



A Differentiated Approach to the Funding of Municipalities Group 4

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For an Equitable Sharing of National Revenue

WHY DIFFERENTIATED APPROACH?

- Underlying characteristics of municipalities
- Performance based differentiation
- Division of resources
- Targeting capacity building
- Cost differentiation i.e cost implications of mandates
- Possible need to allocate more for “underdevelopment” (D component)
- Function responsibility
- Differentiation across a continuum or in groups

CHALLENGES

- Historical redress
 - Historical issues
 - Backlogs
 - Carrying through previous years creditors
- Cost of compliance
 - No special funding
- Cost of Parastatals i.e Eskom

PRINCIPLES

- Development levels i.e areas without services
- Poverty Backlogs
- Service obligations of another function
- There should a clear assignment of functions and responsibilities
- Financial administration success
- Free basic services
- Cost of service

- Research on performance approach
- Research on cost
- Research on underdeveloped D component
- Available information and data for LG
- Funding of maintenance
- IDP and budgets