



IMPACT OF LOCAL GOVERNMENT FUNDING IN ZULULAND DISTRICT, SOUTH AFRICA

Submitted in fulfilment of the requirements of the degree: Doctor of
Philosophy in Management Science (Public Administration) in the Faculty of
Management Sciences at the Durban University of Technology

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By

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ABSTRACT

This study reviews the impact of Local Government (LG) funding in Zululand municipal jurisdiction, with the purpose to identify and measure the motivational factors that influence LG funding in South African municipalities. The study was motivated by challenges confronted by municipalities outside the metropolitan areas, where service delivery and infrastructure are lagging. The importance of linking social development with the respective funding mechanisms was further explored, with the view to determining the level of funding and financial intervention for community social and economic well-being. The thrust of the study concerned the balancing of insatiable community demands from various municipalities, versus the limited national government resource base to meet those demands. These demands form the basis of the factors that contribute to cost overruns in municipalities, inadequate planning, poor cost estimates, and scope changes, as well as project delays, corruption and material price escalation. In order to achieve the main purpose of this study, a mixed research method allowed both quantitative and qualitative data to be gathered from a sample of 30 participants, drawn from four municipalities in Zululand, through a self-administered questionnaire. Data were analysed using SPSS version 25.0, with results presented in frequency tables, figures, correlation tables, and cross-tabulations.

The findings reveal that, to a larger extent, internal factors contribute to the under-performance of municipalities; wherein an understanding of statutory instruments is lacking by the respective municipal staff responsible for finance. These internal factors develop from other associated factors, such as recruitment policies and regulations, human capital development, budget constraints, and more. The results further indicate that political interference, unemployment, poverty, and lack of adequate funding from National Treasury (NT) inhibit infrastructure and social development contribute to poor

municipal performance. There is little emphasis or very limited work published on strategies that impact sustainable social service delivery and infrastructure investment in municipalities in particular and local government in general.

It is envisaged a study of this nature will provide insights to management, key personnel and leadership into critical issues, and provide solutions to the major causes of social service inefficiencies, social inequality and social injustice from a local government funding point of view.

Key words: Local Government Funding, Statutory Instrument, Service delivery, Infrastructure

DECLARATION

I, the undersigned, Kudakwashe Karikoga Maone (Mr), hereby declare that this is my own, original work, and all sources used in this dissertation have been properly acknowledged and accurately reported. This dissertation has, furthermore, not been submitted and will not be presented at any other University for a similar or any other degree award, and no journal articles/conference papers have been published.

Kudakwashe Karikoga Maone

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DEDICATION

I dedicate this study to my wonderful late parents, Joseph M’pangire Maone and Otila Esnath Jenje-Maone. I wish you were there to witness this milestone of my life. Forever loving you.

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ACRONYMS AND ABBREVIATIONS

AFS	Annual Financial Statements
ANC	African National Congress
BER	Bureau for Economic Research
CFO	Chief Financial Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
CMIP	Consolidated Municipal Infrastructure Program
COGTA	Department of Cooperative Governance and Traditional Affairs
CS	Corporate Services
CSIR	Council for Scientific and Industrial Research
DIF	District intergovernmental forum
DM	District Municipality
DoRA	Division of Revenue Act
FFC	Financial and Fiscal Commission
FIS	Financial Information System
FY	Financial Year
GDP	Gross Domestic Product
GVA	Gross Value Added
HCT	Human Resource Capital Theory
HR	Human Resources
HRM	Human Resource management
IDP	Integrated Development Plan
IFAC	International Federation of Accountants
IFI	International Financial Institution
IGRFA	Intergovernmental Relations Framework Act
IMF	International Monetary Fund
KZN	KwaZulu Natal
LES	Local Equitable Share
LG	Local Government
LGFF	Local Government Funding Framework
LM	Local Municipality

LoGICA	Local Government Institutions Comparative Assessment Framework
MBRR	Municipal Budget and Reporting Regulations
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MIG-MIS	Municipal Infrastructure Grant Management Information System
MIS	Management Information Systems
MM	Municipal Manager
MPAC	Municipal Public Accounts Committees
NDP	National Development Plan
NERSA	National Energy Regulator of SA
NRF	National Revenue Fund
NT	National Treasury
OECD	Organization for Economic Cooperation and Development
PCF	Premier's Coordinating Forum
PPP	Public Private Partnerships
SA	South Africa
SALGA	South African Local Government Association
SAPs	Structural adjustment programmes
SCM	Supply Chain Management
SDWR	Service delivery war room
SMS	Senior Management Service
SPSS	Statistical Package for Social Sciences
UNCTAD	United Nations Conference on Trade & Development
UNDP	United Nations Development Agencies
VIP	Ventilated improved pit
WB	World Bank
WTO	World Trade Organisation
ZDM	Zululand District Municipality

CHAPTER 1

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

Local government (LG) is the sphere of government closest to the people, as posited by Moller (2019: 12), Brinkerhoff *et al.* (2015) and Pritchett (2013: 32), where basic service delivery is provided by municipalities through advocacy of local ward councillors (politicians) as representatives of the electorate at grassroots level of society. LG administration, budgeting, and planning must, therefore, be organised and managed in a way that prioritises basic citizen needs, fostering social and economic community development (Booth and Cammack 2013: 23; Coetzee and Kleynhans 2019: 1).

To find new and creative funding arrangements, the control of economic and social funding becomes essential to fostering development at the community level. A variety of both urban and rural funding and financing practices have emerged in recent times. These mechanisms, as articulated by singled out conditional grants, are the most prominent funding mechanism that encapsulate equitable share to LG and property rates tax (Chimwaso 2000: 21; Booth and Cammack 2013: 26; Gildenhuys 1993: 115; Moolman 2018:1).

According to UN-HABITAT (2015: 8), many developing world LGs are faced with financing infrastructure and social services, an almost impossible task, which would enable them to meet their constitutional mandate of providing basic social services and their delivery to growing populations. The inability to achieve these statutory provisions, such as the execution and completion of many public projects at LG level, has been attributed mainly to lack of funding, partisan politics, poor finance management systems, and corruption, to large extent, as further identified by Moolman (2018: 1)

McLennan and Munslow (2009: 11), supported by Travers (2012: 12) and Andersson (2014: 18), argued that poor financial management, rather than inadequate finance, is the main causative factor of LG inability to realise substantial development in their sphere of operations.

The theory attributed to the relationship between infrastructure and growth has been debated quite extensively by various scholars of public financial management (Andersson 2014: 18-27; Moolman 2018: 1) and was, therefore, examined from different perspectives. For apparent association between poverty and inequality, when authorities embark on poverty reduction strategies, it would have to be done within the broader context of distributional dynamics (Cook, 2013). According to Moolman (2018: 1) and Chambers (1997: 15), the issues of social inequality and social injustice in LG systems are inherently critical, as these elements constitute an imbalanced approach, as far as funding and financing local communities are concerned.

This study reviews the LG funding impact in developing countries meant to facilitate service delivery, mostly in impoverished societies. The importance of linking social development with the respective funding mechanisms, as articulated by Coetzee and Kleynhans (2019: 1), will be explored further, with the view to determine funding and financial intervention levels for community social and economic well-being. To achieve this, the South African municipal environment is used as a case study, in particular the Zululand District Municipality (ZDM).

1.2 RESEARCH BACKGROUND

The South African government embarked on transforming the LG agenda, since achieving democracy in 1994, advocating for a developmental LG system by changing “political, institutional and administrative systems, thereby creating a new framework for the municipal finance landscape” (Coetzee and Kleynhans 2019: 1). In this regard, the municipal sector plays a critical part in alleviating levels of social inequality, unemployment and

poverty through the promotion of growth that supports economic and social development. This study has been prompted by the challenges created by the insatiable demands of communities from various municipalities, versus the limited resource base the national government has access to, in order to meet those demands. Moolman (2018: 1) asserts these demands form the basis of factors that contribute to cost overruns, inadequate planning, poor cost estimates, and scope changes, coupled with delays in executing projects, corruption and material price escalation in municipalities. It is expected that this study would shed light into the major causes of social service inefficiencies, social inequality and social injustice from a LG funding point of view.

The aim of the Constitution of the Republic of South Africa (RSA), 1996 (Act 108 of 1996), as the country's supreme law, is to improve the quality of life of all citizens. This was stated in its preamble as a precursor to the Bill of Rights of the Constitution (RSA 1996). It then follows the constitutional requirement for all three spheres of government is effective financial management. Section 215 of the Constitution (RSA 1996) alludes to the budgets and respective budgetary processes of national, provincial, and municipal spheres having to support accountability, transparency, as well as the economy's competent fiscal management. LG has, as a result, been introduced as a sphere, separate from national and provincial government, solely responsible for community service delivery (De Wet 2017). This huge responsibility was further complimented by the 1998 White Paper on LG (RSA 1998c), which delineates the municipality's developmental role as the structuring and management of their administration, budgeting and planning processes to prioritise community needs (Stucere and Mazure 2014).

The Constitution, under section 229, grants all municipalities extensive revenue-generating authority to establish or collect user fees, rates on real estate, and surcharges on fees for services rendered on their behalf (RSA, 1996). The legislative powers, as provided by Sections 224 and 227 of the Constitution, guarantee an equitable share be afforded to municipalities from

nationally raised revenue, substantiated through, among others, designated functions, fiscal capacity and developmental needs, (RSA1996).

In the same vein, under Section 227(2), the national or central government is not required to reimburse towns that do not increase revenue in a manner consistent with their tax base and financial capabilities, and it does not punish municipalities that make an effort to manage their finances. (RSA 1996; Gildenhuys 1993: 198). This poses serious budgetary problems, with the majority of municipalities in SA facing the insurmountable task of discharging their constitutional mandate to provide their communities with basic social service delivery and infrastructural development.

The historical context of LG systems in SA is characterised by the public service broadly evolving from inequality and a social injustice foundation, laid down by the apartheid system introduced in 1948 (Vitor and Osae 2015). Literature on public finance, as pronounced by Walker and Mengistu (1999: 58) and other researchers such as Moolman (2018: 1), revealed that the South African budgeting system was secretive. There were no budgeting processes and formulae instituted to allocate for disbursement of funds to the country.

According to Meyer and Venter (2014: 1) and Morudo (2017: 1), the executive was solely responsible for compiling the budgets, with parliament playing less of a role, only responsible for “rubber stamping” whatever the executive had compiled. There was no public consultation in terms of budgetary input and other critical matters under the apartheid system, unlike the current democratic dispensation, where the views of citizenry are of critical and paramount importance and solicited through public participation forums. Walker and Mengistu (1999: 58) further concurred the secretive nature of budgeting was cumbersome, tantamount to abuse, corruption, and misallocation of funds, while it proved difficult to analyse and scrutinise service delivery trends, especially on LG level.

The advent of democracy in 1994 in SA presented a greater paradigm shift in the manner budgeting and other social tenets were handled. The concept of Batho Pele (People First), as explained by Khoza (2013, cited in Maloba 2015: 35), supported by Andersson (2014: 18), was introduced and became entrenched in three spheres of government in SA. The concept of Batho Pele means the people come first, especially at grassroots level, where a call for service delivery is emphasised. The building blocks of the concept are detailed by Bekink (2006) to comprise maintaining consultative practices, as well as service standards; access; and courtesy, while providing information in an open and transparent manner, in addition to managing re-dress, complaints and the quality-price ratio (Bekink 2006).

According to Morudo (2017: 1), the measurement of public service delivery performance, in particular in the LG sector, is done against the above Batho Pele principles, among others.

Research by UN-HABITAT (2015: 12-15) indicates cities and towns in developing countries are in the driving seat of socio-economic transformation. Ironically, there is a need for a significant policy initiative that would boost the amount of investment given, the backlog and condition of inadequate infrastructure around the world. The report further suggested It would be in the best interest of governments to ensure adequate provision of basic service delivery and maintenance and to build new infrastructure for self-sustenance of the environment, hence, the great need to increase investment, particularly in rural communities to minimise urban migration.

The main sources of revenue and expenditure for developing countries, including SA, are underpinned by borrowing, grants and sale of water and electricity to residents, as presented by UN-HABITAT (2009: 3-5). Moreover, a crucial constitutional requirement for residents of areas serviced by municipalities is that they provide essential services such as water, sanitation, and removal of garbage and waste.

Vacu and Ncube (2017: 25) point out the increased powers and responsibilities of LG in SA and other developing countries in the last two decades, to levy taxes and raise revenue; however, there has been a mismatch on revenue generated at local level. Citing Bird (2000) and Montgomery *et al* (2003), Ato-Brown, Shakespeare and Akenten (2019) assert at municipal level, revenue has not matched increased requirements incurred through expenses.

Table 1.1 and 1.2 offer a snapshot of revenue and expenditure, respectively, in developing countries (in percentages) in the year 2006. The countries highlighted in these tables, according to UN-HABITAT (2009: 3-5), were chosen from International Monetary Fund (IMF) statistical information, since it was viewed as the main origin that provided a disaggregated analysis of LG finance in both developed and developing countries. Vacu and Ncube (2017: 25) note it is difficult to make inferences regarding expenditure from these tables, owing to the historical nature of the information and its apparent differences, globally, in responsibilities that deal with LG expenditure.

TAXES									SOCIAL CONTR.	GRANTS	OTHER REVENUE	TOTAL REVENUES
COUNTRIES	INDIVIDUAL INCOME TAX	CORP. TAX	PAYROLL	PROPERTY	GOODS SERVICES &	EXICISE	OTHER	TOTAL TAXES				
CHINA	2	5	0	2.4	18.4	0	2.2	30	13	29	28	100
KENYA	0	0	0	15.6	0	0	5.9	22	0	33	46	100
MAURITIUS	0	0	0	11.9	0	0	13.9	26	0	67	7	100
SOUTH AFRICA	0	0	0	16.8	0	0	2.8	20	0	25	55	100
UGANDA	1.2	0	0	2.8	0	0	0.9	5	0	91	4	100
BOLVIA	0	8.2	0	18.6	18	24.5	3.1	72	0	18	10	100

Table 1.1: Distribution of municipal revenues in selected developing countries: Asia, Africa and Latin America, 2006 (%)

Source: UN-HABITAT (2009: 3-5)

Table 1.2: Distribution of municipal expenditure in selected developing countries: Asia, Africa and Latin America, 2006 (%)

EXPENDITURE ITEMS									RECREATION, CULTURE, AND RELIGION	EDU CATION	SOCIAL PRO TECTION	TOTAL EXPEN DITURE
COUNTRIES	GENERAL PUBLIC SERVICES		PUBLIC ORDER, SECURITYDE FENSE	ECONOMIC AFFAIRS		ENVIRONM ENT	HOUSING & COMM. AMENITIES	HEALTH				
	PUBLIC DEBT TRAN SACTION	TOTAL		TRAN SPORT	TOTAL							
CHINA	0.1	21.3	6.0	1.3	39.7	4.4	0.4	3.4	1.6	12.4	10.8	100
KENYA	0.2	32.7	0.0	9.4	45.6	0.0	6.3	6.6	0.0	6.7	2.1	100
MAURITIUS	0.2	30.9	0.0	22.4	30.2	0.0	17.7	1.7	5.1	45.9	10.2	100
SOUTH AFRICA	0	4.9	0.7	4.5	7.1	0.5	3.1	20.8	0.9	34.9	27.0	100
UGANDA	0	24.4	0.8	n.a	10.8	0.4	3.2	14.1	0.3	44.6	1.3	100
BOLVIA	2.1	12.9	1.0	14.5	21.5	7.3	20.4	11.5	6.9	16.3	2.1	100

Source:

UN-HABITAT

(2009:

3-5)

As per the Financial and Fiscal Commission (FFC), four revenue sources are structured according to the LG fiscal framework, which are: conditional and non-conditional transfers, along with property rates, and service charges, as well as debt finance (FFC 2020). Modumo (2016: 12) mentioned transfers as the largest revenue source, then property rates, and service charges, followed by debt finance. Financial tools the LG sector in SA and other developing countries use to generate revenue include, although they are not limited to:

i. Equitable share (fiscal)

Equitable share refers to an amount allocated to a municipality by national government each year as per constitutional provisions. It is stated in the Constitution that, “all revenue collected nationally must be divided equitably between national, provincial, and local government” (IRR 2014: 8). Vacu (2020: 21) argued the focus of LG equitable share is to ensure basic service provision and social development within each municipal jurisdiction. Fund allocation to the municipalities is determined by residents’ income level in that area. Only a small part of the majority municipalities operating budget is received from the equitable share allocated (ETU 2022).

Conditional and unconditional grants are the two types of transfers municipalities benefit from. These constitute what is known as Local Equitable Share (LES) Grants (ETU, 2022). The FFC (2020) indicated, since the 2008 global financial crisis, low economic growth characterised transfers, wherein revenues were directly impacted. Ncube (2020: 31), cited in Department of Cooperative Governance 2021: 11), posit this crisis had a bearing on LGs revenue collections, with many consumers defaulting on their bill. Since 2012, fiscal consolidation measures were instituted by the South African municipal sector in reducing the budget deficit, stabilising the debt/ GDP ratio, and reversing a decade-long low growth trend (Department of National Treasury 2022).

ii. Property rates

Municipalities impose annual property rates on all owners of fixed property, whether individuals or organizations in the municipal area, including land, homes, factories, and office buildings (FFC 2020; Coetzee, Coetzee, and Strauss, 2014). These fees are assessed in accordance with the valuation of each property. Literature reviewed on municipal finance (Ncube and Pillay 2020: 28) posit the purpose of income from property rates is to enable each municipality to decrease social service expenditure (roads, parks, pavements, streetlights, and waste and storm water management) are hardly assigned as a service charge to a particular service user.

Ncube (2020: 30) argues the property rates are insufficient to respond to changes in the economy and population. In many instances, they are not progressing due to: poverty, high rates of unemployment, and few formal job options. LG capacity is inadequate for the assessment of property values or property tax collection. In addition, property tax administration presents challenges, while the many exemptions, and unwillingness by consumers to pay due to some municipalities providing poor service delivery, as well as poor relationships between municipalities and traditional leaders, make property tax collection cumbersome.

iii. Service charges/ tariffs

Alexander and Kane-Berman (2014: 8) explain the “user pays” principle to constitute service charges levied on specific consumers “for services such as water, electricity, or approval of building plans, where the exact usage of service can be measured, to the person or business who uses that service”. Electricity and water costs are the primary sources of service revenue (Ncube 2020). Municipalities have relied on electricity, with any subsequent surpluses subsidising a variety of municipal services other than electricity. According to the FFC (2020), the SA municipal sector experienced a sharp decline in surpluses of electricity, as evidenced by steep Eskom tariff

increases, coupled with the National Energy Regulator of SA (NERSA) capping prices. Regarding water revenue, there has been pressure in terms of payment for services rendered, with the commission further reporting a decline in water services payment, from where it was in 2005 at 61.9 percent, to 43.9 percent a decade later, in 2015 (Ncube 2020: 31). The decline is attributed to, among others, based on poor billing, climate change induced drought, a culture of non-payment, and water losses associated with leakages from decaying infrastructure, according to Dada *et al.* (2017).

iv. Fines/ penalties

Culprits who might have committed an offence or ignored deadlines on overdue payment of service have fines or penalties levied against them. Users of services are penalized to encourage them to follow the law, regulations, and deadlines. (Dada *et al.* 2017).

There are other possible sources of revenue, as indicated by Ncube and Pillay (2020). These include:

- a. External loans – loans from banks;
- b. internal loans – money obtained from savings such as a Consolidated Loan Fund;
- c. Government grants - Consolidated Municipal Infrastructure Programme (CMIP) and Municipal Infrastructure Grant (MIG) – available from COGTA, Water Service Projects –from the Department of Water affairs (Moganathan 2017)
- d. Donations and contributions by the public; and
- e. Public Private Partnerships (PPP).

The StatsSA “Quarterly Financial Statistics of Municipalities” report (2016) states municipalities in SA spent a total of R73.1 billion during the September quarter of 2016. More than half of municipal expenditure during the quarter under review was on two items: electricity (28 percent) and employee-related costs (27.8 percent). This entails uneven spending skewed negatively on

other LG items, such as contracted service (3.4 percent), Grants (3.6 percent), water purchases (5.8 percent) and general expenses (7.5 percent).

Moganathan (2017: 2) states LG authorities in most African countries, SA included, are obliged to “structure and manage their administration, budgeting and planning, affording priority to the basic needs of the people, thereby promoting the social and economic development of the community”. Booth and Cammack (2013), Gildenhuis (1993: 115) and Klerck (2014: 76) differentiated a number of types of grants found in South African intergovernmental systems. Broadly, grants are categorised into either conditional and/or unconditional. The term “grant” generally infers the one giving is in a position seen as higher, such as that of authority, than the one receiving and the act of the giver is out of justice or generosity.

According to Gildenhuis (1993: 198), in SA, the spending content of the conditional grants has been grouped into two categories by the National Treasury (NT), which includes infrastructure and capacity-building. Infrastructure grants are typically provided to municipalities to improve, maintain or install new infrastructure. Capacity-building grants are meant to build capacity (training) of officials and councillors in municipalities. Logically, unconditional grants can, present as cash transfers, whereas conditional grants can be presented as either cash or “in kind”, referring to goods and services the transferring authority supplied to municipalities.

1.3 PROBLEM STATEMENT

The LG sector in SA faces an insurmountable task of discharging its constitutional mandate of providing basic social services and their delivery, as well as infrastructural development to the communities served by various municipalities around the country. According to Baker, Khater and Haddad (2019), the challenge presented by the insatiable demands of communities from various municipalities, versus the limited resource-base the national government can access to meet those demands, characterises the levels of strife. These demands form the basis of factors that contribute to cost

overruns in municipalities, in addition to insufficient planning, poor cost estimates, and changes in scope, along with delays of projects, corruption and escalation of material prices.

Mulenga and Bekker (2015: 23), Matthews (2009: 17) and Asongu and Kodila-Tedika (2016: 14) argue these factors appear to be generic and impact negatively on the social well-being, social equity and social justice of the people at grassroots. The effects from the unfulfilled demands are, therefore, not desirable and are devastating, as evidenced by the service delivery protests taking root across communities. Andersson (2014: 11), NAO (2013: 18) and Travers (2012: 63) concur any LG is reliant on appropriate revenue and the expenditure management concept to function properly. It is through tax forms that are regressive and progressive along with other modes of funding, for example, borrowing, that public finance becomes central, therefore ensuring government deliverables or public policy implementation to improve the lives of those at grassroots level.

The poor physical conditions of specific categories of municipal infrastructure, with consequences for service delivery quality, as articulated by the Operation and Maintenance Report on the state of the country's municipal infrastructure (2006: 13-15), have directly contributed to already existing problems in SA. These included water treatment, water reticulation, wastewater, electricity distribution (not from ESKOM position) municipal roads and storm water drainage.

Bhatia (2019: 10) indicated the discharge of these basic services has been hindered, first, by inadequate budgets. In considering the prevailing situation in the South African municipal sector, Bhatia (2019: 10-12); Morudo (2017: 15) and Madumo (2016) highlight inadequate budgets emanate from either a distressed financial state unable to fund infrastructure maintenance and/ or those municipalities that were not allocated sufficient funding for infrastructure maintenance. Second, the issue of inadequate skills and experience means the loss of intellectual assets and key staff, and their non-

replacement, has been inherently affected and inhibited by infrastructure maintenance. The State of the Municipalities of South Africa Report (2006: 15) highlights the two above-mentioned factors among the key root causes for a breakdown of social service, which have an indirect bearing on service delivery protests in local communities.

Evidence in the public domain shows the own source of LG revenue does not match the expenditure necessary in providing the most minimal infrastructure level (Bird 1995; Baker *et al.* 2019; Lohse 2003, cited in Arimah 2005: 1357). The effects of these insufficiencies are dire, and it is essential for municipalities to supplement revenue, internally generated by means of intergovernmental transfers or sharing of revenue and, through borrowing from capital markets in a few cases. The challenges associated with borrowing from capital markets are attributed to poorly developed capital markets in the hands of the central government.

Public investment in infrastructure is posited by Chaguill (1996), Baker *et al.* (2019) and Rizzo (2002, cited in Arimah 2005: 1347) to be characterised by the inability to recover costs from those benefitting from services, due to user charges falling short in meeting recovery costs, with inefficient payment collection systems, a high default rate, and service provision typified by an elaborate system of subsidies. According to the SA Local Government Association (SALGA) (2003: 5-6), there seemed to be widening gaps being created by municipalities through the construction of increasingly new infrastructure, without paying attention to the condition of existing infrastructure that needs to be maintenance. This, therefore, implies the dilemma many municipalities have created, financially, concerns the operating budget, including maintenance, even while the importance of preventive maintenance of infrastructure is understood to result in municipalities incurring significant future expenses to replace assets not well maintained (Madumo 2016; Baker *et al.* 2019).

1.4 STUDY AIM

This research study is aimed at evaluating the impact of LG funding in the ZDM. The thrust of the study underpins the principles and theories or tenets of infrastructure and basic delivery of social services funding in fostering grassroots level socio-economic development.

1.5 RESEARCH OBJECTIVES

The main objective of the study is to identify and measure the motivational factors that would influence LG funding in municipalities. Below are the sub-objectives that complement the main objective:

Sub-objective 1: To make comparative analyses of funding models undertaken by LG authorities in the Zululand District, in the KwaZulu Natal (KZN) Province of SA

Sub-objective 2: To assess awareness of key personnel and their knowledge regarding relevant statutory instruments used in facilitating LG funding in SA.

Sub-objective 3: To determine the various stakeholder participation and/ or involvement level in funding LG processes in SA.

Sub-objective 4: To proffer solutions through the proposing and conceptualising a Municipal Hybrid Financial Performance suited to address local government funding model in South Africa.

1.6 KEY RESEARCH QUESTIONS

The analytical framework of the impact of LG funding in the ZDM is founded on the implicit statement: “A more effective local government funding mechanism is achieved when institutional dimensions are effective, well-structured and fit together well”.

1.6.1 Supplementary questions:

- a) What are the reasons for lack of basic service infrastructure in ZDM?
- b) What is the nature of social service spending and how does this vary in towns in ZDM?
- c) What are the comparative economic trends of each local authority under ZDM?
- d) How does the macroeconomic environment affect social service spending in towns/ centres of the local authorities under review?
- e) To what extent does lack of infrastructural development affect the level of investment for the local authorities under spotlight?
- f) What is the quality of governance in determining infrastructure investment of the town/ centre?
- g) How does the fiscal capacity of local authorities under review influence social service spending?

Supplementary research questions cited above are envisaged to steer our understanding of local funding impact in local authorities, with the answers offering insights into LGs challenges in the activation of funds for the provision of basic infrastructure.

1.7 STUDY RATIONALE

The motivation for this study is to contribute to the existing body of knowledge where the LG funding impact is concerned in local authorities (excluding metros) in the context of South Africa, the Zululand municipalities in particular, (both District and Local) in KZN. Insights are offered, through a study of this nature, into solving major social service inefficiencies causes, as well as those resulting in social inequality and social injustice, from the LG funding perspective. For all involved in public sector financial management, this study will be an essential tool, particularly in municipal management structures, to be guided in prudent financial decision-making.

The approaches this study will employ are an example of what needs to be done, from a municipal finance perspective, to produce an environment more

desirable of LG developmental aspects and support in KZN rural municipalities. The literature reviewed for the current study emphasises the need for this type of research (Baker *et al.* 2019; Beckett-Camarata 2019: 1; Cassady *et al.* 2019). The study posits a critical thrust on local governance in terms of taking an analytical view on funding issues in municipalities. Hence, the need to identify and understand the underlying causative factors associated with lack of service delivery for local communities.

1.8 STUDY SCOPE

This study dealt only with municipalities within the Zululand jurisdiction: ZDM, Nongoma Local Municipality (LM), Abaqulusi (LM), and eDumbe (LM). Therefore, simple generalisation of the outcome cannot be done, since operational and financial LG strategies are diverse.

1.9 RESEARCH DESIGN AND METHODOLOGY

In this study, a mixed research method in the form of both quantitative and qualitative approaches is used. The aim of exploring the relevant mixed method approach in this research, as most researchers agree, is derived from the fact that, in real life, human science research uses both qualitative and quantitative methodology consciously and, at times, unconsciously (Fox, Martin and Green 2007, cited in De Vos *et al.* 2014: 41). Furthermore, it is acknowledged that owing to different purposes to research, there are critical questions and areas in the research that require multi-faceted answers, for which a mixed methods approach can be helpful.

In a quest to fulfil the research objectives, both secondary and primary sources were perused to acquire the necessary information by means of a review of literature and an empirical study (Moganathan 2017: 9) to the author states that, “the literature review is based on a qualitative study, which encapsulates legislation, policy documents, journal articles, books, conference papers, internet resources, and government reports on municipal finance and governance” (Moganathan 2017: 9).

This research study is aimed at evaluating the impact of the LG funding in the ZDM. It is envisaged that a model to assist municipalities in the KZN Province in general, and Zululand District in particular, will be constructed to improve their data management. As several researchers, including Bailey (1994: 322) and Brynard *et al.* (2014: 5) maintain, a model is a replica that depicts reality in the form of an existing physical body or “an abstract of a proposed structure, and projects a design or style”.

It became imperative for this study to construct a model according to the review of literature in the two chapters that follow, as well as the empirical findings set out in chapter 5, with the final chapter detailing recommendations from the findings. The objective data were evaluated through a quantitative research method comprising numbers and causal relationship analysis between variables. In this regard, use was made of a structured questionnaire to conduct a survey among relevant municipal management and key department officials involved in municipal financial management in the ZDM, in the KZN province of SA.

1.9.1 Research Design

The design of the research is perceived to be a blueprint for collecting, measuring and analysing data (Cooper & Schindler 2003: 149). A mixed research method was used in this study, combining the use of both quantitative and qualitative approaches in one research project. The qualitative experience in this mixed research design hinged on the thorough descriptions and comprehension of actions and events pertaining to, in this instance, LG funding and its impact on communities. Qualitative research approaches, according to Denzin and Lincoln (2005: 27), are usually made possible by analysis of data derived from secondary sources, as is the case for this research.

1.9.2 Research Strategy

The plan the researcher formulates and adopts to produce research in a systematic and orderly manner, is referred to as the research strategy, as

pointed out by Bhattacharjee (2012: 14), where guidance is produced by the research questions and objectives when a research strategy is devised. A more specific mixed research method, in the form of triangulation mixed research design, is the most suitable strategy and will be used in this study. This is done to design a strategy generally involving quantitative and qualitative data collection and analysis that is concurrent, but separate.

An empirical study will be conducted by means of administering a questionnaire, which seeks to solicit and evaluate quantitative data comprising numbers, as well as analysis of causal relationships between variables, to comply with both the qualitative and quantitative research aspects of this study. Various researchers, maintain a mixed research strategy reflects “certain approaches to knowledge production” for LG development (Mouton 2005: 161; Welman, Kruger and Mitchell 2008: 6-7). For this study, this is pivotal as it deals with information that could potentially resolve LG funding impact challenges in the ZDM, in the province of KZN.

1.9.3 Sampling

According to Hair, Bush and Ortinau (2003:333), sampling can be defined as “the process of choosing a small group of respondents from a larger defined target population, assuming the results discovered about the small group will allow the researcher to draw a conclusion concerning the larger group”. Two sampling techniques were considered in this study, namely a convenience and simple probability sampling technique. Welman *et al.* (2008: 69-70) stated respondents would be selected through a convenience sampling technique, on the basis of being readily available. To ensure the population sample remains representative, based on certain criteria or variables, a stratified sample will be determined. In this study, these would be based on the size of municipal budget and type of basic service being measured, which would be combined with the random sample.

A simple random sampling technique will be used to select municipal management and key officers from the Corporate Services, Finance and Administration and Supply Chain Management departments of all the identified authorities within the Zululand jurisdiction in the KZN Province of SA. It was agreed by both Brynard and Hanekom (1997: 43) and Leedy (1985: 154) that randomisation involves selecting a sample “from the entire population in such a way that characteristics of each of the units of sample approximate the characteristics of the total population”.

Table 1.3: Sample Size of the Study

OFFICE/ DIRECTORATE	EXPECTED NUMBER OF RESPONDENTS
	Per Municipality
Office of the Municipal Manager	1
Corporate Affairs	2
Engineering	2
Finance and Administration	3
Procurement and Stores	2
	10

In selecting these municipalities, a practical measure of transparency, good governance and competence, and its implications on value-for-money, is provided in terms of basic service delivery and infrastructural development, given the communality of political, administrative and functional issues. The response rate anticipated from the selected six municipalities selected would be in the range of 80-90 percent.

1.9.4 Research Instrument

For the purpose of the empirical survey in this study, data would be collected by means of a questionnaire, subdivided into three sections; namely Sections A, B and C. Section A details respondents’ biological information; Section B entails brief technical and administrative statements, in tandem with research

objectives of the study. These statements follow the Likert Scale Rating; with Section C comprised of open-ended questions that solicit personal opinion from respondents.

Approximately 40 questionnaires would be distributed to respondents, with data collected by visiting respondents at the business sites. The target group for these questionnaires are the senior management and key administrative and technical staff members of the local municipalities (LMs) in the Zululand jurisdiction, directly and/or indirectly involved in funding and financing matters at municipal level. The objectives of the questions range from critical policy and procedures to administrative and strategic planning for the day-to-day operations of LMs.

1.10 STUDY LIMITATIONS

The limitations of this study were inherently hinged on challenges of information verification and inconsistency from the secondary data utilised. This has always been the case, where the researcher using secondary data would be challenged, since he or she would not know how well the process of data collection was done, as alluded to by Dale *et al.* (1988: 34) and Hearton (2008: 26). Lack of control over data quality in order to establish reliability and validity, was another limitation. As pointed out by Johnson (2014: 620-625), the researcher has to critically evaluate how the primary data was collected, analysed, and presented to establish reliability.

1.11 DELIMITATIONS OF THE STUDY

The delimitations encountered in the conduct of this research were logistical in nature, in terms of the dispersion of the geographical locations of LMs in the Zululand jurisdiction. Furthermore, it was an additional challenge to access some of the key government officials who were busy with meetings in the course of their work, and to some extent, the protocol procedures to arrange these meetings proved a cumbersome exercise.

The study was not generalised, owing to the sample size not being large enough due to geographical challenges mentioned above. Further to this, the

issue of the resource base was another prohibiting factor. There was no budget allocated to this research by the university or any other entity to assist financially with most of the critical issues such as travelling and paying research assistants, it was a self-sustained project by the researcher. The level of obtaining responses from participants was not correctly predicted, as participants were not bound by law to respond as some municipalities (such as Ulundi and uPhongolo) decided not to respond and the research results were compromised to that end.

At the time of conducting surveys for this study, the world and SA in particular, was experiencing an unprecedented COVID-19 pandemic wave that affected data collection. Some of the key personnel in LMs were not at their workplaces due to isolation reasons and COVID-19 protocols.

1.12 SYNOPSIS OF THESIS CHAPTERS

This study is divided into eight chapters plus a reference/ bibliography section.

