



Department of Local Government and Housing  
Departement van Plaaslike Regering en Behuising  
ISebe loRhulumente boMmandla nezeZindlu

---

## Executive Summary

# **IDP Hearings 2005**

*Report dated:*

30 September 2005

# Executive Summary of IDP Hearings 2005

## 1. Introduction

The national drive to halve poverty and unemployment by 2014 is dependant on the ability of the plans and actions of all three spheres of government to be in synergy and to combine with the actions of the private sector. This convergence occurs in the 6 metropolitan and 47 district municipal areas across South Africa.

The local trajectory for change is driven through the implementation of each municipality's Integrated Development Plan (IDP) that is linked to the council's 5 year term of office. The IDP responds to the poverty needs and development potential of municipal areas by setting the local development agenda with clear deliverables and targets. As such, it guides infrastructure investment and service delivery within a clear long-term development vision of building sustainable human settlements and viable local economies.

The IDP Hearings was a response to the need for an intergovernmental dialogue on the development actions within municipal areas. The Local Government MinMec of 12 November 2004 initiated the processes which lead to IDP Hearings being held in all 9 provinces in the period between April to June 2005.

The **Western Cape IDP Hearings** engaged the five district municipalities on 18-20 May 2005 and the City of Cape Town on 2 June 2005.

The hearings were structured as a strategic conversation on development progress over the previous 4 years per metropolitan and district municipal area. A panel, with representatives of national and provincial government role-players, engaged municipalities on 6 questions, which centred on the:

1. extension of basic infrastructure and services to all residents,
2. use of grants and revenue sources to develop economic infrastructure and create jobs,
3. deepening of community access and involvement in local development,
4. management of natural and land resources for long-term socio-economic development of communities,
5. institutional capability of the municipalities and financial viability in developing the local economic base, and
6. alignment between the IDP, the Provincial Growth and Development Strategy (PGDS) and the National Spatial Development Perspective

The purpose of this report is to provide a summary of the dialogue and key issues which emanated from the national IDP Hearings between April and June 2005, with specific reference to experiences in Western Cape municipalities.

## 2. Key result of IDP Hearings (\*See breakdown per issue as Annexure A)

The IDP Hearings 2005 indicated that in the 4 years since the establishment of new municipalities on 5 December 2000, "**government has made significant progress in both planning and service delivery in a more inclusive and targeted manner**". The provision of services in specific geographical areas has improved drastically – i.e. 35% improvement in services in Central Karoo development node as part of Integrated Sustainable Rural Development Program (ISRDP).

The **3 key areas of improvement** in local development are:

- (a) **a more inclusive way of community involvement** in service delivery as reflected in establishing ward committees, IDP representative forums and introducing community development workers,
- (b) **service delivery to the poor** as reflected in delivery to formerly disadvantaged areas, the indigent and attempts to bring basic services to rural areas, and
- (c) **efforts to deal with increasing complexities** within municipal areas as reflected in local revenue generation efforts, increasing the size of local budgets and developing inter-governmental co-ordinating forums to maximise development efforts.

However, the **concerning trends** are that:

- the complexities of development in municipal areas are increasing;
- there is uneven capacity across government to act strategically, project manage effectively and monitor implementation; and
- the municipalities are not managing the trade-off decisions between different interests and needs adequately.

The IDP Hearings identified "**5 big ideas**" that require government's attention. The support for these 5 big ideas were ratified by the national Cabinet Lekgotla in June 2005:

1. Develop a shared paradigm for sustainable development in South Africa
2. Improve government's connectivity with communities
3. Improve intergovernmental investment in localities
4. Strengthen the strategic development role of provinces, and
5. Improve the credibility of IDPs

The **KEY FINDINGS** which lead to the generation of the 5 big ideas are listed under each below:

*1. Develop a shared paradigm for sustainable development in South Africa*

Alignment of state action within municipalities is affected by the different paradigms of economic growth, human settlement and natural environment. The underpinning economic logic is still based on trickle down economics with little attention to mobilise human resource development, innovation in changing local production and consumption patterns or broadening economic opportunities through public sector procurement.

The apartheid space economy is perpetuated in most municipalities with little attention to spatial restructuring.

Ecological and environmental considerations are not viewed as resources for economic growth, but as "green issues".

The health profile of communities is deteriorating due to the mismanagement of air pollution, water resources and waste.

A shared paradigm will put government at all levels in a better position to make trade-off decisions which will have long-term impact on the built and natural environment and development profile of communities. This includes improving land use management decisions within such a shared and coherent development paradigm.

*2. Improve government's connectivity with communities*

A purely 'institutional' approach to community participation dominates with little attention to respecting existing informal community networks and achieving sustained dialogue with communities. Importantly, people have not become an organic part of the governance system.

Communities become frustrated with incoherence and multiple points of contact to three spheres of government and as a result accountability suffers. Government has yet to pro-actively build social capital (civil society institutions and systems) and energise communities to engage in their own development. Municipalities run the risk of not engaging with an empowered citizenry, but entering into a patronising relationship with communities and delivering services to a passive citizenry.

### *3. Improve intergovernmental investment in localities*

Existing investment in municipal areas is not underpinned by a shared understanding of challenges and opportunities in those areas.

The 3 spheres are not targeting the same targets and outcomes which make the measurement of success extremely difficult.

The logic of identifying 'poverty need' and 'development potential' as articulated in the National Spatial Development Perspective (NSDP) has not translated to local level.

Currently, there is a high risk of unsustainable development outcomes.

### *4. Strengthen the strategic development role of provinces*

The ability of provinces to align, monitor and support development actions is underutilised. Continued provincial-wide discussion that results in a clear understanding of development potential and poverty need is required.

The absence of credible provincial development strategies to contextualise the national development agenda and provide a framework to municipalities hampers development strategy.

### *5. Improve the credibility of IDPs*

The requirements for an effective IDP still need to be made clear.

Any sector requirements for IDP (i.e. housing, transport, environment) must be rationalised in an integrated framework.

The nature of metropolitan, district and local IDPs should indeed be different – i.e. District IDPs must provide a focused settlement typology, visionary spatial structuring and economic strategy. Local IDPs should focus more on direct service delivery.

There is a great need to develop local strategic planning and implementation ability to improve IDP.

Credible IDPs is a prerequisite for medium to long-term public and private investment which is critical to addressing our core challenge of building integrated human settlements and viable local economies in our bid to halve unemployment and poverty by 2014.

Lastly, the IDP Hearings confirmed the **major challenges** that municipalities continue to face, namely:

1. Maintaining infrastructure and further extension to under-serviced areas
2. Driving sustainable local economic development
3. Spatial integration of human settlements and regions
4. The ability to manage land use effectively
5. Integrating movement systems for effective transport
6. Sustainable energy needs
7. Water resource management
8. Communication with communities
9. Achieving targeted action by all 3 government spheres

### 3. Conclusion

It is clear that **“government has made significant progress in both planning and service delivery in a more inclusive and targeted manner in the past 4 years since the start of the new local government system in December 2000”**.

