



Good Governance Learning Network
SOUTH AFRICA

Submission to the
International Conference
Sound of Africa
EU-Africa strategy: a way out of poverty?
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Good Governance Learning Network

Purpose and Objectives

The **purpose** of the Good Governance Learning Network (GGLN) is to provide an interface for institutions working on issues of local governance to network and share information towards strengthening local democracy. We will do this by developing an understanding of local governance, disseminating information across a wide audience, and fostering a culture of good governance at the local level.

The **objectives** of the GGLN include:

- ❖ Sharing and learning from common challenges by creating an interface for institutions working on issues of local governance;
- ❖ Documentation and dissemination of best practices as well as research information and outputs, that are of benefit to the community;
- ❖ Provision of support for local governance advocacy;
- ❖ Building capacity of practitioners;
- ❖ Creating awareness about the value of participatory local governance;
- ❖ Ensuring a balance between those that govern and those that are governed.

The **members** of the GGLN are:

Afesis-Corplan (East London), the Built Environment Support Group (BESG) (Pietermaritzburg), the Centre for Policy Studies (CPS) (Johannesburg), the Centre for Public Participation (CPP) (Durban), the Community Law Centre (CLC) (Cape Town), the Democracy Development Programme (DDP) (Durban and Cape Town), the Electoral Institute of South Africa (EISA) (Johannesburg), Fair Share (Cape Town), the Foundation for Contemporary Research (FCR) (Cape Town), the Human Rights Institute of South Africa (HURISA) (Johannesburg), the Institute for Democracy in South Africa (IDASA) (Johannesburg), the Isandla Institute (Cape Town), Planact (Johannesburg), the Project for



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SUBMISSION TO THE INTERNATIONAL CONFERENCE SOUND OF AFRICA

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INTRODUCTION

Thank you for the opportunity to make a submission and participate in the debate on a Europe-Africa partnership. As a civil society learning network, we wish to congratulate and thank the current chair of the European Union, the Austrian Government on its initiative in bringing together civil society institutions to participate in this important debate.

The Good Governance Learning Network (GGLN) is a loose network of South African NGOs which primarily focuses on promoting good local governance. The GGLN is funded by the Ford Foundation and supported by other funding partners such as the Charles Stewart-Mott Foundation, and the Open Society Foundation for South Africa. The GGLN fund is managed by the Foundation for Contemporary Research (FCR).

The main objective of this growing network is to share and learn from common experiences by creating an interface for institutions working on issues of local governance. Other objectives include the documentation of and dissemination of good practices, building capacity of practitioners, advocacy, as well as creating awareness about the value of participatory local governance.

One of the key strengths of the GGLN is its diversity and spread. GGLN members work with diverse constituencies in the centres of Johannesburg, Pretoria, Cape Town, Durban, East London, Port Elizabeth; as well as in the rural periphery of the Eastern Cape, Kwazulu-Natal and Limpopo provinces. These constituencies include different gender, race, age, political, and socio-economic groupings. This diversity enriches the practical experiences and valuable lessons learned by GGLN members. Additionally, the network also draws on international experiences and good practices from civil society organisations based in East Africa, South America, and South-East Asia. These organisations, including the GGLN, are members of LogoLink – a *Learning Initiative on Citizen Participation in Local Governance* - based at the Institute for Development Studies, Sussex University.

At its seminar on 22 May 2006, the GGLN members discussed ways to influence the EU policy towards Africa. The focal point of its submission is section 6 of the EU Strategy for Africa, dealing with Governance. More specifically, the GGLN has elected to deal with the role of local government. It has done this because it believes that local government is a governance institution that is not only critical in achieving development but also undervalued in its role and contribution towards achieving development.

The discussions, ideas and recommendations that arose during and from the seminar of 22 May have been embedded and elaborated on in this submission. They can be grouped into two themes.

The first theme concerns the GGLN's response to African initiatives on (local) governance, most notably NEPAD and the African Peer Review Mechanism.

The second theme speaks to GGLN's experiences with the South African system of local government and its ability to facilitate development. It must be noted here that

the general focus of the GGLN's membership equips it to comment in an informed way, specifically on the latter. The second theme deals with (1) the developmental impact of the new role and status of local government in the South African Constitution and (2) the developmental impact of local government's interaction with other spheres of government and local government in order to facilitate development. These experiences are highlighted with a view to influence the EU's thinking on its partnership with South Africa but, importantly also with a view to extract lessons from the South African experiment with local government as a focal point for development.

