerous role players in the intervention processes need to be clarified. E.g. the role and responsibilities of Cabinet, Provincial Executive Committees, NCOP, National and Provincial legislatures, administrators, Members of Executive Committees responsible for local government, Ministers responsible for local government and of Finance etc.

- d) The Constitution, in terms of section 125(3) provides that “the national government, by legislative and other measures, must assist provinces to develop the administrative capacity required for the effective exercise of their powers and functions.” This fundamental obligation for national government is unfortunately not systematically dealt with; there is evidence of a huge lack of capacity at provincial level to perform their functions adequately.
- e) The duty for national and provincial governments to monitor and support local government is critical for the success of local government as a sphere of government. At this stage the country does not have a systematic approach towards performance monitoring and support for local government. Most of the efforts are conducted in an ad-hoc basis without any notable benefit to local government. It is generally reactive and, at best, not remedial in nature. This is, amongst others, as a result of the absence of a legislative framework dedicated to the municipal support and monitoring role by both national and provincial governments.

The Department has drafted a new bill, called the Draft Supervision of Provinces and Municipalities Bill, 2010 to address the above-mentioned governance challenges.

In terms of practical, hands-on technical support, a broad range of role-players are involved. Under the Project Consolidate banner, a range of other public, donor and private organisations have instituted deployment programmes. Some of these include the Siyenza Manje Programme of the Development Bank of South Africa, the Technical Assistance Programme of the National Treasury and the ILIMA Trust of Old Mutual.

A range of other public, donor and private organisations have also instituted deployment programmes in the past. Funding came from national and provincial government and public entities. In addition donors and private sector institutions have also provided support and resources.

Further, national sector departments, namely the Department of Cooperative Governance, the National Treasury, the Department of Water Affairs, the Department of Environmental Affairs and the Department of Trade and Industry, have also mobilised technical experts to support municipalities. Development Finance Institutions, donor agencies, professional associations and the private sector have also deployed technical experts.

However, a key challenge has been our ability to measure the effectiveness of this form of support and the sustainability mechanisms post initiatives, of the various hands-on support initiatives.

Going forward, innovative models must be explored to coordinate the financing of the municipal support interventions of relevant partners within and outside of government. To this effect, the Single Window of Coordination is committed to a comprehensive programme to audit, assess and coordinate support as it is exercised on its various levels and by the multiple role-players involved. Ultimately this coordination may incorporate how built environment and related grant-funding is assigned intergovernmentally in order to align capacity with development.

Evaluate the management systems, processes and skills

As may be deduced from the above sections, management processes and skills for coordinated support, monitoring and intervention in provinces and municipalities will require development and the establishment of appropriate structures. The relevant process skills for monitoring Constitutional interventions, regulatory provisions and institutionalised support programmes are currently highly fragmented across government. This is partly due to capacity shortages, and partly due to the need for a renewed focus on the governance and management arrangements required.

Assessment of current practice reveals that the DCoG struggles to obtain the necessary information regarding interventions, their purpose and progress. Dedicated provision is needed within DCoG to facilitate a far closer relationship with provinces in this respect. The 'distance' between national government and municipalities needs to be reduced, without compromising relations and the executive obligations of municipalities unless necessary. Further, the random nature of the multiple support initiatives within municipal spaces, the 'parachuting-in', belies the objectives of coordinated, monitored and measured support.

Lastly, visible progress in performance and delivery, and the demonstration of lessons learned is obscured if monitoring, oversight and reporting is weak. The successes of the Delivery Agreement and the LGTAS initiatives need to be well communicated across the nation, and this can only be facilitated if knowledge and information is accessible and recorded. Thereafter the state will be able to measure the progress in achieving the stated goals of the election manifesto and the MTSF, as articulated through outcomes-based government.

Funding Framework

There is no overarching funding framework for support and intervention measures. Much of the previous and current support programming is supported by development partners, the National Treasury, and the budgets of respective departments and the municipalities themselves. Going forward, a critical element of the funding framework for support and intervention will be aligned to the intergovernmental roles designated for the Single Window of Coordination across government, and with stakeholders.

5. SYNOPSIS OF KEY ACTIVITIES, MAIN DELIVERY PARTNERS, INDICATORS, BASELINES AND TARGETS FOR OUTCOME 9

Outcome Indicator 1: Nr of differentiated support initiatives for municipalities implemented.

Output 1: Implement a Differentiated Approach to Municipal Financing, Planning and Support

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
1.1 Policy framework for Differentiation developed	Policy framework developed by target date	Develop segmentation model Define 10 critical services for lower capacitated municipalities	Human Settlements Presidency Dept of Rural Development and Land Affairs NT	Divide municipalities into categories that will reflect the varied capacities and contexts of municipalities across the country	Existing settlement typologies	A model of segmentation developed by March 2011	Support for implementation of differentiated approach	Support for implementation of differentiated approach	Progress Report on Differentiation ● Assess and Review the Model
1.2 More autonomy to 6 Metro's and Top 21 Municipalities in respect of infrastructure and housing	Nr of metro's and top 21 municipalities that received accreditation to deliver National Housing	Support the metros and top 21 municipalities to comply with the criteria for accreditation	Municipalities Provinces Dept of Human Settlements	Increase the number of municipalities granted Housing Accreditation	0 municipalities accredited at Level 3.	Finalise plan to accredit metro's and top 21 municipalities to deliver housing	Accredit 30% of targeted municipalities	Accredit 70% of targeted municipalities	● Accredit 100% of targeted municipalities ● Review performance of accredited municipalities

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
delivery	Programme								
		Develop a national grant coordination framework to coordinate usage and monitoring of the multiple infrastructure grants	Dept of Human Settlements National Treasury	Ensure metro's and top 21 municipalities receive increased financial autonomy with regard to Infrastructure and Housing Delivery	2010 MIG Cities Report MIG Cities Policy Framework	Targeted municipalities undertake status quo assessment and develop plan to meet accreditation requirements	Targeted municipalities comply with all the specified accreditation requirements	Targeted municipalities comply with all the specified accreditation requirements	Targeted municipalities comply with all the specified accreditation requirements
1.3 A focused intervention for clearly defined smaller municipalities that is limited to producing simplified IDP's supported by simple revenue plans and the critical posts filled by	Number of smaller municipalities where simplified IDP framework guide has been rolled out	Design focused intervention to support the development of IDPs that are simplified to focus on planning for the delivery of a set of 10 critical municipal	Provinces	Support the implementation of a revised simplified and differentiated IDP process to ensure more effective planning and intergovernmental cooperation	New Project	Review the current IDP Framework Guide; develop draft framework on differentiated approach to IDP and consult with relevant stakeholders	Implement the revised IDP Framework Guide in 30% of selected smaller municipalities.	Implement the revised IDP Framework Guide in 70% of selected smaller municipalities.	Implement the revised IDP Framework Guide in 100% of selected smaller municipalities