The experiences of municipalities in the Western Cape are indeed similar to other municipalities in South Africa, which renders most of the findings valid to differing degree to other provinces.

Municipalities in the Western Cape have spent a significant amount of time on strategy development, but show a distinct weakness on implementation. This is not due to municipal performance alone as a significant amount of success is dependent on provincial and national government performance in municipal areas.

The **concerning trends** are that:

- the complexities of development are increasing in municipal areas;
- the capacity across government to act strategically, project manage effectively and monitor implementation is uneven; and
- municipalities are not managing the trade-offs decisions between different interests and needs adequately.

Despite the success in extending infrastructure and services, and limited success in growing the economy, the critical issue is that ‘the capability of the state is uneven’. Even where capacity is evident, the integrated impact of government on communities needs to improve considerably.

The **way forward** in building this capacity is to:

- Improve basic management and decision-making (financial, planning, institutional) in each organisation to enable better communication and co-ordination of the implementation effort,
- Better support and co-operation with municipalities by the rest of government as many issues cannot be resolved by municipalities alone, and
- Provinces and national departments need to think and act within geographic areas (to assist municipalities to manage the complexity of development).

Specific action needs to be taken on the **“5 big ideas”** in each of the nine provinces:

- Developing a shared paradigm for sustainable development in South Africa
- Improving government’s connectivity with communities
- Improving intergovernmental investment in localities
- Strengthening the provincial strategic development role
- Improving the credibility of municipal Integrated Development Plans (IDPs)

Looking ahead, IDPs need to be improved within a clear longer-term development trajectory to respond to national development objectives and build sustainable human settlements and viable local economies.

The IDP Hearings created valuable space for inter-governmental dialogue on trends, challenges and opportunities with socio-economic development in metropolitan and district municipalities. This positive experience must be taken forward through further provincial-municipal engagement.

A more **detailed summary** of the **findings** for each of the eight (8) key issues emerging from the IDP Hearings are set out below.

## Findings per key issue

1. **Economic Development and Job Creation**
2. **Cooperative Governance: Alignment across spheres for shared impact**
3. **Deepening Democracy and Improving Government's connectivity with Communities**
4. **Natural resource management**
5. **Land management**
6. **Basic infrastructure and services**
7. **Institutional capacity of municipalities**
8. **Financial viability of municipalities**

### 1. Economic Development and Job Creation

The **key findings** are:

- A. **Lack of strategic consideration of the economy and shared economic planning by all stakeholders as major weakness**
  - B. **Municipalities are engaged in ad-hoc initiatives to stimulate economic development or job creation with various degrees of success.**
- A. **Lack of strategic consideration of the economy and shared economic planning**

The rationale behind this finding is the absence of 3 issues namely:

- (i) **No shared understanding and agreement on provincial economic development perspective**
  - (ii) **Little evidence of strategic economic planning**
  - (iii) **Limited understanding of the catalysts for economic development**
- (i) **No shared understanding and agreement on provincial economic development perspective**

Economic development is dependent on all role-players having a **shared understanding** and context-specific vision of economic development for a specific geographic area. This includes a sound empirical analysis of the economic potential and comparative advantage. It entails the consideration of the six NDSP principles and the logic of poverty need and development potential within the provincial and district/metro context.

The **conclusion** is that **strategic engagement on economic content issues** is not happening and long-term economic management is not receiving sufficient attention. Municipalities are not engaging with the relationship between development potential and poverty need as articulated in the National Spatial Development Perspective (NSDP). Municipalities are still predominantly orientated **meeting basic needs** but failing to link it with economic potential. The result is that social and economic returns on municipal investments are not clear and the impact on poverty reduction unsustainable.

Limited or no engagement is taking place on the **provincial space economy** which would lead to agreement on the characteristics and location of economic potential or dynamic comparative advantage as proposed by the Presidency's NSDP, PGDS and IDP Alignment document.

## **(ii) Little evidence of strategic economic planning**

Neither the metropolitan or district municipal areas did strategic economic planning or were successful in translating economic strategy into implementation. This could be ascribed to the lack of provincial leadership and the lack of institutional municipal capacity to deal with economic development issues beyond small-scale LED projects. Wider economic issues are not considered such as regional and global issues, integration of the first and second economies, use of natural resources beyond eco-tourism, the role of the tertiary services sector and required skills levels.

LED projects appear to focus on SMME development and support. Typical examples include tourism and craft projects; food gardens and small-scale agriculture / processing (wood, flowers); skills training (crafts, small business, hotel management); and local services (communities to communities).

A narrow understanding of LED persists which has led to a disjuncture in infrastructure investment and little understanding of the relationship between effective service delivery, strategic infrastructure investment and growing the economy.

However, some innovative thinking is occurring in other South African municipalities. Examples of this is 'economic regeneration plans' (Ugu District – KZNLT), 'nodes of reasonable economic potential' (Spatial planning in Bohlabela District - Limpopo), a LED Strategy to bridge first and second economies in innovative ways (Ilembe - KwaZulu-Natal) and to leverage the investment in areas of potential economic development (Kgalagadi - Northern Cape).

Metropolitan municipalities display a greater level of strategic consideration of the economy by developing city development strategies with a clear economic strategy. However, the **role of metros in the national economy** is not receiving sufficient attention in the context of the NSDP, the role of cities in the provincial development strategy and linkages to adjoining districts. More importantly, the **global issues related to sustainable city development** is not dealt with – i.e. large-scale global migration and the impact of global climate change on coastal cities.

## **(iii) Limited understanding of the catalysts for economic development**

District municipalities rely overwhelmingly on tourism and agriculture as the potential catalysts for economic development. This is done without serious in-depth analysis of the true potential of local resources, the particular type of tourism, potential benefits, access to communities in need, skills and support required.

In this analysis, little attention seems evident on identifying:

- a) the importance of supporting the **existing economic base**;
- b) clarifying the **role of big cities and towns** in regional economic development, including towns in economic decline;
- c) the **role of municipalities** to make areas more attractive to investors;
- d) the focus on **partnerships**, including international cross-border cooperation; and
- e) **locational factors**, e.g. on major transport routes.

## **B. Municipalities are engaged in ad-hoc initiatives to stimulate economic development or job creation with various degrees of success.**

The rationale behind this finding is the absence of 3 issues namely:

- (i) **Limited understanding and used of national programmes and resources to contribute to economic development**
- (ii) **Linkages to other processes to contribute to economic development**
- (i) **No Limited understanding and used of national programmes and resources to contribute to economic development**

Metropolitan and District Municipalities display a **lack of understanding** of the use of national programmes for economic development. National government seems not to have communicated effectively on the use of programmes for economic development (i.e. MIG and EPWP).