THEME I: MOMENTUM FOR LOCAL GOVERNMENT IN AFRICA

Point of departure

Development can be defined as a quest for the *improvement of material well being, enhancement of choice and equitable redistribution*. It is the GGLN's firm belief that the aggregate of these three is best achieved through a decentralised effort.

Material well-being mainly has to do with income and economic growth. Developing states can overcome a great deal of their institutional backlog by opting for decentralisation. More and more studies are emerging that challenge traditional claims that decentralisation is negatively correlated with economic growth. Apart from setting aside the inadequate base of these studies, they prove that *incomplete or half-baked decentralisation does more harm than good to economic growth*. Therefore, the GGLN submits that the improvement of material well-being and achievement of economic growth, which is of absolute necessity on our continent, is best served by a decentralised system of governance.

In terms of the development goal of enhancing people's *choice*, decentralisation makes significant contributions. It enhances government's capacity to gauge people's needs and strengthens the link between state and society. The existence of strong subnational entities enables the 'upward' communication of local needs to higher levels of government. Decentralisation has important positive consequences for the ability of people to exercise choice by holding their government accountable. For example, recent studies prove that voters exercise their votes more intelligently in local elections than in national elections.² Finally, decentralisation meets the increasing need for local articulation of identity in a globalising world environment.

It has been argued by many that achieving the development goal of *equity* presents the weakest link in the relationship between decentralisation and development. Regional inequities can be compounded by inadequate decentralisation policies. The conventional wisdom that the central government is better equipped to deal with regional inequities stands. However, the presumption that centralised states outperform decentralised states in countering regional inequities no longer holds water. Decentralisation does not have to lead to the widening of regional inequities if implemented in a balanced fashion and with the right mix of measure to counter regional inequities. In any event, the challenge of regional inequity by no means weighs up against the benefits that decentralisation produces in terms of the other

² Khemani S. (2001) Decentralisation and accountability: are voters more vigilant in local than in national elections? World Bank Policy Research Working Paper No. 2557 (<http://econ.worldbank.org/resources.php>, accessed 6 June 2004).

two development goals. However, it does emphasise the need for a role of the central government in pursuing equalisation policies, particularly in distributing intergovernmental grants.

What emerges from the above is a substantiated claim that decentralisation to local government is good for development in Africa.

Momentum for local government in Africa

There is growing momentum in Africa around enhancing the role of local government in development. Local government, often overlooked or undervalued, is becoming the key driver in developing Africa. The growing consensus is found at the highest levels. Kofi Annan, Secretary General of the UN, has said that, “70% of the [Millennium Development Goals] are to be achieved primarily through local governments working in consultation with NGOs and national stakeholders.”

The emergence of the *Africities* summits (1998, 2000, 2003 & 2006) was the first African initiative to focus on the central role of local government in development. The summits bring together African mayors and ministers for local government. In 2000, they endorsed the need to strengthen the role and status of local government by protecting local government in their Constitutions. In 1999, however, the South African Development Community (SADC) already held a local government conference where, for the first time in Africa, the attendant ministers resolved to have local government enshrined in their constitutions to ensure it adequate protection. Constitutional protection of local government then gained momentum. In 2005, the Commonwealth, with its large contingent of African governments, adopted the *Aberdeen Agenda* on local government. The key principle of the *Aberdeen Agenda* is the commitment to ensure constitutional and legal recognition for local government. The UN Millennium Project Report in 2005 stressed strengthening local government as a central focus in urban development.

The New Partnership for Africa's Development (Nepad) is perhaps the most important driver of decentralisation in Africa. Adopted in October 2001, Nepad's long-term objectives are to (i) eradicate poverty, (ii) accelerate growth and (iii) end Africa's marginalisation in the globalisation process. The key goal, however, is poverty eradication, and all others should be seen in this light. Nepad is also distinct from other African development initiatives since it is 'owned and led' by Africans, has broad participation, builds domestic and international partnerships, and is tied to the MDGs. At its heart lies the African Peer Review Mechanism (APRM). Any Nepad signatory can voluntarily submit itself for peer review; indeed 23 nations have done so and two, Ghana and Rwanda, have already completed their self-assessment. The APRM has four key elements: (i) democracy and good governance, (ii) economic governance and management, (iii) corporate governance, and (iv) socio-economic development. Each element is comprised of a key objectives related to the central goal. These objectives are evaluated against codes and standards laid out in the APRM documents, such as international treaties and other recognized best practices. A nation's success (or lack thereof) is measured against a set of criteria listed in the APRM. To guide countries in their self-assessment, as well as their peer reviewers, there are corresponding indicators for each criteria. The process will, ultimately, produce a peer-reviewed national strategy for each participating nation to address the developmental priorities of the APRM.