Chapter One: Introduction

This introductory chapter presents an overview of the need to evaluate LG funding and its impact in SA, in particular, and developing countries, in general. The rationale for conducting the study, together with the study background focusing on trends in sustainable development were discussed. With the problem statement outlined, the study aim was provided, together with an explanation of both research objectives and questions; this culminated in the identification of the research methodology. Limitations and delimitations issues were also discussed.

Chapter Two: Literature Review

This chapter provides detailed theoretical and conceptual frameworks that underpin LG funding models, with specific reference to the municipal environment, and under-scores provision of basic services infrastructure and social services, from a funding point of view.

Chapter Three: Environmental Factors Underpinning LG Funding in Municipalities.

In this chapter, the literature review details the broader internal and external environmental factors that underpin LG funding, as well as issues of governance, from both basic service delivery and infrastructure delivery management perspectives. Scholarly articles and journals were used to provide evidence of work by others in this research area.

Chapter Four: Research Methodology

This chapter presents a mixed (qualitative and quantitative) methodology that covers the research procedure, research design, sampling procedures, as well as the analysis and data collection techniques. The qualitative research section results will be assessed to determine how Zululand municipal jurisdictions have implemented relevant financial statutory instruments to alleviate challenges that affect infrastructural and basic service delivery tenets. The quantitative aspect of the mixed methodology would use a definitive questionnaire and individual interviews as measurement instruments for data collection,

Chapter Five: Data Analysis

This chapter reflects the presentations, analysis and interpretation of data collected from participants comprising municipal officials (management and operational staff) involved in the running of municipalities under the jurisdiction of ZDM. The researcher will provide the findings from primary and secondary data, as accordingly analysed. Where secondary data is concerned, analysis was possible of the budget, audited financial statements and annual report, while primary data would be collected and measured through a questionnaire and structured interviews.

Chapter Six: Research Findings

Inference is drawn from Chapter 5 for this chapter, in addition to literature presented. An interpretation is offered of the statistical analysis the previous chapter highlighted, while the study relevance and importance are

underscored. Meaningful results will be produced from the processed data in order to facilitate easy interpretation and understanding by the reader.

Chapter Seven: Development of Normative LG Funding Model

In this chapter the research findings will be used to construct an effective and efficient framework for LG funding. This part of the thesis would present the proposed, normative LG funding model. The model envisages measures adopted to ensure engagement with management and operational staff of the municipalities. Furthermore, the model would also outline the approach to cost effective implementation where services are rendered. To that effect, municipalities would then be able to improve on the quest to provide sustainable services in rural areas.

Chapter Eight: Conclusions and Recommendations

Conclusions and recommendations will be presented, based on or drawn from the results of the research as outlined in chapter six.

1.13 CONCLUSION

This chapter discussed the study background, research problem, and study objectives, research design and methodology, study rationale, as well as delimitations and limitations, with an outline of chapters also presented. The next chapter sets out the literature reviewed, which covers LG funding used by municipalities in developing countries, including South African settings.

The following chapter thus provides a thorough theoretical review on good governance determinants, as well as the implications thereof on funding of basic service delivery and infrastructure delivery management. These funding concepts are discussed in determining the impact local funding has in SA municipalities.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter the premise is an examination of some theories relating to good governance in the local sphere of government, particularly from a LG funding in municipal perspective. The reason good governance is an essential tool that can be encapsulated in local authorities, according to Ncube and Pillay (2020), stems from the inherent challenges and/ or gaps contributing to inefficient service delivery and unsound public management practices in the LG sector. These challenges included cost overruns, poor planning, and cost estimates, as well as changes in scope, delays in initiating, continuing or completing projects, and misappropriation of funds, along with gross and rampant corruption. McLennan and Munslow (2009: 11) and Dada *et al.* (2017: 4) argued the poor financial management and corruption were the chief culprits that inhibited many local authorities from realising meaningful social and infrastructural development in their sphere of operations.

According to McLennan and Munslow (2009: 11-13) and Dada *et al.* (2017: 4), governance “encompasses the system by which an organization is controlled and operates, and the mechanisms by which it, and its people, are held to account. Ethics, risk management, compliance and administration are all elements of governance”. The public sector, in general, and municipalities, in particular, view governance practices as “professional etiquette hinged on legal, regulatory, policy and service obligations that involved issues of relationships between the council, the committees, individual members, the executive management teams, staff and other stakeholders in determining the mission and performance of the organization” (Kristie, et al, 2013)

McLennan and Munslow (2009: 23) explained the legal basis of the LG sector in most developing countries, including SA, is derived from the

Constitution, wherein the key statutory instruments and other enactments are crafted. These legal instruments, as argued categorically by Chohan (2019: 14), specify the state should provide a decentralisation system, giving LG peripherals not only more powers, authority, and responsibilities but also the resources to serve their respective communities.

On matters of management and control of LG finance and funding, Chohan (2019: 5) and McLennan and Munslow (2009: 23) further attribute that, apart from being the supreme law of the land and point of reference, the Constitution is also a source for constructing other relevant guideline principles that facilitate the collection and disbursement of funds. Anifowose and Enemu (2014: 24) state although the constitution has some provisions on the discretionary control of funds to finance critical projects and provision of social services to local communities, there seems to be manipulation of such authority that results in misappropriation, mismanagement and corruption tendencies by politicians and other senior officials. The statutory instruments, including some of the key legislative documents such as the Municipal Structures Act (117 of 1998), Municipal Systems (MSyst) Act (32 of 2000), and the Municipal Finance Management Act (MFMA) (56 of 2003), and others, are applied to discharge municipal finance operations in local authorities in SA.

LG finance is regarded as one of the critical aspects to improving the well-being of the general populace at community level. It deals with funds generation as revenue, expenses, and financial resource utilisation, to enable socio-economic transformation at grassroots level. Sunday *et al.* (2014: 84-85) posited that, as the third-tier of government administrative structure, LGs are “created to bring people closer” through decentralised governance by rendering social services, thereby promoting national development. Finance becomes essential in mitigating and enabling the lives of people through provision of infrastructure that fosters the supply of basic social services, such as construction and maintenance of roads, markets, schools, and healthcare centres, to mention a few. Sunday *et al.* (2014: 84-85) and Baker

et al. (2019: 1) concurred financial viability in LG forms the cornerstone in building capacity that encourages social development at grassroots; successful when the following are met: “effective management, public accountability, fiscal autonomy, staff motivation and a servant leadership attitude among politicians”.

Aborisade (1981, as cited in Sunday *et al.* 2014: 84) acknowledged the importance of finance in the affairs of both public and private sector organisations and was quoted thus:

“Finance is like a thread that runs round the cloth. If the thread is pulled wrongly at one end, it will affect the design and control of cloth and destroy its beauty. ... It (finance) must be handled with care. It must be disbursed absolutely according to the financial regulations”.

UN-HABITAT (2015: 1) and Avery and Obah (2018: 1) concurred the funding and financing of municipalities have become a daunting and a challenge exercise globally for national governments, in terms of capacity and “ability to raise own revenue to pay for basic public services” and infrastructure, which the Constitution mandates. These challenges include poor economic growth, and high levels of unemployment and poverty. A well-grounded and supported LG sector in any country has been identified by Baker *et al.* (2019: 1) as a major source and repository of service delivery, employment creation, creating job opportunities and generally mitigating socio-economic aspects of communities.

2.2 BACKGROUND OF SOUTH AFRICAN MUNICIPAL SECTOR

The empirical review of literature, according to Zikmund *et al.* (2013), is an in-depth survey of earlier studies that seek to answer questions in tandem with the identified area of research study. A literature review can be viewed as a guided examination of work published on the topic of study, including books, as well as articles in journals and other publications. Kim (2015, cited in Quao 2016) mentioned the literature review provides researchers a platform to place their work into intellectual and historical context, using a systematic

approach to previous scholarly work, enabling the researcher to justify why the current research matters. Furthermore, the author described “a good review of literature as a fact-finding and fact-checking mission, providing research focus and helping to appraise, compare and contrast, as well as [fusing] all sources directly relevant to the current research” study (Kim 2015, cited in Quao 2016).

Historically, South African communities were characterised by the infamous, damaging and inhuman apartheid system, declared a crime against humanity by the United Nations (UN) in 1973 (UN Convention 1973). Segregation laws instituted by the white-led system and an LG system that was apartheid-based resulted in impoverished rural communities, that had neither basic services nor infrastructure development. Articles I and II of the 1973 UN Convention on Apartheid declared that:

“... apartheid is a crime against humanity and that inhuman acts resulting from the policies and practices of apartheid and similar practices of racial segregation and discrimination, as defined in article II of the Convention, are crimes violating the principles of international law, in particular the purposes and principles of the Charter of the United Nations, and constituting a serious threat to international peace and security”.

(UN Convention 1973)

Furthermore, on Article II of the convention, specifically in paragraph (c), it is stated that:

“...any legislative measures and other measures calculated to prevent a racial group or groups from participating in the political, social, economic and cultural life of the country and the deliberate creation of conditions preventing the full development of such a group or groups, in particular by denying to members of a racial group or groups basic human rights and freedoms, including the right to work, the right to freedom of opinion and expression, and the right

of freedom of peaceful assembly and association..." (UN Convention, 1973)

Various researchers in public governance and management, including Mulenga and Bekker (2015: 27-29), Alo (2013: 8), and Anifowose and Enemuo (1999: 12), view LG as "an institution that deals with matters concerning the people living in a particular locality". LG serves the people at the lower level of society and their interests, leading to the broader concept of social welfare. On the contrary, Brown, Patoski and Van Slyke (2018: 745) and Anifowose and Enemuo (1999: 12-18) argued the higher tier of government, namely Parliament, deliberates and decides on matters perceived to be of local importance that would be implemented by provincial governments. LG is not a sovereign government, its mandate is derived from the Constitution, and is mainly administered by local bodies, controlled by the central government.

The legal basis of the LG sector is derived from the constitution of the countries, according to Brown *et al.* (2018: 745) and Anifowose and Enemuo (1999: 12-18), where the key statutory instruments and other enactments are crafted. Furthermore, Anifowose and Enemuo (1999: 12-18) concurred these legal instruments categorically specify a system of decentralisation shall be provided by the state, providing LG peripherals with more powers and authority, with the added accompanying responsibilities, as well as resources.

Providing basic services is essential for development of the community with the lack of such services certainly creating challenges, both social and economic (Dada *et al.* 2017: 4). In this regard, it is the responsibility of municipal officials and councillors to aid communities by ensuring the best suited development as and when needed. The literature review of this study highlights the impact of LG funding in terms of basic service delivery and LG infrastructure delivery management and efficiency, as pointed out by Brown *et al.* (2018: 745), and Vacu and Ncube (2017: 4). According to Brown *et al.*

(2018: 745), “Municipalities spend more than R40 Billion per annum on infrastructure”, yet, despite this huge spending, the infrastructure delivery programme in SA had been characterised by widespread delivery management inefficiencies.

The new dispensation in SA, with the advent of democracy in 1994, found itself undoing these unpopular laws and put in place new policies and legislation that support municipalities in accessing the funds required to augment government developmental goals and realise the objectives of service delivery (Vacu 2018: 239-255). Although the LG sector in SA has significantly achieved much, in terms of access to basic services namely, water, sanitation, electricity, and refuse removal, according to FCC (2020: 9), many indicators nonetheless suggest the sector is still lagging in its quest to realise the fulfilment of its constitutional mandate.

Vacu (2018: 239-255) further indicated continued underperformance by many municipalities, resulting in many community members being deprived of access to basic services. Furthermore, to these assertions of underperformance, Ncube and Pillay (2020:18-50) add the misalignment between expenditure needs, the financial framework, and misalignments of governance and institutional structures, as factors inhibiting development.

Citing a COGTA study in 2018, Ncube and Pillay (in FCC 2020: 9) stated the study, which was conducted in all 257 South African municipalities, indicated a third of municipalities (33 percent) were dysfunctional or distressed; unable “to deliver on one or more of their constitutional mandates”. This has been evidenced by many programmes and remedial actions, such as legal, policy, financing, and more, which have been undertaken, but yielded dismal failures to steer the sector from service delivery doldrums that culminate in continued service delivery protests (FCC 2020:9).

2.3 A CONCEPTUAL VIEW OF LG FUNDING

A framework is explained as “the structure that logically puts all functionaries in place”, with a framework viewed by theorists including Kuratko *et al.*

(2015a, cited in Quao 2016: 16) as a tool that provides the baseline information or the foundation upon which researchers build their “current findings or underscores their quest to research a particular problem”. According to Bhacharach (1989, cited in Bhattacharjee 2012: 25), a scientific theory is viewed as a “system of constructs (concepts) and propositions (relationships) between those constructs that presents a logical, systematic, and coherent explanation of a phenomenon of interest ...”.

The purpose of the existence of LG can be described as the advancement and intensification of crucial democratisation of communities through mass participation in the decision-making process. Thus, according to Thapa (2020), the requirements of citizens are, on the one hand, transmitted to the central government by LG bodies such as municipalities while, central government policies are, on the other hand, disseminated through these local organs to the public.

The main basis for this study’s conceptual framework relies on theories regarding principles of good governance, level of infrastructure investment in municipalities and LG fiscal framework (Mbanda *et al.* 2019: 1). These include the fiscal capacity that impact municipalities (Chohan 2019: 5), and PPP in the Municipal Sector (Ndunda, Ngahu and Wanyoike 2015: 1). These theories are used to analyse the impact of LG funding, in terms of good governance in basic service delivery and municipal infrastructure development. With rampant corruption tendencies and gross unsatisfactory service delivery in the public sector, coupled with high levels of poverty in various communities, as identified by Thapa (2020), including good governance principles is crucial to mitigate these challenges.

The good governance concept, as Koma (2010: 112-115) and Mbanda and Chitiga-Mabugu (2017: 1) asserted, was applied to many organizations including both international and private actors. According to the literature, the goals for which good governance was utilised greatly influenced the concept's content; financial institutions typically place a greater emphasis on

economic improvements, but for political organizations such as the IMF, World Trade Organisation (WTO), United Nations Conference on Trade and Development (UNCTAD), and more; the concept content found its angle in human rights law (Ralston and Sauer 2010: 12; Mbanda *et al.* 2017; Greenhill *et al.* 2013: 17).

Good governance, as a concept, was introduced by development organizations such as the United Nations Development Agencies (UNDP), Organization for Economic Cooperation and Development (OECD), and World Bank (WB), to name a few. Its discovery allowed financial aid to first balance macro-economic relations, however, reaching sustainable growth was more difficult to achieve (Malila 2020). De la Harpe and Rijken (2017: 3), Maier and Jordan-Tank (2014: 31) and Mbanda *et al.* (2017: 1) discovered and argued before growth could begin, other conditions had to exist. The discussion of good governance began in response to the ineffective and dishonest administrative framework of emerging borrowing obligations (de la Harpe & Rijken 2017: 3).

Studying International Financial Institutions (IFIs) and the associated impact on human rights in countries and their public institutions, such as local authorities, Stubbs and Kentilelens (2017: 1) projected different narratives on the impact on implementing external, prescribed policies and/ or conditions from these powerful organizations. The governments in developing countries obtain external funding, in the form of loans or credit lines for mitigation of macroeconomic and developmental challenges from these IFIs, which include the IMF, WB and other regional development bodies, considered the most powerful institutions that dictate the economic direction of countries when disbursing funding to the recipients (Mbanda *et al.* 2019: 1).

Stubbs and Kentilelens (2017: 1) further posit the common measures to be implemented by receiving countries, as prescribed by the IFIs, including of public entity and asset privatisation, cuts in public spending (austerity measures), along with reforms of structures, which encapsulate labour

market, legal, and trade liberalisation reforms. The good governance concept additionally required shaping in an economic way.

Institutions expanded their comments further, developing sustainable growth criteria and conditions, with these adopted as “four principal components namely: (i) Public Sector Management, (ii) Legal Framework for Development, (iii) Accountability, and (iv) Transparency and Information”, as asserted by de la Harpe and Rijken (2017:3). Owing to there being several users of the term “good governance”, misconceptions and confusion exist regarding the concept, emanating “from its usage on different levels” (Mbanda *et al.* 2019: 1). Donors use the term for practical purposes, while academics use it as an analytical concept, with other users generally using the term as a normative ideal. This entails the good governance concept, can be viewed according to Ralston and Sauer (2010: 12), as a basket term to select at will, consistent with their subjective notions.

2.4 BARRIERS OF LG FUNDING IN MUNICIPALITIES

The negative effects of these externally prescribed fiscal reforms and structural adjustment programmes (SAPs) are dire and can limit the accessibility and affordability of essentials at local authority level, as highlighted by De Mello and Sutherland (2014: 20). One such common measure, put forward by Mbanda *et al.* (2019: 1) for example, was to introduce user fees for access to healthcare services, in addition to co-payments where municipal clinic medicine or services and other similar services at LG level are concerned. Notwithstanding, the motivation to justify application of such fees is to generate extra resources, improve efficiency, and increase access to the general populace (Pyles 2014).

Critics of these external socio-economic prescriptions from IFIs view this approach as a “pipe dream” in terms of practicality (Ralston and Sauer 2010: 12; Mbanda *et al.* 2019: 1; Greenhill *et al.* 2013: 17). These perceived reforms have undermined the poor and vulnerable communities in their right to health and other associated rights to not only reduce their use of such

prohibitively costly services but also their “impoverishment by the effects of unavoidable health costs” (Stubbs and Kentikelenis 2017: 6).

The fundamental tenets of good governance, which can be drawn from these conversations, include accountability, involvement, legitimacy, and the application of the law, in addition to the respect for human rights that is typically associated with moral leadership. These definitions and interpretations were encapsulated in the philosophical statement articulated by the UN Secretary General, Lavrijssen-Heijmans, wherein he states:

“Good governance refers to the realization of the fundamental values of democracy, rule of law, human rights and social justice by all governmental or non-governmental authorities whose legal acts or activities affect the position of citizens in the process of the formation, the creation and implementation of binding and non-binding legal norms” (cited in de la Harpe and Rijken 2017: 7)

According to Ralston and Sauer (2010: 12), Mbanda *et al.* (2019: 1) and Greenhill *et al.* (2013: 17), public sector entities, including local authorities, state-owned enterprises, government departments, and state agencies, among others, are authorised to regulate certain economic sectors in protecting and advancing “the interests of citizens, residents, consumers and other stakeholders and to achieve lasting benefits”. This makes it crucial to understand the municipal sector role in the economy of the country, characterised by municipal financing and funding that impacts governance particularly in local authorities.

2.5 RELEVANT THEORIES CONSIDERED FOR THIS STUDY ON LOCAL GOVERNMENT FUNDING

It has become imperative in this study to re-examine the theoretical framework perspectives on local governance, including the central–LG relationship, as projected by Shah (2006), who provide strong advocacy that influences decentralised decision-making, which encapsulates efficiency,

accountability, manageability and autonomy for the LG sector to expedite its operations.

2.5.1 The Subsidiary Principle

The Subsidiary principle, as put forward by Tiwari (2017: 3), subscribes to tenets of the tax, expenditure, as well as monitoring and control functions that lower government levels should exercise, unless compelling reasons exist to assign them to a higher government level. Furthermore, De Mello and Sutherland (2014: 20) view this principle as the opposite of the principle of residuality, which could be applicable to a country, with LGs assigned those functions the central government would be unwilling to or unable to perform.

The local governance system was often decomposed into three main dimensions, according to De Mello and Sutherland, (2014: 20) namely political, administrative and fiscal. According to academic fields that research decentralization, this division offered a practical classification of local governing systems. Therefore, as Rondinell (1986: 12) and Tiwari (2017: 03) explained, it follows any framework that seeks better recognition and examination of the effectiveness of a local governance institution, have to genuinely acknowledge the political, administrative and financial local governance system dimensions.

2.5.2 Local Government Institutions Comparative Assessment Framework (LoGICA)

LoGICA was developed by Boex and Yimaz (2015) to comparatively assess the five main local governance system dimensions. This framework for comparative analysis was successfully implemented in six countries including Cambodia, Mozambique, India (Kerala), and Tanzania, as well as Indonesia. The dimensions encapsulated in LoGICA include: a sub-national governance structure that is effective, functions are assigned at local level; a local political system and leadership that are dynamic and responsive; as well as administration and service delivery that are controlled locally; along with the fiscal autonomy, financial management; participation, and mechanisms of

accountability. Tiwari (2017: 3), Slack (2016: 51) and Vito (2016: 12) concur these five dimensions are anchored on three pillars namely, political; administrative and fiscal. The three pillars (Figure 2.2) represent the prioritised development process objectives.

The global development community within the political sphere “seeks to empower people over their public sector through democratic, participatory and responsive political mechanisms”. Development of objectives within the administrative sphere, aims to empower the people through ensuring public service delivery is performed by the public sector in a manner that is efficient and equitable. As regards public sector finances, Greenhill *et al.* (2013: 214) point out people will be empowered should public sector financial resources be employed “in a responsive, efficient and accountable manner – achieving fiscal discipline, as well as allocative and technical efficiency”.

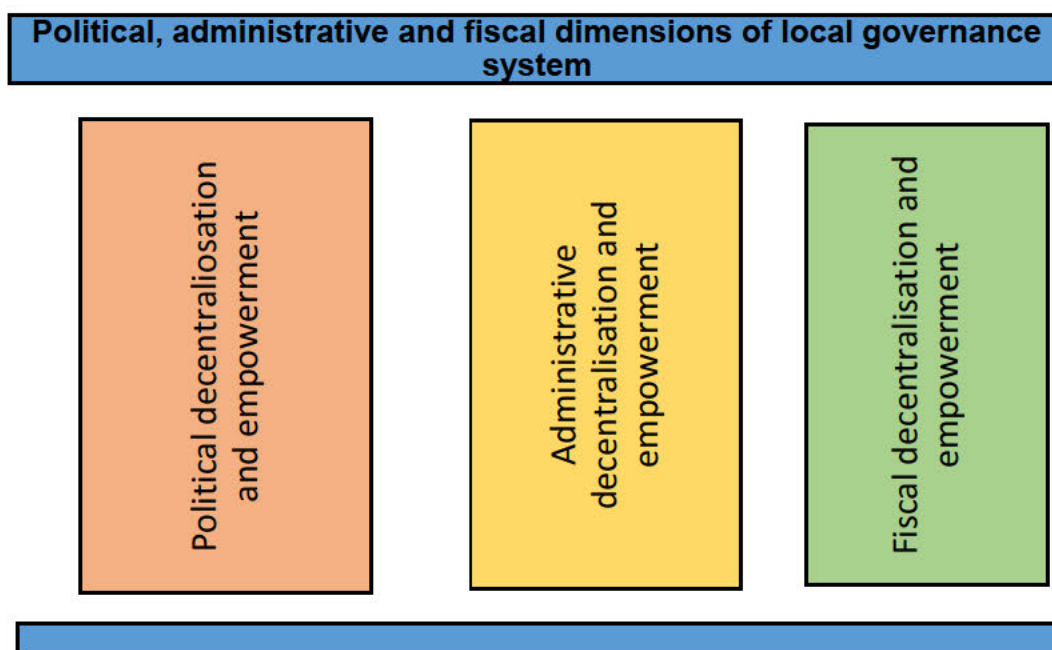


Figure 2.1: Political, administrative and fiscal dimensions of local governance systems

Source: Rondinell (1986)

The aim of this comparative analysis (LoGICA) from an institutional perspective at the meso-level was, on the one hand, to understand the “rules

of the games” that mediate policy reform implementation. On the other hand, as explained by Brinkerhoff (2009, citing Holland 2007: 41) and Vito (2016: 12), the micro-level is characterised by complex and often non-quantifiable processes of poverty. The comparative assessment was intended to analyse and identify the gaps in respect to political, administrative and fiscal dimensions, using the above-mentioned five institutional dimensions (criteria).

From a South African perspective, according to Van der Westhuizen (2016), despite the LoGICA framework assessment having been conducted in the afore-mentioned countries, excluding SA, some of the characteristics manifest in the South African LG environment. The principle of cooperative governance used in SA, for example, allows for consensus on amounts allocated to each level of government, to reach an accord with obligations for municipalities, as outlined in the relevant legislation (Holtzhausen 2016; Harelimana 2017).

2.5.3 Principles of Good Governance in the Public Sector (IFAC/CIPFA)

The International Federation of Accountants (IFAC) put the Consultation Draft for an International Framework to the public domain in June 2013, in collaboration with the Chartered Institute of Public Finance and Accountancy (CIPFA), producing grounded principles crucial to good public sector governance. These principles, as depicted (Figure 2.2) below, instituted core objectives of public institutions to foster a “complex range of political, economic, social, and environmental” thrust that sought to enhance or maintain the well-being of citizenry, rather than recouping larger or super profits, as explained by Mbanda *et al.* (2019: 1).

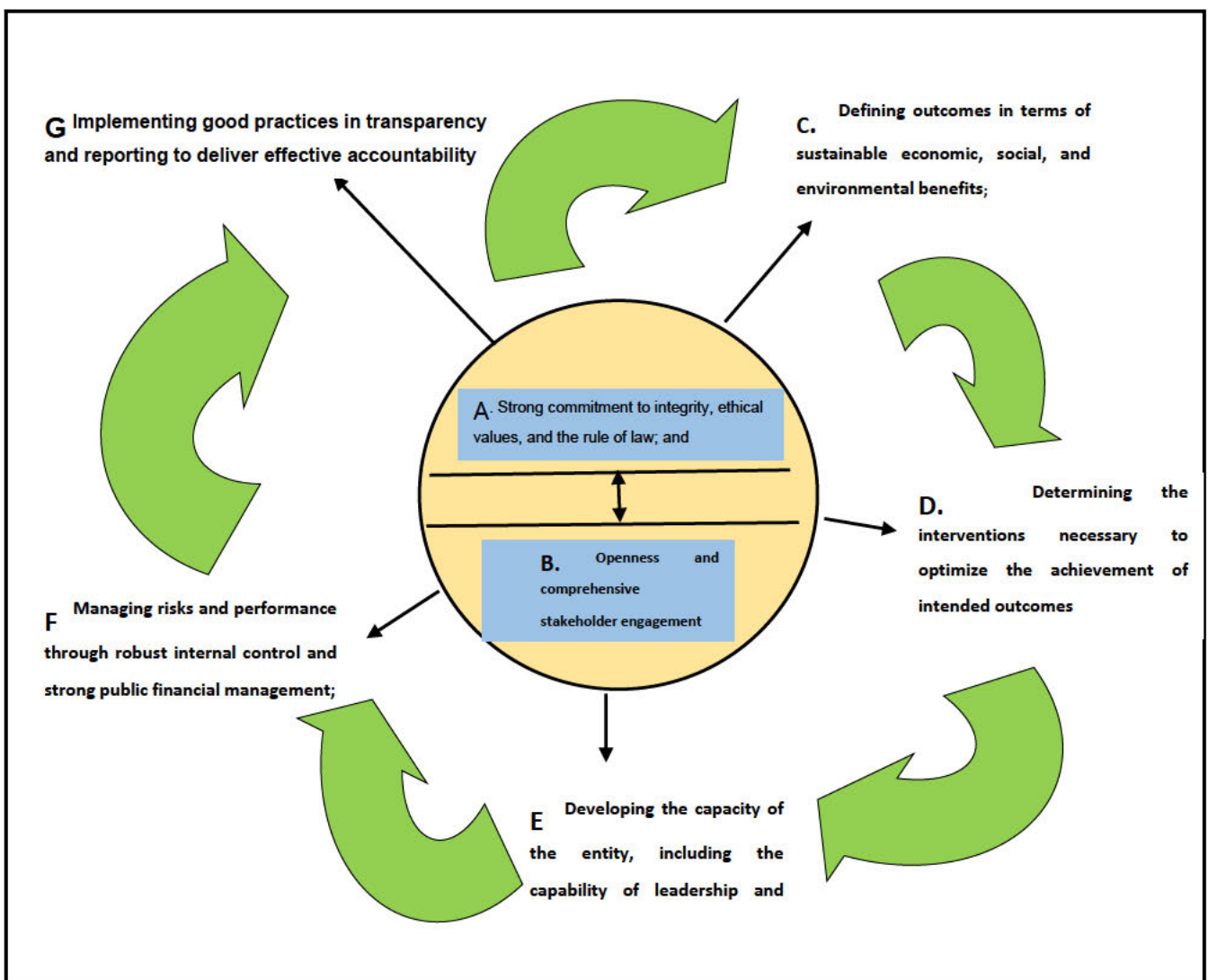


Figure 2.2: Principles for Good Governance in the Public Sector

Source: International Federation of Accountants (IFAC 2013)

The principles of good governance form the basis on which public sector entities relate to each other, including municipalities. These principles include strong commitment to integrity, ethical values and rule of law (Jordan-Tank 2014: 31-35); comprehensive stakeholder engagement (Prizzon *et al.* 2020; De Mello and Sutherland 2014; Ralston and Sauer 2010); definition of sustainable socio- economic and environment outcomes (Sutherland 2014; Ralston and Sauer 2010); and crafting interventions to optimise intended outcomes (De Mello and Sutherland 2014; Brand 2016); as well as developing leadership capacity of the institution (Mbulawa 2019); using internal control mechanisms to manage risks and performance (Vacu and Ncube 2017); and implementing good practices and delivery of effective accountability mechanisms (Agbesi and Osei-Owusu 2014; Brand 2016).

In this regard, the LG sector has demonstrated to play a significant function in the South African economy as they contributed close to 50 percent to African employment and GDP, as pointed out by Ramukumba (2014, cited in Ngibe 2020: 21). However, it is understood municipalities in SA are confronted by internal and external challenges after pushing them to the “extreme”, where most of these institutions were indicated by COGTA (COGTA, 2018) as dysfunctional in the case of SA. Not only in terms of external economic climate and central government policies, but also the internal factors such as mismanagement, lack of innovative leadership, political affiliations, corruption contribute negatively to their performance in servicing the respective communities, and these factors were explained extensively in the following chapter.

Due to the constitutional and societal mandate, the LG sector is not only accountable for the expenditure by municipal institutions, it is also responsible for how the resources entrusted to them are put to use. According to Jordan-Tank (1990: 31-35), this entailed the fulfilment of the overarching mission to serve public interest, by observing and aligning themselves to legislative and government policy requirements within Constitutional confinements. Issues of integrity are brought to the fore

regarding enforcement of strong commitment to ethical values and legal compliance at all levels. Openness is also demonstrated by municipalities through maintaining public trust and confidence regarding their public records of decisions and being able to articulate outputs and outcomes to stakeholders, such as plans, use of resources, and forecasts.

A formal policy on openness documented this commitment, for example, the Integrated Development Plans (IDPs) and other deliverables, documents crafted for both local and district municipalities (LMs and DMs) in SA. Prizzon *et al.* (2020), Agbesi and Osei-Owusu (2014) and Brand (2016) posit that in such instruments, municipalities are expected to be clear regarding the decision criteria, rationale, and considerations. These decisions are hinged upon, and in the long-run, impacted by the accompanying consequences – often referred to as “consequence management”.

Contributory efforts from citizens, users of the service, institutional stakeholders, and others are essential for the process to be successful, with priorities ultimately determined within the finite resources available. According to Vacu and Ncube (2017), outcomes should be reviewed because the goods and services impact, which includes resource redistribution, is provided through a municipal entity delivering on its objectives. Therefore, to define outcomes would involve intended impact specifications or those due to any external changes; which could be instantaneous or long-term. Achieving the intended outcomes could be influenced by factors the entity concerned cannot control, as asserted by Mbanda *et al.* (2019: 1). Vacu and Ncube (2017) explained sustainable outcomes would be achieved through jurisdictions and individual decisions made, based on the following:

- a) Taxation and public expenditure levels,
- b) Performance level required with regard to service delivery or infrastructure maintenance and,
- c) Managing and accounting for their assets and liabilities, which includes debt.

Furthermore, Prizzon *et al.* (2020), Agbesi and Osei-Owusu (2014) and Brand (2016) concurred the local authority would be expected to deal with service expectations regarding those services provided by the LG from the resource base at hand. There are many ways to determine allocation of resources between different government levels and individual entities from the public sector, including LG, subject to “constitutional arrangements and institutional structures”. Mbanda *et al.* (2019: 1) argue these, reciprocally, are drivers of frameworks for delivery management and accountability, “articulated through mechanisms such as fiscal rules, budget frameworks and input, output and outcome targets”.

2.5.4 Local Government Funding Framework (LGFF)

The Local Government Funding Framework (LGFF) came into being in 1998 and can be referred to as the funding arrangement or framework created by the FFC that will ensure adequately resourced municipalities able to render adequate services to communities in fulfilling their constitutional mandates (Ncube 2020: 27-29). The LGFF is rooted in the Constitution, Sections 227-230 (RSA 1996).

Municipalities are entitled to an “equitable Share” grant, often called Local Government Equitable Share (LES) from the national fiscus, through Section 227 of the Constitution. This funding framework facilitates basic service provision by municipalities enabling them to perform additional obligations based constitutionally to service people at the grassroots. The LG revenue consists of revenue municipal taxes, unconditional and conditional grants, as well as municipal borrowing, with the LES as main unconditional grant municipalities accrue.

The Auditor General of South Africa (AGSA) defined conditional grants as those funds NT allocates to municipalities, conditional on delivery of certain services or meeting specified requirements (MFMA 2016-17). Unconditional grants are allocated to municipalities with no specific requirements.

LGFF is structured into four financing sources for municipalities, including conditional and unconditional grant transfers, rates for property owners, charges for services, as well as debt finance. Modumo (2016: 12) states transfers are the largest and most prevalent revenue source, then service charges and property rates, followed by debt finance. Service charges, as Ncube (2020: 27-29) pointed out, were the most dominant 'own revenue' for municipalities, in terms of municipal revenue distribution. The literature review on the own revenue and transfers blend revealed substantial variations according to the municipality type. In terms of the fiscal framework composition, a transfers equate to a quarter (25 percent) of municipal funding, with own revenue sources accounting for three quarters (75 percent) of the funding. In other words, the largest source of revenue is, by far, transfers.

According to Ncube (2020: 27-29), "the transfers are intended to fund poor households' services", whereas own revenue is "meant to fund non-poor households, as well as businesses". Transfers can fund up to 80 percent of the budget of the rural and small municipalities. Only 10 percent of the budgets of the major cities can be funded from Transfers. FFC calculations extracted from the NT database between the 2008/09 and 2014/15 Financial Year (FY) show a high dependence on service charges by approximately 40 percent metro and intermediate cities. Property rates contributed approximately 18 percent and 17 percent to metro and intermediate cities' revenue, respectively, according to the above-mentioned FFC calculations during the same period (Ncube 2020: 27-29). However, the rural and small municipalities accounted for only 10 percent of property rates.

Dependency on transfers cuts across most municipalities, save for the metros and intermediates. This dependency is evident from the capital accounts of these municipalities, where funding of approximately half of own capital requirements is by means of "debt financing, reserves, and other 'own sources'". Generally, few municipalities (metro and intermediate cities) employ borrowing as a revenue source, with Slack *et al.* (2013, cited in

Ncube 2020: 27-29) positing that most metro and intermediate cities are not taking full advantage of borrowing as part of their source of revenue.