The lack of **municipal capacity** hampers the utilisation of national funds for economic impact - e.g. to provide counter-funding for MIG projects, project management skills, and capacity to provide mentorship to emerging contractors. The pressures to eradicate backlogs might explain why MIG is primarily used simply to **extend basic infrastructure**, with hardly any emphasis on the development of economic infrastructure. However, exceptions occur in the Western Cape with MIG being utilised for small agricultural development, SMMEs and informal trading facilities.

#### **(ii) Linkages to other processes to contribute to economic development**

The limited use of existing processes to contribute to economic development serves and possible impediment to economic development by existing processes occurs. This has been illustrated in the existing systems around **natural resource management, service delivery, land use management and partnerships**.

The role of natural resources in economic development did not emerge as a strong theme, aside from the use of 'green' resources in the development of eco-tourism. The role of services and infrastructure in economic development was overshadowed by the emphasis on the eradication of service backlogs and the provision of Free Basic Services. The slow pace of releasing land with economic potential and land claims processes proves to be a major impediment to economic development. The importance of forging partnerships and having cooperative governance is key to economic development. However, public-private partnerships did not emerge strongly.

<b>Conclusion:</b> <b>Economic Development and Job Creation</b>
--

Economic development and job creation has to date focused on SMME sector and a limited understanding of LED projects. Long-range strategic economic planning incorporating the NSDP methodology has not received sufficient attention. Gaps exist in provincial and district level strategic economic planning, including a lack of agreement on the provincial and district space economy and the development of the economic base. A shift needs to be made to establish local development agencies to drive LED and to use supply chain management initiatives more effectively (focussing on SMMEs) and preferential procurement policies.

#### **Specific recommendations have been made on:**

- A National intervention to motivate and guide provinces, metros and districts to develop a strategic level shared understanding of economic development, including agreement on a provincial economic development perspective with a focus on the principles of the NSDP.
- Metros and districts to take a strategic lead in developing their local economic base. This would include the role of local municipalities in developing economic strategies and monitoring through a consolidated monitoring system at district and/or provincial level.

---

30/9/2005



- Impediments to economic development should be removed – i.e. discarding outdated LED thinking and elevating the strategic logic and methodology of the NSDP.
- Services and infrastructure delivery must be linked to natural resource management to grow the economy and involve the marginalised in economic activity – i.e. affirmative procurement, EPWP, small business development and skills development.
- Raising awareness of the potential economic contribution of national programmes such as MIG and the EPWP – i.e. maintenance projects, the approval process, revisiting counter-funding of MIG projects by municipalities and considering municipal capacity in allocation of funding.

## **2. Cooperative Governance: Alignment across spheres for shared impact**

Government's core objective to increase employment and reduce poverty requires co-ordinated government priority setting, resource allocation and implementation. Ultimately development occurs in specific geographic spaces and the NSDP provides clear spatial considerations to bring about coordinated government action.

The key findings on co-operative governance centres on 3 issues:

- A. Joint planning, prioritisation and implementation,**
- B. Functioning of the government system, and**
- C. Day-to-day municipal inter-governmental relations.**

### **A. Joint planning, prioritisation and implementation**

The rationale behind findings highlights 3 issues namely:

- (i) NSDP-PGDS-IDP alignment**
- (ii) Sector engagement in IDP**
- (iii) Structuring inter-governmental relations**

#### **(i) NSDP-PGDS-IDP alignment**

A lack of understanding and engagement with the NSDP in all three spheres of government is prevalent. Strategic plans are still biased towards meeting basic needs without consideration to economic potential. Both metropolitan and district planning have not internalised the NSDP principles and its context-specific implications for decision-making.

The potential strategic role of the PGDS and the district / metro IDPs as a platform for agreement on areas of shared impact has not been realised. However, the growth potential study in the Western Cape Province will prove useful in reaching agreement on the provincial spatial economy and to inform municipal Spatial Development Frameworks.

#### **(ii) Sector engagement in IDP**

Poor engagement of provincial and national sector departments as well as service providers and parastatals in the IDP process persists. This is reflected in low-level departmental representatives attending IDP events, lack of commitment of sector departments, and lack of understanding of IDP processes by sector departments. Lack of coordination is reflected in sector departments still 'parachuting' projects into municipal areas late in the financial year or without consultation.

#### **(iii) Structuring inter-governmental relations**

The effective use of IGR forums to better fulfil an alignment function was raised. Metropolitan and District Municipalities noted that there are good working relations with individual sector departments on specific projects. However, serious concerns about sector engagement with strategic IDP processes remain. Cooperative governance proves its success by achieving day-to-day co-operation at middle-management level which has specific implications on the support and processes needed. Specific supportive mechanisms were mentioned such as having a shared information base, dedicated strategic planning units in sector departments and generating an annual strategic diary for sector departments to engage with IDP processes.

## **B. Functioning of the government system**

Two issues were raised that impacts on IDP success:

- (i) Fiscal dumping and unfunded mandates**
- (ii) Impact of legislation on municipalities**

### **(i) Fiscal dumping and unfunded mandates**

The inherent limited capacity of municipalities are not acknowledged or deeply understood by national and provincial departments. Municipalities consistently raise the issue of 'unfunded mandates' as they try to cope with the existing burden of servicing backlogs with limited internal management staff, skills and financial resources. Some national and provincial departments continues to transfer additional functions, staff, assets and equipment to municipalities without a full understanding of the limited municipal capacity available to deal with it.

### **(ii) Impact of national/provincial legislation on municipalities**

Municipalities have limited capacity to satisfy the legal requirements of legislation dealing with local government. The variety of plans to be drafted (water, transport, disaster management, housing, waste management), monitoring of functions (air quality), internal and liason processes (MFMA) and conditions and reporting on grants (MIG), places a significant burden on municipalities which must be acknowledged

## **C. Day-to-day municipal inter-governmental relations.**

Five issues were raised on IGR that impacts on IDP success:

- (i) District-Local relations**
- (ii) 'Big city' issues**
- (iii) Neighbouring municipal relations**
- (iv) Sharing capacity**
- (v) Regional/international relations**

### **(i) District-Local relations**

Positive progress has been made in district-local municipal relationships. Isolated instances which require provincial support was identified. Newly established IGR structures in terms of the IGR Framework Act, 2005 should take care to acknowledge the need for co-operation within each district will address co-operation within each district municipality. Importantly, co-operation both at mayoral and senior management level has been established.

### **(ii) 'Big city' issues**

Tensions do exist between stronger municipalities regarded as bigger cities and their respective District Municipalities and provinces. These have caused uneasiness when strategic priorities have

30/9/2005

not been acknowledged in the strategic planning and IDPs of either organisations. Care should be taken to ensure that municipalities adjacent to metropolitan areas co-operate.