However, it is surprising that, in the face of a strong African commitment to local government, no APRM document explicitly mentions the role of local government, nor do they distinguish between the central, regional and local spheres of government. The APRM “Master Questionnaire”, however, defines decentralisation as the ‘restructuring or organisation of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities of sub-national levels’ This localising process is to be promoted to achieve the long-term Nepad goals.

It is submitted that Nepad leaders and documents must recognise the key role of local government in service delivery. It is already happening, albeit too slowly. In his 2006 progress report, Professor Firmiro Mucavele, chief executive of the NEPAD Secretariat, reflected the decentralisation trend, noting that the goals of NEPAD required the “sustained efforts” of all stakeholders, including “local government and municipalities”.

This is where we arrive at our first suggestion of a point to be taken forward in further discussions around the EU-Africa strategy. It is the GGLN’s submission that the governance chapter of the European Union’s strategy for Africa should reflect the growing momentum for local government in Africa. When, for example, the EU resolves to “Support good governance programmes at country level and help build the capacity of the African Union and Africa’s regional and national institutions” the need for supporting the capacity of regional and local governments (through national institutions or directly) should not be overlooked. This is also consistent with the EU’s own draft Handbook on Promoting Good Governance in EC Development and Cooperation (31, 85-89). One of the six “core concerns” is “decentralisation and local government reform/capacity building”. Not only is this EU development policy consistent with Nepad, the very purpose of Nepad is to create international partnerships around key, African-identified development priorities. The EU should thus consider the protection and promotion of local government a central pillar of its developmental donor strategy.

THEME II: GIVING CONTENT TO LOCAL GOVERNMENT’S ROLE IN DEVELOPMENT

Local government, in and of itself, is by no means a guarantee for successful development. The dangers and pitfalls are undoubtedly there: regional inequity, increased exposure to corruption, macro-economic considerations, the bureaucratic and financial cost of a decentralised system of government etc. These factors should be pivotal considerations in the design and implementation of a decentralisation model. The choices made in crafting and implementing a framework for local government should maximise the benefits of decentralisation and minimise its dangers. This is why this submission includes a second theme, dealing with South Africa’s experiences in designing and implementing a system of decentralised development.

The design and implementation of a system of developmental local government must be carefully tailored to the needs of the local context. This requires African

governments to enter into a continuous exercise of reflection, experimenting, policy and legislative review, best practice sharing, redesign etc.

The remainder of this submission seeks to present a number of key principles that, in our view, should underpin the European Union's attitude towards its partnership with Africa around local governance. Most of the principles are complemented with experiences and concerns that are derived from the experiences of GGLN members with the South African system of developmental local government.

Developmental impact of status of local government

The GGLN submits that the principle of *local government autonomy* is critical to ensure that local governments can fully exploit this developmental potential. This concept of autonomy can be broken down into *local democracy*, *powers* and *financial autonomy*.

Local democracy

Local governments need to be democratic, i.e. they must have councils, *elected* by the local citizenry and they need to foster *participatory* governance.

In order for it to live up to developmental aspirations, the systems for local government must entrench principles for participatory governance that stimulate municipalities to devise their own mechanisms for involving citizens in local government affairs. These principles should instruct local governments to involve disadvantaged sectors of society.

Citizen participation in South Africa

The South African experience shows that generic, enforceable principles of citizen participation should be preferred over detailed prescriptions. Detailed prescriptions are easily regarded as a minimum and thereby eclipse local creativity around ways to involve the community. This assertion is based on research conducted by GGLN members on the value and practice of citizen participation in local government.

Spaces for participation

A distinction can be drawn between two types of "spaces" for public participation. One is "provided space" which refers to government-provided opportunities for participation. "Provided spaces" tend to be regulated and institutionalised through a set of policies and laws. Since 1994, South Africans saw the opening of "provided spaces" for public participation in democratic local governance through policies and laws such as the South African Constitution, the White Paper on Local Government, the Municipal Structures Act, Municipal Systems Act, the Municipal Finance Management Act, and the Municipal Property Rates Act. These policies and laws invite citizens to participate in a range of government created and regulated structures such as Integrated Development Planning (IDP) representative forums and ward committees. Participation taking place in these "provided spaces" is generally known as structured participation or participation by invitation. An important characteristic of such participation is that it takes place within parameters set by the state and is invariably regulated and systematised to neatly fit within broader government operating frameworks.