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
competent staff		services in smaller municipalities				by 31 March 2011			
		Support the IDPs through a simple revenue plan to better manage costs and enhance management of revenue	National Treasury	Develop simple revenue plan and implement in 70 smaller (B4) municipalities	New Project	Develop simple revenue plan and consult with relevant stakeholders by November 2010	Manage the implementation of the revised simple revenue plan in 30% of selected smaller municipalities.	Manage the implementation of the revised simple revenue plan in 70% of selected smaller municipalities	Manage the implementation of the revised simple revenue plan in 100% of selected smaller municipalities.
1.3 A focused intervention for clearly defined smaller municipalities that is limited to producing simplified IDP's supported by simple revenue plans and the critical posts filled by competent staff		Support identified smaller municipalities to fill critical positions with competent staff	PALAMA SALGA Provinces Municipalities	Develop guidelines for recruitment & retention of competent people in the six (6) critical posts		Develop job profiles that are consistent with the requirements of similar jobs in the market	Monitor progress with recruitment and retention trends for the 6 critical posts.	Monitor progress with recruitment and retention trends for the 6 critical posts.	<ul style="list-style-type: none"> Monitor progress with recruitment and retention trends for the 6 critical posts Report on Trends and Review
		Support identified smaller	Provinces	Develop & monitor the implementation of guidelines to		Develop guidelines to ensure that the	Monitor the implementation of guidelines on	Monitor the implementation of guidelines on	<ul style="list-style-type: none"> Monitor the implementation of guidelines on

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
(cont)		municipalities to implement performance contracts for municipal managers that focus on delivering the simplified IDP		ensure that the Performance contracts of the Municipal Managers includes key LGTAS performance indicators		Performance contracts of the Municipal Managers includes key LGTAS performance indicators by 31 March 2011	Performance Contracts	Performance Contracts	Performance Contract <ul style="list-style-type: none"> Review the guidelines on Performance Contracts for Municipal Managers

Outcome Indicator 2: % of households with universal access to basic services

Output 2: Improved access to Basic services

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
2.1 Increased access to basic water	% households with access to basic level of water	Support the implementation of projects through BIF	NT HS DE DWA DEA	Coordinate all relevant grants through a single window of coordination utilising the National Grant Coordination Framework	92% households with access to water	Develop a plan to support municipalities to increase household access to water by December 2010	Implement and monitor the plan to support municipalities to increase household access to water	Implement and monitor the plan to support municipalities to increase household access to water	Implement and review the plan to support municipalities to increase household access to water
		Strengthen differentiated support for municipal service delivery capacity through the SPV	DRDLR HS DWA Provinces	Address related constraints identified through the MTAS Mobilise required support to deliver on targets Facilitate the water sector towards the development of alternative					

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
				technologies for water services Increase water sector support to municipalities					
2.2 Increased access to basic sanitation	% households with access to basic level of sanitation	Support the implementation of projects through BIF	NT HS DE DWA DEA	Coordinate all relevant grants through a single window of coordination utilising the National Grant Coordination Framework	69% households with access to sanitation	Develop a plan to support municipalities to increase household access to sanitation by December 2010	Implement and monitor the plan to support municipalities to increase household access to sanitation	Implement and monitor the plan to support municipalities to increase household access to sanitation	Implement and review the plan to support municipalities to increase household access to sanitation
		Strengthen differentiated support for municipal service delivery capacity through the SPV	DRDLR HS DWA DEA Provinces	Address related constraints identified through the MTAS Mobilise required support to deliver on targets Facilitate the sanitation sector					

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
				towards the development of alternative technologies for water services Increase sanitation sector support to municipalities					
2.3 Increased access to basic refuse removal	% households with access to basic level of refuse removal	Support the implementation of projects through BIF	NT HS DEA Provinces	Coordinate all relevant grants through a single window of coordination utilising the National Grant Coordination Framework	64% households with access to refuse removal	Develop a plan to support municipalities to increase household access to refuse removal by December 2010	Implement and monitor the plan to support municipalities to increase household access to refuse removal	Implement and monitor the plan to support municipalities to increase household access to refuse removal	Implement and review the plan to support municipalities to increase household access to refuse removal
		Strengthen differentiated support for municipal service delivery capacity	DRDLR HS	Address related constraints identified through the MTAS development					

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
		through the SPV	DEA Provinces	Mobilise required support to deliver on targets					
2.4 Increased access to basic electricity	% households with access to electricity	Support the implementation of projects through BIF	NT HS DE Provinces	Coordinate all relevant grants through a single window of coordination utilising the National Grant Coordination Framework	81% households with access to electricity	Develop a plan to support municipalities to increase household access to electricity by December 2010	Implement and monitor the plan to support municipalities to increase household access to electricity	Implement and monitor the plan to support municipalities to increase household access to electricity	Implement and review the plan to support municipalities to increase household access to electricity
		Strengthen differentiated support for municipal service delivery capacity through the SPV	DRDLR HS DE DEA	Address related constraints identified through the MTAS. Mobilise required support to deliver on targets					

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
2.5 Bulk Infrastructure Fund (BIF) established	Number of bulk infrastructure projects funded through the BIF		NT HS DE DWA DEA	Coordinate all relevant grants through a single window of coordination utilising the National Grant Coordination Framework	Fragmented local government conditional grants (18) with inadequate coordination	<ul style="list-style-type: none"> Review of local government conditional grants Finalize and communicate the Macro Grant Co-ordination Framework to municipalities Document on establishment of BIF presented and approved by Cabinet - March 2010 	<ul style="list-style-type: none"> Finalization and Communication of the Macro Grant Co-ordination Framework to all municipalities Municipalities supported on planning to apply conditional grants in a coordinated manner 	<ul style="list-style-type: none"> Implementation of the Macro Grant Co-ordination Framework Municipalities supported on planning to apply conditional grants in a coordinated manner 	<ul style="list-style-type: none"> Implementation of the Macro Grant Co-ordination Framework Municipalities supported on planning to apply conditional grants in a coordinated manner Report on number of projects supported through the BIF
2.6 Established Special Purpose Vehicle (SPV)	Number of municipalities supported through the		DRDLR HS	Address related constraints identified through the MTAS development	New project	Cabinet decision on SPV establishment Business Plan	<ul style="list-style-type: none"> Finalize enabling legislation (if appropriate) SPV operational 	SPV Operational	SPV Operational

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
	SPV		DE DWA DEA	Mobilise required support to deliver on targets		for SPV establishment finalized			