### **(iii) Neighbouring municipal relations**

Relationships between metro's and districts can be improved. Importantly, IDPs should be less inward-looking at this scale to increase co-operation of metro's and district in contributing to economic growth and poverty alleviation.

### **(iv) Sharing capacity**

Capacity is not generally shared at present. Better capacitated municipalities do not easily share expertise as it places undue strain on their own capacity and time. Knowledge sharing happens informally and limited effort has been made to structure horizontal learning and sharing capacity.

### **(v) Regional/international relations**

Relations in a wider region and across national borders occur in *ad hoc* manner. International intergovernmental initiatives did not receive much attention. Municipalities do not have internal capacity to deal with the complexities of foreign relations and will need structured support.

## **Conclusion: Co-operative Governance: Alignment across spheres for shared impact**

The core challenge is the lack of highest level, strategic agreement centred on NSDP-PGDS-IDP alignment, and the role of the PGDS and the district IDP. Without this foundation, other aspects of cooperative governance occur in an ad hoc and isolated way. However, some initiatives are underway to address these gaps.

### **Specific recommendations have been made on:**

- The 6 interventions in the harmonisation of NSDP, PGDS and IDP will be implemented:
  - i) National Level Potential Analysis and Prioritisation;
  - ii) Shared Understanding and Agreement on Provincial Space Economy;
  - iii) Provincial Growth and Development Strategies;
  - iv) Shared Understanding and Agreement on District and Metropolitan Economy;
  - v) District and Metropolitan IDPs; and
  - vi) Mutual Assessment Framework
- PGDS guidelines will be fast-tracked to ensure its role in harmonisation of planning and prioritising; spatial planning by departments, agreement on the provincial space economy and the role of the districts / metros and big cities as platform for agreement on investment in areas of shared impact.
- IGR structures to focus on active and content focused interaction (DM-DM and DM-Metro)
- The relationship between big cities and the districts should be smoothed
- Structured capacity and knowledge sharing should focus on capacity and knowledge needs of different municipalities, how to match strong capacity with areas of need, using existing capacity at provincial and national level
- Unfunded mandates to be dealt with through service agreements and memorandums of understanding before functions are taken over, capacity audits and asymmetrical approaches to devolving of functions.

### **3. Deepening Democracy and Improving Government's connectivity with Communities**

Community Participation is an integral part of a democratic and developmental state and is reflected in the mechanisms, structures, processes that ensure that communities are brought on board in the development of their localities and the governance of the country.

The **key findings** on deepening democracy centres on 2 issues:

- A. Status of community access and participation in development, and**
- B. Functioning of the government system**

#### **A. Status of community access and participation in development**

Community Participation is being conducted through various mechanisms including; stakeholder forums, political structures and representatives, ward committees, direct engagement with communities, (e.g. mayoral visits into communities) and the use of print and electronic media.

The current approach is biased towards a formal and structured approach through councilors and ward committee members and IDP steering committees. However, direct engagement with the community through mayoral *imbizos*, print and electronic media and non-formal interactions with communities do occur. Progress is being made to generate communication plans and time-frames for engagement with communities. Municipalities are biased towards using ward committees, communication approaches, and community development workers.

#### **B. Functioning of the government system**

##### *- Ward Committees (WCs)*

The Western Cape is the only province where municipalities reported delays in establishing Ward Committees. In other provinces tensions exists between traditional leaders who perceive Ward committees as competition for power and influence with clashes over land issues. Challenges remain in securing operational resources, rural representation and geographical size.

##### *- Community Development Workers*

Most municipalities have not engaged thoroughly with CDWs yet. CDWs can encroach on the role of Ward Committees if their functioning is not clearly defined.

##### *- Communication*

Municipalities have responded to the provisions of the Municipal Systems Act, 32 of 2000 and explored various ways to improve communication – i.e. Mayoral Out-reach Programmes, Imbizos, road shows on specific issues, newsletters and pamphlets. Some municipalities have partnered with local radio stations and newspapers and drafted comprehensive communication strategies.

Specific obstacles still remain in creating effective communication in deep rural areas, the cost of communication, language issues, lack of intergovernmental collaboration, relevance to community members, lack of MPCCs to manage information and reaching the business community.

##### *- Multi-Purpose Community Centres (MPCCs)*

MPCCs have not been established in all the district municipalities, which hampers participatory development by bringing communities closer to government.

A positive observation is that there are a number of innovative approaches that municipalities have begun to employ to enhance community participation.

**Conclusion:**  
**Deepening Democracy and Improving Government's connectivity with Communities**

Municipalities have generally grasped the importance of involving communities in government's affairs, and established appropriate structures to ensure that this happens. However, community participation remains a token process in some municipalities due to viewing participation as a legislative compliance issue. Limited empowerment of the community members was undertaken to enable engagement beyond narrowly defined development needs. The reality of limited municipal resources to address needs timeously resulted in the waning of community participation.

#### **4. Natural resource management**

The natural resource base is fundamental to life, through its support of food security, global climate change mitigation as well as the maintenance of the very ecosystems on which we all depend. The IDP Hearings focused on (a) the utilisation and protection of natural resources; and (b) promoting environmental protection for long-term socio-economic development.

The **key findings** are:

- a lack of strategic consideration of sustainability and environmental issues in IDP,
- slow progress with natural resource and environmental management,
- limited municipal capacity limits natural resource/environmental management
- high-level support from national government and provincial departments is needed.

The findings on natural resource management centres on 2 issues:

- A. Sustainability issues, strategic environmental planning and utilisation of natural resources, and**
- B. Environmental management**

#### **A. Sustainability issues, strategic environmental planning and utilisation of natural resources**

The findings highlight 2 issues namely:

- (i) Sustainable development considerations**
- (ii) Linkages to development processes**

#### **(i) Sustainable development considerations**

Municipalities, together with national and provincial government, display a weakness to consider environmental issues and natural resource use in development. Municipalities have a lack of capacity to deal with these issues. A number of districts were unable to show how environmental and resource management issues were considered in economic development, the pressure for urban expansion and rural development. Global environmental issues such as climate change and energy efficiency did not receive attention in planning.

30/9/2005

Western Cape municipalities have not conducted strategic environmental assessment of their IDPs.

Consideration of the contribution of natural resources to economic development was almost exclusively limited to the use of 'green' resources in tourism development.

The sustainability considerations are skewed to a 'conservationist' as opposed to a 'holistic' approach. Municipalities do not co-operate between themselves and environmental agencies, but rather abdicate all their developmental responsibility for national parks, nature reserve areas and heritage sites in the hands of SANParks or similar agencies. In-depth consideration of cultural assets was generally found lacking. Limited examples of considering the utilisation of natural resources to the benefit of communities focused on creating community nature reserves and reviving forestation.