Research conducted and experience shared by GGLN Members shows that structured participation/participation by invitation often excludes the poor and other marginalised groups (e.g. women, the youth). This is due to physical and hidden barriers to participation which the provided spaces for participation do not take into consideration. One example of such a barrier is the distances poor

people have to travel to attend meetings, given that they do not have resources to travel.

A second set of spaces are “popular spaces”, which refers to arenas in which people come together at their own initiative – whether for solidarity or to protest government policies or performance or simply to engage government on terms that are not provided for within “provided spaces”. “Popular spaces” may be institutionalised in the form of groups or associations (e.g. the Anti-Privatisation Forum or civic associations), but they are mostly transient expressions of public dissatisfaction or dissent. Participation taking place in these spaces is generally known as “popular participation”.

The spate of protests against local government’s poor performance in terms of poverty alleviation may be considered an example of citizens occupying “popular spaces” to voice their frustration.

In a *bona fide* democracy, people have the right to occupy the spaces they regard as the most appropriate sites for raising citizens concerns. Rather than being straightjacketed into ward committees and IDP forums, citizens have a right to choose their own ways of engaging government, provided they act within the law. The measure of a true democracy is therefore not just the complexity of its regulatory framework for citizen’s participation (provided spaces) but the extent to which it is able to accommodate independent initiatives by civil society for engagement. Furthermore, a sophisticated government approach allows for the processing of civil society feedback from the realms of provided space as well as popular space.

The GGLN believes that government should accept that citizen-initiated forms of participation and even protest or critique are as important as the provided space for participation set out in policy and law. We acknowledge however that, local government, being institutionally weak and suffering serious capacity shortfalls in this juncture of our evolving democracy, may find it particularly difficult to accommodate popular and non-regulated forms of participation. International experience suggests that effective structured participation may lead to better service delivery and improved livelihoods for the poor. Thus the temptation for frustrated communities to enter into a confrontational relationship with municipalities can be reduced. Though structured participation in South Africa should never be conceived of as a substitute for an autonomous and vibrant civil society, it can prevent the more disruptive forms of public participation that result when entire communities and local populations begin to perceive themselves as alienated from their elected political representatives and appointed senior municipal officials. How then, can structured participation be made more effective? Issues that have to be addressed in this regard include:

- the inability/incapacity of some municipalities to implement legislated provisions for public participation in local government;
- the under-resourcing of formal structures for public participation such as ward committees, and IDP forums; and
- the electoral system of formal participatory structures such as ward committees and IDP forums which does not result in broad representation of diverse community interests.
- the perception of helplessness that arises within local civil society when the municipality persistently misallocates or abuses public resources including local revenue and inter-governmental transfers.
- The absence of instruments and mechanisms through which formal participatory structures can be held accountable by people whose participation they are supposed to facilitate.

Ward Committees

Legally, a ward committee exists to ensure public participation in local government and as such is a key mechanism for enhancing participatory democracy in local government. Recent studies however suggest that ward committees are not fulfilling this mandate mainly due to:

- uneven credibility and awareness amongst local communities - sometimes

related to the perception that ward committees are packed with supporters of the local ruling political party;

- lack of any evidence that ward committees have preferred access to municipal information or able to influence council in any significant way;
- a lack of municipal capacity to facilitate and support ward committees;
- physical constraints like the vastness of wards, inappropriate demarcation and the familiar challenges of largely rural constituencies
- political manipulation and indecivness regarding the remuneration of ward committee members.

These issues will have to be addressed if ward committees are seen as an integral part of a structurally aligned community participation model.

Additionally, GGLN members have noted that many civil society organisations are not actively involved or participate in ward committees because of the way in which the civil society organisations are structured. These organisations may be situated in a specific ward in terms of office location, but their area of operation may exceed the boundaries of that particular ward. Such organisations find it difficult to make meaningful inputs in the current “provided spaces”.

