

# Provincial and Local Government

## Aim

*The aim of the Department of Provincial and Local Government is to develop and promote a national system of co-operative governance and develop provincial and local government.*

## Policy developments

Prior to June 1999, the Department of Constitutional Development comprised constitutional affairs, provincial and local government affairs as well as traditional affairs. In June 1999, President Mbeki gave the Department a new focus, shifting Constitutional Affairs to the Department of Justice, thus creating a department called Provincial and Local Government Affairs.

This Department is concerned with:

- Provincial government
- Local government
- Traditional affairs.

The 1998 White Paper on Local Government establishes a framework for an improved municipal financial system. More policy work will be undertaken over the MTEF period with guidelines and manuals developed regarding the implementation of these policies.

The Department of Provincial and Local Government is responsible for administering the equitable share for local government and the formula driven distribution methodology attempts to ensure a greater equity in allocations to local authorities. The purpose of the local government equitable share is to subsidise basic services for the poor. Services subsidised include water, sanitation, refuse removal and street lighting.

The Department is engaged in a major initiative to leverage private sector investment in municipal infrastructure. There is a further extension of the Consolidated Municipal Infrastructure Programme into creation of rural infrastructure and additional amounts have been included in the MTEF period.

Over the last four years the Department has developed a range of initiatives to promote, advocate and identify an appropriate role for local economic development in local government. The local economic guide for municipalities, published in 1997, discusses alternative approaches to local economic development and highlights crucial elements of developmental local government. A study on local economic development was conducted to examine existing regulatory and legal constraints. The recommendations of the study will be taken into account in the Municipal Systems Bill.

The Department, the Presidency and provincial Premiers identified a need to establish a mechanism that will promote discussion on provincial issues. In this regard the Presidential Coordinating Council has been established to monitor and drive macro government policies with an increased level of coordination.

The increase in the Departments' budget from the 1999 Estimate reflects a higher allocation for the Consolidated Municipal Infrastructure Programme (CMIP) to take account of Government's renewed emphasis on rural infrastructure.

## Expenditure estimates

**Table 3.1 Expenditure by programme**

R million	Expenditure outcome			Revised estimate 1999/00	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99		2000/01	2001/02	2002/03
Administration	26,5	21,1	19,3	22,0	23,5	24,8	25,8
Cooperative governance and Traditional Affairs	12,7	10,2	8,3	7,4	18,0	19,1	19,7
Development and support	510,6	1 063,2	3 023,9	3 308,4	3 421,4	3 671,1	3 882,6
Auxiliary and associated services <sup>1</sup>	11,9	16,1	85,6	113,8	95,6	88,0	88,6
<b>Departmental vote</b>	<b>561,7</b>	<b>1 111,5</b>	<b>3 137,1</b>	<b>3 451,5</b>	<b>3 558,6</b>	<b>3 803,0</b>	<b>4 016,7</b>
Public Works							
<b>Total</b>	<b>561,7</b>	<b>1 111,5</b>	<b>3 137,1</b>	<b>3 451,5</b>	<b>3 558,6</b>	<b>3 803,0</b>	<b>4 016,7</b>
Change to 1999 Budget estimate	–	–	–	247,9	119,5	172,2	–

<sup>1</sup> Includes authorised losses of R0,1 million in 1996/97 and R0,8 million in 1997/98.

- *Administration* comprises financial management, personnel and provisioning of administration, and legal services.
- *Cooperative governance and traditional affairs* involves the support, expeditious and complete development of constitutional principles and practices surrounding intergovernmental relations, cooperative governance and traditional affairs.
- *Development and support* entails the rendering of support to local government and the promotion of development.
- *Auxiliary and associated services* includes communication services contributions to the Represented Political Parties Fund, the Municipal Demarcation Board and support to the National House of Traditional Leaders and the Khoisan communities.