When LG institutions are strengthened, democracy can be established in the country. LG offers citizens the means to “exercise control over their local affairs and express their will, when they are disaffected with the policies of central government”, as asserted by McLennan and Munslow (2009: 12). Many citizens are helpless when confronted by national or international challenges; the result from such a dilemma is sense of citizen partnership in public affairs is impeded, while citizens have an opportunity at local level for active participation.

Section 40 of the Constitution (RSA 1996) states:

“...government is constituted as national, provincial and local spheres of government, which are distinctive, [interdependent] and interrelated. This implies the three spheres must adhere to the principles of cooperative governance and intergovernmental relations that promote the common good of the Republic as a whole”.

LG finance sources refer to the diverse means financial resources are generated by LGs in developing countries, in meeting financial obligations, while performing constitutional functions and duties. Two major LG financing sources in developing countries, including SA, comprise internally and externally generated revenue. Internally generated revenue comprises funds “generated within the area of administration and entails local or community tax, poll tax, user fees and loans”. Revenue generated externally, as Alo (2013: 23) explained, refers to LG funds generated outside its area of administration.

LG objectives, in terms of Section 152(1) of the Constitution, are:

- (a) “To provide democratic and accountable government for local communities;

- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of local communities and community organizations in the matters of LG”.

(RSA 1996)

In addition to Section 152, specific reference is made in Section 153 of the Constitution (RSA 1996) to the LG developmental mandate by specifying a municipality has to:

- (a) “structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and
- (b) Participate in national and provincial development programmes”.

2.5.5 New Public Management (NPM)

The NPM conceptual framework became central to other key frameworks (Eckerd and Heidelberg 2015), such as the PPP and social justice tenets to some extent (Ruiters and Matji 2016: 296). These conceptual frameworks promoted efficiency, effectiveness and economic reforms that were, essentially, not based on affirmative action and cadre deployment, but on a basis of reality and on merit, as further pointed out by Brinkerhoff and Brinkerhoff (2015: 224). These reforms were, in essence, designed to stamp out corruption.

Restructuring of LG and redesigning its finances are critically important in mitigating the rate of municipalities’ economic growth, according to Shah and Anwar (2014: 112-115) and Andrews *et al.* (2012: 46). A faster rate of economic growth requires much higher private investment levels, with government policies, in turn, attracting such investment. Booth (2012) asserted “little is achievable without rates of economic growth fast enough to

absorb millions more people into wage-earning employment and reduce the demands on the state”.

Ruiters and Matji (2016: 296) asserted the continued growth in improved socio-economic activities in municipalities were dependent on efficient and productive social service infrastructure, which had the potential to contain the emerging challenges of SA's growing population. The setbacks associated with the NPM were mainly attributed to the variance between policymaking processes and provisioning of services at LG level. These have been characterised by potential politicisation of public service operations, where rampant corruption would be the order of the day, exacerbated by cadre deployment of executives. It was pointed out by Larbi (2006: 88-92) and Robinson (1993: 25-35) that the NPM could be used as a conduit for particularistic advantages of self-serving interests of an elite group of executives, rather than serving the public or lower-level staff.

The NPM is still very relevant in LG spheres of most developing countries, specifically in SA, where sound public administration is ensured through legal and LG financial statutory structures at ward- and municipal-level. This required annual reporting with regard to communities and community organizations involvement in municipal affairs and challenges (Brinkerhoff and Brinkerhoff 2015: 224). Brinkerhoff and Brinkerhoff (2015: 22-23) argued the NPM was no longer new and has been weakened, particularly in developed countries. Literature on the NPM zeroed in on the Principal-Agency framework, which focused on institutionalised citizenry as a component of good governance. During the 1990s and early 2000s, the basis on which developing countries could secure financial assistance on their structural challenges from international agencies, hinged on pre-conditions that recipient countries should implement to the dictates of SAPs, prescribed to them by the donor, such as the WB and IMF.

These structural adjustment reforms brought increased limitations and unanticipated challenges of the NPM, including privatisation, a smaller and

learner civil service and/ or public sector, as well as a neoliberal market emphasis that reportedly did not deliver socio-economic development that was broad-based. Hood and Peters (2004, cited in Brinkerhoff and Brinkerhoff 2015: 22-23) asserted the NPM anomalies and paradoxes that have emerged “undermined confidence in the efficacy of the managerial domain”.

As highlighted above, states’ inability to mitigate challenges as well as social inclusion have become central to the rationale of shrinking governments, when what was needed proved to be capable government, which then became questionable (Brinkerhoff and Brinkerhoff 2015: 22-23). The panacea to these challenges on the NPM has given rise to the post-NPM reform agenda, as popularised by De Vries and Nemec (2013: 32), which has retained a considerable number of NPM-like reform components. Four broad strands have been identified and encapsulated into the mainstream post-NPM approach. The components identified were distinct but shared the same principles across the strands. The four strands included: Political economy, institutions and incentives (North *et al.* 2009: 17); Public management function, not form (Grindle 2004, 2007; Brunse and Fritz 2012: 33); iterative and adaptive reform processes (Brinkerhoff and Inge 1989: 12; Andrew *et al.* 2012: 21) and last, the individual and collective agency strand (Brinkerhoff and Brinkerhoff 2015: 22-23).

2.5.6 Public Private Partnership (PPP)

As part of the hybrid NPM conceptual framework, PPP was critical, more so where, there has been overreliance on central governments, in most developing countries, including SA, to finance infrastructure, which has resulted in numerous inefficiencies, as argued by Ruiters and Matji (2016: 292-296). Apart from the economic meltdown the world experienced around the years 2008-9, government investments in developing countries have not been sufficient to provide for city and town population infrastructural needs. These inefficiencies have characterised the lack of cost recovery from service beneficiaries.

The main reasons for this, as projected by Ruiters and Matji (2016: 292-296), included (a) user charges that barely covered service delivery cost, (b) inefficient payment collection systems, (c) rates defaults were high with service provision typically comprised of an elaborate subsidy system. These factors culminated in severe losses, inadequate maintenance, strict rationing, as well as infrastructure provision backlogs.

The WB (1994, cited in Arimah 2005: 1349) asserted that other than “reducing the burden on public sector financing, private sector participation was meant to meet the gaps in demand, as well as ensure accountability, monitoring, and management in the provision of infrastructure”. It is believed participation of the private-sector provides an edge to increases in production, improved political independence, economic rationality, and efficiency, as well as dynamism and innovation. The diverse ways in which private sector involvement finances LG infrastructure include:

- (i) privatisation of agencies and managed utilities that are government-owned, which entailed ownership divestiture from the public to the private sector. Gidman *et al.* (1995) and Levy (1996) state this conferred full responsibility for investment, operations and maintenance, among others, on the private sector;
- (ii) contractual and partnership agreements with greater private sector investment and participation.

According to Levy (2011: 32) and Arimah (2005: 1347), “private investment has focused mainly in the areas of telecommunication, electric power generation and highway construction”. Researchers, including Briscoe (1998) and Arimah (2005: 134-49), concurred there is a greater private investment proportion in Latin America, in comparison to Africa and Asia.

The inclusion of the PPP approach in this varied, broader conceptual framework, was based on the premise of infrastructural challenges faced by developing countries, and SA was no exception. The issue of costs of basic service delivery, in general, and infrastructure delivery, in particular,

continued escalating unabated to “the point where many developing countries cannot afford such...” (Arimah 2005: 1349).

From the above discussion on the NPM and PPP, it was prudent to combine them, solely because each would strengthen the weakness of the other. In real terms, the provision of structural managerial issues would be taken care of by the NPM component and issues concerning basic service provision and infrastructure development, as well as their funding and financing, would be the mainstay of PPP.

2.6 CATEGORISATION OF DEFINITIONS

The following sections underpin the detailed definitions of key terms used in this study, in the context of the LG developmental framework that resonate with municipal sector finance in particular.

2.6.1 Decentralisation Theory

Decentralisation, according to Alo (2013: 20) and Mulenga and Bekker (2015: 23-27), refers to the power transfer from central government or an institution of authority, to lower or local government system levels. Four decentralisation forms comprise: (a) de-concentration, (b) devolution, (c) delegation and (d) de-bureaucratisation. Booth and Cammack (2013: 32) viewed decentralisation generally as an attempt to achieve basically two issues, namely (i) achievement of local level economic development; and (ii) to empower local leadership and management with autonomous freedom in carrying out the mandates suited to the conditions of their respective communities. The principles and procedures involved in the decentralisation of LG have a bearing on the effective allocation powers, functions, responsibilities and resources among different LG units within a state.

The long history of decentralisation theory dates to its evolvement from Stigler's Menu (1957), wherein two principles of authority were anchored. The first principle was hinged on a representative government that should be closer to its people. The second principle zeroed in on the right of people to vote (choose) for the hoped-for public service type and quantity. Thus,

Stigler's Menu formed the basis on which the concept of democracy was built, where decision-making occurs at the lowest government level, in keeping with efficiency in goal allocation (Dada 2017).

A functional, decentralised system ensures public incentive levels and combinations for efficient provision of such services. Prizzon, Chen *et al.* (2020: 25) posit that the decentralisation in municipalities require a certain "degree of central control or compensatory grants" that would warrant service provision when "spatial externalities, economies of scale, and administrative and compliance costs are taken into consideration". Hence, requirements of a large number of overlapping jurisdictions are needed. Although some scholars, such as Greenhill *et al.* (2013: 214), argued the only way to achieve "sustainable development and full empowerment" was through centralisation of "political, administrative and fiscal powers (through devolution)". Greenhill *et al.* (2013: 214) made a more nuanced argument that, improved efficiency of the public sector in the short-term, is not always associated with increased centralisation.

Strong arguments could, in fact be made that in the context of some counties, such as in a situation of post-conflict or where appropriate accountability mechanisms are lacking, increased decentralisation would result in increased inefficiency, additional conflict, and public services that are weaker. The theorem was put forward by Oats (1972, cited in Shah 2007: 04) that: "...Each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize the benefits and costs of such provision".

This statement is supported by the assumptions of Prizzon, Chen *et al.* (2020: 25) as cited below:

- i. "LGs are the concern of local residents;
- ii. LG decision-making is responsive to the people for whom the services are intended, this would encourage fiscal responsibility and efficiency, particularly when financing of services is decentralised;

- iii. Unnecessary layers of jurisdiction are eliminated;
- iv. Inter-jurisdictional competition and innovation are enhanced”.

The decentralisation principle was viewed by Smoke (2015: 226) as “the assignment of public functions to subnational governments along with structures, systems, and resources that augment their operations”.

2.6.2 De-concentration

Also referred to as ‘administrative decentralisation’, de-concentration is described by Farvcque-Vitkovic and Kopanyi (2014: 27) as “the process whereby regional offices of central ministries are established” in a local jurisdiction, in order to decide “the level and composition of local goods and services to be provided”. The authors argued that de-concentration with authority involves independent decision-making to some degree by regional ministry branches, based on central guidelines. Consequently, de-concentration without authority is deemed to occur when no independent decision-making authority is incorporated in the creation of regional offices. Implicitly, when services are provided through de-concentrated offices, including education, health services, water, or transportation, residents are likely to have minimum input with regard to the quality of services or their scope and how they are provided.

2.6.3 Devolution

Devolution is the power and authority transfer from national government units, to the province/ region, where the transfer nature is political with approval being territorial. Devolution subscribes to power, authority and responsibility and their movement or the foresight to use a central point from which to plan, decide and manage local units. Transfer is administrative in nature, with a sectoral approach. In the transfer, however, establishing independent local self-governments includes responsibility to deliver a set of public services, along with the authority to finance them by imposing taxes and fees. As Farvcque-Vitkovic and Kopanyi (2014: 23-32) explain, devolved

governments “have considerable flexibility to select the mix and level of services and, in some cases, plenary authority to generate own revenues”.

Farvcque-Vitkovic and Kopanyi (2014: 23-32) further projected that through embracing devolution, citizens would be empowered to use their LGs “to express their preferences regarding the mix and level of public services they want or demand”, while acknowledging the cost implications. Better and more efficient use of limited resources come from the devolution that subscribes to local decision-making, as opposed to what would happen should local tax and spending policy decisions be reached in a distantly located capital. The entire society gains financially when decisions are made by each locality, through which an increase and improvement of social welfare would be realised. Countries that have a high degree of economic, demographic and geographic diversity can achieve particularly significant efficiency or welfare gains from decentralisation.

2.6.4 Delegation

In a continuum of decentralisation, delegation is frequently perceived as a transitional devolution and de-concentration arrangement. It is characterised by principal-agency theory, wherein a LG (agent) is assigned responsibility by a higher-level government (principal) to supply various local functions, for example education, water distribution, and health clinics, among others, possibly financed by principal to agent transfers. Fitz (2015: 16) and Booth and Cammack (2013: 32) are of the opinion the failure by “the higher authority (principal) to pay for the delegated responsibilities (that is, the creation of unfunded mandates)” can cause potential friction, leading to possible legal battles, depending on the local authority (agent) and its legal right to do so. Nonetheless, when funded, delegation may improve efficiency when it allows programmes of national priority to be administered by sub-national government units such that local economic, social and financial circumstances are better reflected. A minimum or standard service levels will likely be set under such arrangements.

Farvcque-Vitkovic and Kopanyi (2014: 23-32) and Mulenga and Bekker (2015: 27-29) argued when “detailed, day-to-day decisions on service delivery remain local, however, an opportunity exists for new creative and perhaps, cost-reducing [mechanisms] to deliver those services”. The balance between central and local decision-making in the delegated areas of responsibility are influenced by the design of inter-governmental fiscal transfer and the central monitoring degree and nature.

2.6.5 De-bureaucratisation

Mulenga and Bekker (2015: 27-29) posit that de-bureaucratisation refers to “the transfer of some public functions and responsibilities the government may perform to private entities or non-governmental organizations”. De-bureaucratisation came into force as a panacea to gaps characterised by bureaucracy; this implies a complex structure with multiple layers and procedures that make decision-making slow and cumbersome.

2.6.6 Integrated Development Plan (IDP) in Municipalities

The IDP is defined in municipal literature (Madzivhandila and Asha 2012; Binns and Nel 2002) as a plan laid down by municipalities to provide a general development structure. The intention of the IDP is to arrange the LG entities work into a logical plan, including municipalities, enabling enhanced service quality to the general populace within a jurisdiction. Madzivhandila and Asha (2012, cited in Majali 2019: 19-20) viewed the IDP as a planning tool that ought to be responsive to the needs and priorities of the community. Its content and context should also articulate and assist in contributing to service delivery initiatives and their transformation for those at grassroots level.

Genuine needs of the people in the community can be identified through public participation initiated by local authorities’ leadership and management. Such processes and initiatives provide opportunities to both individual members and collectives to influence the crafting of the IDP, thus, it becomes a community-owned document, rather than being local authority owned.

Vacu and Ncube (2017), however, argued the IDP does not adequately address community developmental issues, owing to: First, undermining IDP legitimacy through insufficient stakeholder public participation, including some key community members such as traditional leaders and business leaders, in the sense that satisfies the needs of the people. Second, poor interdepartmental support, as there is no horizontal integration to impede workable coordination of local development to alleviate the paralysed service delivery. Third, having neither the correct skills nor the capacity to address genuine institutional shortcomings due to downsized budgetary administration that would have a negative implication for the effectiveness of IDPs.

According to Vacu and Ncube (2017), the processing cycle of the IDP takes between six to nine months, that is, from its inception to its implementation stages. The lifespan of the IDP document is five years and works in tandem with the local councillors' political calendar, with the executive committee and/ or executive mayor managing the IDP process. In certain instances, an IDP manager or coordinator may be appointed, as stipulated by the Municipal Structure Act (RSA 2003) and MSyst Act (RSA 2000), who reports to the MM on oversight issues of running the process. The justification and significance of the existence of the IDP, as highlighted in the 2018 Education and Training Unit for Democracy Development, these include: effective use of scarce resources; instituting speedy service delivery; guaranteed attraction of additional funds; and strengthening democracy; as well as eradicating apartheid tendencies; in addition to the promotion among the three spheres of government of coordination and cooperation.

2.6.7 Sustainability

Sustainability was viewed by researchers (Ralston and Sauer 2010: 12; Prizzon *et al.* 2020) as the aptitude and competence of “an individual entity [(local authority)], community, or global population to continue surviving successfully by meeting its intended outcomes, while living within its resource limits”. In this regard, the importance of managing the capacity is

emphasised, where the obligation of service delivery is ensured through sustainability. Prizzon *et al.* (2020) explain further that future obligations to citizenry would be fully guaranteed and reflected in full in the long-term budget with completely transparent foreseeable liabilities.

This additionally indicated, from Ralston and Sauer's (2010: 12) point of view, the need "for public entities to consider the combined economic, social and environmental impact on their policies, plans and decisions", using factors such as demographic tools, and social policy commitments, for example. In determining sustainable outcomes, as Prizzon *et al.* (2020) argued, this would often result in a conflict of interest in achieving the various economic, social, and environmental benefits. In such situations, the local authority would be expected "to balance, preferably through consultation, the various public interests concerned" thus ensuring a suitable trade-off, according to the political consultation outcome (Prizzon *et al.* 2020).

2.6.8 Austerity

Austerity has been defined by May (2013: 4), Gong and Jensesen (2012) and Nilsen, Stahi *et al.* (2013: 5), as fiscal policy implemented by a state or state institution, with the aim of solving and/ or containing challenges with debt and growth during an economic stagnation period that results in economic deterioration. These negative effects have a bearing on social costs, which are extensive in addition to clearly undermining the realisation of the common people's rights at grassroots level through unemployment, falling income and increased inequality. Furthermore, austerity has infringed on constitutionally enshrined human welfare attributes, in areas such as municipal service spending per household that has increased substantially in developing countries.

2.6.8.1 Implications of Austerity on Good Governance from a Municipal Funding Perspective

Overwhelming international evidence, however, shows, despite how local authorities embrace good governance attributes, such as those mentioned in

the previous sections, lack of strong financial support becomes a “thorn in the flesh” that affects the implementation of public service delivery policies, particularly in the municipal sector, as mentioned by Ruckert and Labonté (2017: 306-311). Lack of strong financial support and strategic resource utilisation result in the adoption of austerity policies and/ or measures by public institutions, such as municipalities, to mitigate the economic meltdown of state institutions.

In an effort to “balance the budget”, Ruckert and Labonté (2017: 306-311) listed some of the commonly implemented austerity policies by the state and/ or its agencies to include.

“... spending cuts, regressive tax increases, or a combination of both. Austerity has been used to legitimise a desire to shrink the (social welfare) role of the state, deregulate labour markets, emphasise private markets as drivers of growth, and enable a reconfiguration in the interests of capital, particularly the financial sector. There is no credible evidence that debt is growth retarding above a particular level, as proponents of austerity have claimed”.

Austerity has, according to Ruckert and Labonté (2017: 306-311), “simply failed on its own terms”. Stated differently, while there is an economic recession, private-sector expenditure is shrinking. When expenditure is cut or taxes increased, specifically regressively, while the economic climate is causing tax revenue to already fall, tax revenue is depressed as a result, along with private and public sector spending; these determine the GDP growth and size. Since the measurement of debt levels is done as a debt to GDP ratio, “when measures to tackle debt lead to, or exacerbate, poor economic growth, then debt relative to the (shrinking) GDP will go up, not down. Austerity is thus self-defeating during recessionary times, as it multiplies the effect of shrinking private-sector expenditure” (Ruckert and Labonté 2017: 306-311).

2.6.8.2 Implementation of Austerity Policies in the SA Municipal Sector

According to Smith and Katikiredi (cited in Quao 2016: 26), policy implementation refers to stages in the policy cycle of formulation-implementation-reformulation. In general terms, implementation entails putting basic policy decisions into action, with these decisions generally contained within an authoritative decision or a statute, as alluded to by various researchers (Gong and Jensesen 2012; May 2013: 4; Nilsen, Stahi *et al.* 2013: 5). Further explanation of policy implementation, as provided by Cairney (cited in Quao 2016: 26), entails compliance of important executive orders or court decisions by lower structures. From the government institutions arena, establishment of policies culminate from rigorous processes of converting financial, material, technical and human inputs into outputs. The processes involve “a wide variety of actions, such as issuing and enforcing directives, disbursing funds, assigning and re-deployment, and downsizing and/ or rightsizing human capital” (Quao 2016: 26).

This brings a critical question to fore regarding the output or the end-result of the policy implementation and whether it benefits, addresses and/or satisfies the needs of the targeted constituent or society. This question relates to the “actors” in policy implementation, who as Geyer (2012: 13) asserts, should also be included in policy formulation, rather than making use of “the centrally-crafted, linear approach that is often a poor fit” for end-user need.

Given the economic problem of scarcity, Geyer (2012: 13) underscored it has become “imperative that resources be applied effectively and efficiently to achieve economic and social objectives. The global economic crisis has resulted in the contraction of many economies and in this regard, SA [(in this case, the municipal sector)] has also adopted measures to ensure fiscal prudence”. The implementation that gives effect and regulation to “cost containment measures (austerity measures), in terms of expenditure incurred” by the municipalities was instituted by Municipal Councils working in collaboration with both national and provincial structures to discharge their core business duties for purposes of service delivery (Geyer 2012: 13). The

operation expenditure of councils, under these strenuous conditions of limited resources, is expected to “be used effectively, efficiently and in accordance with the approved budget, as well as any relevant financial policy; as determined by the financial regulations for local authorities and guidelines by the financial management of District Municipalities”.

The austerity policies were prescribed and processed in the municipality in line with Treasury Instruction 01 of 2013/14 (RSA 2017), which directs the accounting officers (MMs) to be prudent in instituting appropriate expenditure control measures and by providing “reasonable assurance that all expenditure incurred by municipalities is necessary, appropriate, paid promptly, recorded adequately and reported accordingly in the relevant accountability instruments”.

In accordance with Treasury Instruction 01 of 2013/14 (RSA 2017), “it is mandatory that all government departments, constitutional institutions and public entities (including municipalities) implement the cost containment measures referred to in paragraph 4 of the Treasury Instruction”. Each municipality has to craft austerity provisions relevant to its setting. Austerity measures instituted across most municipalities in SA include: Consultant Engagement; Travel and Subsistence; Employee Related Costs; and Inventory; as well as Communication and Printing Costs; Refreshments; Advertising; and other Miscellaneous measures.

2.7 MANAGEMENT AND CONTROL OF LG FUNDING IN MUNICIPALITIES

On matters of management and control of LG finance and funding, basically in developing countries, as put forward by international literature (UN-HABITAT 2015), a country’s constitution becomes the point of reference, both in terms of law and as a source for constructing other relevant statutory instruments that would guide and facilitate collection and disbursement of funds. In most developed countries, although the constitution offers some provisions on the discretionary control of funds to finance critical projects and

provision of social services to local communities, manipulation of such authority results in misappropriation, mismanagement and corruption tendencies by politicians and other senior officials (UN-HABITAT 2015).

LG is made distinctive through its democratic base. According to Clarke (1996: 41), “it is this distinctiveness and the legitimacy that comes from the ballot box that give a local authority a specific role in the governance of the community”. The democratic base is argued by Anifowose and Enemuoh (1999: 21-23) as “further reinforced by a set of requirements underpinning its public accountability, such as audit processes, openness, public access to information, the ombudsman and the like, which are more robust” than for any other organization.

Anifowose and Enemuoh (1999: 21-23), furthermore, highlighted that the “level of internally generated revenue by each Local Government depends on size, nature of business activities, urban or rural nature of the council”, and instruments used to collect revenue. Other factors include “political will and acceptability by the people to pay, based on the legitimacy of the council and socio-cultural beliefs of citizens regarding the issue of taxation”.

2.7.1 Intergovernmental Transfer

The LES is allocated to all 257 municipalities in SA as subsidy of free basic services for poor households, with a revenue redistribution formula used in calculating the allocation to fund poorer, rural municipalities. While there was a review of the LES formula in 2012, it was unable to address how to determine the full amount apportioned to the vertical division. As Ncube and Pillay (2020: 24) highlighted, the LES formula is largely population driven. However, LES needs should be based, according to the FFC (2017), on a sound goods and services costing framework, which should depend on objectively derived cost estimates. The FFC (2017) further pointed out that without a proper costing framework, there would be challenges of adequacy of the subsidy that will remain unknown.

During the past decade or so, according to literature on municipal finance (FFC 2020: 34-39; Amusa and Mabugu 2016: 1; Ncube and Pillay 2020: 24), transfers have come under severe pressure, affecting revenue available for sharing and impacting economic growth. This became evident when many consumers defaulted on their bills which impacted revenue collections of municipalities. The LG sector in SA has, since 2012, “adopted fiscal consolidation measures in order to reduce the budget deficit, stabilise the debt/ GDP ratio, and reverse a decade-long trend of low growth”.

The conditional transfers fund is mainly comprised of municipal capacity building initiatives and municipalities’ capital accounts. Metropolitan municipalities and intermediate cities finance approximately 50 percent of their own capital requirements, either with debt finance, reserves and other “own sources” of capital. Regarding rural municipalities, 80 percent of their capital expenditure is funded from transfers from the fiscus. According to research findings of the FFC (2017), many capital accounts of municipalities face huge fiscal gaps, even with all transfers considered. Furthermore, the issue of persistent under-spending on capital account budgets revealed related problems with planning, administrative and technical capacity.

There are greater levels of economic activities, employment and lucrative demographic profiles in metropolitan and secondary cities, which are represented by urban municipalities in SA. These factors, as Amusa and Mabugu (2016) pointed out, impact municipal expenditure responsibilities per capita. However, owing to low economic activity levels, high unemployment and poverty characterise rural municipalities. In terms of socio-economic status, Amusa and Mabugu (2016) alluded to more compact settlements in urban municipalities, with a relatively sparser populace in rural municipalities. Furthermore, according to Ncube and Pillay (2020: 24), these differences affect service provision costs, indicating unique planning decisions are necessary in these distinctive environments. the authors state the fiscal framework itself is also impacted by these differences, as shown “by the varying ability of municipalities to generate own revenues, as well as

dependence of certain municipalities on transfers from National Government”.

As depicted (Table 2.1), the greater economic activity levels and favourable metro and municipalities’ demographic profiles greatly enhance “their ability to generate own revenues”. This assertion, as pointed out by Amusa and Mabugu (2016) in the 2008/09 FY, shows 75 percent of metro and secondary cities’ operating budgets were funded through local taxes; rural municipalities and DMs are heavily dependent on grants. According to Amusa and Mabugu (2016) and Ncube and Pillay (2020: 24), a dependency range ratio from 70-80 percent was evident enough to suggest, on the one hand, the ability to generate revenue in these areas is minimal.

Table 2.1: Source of Operating Income Across Type of Municipalities
SOURCE OF OPERATING INCOME ACROSS TYPES OF MUNICIPALITIES 2008/09

Type of Municipality	Government Grants	Property Rates	Service charges	Investment Revenue	Other	Total
Metropolitan Municipalities	25%	18%	45%	3%	9%	100%
Secondary Cities	26%	14%	47%	3%	10%	100%
Larger Towns	27%	21%	40%	2%	10%	100%
Small Towns	37%	12%	36%	2%	12%	100%
Rural Municipalities	70%	6%	14%	3%	7%	100%
Districts With P&F	79%	0%	2%	8%	11%	100%
Districts Without P&F	80%	0%	8%	4%	8%	100%
TOTAL	33%	15%	39%	3%	9%	100%

Source: NT LG Database (Chitiga-Mabhugu and Monkam 2013: 08)

Ncube and Pillay (2020: 31) argued, however, in reference to the revenue that “differences across municipalities were also reflective in the expenditure functions and powers assigned to different types of municipalities”. Considering the urban space in which metro and secondary cities operate, the built environment development and funding are enhanced through

greater planning decisions, where housing and transport infrastructure is concerned.

2.7.2 Property rates

Own revenue constitutes property rates and tariffs from so-called “trading services”, in the form of: “electricity, water supply, sanitation and solid waste removal. In the case of property rates, property valuations remain a big challenge. For rural municipalities, the property rates revenue base is also limited by a communal tenure system”, along with challenges of consumer resistance and poor billing systems inherently embedded in the property rates revenue (FFC 2017: 34-39).

With regard to tariffs, Amusa and Mabugu (2016: 25-34) and Browns (2008, cited in Ncube and Pillay 2020: 31) add that “larger municipalities have historically generated surpluses on their electricity, water and sanitation trading accounts, which has allowed them to subsidise some of their services”. These surpluses face tremendous pressure, in part because of regulatory measures and affordability. There had been unabated increases of electricity and water over the years that significantly impacted household budgets of consumers, and consequently, affected revenues collected by municipalities. Moreover, as a result of revenue shortfalls, many municipalities failed to settle their utility accounts with, for instance, Eskom and water service providers (boards).

2.7.3 Borrowing in Municipalities

The essence of borrowing in municipalities is to support capital expenditure through instruments (such as bonds) in certain instances, to insulate against a deficit in the operating budgets. Local access to capital markets is heavily restricted in developing countries. Borrowing for smaller municipalities may only be achieved when a financial authority or state/ provincial body is the conduit, part of the reason, is it reduces the cost of borrowing by bringing different municipalities and their requirements together (Rodden *et al.* 2008, cited in UN-HABITAT 2009: 65).

Borrowing is generally low and not commonly found among municipalities; there are several reasons municipalities have not yet fully leveraged on borrowing. This is evident in the South African municipal environment, where the credit markets for municipalities remain largely underdeveloped (Amusa and Mabugu 2016: 25-34). Browns (2008, cited in Ncube and Pillay 2020: 31) highlighted the poor financial management skills and information systems in quite a number of municipalities, which creates too much of a risk for financing institutions to provide municipalities access to loans. Amusa and Mabugu (2016: 25) further mentioned the expense of financing the small quantities municipalities often borrow.

Despite these challenges, “debt finance continues to be the cornerstone of LG infrastructure financing in both developing and developed countries” (UN-HABITAT 2015: 1). Nevertheless, according to Alam (2010: 1), given the capital requirements of debt financing, this has been low in developing countries. Further assertions to contain debt financing challenges for infrastructure include: (1) ensuring clear borrowing rules and regulations with these known by local authorities (both municipal council and management); (2) the need to improve municipalities’ credit-worthiness by promoting budgeting that is transparent; (3) to establish good relationships with stakeholders, such as credit rating agencies, ensuring fiscal discipline on the part of municipalities, as well as the promotion of municipal participation in credit markets

Generally, long-term borrowing is limited by financing capital expenditure. Where infrastructure is concerned, the benefit accrues “to future residents, while fairness, efficiency, and accountability are enhanced [when] these projects are financed by borrowing with interest charges, and repayment of the borrowed funds coming from local revenues [and user fees] imposed on future beneficiaries” (Bird and Wilson 2003: 24). Capital expenditure aligned examples, where borrowing applies, include “fire and police infrastructure, recreational facilities, libraries, roads and streets, public transit, solid waste facilities, and water and sewer systems”. The added benefits of long-term

borrowing allow the impact of the operating budget to be spread over several years, while projects can be constructed at the same time when there is a rapid growth and assessment period. Moreover, long-term borrowing may present a reduction of real product cost when inflation cost increases; which happens when labour and material costs increase, while there is no technology or quality of input improvement.

As posited by UN-HABITAT (2009: 43) report, the key demerit of borrowing, from a municipal perspective, is dependent on the notion that,

“... potential revenues are dedicated to debt repayment and thus not available for other uses. When the costs are spread over time, a significant portion of local budgets that become a fixed obligation and debt charges can constrain local fiscal flexibility. A municipality with low debt also has more flexibility to respond to unanticipated future events” (UN-HABITAT, 2009: 43).

Comparative analysis of LG in many countries (including developing countries) shows restrictions from borrowing. According to Won and Bird (2008: 54), in China, for example, a way was found to contain the restrictions, by creating independent, wholly-owned companies whose activities are “extra-budgetary”. These companies, as further asserted by Won and Bird (2008: 54), are used in providing development project funding for infrastructure. These companies, treated as special entities, may “borrow on the capital market, backed by the assets transferred to them by the municipality or revenue stream from their extra-budgetary status. However, they do not use [standardised] accounting and reporting systems and do not face the same level of public scrutiny” as other business entities.

Municipalities in the United States of America (USA), have for a long time used tax-free bonds, according to Serageldin, Jones, Vigier, and Solloso (2008: 15). LG in India started issuing bonds exempted from income taxes in 2001. The bondholder gains a direct advantage from tax-exempt bonds. The rationale for a municipality issuing a tax-exempt bond entails funds can be

borrowed at an interest rate lower than that of regular bonds, since when a lower interest rate is taxable, investors would be more inclined to consider investment. These bonds are best applied in municipalities that have access to capital markets, however, in other municipalities their application has been limited. Serageldin *et al.* (2008: 18) further highlighted the tax-exempt bonds are mainly criticised because they benefit high-income tax payers at the expense of low-income tax payers, owing to fund availability to invest in bonds. Furthermore, the benefits for taxpayers with a higher marginal tax rate are larger for a given amount invested.

In addition to the criticism mentioned above on tax-exempt bonds, it is attributable to the income tax revenue that can be forgone, because other levels of control by government, whether central and/ or provincial, are required for these bonds. In other words, as Won and Bird (2008: 54) argued, municipalities “benefit at the expense of the general population, who pays higher income taxes than in general, to make up for a shortfall in income tax revenues”. Moreover, an additional challenge presented by tax-exempt bonds is the payment amounts in lower interest LGs save because of broker and bond trader transaction fees.

2.8 RATIONALE OF THEORETICAL FRAMEWORKS ON GOOD GOVERNANCE

Governance theories were fused into the mainstream of social science since the dawn of the twentieth century, as stated by Bevir (2012: 7) and Tiwari (2017: 3). The premise of governance led people to view the world differently, stimulating public recognition of the nature of public officials, which is largely self-interested, spreading far and wide. Bevir (2012: 4) argued social science theories found it difficult to keep step with some of the apparently improvised changes in governance. At the most general level, governance was referred to as theories and issues of social coordination and the nature of all patterns of rules. More specifically, as Tiwari (2017: 3) proposed, governance refers to various new theories and practices of governing and the dilemmas they gave rise to.

According to Asmark (1996, cited in Bevir 2012: 21), systems theorists, where some tenets of governance were borrowed from, viewed the coordination concept as a property of systems. Nonetheless, systems theorists located the rise of the new governance within a more general narrative about Modernity. In this case, “Modernity” entailed attributes comprising increased functional differentiation. Sellers (2001, cited in Bevir 2012: 25) viewed governance in the context of state-society relations, contrary to the earlier approaches of governance that treated state-society as mutually exclusive categories. The relationship of state and society had changed significantly in the late twentieth century, with the WB (2020a) positing that new practices of governance found political actors increasingly constrained by mobilised and organised society.