## **(ii) Linkages to development processes**

Municipalities were unable to draw linkages between natural resources and development processes. Four specific areas are mentioned:

- **Delivery of infrastructure, services and housing:** Municipalities did consider natural features in service delivery (e.g. topography and soil conditions), but not linkages to longer term water sustainability issues of responsible usage and protection of the resource. Alternative energy and natural resources (e.g. hydro- or wind generated electricity, solar energy, and alternative building materials) did not emerge as a focus area. Backlog issues are viewed in terms of human need, and not in terms of impact on the environment (e.g. use of fire for energy, water pollution due to lack of sanitation, pollution due to backlogs in refuse removal) and resultant health risks.

However, moves to eradicate the bucket sanitation system is viewed as positive, together with efforts to consider environmentally friendly Biolytic Sewage Systems, alternative renewable building materials, methane gas for energy, Buy-Back Centres established as part of a recycling drive, and organic compost and recycling initiatives.

- **Land management:** The inability to cope with timely planning and release of land is putting pressure on available natural resources – i.e. informal settlements areas, invasion of environmentally sensitive land and over-exploitation of land for subsistence farming. Inadequate land management tools and systems leaves 'loop-holes' for unregulated development with associated detrimental impacts on the environment.

Positive initiatives is the identification of 'zones of environmental sensitivity' and potential eco-tourism areas, coastal zones for management interventions and development controls, accessibility to the coastline and using Biophysical Environmental Frameworks as basis for spatial development frameworks and participating in biodiversity projects (i.e. SKEP, CAPE, Greater Cederberg Biodiversity Corridor, Sandveld project and water quality monitoring)

- **Intergovernmental and international relations:** Natural resources are not defined by municipal and national borders, thus becoming the focus of cooperative governance – i.e. regional environmental planning tools and Transfrontier Parks.
- **Disaster management:** Environmental management issues are relevant in most cases where there is a continual threat to human safety - e.g. people living in flood plains, people exposed to cholera risks or people exposed to pollution caused by mines. Land use decisions do not give sufficient consideration to these issues in prioritising development or its impact.

---

30/9/2005

## **B. Environmental Management**

The findings highlight 2 issues namely:

- (i) Municipal capacity**
- (ii) Enforcement and compliance issues**
- (iii) Waste management**
- (iv) Planning procedures**

### **(i) Municipal capacity**

A lack of dedicated environmental management capacity is prevalent with regard to limited technical capacity / environmental expertise, and lack of financial resources to fulfil environmental management mandate.

Special concern was raised on the environmental health function, with some municipalities viewing it as an unfunded mandate which they could not deliver on. The absence of technical skills were highlighted in managing the health function – i.e. the incineration of medical waste and rehabilitation of mine dumps.

### **(ii) Enforcement and compliance issues**

Municipal capacity to enforce environmental by-laws, and non-compliance of developers to environmental regulations, is an issue.

### **(iii) Waste management**

Few Integrated Waste Management Plans are complete with the exception of the award-winning Overberg District Waste Management Plan. The management of land fill sites is a regional issue in many districts. Serious refuse removal backlogs exist in many districts. The reduction of waste and recycling still has to be mainstreamed into strategic thinking.

### **(iv) Planning procedures**

Delays in EIA procedures are seen as holding up development. Local capacity constraints results in time delays in getting development decisions. A limited number of districts do have an approved Environmental Management Plan (EMP). IDPs have to be in compliance with the EMPs compiled by provinces in terms of the National Environmental Management Act.

The level of awareness of initiatives on sustainable use of resources is a concern – i.e. Land Care Programme on sustainable agriculture, the Water Care Project and Environmental Implementation Programme to promote sustainable ventures that could gain access into regional and international markets.

<b><u>Conclusion:</u></b> <b>Natural resource management</b>
---

A lack of strategic consideration of sustainability and environmental issues in IDP exists. Slow progress is being made with natural resource and environmental management. Municipalities have limited capacity to deal with this function. Sustainable development considerations are not receiving sufficient attention in land development decisions.

## 5. Land management

The regulation of land-use in municipalities together with more optimum utilization of State-Owned land is a mechanism to facilitate development that restructures apartheid spatial patterns and broadens access to land.

The key findings on land management centres on 3 issues:

- A. Processes of land management**
- B. Instruments**
- C. Administration / Management**

### A. Processes of land management

The crux of issues was centred on land reform and land release. On the issue of land reform, the complexity involved in the execution of the 3 programmes of land restitution; land tenure reform and land redistribution was highlighted. However, **positive initiatives** were undertaken by Districts when dealing with land issues. These include the establishment of trusts for sensitive land management for emerging farmers, establishing land reform steering committees, land tenure analysis to resolve conflicting land claims on valuable agricultural land, comprehensive management of trust land.

**Critical challenges** that remain are the slow pace of land reform, the exacerbation of already inequitable land distribution patterns, the controversial sale of public land, illegal land invasions, inaccessibility of land owned by public enterprises, and conflicting land claims on approved irrigation scheme areas. Unpacking issues pertaining to access to land, the question of land for small-scale farming and communal land received significant prominence.

Specific issues were raised on **small scale farming, communal land, the slow release of state land**, land being sold off to avoid maintenance costs.

Progress was made with **land audits** with an appeal for provincial wide audits to be done.

**Land claims, land reform and redistribution** should be expressed spatially. Districts need to have access to an inventory of above projects in order to facilitate timeous engagement with municipalities around issues such as ground water supply and economic opportunities.

### B. Instruments

Spatial Development Frameworks emerged as a critical gap across provinces in all the hearings.

Progress has been made in a provincial-wide Provincial Spatial development Framework which including a study on the development potential of towns. This brings government closer to making trade-off decisions on the space economy.

A key concept that emerged is that of **NODES AND CORRIDORS**, but its usefulness was questioned as an instrument of spatial restructuring. Existing spatial planning seems to be too locally focused and did not adequately bring in town and city networks and developments. This limited the usefulness of SDF as a strategic instrument in that districts were not able to yet fully optimise their strategic locations. More debate is needed on the scale and usefulness of nodes and corridors. Similarly, discussions on Industrial Development Zones and inter-linkages between SDI's, IDZ and Export Processing Zones and other national initiatives are needed.

30/9/2005



Discussions centred on the concept of “**NODES**” and the value of being identified as an URP and ISRDP node. Districts have to consider a long-term strategy of ‘**denoding**’ in view of municipalities becoming well established and removing the stigma of being a ‘struggling case’.

**Land use management systems** are critical to supporting and guiding development. This relates to the speed of dealing with land use decisions and being supported by well-developed GIS systems. The Western Cape raised the dichotomy of having to manage land use without adequate information on land in state possession. The management and disposal of land owned by the Department of Public Works proved to be of grave concern.