Outcome Indicator 3: Number of CWP job opportunities created by 2014

Output 3: Implemented Community Work Programme and Supported Cooperatives

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
3.1 The CWP implemented in at least 2 wards per local municipality	Number of wards per municipality implementing the CWP	Mobilise resources and establish partnerships with relevant government national departments, Provincial Government, NGOs and municipalities to meet targets for the creation of work opportunities	Presidency DPW NT DRD&LR DAFF Tourism DWA DEA DTI Provinces	Contribute to the identification and creation of CWP job opportunities in at least 2 wards per local municipality through the single window of coordination	Upscale from pilot phase	Finalise a national plan to ensure the roll-out of the CWP in at least 2 wards per local municipality	Implement and monitor the national plan to ensure the roll-out of the CWP in at least 2 wards per local municipality	Implement and monitor the national plan to ensure the roll-out of the CWP in at least 2 wards per local municipality	Implement and monitor the national plan to ensure the roll-out of the CWP in at least 2 wards per local municipality

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
3.2 Job creation supported through functional cooperatives	Nr of jobs created through supported cooperatives	Support job creation through functional cooperatives	DPW NT DTI Provinces	Support the establishment of cooperatives in each ward	New Programme not previously linked to cooperatives	Finalise a plan to ensure that ward based cooperatives are supported	10% of all job opportunities in wards are associated with functional cooperatives	20% of all job opportunities in wards are associated with functional cooperatives	30% of all job opportunities in wards are associated with functional cooperatives

Outcome Indicator 4: Nr of initiatives taken to support Human Settlement Outcomes

Output 4: Actions Supportive of Human Settlement Outcomes

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
4.1 Increased densities in metro's and large towns	Nr of units per ha of the released land for NUSP	Facilitate the development and implementation of a framework to promote densification	Department of Human Settlements DRD&LR	Develop a policy framework for increasing densities in metros and large towns	High level of urban sprawl amongst metros and large towns	60 units per ha of the released land for the target of 400 000 housing units	Jointly manage the implementation of a policy framework for increasing densities in metros and large towns through a single window of coordination	Jointly manage the implementation of a policy framework for increasing densities in metros and large towns through a single window of coordination	Jointly manage the implementation of a policy framework for increasing densities in metros and large towns through a single window of coordination
4.2 Facilitation of Land Acquisition for Low Income and Affordable	Ha of land released	Facilitation of public land ownership audit	Departments: Public Works Traditional Affairs Rural Development and Land Reform	Coordinate Land use audits Maintain register of Public Land and release thereof	Lack of intergovernmental policy on the release of state assets (land) for purposes to meet government's	Report on the Land audit in 6 metros	2000ha of land released	4000 ha of land released	6250 ha of land released

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
Housing			Human Settlements Housing Development Agency		human settlement obligations to the poor				
		Develop policy framework for the release of public assets (including land) for the purposes of low and affordable housing		Support the identification of public land in selected municipalities for low income and affordable housing Facilitate the release of well located land in rural /traditional communal areas for residential purposes, low income and affordable housing	New project	Framework that would allow the identification and release suitable public land in municipalities for low income and affordable housing developed	Implementation plan developed and implemented	Implement the plan to identify and release suitable public land in selected municipalities for low income and affordable housing	Implement the plan to identify and release suitable public land selected municipalities for low income and affordable housing
4.3 Expanded National	Nr of households	Support the expansion of the national upgrading	Human	Manage the expanded	NUSP implemented in	NUSP implemented	NUSP implemented in	NUSP implemented in	NUSP implemented in

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
Upgrading Support Programme and 400 000 households formalized	formalised	support programme in 45 priority municipalities to facilitate the upgrading of informal settlements. (grading and rezoning)	Settlements DRD& LR Provinces DWA DE	National upgrading support programme (NUSP)	15 priority municipalities	in 25 priority municipalities	33 priority municipalities	40 priority municipalities	45 priority municipalities
		Regulatory amendments for spatial planning reviewed/proposed by target date	Human Settlements DRD& LR Provinces Presidency	Draft Land Use Management Bill	Land-use planning and management Bill finalised		Enact and Implement Act and communicate to municipalities	Implement and assist municipalities with the implementation of the Act	Implement and assist municipalities with the implementation of the Act
		Facilitate the identification and establishment of	Provinces DHS		New project	Committees established in 6 metros	Housing committees established and	Housing committees established and	Housing committees established and

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
		human settlement committees	DRD&LR Dept Trad Affairs				functional in 8 relevant municipalities	functional in 7 relevant municipalities	functional in 6 relevant municipalities

Outcome Indicator 5: % of functional ward committees

Output 5: Deepen Democracy through a refined Ward Committee System

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
5.1 Legislative framework for Ward Committees and Community Participation reviewed and strengthened	The revised Ward Committee framework promulgated by the target date	Review and strengthen the legislative framework for Ward Committees and community participation to broaden participation of various sectors & to propose new responsibilities & institutional arrangements for ward committees.	<ul style="list-style-type: none"> Provinces SALGA Municipalities DPSA 	Review and strengthen the legislative framework for Ward Committees and community participation	Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) as amended	Develop a legislative framework for Ward Committees that give effect to new responsibilities & institutional arrangements and broader stakeholder participation by 31 March 2011	Implement and monitor the revised Ward Committee legislative framework and model	Implement and monitor the revised Ward Committee legislative framework and model	Implement and review the revised Ward Committee legislative framework and model
5.2 Support measures to ensure functional ward	Nr of ward committees supported in terms of the funding model	Implement support measures to ensure	<ul style="list-style-type: none"> Provinces SALGA Municipalities DPSA 	Develop funding model for Ward Committees (Training, out-of-pocket expenses,	<ul style="list-style-type: none"> National Framework (Gazetted) 8 October 2009 	Ward Committees funding model developed by	Implementation and monitoring of the functionality of	Implementation and monitoring of the functionality of	Implementation and monitoring of the functionality of

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
committees by 2014		functional ward committees		resources for their offices, enabling facilities, etc. Should include funding of Speakers office for managing ward committees)	<ul style="list-style-type: none"> Municipal Systems Improvement Grant (MSIG) allocation 	March 2011	funding model of ward committees	funding model of ward committees	funding model of ward committees

Outcome Indicator 6: Nr of municipalities with improved financial and administrative capabilities

Output 6: Improve Municipal Financial and Administrative Capability

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
6.1 Improved Audit Outcomes of Municipalities	Percentage of municipalities with unqualified audit opinions	Establish good governance practices to ensure proper risk management and adequate internal controls for improved financial management	Provinces (Departments responsible for Local Government & Provincial Treasuries)	Support municipalities in maintaining adequate financial management systems in order to produce accurate and complete financial statements and performance information	53% municipalities with unqualified audits	55% of municipalities with unqualified audit opinion	60% of municipalities with unqualified audit opinion	75% of municipalities with unqualified audit opinion	100% of municipalities with unqualified audit opinion
		Establish an Anti-Corruption Inspectorate on Provincial and Local		Monitor and support municipalities in the establishment of good governance practices to					