**Table 3.2 Economic classification of expenditure**

R million	Expenditure outcome			Revised estimate 1999/00	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99		2000/01	2001/02	2002/03
Current							
Personnel	28,1	26,1	27,7	28,7	34,9	38,3	39,8
Transfer payments	505,3	1 037,7	2 369,8	2 632,8	2 576,8	2 704,6	2 848,7
Other	25,2	45,2	35,5	88,2	61,2	62,9	66,0
Capital							
Transfer payments	3,1	0,2	702,5	697,0	883,1	994,5	1 059,5
Acquisition of Capital assets	–	2,3	1,6	4,8	2,5	2,6	3,7
<b>Total</b>	<b>561,7</b>	<b>1 111,6</b>	<b>3 137,1</b>	<b>3 451,5</b>	<b>3 558,6</b>	<b>3 803,0</b>	<b>4 016,7</b>

The increase in personnel expenditure in the first two years of the medium-term provides for the filling of vacant posts. The increase in current transfers is due to increases in the equitable share to local government. In respect of other current expenditure, the large increase in 1999/00 was as a result of assistance to local governments to enhance Y2K compliance. The capital transfer

increases in the medium term relate to the expansion of the municipal infrastructure programme into rural areas.

## Programme 1: Administration

**Table 3.3 Programme Expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	19,6	22,0	22,0	19,6	20,2	–
<b>2000 Budget</b>				<b>23,5</b>	<b>24,8</b>	<b>25,8</b>
Change to 1999 budget estimate	–	2,4	2,4	3,9	4,6	–

Spending on the *Administration* programme rises by R3,9 million and R4,6 million in 2000/01 and 2001/02 due to expansion of Departmental activities.

## Programme 2: Co-operative governance and traditional affairs

**Table 3.4 Programme Expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	11,8	14,5	12,1	14,3	14,0	–
<b>2000 Budget</b>	–	–	–	<b>18,0</b>	<b>19,1</b>	<b>19,7</b>
Change to 1999 budget estimate	–	2,7	0,3	3,7	5,1	–

The first element of the *Cooperative governance and traditional affairs* programme is aimed at supporting provincial and local government to achieve effective constitutional governance. In addition, it promotes the principles and practices of multilateral cooperation including intergovernmental relations and service delivery.

The second element relates to the development and monitoring of policy on the role of traditional leadership, institutions and customary law within a democratic state.

The medium-term expenditure estimates for the programme are increased by R3,7 million in 2000/01 and R5,1 million in 2001/02 due to the need to formulate and implement policies on intergovernmental relations and traditional affairs.

## Outputs and service delivery trends

**Table 3.5 Cooperative governance and traditional affairs: Key activities and outputs**

Key activities	Outputs
<i>Cooperative governance</i> Intergovernmental relations	Establishment of channels for consultation and coordination Auditing of performance of existing relations Enhanced monitoring and information sharing Mechanism and procedure to facilitate dispute resolution Manual on powers of provinces to intervene in local government affairs
<i>Traditional affairs</i> Anthropological services	Anthropological output to government institutions Information generation on traditional communities
Remuneration and capacity building	A database on remuneration issues Support to the National House of Traditional Leaders Resolution of traditional leadership disputes
Policy development	A status report on traditional leadership A Green/White paper on traditional leadership

With respect to intergovernmental relations, during 1999/00 the Department developed a policy framework for intergovernmental relations aimed at aligning intergovernmental structures and improving dispute resolution. A legislative framework on Sections 100 and 139 of the Constitution was drafted to regulate the monitoring and supervision of provinces and local government respectively. A centre to assist provincial and local governments to build institutional capacity was established. The Department also set up a monitoring system on the performance of intergovernmental structures.

The Department aims to strengthen the legislative framework with regard to traditional leaders by revising applicable legislation, proposing dispute resolution mechanisms, re-examining the working of national and provincial Houses of Traditional leaders and strengthening link between traditional leaders and municipal councillors.