Integrated Development Planning (IDP)

As a network we acknowledge that the IDP process generated more public participation in municipal planning than ever before in the history of South Africa. This perhaps seems to be one of the most valuable outcomes of the IDP process thus far. However the IDP programme in South Africa has generally not benefited from a more critical understanding of the role of planning in extending the control of the state and the extent to which decision-making can easily become the exclusive preserve of experts. Where IDPs have generally made no impact on local government effectiveness and resource distribution the credibility of IDP policy and its programmatic conventions, hang in the balance. Important questions remain about who is actually served by IDPs and how non-technical discourse and knowledge are often relegated to the periphery. Furthermore, a number of factors that have impacted on the quality of participation. These factors include:

- Vast distances that had to be travelled due to the size of municipal areas after the 2000 re-demarcation process;
- Participation fatigue – people are tired of “participating in their own development” without seeing meaningful benefits of their participation;
- The way the process was managed – bureaucratic red-tape and under-resourcing of participatory structures such as IDP forums;
- The inability to ensure the participation of the business sector (including farming) at area-based and local municipal level;
- The lack of special efforts to ensure the participation of non-organized marginalised groups in the IDP process (e.g. unemployed or specific poverty groups such as landless and homeless people).

To address the above challenges, the GGLN recommends the following:

- Address the issue of IDP ownership. IDP should not be seen as the sole responsibility of a specific department or only a few municipal officials. The message should go out that the IDP “belongs to everybody”. Municipal managers should see to it that the IDP is owned by the people of the area and that it does not become the responsibility of one person or municipal department only. The proposal to develop inclusive ward plans which will be integrated into the municipal IDP will assist in popularising the IDP as well as in making the community-municipality link clearer.
- The extent and impact of the participation of marginalised groups should be measured over a period of time through the application of appropriate participatory monitoring and evaluation tools;
- The development of key performance indicators (KPIs) should be complemented with a holistic system to monitor and evaluate the impact and effectiveness of public participation in achieving agreed development

outputs and outcomes of the IDP. The use of such a holistic participatory monitoring and evaluation system would also serve as a means by which communities can keep local government accountable to the policy choices and development targets that were selected in the course of the IDP participatory process.

- In general to develop a more analytical and critical understanding of the role of hegemonic planning interventions like IDP and how these tend to shape rather than simply 'serve' the country's development agenda.

Powers of local government

Governments that aim to stimulate development should equip local government with powers that provide *final decision-making power* over matters that are *relevant to development*. These powers should be *clearly demarcated*.

Final decision-making power that is relevant to the development mandate

Municipalities should be creatures of the Constitution, rather than creatures of Statute. Statutes are subject to the changes, that reflect the political will of the day whilst Constitutional protection of the generally endorsed principles of the system would protect local government. It should be safeguarded by a robust legal framework. The degree to which senior governments can supervise the municipal exercise of functions should be couched in clear language and leave sufficient room for local discretion.

Local government powers should be relevant to the development process. The institutional framework should be premised on a realisation that local government offers great potential especially with regard to enhancing choice. They should include powers over areas that are intrinsic to the development process, such as housing, local economic development, sanitation, municipal health services, local road infrastructure, local trade etc. If local governments would be empowered only in areas that have little or no impact on development, such as, for example, dog licences or animal burial places, the developmental potential of local governments is negated. A useful indicator (additional to indicators pertaining to economies of scale, chargeability etc.) for determining whether or not a function should be decentralised to local government is the degree to which citizen participation is critical for the correct exercise of the government function.

Local government functions in South Africa

An area of discontent with the South African framework for local government powers arises from the manner in which housing policy is formulated. The Constitution locates 'housing' within the real of concurrent national and provincial policy making.

No doubt, housing lies at the heart of people's development. Housing is perhaps the most salient element of development as a process of enlarging people's choices, standard of living and access to resources. Housing priorities and budgets are set at national and provincial level. Housing delivery by local government takes place on the basis of subsidy applications to provincial governments who judge these applications against their standards. For example, a local government official expressed his perception of the role of local government in housing delivery as one of "identifying land and submitting a housing waiting list to the provincial Housing Board". The question then arises whether a truly 'developmental' municipality should not be empowered to set its own priorities when it comes to facilitating people's access to the most fundamental aspect of development. National and provincial government can still

exercise the necessary supervision by means of their legislative powers.

Clear demarcation

Local government powers should be clearly demarcated. Complicated structures of allocating powers and functions to multi-tiered local governments should be avoided.

Two-tiered local government in South Africa

The current dispensation of local government (outside of the six metropolitan municipalities) comprises 242 local municipalities grouped together to form 46 district municipalities. The Constitution envisages that the basket of local government functions is divided, asymmetrically, between the district and local municipalities. There is a 'standard' division of functions. However, departures from the standard division can be effected by national and provincial executives. In fact, the coming to life of the district municipality is kept in abeyance through an intricate scheme of authorisations and adjustments.

