

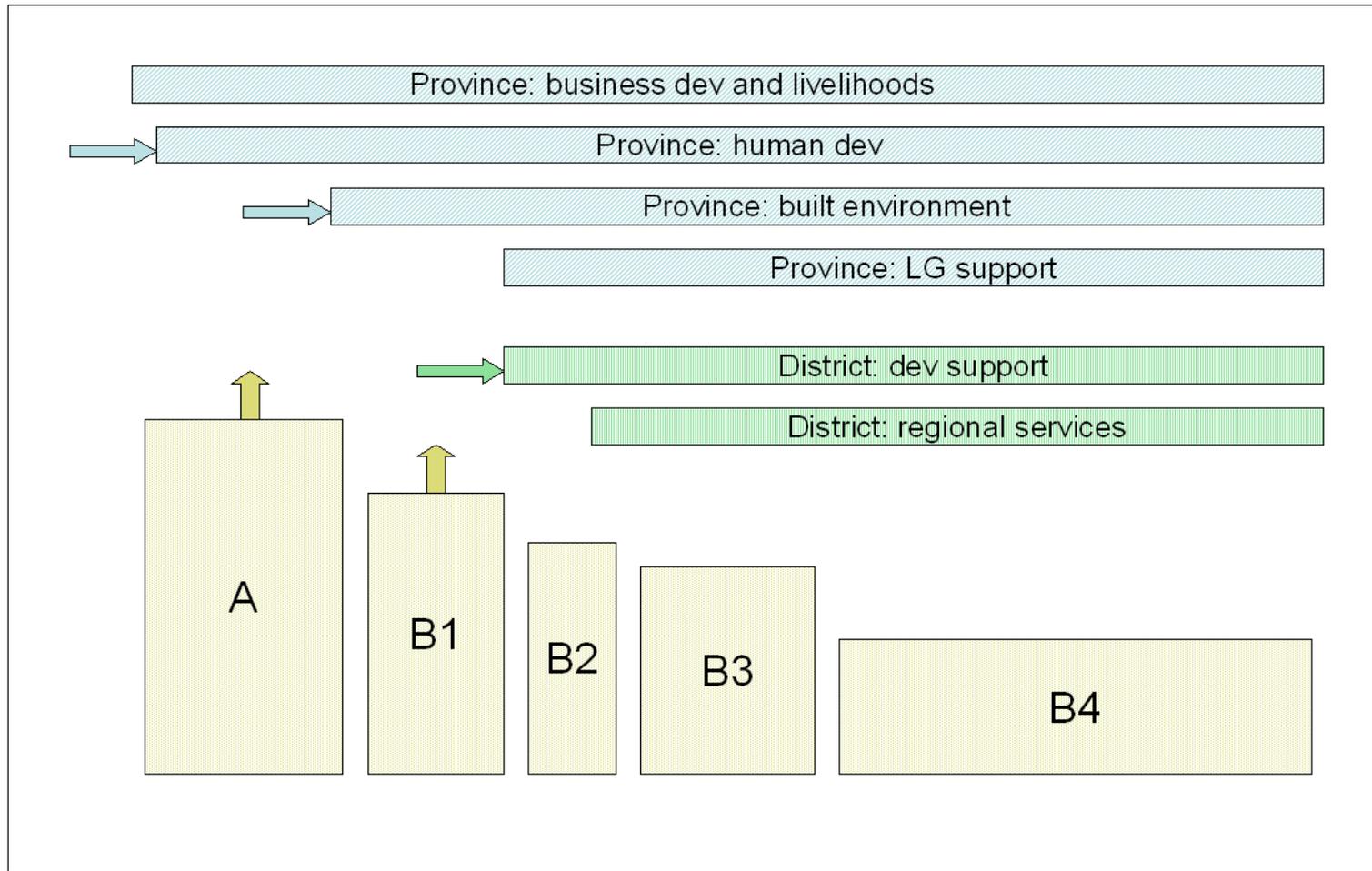
# Local Government Fiscal Framework Hearings

Submission by PDG on key issues impacting on the effectiveness of the LGFF

Ian Palmer 3<sup>rd</sup> October 2011

Alignment of powers and functions

# Linking the LGFF to the fiscal framework – differentiated approach



# Devolving from national and provincial spheres

- Regarding 'national' services:
  - Small to medium scale water resources infrastructure is not being funded or managed properly – should be devolved.
  - The recent division of sanitation between DWA and DHS is problematic and splits responsibility and funding arrangements.
- Regarding 'provincial' functions:
  - The need to **assign** housing and public transport functions to metros and possibly B1 municipalities.
  - The importance of rationalising primary health care, libraries and museums, specifically in metros and B1 municipalities.
  - The need to finalise the interface between provincial and municipal roads.