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
		Government		ensure proper risk management and adequate internal controls for financial management.					
6.2 Reduced Municipal Debt	Percentage of municipalities with current debtors more than 50% of own revenue	Support municipalities to reduce outstanding debtors	Provinces (Departments responsible for Local Government & Provincial Treasuries)	Support municipalities to reduce outstanding debtors	24% of municipalities have current debtors more than 50% of own revenue	Develop a differentiated support programme to support municipalities to reduce outstanding debtors in line with national targets	Implement the programme to support municipalities to reduce outstanding debtors in line with national targets	Implement the programme to support municipalities to reduce outstanding debtors in line with national targets	Implement the programme to support municipalities to reduce outstanding debtors in line with national targets
		Roll-out national revenue enhancement programme		Implement and monitor the national municipal revenue enhancement programme		The R54bn debt owed to municipalities in 2010 reduced by 10%	The R54bn debt owed to municipalities in 2010 reduced by 25%	The R54bn debt owed to municipalities in 2010 reduced 35%	The R54bn debt owed to municipalities in 2010 reduced by at least half (50%)

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
6.3 Number of Municipalities overspending on OPEX Reduced	Percentage of municipalities that are overspending on OPEX	Improve cash flow management in municipalities	Provinces (Departments responsible for Local Government & Provincial Treasuries)	Support municipalities to improve cash flow management	8 % of municipalities overspent on OPEX	% of municipalities that are overspending on OPEX to reduce from 8% to 7%.	% of municipalities that are overspending on OPEX to reduce from 7% to 6%.	% of municipalities that are overspending on OPEX to reduce from 6% to 5%.	% of municipalities that are overspending on OPEX to reduce from 5% to 4%.
			National Treasury Provincial Treasuries	Monitor municipal budgets and in year reporting for municipal spending on OPEX	Section 71 reports	Section 71 reports	Section 71 reports	Section 71 reports	Section 71 reports
6.4 Number of Municipalities under spending on CAPEX reduced	Percentage of municipalities that are under on CAPEX	Improve expenditure on the Capital Budget	Municipalities	Implement the programme on project planning, project preparation and project costing	63% of municipalities are under spent on CAPEX	% of municipalities under spending on CAPEX to be reduced from 63% to 55%	% of municipalities under spending on CAPEX to be reduced from 55% to 47%	% of municipalities under spending on CAPEX to be reduced from 47% to 39%	% of municipalities under spending on CAPEX to be reduced from 69% to 30%

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
			Provinces(Departments responsible for Local Government & Provincial Treasuries	Support municipalities in project planning, project preparation and project costing according to the national programme		Develop a support programme to support municipalities to improve expenditure on the capital budget in line with national targets	Implement the programme to support municipalities to improve expenditure on the capital budget in line with national targets	Implement the programme to support municipalities to improve expenditure on the capital budget in line with national targets	Implement the programme to support municipalities to improve expenditure on the capital budget in line with national targets
			National Treasury Provincial Treasuries	Monitor municipal budgets and in year reporting for municipal spending on CAPEX	Section 71 reports	Section 71 reports	Section 71 reports	Section 71 reports	Section 71 reports
6.5 Number of Municipalities spending less than 5% on	Percentage of municipalities spending less than 5% of OPEX on repairs	Improve expenditure on repairs and maintenance	Municipalities	Reprioritise budget for Repairs and Maintenance	92% of municipalities are spending less than 5% of OPEX on	% of municipalities spending less than 5% of OPEX on	% of municipalities spending less than 5% of OPEX on repairs and maintenance to be	% of municipalities spending less than 5% of OPEX on repairs	% of municipalities spending less than 5% of OPEX on repairs

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
Repairs and Maintenance reduced	and maintenance				repairs and maintenance	repairs and maintenance to be reduced from 92% to 85%.	reduced from 85% to 70%.	and maintenance to be reduced from 70% to 58%.	and maintenance to be reduced from 58% to 45%.
			Provinces(Departments responsible for Local Government & Provincial Treasuries	Support municipalities to Improve expenditure on repairs and maintenance		Develop a support programme to support municipalities to improve expenditure on repairs and maintenance in line with national targets	Implement the programme to support municipalities to improve expenditure on repairs and maintenance in line with national targets	Implement the programme to support municipalities to improve expenditure on repairs and maintenance in line with national targets	Implement the programme to support municipalities to improve expenditure on repairs and maintenance in line with national targets
			National Treasury Provincial Treasuries	Monitor municipal budgets and in year reporting for expenditure on repairs and	Section 71 reports	Section 71 reports	Section 71 reports	Section 71 reports	Section 71 reports

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
				maintenance					
6.6 Support access to basic services through improved Human Resource Management practices	Number of municipalities with all six critical posts filled by competent staff	Guidelines for the recruitment of the 6 critical posts implemented	PALAMA	Develop guidelines for recruitment & retention of competent people in the six (6) critical posts		Develop job profiles that are consistent with the requirements of similar jobs in the market	Monitor the implementation of the guidelines for the recruitment of the 6 critical posts.	Monitor the implementation of the guidelines for the recruitment of the 6 critical posts.	<ul style="list-style-type: none"> Monitor the implementation of the guidelines for the recruitment of the 6 critical posts. Review the guidelines
		Classification Framework aligned to the organising Framework for Occupations by target date	LGSETA	Job Classification Framework for Local Government developed		Classification Framework aligned to the Organising Framework for Occupations by 31 March 2011	Monitor the implementation of the Classification Framework	Monitor the implementation of the Classification Framework	<ul style="list-style-type: none"> Monitor the implementation of the Classification Framework Review the Classification Framework
		Bill introduced to Parliament by 31 March 2011	Provinces Municipalities	Regulatory powers of the Minister to regulate on HR systems and		Bill introduced into Parliament to strengthen	<ul style="list-style-type: none"> Legislation enacted Implementation and monitoring compliance with the legislation 	Implementation and monitoring compliance with the	Implementation and monitoring compliance with the legislation

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
				procedures for local government strengthened		the Minister's powers to regulate HR systems and procedures by end 31 March 2011		legislation	

Outcome Indicator 7: Single window of coordination operational by target date

Output 7: A Single Window of Coordination

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
7.1. Local Government policy and legislation reviewed and amended	Reviewed policy and legislation to strengthen coordination of local government	Assess, review and implement the policy and legislative priorities during 2011-2014	Provinces Key sector departments – (national, provincial SALGA	Provide information on policy and legislation that constrains service delivery	Audit of policy and legislative environment done	Inputs to revised legislative and policy environment	Monitor progress of implementation of new policies and Acts	Monitor progress of implementation of new policies and Acts	Monitor progress of implementation of new policies and Acts
			Key sector departments – (national, provincial)	Prepare reports on intent and impact of sector legislation on functional delegations to local government	New project	Sector Report on impact of sector legislation on functional delegations to local government	Review of Powers and Functions completed	Implementation Plan for reform of functional areas across government	Report on progress of reforms to powers and functions across government
			SALGA	Participate & coordinate inputs from	New project	Report received by December 2010 on	Report on envisaged impact of proposed	Report on envisaged impact of proposed	Report on envisaged impact of proposed