The standard division between district and local municipalities is problematic. The new policy is premised on the principle that the *locus* of responsibility for development falls to (...) district municipalities. The initial role of a district municipality as being responsible for strategic oversight, redistribution, delivery of district-wide services and bulk services seems to make way for a role whereby direct service delivery in water, sanitation, electricity and health is the key. The most fundamental problem with the allocation of direct service delivery to district level is the fact that governance over critical developmental areas is too far removed from the citizens. District councils have inherently weak accountability systems. First, district municipalities cover areas that could easily stretch for hundreds of kilometres. The Northern Free State District Municipality has the same diameter as Belgium; the Namakwa District Municipality stretches virtually the same length as Kansas; Xhariep District Municipality is the size of Hungary. The enormous physical distances between service delivery and administration, coupled with a rural clientele that often has little or no access to modern communication mechanisms, is a recipe for unresponsive, bottom-down governance. Second, there are no constituency representatives on district councils. The council is comprised of representatives from local municipalities and party representatives that represent the district as a whole. In most cases, a particular community's ward councillor would not be a member of the district council. Matters pertaining to the price, quality and coverage of water, sanitation, electricity or municipal health services are typically matters that require a high degree of citizen participation. Complaints and suggestions will be raised with the ward councillor who has little or no access to decision-making at district level. If a particular community want to raise an issue pertaining to these matters it thus depends either on politicians that formally represent the entire district area or on politicians that represent the (majority) position of their entire local municipality. It is suggested that the subsidiarity principle that underlies local government autonomy is ignored when governance over critical developmental issues is lifted over the closest level to a level that is practically out of reach for the beneficiaries of these developmental efforts.

Second, the two-tiered system of local government has produced a great deal of uncertainty after the 2000 elections. Planning and budgeting efforts were seriously impaired by doubts over the allocation of functions and powers. The complexity of the system, whereby the exact division of powers and functions between two tiers of local government is made subject to executive decisions, has harmed South Africa's performance on achieving a clear demarcation of powers.

Financial autonomy

A sufficient degree of autonomy in financial matters lies at the heart of decentralisation that aims to facilitate development. The extent to which senior governments can limit local autonomy through regulating resource flows is a matter of great sensitivity in South Africa. Fiscal policy sets out to ensure that financial allocations are non-discretionary and are matched to development need and local affordability patterns. In policy terms, municipal functions and responsibilities are attached to revenue sources but in practical terms this is not always the case.

Minimising fiscal imbalance

The institutional framework should maximise the revenue-generating powers of local government. A decentralisation design that is premised on the need for development must prevent local governments from being burdened with duties without the concomitant resources. Decentralisation should therefore not result in the delinking of taxing and spending responsibilities. Separating the responsibility to deliver services from the power to generate revenue creates a skewed accountability:

- local governments do not have to justify to the local population how the moneys were spent and
- a propensity for commitment to national government as opposed to the local citizenry is created.

Local revenue generation, however, enhances accountability for local spending and stimulates accountability to the municipal community instead of to other levels of government. This results in a stronger link between expenditure and local service priorities and can facilitate more innovation in addressing those priorities. This assertion is, however, based on the assumption that the citizens' role in enforcing accountability is acknowledged and facilitated by the local governments and that local governments are able to adequately report on their spending.

Local government financing in South Africa

In general, the South African medium term financial policy instruments for provincial and local government present a strong pro-poor orientation and good intentions are backed with a reasonable level of funding. The key challenge is the availability of skilled and efficient human capital at local government level for the successful implementation of the projects. Also of concern is the ongoing imbalance between operational costs (about 83% of spending) and capital projects and the fact that more is spent on salaries and allowances (on average 31.7% of budget) than services (See National Treasury: 2005). Large imbalances remain between the capital budgets of metros and those of the medium and small municipalities, largely due to variations in the capacity to draw down such funds. Nationally, municipalities are making less of an effort to generate their own revenue; property rates for example have gone from about 60% of revenue in 1998 to 20% in 2004. Much of this is attributable to the manner in which non-discretionary financial transfers cushion municipalities from the need for responsible local spending and effective credit control. Despite strong legal provisions for independent auditing of government finances, the public has little accurate information on municipal finance because in many provinces only slightly more than 50% of municipalities submit or are in a position to submit the proper financial documentation.