Sellers (2001, cited in Bevir 2012: 25) and others, such as Alo (2013: 20) and Mulenga and Bekker (2015: 23-27), concluded the work of governance exhibited the relationship of how the state rules and interacts through social actors. Further attention to some new analyses was drawn by Sellers (2001, cited in Bevir 2012: 25), where state-society relations that involved local, multilevel, sub-national, and transnational configurations, as well as sectoral variations, were highlighted. The impact of specific institutions and policy instruments, along with feedback effects of policy outcomes were included as part of the dichotomy analysed (Bevir 2010: 21-25; McLennan and Munslow 2009: 11-13; Slack 2016: 12).

The new relationship between state and society permitted considerable variations but is an international phenomenon. New practices of governance were extended across the developed and developing world, prominent among strategies, as Chibba (2009 cited in Braun 2016: 32) explained, to regulate transnational flows and govern the global commons, so as to solicit funding for social development of local communities.

In some literature (Tiwari 2017: 13; Slack 2016: 12, 51; Vito 2016: 12) governance is viewed as concerned with “developing the appropriate

structures and processes for directing and managing an organization so that stakeholders can be assured that the organization is operating effectively and efficiently”, also highlighted by Hughes (1998: 34) and McLennan and Munslow (2009: 11-13). The term “governance” in this study basically focuses on the qualitative nature of governance, which could be termed “good governance”. The rationale of the concept of good governance can be associated with the role the LG plays in servicing communities with dignity and upholding ethical values. The following statement by IFAC/CIPFA (2014) sheds some light on the essence of good governance and further projected the distinction between governance in general terms and good governance in particular:

Good governance in the public sector encourages better informed and longer-term decision-making as well as the efficient use of resources. It strengthens accountability for the stewardship of those resources. Good government is characterized by robust scrutiny, which places important pressures on improving public sector performance and tackling corruption. Good governance can improve organizational leadership, management, and oversight, resulting in more effective interventions, and ultimately, better outcomes. People’s lives are thereby improved. (IFAC/CIPFA 2014:6)

According to Hughes (1998: 34) and Ndunda *et al*, (2015: 1), by embracing and implementing good governance practices within the municipality sub-sector, it helps immensely to restore and enhance public trust and confidence in local authorities. Several facets had been taken on board in trying to explain the term “governance”. Grindle (2007 cited in Braun 2016: 31) subscribed to the idea that governance provides a platform for development and capacity-building to alleviate poverty levels. Chibba (2010 cited in Braun 2016) mentioned two dimensions that encompass governance. The first entailed how a state and/or an institution is to be governed from a legal point of view, which involved policies, laws, procedures, and processes, along with

oversight mechanisms. The other dimensions are ideological and value-oriented in nature that shape the organizational character.

2.9 MUNICIPAL INFRASTRUCTURE FUNDING MODELS IN SA

Provision of basic services is viewed as an important agent employed to fight poverty and unemployment, thus, required in strengthening social capital. From the perspective of the rural municipality sub-sector, the resuscitation of agriculture, tourism and other non-farm enterprises entails the improvement of the socio-economic status of communities.

The SA Rural Development Quarterly (2004: 196) emphasised that infrastructure in the form of road infrastructure, for example, would facilitate a connection between rural areas and urban centres, where mobility of goods and people within the area takes place. Good feeder (access) roads can facilitate the supply of perishable foods to high-value urban markets. Increased deterioration was also witnessed, in predominantly rural (B4) municipalities, where quality water, sanitation access and electricity service provision are concerned. Municipal typification is expanded on in the next chapter (Table 3.4). It was further observed the municipalities outside the metros rely on funding for their capital programmes from government transfers. The most popular among these transfers is MIG.

Concerns are raised by Ndzelu (2016: 80) regarding the Ndlela the design and management of this infrastructure grant (MIG), because it “does not allow a sustainable eradication of backlogs in rural villages”, as posited by the SA Rural Development Quarterly (2004: 196-198). A tendency is alleged in the use of MIG by municipalities to upgrade and rehabilitate town network infrastructure, with households that are town-based having the capacity and willingness to pay for services.

While own revenues account for the majority of municipal resources, transfers through the Division of Revenue comprise approximately 30 percent of the municipal budgets and can account for more than 80 percent of budgets in rural municipalities, according to Ncube and Pillay (2020: 24). In

addition to the MIG, the SA government introduced the rural household infrastructure grant (RHIG) in the 2010/11 Medium-Term Expenditure Framework (MTEF). In this regard, 56 selected municipalities were to be catered for through a government allocation of R1.2 billion during the course of the 2010/11 period. This was intended to eradicate backlogs in rural municipalities' sanitation and water services with an approach that is on-site, with the examples of ventilated improved pit (VIP) toilets and rainwater tanks cited.

This gesture by government could help municipalities to find innovative ways of providing services, while reducing the burden on their operating costs, as alluded to by Ncube and Pillay (2020: 18-24). Significant funding through grant allocations has characterised and benefitted municipalities in capacity development. However, there are concerns raised where the depth and sustainability of these programmes and their impact are concerned.

These critical rural-based programmes, as Ncube and Pillay (2020: 18-24) enumerated, are augmented by capacity support funds such as: “the expanded public works programme incentive for municipalities grant, which encourages municipalities to adopt labour intensive investment and service delivery methods; the financial management grant”, with its objective the support of sustainable municipal fiscal and financial management by means of a multi-year budgeting that links IDPs to budgets.

In this way, quality reports on municipal systems are produced with:

- the improvement grant mandated to aid in building internal capacity of municipalities so they may perform their functions in stabilising institutional and governance systems;
- the rural household support grant, which is an innovative programme to support the rollout of facilities to rural households such as enclosed, VIP toilets and rainwater tanks; and
- the neighbourhood development partnership grant, which is a programme aimed at improving households' quality-of-life by creating community and

business infrastructure that is not only economically viable but also sustainable. The design of this initiative aims to improve the livelihoods of communities, especially in municipalities that have the largest concentration of people living in poverty, in order to profit from economies of scale.

2.10 INFLUENCE OF INFRASTRUCTURE FUNDING IN MUNICIPALITIES

Infrastructure, as Ardarkwa *et al.* (2017: 21) and Smith and Lomba (2008: 10) explained, is considered to encompass the structural elements of an economy that allow for production of goods and services, without themselves being part of the production process. Broadly speaking, infrastructure has been understood to comprise road and rail transport systems, public transport systems, public health and educational facilities, as well as water supply and water resources, wastewater management, solid waste treatment and disposal, along with electric power generation and transmission, telecommunication, and so on. However, Claudia and Cesare (2012: 3) argued it is critically important to understand infrastructure not only involves these physical elements but also the operating procedures, management practices and developmental policies that facilitate the effective utilisation and development of the infrastructure, in response to societal demand.

Owing to the extensive backlog of social service infrastructure provision and poor access to basic service deliverables at grassroots level, it has become necessary for governments, quasi-governments, industries, financiers and other key players in the economy to adopt collaborate approach such as PPP to contain these challenges. It has become imperative for SA to examine innovative approaches, such as the PPP models, to ensure clearing of backlogs, which Wisniewska and Czajkowski (2019: 15-20) describe as characterised by a lack of funding, culminating in project delays and complete abandonment.

The challenges associated with PPP, in the main, emanate from Principal-Agent theory. There are several issues on equity associated with transferring the responsibility for finance infrastructure from public to private entities. For example, the ability of the private sector to respond to low-income household needs is limited, owing to its profit-oriented nature; this entails the poor will have limited or no access at all to basic infrastructure. Furthermore, the private sector may not, according to Arimah (1995: 18), be adequately positioned to fund certain long-term infrastructure projects that would affect return on investment. For these reasons, the public sector will continue to be a major role player, as the private sector is not willing to accept this type of risk.

The role and importance of infrastructure is vitally important, evidently appreciated for its impact in the social and economic development of communities (Ardarkwa *et al.* 2017: 21; Smith and Lomba 2008: 1). Areas that lack access to effective infrastructure are inevitably characterised by high levels of poverty, with municipalities tending to focus on key infrastructure delivery issues, including providing access to basic municipal services (water, sanitation, electricity and solid waste removal), in tandem with ensuring the maintenance of general infrastructure and services within the municipal area.

Chaguill (1996) and Rizzo (2002, cited in Arimah 2005: 1347) further posited on public investment in infrastructure, as characterised by failure to recover costs from service beneficiaries. This stemmed from user charges not covering the cost of recovery, while payment collection systems are inefficient, the rate of default is high, and service provision is exemplified by an elaborate system of subsidies. SALGA (2003: 5-6) argued municipalities seemed to be widening gaps as they were constructing increasingly new infrastructure, without considering ongoing maintenance required by the existing infrastructure.

By implication, the financial predicament many municipalities find themselves in relates to the operating budget, which includes maintenance. When the importance of preventive infrastructure maintenance in municipalities is not prioritised, municipalities guilty of this will incur significant future expenses to replace assets not well maintained (Madumo 2016; Baker *et al.* 2019). The report on the State of Municipal Infrastructure in SA and its Operation and Maintenance (2006: 13-15) describes the poor physical condition of specific municipal infrastructure categories, with consequences for service delivery quality, as a direct contributor to prevailing problems. Among these existing challenges are water treatment and reticulation, wastewater, electricity distribution external to ESKOM, and municipal roads, as well as storm water drainage.

Conceptually, the nature of infrastructure in terms of its concentration, quality, and efficacy, varies from national level through provinces, and regions, ultimately to municipalities, subject to a range of political and economic legacies. Within this context, SA suffers from a disparate distribution of infrastructure, ranging from established and maintained public works systems in industrial areas, to a lack of this underlying foundation evident in district and rural municipalities (Kumari and Sharma 2018: 12).

However, as a long-term panacea to the mentioned challenges, according to the South African Economic and Reconstruction Recovery Plan (RSA 2020), the government is envisaged to institute an infrastructure investment, delivery, and maintenance drive, particularly in key economic sectors; including the municipal sector, where it is expected to feature prominently in the economic reconstruction and recovery of the country, amidst the COVID-19 impact and beyond. Further benefits from an infrastructure programme implemented on a large-scale include: improved aggregate demand, assisting the construction industry in its revival; and contributing to employment creation.

Efforts would additionally be strengthened in attracting private sector investment in infrastructure delivery that would be encapsulated in the building of broad-based PPPs; including the PFMA and MFMA undergoing a review to facilitate PPP. As part of prioritising infrastructure development for network industries, the modernisation of freight and public transport would receive immediate attention, mainly to boost and improve the rural municipal economy from agriculture and tourism perspectives.

Significant differences are found in settlement types between B3 and B4 municipalities, with their typification further expanded in chapter 3 (Table 3.4). The impact of population growth as regards to natural increase and net migration over time on revenue generation seems elusive, but according to the analysis on national municipal population, household growth trends between 2001 and 2016, StatsSA reported in Census 2001 that in B3 municipalities 52 percent of households live in small urban settlements, farms are occupied by 29 percent with 10 percent residing in tribal land settlements. here B4 municipalities are concerned, households that reside in tribal settlements equate to 83 percent, with a mere seven percent residing in either small towns or farms. Comparatively, StatsSA released a General Household Survey (GHS) in 2016, wherein the percentage of South African households with inadequate or severely inadequate access to food decreased from 23.9 percent to 22.3 percent in 2010 to 2016 (StatsSA 2016).

2.11 EFFECTS OF LG FUNDING ON SOUTH AFRICAN MUNICIPALITIES

In the context of the South African LG sector, lack of good governance has given rise to various challenges. Koma (2010: 115), McLennan and Munslow (2009: 11-13) and Slack (2016: 12) concur, stating the performance of numerous municipalities across the country has demonstrated and displayed the complexity of an unequal society, where huge disparities have become evident; in as far as the fulfilment of both constitutional and legislative mandates are concerned.

The issue of inadequate financial management capacity had been a central challenge, as mentioned by the previous AG, Nombembe (2008 in Koma 2010), where it was revealed in the 2008/09 AGSA report that approximately 60 percent of the then 283 municipalities in SA failed to provide evidence to account for revenue received in 2008. Even now, more than ten years after this audit statement on the performance of local authorities in SA was issued, it appears the country is even worse off, and in a predicament, as qualified audit reports had been reported several times on most municipalities by the late AG, Kimi Makwetu. These financial management incapacities in most municipalities were attributed to budgeting, credit control, accounting and financial reporting systems that are weak and improper, as shown by various AG Reports (AGSA 2018/19; 2019/20).

According to reports on the state of municipalities by the Council for Scientific and Industrial Research (CSIR) in 2006; 2016 and 2018, as an example of lack of good governance, poor physical conditions of specific categories of municipal infrastructure, with consequences for service delivery quality, including water treatment, water reticulation, wastewater, and municipal roads and storm water drainage systems, were exposed. These issues remain a 'thorn in the flesh' of the government. Effective governance, according to Koma (2010: 112-115) and Mbanda *et al.* (2019: 1) has, therefore, encouraged the efficient use of resources, strengthened accountability and the stewardship of these resources, as well as improved management and service delivery, for the improvement of people's lives. Furthermore, building blocks that establish greater confidence and trust in the public sector domain stem from effective governance.

2.12 CONTRIBUTION OF LG FUNDING TO THE SOUTH AFRICAN ECONOMY

Schembrucker (2020: 1-56) elaborated that "intermediate and rural municipalities are not homogenous, development strategies need to account for wide variations in demographic, social, and economic contexts and needs, as well as available institutional capacities". To illustrate, as

highlighted in Table 2.1 (source of operating income), active agricultural sectors are found in many B3 municipalities with significant potential for development; however, Schembrucker (2020: 1-56) states emerging farmers would require “concomitant improvement in extensions of farmer support services”, where other focus areas would need to be on developing human capital, particularly in the health and education of women.

Accessing basic services and its provisioning remain crucial to reducing poverty and finding solutions to unemployment, in addition to strengthening of social capital. This could also be a driving factor in the revival of agriculture, as well as other rural non-farm enterprises and tourism. Although there has been significant progress made in basic infrastructure delivery to rural municipalities, much remains to be done. Concerns raised involve the design and management of the MIG, for example, because sustainable service backlog eradication in rural villages cannot be achieved.

Vacu (2018: 239-255) highlighted the tendency by municipalities to use this grant for town network infrastructure upgrading and rehabilitation, with the possibility of payment for services greater from town-based households as they are generally perceived to have access to funds. There is a general lack of familiarity in the use or applicability of the options for alternative, appropriate technology, while these can facilitate service provision to villages, with due consideration for shortages of water, low population density, as well as a typology that makes it costly to use conventional methods to install and for operation.

It is the intention that LMs are, according to Nel (2019: 1), the actual service delivery locus. In SA there are, nonetheless, instances where DMs “provide such services on a transitional basis, while the necessary capacity is established in local municipalities”. Furthermore, there are numerous instances that Ncube and Pillay (2020: 18-50) highlight, where the designation of DM would be as service delivery authority, with regard to a specific service, while the LM performs the actual service delivery. This

arrangement, according to the fiscal LG framework, provides funding for a particular function is to be paid to the municipality, as the delivery function is its legal responsibility. In these cases, it is expected the DM reimburse the funding, enabling subsidised service by the LM in good faith. However, LMs frequently receive nothing in this regard (Ncube and Pillay 2020: 18-50).

2.13 CONCLUDING REMARKS

It is against this backdrop that this chapter examines the role of good governance in mitigating developmental thrust, service delivery and institutional capacity, with the view to ensure high standards of a better life for local communities. The premise of promoting good governance in South African municipalities is based on mitigating the prevalent and inherent socio-economic challenges, including massive service delivery protests, poverty, rampant corruption, and inequalities. Good governance in the context of the South African LG environment needs supporting pillars for it to work. Mogale (2003 cited in Koma 2010: 112-115) emphasised that enabling legislative measures, coupled with extensive resource acquisitions and prudent resource allocation, are critical tenets in addressing massive infrastructure backlogs and service delivery provisioning. LG in SA is constitutionally mandate to provide services to local communities in a manner that is sustainable. The fulfilment of this obligation makes it the duty of municipalities to ensure institutional capacity is continuously strengthened, in addition to systems and structures firmly put in place, and periodically reviewed (Koma 2010: 119).

In this literature review, the information gathered and interpreted creates the theoretical foundation LMs and DMs may take on board, using different factors, to improve governance on basic service delivery and infrastructure development. Strong evidence was also provided through the literature review presented in this chapter that can be utilised to promote good governance in other economic sectors of developing countries, including SA.

The chapter that follows constitutes a description of specific LG funding models in the municipal environment in SA, with the Zululand District and its respective LMs specifically referenced. In addition, a literature review on internal and external factors from a LG institutional perspective is presented, providing a baseline assessment of municipalities.

CHAPTER 3

ENVIRONMENTAL FACTORS UNDERPINNING LOCAL GOVERNMENT FUNDING IN MUNICIPALITIES

3.1 INTRODUCTION

Whereas the purpose of the previous chapter was to introduce the study and its background, this chapter aims to review literature on issues that resonate with both internal and external environmental factors that underpin LG funding for communities. The majority of unviable municipalities identified by COGTA (2018) rely on grants significantly in fulfilling their constitutional mandates. This chapter, therefore, seeks to identify and detail the extent to which these environmental factors influence LG funding for South African communities, from a basic social service delivery, to a municipal infrastructure point of view (Ncube and Pillay 2020).

The activities of LG in a country, as Bwowe (2019: 1) elaborates, involve conducting and maintaining “formal relations within the broader social systems, where entities such as municipalities and other associated institutions craft and shape their respective environment” and are influenced by it. This section is mainly concerned with how the LG funding system has impacted the municipal sector in SA, in terms of environmental factors (Chilu and Nomandin 2013; Bwowe 2019). Accordingly, the discussion identifies and considers the most crucial tenets of these factors, leading to conclusions regarding the impact and extent to which the LG sector is shaped by the various factors examined.

Various models were utilised by social scientists to analyse the interaction between organizations and their surroundings. In this regard, two concepts are worthy of special mention: ecology and systems theory, as posited by McDonald (2017: 1). Ecology is a scientific construct or metaphor for studying and analysing relations between organizations and their surroundings and has been widely utilised by different authors (Giddens 2001: 573; Dada *et al.*

2017: 15; Franzsen *et al.* 2017: 1). Systems theory is a concept modified by Easton (1979, cited in Dada *et al.* 2017: 15) to assist in explaining how political and administrative institutions influence and/or are influenced by external factors (Anderson 2003). These concepts further assist in mitigating the understanding and appreciation of both the institutions and individuals (personnel) charged to implement service delivery in organizations such as municipalities (Carrington, DeBuse, and Heejin 2008; Franzsen *et al.* 2017: 1).

3.2 INTERNAL FACTORS INFLUENCING LG FUNDING

Internal factors exist within the operational base of an organization and directly affect the different aspects of business (Obasan 2014, cited in Ngibe 2020: 65). These aspects encapsulate human resource (HR) systems, organisational material, structures, and conditions within the parameters of an organization under its control. Several researchers (Alshura and Al Assuli 2017; Hartzell 2018) concur an institution's internal environment embraces resources that determine its strengths and weaknesses. Abukhama (2015, cited in Ngibe 2020) opined these factors influence institutions (such as municipalities), with regard to their ability to achieve the objectives to ensure development of viable performance plans.

The essence of determining and analysing the strengths and weaknesses of an institution is anchored in its ability to identify and/ or take advantage of existing opportunities, while avoiding potential threats and pitfalls to itself or other organizations that may be in a similar quagmire (Indris and Primiana 2015). This implies LG funding operational objectives in municipalities can be realised; when the management of the institutions concerned are focused (Davids 2011; Hartzell 2018).

In the recent past, though short-lived, the South African LG sector witnessed a surge of improvement related to access by poor households to basic services. In 2016, StatsSA (cited in Ncube and Pillay 2020) indicated 90 percent of households had piped water, 88 percent had access to electricity,

which is much improved from the 2002 figure of eight percent, and 64 percent that saw regular waste removal. StatsSA (2016) further indicated, in terms of sanitation, 13.7 percent of households used unventilated pit toilets, with bucket toilets used by two percent, while sanitation facilities were non-existent for 2.4 percent.

From 2018, however, the LG landscape in SA started to deteriorate dramatically, with many municipalities reported by then Minister of COGTA, Zweli Mkhize, as dysfunctional and unviable (Ncube and Pillay 2020). The breakdown of the situation in the municipal sector, as presented by COGTA in 2018, stood thus: seven percent of the country's municipalities were reported as functioning well; 31 percent were reasonably functional, and the rest were either almost dysfunctional or dysfunctional. Table 3.1 indicates a per province breakdown, listing 87 municipalities that include both DMs and LMs. The list was released by COGTA in 2018 to show the extent of dysfunctionality and distressed municipalities in the South African LG sector (Ncube and Pillay 2020).

Table 3.1: List of dysfunctional municipalities per province in SA

Province	Number of municipalities
KwaZulu-Natal	18
Eastern Cape	14
Limpopo	13
North-West	10
Northern Cape	8
Free State	7
Western Cape	7
Gauteng	6
Mpumalanga	4
Total	87

Source: COGTA (2018)

The data in Table 3.1 above provide a view of the top three provinces that constitute 52 percent of the dysfunctionality of the South African LG landscape. This picture displayed a gloomy and undesirable state of affairs.

The reasons for this situation in the researcher's (my) view, could be attributed to a lack of funding, to a greater extent, and other critical factors uncovered by researchers such as Chilú and Nomandin (2013) and Bwowe (2019), with their reasoning presented in the next sections of this chapter.

The sustainability of municipalities depends on both external and internal factors; more importantly, internal factors are critical as key drivers of the operations of the institution. Municipalities continue to be at risk, owing to the following internal factors:

3.2.1 Managerial Competence in Municipalities

The concept of competence has been defined in various ways in the literature. In most cases, competencies are associated with tasks, skills, outputs, and knowledge, as well as processes, role expectations, responsibility, and core content related to specific fields or jobs, as Morudo (2017: 1) and Madumo (2016: 5) identified. The importance attached to this concept lies in the effects of service backlogs that characterise South African municipalities, as Meyer and Venter (2014: 1) pointed out. Morudo (2017: 1) argued the performance of municipalities should be measured within the context of the unique challenges faced by weaker and more vulnerable municipalities, typified by complex development problems, including massive infrastructure backlogs that require extraordinary measures to address funding and delivery capacity requirements.

Managerial competencies are categorised into several classifications, which may include but are not limited to Core, Specific and General competencies, from the view of the Dullah Omar Institute (2017). Core competencies comprise expertise and skills that drive high performance and are foundational for organizational growth and development. On the one hand, specific competencies are aligned to a particular position; for example, a line manager's leadership competency to influence a team towards goal achievement. General competencies, on the other hand, refer to basic capabilities embracing good working relationships among colleagues,

communication, and listening skills for team members (Dullah Omar Institute 2017; Amsler and O'Leary 2017; LGSETA 2017). Thus, competency is a combination of skills, knowledge and attitude, which correlate with job performance. The level of competency can be measured by using standardised metrics and can typically be improved through targeted training and staff development initiatives, as posited by Amsler and O'Leary (2017).

The South African LG sector is no exception to these competencies, which are viewed as the cornerstone embedded in senior management positions in municipalities. Mosha (2010: 25) and Mello (2018: 12) identified most African LGs faced challenges with regard to finance, as a result of fund mismanagement, due to insufficient managerial skills of administrators and resources being mismanaged when allocated for development, as a result of corrupt practices and tendencies.

A study by the Dullah Omar Institute (2017) enumerated typical competence frameworks crafted and encapsulated in the public sector in general and the municipal sector in specific. These identified models include the Boyatzis Competence Model (1982), which focused on behavioural indicators that influence job performance; the Slocum *et al.* (2008) Managerial Competency Model, which places six sets of management competencies with associated sub-competencies; Louw's Managerial Competency Model (2012); and the OECD (2019) Framework on Public Service Leadership and Capability. Additionally, there are senior public management competencies promulgated in legislation and/ or compiled official documents, such as: the Public Service Act 41 of 2007; the Senior Management Service (SMS) Competency Framework; Municipal Performance Regulations for MMs; as well as the MFMA; and the associated competency regulations.

The competencies needed to manage institutions were investigated in a study by Koustelios (2003) that concluded organizational size plays a significant role in the perceived importance of managerial competencies. The study analysed 186 fitness centre managers from a selected region in

Greece, with the fitness centres grouped according to organizational size. The results analysis revealed four factors consisting of 16 competency statements: marketing and communication (five items), HRM (five items), financial management (three items) and administration (three items). Significant differences were observed in managing these centres of different organizational sizes. Managers of medium and large centres of these institutions considered financial management, HRM, and administration were of more importance than did their colleagues in smaller fitness centres.

The role of the MM in the South African LG sector, therefore, becomes critical in the day-to-day running of a municipality and is influenced by the type and category of municipality served in accordance with the MSyst Act 32 (RSA 2000). Visser (2001: 21) and Amsler and O'Leary (2017: 1) mentioned the MSyst Act (RSA 2000) among other aspects that highlight and clearly detail the council's expectations of a MM, including: performance agreements signed and concluded each year by the MM and the mayor or executive mayor, on behalf of the municipality (Section 57(1) and Section 57(3) of the MSyst Act (32 of 2000); the employment contract, which must include "details of duties"; as well as the MM's terms of reference - the council must define, in precise terms, the specific role and area of responsibilities of the MM in a written document (RSA 2000).

The MM must ensure implementation of these principles in his or her administration. As head of the administration, according to Amsler and O'Leary (2017: 1), the MM is responsible, subject to council policy directions, for the formation and development of an economical, effective, efficient and accountable administration, equipped to implement the IDP, operates within the municipality's performance management system and is responsive to the needs of the local community to participate in municipal affairs (RSA 2000). Section 51 of the MSyst Act (32 of 2000) further states "the municipality must hold the MM accountable for the overall performance of the administration" (RSA 2000). The Systems Act states the MM is to be held accountable by the

municipality, therefore, the onus firstly rests with the council to assign accountability to the MM.

Researchers, however, argue there is a positive relationship between managerial competences and performance of an organization (Akande 2011; Velu and Manxhari 2017). The success or failure of an entity such as a municipality can thus be attributed to good managerial competence or lack thereof, respectively (Bhardwaj and Punia 2013). Bhardwaj (2016) further posits that effective and efficient managers are vital for improving business and/or organizational performance, mainly because human capital is the central pinnacle and most important resource in any organization.

3.2.2 Institutional Capacity in Municipalities

Capacity in this context, according to Koma (2010: 115-118), refers to the “availability of and access to concrete or tangible resources (human, financial, material or technological) and having the knowledge to implement policies and the delivery of public services”. Furthermore, as put forward by Brynard and De Coning (1999: 2006), the term capacity encapsulates intangible resources such as commitment to, and leadership for, the implementation of policies and delivery of public services. According to the National Capacity Building Framework (NCBF), LG capacity is regarded as the potential that triggers development to happen.

The NCBF (2004: 2008) asserted a three-pronged definition of capacity as a succinct framework that touches “on individual, institutional and environmental capacity factors”.

1. Individual capacity described as a person’s potential and competency, or lack thereof, typically evidenced by

“...specific technical and generic skills, knowledge, attitudes and behaviour, accumulated through forms of education, training, experience, and networks, as well as values”.

2. Institutional capacity is perceived as the potential and competency, or lack thereof, found within organizations. It includes HR, strategic leadership, organizational purpose, and institutional memory, in addition to internal confidence, partnerships, intergovernmental relations and functions, as well as infrastructure and financial capability”.
3. Environmental capacity is whether potential and competency are found outside formal structures of municipalities. These comprise, among others, the composition socio-ally such as the tax base, and demographically, as well as existing community political, legislative and social capital, in addition to availability of natural and mineral resources.

Visser (2001: 21) and Amsler and O’Leary (2017: 1) further alluded that a municipality’s administration is governed by the principles of section 195(1) of the Constitution, often referred to as the Batho Pele principles. Section 6(2) specifies these principles further and instructs the administration to take measures to prevent corruption, to provide members of the community with full and accurate information regarding the level and standard of service delivery they are entitled to receive (RSA 1996).

3.2.3 Lack of Skilled Staff Affects Service Delivery

A research study conducted by the LGSETA (2020) revealed a skills mismatch facing the LG sector in SA, where there is a prevalence of under-qualified staff. The research further highlighted increased numbers of people with a tertiary qualification but with little or no necessary skills. This problem of skills is not confined to the municipal sector but generally extends to SA in its entirety (LGSETA 2020).

In examining specific professions such as engineering, the LGSETA (2020) study further indicated thus: higher rate of turnover (4.7 percent), followed by other key professional staff in the form of planning (3.6 percent), ICT (3.5 percent), and Finance (2.2 percent), where key personnel could be leaving

the municipal sector. This may be exacerbated through the loss of experienced staff owing to natural factors such as retirement, medical boarding and death, to some extent. Nonetheless, the continued loss of key professional staff contributes further to already eroded municipal service delivery. The statistics cited above by the LGSETA (2020) research indicates and reveals geographical imbalance and relatively high loss of professional staff, which raises concern and is expected to be corrected for the creation of a positive environment essential for municipal governance and service delivery.

Several initiatives aimed at redressing municipal capacity problems were identified and undertaken in order to contain skills challenges and building capacity in LG. These initiatives were, for example, identified by several researchers (Martinez-Vazquez *et al.* 2013; Nel 2019; Schembrucker 2020), who concurred the long-term sustainability of rural municipalities relies on successful LG development. According to Ncube and Pillay (2020: 18-50), “sound and vibrant local economies generate both demand for basic municipal services and the resources to pay for them”. Hence, the need to capacitate the municipalities with requisite HR capacity and professional skills to underpin municipal service delivery. The skills-related reasons for occupational shortages, as put forward by the LGSETA (2020) research, include unsuitable candidate, relevant qualifications, and location. Non-skills related reasons include insufficient finance, poor remuneration, recruitment process, and political interference.

Several researchers have revealed high staff turnover, more so at senior level, which includes MMs, Chief Financial Officers (CFOs) and other managers (NT 2020) as one of the key drivers that push municipalities into distress and dysfunctional modes. In most municipalities, the vacancies of key personnel take a very long time to fill. This has serious repercussions, wherein lack of key decision-making would be critically affected, as those who would be in acting positions are afraid to be challenged. Cadre

deployment, regarding political placements, also contributes to the delay of filling those posts due to political bickering that characterises the power to be.

Following the 2018 “grand visits and interviews” conducted by members COGTA to determine the level of dysfunctionality in municipalities, it was uncovered that MMs, CFOs and other senior managers do not last their term of office as per their contractual provisions. This is owing to job insecurity and uncertainty upon expiry of their contracts, so they start to hunt for job opportunities before their full term (Ncube and Pillay 2020).

The shortage of skills, both in terms of capacity and competency, in municipalities has often been raised as one of the main reasons for the poor performance of LG (BER 2020; Ngcobo 2017: 1). Across all LMs and metros, 16.4 percent of these positions were vacant in 2015 – 1.5 percentage points more than in 2018.

3.2.4 Competitive Advantage in Municipalities

Though capacity building is a generic notion used for institutional strengthening, institutional development and organisational development, Callahan and Kloby (2009: 219) emphasise recruitment of the right people for the right job; resources such as time and public funds not to be wasted in the of policy implementation process; and the ability of public managers, public service managers and politicians to account for their activities. These factors ensure effective performance management towards effective governance.

Habib (2015) asserted when challenged on service delivery issues, municipal leaders most commonly respond privately, “... look at the (poor) quality of the people that I have around me ...”. Therefore, in terms of quantity and quality, LG needs to capacitate their employees. Nzimakwe (2012: 139) highlighted that LG does not only concern the provision of services but is also developmental, further asserting that in LG, ensuring synergy between the planning process and implementation remains a challenge. The LG MSyst Act (30 of 2000), stipulates HR should be developed to a level that enables it

to perform its functions and exercise its powers in an economical, effective, efficient and accountable way (RSA 2000).

3.2.5 Lack of LG Funding Innovation

Despite population trend dynamics, low levels of capital spending seem to be one of the greatest causes of municipal failure, according to the Bureau for Economic Research BER (2021). Sustained levels of low capital spending affect the ability of municipalities to expand access to water, sanitation, electricity and housing, which can be attributed to a lack of innovation in terms of spending available funds (BER 2021; Fourie 1998; Goldswain 2018).

Municipal innovation in the management of revenue and expenditure establishes whether it is able to contribute in the reduction of poverty as well as economic development. Where revenue is concerned, varying sources are relied on by different municipalities. For example, in the setting of South African LG, whereas DMs and rural municipalities mostly depend on government transfers, reliance by metros, large, and small town municipalities depend more on own charges, including electricity and water charges.

Substantial disparities thus exist in terms of expenditure at LG level. Capital expenditure items are also markedly different across different municipalities. For instance, as indicated (Table 3.2), electricity is more important for metropolitan, city and town municipalities in the South African context, than it is for rural and DMs; whereas a more important expenditure item for the latter is roads, in comparison to the former.

The figures shown (Table 3.2) below were aggregated, reflecting nearly one third of total capital expenditure by LG comprised net purchases of electricity, water and sanitation. Capital expenditure of slightly more than 25 percent was awarded to roads and storm water.

Table 3.2: Municipal Capital Expenditures (%) Per Type of Municipality in SA 2009/10

TYPE OF MUNICIPALITY	ELECTRICITY	HOUSING	OTHER	ROADS AND STORM WATER	WATER AND SANITATION	GRAND TOTAL
Metropolitan	15%	5%	33%	28%	19%	100%
Secondary Cities	12%	1%	49%	17%	21%	100%
Larger Towns	15%	1%	36%	23%	25%	100%
Small Towns	10%	4%	34%	18%	34%	100%
Rural Municipalities	2%	2%	45%	44%	8%	100%
District	0%	1%	38%	60%	1%	100%
Grand Total	12%	4%	37%	26%	22%	100%

Source: NT: LG Database (Chitiga-Mabhugu and Monkam 2013: 08)

SA was demarcated into 257 municipalities in the 2016 LG elections. The StatsSA Quarterly Report (2019) revealed that during the period October to December 2019, R95.2 billion was spent in total, reflecting the cost to municipalities for the provision of services, such as water, electricity and sanitation, to millions of South African households. Driven mostly by additional purchases of electricity by municipalities, along with increased employee-related costs, this figure was 11.3 percent, amounting to an extra R10.8 billion to what was spent in in 2018, during the same period (October–December).

Expenditure on salaries and wages is referred to as employee-related costs, which is equal to R28.7 billion (30.1 percent) of total municipal spending, representing a rise of 7.4 percent from R26.7 billion recorded in the last quarter of December 2018. The second biggest expenditure item comprised electricity purchases, at R19.5 billion (20.5 percent), 12.4 percent higher than for the same period in December 2018, with R17.4 billion recorded for municipalities that purchased electricity for resale from Eskom, to enable the

provision of paid services to families in their homes, as well as to businesses and other institutions. In turn, municipalities realised a profit of R8.6 billion from gross revenue of R28.1 billion in the December 2019 last quarter. Contracted service was the third biggest expenditure item, after which general expenses, including fuel, fees for auditing services, accommodation, and costs for travel, along with plant and equipment hire, among others, as well as water purchases. The next biggest item was depreciation, which comprises wear-and-tear, in addition to intangible asset amortisation costs.

