

FINANCIAL AND FISCAL COMMISSION  
**POLICY BRIEF**

# LACK OF CAPACITY IS CRIPPLING DELIVERY OF SERVICES IN MUNICIPALITIES

## EXECUTIVE SUMMARY

Based on its research into this critical challenge facing municipalities, the Commission is calling for reforms ranging from changes in the policy (or enabling) environment to issues related to grant conditionality.

**H**uman capital forms the backbone of the public sector and, ultimately, the delivery of services. Despite numerous attempts to attract and retain skills in the public sector, municipalities continue to be hindered by the quality and quantity of public officials available to deliver basic services effectively and ensure the smooth operation of municipal administration.



## BACKGROUND

The South African government has budgeted significant amounts of money for capacity-building. Yet very little research has examined whether such budgets and expenditure have translated into increased capacity and performance, specifically at the local government level. Recognising the need to strengthen municipal capability to deliver on their mandates, the government has implemented an array of interventions. In addition to Project Consolidate and Siyenza Manje, which have had limited success, discretionary funding (through the Financial Management and Municipal Systems Improvement Grants) is allocated annually via the division of revenue process. Notwithstanding the lack of demonstrable outcomes, funding of local government capacity-building initiatives continues unabated. Most recently, Siyenza Manje was unbundled, and the Municipal Infrastructure Support Agency (MISA) was established to drive capacity for improved delivery of municipal infrastructure.



## FINDINGS

A number of key issues emerged from the research and are summarised below:

- To be successful, all three components of capacity building (individual, organisational and institutional) need to be addressed in a coordinated and sequenced manner. Simply attempting to deal with the visible symptoms does not sort out the underlying capacity challenges.
- Capacity constraints are often used to mask the real causes of municipal non-performance. Local government performance is uneven not only because of capacity constraints, but also (perhaps more importantly) as a result of tensions in intergovernmental roles and responsibilities, the political-administrative interface, high vacancy rates and instabilities in administrative leadership, skills deficits, poor organisational design, inappropriate staffing, low staff morale and poor accountability for performance.
- Municipalities outside urban areas in particular struggle to attract experienced technical and professional skills. The situation is worsened by weak linkages with tertiary educational facilities and poorly organised professional bodies, which effectively decrease opportunities for further skills development (DoCG, 2009). In many municipalities, outsourcing activities is seen as an increasingly cost-effective method of delivering services. This is because of the financial pressures facing municipalities, which constrain their ability to increase employment. The skills shortages and employment equity requirements make it even more difficult for towns and rural municipalities to recruit suitably qualified staff (National Treasury, 2011).
- Municipalities' rigid interpretation of the Employment Equity Act has meant that the balance between the need to fill vacancies with competent employees and the objectives of the Act has not been maintained. As a result, positions are not being filled when suitable affirmative action candidates cannot be found, particularly in areas with distinct skills shortages. This has an impact on service delivery.
- To date, capacity-building initiatives have been based on 'one size fits all'. However, consensus is growing for a longer-term, differentiated approach when supporting municipalities. Such an approach would provide an appropriate mix of accredited and non-accredited training, funding and on-site technical support for new systems and business processes etc. The Outcome 9 Delivery Agreement proposes an audit on the quality and quantity of existing capacity at municipalities in order to establish patterns and identify where the greatest needs are.
- Municipalities' limited training budgets make the market-related training costs unaffordable. Furthermore, supply chain management processes contribute to delays in securing capacity-building service providers. Poor internal communication between the Human Resource Development (HRD) officials and finance officials lead to situations where HRD officials are not aware of the available capacity grants and their conditions. Limited resources and budgetary constraints mean that training programmes are selected based on costs, rather than applicability, practicality and quality. The pursuit of cost savings thereby compromises quality.
- Monitoring and evaluating the actual performance, successes and failures of capacity building initiatives has proven problematic, and accountability is murky (FFC, 2010). No reliable, comprehensive data is available for the amount municipalities spend on staff training, or the number of staff that benefit from such programmes. It is also unclear whether such capacity-building programmes have achieved their intended outcomes and impact.

## POLICY OPTIONS

- Lines of authority and accountability have become blurred, with contests for authority between unions and administrations. These dual and contradictory structures of authority have created an environment where institutional collapse and lack of performance are ignored and often vehemently denied, despite overwhelming evidence to the contrary. These structures contribute directly to municipal performance failures and are covered up with references to a 'lack of capacity'.

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Two key recommendations flowing from this research are:

- Capacity-building efforts should be comprehensive and sustainable, instead of quick fix, short-term solutions. There needs to be a move away from one-size-fits-all solutions. The Commission therefore calls for the establishment of a single capacity-support agreement per municipality. This agreement should stipulate all the actions to be taken by national and provincial government and other relevant role-players. Measurable objectives for capacity-development programmes should be clearly defined (relative to credible baselines), and independent exit evaluations should be compulsory.
- Certain pieces of existing legislation provide good guidance for filling critical posts. The minimum competencies, as entrenched in the MFMA, should be strictly enforced so as to ensure that appropriate technical skills are in place. The following functions require particular attention: revenue management, supply chain management, sewerage and water treatment plant operators, road maintenance supervisors, health inspectors and planning and project managers.

Additional recommendations<sup>1</sup> include avoiding political interference when recruiting and selecting (in particular) medium and senior management levels within municipalities and urgently addressing the allocation of powers and functions within the local government sphere.

<sup>1</sup> The full set of recommendations proposed by the Commission can be found in the FFC's 2013/14 Submission for the Division of Revenue.



# RECOMMENDED READING SOURCES

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