### **C. Management and Administration**

A number of technical and administrative capacity constraints that impede the developmental process with the release of land. These centre around issues of **time delays, decentralised offices, and privately owned land**. Having good inter-governmental partnerships proved valuable.

The main issue is the capacity on land management within municipalities. Very few have town and regional planning units in place but there were exceptions in Kwazulu-Natal and big cities.

The persistent delays with land release, including the delays caused by Environmental Impact Assessments were repeatedly mentioned.

Having decentralised offices of national and provincial offices was deemed important to work together with municipalities to keep each other informed of progress – i.e. the pace of land restitution and redistribution processes.

Issues around **privately owned land** and land management on that land were raised. In other provinces mining companies own significant pockets of land with services, and closing down of such mines have direct impact on becomes the problem of local authorities. The granting of mining rights without consultation with local municipalities and the degradation of land proved important.

<b><u>Conclusion:</u></b> <b>Land Management</b>
---

There is a clear need for urgent intervention in the state of land management across the country and functionality and capacity of existing institutions. The slow speed at which economically productive land is released for development is a serious concern.

General findings showed that while many plans and processes were in place, land management proved to be a critical catalyst for economic, social, environment but also institutional progress. Institutional and process challenges had significant consequences for progress in other sectors and in turn hampered the realisation of the national development agenda.

Issues requiring urgent intervention include:

- Expediting EIA processes and approving of housing subsidies.
- Increased use of SDFs as platforms for joint decision-making and guiding land management.
- Accelerating some of the land release mechanisms in township establishment.
- Assessing socio-economic implications of land reform and redistribution.

## 6. Basic infrastructure and services

South Africa's municipalities continue to have infrastructure and service backlogs that have far reaching consequences for the quality of life of its citizens, but have made significant progress in the delivery of basic services over the past decade. The Western Cape still has pockets of under-serviced areas with particular attention to rural areas.

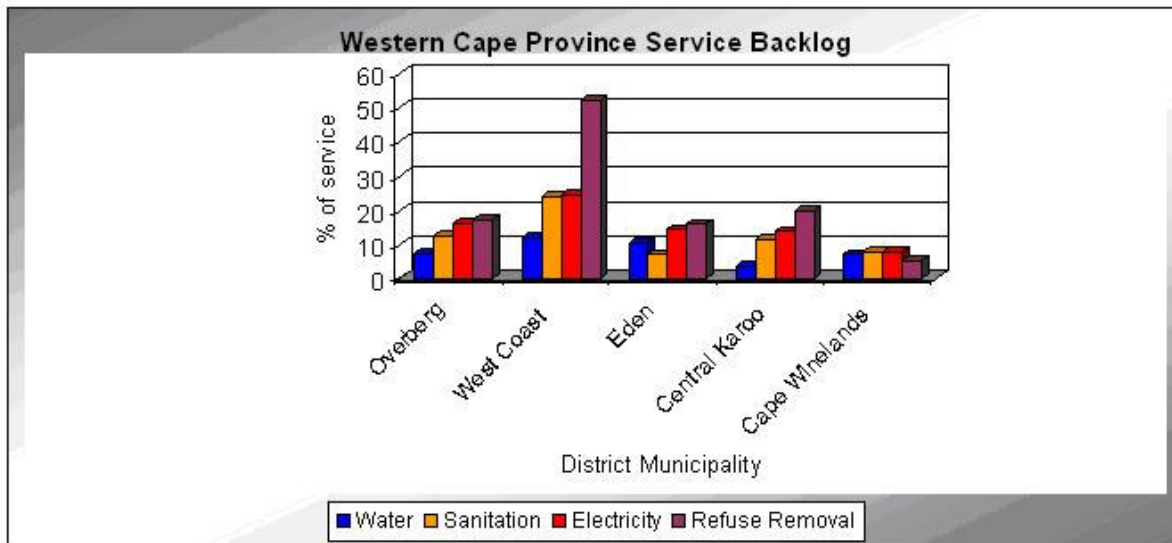
Main findings can be clustered into three main categories namely:

- A. **Delivery challenge**
- B. **Status of provision of services**
- C. **Delivery systems**

### A. Delivery challenge

Municipalities have inherited backlogs that continue to create disparities to access to basic services and infrastructure. There are external factors beyond municipal control, include inherited backlogs, urban-rural landscape, local economic base and predetermined economic development zones. There are internal factors, referring mainly to the municipal institutional set up include technical capacity, financial resources, strategic management capability.

Migratory trends proved to be a significant challenge. Depending on locality and economic opportunities, the influx of migrants causes increasing pressure on already limited infrastructure and services and difficulties to plan for the accelerated growth due to in-migration. **In the Western Cape, the Eden to Overberg District Municipal areas experienced significant in-migration and municipalities have not yet dealt with the service backlogs created.** A national, inter-sphere engagement was recommended on settlement patterns and possible remedies in relation to alternative service delivery options, restructuring of grant conditions and top-up allocations for MIG if necessary.



Refuse removal seem to be the predominant backlog in Western Cape. Sanitation and electricity provision seem to be an area requiring attention in the West Coast, Overberg and Central Karoo. Overall indications are that backlogs are generally lower in the Western Cape than in other parts of the country.

30/9/2005

## **B. Status of provision of services**

Western Cape municipalities have relatively low backlogs and have made good progress in the provision of free basic services compared to other provinces. Indigent policies were either in place or in the process of development.

Of concern was the impact of in-migration into the province and the extension of services to rural areas. It is clear that farming communities are still without basic services.

The general scarcity of **water resources** is a recurring theme across the provinces. Linked to water provision, the ongoing concerns of municipalities regarding maintenance of existing infrastructure received much prominence. The availability of qualified technical capacity to manage water networks and undertake water quality management into the future was a concern.

In the Western Cape, the main concerns centred on capacity gaps and the need for exploring alternative technologies. This has particularly benefit to West Coast and Central Karoo districts.

The area of greatest difficulty across the rest of South Africa seems to be with the rollout of free basic **sanitation**. There are identifiable areas with sanitation backlogs in urban and rural areas.

The hearings emphasized the lack of comprehension of **electricity** finances especially how they relate to impacts on viability of municipalities. The impacts of Electricity Distribution Industry reforms on municipal management and more specifically the financial implications of Regional Electricity Distributors (REDs) were highlighted.

There seem to be a limited funding resources available for **roads** (currently mainly from MIG and Housing Subsidies) and defining appropriate levels of service delivery. The current trend suggests that the emphasis on basic infrastructure results in maintenance of existing roads being neglected.

Overall **waste** management proved to be a key challenge in almost all Provinces. Ironically this received limited prominence in municipal strategies and plans despite the potentially negative impacts on the health and safety profile of especially poor communities and the integrity of the natural environment. Not all municipalities have formulated integrated waste management plans. The issue of regional landfill sites seem to take long to resolve within districts.