# Sharing of functions between district and local municipalities

- **Water services:** ‘authority’ of either DM or LM is well defined. But where DMs are authority what does this mean for effective metering and billing systems?
- **Electricity:** the ‘authority’ function is a patchwork and needs to be rationalised.
- **Municipal health** (environmental health) is largely a regulatory function and not a service. It should be an LM responsibility.
- The lack of policy and information on **municipal roads** is legendary and there is ongoing uncertainty regarding scale of problem and way in which DMs and LMs share responsibility.
- Finally, Section 84 of the Municipal Structures Act has created a problematic arrangement where services such as **fire and solid waste management** are split.

# Capacity interventions

Intervention here - under MISA - requires a 'restructuring (transitional) grant to contract management capacity at regional scale

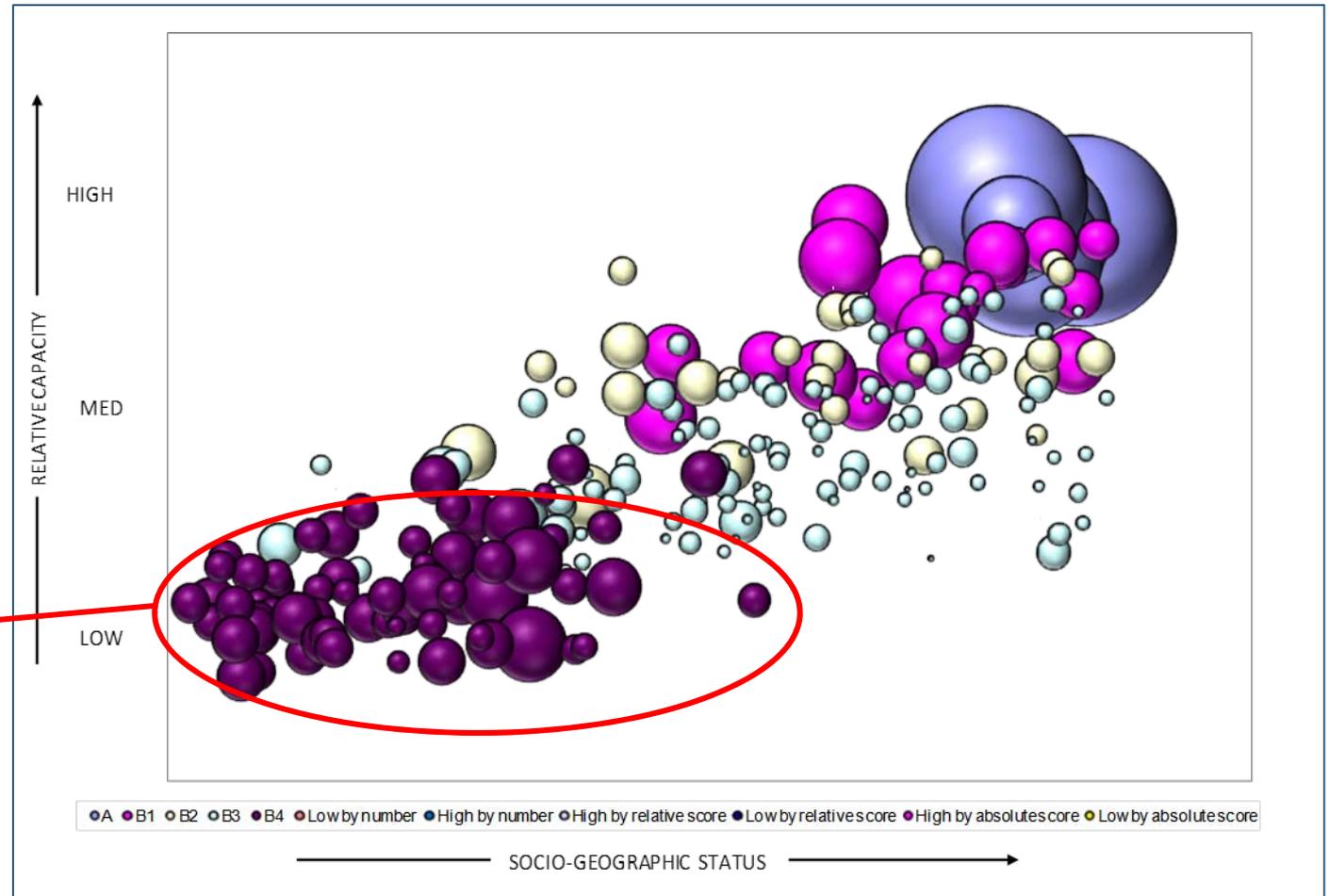


Figure shows all local municipalities with the bubble size as population

# Capital grants and gearing of debt finance

- There is a serious lack of finance for municipal infrastructure across all municipal sub-categories but with the problem most evident in economically weaker municipalities.
- In providing for this a blend of grant and debt finance must be considered.
- Increased levels of grant finance are required but also a return to more integration of grant finance streams: the current trend for disaggregation of grant finance reduces the opportunity to raise debt finance.

*Greater degree of aggregation of both grant finance and debt finance is required.*