Unfunded mandates

One of the principal reasons for the poor record of decentralisation in developing countries is the ‘mismatch’ between the decentralised responsibilities and financial authority. Limited revenue-generating possibilities and little or no access to capital markets coupled with insufficient assistance from the central state, is a common recipe for local government failure. A decentralisation design that is premised on the need for development must prevent local governments from being burdened with duties without the concomitant resources.

Local government should be entitled to a municipal entitlement to a share of nationally generated revenue. A constitutionally guaranteed entitlement to intergovernmental transfers enhances the financial stability of (mostly rural) under-resourced municipalities that would otherwise be deprived of any real revenue.

Critical size

Local governments should have a revenue base that is capable of delivering a sustainable flow of revenue and offers the potential to redistribute resources within the municipal area. However, the need for critical size must be balanced against the requirement of citizen participation. A municipality large in size creates serious challenges in terms of citizen’s participation. Especially in a context where access to new forms of communication is limited, the disadvantage of long distances will be felt. There is a strong democratic objection against placing decision-making powers over critical development areas at a level of governance with physical and institutional constraints that render notions of responsive government and citizen participation an empty shell. Much of the advantageous effects that decentralisation has on the element of choice in development would be lost.

Developmental impact of intergovernmental relations

The functionality of relations between national government and decentralised units is arguably the most critical success factor in the organisation of the decentralised state. The importance of linkages between central and local organisations is emphasised in nearly all studies on decentralisation.

Local government autonomy can thus never mean that municipalities have an unfettered discretion to exercise their functions. Supervision ensures that national government maintains oversight over the decentralised development effort. Supervision comprises of *regulation*, *evaluation/intervention* and *redistribution* and must function to correct the unwanted effects of autonomy. However, an efficient system of supervision enhances local government autonomy because it will result in central governments more readily devolving powers.

Capacity for supervision of local government

It is often underestimated that supervision of local government requires specific attitudes and skills in national and provincial governments.

Supervision in South Africa

In South Africa, much like in many other African states, local government historically operated as an extension of national governments. Supervision was never complicated as there was no need to strike a balance between local discretion and supervision: national and provincial oversight was, and had to be, pervasive.

Without diverting attention from the dearth of knowledge and expertise at local government level, it is necessary to stress that national and provincial departments are but slowly coming to terms with local government's new role.

Development assistance that is aimed at supporting South Africa's local government system must therefore also aim at supporting the capacity of senior governments to supervise and interact with a local government sphere that has a level of autonomy and independence.

Europe, with its long tradition of local government in many of its Member States, could provide useful assistance to national and provincial governments' ability to maximise the benefits of decentralisation and minimise its disadvantages.

Intergovernmental planning

Many of the 'side-effects' of decentralisation cannot be solved through optimising autonomy and/or supervision. Intergovernmental dialogue is as critical to the success of decentralisation as protecting autonomy and maintaining supervision. A spirit of cooperation is a prerequisite for success.

One of the principal instruments towards achieving a coherent system of developmental government involving strong local governments is integrated planning. Local government should participate, as an equal partner, in the integration of policies of the various levels of government.

Inasmuch as the legal and policy regime for local government in South Africa includes a progressive framework for intergovernmental planning, there are problems surrounding the capacity and willingness of other spheres' line departments to engage in integrated planning together with local government. There is a critical need to provide support for strategies that infuse intergovernmental dialogue into the strategic planning paradigm.

Assessing the integrative potential of IDP: a case study of KwaZulu-Natal

A case study, conducted in 2002 in the province of KwaZulu-Natal showed a disturbing trend where local government is seen as a 'line function' of the Department of Local Government and where provincial sectoral departments do not engage sufficiently with local government planning.

The municipalities that were interviewed were appreciative of, and positive about, the support that they had received in their IDP process from the provincial department of *local government*. At the same time, municipalities had realised the importance of vertical integration of policies with other provincial sectoral departments. As one municipal manager put it clearly: "Many issues arise out of the IDP process, which fall outside of our budget; they should be budgeted for by provincial or national departments." However, when municipalities were asked about the IDP process and the interaction with other (sectoral) provincial departments, their feedback was, in general, remarkably negative. A key

complaint was the lack of cooperation from provincial sectoral departments. A provincial official affirmed that: “When we approached the [sectoral] Department on their planning and how it would interact with IDPs, their reaction was: “our plans are on the internet – you can get it there”. The research shows that some provincial departments are blissfully unaware of municipal IDPs and that communication and sharing of information during municipal IDP processes is sorely lacking. Numerous respondents complained about the lack of understanding and interest of departments in IDPs; they show little interest in municipal IDPs, thereby stifling its integrative potential. Research carried out by the National Assembly’s Portfolio Committee on Local Government and a Ministerial Advisory Committee on Local Government confirms this finding.