In relation to income, StatsSA (2019) indicated receipt by municipalities of R104.5 billion in the December 2019 quarter, with 26.9 percent contributed by electricity sales to total income. Municipalities rely on two main sources of revenue to finance constitutionally authorised responsibilities, namely: (1) Own-generated revenue and (2) intergovernmental fiscal transfers, better known as grants and subsidies. Municipalities additionally sourced R16.6 billion from property rates; nonetheless, as a result of economic inequalities throughout the country, most South African municipalities, in particular the rural institutions, have insufficient capacity for generating their own revenue. This fiscal gap is bridged through grants and subsidies bridge by ensuring all municipalities have sufficient funds to fulfil service delivery as constitutionally mandated. Of the total revenue in the same period, grants and subsidies accounted for 29 percent. Sales of water (10.2 percent) was the other biggest source of revenue in the quarter ending December 2019, with sewerage and sanitation services (4.1 percent) after that.

3.2.6 Stakeholders Consultative Capacity

Lack of intergovernmental relations coordination and LM support have been cited by the NT (2017) as part of the reasons stakeholder consultative capacity is affected. Instances have been reported where DMs send contractors to act, without making arrangements with LMs beforehand, for example on water and sanitation services (NT 2017). Another area that lacks coordination concerns indirect conditional grant implementation where, without consulting LMs, projects are implemented by a province or national

departments. This has a serious repercussion, because the responsibility remains with LMs to maintain assets delivered by spheres of government whether districts or other.

Klepsvik and Koppernjan (2016) and Nabatchi (2018: 14) pointed out that the MM must manage the communication between the political structures and office-bearers and the administration (MSyst Act 2000, section 55(1)(j)). Instructions, queries and other communications from council, committees, the (executive) mayor or the speaker to the administration cannot bypass the MM's office, because the MM is accountable for the entire municipal administration. In the event of communications going directly to officials or departments, the municipality would have to establish clear communication between those and the MM to the level of detail required for the MM to answer to his or her accountability towards the council.

3.2.7 Poor Financial Management

Poor financial management oversight of municipalities is characterised by mismanagement, misallocation of funds, lack of competence skills and misappropriation of funds, including lack of good governance, are the underlying reasons for poor performance, as detailed by Garcia-Sanchez (2012) and Ngcobo (2017). However, Fourie (1998) questioned why these problems of governance were so widespread, and why interventions were ineffective in remedying the situation, with the question remaining unanswered.

These research attempts have either focused on proactive financial governance or the causes of financial mismanagement, leaving space for research into what could be done when a municipality already finds itself in financial distress (Watson *et al.* 2015; Cohen *et al.* 2012; Franzsen *et al.* 2017: 1). It has been indicated in various AGSA reports (2020, 2019, 2018) that spending by many municipalities exceeded the available resources. This meant most municipalities were unfunded. According to Ncube and Pillay (2020: 22), in 2017, 56 percent of 257 municipalities passed funded budgets,

whilst 44 percent opted to knowingly adopt unfunded budgets. In this regard, many municipalities inevitably ushered themselves into financial distress, which is associated with some costs to the organization that may lead to bankruptcy, should it not be timeously relieved, as explained by a Deloitte Report (2017).

In recent years, the South African LG landscape experienced financial failures in the public domain, including financial management challenges in municipalities as evidenced by Cohen *et al.* (2012), such as the 2018 collapse of VBS Bank, which resulted in significant losses to municipalities that had invested (in violation of applicable regulations) in the mutual bank; the record number of service delivery protests (237 of which took place in 2018 and 2019); and unfavourable reports from the AG, indicating fruitless and wasteful expenditure dearly cost municipalities, for example R2,07 billion was spent on irregular expenditures in the 2018/19 FY (AGSA 2019).

Most global research on municipalities in financial distress zeroed in on the challenges of what the possible causes thereof could be and on how to detect them (Watson *et al.* 2015; Cohen *et al.* 2012). Some of the research, for instance, such as studies undertaken by Garcia-Sanchez (2012) and Ngcobo (2017), posited on the background associated with the development of municipalities in respect of their financial viability, wherein the history of non-payment for services was highlighted, and an analysis of municipal income provided. Other studies focused on whether the internal controls in municipal financial management influence governance in municipal entities and whether the subsequent audit findings of the AG have any effect (Fourie 1998; Ngcobo 2017).

Unspent conditional grants by municipalities would, in terms of Section 22 of the Division of Revenue Act (DoRA), revert to the National Revenue Fund (NRF) unless the NT is satisfied the unspent allocation of the relevant municipality is committed to identifiable projects, in which case rollover of funds may be allowed.

Written confirmation is provided by the NT to detail whether the municipality may retain any of the unspent funds, as a rollover or any agreed alternative method of payment or schedule. After this, the approved rollover funds must be appropriated by the municipalities in an Adjustments Budget, in terms of Regulation 23 of the Municipal Budget and Reporting Regulations (MBRR). In addition, municipalities must report spending on a separate NT customised template regarding rolled over conditional grants.

3.2.8 Endemic Corruption from Procurement

Endemic corruption has been referred to as “systemic corruption”, which is “primarily due to the weaknesses of an organization or process” (Naidoo (2017: 1). Endemic corruption and political inertia at local level make it easy for organizations to flout regulations with impunity (Sunday Times, nd).

The LG sector in SA has been victim to rampant corruption as reported by the media, judiciary and government in general. Corruption from a public service perspective, “inhibits the flow of service delivery in communities and it erodes the basic moral fibre of society”, as posited by Naidoo (2017: 1). The effects of corruption are dire and constrains municipality growth and development. Lack of professional ethics and deficient laws regulating corruption as a criminal offense were pointed out by Franzsen *et al.* (2017: 1), including the lack of prosecution and sanctioning viewed as chief cause for the emergence and spread of corruption.

3.2.9 Poor Assets Management

Asset management is perceived as fundamental to service provision in a way that is “cost-effective, efficient and transparent”. In this regard, the NT seeks to create a coordination mechanism of various national initiatives that will benefit municipalities (NT 2018). The literature regarding asset management indicated a mismatch between repair and maintenance requirements (Ncube and Pillay 2020: 23; NT 2018: 15-25). Municipalities tend to prioritise new assets at the expense of budgeting for the repair and/ or maintenance of such infrastructure. Mishrah (2014: 1) explains this culminates in the

compromised performance, while longevity of infrastructure adds to poor quality service delivery. Properly performed asset management facilitates service provision in a manner that is financially sustainable.

Specific duties are detailed by the MFMA (RSA 2003) (section 63) in respect of asset management, in other words, asset safeguarding and maintenance, valuation according to relevant statutory instruments, maintaining an internal control over assets system, and keeping a register of assets. Individual MMs are required to ensure provisions of Section 63 of the MFMA (RSA 2003) are implemented, as indicated in the Handbook of Assets guidelines. The MM and CFO funding strategies should optimise the municipality's ability to achieve its strategic objectives as stated in the IDP. In addition, loans to acquire assets should not be for longer than the life of the assets they are used to acquire.

3.2.10 Weak Municipal Accountability and Oversight Institutions

The municipal public accountability committees (MPAC), including audit committees, have been identified as weak and inadequately empowered to fulfil the oversight role (FFC 2016/17, cited in Ncube and Pillay 2020). The evidence showed these structures can neither effectively hold the executive to account, nor the lack of accountability in councils, where little or no response is seen to AGSA reports and other statutory body reports on annual report findings and recommendations. Furthermore, AGSA observed issues of conflict of interest in the municipal sector, where employees not declaring interest had not been adequately investigated, despite it having been reported.

The above-mentioned internal factors characterise the challenges facing LG funding, thereby undermining the capabilities of municipalities to unleash basic service delivery to their communities, as mandated by the Constitution.

3.2.11 Consequence Management Challenges in Municipalities

Municipalities, as with many other organizations, have a responsibility to comply with many legislative requirements. Additionally, employees have an

equal obligation to follow internal procedures and policies. A consequence management framework, also known as an internal system or process that outlines an organization's approach to managing compliance and mitigating compliance risk, consequence management should also clearly outline how an employee can report a breach or a potential breach and how it can be contained and/or managed (Mathenjwa 2017: 45-62; Steytler and Visser 2018).

In most municipalities in SA, as explained by Steytler and Visser (2018: 22-25), the consequence management regime has been undermined extensively by municipal officers, particularly those who resign when they are implicated in investigations. Delays in instituting consequence management have been exacerbated by delays in implementing COGTA recommendations, resulting in giving space to those affected to avoid sanction by the council leadership and management (Mathiba and Lefenya 2019).

There is very strong pressure by the COGTA to review the amended Section 106 of the MSyst Act (RSA 2000) to widen the powers of the Member of the Executive Council (MEC) responsible for COGTA, to include enforcement of recommendations implementation. In its current form, section 106 of the Act allows the MEC only to institute proceedings against municipalities concerned but not to enforce these.

Internal controls are the preventative mechanisms, rules and procedures implemented by a municipality to ensure financial and accounting information integrity, promote accountability, and prevent fraud and error. Apart from complying with legislation, and protecting the entity's assets from theft or preventing fraudulent activities, preventative controls can help increase operational efficiency by improving the accuracy and timeliness of financial reporting (Mathenjwa 2017: 45-62; Steytler and Visser 2018).

The late Makwetu, who was AGSA, asserted that,

“Preventing poor-quality financial statements and performance reports, noncompliance and material irregularities is more effective than having to deal with the consequences thereof – money and time are lost, costly investigations have to be instituted, and officials are subjected to the discomfort and anxieties associated with these processes, which often take a number of years”
(AGSA 2017-18).

Mathiba and Lefenya (2019) explained the lack of consequence management has been reported extensively by the AG’s office on ethical and accountability leadership in municipalities. The internal control mechanisms become compromised as perpetrators would be politically protected, remaining adamant to comply with the consequence management process and benefit from the delaying machinations.

Furthermore, Mathiba and Lefenya (2019) highlighted some of the identified areas reported for non-compliance that lack consequence management enforcement with supply chain management (SCM), where red flags were raised, and many recommendations made, including uncompetitive and unfair procurement processes and inadequate contract management, which were common.

3.2.12 Lack of Supply Chain Management Mechanisms that mitigate procurement of essentials

According to the BER October 2021 publication, SCM was identified as one of the factors that contributed to the poor state of municipal service delivery, owing to inadequate support and lack of skills or expertise. Inefficiencies in the procurement process have been highlighted as problematic by the National Development Plan (NDP 2012), wherein the system tends to focus on procedural compliance, rather than value for money, which results in placing an excessive burden on weak support functions.

The BER (2021), furthermore, stated the implementation of SCM gave rise to challenges that severely affect key provision of essentials, such as water;

sewerage systems, roads and waste management systems that improve the livelihood of communities in many municipalities. Such challenges, according to Pieterse (2019: 15) and Molefe (2019: 23), had regressively impacted business communities to invest in such municipalities and prevent the creation of new opportunities for local economic development and growth.

3.2.13 Revenue Collection Management in Municipalities

Poor revenue management has been emphasised as one of the biggest causes of financial distress for municipalities and affects the economic sustainability of municipal institutions (BER 2021; Masilela 2018; Molefe 2019). The culmination of these effects in financial distress challenges are dire and many municipalities cannot make funds fully available for their operations and maintenance. According to the AGSA Report (2019-20), of a total of 257 municipalities, only 199 were reported to have submitted their audits to be included in the AG's Consolidated Report. Of these, only 38 were deemed to be in good financial health.

There are several factors that contribute to the lack of effective revenue collection in municipalities. Possible inhibiting factors include resistance among some members of communities to pay for certain services, affordability, a culture of entitlement, and the notion of "free rider", as mentioned by Chetty (2016).

3.2.14 Management Information Systems (MIS) in the Municipal Sector

Municipalities are expected to, in essence, make information available to internal and external stakeholders, from which sustainable decision-making and management are made possible. This makes it imperative to explore financial sustainability information that characteristically relate to budgetary matters, for example, appropriations and the cost anticipated for specific services, or accrual-based concerns, such as, fixed asset and equity depreciation proportionate to debt, as justified by Van Heldon (2016: 12). Other authors (Kimando, Khoro and Njogu 2014, cited in Quao 2016: 5)

concur the Financial Information System (FIS) includes both budgetary information that is cash-based and financial information that is accrual-based.

Another kind of information comprises information related to non-financial performance (Liguori *et al.* 2012). Performance information “typically refers to qualitative and quantitative information about public sector activities, processes, services, service outcomes, transformation processes, such as productivity/efficiency, and effectiveness”, as pointed out by Siverbo and Johansson (2006) and Van Heldon (2016: 12). The basic idea behind information production, according to Oberholzer (2013: 15), is “the belief that providing local politicians with high quality financial information would eventually result in sustainable decision-making”.

The Municipal Infrastructure Grant Management Information System (MIG-MIS), was developed by the National Department of Co-operative Governance and Traditional Affairs (COGTA) for the MIG programme and as project management tool to support and mitigate the MIG Framework. According to the terms of reference cited in a circular dated 25 January, 2021 (MIS/02/20/21) from COGTA national department, it directed its provincial offices including municipalities to implement the system.

The MIG-MIS system allows municipalities to report against the lifecycle of projects being implemented under the MIG programme and not only for the purposes of project registration and lifecycle, but also for programme expenditure reporting (Moynihan 2009; Van Helden 2016). Reporting on financial and non-financial areas by the municipalities against their MIG allocation is critical to determine whether the MIG is achieving its intended objectives and outcomes. The MIG-MIS system had been enhanced with the features that cater for MIG-MIS user community needs, ensuring the system is audit compliant.

As previous research identified, no causality is found in the “information decision-making nexus” (Van Helden and Hodges 2015; Moynihan 2009 Van Helden 2016). There is, nonetheless, an incentive for decision makers to

interpret, analyse, and use financial information (Sinervo *et al.* 2019: 558-577). Good decision-making requires decision makers to make sense of the municipalities' financial operations and position. Frequently, decision makers supposedly base their interpretation on financial information when talking about the financial situation of public organizations (Sinervo *et al.* 2019: 558-577).

3.3 EXTERNAL FACTORS AFFECTING LG FUNDING IN SOUTH AFRICA

Most LG authorities in developing countries are confronted with increasingly bigger challenges characterised by rapid “chaotic” configurations of settling people at grassroots (Shah 2007; Wu and McGoogon 2020: 1-19). The impact of unplanned natural disasters, owing to climate change and other related exogenous factors, such as the corona (COVID-19) virus, which have swept the world and have culminated in a global health, financial and economic crisis (UN-HABITAT 2015: 8; Wu and McGoogon 2020:1-19). UN-HABITAT (2015: 8) echoed that local authorities in developing countries are failing to manage towns and cities, owing to the broadening disparity between financial resource availability and municipal requirements.

With such challenges, the funding of local authorities has become too reliant on allocations from central governments. The revenue local authorities receive without fail, include government transfers, property taxation and service charges, as previously mentioned. Maqoko and Andoh (2019: 1) explained the central governments, in most cases, still hold more lucrative sources of revenue, including income tax, sales tax and/or Value added Tax (VAT, and business tax. It has been viewed that those revenues collected by local authorities are less lucrative when compared with that of the central government.

3.3.1 Political Factors

Although politics seem to be central to LG and other spheres of government, research has not in any methodical way considered how municipalities are to

deal with political upheaval impacts or any other form of environmental unsustainability. Some research (Piper and Deacon 2008; Memela 2005, cited in Booysen 2007) revealed these issues can “inhibit the smooth functioning of municipalities and, therefore, the delivery of services and other goals”. When not dealt with decisively, these issues will see the vision of improving service delivery to communities remain “a pipe dream”.

Literature, for example, recognises challenges related to the short-term elected government cycles as: the relatively short time scale of political decision-making drives the need for results demonstrated through improved services and visible projects (Rakodi 2001; Andersson and Laerhoven 2007). Achieving environmentally sustainable development is not favoured by these short time scales, with much longer time scales required for global environmental changes to manifest. A variety of associated party politics and political competition issues, which can influence municipal governance have been studied. As example, clientelism has been found to disrupt municipal governance; this refers to public goods and services such as, public housing and employment contracts being offered in exchange for political support that includes, votes and/or participating in party rallies (Lindell 2008; Bénit-Gbaffou 2011).

Some studies mention access to certain services by community members or constituencies only when they have particular political party affiliations (Bawa 2011; Rubin 2011). The need is also mentioned where local politicians are expected to ‘toe the line’ regarding their party’s preferences, in addition to the duty to their constituents, in order to maintain their internal party hierarchy position (Bawa 2011; Buire 2011). Findings from studies on ward committees show political bias causes these to become structures that are either meaningless or powerless (Piper and Deacon 2008; Memela 2005, cited in Booysen 2007). In addition, other literature mentions the need for greater consideration of governance arrangements, politics and decision-making effects on spatial planning in developing countries (Rakodi 2001; Boamah, Gyimah, and Nelson 2012).

Notwithstanding the various effects of political uncertainty, competition and party politics the literature mentions, no systematic, comprehensive consideration is presented regarding how these factors impact overall functioning of municipalities. Little information regarding local level party politics is found, while a strong need exists for improved comprehension of “the complex dynamics of party politics and their influence on urban and neighbourhood governance in Africa” (Lindell 2008; Pieterse and Van Donk 2008; Bénit-Gbaffou 2012; Bénit-Gbaffou *et al.* 2013). The need for this research is based on achieving LM environmental sustainability, with previous work, to a certain extent, showing within municipalities in SA, political instability, party politics and political competition can influence the “mainstreaming of climate change considerations”, because of the negative effects it has in general on municipal functioning (Pasquini *et al.* 2013).

Even though the effect has been acknowledged that political challenges, specifically political instability, party politics and political competition, have on municipal governance, no in-depth and systematic consideration of their effects has been made, specifically of the effects, as Pasquini *et al.* (2013) pointed out, on the “mainstreaming of climate change” and other environmental change issues within municipalities. The sitting of council meetings is negatively impacted by political instability and differences, delaying decision-making and taking critical resolutions. This is also relevant to budget finalising and passing and project implementation, among other matters (Pasquini *et al.* 2013).

In SA, “political sub-national demarcations are viewed as the main source of regional disputes that practically inhibit common developmental goals and interests resulting in an unintended bias in development” (Ngozo 2020: 224; Municipal Demarcation Board 2019; Pasquini *et al.* 2013), with evidence that points, particularly at a local level, to where provincial governments are hesitant to take full advantage of opportunities and exploit these beyond their boundaries.

3.3.1.1 Coalition Governance and its impact on Financial Management in Municipalities

With the coalition thrust in municipalities in the South African political landscape, the tide has shifted from dominance of the African National Congress (ANC) as a governing party that had enjoyed outright majority (over the years since the advent of democracy in 1994) to a current situation of coalition governance in municipalities. This new LG political dispensation came into reality in 2016 after the LG elections, where opposition parties received substantial votes that witnessed no outright majority in most of the metros and to some extent, DMs (Mantose 2018: 12; Pretorius 2017).

More recently, in the 2020 LG elections, a repeat of “hung” municipalities occurred. There was no outright party to govern those “hung” municipalities, since for the first time in history the governing party, the ANC, achieved support from less than 50 percent of the electorate (46 percent).

The broadening of the scope of power allocated to municipalities requires the advancement of economic, political and social development of local communities. As a result, the political parties in coalition are mandated to bring these objectives into fruition, regardless of party affiliation. In one of his presentations, the late mayor of Johannesburg, councillor Makhubo (nd), posited that in a coalition or minority government in municipalities, there is a noticeable trend that suggests voters distribute their votes across the political spectrum.

It has further been pointed out in the coalition politics literature that there are increased consultations across and outside the coalition in order to gain consensus on matters that require a majority vote (Ryan 2020; Mantose 2018: 12; Pretorius 2017). This growing positive consensus in coalition government implies to the electorate that political parties are not enemies but opponents, seeking what is the best way to serve communities in the form of clean governance and stricter oversight (Makhubo nd; Ngozo 2020: 224).

There is much debate in municipal chambers regarding the ability and capability of coalition in municipalities, to effectively ensure financial management is aligned to policy. The solution lies in establishing a common strategy (Figure 3.1), as supported by knowledge of the government policy framework, financial controls and strategic planning process that culminate in a shared vision and common goals (Ritonga *et al.* 2019 Reddy 2016; Vilakazi and Adetiba 2020).

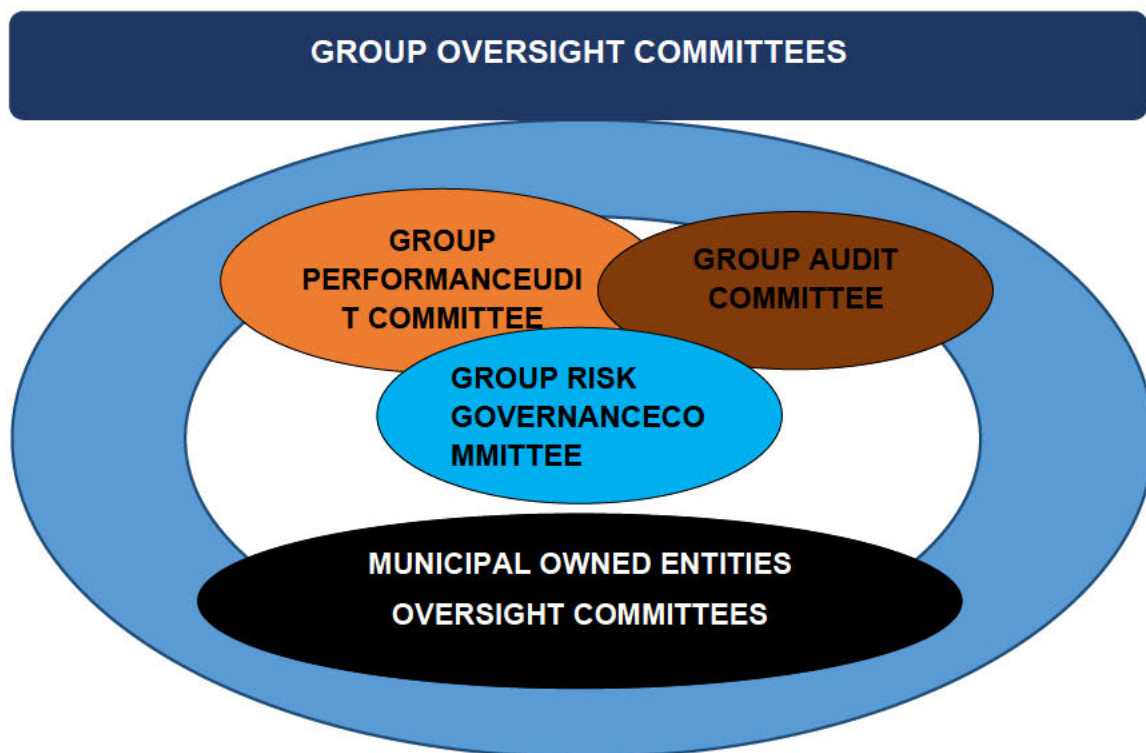


Figure 3.1: Suggested Prudent Financial Management Model in Municipal Governance

Source: Makhubo (nd)

This model, as supported by SALGA, may be viewed as practical and implementable guidelines to political parties and independent councillors in coalition governments, to resolve challenges of instability, and encourage cooperation in coalitions. It sets out guidelines and introduces mechanisms that can be used to structure and manage coalitions in practice. They relate

to both the formation of the coalition and the management key areas of governance, such as financial management to augment ethical leadership and accountability to the coalition (SALGA 2021).

Makhubo (nd) further identified the key areas of concern that coalition municipalities need to deal with, should the municipalities wish to run smoothly. These include the pressure exerted on SCM provisions; use of a procurement process that permits targeting of a preferred service provider as compared to a competitive process; and the understanding of financial performance in aspects such as grant funding declines. Drawbacks concerning coalition in the South African LG sector, as Makhubo (nd) explained, include a lack of capacity/ experience among coalition partners to run the affairs of the municipal government. This has a bearing on major governance challenges in terms of delayed decision-making processes, as well as the blurring of executive and administrative lines, resulting in contraventions of various legislations and policies.

It has been argued in the literature (Ritonga *et al.* 2019 Reddy 2016; Vilakazi and Adetiba 2020), of coalitions in municipalities, that the voting framework leads to more coalitions in future. However, the performance of political parties in coalition may result in awarding responsibility to govern to parties that may not have earned this responsibility by virtue of their numbers.

Furthermore, in respect of factors that contribute to significant underspending of infrastructure in the LG sector in SA, this depends on failure to conform to conditions of grant funding preference, to shifting funding to alternative projects in different areas, and failure to conform to environment performance plans (Vilakazi and Adetiba 2020).

3.3.2 Under-Funding Effects in Municipalities

Bureaucratic and political tendencies also exist that contribute immensely to the under-funding of local authorities. These factors would take root from central government inability to disburse transfers, and/or when central authorities decide not to approve meaningful tax increases, owing to the fear

of eroding political support from constituents, as alluded to by Klerck (2014: 78). There are also huge vertical imbalances, at municipal / sub-national or provincial levels, in terms of sharing responsibilities and available fiscal resources. Vertical imbalances are when municipalities cannot meet their expenditure responsibilities as they do not have sufficient own sources of revenue, which includes local taxes and user fees.

It was established some municipalities under utilise their end of FY conditional grants (Morais 2019; Pieterse 2019). In the course of preparing their Annual Financial Statements (AFS), from the viewpoint of Morais (2019: 23-30), a municipality must determine the remaining portion each national conditional was allocated, as at the financial year-end.

The economy has additionally seen considerable reduction of employment or the effects of redundancy throughout most sectors of the economy. Existing epidemiological and other probable scenarios have an effect on “health, critical economic variables, the livelihood of the people, and the low base from which to build the economy” (Nel 2019: 1; Wu and McGoogon 2020; Binagwaho *et al.* 2014: 1–5); this will require “radically different measures to mitigate against the impact of the crisis”. The economy has also been experiencing a series of downgrades, including in the municipal sector, significantly increasing the cost of funds for critical government programmes (Nel 2019: 1).

It is also important, as further explained by Nel (2019: 1), Wu and McGoogon (2020), and Binagwaho *et al.* (2014: 1–5), to note the gradual increase of the primary budget deficit, along with the rising stock of debt, resulting in a constrained fiscal space. The South African economy was severely impacted by the COVID-19 crisis, with the country already experiencing the effects of structural problems. The crisis has led to a substantial negative effect on capacity utilisation for various South African economy sectors, along with considerable gross fixed capital formation decreases in the first quarter of 2020, as opposed to the previous year and same timeframe.

This vertical imbalance is also termed fiscal gap (UN-HABITAT 2009: 37; Klerck 2014: 74) and is critical in funding the LG sector. According to Klerck (2014: 74-80), vertical imbalance may be a culmination of the situation where local authorities, being smaller, often endure the worst of inequality unleashed by central governments, which yielded and still have comparative administrative power, as well as the ability to collect taxes more effectively than a local authority. Ironically, the local authority is closer to the people and often finds itself more involved in huge spending of revenue on social services. Klerck (2014: 74-80) further ascribed that horizontal fiscal equity refers to when the resources to be distributed would be shared equitably between governments or local authorities at the same level.

Section 214 of the Constitution (RSA 1996) provides for National Government to transfer funds to municipalities in terms of the DoRA, to assist them in exercising their powers and performing their functions (RSA 1996). In this regard, the National Government allocates monies to municipalities for specific purposes and the use of the allocated monies is subject to various conditions. In general, conditional grant transfers aim to: 1) Address the structural imbalance between revenue available to municipalities and the expenditure responsibilities assigned to them; and 2) to support national and provincial priorities, as outlined through different sector policies, in particular those focused on providing universal and sustainable access to services (RSA 1996).

In the event municipalities fail to apply for a rollover of unspent amounts or where a rollover motivation is rejected by NT and the unspent conditional grants are not refunded to the NRF, NT will offset such amounts against the municipality's current year LES allocation and recover the funds accordingly. The inability of the municipality to refund these amounts may be due to the monies being used for purposes other than in accordance with the grant conditions (AGSA 2017).

3.3.3 Legislative Framework

The constitutional classification of municipalities in SA broadly falls into three categories, which are: Categories A, B and C. These categories are distinctive in nature, in terms of section 155 of the Constitution (RSA 1996). Category A is classified as a Metropolitan area, wherein the municipal executive and legislative are the sole authority in its area. Category B generally shares municipal executive and legislative authority in its area with a Category C municipality within whose area it falls.

3.3.3.1 Category A: Metropolitan municipalities

This municipality type is comprised of a single tier, which means it has exclusive municipal executive and legislative authority in its area of jurisdiction. For a municipal to qualify for this category, it should have more than 500 000 voters. These municipalities were established to administer the most urbanized areas of the country and are divided into wards. Category A municipalities cover large urban areas and currently, there are eight metropolitan municipalities in SA, which are:

- Buffalo City (East London, Eastern Cape),
- City of Cape Town (Western Cape),
- Ekurhuleni Metropolitan Municipality (East Rand, Gauteng),
- City of Ethekewini (Durban, KZN),
- City of Johannesburg (Gauteng),
- Mangaung Municipality (Bloemfontein, Free State),
- Nelson Mandela Metropolitan Municipality (Port Elizabeth, Eastern cape)
- City of Tshwane (Pretoria, Gauteng).

3.3.3.2 Category B: Local municipalities (LMs)

These municipalities constitute areas outside the eight metropolitan municipal areas mentioned above, and are divided into LMs. They share municipal executive and legislative authority in their respective areas with the category C (district) municipality within whose area it falls. Category B municipalities (local councils) administer non-metropolitan areas, which vary

in size and extent of urbanisation (Mtantato 2018, cited in FFC 2020: 156-157).

3.3.3.3 Category C: District municipalities (DMs)

DMs constitute a number of LMs (Category B) that fall into one district (Category C). To form a DM, these LMs must not be less than four and not more than six. A DM is mainly charged with the responsibility to coordinate development and delivery in the entire district, where these issues involve capacity-building and district-wide planning, as asserted by various researchers, including Alexander and Kane-Berman (2014: 4); Cloete (1997: 23) and Helmsing (2000: 51).

The DM and LM numbers vary by province (Table 3.3), where as few as two DMs and six LMs (Gauteng) are found in several provinces, there are as many as 10 DMs and 43 LMs (KZN) in others provinces, as noted by Mtantato (2018, cited in FFC 2020: 156-157). Table 3.3 below captures the numbers of these municipalities per province.

Table 3.3: Number of DMs and LMs per province

Province	Number of DMs (Category C)	Number of LMs (Category B)
KwaZulu-Natal	10	43
Eastern Cape	6	31
Northern Cape	5	26
Western Cape	5	24
Limpopo	5	22
Free State	4	18
North-West	4	18
Mpumalanga	3	17
Gauteng	2	6
Total	44	205

Source: FFC (2020)

Further allocation of responsibilities between a DM and LM are detailed in the Municipal Structures Act (RSA 1998). The DM is structured into two arms,

namely, municipal executive and legislative authority in the area, wherein it shares jurisdiction with a number of category B municipalities. The council composition of the DM is divided into types of councillors. The first is those councillors elected to the district council according to proportional voter representation in the area. The second type of councillor is elected in their LM and sent to represent their local council in the district council. These two types make up 40 and 60 percent of district councillors, respectively.

3.3.4 Administrative Classification of Municipalities by COGTA

The classification of rural municipalities as B3 and B4 municipalities is tabled (Table 3.4) below:

Table 3.4: Classification of Municipalities into Categories for Analysis

Class	Characteristics
Metros	Category A municipalities
Secondary cities (B1)	All LMs referred to as secondary cities.
Large towns (B2)	All LMs with an urban core. There is huge variation in population sizes amongst these municipalities and they do have a large urban-dwelling population.
Small towns (B3)	Characterised by no large town as a core urban settlement. Typically, a relatively small population, of which a significant proportion is urban and based in one or more small towns. Rural areas in this category are typified by commercial farms, as these local economies are largely agriculturally-based. The existence of such important rural areas and agriculture sector explains its inclusion in the analysis of rural municipalities.
Mostly rural (B4)	Characterised by the presence of, at most, one or two small towns in their areas, communal land tenure, villages or scattered groups of dwellings, and typically located in former homelands
Districts (C1)	District municipalities that are not water services providers.
Districts (C2)	District municipalities that are water services providers.

Source: Palmer Development Group (PDG) 2007

The existing structured set of criteria that informs categorisation of municipalities in the Constitution and the demarcation processes, according to Mtantato (2016 in FFC 2020: 156-157), does not exist in practice.

Furthermore, there are explicit prescripts in section 155(2) and its provisions in the MSyst Act (2000) for categorisation of municipalities, as well as the highlighted constitutional categorisation (Table 3.4). Municipalities are most popularly categorised (Table 3.4) according to their spatial characteristics.

3.3.5 Impact of COVID-19 on Municipal Economies

The impact of the COVID-19 pandemic on municipal economies has taken a toll on the socio-economic livelihoods of local communities, as evidenced by the Corona-virus protocols and restrictions (lockdown) in place to contain the progression of infection. This is affecting household incomes and rural businesses in every sector of the countries in the world, including the South African municipal sector. Demand and supply side effects, according to Wu and McGoogon (2020: 1), have had significant knock-on impacts on all sectors, including municipalities, with a decline in any one municipality's turnover having reverberations for linked and allied businesses and their associated households.

On the demand side, as enumerated by Wu and McGoogon (2020:1), the side effects of the pandemic impacted goods and services consumed in the home (meals cooked at home, television subscription packages, domestic heating, and so on), goods and services consumed out of the home (cafés, restaurants, hotels and hospitality, bars, leisure centres, gyms, soft plays, museums, countryside attractions, public transport, educational facilities, theatres and arts venues, and more), as well as goods and services traded between businesses. The immediate economic impact during the disease diffusion phase would be greatest for those firms (and their supply chains) unable to provide their produce or services to personal or business consumers, other than within their own business premises.

On the supply side, pandemics and their associated lockdown predominantly affect the availability and productivity of labour, as opposed to land and capital, as factors of production. Labour intensive businesses, or those that rely heavily upon occupations and skills deemed by governments to be non-

essential, are most immediately at risk and a principal source of wider supply chain disruption, everything else being equal, as asserted by Wu and McGoogon (2020) and Karlson, Nilsson, *et al.* (2014: 1-19). In this regard, two characteristics of rural economies are pertinent.

The COVID-19 crisis highlighted the struggle in the South African economy with pre-existing and ongoing structural problems and their effects. The result is a significant adverse capacity utilisation impact in various of the country's sectors, as Wu and McGoogon (2020) explained, wherein it has also been accompanied by significant decreases in gross fixed capital formation in the first quarter of 2020, compared to the same period the year before. The COVID-19 crisis has had profound implications for the world of work. Working remotely has grown in application and in significance, while technology use has taken centre stage in all economic sectors.