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
				municipalities in the review of national legislation & regulations impacting on local government & service delivery		legislation and regulations impacting negatively on local government	amendments to regulations and legislation	amendments to regulations and legislation	amendments to regulations and legislation
			NT	Review the Intergovernmental Fiscal Framework	Municipal fiscal framework: DORA (ES, grants allocations)	Review the Intergovernmental Fiscal Framework before the 2011 LG elections	Adoption and implementation of key proposals on a revised Intergovernmental Fiscal Framework	Implementation of a revised Intergovernmental Fiscal Framework	Implementation of a revised Intergovernmental Fiscal Framework
			Lead departments of provincial government (Provincial Treasuries)	Treasuries to study recommendations and provide proposals with necessary fiscal arrangements for reforms	New project				
7.2. A new approach to the	National Coordinating Unit (Single	Coordination of all capacity supporting	DWA	Jointly coordinating all interventions in municipalities and	<ul style="list-style-type: none"> ▪ Siyenza Manje Programme ▪ LOGOLA 	Quarterly report on joint interventions	Quarterly report on joint interventions	Quarterly report on joint interventions	Evaluative report

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
coordination of all support and capacity-building initiatives, including national or provincial interventions that are occurring in the local government sphere	window of Coordination) implemented	initiatives and resources	DE DHS DRD&LR NT DEA Provincial Departments of DCoG	provinces and monitoring and reporting	<ul style="list-style-type: none"> ▪ LGSETA ▪ Donor programmes ▪ National and provincial training / support programmes 				
	Revised NCBF	Review all capacity building and training initiatives aimed at local government	Provinces Key sector departments – (national, provincial SALGA DBSA	Jointly implement a revised and comprehensive National Capacity Building Framework (NCBF) for local government through the single window of	Audit of all capacity interventions finalised and coordination programme implemented	Undertake review of LOGOLA, LGSETA, PALAMA, SALGA capacity building programmes, Siyenza Manje and other initiatives directed at municipalities by	Develop and implement a revised and comprehensive National Capacity Building Framework (NCBF) for local government	Implement a revised and comprehensive National Capacity Building Framework (NCBF) for local government	Monitoring of Implementation of revised programme Report on progress of revised approach

SUB-OUTPUTS	INDICATOR	ACTIVITIES	DELIVERY PARTNERS	CONTRIBUTIONS	BASELINE	Target 2010/11	Proposed Target 2011/12 (subject to budget approval)	Proposed Target 2012/13 (subject to budget approval)	Proposed Target 2013/14 (subject to budget approval)
				coordination		March 2011			
	Reduced number of municipal reports	Streamline reporting requirements to reduce the number of reports that municipalities are required to complete	Provinces Key sector departments – (national, provincial) SALGA	Work together to come up with mechanisms to review and rationalize local government reporting requirements	220	Audit of reporting requirements across government	Set reduced targets for reporting and introduce mechanisms for implementation	Reduction of reports required from LG	Report on impact of reduction of reports required from LG

6. RISKS, CONSTRAINTS AND MITIGATION STRATEGIES

In managing risk, the department will adopt a three (3) –phased approach, namely:

- Risk identification
- Risk analysis
- Risk response/mitigation strategy

Each potential risk has been assessed in terms of **probability** (high; medium and low) and **impact/severity** (low; medium and high). Furthermore, the department used the **Risk Assessment Matrix** below to identify which risks that require development of a plan for further action (i.e. the development of a mitigation strategy), namely:

Medium (yellow area); Low (green area); High (red area)

Output 1: Differentiated approach to Municipal Finance, Planning and Support

Risk	Risk Analysis		Mitigation Strategies
	Probability	Impact	
1. Differentiated approach has little impact on the viability and performance of the municipality	Medium	High	Segmentation strategy must be closely linked to coordination of targeted support
2. Reducing service delivery obligations in a segment of smaller municipalities creates political and structural tensions.	High	Medium	Ensure consultative processes led by political leaders and upscale community engagements and communications
3. Delays in fiscal, legislative and institutional reform agenda	Medium	High	Close monitoring of implementation and frequent reporting to allow for additional interventions to maintain progress if required.

Output 2: Increased Household Access to Basic Services

Risk	Risk Analysis		Mitigation measures
	Probability	Impact	
2.1 Insufficient understanding of the intergovernmental relationships and mechanisms required to accelerate service delivery to the poor	Medium	High	Optimise conduct of cooperative government through Intergovernmental structures: cluster system, and PME for Outcomes based government.
2.2 Insufficient understanding of urban and rural growth trajectories	Medium	High	Assess economic growth trends, demographics, migration patterns to better inform spatial understanding of service delivery environment
2.3 Conditional grant framework for infrastructure poorly aligned and managed between delivery partners and the private sector.	Medium	High	Ensure coordination engages key partners and allow for flexible, legislative processes and decision-making within government structures (e.g. NT), based on application of differentiation.
2.4 Institutional arrangements not sufficiently aligned to the reform process.	Medium	High	Strategic leverage of the governance and institutional arrangements for change at each sphere to support accelerated service delivery.

Output 3: Implemented Community Work Programme

Risk	Risk Analysis		Mitigation measures
	Probability	Impact	
3.1 Insufficient Municipal readiness to contribute towards the Framework for the 2 nd Economy.	High	High	Political leadership regarding the objectives of the 2 nd Economy and required partnership arrangements.
3.2 Insufficient impact of the target on unemployment figures.	High	Medium	Correct positioning of the CWP in terms of its mandate and purpose
3.3 Insufficient visibility in public sphere regarding scope and benefits of the programme for poor communities.	High	High	Political leadership to ensure the CWP is supported by the nation

Output 4: Actions to support the Human Settlements Outcome

Risk	Risk Analysis		Mitigation Strategies
	Probability	Impact	
4.1 Failure to manage the impact of rapid urbanization on cities and towns	High	High	Coherent strategies to manage infrastructure and service delivery demand in urban areas disseminated across government and to delivery partners.
4.2 Failure to leverage legislative and regulatory reform to policy and implementation environments by each sphere of government	High	High	Intergovernmental coordination with key delivery partners to implement strategies for change.
4.3 Insufficient capacity to apply new frameworks to accelerate urban development	Medium	Medium	Facilitate strong stakeholder relationships and partnerships to support objectives of the human settlement outcome.