The **maintenance of infrastructure** proved a critical debate. Due to financial constraints, municipalities are unable to do any preventative maintenance on existing infrastructure. This is equally true of road or water works. This raises concerns about the sustainability of free basic services. Municipalities suggested a review of the maintenance component of the MIG.

## **C. Delivery systems**

The delivery systems refer to the institutions, systems and revenue issues, which includes support grants, national programmes, services and partnerships.

In general, infrastructure investment favoured the poorest of areas and ensuring that previously disadvantaged received significant investment.

However, specific institutional issues were highlighted, namely:

- Electricity supply authorisations and restructuring of REDs needs urgent attention,
- Transfer of water schemes, including cost recovery once subsidies are phased out, and
- Allocation of responsibility for provision of school sanitation.

---

30/9/2005

Most municipalities are using **MIG** for basic water and sanitation infrastructure, but notwithstanding increases in this grant there are concerns whether the national targets to deal with backlogs by 2008 will be met.

The **Expanded Public Works programme** proved to be a 'grey area' in its use to unlock infrastructure and economic development potential. It seems as if the Oudsthoorn Municipality has examples of good practice.

Relations between state- owned enterprises and municipalities emerged as an area requiring attention. This relates to appropriate information sharing and alignment of plans and strategies for development in specific areas.

The example in Cape Agulhas of the delayed release of land in possession of public enterprises to unlock the tourism potential of the southern most tip of Africa was noted.

Municipalities have been hesitant to embark on service delivery partnerships. In Cape Winelands, the inter-district regional partnership on ecological initiatives proved to be a good endeavour to manage these resources.

The declaration of **ISRDP and URP** development nodes had significant impacts on the infrastructure development and service provision.

Very few districts and municipalities have explored alternative service delivery options especially in rural areas where the cost and maintenance of conventional services are extremely high. A few good examples did emerge around the use of composting and salt water desalination.

In closing, some intergovernmental planning challenges remain on:

- Provision of sanitation in schools
- Rising levels of poverty and indigent that is not matched by equitable share allocations
- Absence of bulk infrastructure and requirement for counter funding which cannot be met
- Providing free basic services in established settlements with established networks as opposed to remote rural areas.

<p><b><u>Conclusion:</u></b> <b>Basic infrastructure and services</b></p>
---

Although basic infrastructure and services looks comparatively good in the Western Cape, pockets remain that require attention across the province.

Rural areas and farm communities need specific attention.

Specific districts are under significant pressure due to in-migration especially Eden, Overberg and City of Cape Town.

The declaration of **ISRDP and URP** development nodes had significant impacts on the infrastructure development and service provision.

Water as a resource and not a distribution issue, is a concern.

The funding for maintenance of infrastructure is a constant concern and the future health of the community is at risk. The issue of revenue loss due to the introduction of Regional electricity Distributors is raised consistently.

## 7. Institutional capacity of municipalities

The IDP Hearings did not set out to generate conclusive quantitative findings about the number of municipalities with specific institutional capacity problems. However, the IDP Hearings did provide a general qualitative understanding of District and Metropolitan municipalities' capacity based on the existing capacity to deliver services and plans to address capacity constraints in future.

The **ideal** is to have municipalities, which are highly capacitated and have geared their institutional structures to the achievement of strategic priorities outlined in their integrated development plans and long-term city strategies. They have sufficient staff with appropriate skills to do their jobs and have achieved:

- A good balance of experienced staff with institutional memory and previously disadvantaged staff in management that has good skills and are gaining appropriate experience.
- Requisite Workplace Skills Development Plans and Employment Equity Plans to build capacity and productivity
- Effective staff performance through application of Performance Management Systems.

**NB: It was clear from the IDP Hearings that an extremely limited number of municipalities have reached this point.** From a national perspective, there are least 33 out of the 56 municipalities (District and Metropolitan municipalities) in which institutional capacity is a matter of serious concern – which includes the City of Cape Town and 2 out of the 5 district municipalities in the Western Cape.

There is a **general national trend** that particular newly established municipalities are institutionally weak in areas that incorporated former homelands, but more specifically where the capacity of district and local municipalities show sharp differences. The conclusion is that "it is unrealistic to expect municipalities with inherent weaknesses to go through a process of establishment and be institutionally stable within a period of five years."

The main concerns centre on the **capacity dilemma**, and the success of **intergovernmental relations** between the spheres and their stakeholders. It must be said that the issues of leadership, the presence of champions, inter-personal and political dynamics also play a significant role in the capability of institutions to function effectively as opposed to just looking at the hard facts of staff numbers, equipment and finances.

In the case of the City of Cape Town, the successive amalgamation of 39 local authorities into 19 administrations, then into 7 substructures and eventually a uni-city council, proved to be a protracted process. The staff structure has yet to stabilise as posts have not been matched and placed. The fact that there were 4 mayors in 2 years did not add stability in the process. A fairly new leadership team is now in place and as yet to prove itself.

It is clear that "**the capacity across government (national and provincial departments and municipalities) to act strategically, project manage effectively and monitor implementation is typically uneven**". Municipalities speak of staffing problems ranging from vacancies in positions; inability to fill key posts; placement of existing staff in new structures, low staff to population ratios; through to general lack of establishment. Most importantly, there are critical shortages in technical fields and in the financial and planning departments of municipalities. In the Western Cape, this is not restricted to smaller rural municipalities.

The **dimensions of technical capacity** that were identified nationally as generally weak include:

- financial management
- project management
- environmental management
- land management
- housing development
- strategic development planning and implementation

A positive trend is the setting up of **project management units** which were perceived to be of great value especially in the districts of Eden and Central Karoo. Best practice in the combination of planning and implementation skills through a **shared service centre** was identified in the manner the Overberg PIMS centre operates. A combined funding effort by local municipalities ensured the appointment of an economic development officer to serve the district.

Over-reliance on consultants is however still a reality due to existing internal skills shortages.

Municipalities have shown differential achievement on **performance systems** from buying off the shelf performance software to developing their own. Importantly, the majority of municipalities have **not** moved from having a performance management system to in fact having agreement on priorities, selected meaningful indicators to measure progress and to execute projects and services against these indicators.

**Capacity-Building and Training** is a recurring theme in every district or metropolitan municipality. However, the majority of municipalities did not do a systematic analysis of the specific training needs within a long-term strategy to deal with socio-economic development issues. Existing work skills plans tend to focus on existing service utility functions of municipalities.

The City of Cape Town indicated a serious effort to develop an appropriate skills development programme, which includes skills audits, determining gaps and reprioritisation the training budget.

Generally, however, capacity building and training is governed by an *ad hoc* approach, with a broad range of programmes being accessed and staff being sent on any available training, rather than a strategic selection of training opportunities to fit in the overall capacity development plan.

Training of new councillors in the next term of local government was raised as a particular need by municipalities - including the City of Cape Town.