COVID-19 has also laid bare the frailties in the labour market; with certain jobs more secure than others (Wu and McGoogon 2020). Mitigating the COVID-19 economic impact requires interventions to deal with structural problems prevalent in the South African economy before the coronavirus impact. Therefore, interventions need to be crafted that deal decisively with this impact simultaneously addressing established structural challenges that inhibit the kind of progress the country should have made.

3.4 STRUCTURAL CHANGES ON SOUTH AFRICAN LG LANDSCAPE

The culmination of democracy in SA in 1994 brought several consolidations of municipalities in the LG sector. Historically, during the period of apartheid governments, the LG sector was consolidated from 1 262 different local authorities to 843 in 1994. Once this dispensation of democracy was examined, in 1999 the number was further settled to 284, and 283 in 2006. A further two municipal demarcations were witnessed where, in 2011 and 2016, there were 278 municipalities and 257 municipalities demarcated, respectively.

The objective for all these successive demarcations was informed by the quest to improve effectiveness and efficiency in the LG sector, coupled with assumptions of economies of scale benefits. The extended view to this notion was also based on “the bigger the more financially viable and sustainable” fact. According to researchers Vacu and Ncube (2017), SA has been characterised by the highest average population size per municipality. However, contrary to the above assumptions, the research conducted by the FFC in 2016 presented a different view, wherein successive demarcation processes have been costly and seen as financially unsustainable in the short-term. Furthermore, findings of this report indicated financial sustainability cannot be the solution to dysfunctionality in municipalities (FFC 2020). Other structural changes that could be examined are enumerated below.

3.4.1 Size of Municipalities Matters

Literature presented by Holzer and Fry (2009), Amusa and Mabugu (2016: 25), and Unegbu (2012: 69-74), in relation to the size and nature of local authorities, indicate the benefits associated with the consolidation of LMs to form larger political jurisdictions. The main benefit discovered is the greater cost-efficiency of dispensing service delivery. Fox and Ostrom (2006) viewed size economies as service-specific, for instance, as the authors highlighted, detailed infrastructure intensive services exhibit benefits from size, which makes an indirect case for consolidation of smaller municipalities or some other measures that would reap the same benefits. Economies of scale, as identified by Bymes and Dollery (2008, cited in Holzer and Fry 2009: 7) are, nonetheless, not the only criteria on which to determine the advantages of consolidation. Land area, population density and geographical attributes were mentioned as additional factors that may affect the benefits of consolidation. Bymes and Dollery (2008, cited in Holzer and Fry 2009: 7) further indicated the research on economies of scale in LG is not supportive of the proposition that substantial gains would flow from the formation of

larger municipalities. In this case, efficiency and economy may not be the strongest arguments for consolidation of municipalities.

Although Unegbu (2012: 69-74) posits LMs are meant to be the actual service delivery locus of in SA, there are instances where DMs, nonetheless, are the ones that, on a transitional basis, provide such services, allowing time for the necessary capacity to be established in LMs. Kitching and Smallborne (2000: 145-157) alluded to numerous instances where the DM is the service delivery authority for a specific service, however, the LM delivers the service. According to the LGFF, there is provision for funding relative to a specific function is paid to the legally responsible municipality for this function. This means funds are paid to the DM, even though provided by the LM. The DM would, in such cases, be expected to reimburse the funds to the LM to enable subsidising the service in good faith. However, LMs in many cases do not receive anything in return.

A way to support the establishment of fiscal equity, as Amusa and Mabugu (2016: 25) suggested, is to restructure the geographical jurisdictions of governments, thereby creating a more equitable tax base. Intergovernmental transfers are paid to municipalities through annual legislation such as the DORA, in SA, for example. However, municipalities' own revenue collection has drastically decreased as a result of greater reliance on inter-governmental transfers as a source of revenue. These revenue sources, as pointed out by Chetty (2015: ii), are expected to fill the need "for infrastructure, service provision and spatial development within their boundaries", irrespective of whether raised internally or externally.

Moser (1996: 35) and Kitching and Smallborne (2000: 145-157) stipulate that "rural business coping and adaptive responses depend on prior availability and use of assets (financial, physical, social, human, and so forth) within business households and their supporting community networks". Responses also critically rely on the scale of reserves any business or household has before to the external shock. "Business income is only one of a package of

financial strands that sustain many rural households and firms in times of crisis-waged work (casual, part- or full-time), occupational pensions, investment income, and state benefits, as well as savings, with reserves and credit also part of the mix”.

3.4.2 Policy and Legal Changes

The White Paper of 1998 on LG has been persistently singled out and remains as one of the guiding policy and legislative frameworks in SA on matters of local governance (Ncube and Pillay 2020: 19). The framework advocated and envisaged a LG sector adequately supported in terms of funding. This framework became central to different measures relative to policy, legislation and regulations to discharge its constitutional obligations effectively and efficiently. Since the culmination of the White Paper on LG (1998), quite a number of initiatives were crafted and put in place to assist and augment the building of a modern LG sector, as concurred by Ncube and Pillay (2020). Basically, the initiatives instituted following the White Paper on LG were categorised in two, policy and legal.

On the legal side, several pieces of legislation were crafted, namely the LG on Municipal Structures Act, 1998 (Act No177 of 1998); the MSyst Act, 2000 (Act No 32 of 2000); Municipal Fiscal Powers and Functions Act, 2007 (Act No 12 of 2007); the Municipal Property Rates Act, 2004 (Act No 6 of 2004); MFMA, 2003 (Act NO 56 of 2003) and the Intergovernmental Relations Framework Act (IGRFA) 2005 (Act No 13 of 2005).

Other initiatives that support the LG sector to fulfil its constitutional mandate, in addition to the above-mentioned legislation, include the following: the LG Turnaround Strategy of 2009 (COGTA 2010); the 2011 NDP (Chapter 13); the Spatial Planning and Land Use Management Act, 2013 (Act No 16 Of 2013); and the Integrated Urban Development Framework of 2016 (COGTA 2016).

The initiatives cited above bear building a strong LG sector that fosters development. Despite all these efforts and achievements, deficiencies in quality of LG services and capacity remain the biggest hurdle.

3.4.3 Fiscal Changes

The LG landscape in SA has witnessed unprecedented changes for the last 20 or more years. During this timeframe some challenges have been found with regards to tariffs, where Ncube and Pillay (2020) highlighted, historically, surpluses have been generated by municipalities on their trading account with regard to electricity, water and sanitation. Consumers of electricity and water services have been affected by the high increases in tariffs that impacted household budgets, and resulted in less revenue collected by municipalities. This chain of consequence has led to many municipalities defaulting on payments, especially to Eskom and water boards.

In terms of the fiscal framework structure composition, transfers provide 25 percent of municipal funding, and own resources provide 75 percent. While transfers were designed deal with poor household service subsidies, own revenue is meant to fund non-poor households, including businesses.

3.4.4 Intergovernmental Relations Initiatives for Supporting Municipal Sector

Initiatives that promote and enhance relations between the province and LG was articulated by the IGRFA of 2005. The essence of this legislation was to be a conduit through the Premier's Coordinating Forum (PCF), as posited by Ngoza (2020: 242). The PCF is composed of the Premier, the MEC for LG, any other Premier nominated MECs, and district and metro municipality mayors, as well as the municipal administrator, and an organised LG nominated municipal councillor in the province. The PCF is important since it aims to ensure alignment of decisions, regarding the timing of planning and allocation of resources, which propagate the IGRFA shared vision (Nzonga 2020: 242; Ncube and Pillay 2020).

Other initiatives that promote intergovernmental relations within the sub-national spectrum include the district intergovernmental forum (DIF) and service delivery war room (SDWR). The DIF was designed “to advance and enhance intergovernmental relations” between a DM and the LMs in a district authority (Nzonga 2020: 242). The SDWR is an initiative that provides political oversight and coordination of efficient resource allocation and responsive integrated service delivery in a province (Nzonga 2020; Ncube and Pillay 2020)

Zooming in on the major challenge and recurring theme that characterises intergovernmental relations in practice, as Ryan (2019: 4) argued, is the impact of functionality in terms of the Constitution that gives rise to national tension, in the form of autonomy of the three spheres of government, including LG. This tension culminates in a lack of management of service delivery programmes at grassroots level and are in response to questions of territorial jurisdictions between departments, state organs or government spheres. Policy priorities would, at the same time, cut “across ministerial mandates and traditional policy fields” (Ryan 2019: 4). The tension then becomes more apparent and retrogressive, due to incoherent intergovernmental relations, which Malan (2018, cited in Nzongo 2020: 247) points out result in “poor integration of activities, duplication, and a general inability to forge collaborative partnerships, or find common ground for joint action”.

Mathenjwa (2017: 1) indicated adequate incentives employed in inter-municipal cooperation create “economies of scale and integration”. Contrary to this, Mello (2018: 1) argued the LG sector in SA is incapacitated without a legal framework, while motivation from national governments is part of some of the key culprits with a bearing on inadequacy in achieving concrete change. To contain this, Mello (2018: 1) suggested more powerful instruments such as concrete incentives be linked to and established within finance. Owing to the lack of financial incentive in the South African municipal landscape, the functionality of the intergovernmental relationship framework

is compromised. The 2017 UN “Conference on Housing and Sustainable Urban Development” stated economies of scale could be promoted by financial incentives, through the cost-sharing potential of regional service provision or capital investment, thereby containing fiscal inequality among the jurisdictions.

3.5 IMPACT OF MUNICIPAL FINANCE IN SA

It should be emphasised, in the South African LG environment context, there are great disparities within and across municipalities, in terms of the conditions and challenges they face in fulfilling their service delivery mandates. Chitiga-Mabugu and Monkam (2013: 08) posited that municipalities within the same cluster would share similar challenges in terms of revenue mobilisation, urbanisation, immigration, and unemployment, as well as poverty, HR and institutional capacity. The tables below constitute the wide disparities that characterise LG across municipalities in SA, as presented by Chitiga-Mabugu and Monkam (2013: 10).

Table 3.5: Social, Economic and Demographic Differences Across Municipalities in SA 2009/10

SOCIAL, ECONOMIC AND DEMOGRAPHIC DIFFERENCE ACROSS MUNICIPALITIES IN SA, 2009/10								
TYPE OF MUNICIPALITY	Total population	Total households	Total gross value added per capita	% of people employed	% households earning below R3200	Average population density	Operating expenditure per capita	Revenue from local taxes per capita
Metropolitan	16 974 424	4 714 021	75.67	34%	46%	1 388	3 789.48	3 279.51
Secondary Cities	8 233 208	2 207 004	50.8	29%	59%	221	2 242.55	1 940.00
Larger Towns	3 985 216	1 074 513	40.83	27%	62%	87	1 843.08	1 513.82
Small Towns	6 906 926	1 808 666	29.16	22%	69%	19	1 466.46	988.7
Rural Municipalities	12 331 695	2 673 914	9.44	13%	80%	81	370.49	120.77
Total/Average	48 431 469	12 478 118	41.18	25%	63%	359	1 942.41	1 568.56

Source: *Chitiga-Mabugu* and *Monkam* (2013: 08)

The management capacity of municipality revenue and expenditure determine whether it can contribute to economic development and reduction of poverty. In general, different municipalities rely on different sources for revenue, with the South African LG setting as example. In this regard, while DMs and rural municipalities mostly depend on government transfers, for metros, and large- and small-town municipalities own charges are relied on more, such as for electricity and water. Nonetheless, there are substantial disparities in terms of expenditures at LG level. Capital expenditure items are also markedly different across different municipalities. For instance, as indicated below (Table 3.6), in the South African context, electricity is more important for metropolitan, city and town municipalities than for rural and DMs; whereas roads are a more important expenditure item for the latter, as compared to the former.

The figures shown in Table 3.6 were aggregated and indicate nearly one third of total LG capital expenditure consisted of net purchases of electricity, water and sanitation. The capital expenditure on roads and storm water represents slightly more than 25 percent.

Table 3.6: Municipal Capital Expenditures (%) Per Type of Municipality in SA 2009/10

TYPE OF MUNICIPALITY	ELECTRICITY	HOUSING	OTHER	ROADS AND STORM WATER	WATER AND SANITATION	GRAND TOTAL
Metropolitan	15%	5%	33%	28%	19%	100%
Secondary Cities	12%	1%	49%	17%	21%	100%
Larger Towns	15%	1%	36%	23%	25%	100%
Small Towns	10%	4%	34%	18%	34%	100%
Rural Municipalities	2%	2%	45%	44%	8%	100%
District	0%	1%	38%	60%	1%	100%
Grand Total	12%	4%	37%	26%	22%	100%

Source: NT: LG Database (Chitiga-Mabugu and Monkam 2013: 08)

SA was demarcated into 257 municipalities in the 2016 LG elections, and according to the StatsSA Quarterly Report for the period October to December 2019, a total sum of R95.2 billion was spent. This reflects the cost to municipalities for providing services, such as water, electricity and sanitation, to millions of households across the country. This figure was R10.8 billion; 11.3 percent higher than what was spent in the same period (October–December) in 2018, mainly driven by municipalities purchasing more electricity, as well as employee-related cost increases.

Employee-related costs refer to expenditure on salaries and wages. This expenditure amounted to R28.7 billion (30.1 percent of total municipal spending). This represents a 7.4 percent rise from R26.7 billion recorded in the quarter that ended December 2018. Purchases of electricity were the second biggest expenditure item, accounting for R19.5 billion (20.5 percent). This was 12.4 percent higher than the R17.4 billion recorded during the same period in December 2018. Municipalities purchase electricity from Eskom, which is resold to households, businesses and other institutions. In turn, municipalities realised a profit of R8.6 billion from a gross revenue of R28.1 billion in the quarter ending December 2019. The third biggest expenditure item was contracted service, followed by general expenses, which among others, includes fuel, audit fees, accommodation and travelling costs, as well as hiring of plant and equipment, besides the purchases of water. Depreciation was the next biggest item, including wear-and-tear, along with amortisation costs for intangible assets (StatsSA Quarterly Report 2019).

On the income side, municipalities received R104.5 billion in the quarter ending December 2019, with sales of electricity contributing 26.9 percent to total income. To finance constitutionally authorised responsibilities, municipalities rely on two main sources of revenue, that is, (1) Own-generated revenue and (2) intergovernmental fiscal transfers, commonly known as grants and subsidies.

The StatsSA Quarterly Report (2019) further indicated that municipalities sourced R16.6 billion from property rates. Due to economic disparities across the South African landscape, most municipalities and particularly those located rurally, do not have enough capacity to generate their own revenue. Grants and subsidies bridge this fiscal gap, ensuring all municipalities have sufficient funds to fulfil the constitutional mandate of service delivery. Grants and subsidies accounted for 29 percent of the total revenue in the same period cited above. The other biggest source of revenue in the quarter ending December 2019 was sales of water (10.2 percent), followed by sewerage and sanitation services (4.1 percent).

3.5.1 Role of Auditing Municipalities

Ideally, the design of financial audits is to detect internal financial control problems, failures in adhering to principles, standards, statutes and procedures or with the “reporting requirements set out by the central or provincial/ state government, and misappropriations of public funds” (Nervas 2017: 18-23). The term “audit” usually refers to a financial statement audit. A financial audit is an objective examination and evaluation of the financial statements of an organization to ensure the financial records are a fair and accurate reflection of transactions the records claim to represent. The audit can be conducted internally by employees of the organization or externally by an outside firm or company (Nervas, 2017: 18-23)

Various researchers, including Hassan (2001), Mead (1995), and Ekpe and Awofeso (2003) held the view that the public sector is wasteful and corrupt and thus, calls for accountability that entails answerability for one’s actions or behaviour. However, Nervas (2017: 18-23) asserted audited financial statements can be used to improve internal controls or in assessing the financial health or performance of an entity. It is prudent, therefore, for those in charge of finances, to understand the audit opinions provided in different types of audit reports. Statutory audits, as Nervas (2017: 18-23) posited, underscore the importance of financial reporting in corporate transparency

(including the public sector). Entities can help establish a good relationship with their investors and the public by ensuring financial transparency.

Schaeffer (2008, cited in UN-HABITAT 2009: 63) posited there are three issues a LG audit would be expected to expedite: first, the financial position of the LG should be analysed, which includes “trends, quality of revenues, and expenditures”. The second matter refers to the government’s performance that should be evaluated regarding a variety of challenges in financial management and accounting. The third issue deals with the proposed inclusion of “audit observations on non-observance of rules and regulations, wasteful expenditures, delays, and non-achievement of budget objectives”. Further discussions on what should be covered by the financial audit, as stated by UN-HABITAT (2009: 63), focused on only one aspect, and one aspect alone, namely financial statements. Challenges outside the financial audit parameters include efficient resource use or performance standards achievement. “Value-for-money audits, or performance audits, examine areas of waste and mismanagement” to recommend ways a municipality can enhance its operational efficiency.

3.5.1.1 Factors influencing lack of AGSA recommendation implementation in South African municipalities

Literature review analyses done by Cohen and Savag (2010: 297), Abdullah (2014: 6) and others, unmasked factors that contribute to the failure by municipalities, not only as viewed by AGSA as being arrogant and deliberately non-compliant, it also confirmed institutional capacities. Literature analysis showed several factors, such as the availability of financial resources, HR, and time, are the chief culprits that inhibit lack of implementing the AG’s recommendations.

Abdullah (2014: 6) further argued the unavailability of adequate funding, lack of audit action monitoring processes, absence of authority, and staffing problems, along with sometimes poor quality of audit recommendations, culminates in the delay or non-implementation of audit recommendations.

This posture was deduced in an economic set-up other than SA, in a hypothetical presentation. The notion on unavailability of resources goes beyond materiality, seemingly mainly focused around the issue of HR capacity and lack of leadership acumen. This has been reflected in the extensive use of consultants in municipalities, which comes at a significant cost in fees to consultants. These costs persist unabatedly for financial reporting services and continued to increase over the past 10 years, amounting to R1.26 billion in 2019-2020, according to AGSA (2020: 21).

3.6 SITUATIONAL ANALYSIS OF ZULULAND DISTRICT JURISDICTION

This section of the study focuses on the ZDM, as the main point of reference. The ZDM is a Category C municipality situated in the north-eastern part of the KZN Province of SA. According to the ZDM IDP Review (2018), it is the biggest district in the province, constituting up to 16 percent of the province's geographical area. The ZDM covers an area of roughly 14 810 km². Approximately half of the area is under the jurisdiction of traditional authorities, while the other half is divided between commercially-owned farms and conservation areas. The south-eastern part of the ZDM, a small portion to the central-west and a portion in the central north, constitutes Ingonyama Trust Land. It is particularly the Ulundi and Nongoma LMs that have large tracts of Ingonyama Trust Land upon which scattered, relatively low-density rural settlement is evident.

In line with the provisions of the Municipal Structures Act 117 (RSA 1998), the council of ZDM consists of 36 councillors, 40 percent proportionally elected and 60 percent elected to the DM from respective LMs. The council is chaired by the Speaker. The district comprises five LMs (Figure 3.2), namely, Ulundi, Nongoma, uPhongolo, and eDumbe, as well as AbaQulusi. where Vryheid and Ulundi are the major towns and the administrative seat of Zululand is Ulundi. On the one hand, Vryheid is a commercial and business centre, on the other hand, apart from being an administrative seat of the DM, Ulundi is endowed with an airport.

3.6.1 Population Dynamics

Zululand constitutes a population with gradual growth. From the year 2011 to 2016, the DM has witnessed a surge of 88 735 more people added to its population statistics (ZDM IDP Review 2018: 14). The district's population mostly comprises residents from AbaQulusi (241 196), Nongoma (211 892), and Ulundi (205 762) LMs. The smallest recorded population is in eDumbe (89 615) as per 2016 figures. The table below provides a summary of population figures in all five LMs, together with the aggregated total of the district, which stood at 892 310 in 2016 (ZMD IDP Review 2018: 14).

Table 3.7: Population Distribution per Municipality

INDICATOR	ZULULAND	ULUNDI	NONGOMA	OPHONGOLO	EDUMBE	ABAQULUSI
Area (km ²)	148 810	3250	2182	3239	1943	4185
Population (2016)	892 310	205 762	211 892	143 845	89 615	241 196
Sex ratio (M to F) %	86.3	82.4	83.2	88.5	88.2	86.3
Households	178 516	38 553	36 409	34 667	17 415	51 472
People/Household %	5.1	5.3	5.6	4.4	5	4.8
Rural Household %	19	15	3	14	31	38
Urban Household %	81	85	97	86	69	62
Child (0-14yrs) %	39.5	9.64	10.42	6.38	4.18	9.88
Youth (15-34yrs) %	341 909	79 508	81 728	58 066	33 922	95 936
Adults (35-64yrs) %	19.9	7.45	7.14	4.84	3.32	9.10
Unemployed %	31.2	38.3	38.5	26.4	29.9	25.9

Source: Community Survey 2016 (StatsSA 2016)

According to the ZDM IDP Review (2018: 13), the population growth rate of the ZDM ranged between 1.4 and 1.6 percent, almost similar to that of neighbouring districts. The rate of growth for Zululand rose from 1.2 percent to 1.4 percent between the years 2011 and 2016. Furthermore, the ZDM contributes 22 percent to the province's population.

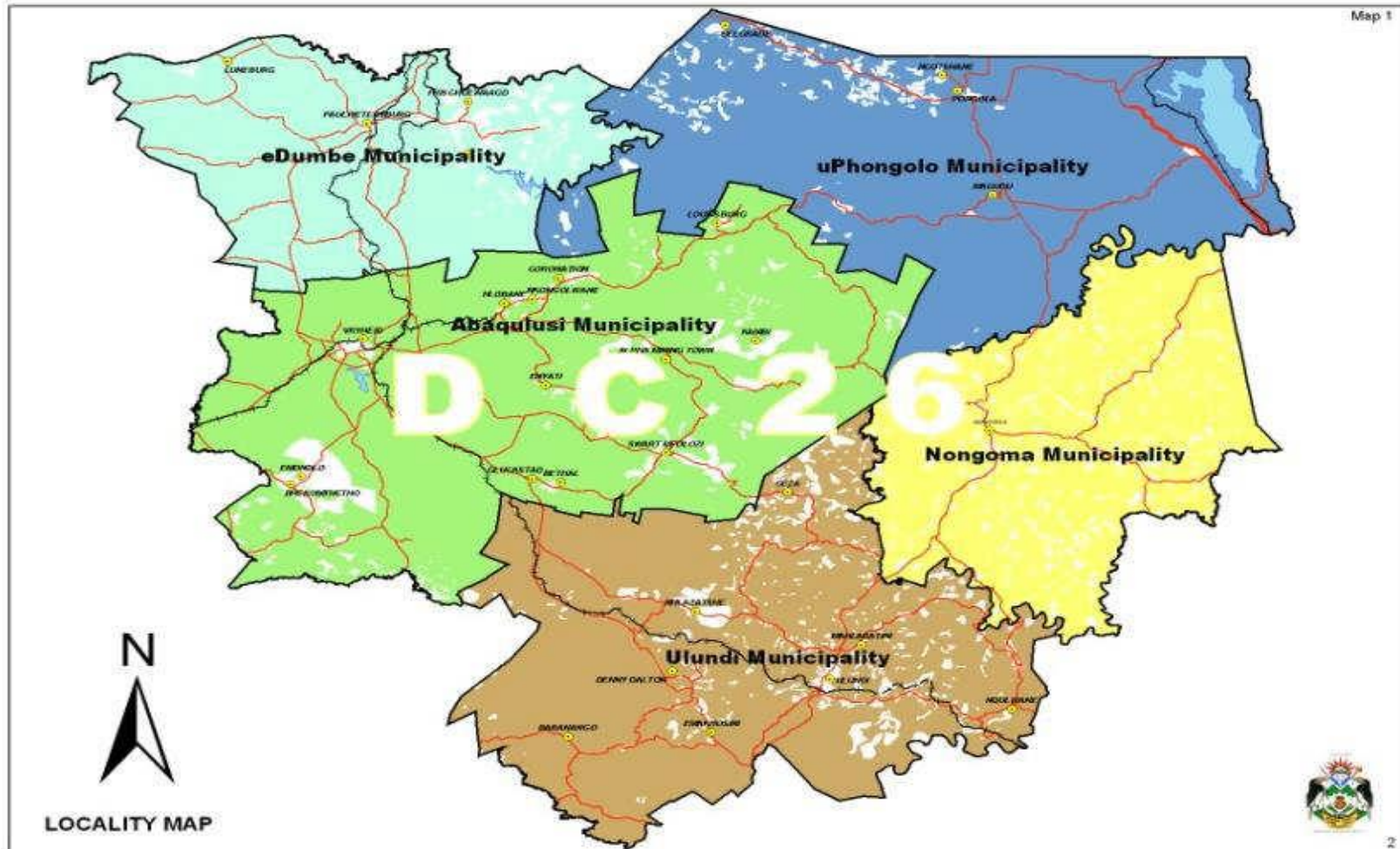


Figure 3.2: Map indicating Local Municipalities within the ZDM area

Source: ZDM IDP Review (2018)

3.6.2 Economic Profile: Zululand District Municipality (ZDM)

The level of economic growth in Zululand is not equally distributed amongst its LMs. The spatial economic imbalance has characterised not only the ZDM, but cuts across districts in the provincial district. Of all the DMs in the province, the ZDM posted the slowest Gross Value Added (GVA) growth during the 2012 to 2015 period, as shown (Table 3.8) below:

Table 3.8: Economic Profile of Zululand District Municipality

Municipality	2012	2013	2014	2015
eDumbe	1 254	1 244	1 313	1 310
Phongola	1 360	1 412	1 485	1 476
Abaqulusi	5 174	5 235	5 529	5 532
Nongoma	2 048	2 115	2 236	2 234
Ulundi	2 633	2 692	2 800	2 795
Zululand	12 469	12 698	13 363	13 347

Source: IDP Zululand District Municipality (2018)

Abaqulusi is the economic hub of the ZDM, contributing more than 40 percent to the district's GVA. The Abaqulusi local municipality serves a largely rural community, with low-income levels more severely affected by conditions of poverty than urban communities seem to be. Agriculture provides the economic base and consumption items produced include timber, field crops and livestock.

Nongoma, as alluded to by the ZDM IDP Review (2018: 13), is a potential tourist destination, wherein the town caters for the best mix of eco-attractions as a holiday destination, with a rich diversity and scenic nature trails, in addition to a unique and moderate climate. The Zulu monarch and the royal palaces are, among others, the main tourist attractions in the town and surrounding rural part of Zululand. The Nongoma Local municipality is the second largest municipality in the ZDM, both in terms of population and geographical area.

The Ulundi municipal area constitutes commercial farms and provides substantial agricultural support to the community. The ZDM IDP Review (2018: 13) states, owing to its strategically positioned advantage, Ulundi town plays an important role in the provision of social and economic facilities to its total population. Large wholesale stores dominate the commercial and retail sector, which distribute goods to surrounding village communities. The relocation of a number of governments to Pietermaritzburg was, however, detrimental to the municipality's economy, as these government employees relocated from Ulundi.

According to the ZDM IDP Review (2018) and StatsSA (2016), eDumbe Municipality was considered one of the poorest and most poverty-stricken municipalities in KZN. The economy of the municipality is heavily reliant on agriculture, which represents a relatively underdeveloped economy that requires further diversification and development of the secondary sector. Most of the eDumbe economic sectors that contribute to its GDP include trade and accommodation, finance and business services, as well as government services.

3.6.3 Employment Levels

A large number of economically inactive people are identified in the ZDM, with the labour rate at 23.7 percent, which indicated only 30 percent of the working population were engaged in actual employment or are actively seeking work. This level of labour force participation is very low and by implication, this observation indicates the probability of many discouraged work-seekers in the economy (ZDM IDP Review 2018; StatsSA 2016).

Employment levels per municipality in the Zululand District are tabled below (Table 3.9), illustrating that Abaqulusi had the largest number of employed people, particularly in Vryheid Town, which is characterised by a concentration of high economic activities. The second largest municipality is Ulundi, where the concentration of people employed is in Ulundi Town, which

functions as the administrative centre for Zululand and the Northern KZN Region (ZDM IDP Review 2018; StatsSA 2016).

From the data depicted (Table 3.9) below, high unemployment numbers are shown in Zululand, which is unsustainable and negatively impact economically active people who spend time and money to actively look for jobs.

Table 3.9: Employment Levels per Municipality

Indicator	eDumbe	Uphongolo	Abaqulusi	Nongoma	Ulundi	Zululand
Employment	10 679	11 756	38 473	14 087	19 723	94 718
Unemployment	4 770	7 910	11 938	10 012	11 848	46 478
Economically Active					138	
Population	60 184	95 896	165 020	136 603	977	596 680
Labour Force						
Participation	25.7%	20.5%	30.5%	17.6%	22.7%	23.7%
Unemployment						
Rate	29.9%	26.4%	25.9%	38.5%	38.3%	31.2%

Source: StatsSA Census (2016)

3.7 CONCLUDING REMARKS

This chapter underscored the critical aspects of LG funding and financing from a South African municipal perspective. Various researchers, including Chitiga-Mabhugu and Monkam (2013: 08); Moser (1996: 35) and Kitching and Smallborne (2000: 145-157), posited that municipalities in developing countries are experiencing a lack of adequate funding in the quest to fulfil their constitutional mandate of providing basic services and putting sound infrastructure in place. In SA, LG contributes approximately 40 percent of GDP, as posited by Ncube and Pillay (2020: 18-24).

It has been argued in this chapter that municipalities in particular, and LG in general, similar to most organizations in a society, are shaped and affected by their environment. The environmental factors that affect organizations are broadly grouped into two, namely, external and internal factors. These environmental factors were identified and compelling arguments presented

considering how they influence and impact funding in the LG landscape in SA. In this regard, it is worth noting high-performing municipalities are perceived to have leaders who are conscious of environmental factors and the ability to respond accordingly (Tawari 2017; Ndunda *et al.* 2015; NT 2018).

Internal environmental factors identified in this section include: managerial competence, lack of skilled staff, competitive advantage, and effects of LG funding innovation, along with stakeholder consultative capacity, poor financial and asset management, endemic corruption on procurement, and weak municipal accountability, as well as lack of oversight, and the role of MIS. External environmental factors assessed comprised political factors, under-funding from the central and/or provincial government, legislative framework, and the impact of COVID-19 on the LG sector.

The chapter further discussed the situational analysis derived from literature that characterise the Zululand municipal jurisdiction and provided a detailed account of efforts to improve the livelihoods of disadvantaged communities in municipalities outside the metros. However, much still needs to be done, in terms of modernising the sector by embracing and applying good governance principles and improving revenue collection. Observations by Ncube (2020: 18-50) found many municipalities, particularly those from the rural environment, unable to collect revenue adequately, owing to poor administrative capacity.

Sources of revenue collection were highlighted into own source and intergovernmental transfers (Ncube 2020: 18-50; AGSA 2017). It was concurred, owing to ever-increasing expenditure demands, municipalities cannot sustain and close their fiscal gaps in relying on transfers, neither on capital nor operational accounts. It has become imperative, therefore, to review the LG fiscal framework, focusing on municipalities outside the metros, as these are the most affected, in order to introduce additional or new revenue streams.

The ability of these intermediate municipalities to collect and administer own revenues is of vital importance and mainly influenced by socio-economic circumstance, as explained by Ndunda *et al.* (2015). In the literature presented in this chapter, rural municipalities are noted to increasingly depend on government grants and transfers.

Insufficient capacity to probe expenditure deemed unauthorised and irregular has been repeatedly identified by several AGSA reports (AGSA 2020: 10; AGSA 2017-2019). These issues have not been found in a municipality, either internally by MPAC and/or by the AGSA or any other statutory body. Such issues ought to be investigated where, in certain instances, municipalities admitted their shortcoming to institute such a mammoth task; which would explain why some municipalities continue not to improve their performance.

The next chapter focuses on the research methodology used to gather empirical evidence that would be used as building blocks towards an alternative, sustainable, LG funding model for LMs outside metropolitan areas.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The previous chapter discussed and analysed literature on critical factors regarding LG funding in municipalities. The purpose of this chapter is to provide an overview of approaches and techniques used to conduct this study. Research has been regarded as an intensive and purposeful search for knowledge and understanding of social and physical phenomena (Kumar 2011: 1).

This study aims to achieve three objectives: to discover facts (data) to possibly be used as situational descriptions, to evaluate actions, and in answering the research questions. As put forward by Nylander and Renberg (2014), it is of critical importance the facts the research reveals are accurate and can be measured. In addition, the research will produce accurate outcomes in statistical manipulation, as well as descriptive analysis, and provide a clear explanation of the phenomenon through which the entire research is driven. Therefore, this chapter will explain and discuss the design of the research, and the method used, the population, data collection instruments, as along with validity, reliability and ethical considerations.

4.2 RESEARCH PARADIGM

Each researcher knowingly or involuntarily incorporates a certain amount of personal convictions and philosophical suppositions into their research. Choices made are affected by the researcher's principles and philosophical inclination, which act as a guiding framework (Yliopisto 2014), with the principles and inclination always contained in the choice of a research topic and accompanying questions. The philosophical assumptions, according to Creswell (2013b), are also evident in the selection of theories and data collection method(s) and analysis. Collectively these beliefs are termed worldviews, philosophies, or paradigms. Therefore, the definition of paradigm

is “the fundamental belief or worldview that guides the investigator, not only in choices of methods but in fundamental ontological and epistemological ways” (Scotland 2012: 9-14). Saunders et al. (2009) further defined it as an encompassing term employed to explain the existence and development of knowledge. Four paradigms are identified by Jackson (2013), who states that each of these applies to both qualitative and quantitative research. They are embraced by epistemological and ontological assumptions and include positivism, post-positivism, constructivism and critical theory/realism.

The foundation of this study is the doctrine of critical theory/realism, which is a progression of theoretical vantage points on an assortment of subjects, amongst which are: causation, ontology, forms of explanation and structure, as well as persons (Tariq and Woodman 2013). Critical theory/realism positions itself as a replacement paradigm to “scientific forms of positivism concerned with regularities, regression-based variables models, and the quest for law-like forms; as well as to the strong interpretivist or post-modern turn, which denied explanation in favour of interpretation, with a focus on hermeneutics and description, at the cost of causation” (Thomas 2010: 291-334). Thus, they are considered clandestine and explicit suppositions relating to social reality

Distinct and separate ways and means of examining social reality exist, according to Cohen, Manion and Morrison (2011), with these constructed and interpreted in various ways. The major concern in adopting critical theory/realism is to map the ontological character of social reality. The critical realist does not reject either interpretivism or positivism but aims at combining the descriptive nature of positivism and the interpretations of culture and social structures. It has also been said that these structures are the result of the construction of society frequently associated with unbalanced and misleading displays of power (Fairhurst and Grant 2010), which is of significance in this study, with women often having to consider the composition of power assembled by men, who are dominant in positions of management and leadership (Hurley and Choudlary 2016). Therefore, the

choice of this paradigm is based on the researcher's intention to describe, explain and interpret the socio-cultural factors that affect the performance of municipal staff in management or leadership positions in ZDM.