With regard to provincial government, policy work will focus on capacity building, improved coordination across provinces and spheres of Government and the establishment of monitoring mechanisms to assess effective governance.

### Policy developments

A forum consisting of the President, all Premiers and the Minister of Provincial and Local Government was established on 15 October 1999 to foster the integration of policy, programmes and activities aimed at enhancing development and service delivery.

The Department has developed a policy framework for intergovernmental planning to align structures and improve dispute settlement. Policy frameworks and strategies for monitoring, support and supervision of local government are being drafted. The White Paper on Traditional Leaders will be published towards the middle of 2000, drawing on research and discussions held in 1999. The Department has also set up a National Khoisan Forum to enable the community to address specific issues with Government.

## Programme 3: Development and support

**Table 3.6 Programme Expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	3 073,3	3 418,8	3 308,4	3 309,6	3 497,7	–
<b>2000 Budget</b>	–	–	–	<b>3 421,4</b>	<b>3 671,1</b>	<b>3 882,6</b>
Change to 1999 Budget estimate	–	359,9	232,1	111,8	173,4	–

The *Development and support* programme renders support to provincial and local government and promotes development. It consists of the following subprogrammes:

- The municipal infrastructure investment programme, which involves the administration and transfer of funds for financing approved municipal infrastructure projects
- A personnel grant for local authorities which operated in former homeland areas (R293 towns)
- The local government support programme, which assists municipalities with management and financial support programmes.

The programme also administers the local government equitable share, which involves fiscal transfers to municipalities. The increase in the programme allocation over the 1999 Budget is mainly due to the expansion of the CMIP and additional amounts in respect of the equitable share for local government.

**Table 3.7 Main transfers to local government**

	1999/00	2000/01	2001/02	2002/03
Consolidated Municipal Infrastructure Programme (CMIP)	695	883	995	1 059
R293 town grant <sup>1</sup>	503	463	463	463
Local government support grant	137	150	160	170
Local government equitable share	1 673	1 867	1 997,0	2 130
Other		58		

<sup>1</sup>In 1999/00, this grant included a R40 million grant to assist with transferring R293 staff to local authorities.

The R293 grant is paid to local authorities in cases where staff have moved to these towns. In cases where they are still employees of a provincial government, the grant is paid to the provincial government.

## Outputs and service delivery trends

**Table 3.8 Development and support: Key activities and outputs**

Key activities	Outputs
Institutional transformation	Extend performance indicators to municipalities Implementation of the Municipal Structures Act and Municipal Systems Bill Performance management systems Municipal structures reform Disclosure of remuneration for municipal executive officers and departmental heads
Capacity building	Implement local government transformation programmes
Local government infrastructure and planning	Integrated development planning Local economic development Municipal services partnerships Management of the consolidated municipal infrastructure programme Operation of the Social Plan Fund Operation of the Local Economic Development Fund Promotion of the sustainability of municipal infrastructure through the capacity building programmes
Disaster management	Legislation on disaster management Development of contingency plans Capacity-building programmes
Local government finance	An early warning signal for municipalities in financial difficulty Capacity building for municipalities Improve payment of creditors Improve municipal credit rating Stabilisation of municipal finances
Municipal finance policy	Implement property rating plan Intergovernmental transfers reform Efficient revenue collection

This programme aims to build and promote a system of local government that is financially viable, focusing on sound fiscal policies and administrative practices. The Department manages a national intervention project, Project Viability, aimed at supporting municipalities identified as experiencing financial difficulties. In addition, the Department administers the system of intergovernmental transfers (including the equitable share) for local government.

The municipal infrastructure and planning function aims to contribute towards the provision of low-income household services and to leverage additional resources from the private and public sector, non-governmental organisations and community-based organisations for service delivery. This includes a number of pilot projects for municipal service partnerships and the provision of technical support to municipalities engaging private sector partners, and the development of national policy and a legislative framework.