Output 5: Deepen Democracy through a refined ward committee system

Risk	Risk Analysis		Mitigation Strategies
	Probability	Impact	
5.1 Uneven responsiveness by municipalities to legislative mechanisms proposed to deepen democracy, e.g. for functional Ward Committees	High	High	Strong political leadership and communication of democratic responsibilities to be supported.
5.2 Reluctance of municipal councils and administrations to engage with a people-centred approach to local government (e.g. strengthen public participation in governance and service delivery structures and decision-making)	Medium	High	Political and civic education on objectives of developmental local government; promote municipal accountability for effective conduct of local democracy.
5.3 Insufficient municipal institutional capacity to manage multiple developmental approaches	High	High	Strong support from provincial government, delivery partners and stakeholders.

Output 6: Improve Municipal Financial and Administrative Capability

Risk	Risk Analysis		Mitigation Strategies
	Probability	Impact	
6.1 lack of recognition of critical path institutionally to strengthen financial and administrative capacity and reduce corruption	High	High	Political and administrative leadership to support institutional compliance and strengthen mechanisms for accountability within the municipal governance framework
6.2 The current economic conditions mitigate against objectives of revenue enhancement plans	High	High	Municipalities to force compliance with municipal governance environment (excepting indigent)
6.3 Insufficient capacity to improve financial and administrative performance	High	High	Increased support to municipalities to be managed through the Single Window of Coordination.

Output 7: Single window of coordination

Risk	Risk Analysis		Mitigation Strategies
	Probability	Impact	
7.1 Lack of political support for intergovernmental responsibilities in delivering on the Outcome	High	High	Monitoring of political intergovernmental leadership by PCC and MinMec (Extended Implementation Forum)
Insufficient capacity to manage coordination of all grant and support frameworks and interventions	Medium	Medium	Mobilisation of support for capacity-building internally and externally, through the Single Window of Coordination
7.3 Poor understanding of DCOG role of mandate for coordination	Medium	High	Strengthen intergovernmental structures to coordinate Implementation Forums / Agreements
7.4 Insufficient attention to systemic issues in policy and legislative reform agenda: e.g. non-viable municipalities, 2-tier system, differentiation.	High	High	Ensure communication of interlinked issues via coordination mechanisms within DCoG; ensure intergovernmental cooperation on targets.

7. GOVERNANCE AND REPORTING ARRANGEMENTS

It is envisaged that different levels of monitoring will be necessary:

The MinMEC, a meeting between the Minister for Cooperative Governance, the MECs for Local Government and the Chairpersons of SALGA, is one of the most prominent intergovernmental structures. It plays a significant role in ensuring cooperative governance, and consultation and cooperation at a political level between all spheres of government with regard to local government policy matters. It is envisaged that this forum will become the Implementation Forum for Outcome 9.

Each MEC for Local Government will report at every MinMEC on progress against the following outputs for his/her Province: (a more detailed template for submission of progress reports as well as presentations at meeting will be distributed)

It is expected from SALGA to also report independently on any performance stumbling blocks that have been identified on their part. The reporting template below will be used.

The National Coordinating Unit (Single Window of Coordination) will focus on monitoring the outcomes in the Government Plan of Action which are meant to contribute to the achievement of 'A Responsive, Accountable, Effective and Efficient Local Government System. Within the National Coordinating Unit (NCU) there is an M&E component. It will also be managing the Early Warning System which will be used to monitor implementation. It will be working with the Technical Support Units in provinces to gather information which will be used to report to the MinMec.

At a provincial level the Technical Support Units will play a critical in gathering of information from municipalities on the implementation of their TAS.

Municipalities will be working with the Ward Committees to gather the information for reporting on their TASs. The Ward Committees will be supported by the Community Development Workers (CDWs) to verify information before submitting to the municipality.

8. SIGNATORIES

See Appendix B

APPENDIX A: RESULTS CHAIN

This section provides a list of outputs with definitions and implications. The outcomes, outputs, sub outputs with causal logic are reflected in a results chain or log frame.

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Outcome Indicator 1:	Differentiated approach to municipal financing, planning and support implemented by 2014	All municipalities treated the same	2014	* Accreditation as Housing Providers * Expanded MIG –cities programme * Simplified IDP's	A Differentiated approach will impact on the marked differences in poverty, wealth and institutional capacity in South Africa's 283 municipalities	•DCoG
Outcome Indicator 2:	% of households with universal access to basic services	54%	75% by 2014	UHABS index	Sufficient resource commitments from all spheres of government, donors and private sector to the short and long term actions.	•Municipalities •Provinces •DWAE •DEA •DE •DHS
Outcome indicator 3:	Nr of job opportunities contributed to the creation of 4.5 million EPWP work opportunities	55 582	237 000 by 2014	Dept of Public Works report on EPWP and CWP		

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Outcome indicator 4:	Nr of initiatives taken to support the Human settlements Outcome	New project, no baseline	4	Densification framework Reviewed SDF guidelines Segmentation model Land use management act	Failure to leverage legislative and regulatory reform to policy and implementation environments by each sphere of government	DCoG
Outcome indicator 5:	% of functional ward committees in terms of the new model	New project, no baseline	100% by 2014	SALGA / Provincial reports	Uneven responsiveness by municipalities to legislative mechanisms proposed to deepen democracy, e.g. for functional Ward Committees	Implementation Forum
Outcome indicator 6:	% of Municipalities with improved financial and administrative capabilities	53%	100%	NT report	Capacity to improved financial and administrative performance	DCoG

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						

Outcome indicator 7:	Single window of coordination operational by target date	New project, no baseline	March 2011	Implementation Forum Minutes	Poor understanding of DCOG role of mandate for coordination	Implementation Forum
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Output 1: A Differentiated Approach to Municipal Financing, Planning and Support

Output indicator 1:	Policy framework for differentiation developed by target date	Existing Settlement typologies	2011	Segmentation model with norms and standards for different types of municipalities an settlement areas	Failure to leverage legislative and regulatory reform to policy and implementation environments by each sphere of government	<ul style="list-style-type: none"> •DCoG •DHS •Provinces •DRDLR
Output indicator 2:	Increased autonomy in respect of infrastructure and housing delivery	2010 MIG Cities Report MIG Cities policy	Increased financial /implementation autonomy to 27 municipalities with regard to Infrastructure and Housing Delivery	Dept of Human Settlements report MIG report	Non achievement of prudent financial management controls may deter extension to 27 local municipalities. Poor capacity to implement housing projects	<ul style="list-style-type: none"> •DHS •Provinces •DCoG
Output indicator 3:	Simplified IDP's focusing on planning for the delivery of a set of 10 critical municipal services	New project	Model developed by 2011	Revised IDP framework	Insufficient capacity to apply new frameworks to accelerate	<ul style="list-style-type: none"> •DCoG