4.2.1 Ontology

Ontology is focused on “the nature of reality and its characteristics (objective or subjective)” (Marques 2017: 1-25). The previous, outward and impartial method is a ‘realist’ philosophical supposition, with the latter constructed socially and the subject approach is deemed to be independent. With regard to ontology, researchers may embrace subjective realities that are either single or multiple and embrace unique respondent views, causing varying viewpoints and detailed discernment, as well as interpretation of these views by the researcher.

Philosophically, this study aimed to acquire an awareness of the societal actuality of socio-cultural factors' influence on municipal staff performance in managerial/leadership positions in municipalities in South Africa. The study could, therefore, be suitably portrayed as assuming a subjective approach. This is because the researcher views the principles governance and financial management tenets as subjectively constructed by people in a particular s, to conform to certain practices.

Thus, this study is supported by the conjecture that the social reality, with regard to the influence of socio-economic factors in functioning of municipalities in positions of management/leadership, is independent with multiple interpretations for and between individuals resulting from human thinking.

4.2.2 Epistemology

As defined by Jackson (2013:49-62), “epistemology” is a branch of philosophy designed to proffer investigation into the nature of knowledge itself. The study of epistemology “focuses on the means for acquiring knowledge and how it can be differentiated from truth and falsehood.” It is the

theory of knowledge, specifically where its scope, validity, and methods are concerned, as well as the dissimilarities linking supportable opinion and belief.

The epistemology used in this study was constructionism, wherein it is asserted that the building of knowledge is best done by means of constructing things that are both actual and suitable or intended for sharing with others. Moir (2009) maintains that the viewing of all knowledge, all meaning and reality refers to constructionism and is, as such, subject to the construction of human practices in and out of cooperation involving humans and their environments, and cultivated and conveyed inside a context that is basically social.

In this study, meaning and knowledge were not discovered but constructed, with regard to the effects of socio-cultural factors on women's performance in managerial/leadership positions in municipalities in SA. This was because there are no natural standards in a society whereby the standing of men and women is defined; research participants construct these because the world with which they interact is where they live. This implies that study participants who were unlike formed significance from the identical singularity in dissimilar ways.

Therefore, constructivism was essential to this study, with knowledge having been constructed by different participants in context, with factors that cause women not to perform in senior management/leadership positions as the study's base. This is founded on the supposition that management/leadership "phenomena are subject to multiple realities, in terms of which participants understand reality in different ways that reflect individual perspectives" (Sekaran 2013: 461-468). Using the paradigm of critical theory, the focus of researchers is on testing and interpreting their conclusions against several participant groups that made the data available.

The Critical Theories Paradigm brings theory and practice together in an attempt to use theoretical development to create actual change. Instead of

searching for likelihoods and restraint, or clarification and comprehension, critical theories pursue positive social change (Asghar 2013). Critical theory is stated as being in contradiction of traditional theory, which investigates and corroborates the existing state of affairs, while critical theory questions the current situation and aims for a society that is both democratic and balanced. "It is particularly concerned with the issue of power relations within the society and interaction of race, class, gender, education, economy, religion and other social institutions that contribute to a social system" (Asghar 2013: 31-23). Consequently, the intention was to establish whether participants were in agreement with a single occurrence and would provide numerous explanations. In this study, knowledge was thus constructed based on social construction and a culturally biased perspective.

4.3 RESEARCH DESIGN

In achieving the outlined objectives (Chapter 1), data were gathered by means of a review of literature, followed by an empirical study. Both qualitative and quantitative approaches were employed in this study.

According to Khan (2008: 69); Malhotra (2011) and Creswell (2014: 12), the framework or blueprint for conducting the research project is provided by a research design, detailing the specific procedures needed to obtain information necessary to provide answers to the research problem. This entails capturing information from a wide-ranging audience of sceptical people in order that the research may achieve the intended goals (Gorad 2013). Maxwell (2013) posits a good research design is one in which components work and fit harmoniously together, promote efficiency and successful functioning.

Nylander and Renberg (2014) and Vogt *et al.* (2010: 10) agree research design provides an outline of how the research plans to answer the research questions and achieve its objectives. This entails procedures for collecting, analysing, interpreting and reporting data for research studies. It is therefore important that the researcher is rigorous about ensuring that a research

design selected is suitable for the study (Creswell and Plano 2007: 58; Rajkoomar 2015: 65). Despite various definitions and approaches of research design, there are essentially common features that include:

- The design is bound to always follow the research questions.
- The basis of the design is activity- and time-oriented.
- The design guides information source and type selection.
- The design outlines all research activity procedures, thus answering questions, such as the techniques used to gather data; kind(s) of sampling; time and cost constraints?

In this context, the type of data needed is revealed by the research problem, as are the analysis methods, thus, determining a particular data collection choice and analysis method are always decided by the nature of what the research wants to achieve. Terrell (2012: 21) points out it has become imperative to first decide on the analysis type: quantitative, qualitative or mixed, which will be employed to examine the research problem and the type of data to be collected, for analysis to be possible.

This study adopted a mixed methods approach to gather and analyse data. A mixed approach comprises both quantitative and qualitative methods. The choice was considered most suited, as there are multiple influences that could be the cause of non-performance of LG sector players, requiring an inductive and deductive inquiry.

The quantitative data were collected to measure selected municipalities' operational and tactical and/ or regulatory information within the Zululand district jurisdiction in the KZN province of SA. Both quantitative and qualitative methods were used to collect data concurrently. This research was skewed to descriptive analysis, as the aim was to explore factors that impact LG funding in municipalities and promote strategies to unlock operational challenges from basic service delivery and infrastructure perspectives, as well as contributing to an improved financial system of the municipal sector in Zululand municipalities.

According to Yin (2012), “qualitative research finds answers to “how” questions and addresses contemporary issues grounded in reality and bounded by systems”, as well as numerous cases (Creswell 2013) and events of interest (Creswell and Plano 2011), such as challenges in internalising municipal operations. As its defining factor, a qualitative case approach involves examining assorted views (Thomas 2011: 513). In this research, the focus was on the success factors that confounded the municipalities. The section of open-ended questions in the measuring instrument (questionnaire) was used to gather “a variety of information that will yield emerging, multiple data” of the LG setting in SA (Kasinath 2013: 46-57; Thomas 2011: 516).

4.3 POPULATION/TARGET POPULATION

The study population is the municipal sector in the KZN province of SA. The target population comprised the six municipalities under the Zululand jurisdiction.

4.3.1 Sample Population and Size

The sample size for this study was 30 key personnel drawn from four municipalities in Zululand; the sample size is relative to the population and research method, which focus more on descriptions, instead of numbers. A smaller sample is considered ideal and more appropriate for this study (Nylander and Renberg 2014; Karun 2013; Meissner 2012).

4.3.2 Sampling Method

There are two types of sampling design, namely, probability and non-probability sampling, as described by Sekaran and Bougie (2010: 267) and Trochi *et al.* (2016: 86). Probability sampling is more robust in comparison, as in this technique, each sampling unit has a known chance of being selected in the final sample (Shukla 2010: 58; Omair 2014: 142).

The sampling procedure that uses expert opinion to select a sample from elements of the population is understood as judgmental/purposive sampling (Godfred 2015). Through purposive sampling in this study, participants from

different categories were selected based on the research purpose. Cohen et al. (2011) explain purposive sampling as the process where the researcher deliberately selects those most suited to be part of the sample and depends on the participants' typicality or whether they possess the particular characteristics sought by the study. The reason for using purposive sampling was due to it being the most noteworthy type of sampling that is non-probabilistic and would determine key participants (Moriarty 2011). This strategy for sampling was utilised to find those who have travelled along with their organisations who by chance may know the history of women in leadership, (Gray 2014). Participants were selected on account of being women and holding management or leadership positions.

Non-probability sampling is that sample procedure which does not afford any basis for estimating the probability that each item in the population has a chance of being included in the sample (Kumar 2008: 42; Surbhi 2016). This type of sampling is useful when the researcher has limited resources, is unable to identify members of the population, or when doing exploratory research (Alder and Clark 2008: 121).

A non-probability, purposive method was adopted in this study, to select the key personnel for data gathering, as it is one of the methods that "ensures correct identification and selection of information-rich cases relating to the phenomenon of interest" (Palinkas *et al.* 2015, cited in Quao 2016). The selection of these participants per the researcher's judgement, would "provide the appropriate, in-depth information needed, based on their specialised knowledge of the research issue, for appropriateness from a unique unit" (Palinkas *et al.* 2015, cited in Quao 2016).

4.4 MEASURING INSTRUMENT

A questionnaire was used as the main instrument to gather data for this study. As Bryman (2015: 231) explained, a questionnaire provides room for the respondent to answer the questions when it is convenient. The choice of questionnaire as survey instrument is suggested from the nature of this

research and type of facts needed to achieve the study objectives. These objectives, which the literature review emphasised, guided the question formulation for the study questionnaire.

In this study, both closed- and open-ended questions were combined in collecting primary data. Closed-ended type of questions provide a range of alternative answers with the respondent instructed to select what they perceive as correct or most suitable. Quantitative data were collected through a questionnaire with a 5-point Likert response scale and closed-ended questions from key personnel at the selected municipalities, while certain, critical, qualitative information were probed through some structured, open-ended questions.

Respondents were provided five options from which to select, based on the respondent indicating agreement or disagreement with the statement/question, as per the sample in Table 4.1. There was adequate space provided in open-ended questions for detailed information, based on respondent knowledge of the subject matter.

Kindly indicate by (X) against each of the statement/ question to what extent you agree with the following options: "1→ Strongly Agree", "2→ Agree", "3→ Neutral", "4→ Disagree" and "5→ Strongly Disagree"

2.1. Local executive bodies have clear responsibility for providing municipal/ community services to mitigate lack of service delivery.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.2. The recurrent provision of municipal/ community services is the sole responsibility of local executive bodies.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.3. The capital infrastructure required for the municipal/ community services should not be the responsibility of local executive bodies.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.4. Public-private partnership (PPP) models are appropriate models for financing local government infrastructure such as roads, water and buildings, etc.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.5. National (central) government should use Public-private partnership (PPP) models to address the problem of operation and maintenance of local government infrastructure such as roads, water and buildings, etc.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.6. Municipal Infrastructure Grant (MiG) models are successful in financing local government infrastructure such as roads, water and buildings, etc.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

Table 4.1: Sample of the questionnaire

Source: Designed for this research (Author)

The design of the questions aimed at collecting relevant facts concerning a variety of issues, such as financial regulations, governance, monitoring and evaluation of municipal infrastructure, as well as challenges associated with basic service, and infrastructure issues faced by municipalities in Zululand district. Thus, the structuring of questions was aimed at collecting all the relevant data for this study, while the full content of the questionnaire was motivated by the literature review, relative to the research objectives and questions.

The aspects covered are as follows:

- Local fiscal autonomy and local public finance management;
- Local control over administration and accountability in municipalities;
- Local political systems and leadership in municipalities;
- Local electoral system;
- Assignment of functional responsibilities;
- LG transparency;
- LG service delivery standards;
- Inter-governmental fiscal transfers;

The sub-objectives of the study, as articulated in chapter one, were fused in the structured questionnaire to determine whether the overall aim of the research was ultimately achieved. The questionnaire was made up of all the questions for which data were needed for the research study topic. The design of the list of questions aimed to gain the facts most pertinent to municipal funding aspects, including strategies used by LG authorities, specifically those in the rural KZN Province districts.

Below are the sub-objectives of the study, detailed with relevant structured corresponding question numbers:

Table 4.2: Study sub-objectives

Sub-objective 1:	To make comparative analyses of funding models undertaken by LG authorities in Zululand District, in KZN Province of SA
Questions 2.1 - 2.2	were used to ascertain clear responsibility of LG for providing community service to mitigate lack of service delivery
Questions 2.3 - 2.6	were used to make comparative analyses of the existence funding models in municipalities for providing effective infrastructure in the communities to improve socio-economic levels
Questions 2.7 - 2.10	were used to determine the effectiveness of management of LG finances including separation of duties between accounting officers and politicians; criteria used for equitable revenue allocation; and effectiveness of provisions of relevant statutory instruments
Questions 2.11 - 2.16	these were a range of open-ended questions used to solicit opinion from the respondents in terms of challenges associated with infrastructure funding in municipalities
Sub-objective 2:	To assess the awareness of and knowledge about the relevant statutory instruments used by the key personnel in facilitating funding in LG in SA
Question 3.1	These were municipal Acts/ Statutory instruments in a tabular form that the respondents were asked to rank them in order of familiarity from 1 – 10. (1) --> being the most familiar and (10) --> the least familiar
Question 3.2	an array of some of the objectives that shape the municipal sector that impact on financial imperatives of the municipality of the respondent
Question 3.3	was used to rate the establishment of revenue autonomy by municipalities that will determine

Question 3.4	statutory instrument to use was used in a tabular form to assess local financial management that the respondents were asked to give their own scores against each statement and a given maximum score on each statement.
Questions 3.5 - 3.7	were used to gauge the role of AG of SA in the municipal sector; to determine the audit opinion received from AGSA in the municipalities of the respondents.
Question 3.8	was used to ascertain whether there was need for financial management and budgeting training or course that may be required by the respondents.
Sub-objective 3:	To determine the level of participation and/ or involvement of various stakeholders in funding processes in LG in SA
Questions 4.1 - 4.2	were used to determine the level of participation of various stakeholders in local governance coupled with benefits of community engagement initiatives in the municipality of the respondent.
Questions 4.3 - 4.4;4.7- 4.8	were used to rate level of cooperation and accountability through citizenry engagement; rate the level of knowledge and skill to foster public participation and involvement of stakeholders in the municipality of the respondent; rate the transparency in the budgeting process; and rating level of community participation and involvement in the basic infrastructural development.
Questions 4.5 - 4.6	were used to ascertain effective monitoring of performance of local services of the municipality of the respondent; to determine the effectiveness of complaint mechanism to resolve pertinent issues raised by the residents

In terms of consistency and congruency, a follow-up has to be made to obtain in-depth information regarding responses to the structured, open-ended questions. Nagar-Ron and Motzafi-Haller (2011) point out a follow-up allows the researcher to further inquire into issues from the responses, for authentication and to avoid distortion of information.

4.5 ADMINISTRATION OF SURVEY INSTRUMENT

The questionnaire has been identified as one of the most commonly used survey instruments in social research work, and as such, its design is critical and should be done professionally and with care (Bird 2009). The negative effects of a poorly designed questionnaire are evident in the poor quality of

data, which has a bearing on decision-making processes based on the survey results, as posited by Creswell (2011) and Terrell (2012). The considerations that should be made when designing a questionnaire before dissemination to respondents deal with rate and accuracy of response, lack of bias and completeness of information, as well as question language, wording and sequencing (Creswell 2013).

This research adopted a personally administered questionnaire, which according to Bryman (2015, cited in Quao 2016: 211), allows the following advantages to be realised:

- A self-administered questionnaire is more unanimous and may, therefore, yield accurate data on sensitive issues;
- Distribution onsite is a great advantage, due to personal contact with relevant persons in each of the municipalities visited;
- Self-administration is economical in terms of time and cost of hiring assistants (interviewers);
- Standardised responses to all questions contained in the questionnaire result from self-administering;
- It is devoid of misinterpretation or distortion as different settings may influence the attention of the interviewer.

However, this research study was undertaken during the outbreak of Covid-19; this resulted in the method of collecting data being quite a challenge in terms of logistics that included travelling, which was restricted at times. In addition, the use of ICT resources was not possible in municipalities to administer the questionnaire online, thus, also a challenge to participants. The researcher had to do onsite visits in person to all municipalities under study in the Zululand district jurisdiction, namely, ZDM offices, as well as Ulundi, Nongoma, Abaqulusi, uPhongolo and eDumbe.

4.5.1 Pre-testing

Pre-testing of a survey questionnaire was done to identify weaknesses, ambiguity and invalidity of questions. Czajkowski (2014) asserts that pre-testing validates the questionnaire and improves validity. This entire process was done well before actual and was administered through a Pilot Study. Cooper and Schindler (2003) state that a pre-test of the measurement instruments allows fine-tuning prior to the final test. Saunders et al. (2009) explain pre-testing as a test of the questionnaire by means of a small-scale study, with an observation schedule or interview checklist to minimise the possibility that respondents encounter difficulties in answering questions and to prevent problems with the data recording. In addition, it permits some evaluations of whether questions are valid and the dependability of data that will be gathered.

Bell (2005) suggests the pilot study should address the following with regard to the questionnaire:

- The time it took to complete the questionnaire,
- Clarity of instructions,
- Whether any of the questions are not clear and which ones are ambiguous,
- Any respondent anxious about answering,
- Whether respondents found any significant topic omissions,
- Clear and attractive layout,
- Additional comments.

4.6 DATA ANALYSIS

Khanzode (2004, cited in Ngibe 2020) stated processing and analyses of data are necessary, as it covers all the technical matters related to the research study. In this case, the data that were collected after the field survey allowed the researcher to identify techniques for data analysis that would be conducive to understanding the findings of the study through analytical tests.

The analysis of data usually entails the use of statistics, which includes procedures for assembling, classifying, tabulating and summarising numerical data to obtain some meaning or information (Monette *et al.*, 2007: 364). Data gathered were analysed through the Statistical Package for Social Sciences (SPSS) version 25.0, for both quantitative and qualitative data. The statistical software analysis package was used for descriptive analysis in specifically generating graphs, cross tabulations and tables (Ho 2013).

Data analysis in this study was ongoing, as qualitative data were gathered. This enabled identifying themes and categories for further probing and attention; because through open-ended questions, qualitative data gathering aims to exhaustively explore information (Quao 2016: 212).

4.6.1 Frequencies

This research study used frequency analysis to determine the associated number of times each respondent made reference to a specific statement and check data coding (Lavrakas 2008; Ho 2013). Frequency analysis further provides a clear view of the number of cases that fall into various response categories set in the research questionnaire, which additionally assisted in depicting the overall study results, as pointed out by Brown, Suter and Churchill (2018: 254).

4.6.2 Correlations

Correlation statistical analysis refers to the measurement of association between or among variables (Archdeacon 1994: 97; Saunders, Lewis and Thornhill 2003: 475). Correlation tests have been explained by CIRT (2019) as tests that allow the researcher to determine which variables are interacting and what type of interaction is occurring. This means the strength of the relationship between two ranked or quantifiable variables is represented by +5 and -5 (Xiao *et al.* 2012). Corrections were used for this study to determine and identify critical factors affecting LG funding in municipal infrastructure.

4.6.3 Descriptive Statistics

Descriptive analysis elaborates the nature of an object or phenomenon under study. The analysis provides profiles of organisations, work groups, persons and other subjects concerning any of a multitude of characteristics, such as size, composition, efficiency, and preferences (Krishnaswani and Satyaprasad 2010). In this study, two major purposes were taken on board; first, statistics were used to summarise the data set, after which they were used to numerically describe the same units, phenomena, and other variables of interest (McNabb 2008: 153).

4.7 VALIDITY AND RELIABILITY

The reliability and validity of the study results were instituted using different methods (triangulation) during the collection of data, thus enhancing validity. The triangulation method improves the accuracy of judgement and results. For reliability and validity purposes, the researcher used various sampling methods cited in the sections mentioned above. The study considered accuracy (on how close a sample statistic is to the population parameters) and precision (on how close the estimates from different samples are to each other) in terms of the study results.

4.7.1 Validity

Validity refers to “the extent to which the measurement process is free of both systematic and random error. It refers to how well the data measure what they are supposed to measure” (Goddard and Melville 2001: 41). Salkind (1997: 128) refers to validity as “the results of the test, and not the test itself”. Different degrees of validity are found, that is, it can be either high or low, which means it is important that validity is interpreted within the context in which the test occurs.

Internal validity was used to address the “true” causes of outcomes the study observed. As explained by Goddard and Melville (2001: 41), internal validity is the “extent to which the results obtained were a function of the variables that were systematically manipulated, measured, and/ or observed in the

study". Strong internal validity entailed that reliable independent and dependent variable measures were in place, along with a strong justification that links the independent and dependent variables. Several commonly considered internal validity areas are presented in the framework for this section, as well as strategies to address potential issues as a means to ensure study validity.

4.7.2 Reliability

Reliability of the measurement refers to "the extent to which the measurement process is free from random errors", which Salkind (1997: 128) explains also refers to "the extent to which obtained scores may be generalized to different measurement situations". In order to ensure reliability of the study findings, it was of paramount importance to understand reliability surfaces when variables, developed from summated scales, are used in objective models as predictor components (Maree 2007). It would also be of critical importance to know whether responses from the same set of items would elicit the same should these be recast and re-administered to the same respondents. According to Maree (2007), variables are declared to be reliable when derived from test instruments and provide responses that are stable and reliable over a repeated administration of the test.

It is argued by van der Riet and Durrheim (2009, cited in Chetty 2015: 174) that reliability is more dependable in interpretive research, because the researchers would be investigating a stable and static reality. In this study the anticipated results would, therefore, not be the same when repeatedly used. Instead, interpretive researchers anticipate variation in actions and views of individuals, groups and organisations in changing contexts. Therefore, responses of municipal key staff and other selected senior managers of the municipalities may differ due to reliability, contradictions, validity, and the changing LG environment.

4.8 FACTOR ANALYSIS

Factor analysis has been described by Traynor and Andrews (2015:479), as a statistical method to take a mass of data and shrinking it to a smaller dataset, to make it more manageable and more understandable. It is a way to find hidden patterns, show how those patterns overlap and show what characteristics are seen in multi patterns.

4.9 CONCLUSION

This chapter highlighted the process of data collection and analyses, with the research design and the target population of 40 key municipal staff from four municipalities also mentioned. The sampling method and reasons for the method choice were explained, with 30 sample units indicated, as well as the survey instrument, its nature and its distribution. Data analysis was clearly described along with the tools for analysing data, reasons for their choice and forms of analysis being calibrated. Reliability and validity, including pretesting, were appropriately captured in this chapter. The main aim of this chapter was thus, essentially, to unpack the research methodological processes of the entire study. The main thrust of the next chapter is on the presentation and analysis of survey data.

CHAPTER 5

ANALYSIS OF RESULTS

5.1 INTRODUCTION

This chapter provides a detailed analysis of results supported by evidence obtained from the data collected from selected participants and municipal institutions. The data surveyed comprised municipal officials (management and key operational staff) involved in the running of LMs under the jurisdiction of the ZDM. The purpose of the study was to evaluate the impact of LG funding in the ZDM, from infrastructure and basic social service delivery perspectives, to thereby foster socio-economic development at grassroots level. The findings of the study were obtained from both primary and secondary data, and analysed accordingly. With regard to secondary data, the budgetary, audited financial statements and annual report documentation were examined to determine historical and socio-economic trends of the identified municipalities. Primary data were collected and administered using a questionnaire and structured interviews to determine the reality of events on the ground. The previous chapter explained the methodology tenets instituted for gathering empirical scientific evidence.

This analysis involves descriptive statistics in the form of frequencies, and bivariate analysis in the form of Chi-Square tests. An initial general overview of the results is provided by descriptive statistics, using frequencies and percentages and are illustrated using a variety of charts. Such as bar and pie charts, column graphs, and more. To provide a more precise analysis of each objective Chi-Square tests were used. In this section each of the research objectives identified is addressed, broken down into sub-topics, with each topic including the analysis and results. Some information was presented as graphs extracted with SPSS and Microsoft Excel to provide further clarity on the findings. The research aim was highlighted in chapter one as: to evaluate the impact of LG funding in the ZDM. The following research questions were crafted to support and guide data collection.

- What are the reasons for lack of basic service infrastructure in ZDM?
- What is the nature of social service spending and how does this vary in towns in ZDM?
- What are the comparative economic trends of each local authority under ZDM?
- How does the macro-economic environment affect social service spending in towns/centres of the local authorities under review?
- To what extent does lack of infrastructural development affect the level of investment for the local authorities under spotlight?
- What is the quality of governance in determining infrastructure investment of the town/ centre?
- How does the fiscal capacity of local authorities under review influence social service spending?

The primary tool used to collect data was the questionnaire, supplied to 50 selected participants. Data gathered from responses were studied and probed by means of SPSS version 25.0. Two types of data are presented in this chapter.

The first is quantitative, which will be displayed in numerical format. Responses from the questionnaires were summarised and configured as descriptive statistics, by means of frequency tables, cross-tabulations, bar graphs, pie charts and percentages. The analysis of quantitative data involves using statistics through bi-variate analysis and frequencies, presented as ANOVA tests and correlations, interpreted using p-values.

The second type of data analysis was qualitative, displayed in matrix tables. Themes became apparent when narratives provided by participants through semi-structure questions from the open-ended section of the questionnaire were explained, corroborated and details offered to support their (participants) assertions and opinions. Based on the themes that became evident from the data, the findings were presented and analysed.

5.2 RESEARCH INSTRUMENT

The research instrument, which is a questionnaire, contained 44 items, with a measurement or nominal level. The presentation format of findings will be the quantitative first, then the qualitative findings will be presented per research sub-objective. The questionnaire was used to assist in measuring several themes, including:

- Biographical information (Ch. 1: 1.1-1.8).
- Success factors of LG funding models (Ch. 2: 2.1-2.6).
- The management of LG finance (Ch. 2: 2.7-2.10).
- Challenges associated with infrastructure funding in municipalities (Ch. 2: 2.11-2.16). Assessment on the awareness and knowledge of relevant statutory tools (Ch. 3: 3.1-3.8).
- Determination of the level of participation of stakeholders in municipalities (Ch. 4: 4.1-4.8).

A combination of closed-ended (Likert Scale format) and open-end questions were adopted for the questionnaire. Likert scale format was used to ascertain experience and knowledge of innovation skills from respondents, who were required to select their responses based on predetermined statements. The open-ended question section of the questionnaire was used to solicit opinions, views and suggestions from respondents. The relationship between the study variables were tested using cross-tabulations. A reliability test was also conducted based on the various questionnaire sections.

5.3 RELIABILITY STATISTICS

Two important aspects of precision are **reliability** and **validity**. Reliability is computed by taking several measurements on the same subjects. A reliable coefficient of 0.70 or higher is the “most ideal” (Maree 2007). The table below reflects the Cronbach’s alpha score for all the items that constitute the questionnaire.

Table 5.1: Reliability coefficient scores

		No of items	Cronbach Alpha
2.1-2.6	Success factors of local government funding models	6	0.57
2.7-2.10	The management of local government finance	2	0.436
2.11-2.16	Challenges associated with infrastructure funding in municipalities	6	0.65

In this study the Cronbach Alpha was used to evaluate the reliability. The Cronbach's Alpha takes a value from 0 to 1. With values closer to 1 being more reliable. The interpretation of the range values of Alpha is subject to debate but most scholars regard 0.7 and above as best. In this study values above 0.7 were interpreted as good and those between 0.5 to 0.69 being acceptable and those between 0.45-0.5 as poor and those below 0.45 as unacceptable.

The overall questionnaire had acceptable reliability given by a Cronbach Alpha of 0.594. This is not the ideal value but still shows there was some form of internal consistency. This value was affected by different Likert scales and also the limited questions and small sample size.

- **Validity**

Questionnaire validity seeks to validate if the questionnaire measures what it is intended to measure. In this study two forms of validity were utilized that is, the Content and Construct validity. Content validity is what is known as face validity. It is the extent to which questions appears "on face" to measure the intended purpose of interest. In this study the questionnaire asks about various aspects of local municipality funding and other municipality governance issues as expected. Content validity is the extent to which a measure "covers" the construct of interest.

5.4 RESPONSE RATE OF ANALYSIS

Questionnaire surveys have gained much popularity in academic research, nonetheless, it is theorised by Fosnacht *et al.* (2017) that data validity acquired by means of this research instrument is contingent on the response

rate. Therefore, as Massey and Touranglalau (2015) state, in order to achieve representation and valid results, a questionnaire survey must attain a good response rate. To calculate the response rate, a basic formula was used, popularized by Ruel, Wagner and Gillespie (2015) namely:

$$\text{Response Rate} = \frac{\text{Total number of responses}}{\text{Total number of sent questionnaires}} \times 100$$

Table 5.2: Questionnaire response rate

Item	Frequency (F)	Percentage (%)
Returned questionnaires	30	75
Unreturned questionnaires	10	25
TOTAL	40	100

The structure of the data collection instrument distribution to 40 key personnel from the municipal departments showed that 75 per cent responded as indicated in Table 5.2. The reason for the non-return of 25 per cent of the responses varied from being misplaced, ignored and effects of Covid-19 on staff due to isolation protocols.

Table 5.3: Sample Size of the Study

	NO OF RESPONDENTS PER DEPARTMENT							
	Corporate Services		Finance & Admin		Supply Chain Mgt		Total	
MUNICIPALITY	N	%	N	%	N	%	N	%
Abaqulusi	7	37%	4	40%	0	0%	11	37%
Nongoma	5	26%	4	40%	1	100%	10	33%
eDumbe	4	21%	2	20%	0	0%	6	20%
ZDM	3	16%	0	0%	0	0%	3	10%
TOTAL	19	100%	10	100%	1	100%	30	100%

These respondents were involved directly and indirectly with finance and funding issues as summarised above (Table 5.3). The study sample size was drawn from respondents from four out of six municipalities with a combined staff complement of 600 as the total population.

5.5 PRESENTATION OF RESULTS

Chi-Square tests and ANOVA (Analysis of Variance) are two commonly used statistical tests (Corder and Foreman, 2014; Bagdonavicius Nikulin, 2011). Thus, it is important to make a distinction between these two tests. The Chi-Square tests are appropriate for categorical variables; these are variables that take on names or labels and can fit into categories. ANOVA is used to determine whether there is statistical significance between the means of three or more independent groups. It has been pointed out that the use of ANOVA is appropriate when there is at least one categorical variable and one continuous dependent variable.

Both Chi-Square and ANOVA are both inferential statistical tests. According to Cox (2006:4), inferential statistics are used to determine whether observed data obtained from a sample are different from what would be expected by chance alone. Simply put, ANOVA is also used to determine whether the relationships are among variables or differences between groups seen in the sampled data occurring in the entire population (Howell,2002).

In this section ANOVA was identified to be appropriate for analysis of some data parts, wherein it is determined whether there is a statistical significance among the groups. Should there be some differences, there is a need to identify and examine where the group differences lie. A post hoc test and other t-tests may be used to examine group differences in this regard.

5.5.1 Section A: Factor Analysis

In statistics, according to Tranynor and Andrews (2015: 479) supported by Yong and Pearce (2013: 79), factor analysis is viewed as a technique that reduces variables/components in a larger number, to a fewer number of factors. Its thrust is to reduce data, wherein the researcher who conducts survey research does so with the aim of presenting questions into a small number of hypothetical factors (Salkind 1997: 02; Yong and Pearce 2013: 79). For example, as part of LG survey on funding opinions, it may require participants to answer five questions with regard to the evaluation of

municipal finance policies at the local, provincial and national level. By itself, each question would be an insufficient measure of attitudes towards municipal policy, however, they may together provide a better measure of the attitude. The use of factor analysis can determine whether the same thing is, in fact, computed by the five measures. When this is the case, a new variable can be formed from this combination, namely a factor score variable that encompasses a score for each participant on the factor.

The factor analysis tables extracted from matrix tables are anticipated to be a concise table that shows a KMO and Bartlett's Test table. It is required the KMO Measure of Sampling Adequacy be greater than 0.50 and Sphericity for Bartlett's Test be less than 0.5 (Cohen 2013).

The overall analysis gave a Chi-square value of 24.798 and corresponding p-value of 0.053, therefore, the KMO Measure of Sampling Adequacy value is greater than 0.500 and the Bartlett's Test of Sphericity sig value is less than 0.05, as reflected in Table 5.3 below. This means the null hypothesis is rejected and it can be concluded the variables were not the same across the questions.

After establishing a difference exists in the question ranks, the post hoc analysis to identify the questions with differences. The results are shown in Appendix G. Each row tests the null hypothesis that the Sample 1 and Sample 2 distributions are the same. Asymptotic significance (2-sided tests) is displayed. The significance level is 0.05. This entailed that significance values had been adjusted by the Bonferroni correction for multiple tests.

Table 5.3: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.502
Bartlett's Test of Sphericity	Approx. Chi-Square	24.798
	df	15
	Sig.	.053

A detailed individual analysis of each component variable is presented in Table 5.4 below.

Table 5.4: Pattern Matrix

	Component		
	1	2	3
Local executive bodies have clear responsibility for providing municipal/ community services to mitigate lack of service delivery	.867	-.194	.151
The recurrent provision of municipal/ community services is the sole responsibility of local executive bodies.	.809	.177	-.121
The capital infrastructure required for the municipal/ community services should not be the responsibility of local executive bodies.	.089	.239	-.697
Public-private partnership (PPP) models are appropriate models for financing local government infrastructure such as roads, water and buildings, etc.	.168	.813	-.229
National (central) government should use Public-private partnership (PPP) models to address the problem of operation and maintenance of local government infrastructure such as roads, water and buildings, etc.	-.183	.876	.224
Municipal Infrastructure Grant (MiG) models are successful in financing local government infrastructure such as roads, water and buildings, etc.	.102	.217	.869
Extraction Method: Principal Component Analysis.			
Rotation Method: Oblimin with Kaiser Normalization.			
a. Rotation converged in 9 iterations.			

Table 5.5: Presentation of results

Questionnaire statements/ questions	F	df	p-value
A2.1 Local executive bodies have clear responsibility for providing community services to mitigate lack of service delivery	0.793	25	0.793
A2.2 The recurrent provision of community services is the sole responsibility of local executive bodies	1.506	27	0.230
A2.3 The capital infrastructure required for the municipal service should not be the responsibility of local executive bodies.	0.550	24	0.653
A2.4 The Public-private-partnership (PPP) models are appropriate models for financing local government infrastructure such as roads, water and buildings, etc.	3.258	25	0.038***
A2.5 National (central) government should use PPP models to address the problems of operations and maintenance of local government infrastructure such as roads, water and buildings, etc.	3.213	26	0.034***
A2.6 Municipal Infrastructure Grant (MiG) models are successful in financing local government infrastructure such as roads, water and buildings, etc	1.641	24	0.197
B2.7 Management of local government finances should be the sole responsibility of accounting officers not politicians.	0.236	25	0.884
B2.8 There is need to revisit the structure and revenue allocation of the existing local government funding models.	0.059	27	0.811
B2.9 The criteria being used for revenue allocation in local authorities by the national government are not equitable and have a bearing on basic services delivery to the communities	0.039	24	0.989
B2.10 The provisions of Municipal Finance Management Act, Public Finance Management, and Municipal Strategic Act are inadequate to promote sound local government administration.	0.713	25	0.553

In order to check whether the demographical variables had significant impact on the success factors, ANOVA analysis was used. All the questions on success factors of local authority funding model section were run under factor analysis, set to one factor and saved as a variable. From Table 5.5 and Table 5.6, it can be seen that only the municipality employed at ($F=3.258$, $df=25$, $p\text{-value} \leq 0.005$) and department ($F=3213$, $df=26$, $p\text{-value} \leq 0.005$) were significant with $p\text{-values}$ less than 0.005. The rest of the biographical variables were insignificant.