The planning component aims to ensure integrated development planning of local development. It also assists municipalities in addressing job losses and local economic development by means of contributions from the social plan fund and the local economic development fund.

The local government development and support programme also manages the process of institutional transformation set out in the Local Government White Paper, Municipal Demarcation Act, and Municipal Structural Act, and supports local government demarcation and election processes. Through this programme, the Department coordinates capacity building and training activities to support the new approach to municipal transformation.

The Department has identified institutional transformation, capacity building, disaster management and local government finance as the key priorities for the *Development and support* programme. In line with these priorities, the Department aims to introduce a performance management system in local authorities by the end of 2000. This system will use performance and service delivery

indicators in policy, planning and budgeting. Training programmes designed to improve capacity in these areas are envisaged.

### Policy developments

The consolidation of the regulatory framework for local government development planning is a key element of the policy programme of the Department. The aim of this policy is to link planning at local, provincial and national level to ensure optimal use of resources and to prevent duplication.

A comprehensive approach to local government transformation is contained in the Municipal System Bill, which is to be presented to Parliament in 2000. The Bill describes the internal restructuring required to give effect to the development of local government. The Department is currently preparing a draft Property Rates Bill to give effect to the principles of equity, simplicity, neutrality, transparency and fairness in the setting of local property taxes.

## Programme 4: Auxiliary and associated services

**Table 3.9 Programme Expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	108,2	117,4	105,3	77,4	80,6	–
<b>2000 Budget</b>	–	–	–	<b>95,6</b>	<b>88,0</b>	<b>88,6</b>
Change to 1999 Budget estimate	–	9,2	(2,9)	18,2	7,4	–

*Auxiliary and associated services* mainly includes allocations for the Represented Political Parties Fund and the Municipal Demarcation Board. Allocations for the Demarcation Board are set to decline from R24 million in 2000/01 to R10 million in 2002/03. The decline in funding to the Demarcation Board was originally projected to commence in 1999/00 but due to delays in preparing for the 2000 local government elections, they will receive allocations over and above the 1999 Estimate. This explains the increases of R18,2 million and R7,4 million in 2000/01 and 2001/02 on this programme. Allocations for the Represented Political Parties Fund are stable at about R60 million per year.

### Outputs and service delivery trends

**Table 3.10 Auxiliary and associated services: Key activities and outputs**

Key activities	Outputs
<i>Municipal Demarcation Board</i>	
Determine municipal boundaries.	Building of effective, efficient and democratic municipal governance
Delimit wards	Provision of the basis for poverty reduction and infrastructure
Align functional boundaries	Integrated geographic information system
<i>Local capacity assessment</i>	
	Effective and efficient system for delivery of municipal services

During the past year the Municipal Demarcation Board concerned itself mainly with the determination of municipal boundaries as envisaged by Section 155 of the Constitution. This process commenced with the determination of which areas should have category A (metropolitan) municipalities and which areas must have municipalities of both category B (local) and category C (district) municipalities. The demarcation process has resulted in the rationalisation of the

country's more than 800 municipalities to fewer than 300 municipalities. The Board's final recommendations propose six category B (local) municipalities and 46 category C (district) municipalities. Furthermore, 10 boundary municipalities and a number of district management areas covering national parks, other conservation areas and deserts are proposed.

In addition to the above, the Board has also assessed the capacity of category C and category B municipalities to perform their functions and made recommendations to the Members of the Executive Committees responsible for local government, on the adjustment of the division of powers and functions between such municipalities.

The Board is also in the process of delimiting all metropolitan and local municipalities into wards. Finally, the Municipal Demarcation Board has been required to attend to a number of ad hoc applications for the adjustment of existing municipal boundaries.

The Represented Political Parties Fund was established in terms of the Public Funding of Represented Political Parties Act of 1997 to fund political parties that participate in Parliament and provincial legislatures. The Act states that every represented political party is entitled to be allocated funds from the Fund to be used for any purpose compatible with the functions of a political party in a modern democracy.