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
					development	
Sub-output 1.1: Increased autonomy to 6 metro's and top 21 municipalities						
Sub-output indicator 1	Nr of metro's and top 21 municipalities that received accreditation to deliver National Housing Programmes	0 municipalities accredited	6 metro's and top 21 municipalities accredited as Housing Providers by 2014	Dept of Human Settlements report Provincial reports	Non achievement of prudent financial management controls may deter extension to 21 local municipalities.	<ul style="list-style-type: none"> • DHS •DCoG •Provinces
Sub-output 1.2: Simplified IDP's for clearly defined smaller municipalities						
Sub-output indicator 1	% of identified smaller municipalities fully implementing the revised IDP framework	New project	100% of selected smaller municipalities fully effecting the revised IDP framework by 2014	Revised IDP framework	Failure to leverage legislative and regulatory reform to policy and implementation environments by each sphere of government	<ul style="list-style-type: none"> •DCoG •DRDLR •DHS •Provinces •Municipalities

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Sub-output indicator 2	% of identified smaller municipalities fully implementing the simplified revenue plans	New project	70% of targeted smaller municipalities roll-out the revised simple revenue plan by 2014	Guidelines for simplified revenue plans	Failure to leverage legislative and regulatory reform to policy and implementation environments by each sphere of government	<ul style="list-style-type: none"> •NT •Provinces •SALGA
Sub-output indicator 3	% of identified smaller municipalities with filled critical positions	New project	100% of identified smaller municipalities have the critical positions filled within 3 months	Report to MinMec	Capacity to improve financial and administrative performance	
Output 2: Improved Access to Basic Services						

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Output Indicator 1:	Mechanism to improve reticulation of services, fund bulk infrastructure and support procurement of land, established	New Project	2012	Concept Paper on BIF finalised and approved by Cabinet	<ul style="list-style-type: none"> • Delayed agreement between stakeholders on the establishment of Bulk Infrastructure Fund (BIF) • Insufficient financial resources to support the BIF 	<ul style="list-style-type: none"> •DCoG •NT
Output indicator 2:	Instrument implemented to enhance differentiated financing and support to municipalities	New Project	2013	Cabinet decision on SPV establishment	<p>Non Approval of the Cabinet Memo on SPV.</p> <p>Lack of database on comprehensive infrastructure funding need could delay the leveraging of donor and private sector partners contributions to current funding streams</p>	<ul style="list-style-type: none"> •DCoG

Sub output 2.1: Established BIF

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Sub-output indicator 1	National Grant Coordination Framework developed and implemented	New Project	2011	Cabinet approval of the National Grant Coordination Framework	The alignment of grants will lead to increased access to basic services	<ul style="list-style-type: none"> •DCoG •NT •Sector Departments •Provinces
Sub output 2.2: Established SPV						
Sub-output indicator 1	Nr of municipalities provided with infrastructure capacity support	New Project	2013	Report to Implementation Forum	SPV will impact on municipal institutional capacity	<ul style="list-style-type: none"> •DCoG
Output 3: Community Work Programme Implemented						
Output Indicator 1:	Nr of wards per municipality implementing the CWP	33 Municipalities implementing CWP	237 Local & Metros Municipalities implementing the CWP in at least 2 wards	DPW report	Insufficient budget allocation to cover one site at least two wards per municipality.	<ul style="list-style-type: none"> •DCoG •DPW •DRDLR
Output indicator 2:	% of job opportunities created in wards, associated with functional cooperatives	No baseline - programme not previously linked to cooperatives	30% by 2014	DPW report	Lack of buy-in and Support from Stakeholders	<ul style="list-style-type: none"> •DCoG •DTI •DRDLR
Sub output 3.1 Ward-level rollout of CWP						

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Sub-output indicator 1	National plan to ensure the roll-out of the CWP in at least 2 wards per local municipality, developed and implemented	Pilot phase	Full implementation by 2012	DPW report	Insufficient budget allocation to cover one site at least two wards per municipality.	<ul style="list-style-type: none"> •DCoG •DPW •DRDLR
Sub output 3.2 Functional cooperatives supporting job creation						
Sub-output indicator 1	% of cooperatives established that remain functional	New project	2014	DTI report	Lack of buy-in and Support from Stakeholders	<ul style="list-style-type: none"> •DCoG •DTI •DRDLR
Output 4: Actions Supportive of the Human Settlements Outcome						
Output indicator 1:	Land Use Planning and Management Act implemented	Draft Land Use Management Bill	2013	Enactment of the Bill	Delay in approval of National Spatial policy and Land Use Management Bill.	<ul style="list-style-type: none"> •DCoG •National Planning Commission •DRDLR •DTA

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Output indicator 2:	Land acquisition for low income and affordable housing facilitated	Lack of concise position on the release of state assets (land) for purposes to meet government's obligations to the poor	Support the delivery of 400 000 housing units	Report on land audit in targeted municipalities	Availability of well located public land	<ul style="list-style-type: none"> •Municipalities •Provinces •DPW •DCoG •DWA •DEA •DTA •DRDLR •DHS
Output indicator 3:	Expanded national upgrading support programme (NUSP)	Increased number of informal settlements in cities and large towns	45 municipalities	Report by Department of Human Settlements on Progress with the NUSP	Delay in legislative amendments in support of a simplified IDP's inclusive of a framework for priority infrastructure investment zones could delay informal settlements upgrading	<ul style="list-style-type: none"> •DCoG •DHS •Provinces
Sub output 4.1 Increased Densities in metro's and large towns						

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Sub-output indicator 1	Policy framework for increased densities developed and implemented	Inadequate spatial planning	Implemented in the 6 metro's and 21 large towns by 2014	IDP's and SDF's of the 6 metro's and 21 large towns	Failure to leverage legislative and regulatory reform to policy and implementation environments by each sphere of government	<ul style="list-style-type: none"> •DCoG •DHS •Provinces
Sub output 4.2 Informal Settlements upgraded						
Sub-output indicator 1	The release of well located land in traditional communal areas for residential purposes, low income and affordable housing, facilitated	Lack of concise position on the release of state assets (land) for purposes to meet government's obligations to the poor	2014	Framework that would allow the identification and release suitable public land in municipalities for low income and affordable housing developed	Failure to leverage legislative and regulatory reform to policy and implementation environments by each sphere of government	<ul style="list-style-type: none"> •DCoG •DHS •Provinces •DRDLR
Sub output 4.3 Detailed Segmentation						

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Output 5: A Refined Ward Committee Model to Deepen Democracy						
Output indicator 1:	Strengthened legislative framework for Ward Committees and Community Participation	Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) as amended	2014	Proclaimed act	Uneven responsiveness by municipalities to legislative mechanisms proposed to deepen democracy, e.g. for functional Ward Committees	<ul style="list-style-type: none"> •DCoG •Municipalities •Provinces •SALGA
Output indicator 2:	New approach to better resource and fund the work and activities of Ward Committees, implemented	National Framework (Gazetted) 8 October 2009	2014	Report by SALGA on implementation of the new ward committee funding model in municipalities	Misallocation of funds and under-spending	<ul style="list-style-type: none"> •Municipalities
Sub output 5.1 Legislative framework for ward committees and community participation						
Sub-output indicator 1	Number of municipalities where support measures to ensure functionality of ward committees have been implemented	New project	2011	Provincial reports on support measures developed and implemented	Reluctance of municipal councils and administrations to engage with a people-centred approach to local government (e.g. strengthen public	<ul style="list-style-type: none"> •DCoG •Municipalities •Provinces •SALGA