The consequences of the lack of cooperation and coordination are real. A municipal manager related how the municipality resolved to keep a site open to have a school built by the Department of Education. However, the school was never built and the site became occupied by informal dwellers. It highlights the need for intergovernmental dialogue and planning. Importantly, because of local governments’ more intensive interaction with citizens, municipalities would bear the brunt of citizens’ frustration and anger about the lack of delivery on the part of other spheres of government.

Institutional and legal environment

National government bears the responsibility to ensure that there is an institutional environment for local government that promotes development. The regulatory system must be predictable. A continuously changing institutional environment is harmful for a municipality’s ability to achieve optimal service delivery and development results.

Predictability of South African local government system

The GGLN affirms that the South African approach to local government represents a bold and intelligent approach to development, which should attract the attention of those involved in crafting and implementing decentralisation schemes for transitional states elsewhere. However, the GGLN members express a concern in relation to the predictability and continuity of the local government system. It urges the European Union to support South African initiatives at reviewing the framework for local government.

For example, South Africa’s high quality electoral system for local government includes the possibility for councillors to change party allegiance mid-term. This has proved to be a cause for great instability and an excuse for a disproportionate focus towards party politics and away from development and service delivery. There are serious concerns amongst the GGLN members as to whether or not this aspect of the electoral system, democratically justifiable as it may be, represents the best approach to a stable and predictable environment for developmental local government.

Similarly, South Africa’s choice for the ‘quasi-presidential’ system of executive mayors for large municipalities is another example of an experiment that is worthy of a thorough analysis of advantages and disadvantages.

Lastly, South Africa’s choice for the top brass of municipal management to be unequivocally politically appointed, has given rise to a lot of controversy. The sometimes sketchy relationship between senior managers’ conditions of service and their performance, coupled with the abovementioned mid-term changes of party allegiance has already resulted in a high turnover of senior management at a high cost, both in terms of finances and governance stability.

CONCLUSION

In conclusion, the GGLN would like to submit make the following recommendations:

1. The governance chapter of the European Union's strategy for Africa should better reflect the growing momentum for local government's role in development in Africa.
2. In supporting countries and regions in Africa, the need for supporting the capacity of regional and local governments (through national institutions or directly) should not be overlooked.
3. The principle of local government discretion is critical to ensure that local governments can fully exploit their developmental potential. Initiatives and reforms aimed at enhancing local government's status in the nation's institutional structure deserve the EU's support.
4. A critical component of these reforms should be the devolution of a sufficient degree of discretion over financial matters as this should bring accountability for public expenditure closer to the people. However, in order to realise the values of local accountability, local governments must be supported in the area of financial management. Currently, financial management is the Achilles heel of many South African municipalities. The EU is encouraged to assist in the strengthening of capacity in financial management at subnational level.
5. Limited revenue-generating possibilities and little or no access to capital markets coupled with insufficient assistance from the central state, is a common recipe for local government failure. It is submitted that local governments must have taxing powers and a revenue base that is capable of delivering a sustainable flow of revenue. This local revenue, which will always be insufficient, must be complemented by sufficient intergovernmental grants, delivered through a redistributive grant system. African initiatives in this direction deserve to be encouraged and African states must be supported in the development of these local taxation and redistributive grant systems.
6. Whilst local government harbours great promise in terms of public participation, a strong emphasis on structured mechanisms for participation has proved to produce little success. In South Africa, the stage has been set for sound public participation through strong local government and progressive policy. However, the EU's support is needed for converting this into real participatory governance. The emphasis should be on harnessing local potential and local information through creative usage of public space rather than predetermined and structures forms of participation.

7. Strong local government requires strong central or provincial supervision. The negative effects of local discretion must be minimised through effective supervision of local government by senior governments. In many African states, the balancing act of supervising *strong* local governments is a relatively new concept. There is a need for the EU's support in this area.
8. Integrated planning across levels of government becomes more challenging in a decentralised system. Initiatives aimed at supporting substantive intergovernmental dialogue between levels of government on planning should be supported.
9. Institutional and legal frameworks for local government should factor in the need for a sustainable and predictable environment for municipalities to operate in. With regard to this, there are concerns about aspects in the South African system that are not conducive to creating a predictable framework for local government. Initiatives, aimed at evaluating the framework on these aspects, should be promoted.