A key trend was that District Municipalities are facing serious problems in dealing with their District Management Areas and that a creative, dedicated focus is needed on these management areas that would involve support by other spheres of government. The trend to exclude these areas from municipal strategic development planning underestimates the potential role that such areas could play in the economic development of the districts.

A key observation is that where political leadership, local champions for development and relationship-management did occur, it had a significant impact on development notwithstanding institutional capacity constraints. The impact of political tensions should not be underestimated in impacting on institutional stability at provincial and local level.

**Conclusion:**  
**Institutional capacity of municipalities**

The main issues in the Western Cape Province, seems to be staff shortages, retention of experienced and qualified staff and the loss of institutional memory. Specific municipalities struggled to attract and retain skills over the medium to long-term. The metro is still building its own institutional capacity and does not yet demonstrate best practices in the province.

Looking ahead, the value of having Planning and Implementation Support (PIMS) centres, creating opportunities for best practice sharing per district, and improving strategic management ability was highlighted. Some districts in the Western Cape are already moving to build on the idea of Municipal Support Units within districts (i.e. Cape Winelands and Overberg District Municipalities).

Vacancies in senior management positions have had a direct impact on the strategic planning ability and efficiency of service delivery of municipalities.

Targeted interventions to secure appropriate skills are required to address specific capacity gaps on:

- Institutional and organisational management
- Project management
- Financial management
- Engineering (water and other)
- Research and Development
- Economic planning
- Human Resource management

These skills are seen as critical to achieve improved basic service delivery, local economic development and spatial integration.

A key observation was that the support by provincial departments of local government and the actions through Project Consolidate interventions must be aligned with these institutional findings.

It is clear that a co-operative effort between the 3 spheres of government will persist for a considerable time into the future due to the lack of skills, leadership challenges, and financial viability to ensure sustainable service delivery in some municipalities.

**8. Financial viability of municipalities**

The financial viability and sustainability of local government within the South African governance system continues to pose numerous challenges. Recent actions which directly impact on financial viability and was raised during the IDP Hearings were<sup>1</sup>:

- a) implementation of the Municipal Property Rates Act;
- b) implementation of the Municipal Finance Management Act;
- c) the Local Government Equitable Share review;
- d) the Local Government Fiscal Framework and future of Regional Services Council Levies;  
and
- e) the establishment of the Regional Electricity Distributors.

---

<sup>1</sup> These issues were the focus of consideration in the five Commissions of the National Forum On Municipal Finance held on the 11 and 12 April 2005

The key findings were:

- the existing governance system and limited fiscal decentralisation leaves municipalities dependant on fiscal transfers from national and provincial government into the near future
- the financial viability of the majority of municipalities is still under threat, mainly due to the lack of sustainable revenue bases into the future.
- municipalities experience externally determined issues, over which they have little control (such as Existing Revenue Base, Grant Dependency Ratios; future of RSC Levies)
- municipalities are attempting to deal with internal issues over they have some control (such as financial management capacity and systems, debt collection and revenue-raising strategies; optimal spending of funding available and the existence of medium- to long-term financial planning).

#### Externally driven factors:

Specific rural municipalities do not have an adequate revenue base to become sustainable in the longer term unless serious changes in the socio-economic reality occur.

The **sustainability of revenue base** has direct impact on the ability of municipalities to explore partnerships with the private sector. Municipalities tend to have a poor understanding of the ability to use programmes such as MIG and EPWP in an innovative manner to develop economic infrastructure or impact on the long term viability of their areas.

The future of RSC levies raised serious concerns as to the financial viability of both the district and metropolitan municipalities. Between the six metropolitan municipalities, their RSC levies amount to R3.433 billion per annum.

**Grant dependency ratios** are generally high in the majority of municipalities and in some municipalities deemed to be excessive and unsustainable.

The issue of **unfunded mandates** and **moneys owed to municipalities** was raised. The City of Cape Town was owed more than R1.5 billion by other spheres of government – i.e. to deliver services such as clinics and libraries.

**Capital Dumping** still occurs in a number of municipalities where other spheres of government dump funds at the end of their respective financial years. This seriously hampers municipal budgeting processes.

#### Internally driven factors:

Financial management is under threat in a majority of municipalities due to the lack of skills in treasury sections as reflected in late submission of financial statements to the AG, internal capacity to execute financial functions, debt management and high dependencies on external grant funding.

The findings by the Auditor General left a number of municipalities in the Western Cape Province with qualified audit reports as an indication of financial management capacity.

The positive steps taken by the Overberg District to establish 'shared audit services' in the 4 local municipalities (with a specific focus on Internal Audit) was sighted as a best practice.

High debt levels and non-recovery of debt is prevalent in a significant number of municipalities. It appears as if the culture of non-payment has shifted from its political roots much more firmly into

30/9/2005



the realm of lack of affordability due to poverty and unemployment. Active steps have however been taken in Western Cape municipalities on debt control and recovery.

Municipalities are actively moving to increase the installation of metered electricity and water meters to improving billing systems and revenue generation.

Municipalities have moved to complete indigent policies to ensure tariff structures that respect the needs of the poor.

A number of municipalities still 'under spent' on both the capital and operation budgets. This is not a reflection on financial management but the capacity to implement.

Municipalities seem to struggle in making the leap to multi-year planning and budgeting when looking at provisions for the outer years of the 3-year MTEF period. The apparent 'short-term' financial planning mode stifles proactive strategies and forward planning.

Financial sustainability remain the biggest concern for municipalities. Escalating staff costs, which form a fixed cost component of the operating budget (mentioned by City of Cape Town) is a serious issue in a city which has to reduce personnel expenditure.

Of particular concern was the impact on large multi-year projects such as the N2 Gateway project within the City of Cape Town which could have an impact of up to 7 years.

## **TRENDS:**

Three of the five districts raised serious financial viability challenges. The financial viability of local municipalities are indeed threatened by factors such as serious capital shortfalls (accompanied by a lack of operational and maintenance funding), and a weak revenue / economic base (characterised by high poverty levels, decline in economic activity, seasonal employment). The pending abolition of RSC Levies is a grave concern.

The City of Cape Town has indicated that they are considering access other funding and have a history of having written off debt in the past.

<b><u>Conclusion:</u></b> <b>Financial viability of municipalities</b>
---

The future financial viability of municipalities is of serious concern in view of implementation of the municipal property rates act, local government equitable share review, future of Regional Services Council Levies; and the establishment of the Regional Electricity Distributors.

The general paucity of financial management capacity in government, but particularly at local government level, is a matter of serious concern across the board. Existing capacity support must be strengthened and targeted at specific capacity gaps within municipalities.

There is thus a need for a clear intergovernmental financial viability strategy, which incorporates better communication around programmes with revenue implications as well as setting a foundation for addressing financial intergovernmental co-operation problems.