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
					participation in governance and service delivery structures and decision-making)	
Sub output 5.2 Improved funding for ward committees						
Sub-output indicator 1	Ward Committees funding model developed	National Framework (Gazetted) 8 October 2009	2011	Funding model	Insufficient municipal institutional capacity to manage multiple developmental approaches	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG •SALGA
Sub-output indicator 2	Ward Committees funding model implemented	New project	2014	Progress reports on the implementation from Provinces and SALGA	Insufficient municipal institutional capacity to manage multiple developmental approaches	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG •SALGA
Output 6: Improved Municipal financial and administrative capability						
Output indicator 1:	% of municipalities with disclaimers and adverse opinions	31%	No municipalities with disclaimers and adverse opinions by 2014	AG report	Municipalities may regress because of implementation challenges relating to GRAP conversions	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG •NT

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Output indicator 2:	Reviewed and implemented legislation to strengthen anti-corruption capacities of municipalities	Municipal Systems Act and Supply Chain Management regulations	2012	Reviewed Municipal Systems Act and Supply Chain Management regulations	Uneven responsiveness by municipalities to legislative mechanisms proposed to strengthen anti-corruption capacities	<ul style="list-style-type: none"> •DPSA •NT
Output indicator 3:	Anti-corruption inspectorate established by target date	All municipalities have fraud prevention plans & anti-corruption strategies	2012	Quarterly reports from the Inspectorate Annual results from Operation Clean Audit	Insufficient capacity to improved financial and administrative performance	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG
Output indicator 4:	Comprehensive national revenue enhancement programme implemented by target date	Programme designed	2012	Reports from Provinces on programme implementation	Commitment of partners	<ul style="list-style-type: none"> •DCoG •Municipalities •SALGA •NT •Provinces •DBSA •Sector Departments
Output indicator 5:	Cash flow management support programme implemented by target date	New project	2012	Reports from Provinces on programme implementation	The current economic conditions may make it difficult for municipalities to collect the debt and meet	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG •DBSA

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						

set targets

Output indicator 6:	Nr of districts / metros with agreed, signed off service delivery implementation plans catering for their MTAS's by target dates	New project	Annually by the 31 of July	Provincial reports on progress with implementation of the MTAS's	Lack of support from Provinces and municipalities might affect the receipt and analysis of IDP's and MTAS priorities on time.	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG • Sector Departments
Output indicator 7:	Top 6 Critical Municipal posts filled by suitably qualified and competent individuals	New project	2014	MDB / Audit report on status of municipal posts	Delay in securing and retaining critical skills for local government	<ul style="list-style-type: none"> •DCoG •Municipalities •Provinces
Output indicator 8:	Municipal Managers have crisp, concise, signed performance agreements	78%	>98% by 2014	MDB / Audit report on status of municipal posts	Lack of effective assessment of performance contracts and implications.	<ul style="list-style-type: none"> •DCoG •Municipalities •Provinces
Sub output 6.1 Improved audit outcome of municipalities						

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Sub-output indicator 1	Inter-operable financial systems for all municipalities	Municipalities currently use 8 different computer systems	Inter-operable financial systems for all municipalities, implemented	NT/AG report	Insufficient capacity to improved financial and administrative performance	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG • NT •AG
Sub output 6.2 Strengthened anti corruption capacities of municipalities						
Sub-output indicator 1	Campaign on ethics and fraud prevention (Ayihlome)	Municipalities have fraud prevention plans & anti-corruption strategies	Annually	DCoG report on the progress with fraud prevention in municipalities		•DCoG
Sub output 6.3 Reduced municipal debt						
Sub-output indicator 1	Support provided to municipalities to reduce outstanding debtors	The baseline differs per municipality	All municipalities requesting support assisted	Report	Insufficient capacity to improved financial and administrative performance	<ul style="list-style-type: none"> •DCoG •Palama •DBSA
Sub output 6.4 Reduced municipal overspending on operational expenditure (OPEX)						
Sub-output indicator 1	Support provided to municipalities in cash flow management	The baseline differs per municipality	All municipalities requesting support assisted	Report		

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Sub output 6.5 Reduced municipal under spending on capital expenditure (CAPEX)						
Sub-output indicator 1	Support provided to municipalities to improve expenditure on the capital budget	The baseline differs per municipality	All municipalities requesting support assisted	Report		
Sub output 6.7 Increased municipal spending on repairs and maintenance						
Sub-output indicator 1	Support provided to municipalities to improve expenditure on repairs and maintenance	The baseline differs per municipality	All municipalities requesting support assisted	Report		
Sub output 6.7 Improved HR practices						
Sub-output indicator:1	% of municipalities in which top 6 critical posts are filled by competent and suitably qualified individuals		>90% by 2014	MDB / Audit report on status of municipal posts		
Sub-output indicator:2	Number of municipalities implementing the guidelines on performance contracts for Municipal manager that includes key LGTAS performance indicators		100% by 2014	MDB / Audit report on status of municipal posts		
Output 7						

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
Output indicator 1:	Reviewed policy and legislation to strengthen coordination of local government	Audit of policy and legislative environment done	2014	Proclaimed Act	Delays in fiscal, legislative and institutional reform agenda	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG • Sector Departments
Output indicator 2:	Coordinated support, monitoring and interventions in municipalities	Capacity building programmes: <ul style="list-style-type: none"> •Current NCBF •Siyenza Manje Programme •LOGOLA •LGSETA •Donor programmes •National and provincial training / support programmes 	2014	Regulations to coordinate support, monitoring and interventions in municipalities by all capacity building / support agencies	Absence of legal mandate for DCOG and other National departments to act on IDP quality or lack thereof could comprise efforts for improved integrated service delivery.	<ul style="list-style-type: none"> •Municipalities •Provinces •DCoG • Sector Departments
Sub output 7.1 Reviewed policy and legislation to strengthen coordination of local government						
Sub-output indicator:1	New Framework for the assignment of Powers and Functions	Guidelines on the Assignment of Powers and Functions				•DCoG

Results chain	Indicator	Baseline	Target	Monitoring Mechanisms (Means of verification, sources of information)	Assumptions /Risks	Responsibility
Outcome 9: A Responsive, accountable, effective and efficient local government system						
<i>Sub output 7.2 Coordination of support, monitoring and interventions of provinces and municipalities</i>						
Sub-output indicator:1	Streamlined reporting for municipalities	Draft guidelines for municipal performance reporting	Reduce reporting obligation of municipalities by 2014			<ul style="list-style-type: none"> •NT •DCoG