Table 5.6: Biographical variable

Biographical variable	SUCCESS FACTORS OF LOCAL AUTHORITIES FUNDING MODELS		
		df=4	p value
		df Error	
Age group	0.793	25	0.793
Gender	1.506	27	0.230
Highest tertiary qualification	0.550	24	0.653
Municipality were employed	3.258	25	0.038***
Department	3.213	26	0.034***
Length of service	1.641	24	0.197

5.6 BIOGRAPHICAL DATA

Respondents' biographical characteristics are summarised in this section. An understanding of their age, educational level, department and length of service were sought. This information was important in order to determine the distribution of key workforce that discharge their duties in critical areas of municipal management and their respective experience.

5.6.1 Response by Age

The respondent age distribution category (Table 5.7) within the municipalities under study indicated the modal age group as 18-35-years, which constituted 40 percent, followed by the 36-45 year age group with 36.7 percent. The 46 to 55-year age group is made up 16.7 percent, whilst the oldest age group, the over 55-year-olds, made up 6.7 percent.

Since younger people generally tend to offer intelligence, creative thinking and a valuable outlook on the world, it highlights the above findings that the municipalities comprise more 18–35-year-olds than other age groups. Furthermore, the notion is that young people can enliven the atmosphere of an organization, while also working energetically and focused, thus resulting in enhanced performance of an organization such as a municipality.

Needlessly to say, it is important to point out to be considered for appointment, municipal management and other key staff members should also have the requisite skills and competencies, in addition to other core attributes, considering the strategic nature of their positions and current delivery challenges.

Table 5.7: Age categories

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	18-35 years	12	40.0	40.0	40.0
	36-40 years	11	36.7	36.7	76.7
	46-55 years	5	16.7	16.7	93.4
	Over 55 years	2	6.7	6.7	100.0
	Total	30	100	100	

5.6.2 Response by Gender

The frequencies and percentages pertaining to the respondents' gender are shown in Table 5.8 and Figure 5.1 below.

Table 5.8: Response by Gender

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Male	14	46.7	46.7	46.7
	Female	16	53.3	53.3	100.0
	Total	30	100	100	

The gender parity reflected seem to be taken onboard by the municipal sector, wherein the recommendations of the Commission for Gender Equality encourage institutions in SA to eradicate or minimise “all traces of patriarchal domination and inequality” (Hicks 2008, cited in Chetty 2016). The assertion that organizations exist in which females are strongly represented and best performers, seems to hold.

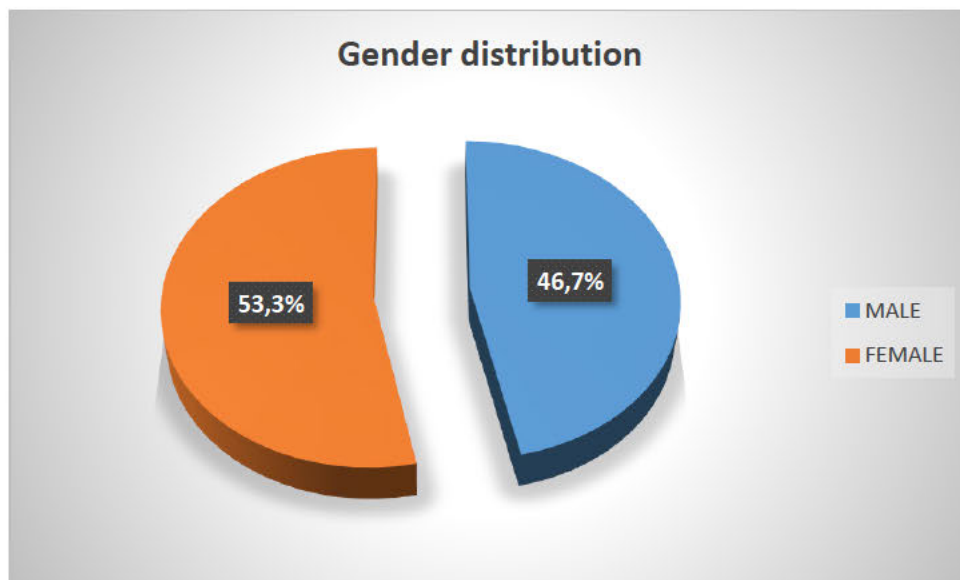


Figure 5.1: Gender distribution

Just more than half (53.3 percent) of the respondents were females and 46.7 percent were males. This shows the respondent gender was fairly distributed.

5.6.3 Response by Educational levels

The frequencies and percentages pertaining to the tertiary educational level of the respondents are illustrated in Table 5.9 and Figure 5.2

The modal qualification attained was a diploma, indicated by 41.4 percent of respondents, while the second modal saw 31 percent indicated they had attained a postgraduate qualification. The third modal highest qualification was a degree, which made up 20.7 percent of the respondents and lastly, a certificate, which had been achieved by 6.9 percent of the respondents. All respondents' highest grade passed at school was grade 12.

Table 5.9: Tertiary Education attained.

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Postgraduate	9	31.0	31.0	31.0
	Degree	6	20.7	20.7	51.7
	Diploma	12	41.3	41.3	92.0
	Certificate	2	6.9	6.9	100.0
	Total	29	100	100	

In view of the evidence shown in Table 5.9 and Figure 5.2, the selected municipal officials consisted of personnel who were qualified academically and professionally. In this regard, performance is generally higher in organizations where this is the case.

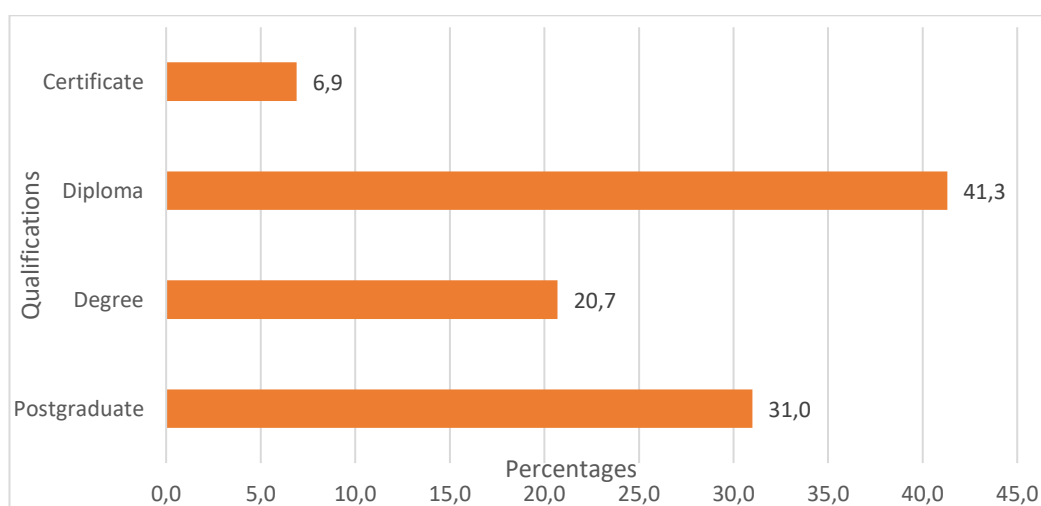


Figure 5.2: Qualifications distribution

5.6.4 Response per Municipality

The Abaqulusi and Nongoma municipality had an almost equal number of respondents, that is 36.7 percent and 33.3 percent, respectively; together making up 70 percent of the respondents. eDumbe made up another 20 percent, while the remaining 10 percent was from ZDM.

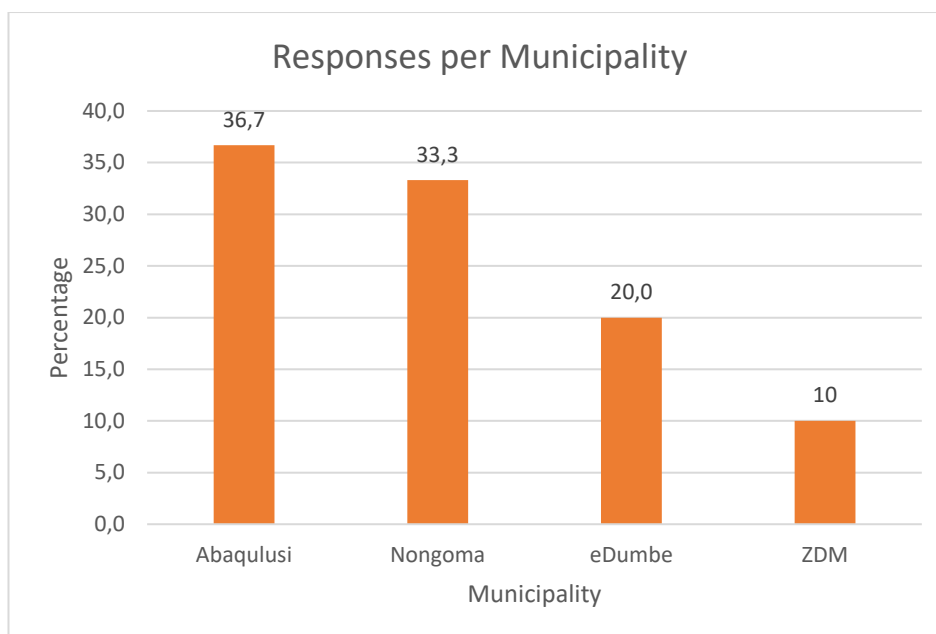


Figure 5.3: Municipal distribution

5.6.5 Response per Department

On the issue of departments worked in (Table 5.10 and Figure 5.4), more than half of the respondents (60 percent) worked in the department of corporate affairs, while 36.7 percent were in the finance and administration department. The remaining 3.3 percent were in procurement and stores (SCM).

Table 5.10: Response by Department		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Corporate	18	60.0	60.0	60.0
	Finance & Admin	11	36.7	36.7	96.7
	Procurement & stores	1	3.3	3.3	100.0
	Total	30	100	100	

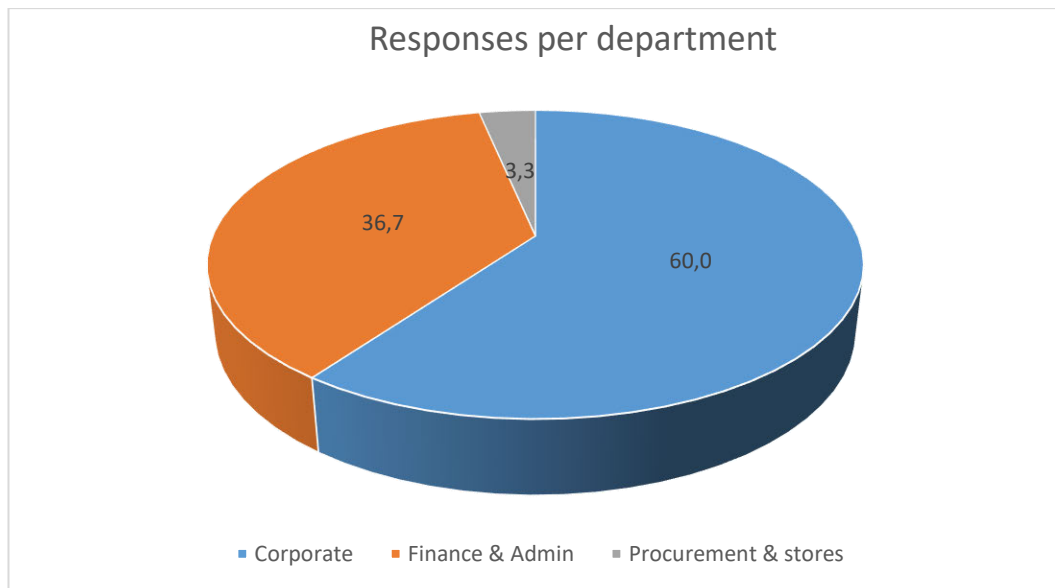


Figure 5.4: Department distribution

5.6.6 Response by Length of service

Those who had worked for less than one year and those who had worked for 10-20 years, made up an equal percentage of 30 percent each. Those who worked for 5-9 years made up 26.7 percent, while those who worked for 1-4 years made up 10 percent and last, those who have worked for 20 plus years made up 3.3 percent.

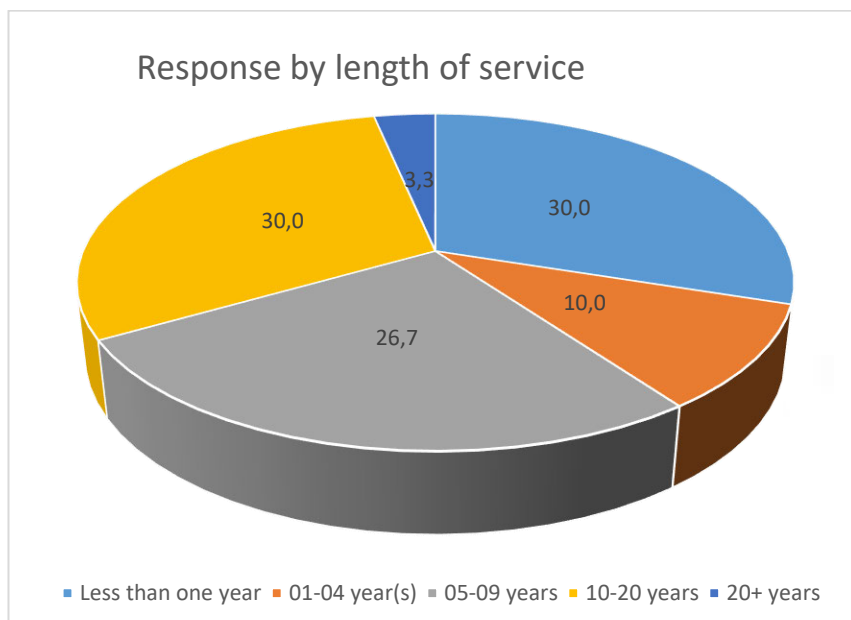


Figure 5.5: Length of service distribution

5.7 CROSS TABULATIONS

A cross tabulation analysis is used to analyse the relationship between two or more variables. This type of analysis is crucial in finding the underlying relationships with the survey results in question.

For this section the cross tabulations indicated below were performed:

- Municipality of employment and the opinions on objectives that shape the municipal sector strategies and influence decisions relating to choices of service delivery mode Vs municipality from which respondent is employed.
- Municipality of employment and the opinions on objectives that shape the municipal sector strategies and influence decisions relating to choices of service delivery mode Vs Department in which respondent works in.
- Success factors of local authorities funding models Vs municipality from which respondent is employed.
- Success factors of local authorities funding models Vs Department in which respondent works in.

From the cross tabulations presented below Fisher-Freeman-Halton Exact Test for independence was also performed. The hypothesis was as follows:

H0: the variables are independent i.e., there is no relationship between the two categorical variables.

H1: the variables are dependent i.e., there is a relationship between the two categorical variables.

5.7.1 Cross Tabulations with Municipality

Table 5.6: Responses on improving quality of services

Crosstab of Municipality and Improving quality of services		Improving quality of services			Total
		Very Important	Important	Not sure	
ABAQULUSI	Count	7	4	0	11
	% within MUNICIPALITY	63.6%	36.4%	0.0%	100.0%
NONGOMA	Count	5	4	1	10
	% within MUNICIPALITY	50.0%	40.0%	10.0%	100.0%
eDUMBE	Count	4	2	0	6
	% within MUNICIPALITY	66.7%	33.3%	0.0%	100.0%
ZDM	Count	3	0	0	3
	% within MUNICIPALITY	100.0%	0.0%	0.0%	100.0%
Total	Count	19	10	1	30
	% within MUNICIPALITY	63.3%	33.3%	3.3%	100.0%

Fisher-Freeman-Halton Exact Test

4.599

0.794

The cross tabulations show that for Abaqulusi municipality, 63.6 percent of the respondents believed that improving quality of services was very important. The remaining 36.4 percent said it was important. For Nongoma exactly half of the respondents said that improving quality of services was very important, while 40 percent said it was important and the other 10 percent were not sure.

For eDumbe municipality, two thirds (66.7 percent) of the respondents were of the opinion that improving quality of services was very important with the remaining third saying it was important.

At ZDM municipality all respondents said improving quality of services was very important. In total 63.3 percent of the respondents believed improving quality of services was very important, while 33.3 percent said it was important and 3.3 percent were unsure. This translates to 96.6 percent of the respondents agreeing that there is some importance in improving quality of services.

For testing for independence, the Fisher-Freeman-Halton Exact Test gave a value of 4.599 with a corresponding p-value of 0.794. This means that the null hypothesis for independence cannot be reject hence we conclude that

the opinions are independent on improving quality of services are independent of municipality.

Table 5.7: Responses on improving access to infrastructure

Crosstab of Municipality and Improving access to infrastructure		Improving access to infrastructure			Total
		Very Important	Important	Not Important	
ABAQULUSI	Count	6	4	1	11
	% within MUNICIPALITY	54.5%	36.4%	9.1%	100.0%
NONGOMA	Count	4	6	0	10
	% within MUNICIPALITY	40.0%	60.0%	0.0%	100.0%
eDUMBE	Count	5	1	0	6
	% within MUNICIPALITY	83.3%	16.7%	0.0%	100.0%
ZDM	Count	1	2	0	3
	% within MUNICIPALITY	33.3%	66.7%	0.0%	100.0%
Total	Count	16	13	1	30
	% within MUNICIPALITY	53.3%	43.3%	3.3%	100.0%

Fisher-Freeman-Halton Exact Test

6.095

0.462

The cross tabulations show that for Abaqulusi municipality, 54.5 percent of the respondents believed that improving access to infrastructure is very important. The remaining 36.4 percent said it was important. For Nongoma 40 percent of the respondents said that improving quality of services was very important, while 60 percent said it was important and there was no one indicating to the contrary.

The eDumbe municipality had the highest projections (83.3 percent) who pinioned that improving access to infrastructure was very important with the remaining 16.7 percent saying it was important.

At ZDM municipality 33 percent respondents said improving access to infrastructure was very important, and 67 percent indicated to the mere importance. In total 55.3 percent of the respondents were of the opinion improving access to infrastructure was very important, while 43.3 percent said it was important and 3.3 percent were not sure. This translates to 96.6 percent of the respondents agreeing that there is some importance in improving access to infrastructure.

The Fisher-Freeman-Halton Exact Test gave a value of 6.095 with a corresponding p-value of 0.462. This means that the null hypothesis for independence cannot be reject hence we conclude that the opinions are independent on improving quality of services are independent of municipality.

Table 5.8: Responses on improving efficiency

Crosstab of Municipality and Improving efficiency		Improving efficiency			Total
		Very Important	Important	Not Important	
ABAQULUSI	Count	9	2	0	11
	% within MUNICIPALITY	81.8%	18.2%	0.0%	100.0%
NONGOMA	Count	5	5	0	10
	% within MUNICIPALITY	50.0%	50.0%	0.0%	100.0%
eDUMBE	Count	5	1	0	6
	% within MUNICIPALITY	83.3%	16.7%	0.0%	100.0%
ZDM	Count	1	1	1	3
	% within MUNICIPALITY	33.3%	33.3%	33.3%	100.0%
Total	Count	20	9	1	30
	% within MUNICIPALITY	66.7%	30.0%	3.3%	100.0%

Fisher-Freeman-Halton Exact Test

8.426

0.141

Table 5.8 indicates that 81.8 percent of the Abaqulusi municipality respondents believed that improving efficiency was very important. The remaining 18.2 percent said it was important. For Nongoma exactly half of the respondents said that improving quality of services was very important, while the other half concurred that it was important and none was on the contrary.

The eDumbe municipality had an overwhelming majority of 83.3 percent of the respondents who subscribed to the opinion that improving efficiency in municipalities was very important with the remaining 16.7 percent saying it was important.

Regarding ZDM there were equal number of the respondents cutting across with different views on improving efficiency, 33 percent indicated that it is very important, 33 percent hold on the view that it is important, whilst the other one third was not sure while 33.3 percent said it was important and 3.3

percent were unsure. In total 66.7 percent of the respondents believed improving quality of services was both very important and important.

The Fisher-Freeman-Halton Exact Test gave a value of 8.426 with a corresponding p-value of 0.141. This means that the null hypothesis for independence can be rejected hence we conclude that the opinions are independent on improving quality of services are not independent of municipality.

Table 5.9: Responses on reducing government subsidies

Crosstab of Municipality and Reducing the need for government subsidies		Reducing the need for government subsidies				Total
		Very Important	Important	Not Important	Not sure	
ABAQULUSI	Count	2	6	3	0	11
	% within MUNICIPALITY	18.2%	54.5%	27.3%	0.0%	100.0%
NONGOMA	Count	3	5	0	2	10
	% within MUNICIPALITY	30.0%	50.0%	0.0%	20.0%	100.0%
eDUMBE	Count	2	3	1	0	6
	% within MUNICIPALITY	33.3%	50.0%	16.7%	0.0%	100.0%
ZDM	Count	1	2	0	0	3
	% within MUNICIPALITY	33.3%	66.7%	0.0%	0.0%	100.0%
Total	Count	8	16	4	2	30
	% within MUNICIPALITY	26.7%	53.3%	13.3%	6.7%	100.0%

Fisher-Freeman-Halton Exact Test

7.005

0.701

Table 5.9 shows despite the Abaqulusi municipality having a total of 72.7 percent of the respondents who viewed reducing the need for government subsidies as both very important (18.2 percent) and important (54.5 percent), there seems to be some drop of confidence on this view. The remaining 27.3 percent were of a dissent view of not important as some of them seem not to understand how local government finance are discharged. For other municipalities numbers in support of the view of reducing the need for government subsidies have been relatively dropped especial on the option of

very important and increased on the dissent views such as “Not important” and “Not sure”, which are 13.3 percent and 6.7 percent respectively.

The Fisher-Freeman-Halton Exact Test gave a value of 7.005 with a corresponding p-value of 0.701. This means that the null hypothesis for independence cannot be rejected hence we conclude that the opinions are independent on improving quality of services are independent of municipality.

Table 5.10: Responses on promoting innovation

Crosstab of Municipality and Promoting innovation		Promoting innovation				Total
		Very Important	Important	Not Important	Not sure	
ABAQULUSI	Count	7	4	0	0	11
	% within MUNICIPALITY	63.6%	36.4%	0.0%	0.0%	100.0%
NONGOMA	Count	4	3	0	3	10
	% within MUNICIPALITY	40.0%	30.0%	0.0%	30.0%	100.0%
eDUMBE	Count	2	2	1	1	6
	% within MUNICIPALITY	33.3%	33.3%	16.7%	16.7%	100.0%
ZDM	Count	3	0	0	0	3
	% within MUNICIPALITY	100.0%	0.0%	0.0%	0.0%	100.0%
Total	Count	16	9	1	4	30
	% within MUNICIPALITY	53.3%	30.0%	3.3%	13.3%	100.0%

Fisher-Freeman-Halton Exact Test

9.979

0.300

The cross tabulations displayed that Abaqulusi municipality had 63.6 percent of the respondents who believed promoting innovation was very important. The remaining 36.4 percent said it was important. For Nongoma exactly 40 percent of the respondents mentioned that promoting innovation was very important, while 30 percent each were of the view it was “Not important” and “Not sure”, respectively, and the other 10 percent were not sure.

When it came to eDumbe municipality, two thirds (66.7 percent) were of the opinion that improving quality of services was very important with the remaining third saying it was important.

The overall total for this crosstab on promoting innovation translates to 83.3 percent of the respondents agreeing to both very important and important views on promoting innovation.

The Fisher-Freeman-Halton Exact Test gave a value of 9.979 with a corresponding p-value of 0.300. This means the null hypothesis for independence cannot be rejected; hence it can be concluded the opinions on improving quality of services are independent of the municipality.

5.7.2 Cross Tabulations with Department

Two thirds of those working in the corporate affairs department were of the view that improving quality was very important, while 27.8 percent were of the view it was important, and 5.6 percent were not sure. For the Finance and administration department just over a half (54.5 percent) believed that it was very important to improve quality of services while the rest (45.5 percent) said it was important. From the procurement and stores, there was one respondent who believed improving quality of services was very important.

The test for independence on this crosstab indicates that the Fisher-Freeman-Halton Exact Test gave a value of 3.703 with a corresponding p-value of 0.782. This means that the null hypothesis for independence cannot be reject hence we conclude that the opinions are independent on improving quality of services are independent of department.

CHAPTER 6

DISCUSSION OF RESEARCH FINDINGS

6.1 INTRODUCTION

In this chapter the focus is on the detailed discussion presented regarding the findings pertaining to the analysis of primary data set out in the previous chapter. These findings were anchored on the objectives of the study, the accompanying research questions, and the review of literature. Each finding and its implication(s) are expressed for inferences to be made and valid conclusions drawn in a holistic manner for the entire study.

As expressed in the introductory chapter, the cardinal study aim was to evaluate the LG funding impact in the ZDM jurisdiction, in particular, and all the municipalities outside the metropolitan areas in SA in general. The main study objective was to identify and measure the motivational factors that would influence LG funding in municipalities. The sub-objectives that complement the main objective were formulated thus:

- i. conducting comparative analyses of funding models undertaken by LG authorities (municipalities) in Zululand District.
- ii. assessing the awareness of and knowledge regarding the relevant statutory instruments used by key personnel in facilitating funding in LG in SA.
- iii. determining the level of participation and/ or involvement of various stakeholders in funding processes in LG in SA.
- iv. providing a conceptual framework based on the variation of literature and approaches on public finance, public management and governance.

6.2 SUMMARY OF KEY FINDINGS ON PRIMARY DATA

The biographical and background data obtained indicated that:

- The largest group of respondents were between the ages of 18-35 years.
- Most respondents had attained at least a diploma.

- The respondents identified education and professional training as the most significant variable impacting the operations and management of municipalities, with a total of 71 percent of respondents in possession of diplomas (41.4 percent) and postgraduate qualifications (31 percent).
- This points out that people with pre-requisite skills would be expected to have the ability to create an enabling municipal environment for efficient service delivery to communities.
- The results also showed that 20.7 percent of the respondents who hold first degrees believe professional training and qualifications can improve the ability of key staff at senior management, technical and administrative levels. This enables respondents to interpret statutory instruments and relevant municipal documentation to discharge their responsibilities as required by law.

Results pertaining to success factors of local authority funding models were indicated thus:

- Agreement was indicated by 90 percent of the respondents with the notion that local executive bodies have a clear responsibility to provide municipal services that mitigate lack of service delivery;
- On the statement on recurrent provision of municipal services as the sole responsibility of local bodies, 80 percent agreed and strongly agreed;
- Regarding capital infrastructure required for municipal services, 40 percent of the respondents remained neutral and 40 percent agreed and strongly agreed in terms of the local authorities taking responsibility;
- On the issue of success of the MIG model in financing LG infrastructure, 69 percent agreed and strongly agreed with the statement.
- Responses pertaining to the appropriateness of PPP models to address the problem of operations and maintenance of LG infrastructure showed that 73 percent of the respondents agreed and strongly agreed.
- The majority of respondents agreed, with 55.2 percent that strongly agreed and 20.7 percent that agreed, the Management of LG finances should be the sole responsibility of accounting officers, not politician.

Those who remained neutral made up 13.8 percent, while those who disagreed and strongly disagreed made up 6.9 percent and 3.4 percent, respectively.

- When asked whether there is a need to revisit the structure and revenue allocation of existing LG funding models, almost all respondents agreed, with 56.7 percent that strongly agreed and 40 percent that agreed, while a minor 3.3 percent remained neutral. None disagreed.
- There was an equal percentage of 30 percent of those who strongly agreed and those with a neutral response, when asked whether the criteria used for revenue allocation in local authorities by national government are not equitable and have a bearing on basic service delivery to communities. Similarly disagree and strongly disagree responses were given by 6.7 percent each. The other 26.7 percent agreed.
- Both agree and strongly agree were given by 10 percent each to the question on the provisions of the MFMA, Public Finance Management Act, and Municipal Strategic Act being inadequate to promote sound LG administration. Agreement was indicated by 23.3 percent, 26.7 percent were neutral, while the other 30 percent disagreed.

Responses to open-end questions from the questionnaire regarding the challenges associated with infrastructure funding in municipalities are as follows:

Question 1: What is the economic status of the communities now, compared to before the construction and/or rehabilitation of the road/ storm waste water/ bore-hole/ dam/ stadium/ installation of electricity?

The responses to this question were classified into three categories, namely unsatisfactory/no change, somewhat Improved, Improved/satisfactory. More than half the respondents (60 percent) said there was no change in the communities. The reasons they gave include high unemployment still being a problem, unfinished projects, limited water and electricity supply and

deteriorating infrastructure due to age and lack of maintenance. Slightly more than a quarter (26.7 percent) were of the view there was some improvement, although minor. They stated water and electricity supply is starting to improve and roads are receiving attention. Only 13.3 percent are of the view there is satisfactory improvement. Most did not expand on why but one mentioned an improvement in the economic status.

Question 2: Do you think funding from the appropriation is a better funding model compared to the other models of basic services infrastructure funding? Give your reasons for your answer.

Almost half (46.7 percent) of the respondents did not think appropriation is a better funding model compared to other models. The reasons were mainly that they believed the funding from government is not enough to cover all expenses of the municipalities. Another reason was that corruption is rampant and the people responsible are not held accountable. Furthermore, 40 percent believed it was a better funding model. The reasons stated included that: some municipalities, especially rural ones, do not generate enough revenue to be able to cover expenses; the funds come with conditions; hence, the municipality cannot deviate from the intended use, it is common and municipalities are used to it; and, lastly it limits self-enriching from the MIG tendering system. The remaining 13.3 percent preferred a mix of both, whereby the government can add on the shortage in funds.

Question 3: Do you have any basic services infrastructure in progress? If yes, give the details in terms of its duration and budget as well as the type of grant/ fund.

Awareness was indicated by 43.3 percent of infrastructure projects in progress. The projects mentioned were mainly road construction and maintenance, halls, clinics and schools. The expected project duration was 12-18 months for halls and electricity installation, while roads could take longer. Another stated there was road maintenance and clinics being built and this could take from two to five years with a budget of R3.2M. One

mentioned walkways for R3.2m, with an expected duration of one year and community halls for R2.8m, with an expected duration of eight months. The rest did not stipulate the time limits nor the projects but only that there are projects being done.

It was indicated by 36.7 percent there were no projects being done. The other 20 percent said they were not aware or were not in a position to know this. as they were from departments that do not deal with projects.

Question 4: Do you think there is/ was value for money on the basic social services and infrastructural development undertaken by the relevant local authorities?

A third (33.3 percent) of the respondents were of the opinion there is value for money. The reasons given included that the people are benefiting from the infrastructure development and that need analysis was done before implementation, hence, projects were a necessity. A further 43.3 percent believed there was no value for money. Their reasons were classified into three subcategories, namely: time taken, substandard work, and politics and corruption. In this regard, 35.7 percent said the projects took longer than expected to complete, 50 percent said the projects were substandard and of poor quality, while the other 14.3 percent were of the view that political influence and corruption were a hindrance in the effective rendering of the services. It was indicated by 23.3 percent that they remained neutral or felt there was value in some and no value in others; they felt more could still be done.

Question 5: Local authority budget and finances are managed in a participatory and transparent manner. Use the continuum indicated to rate yourself against this statement in your municipality.

In order to investigate respondent views on transparency of budget and financial management, respondents were asked to indicate how they rate themselves on a continuum scale from 1 to 10, with 1 as very high and 10 as

a very low rating. The modal was ranked 5, which is the neutral response and it made up 26.7 percent of the responses. Rank 4 followed with 16.7 percent, while rank 6 and 7 made 13.3 percent each. Rank 2, 8 and 9 made up 3.3 percent and rank 1 and 3 comprised 10 percent each. The above average rankings 1-4 made up 40 percent, while the below average ranks 6-10 made up 43.3 percent.

6.3 DISCUSSION OF KEY FINDINGS IN LINE WITH THE LITERATURE REVIEW AND RESEARCH OBJECTIVES OF THE STUDY

This section discusses the key findings in line with the literature review and the research objectives indicated in Chapter One. A comprehensive overview of the key empirical findings and a comparison between these sub-objectives and literature gathered are presented to augment research findings from the primary data collected from the questionnaire, as cited in the previous section.

6.3.1 Key findings of Sub-objective 1

To make comparative analyses of funding models undertaken by LG authorities in the Zululand District of KZN province, SA.

The literature provides numerous critical funding models undertaken by municipalities, particularly from the basic infrastructure and social service delivery point of view. Funding models, for example, as pointed out by Ruiters (2012), provide guidance to municipal management on securing and formalising financing for infrastructure implementation and maintenance. The research gap identified in this study points to, for example, the water infrastructure having become a challenge, with rampant water supply shortages, exacerbated by the dilapidated water infrastructure, with this challenge one of many calling for extensive funding in terms of maintenance and installation. Funding models, according to Aronson and Schwartz (2004:21) are not universal, as the implementation environment of individual water infrastructure may differ, hence, adjustment of the models differ.

Research identified existing funding models wherein other models need a paradigm shift that would be counted as alternative and innovative infrastructure funding models for institutional development of future infrastructure projects in SA (Chimwaso, 2000; Brand, 2016; Abdel-Aziz, 2007). Existing infrastructure funding models include, but are not limited to: the NRF; Municipal Infrastructure Grant (MIG); Regional Bulk Infrastructure Grant (RBIG), and Conditional Grants; as well as the development of a tariff model (via balance sheet). These models, mainly from the NRF, are normally referred to as on-budget type funding, because they come directly from the fiscus. The alternative and innovative infrastructure models include funding from financial markets (fundraising); funding through PPPs (hybrid of on- and off-budget); funding from private sector markets (e.g., build-own operate-transfer schemes). The demand risk funding model is also one of the innovative funding models. Funding through engaging financial institutions is considered as an alternative source for funding water and roads infrastructure.

The results from the primary data collected indicate a concern over poor planning and adherence to a municipal financial framework model. Financial planning should include high-level planning for all infrastructure, drawing from the detailed sector infrastructure plans and providing a sense of what is possible within financial and institutional constraints.

6.3.2 Key findings of Sub-objective 2

To assess awareness and knowledge of relevant statutory instruments used by key personnel in facilitating funding in LG in SA.

The municipalities in SA, to a large extent, have been revealed as having financial problems, with only a few that received a clean audit from the AGSA (2016; 2019; 2021). Literature findings further indicated ongoing and widespread reporting on the worsening state of municipal finance. This has become imperative for municipalities to institute awareness on and/ or knowledge about the relevant statutory instruments that resonate with

finances of the municipal sector. The broadening of the scope of powers allocated to municipalities requires acumen and managerial stamina to mitigate current operational challenges that face the sector.

Owing to the findings put forward by the FFC (2014), wherein municipalities in South Africa are acknowledged as diverse, and that each operates in unique social, demographics and economic settings, hence the need to broaden understanding by key personnel of these and other relevant variables that potentially impact municipal financial conditions. From the primary data results in this study, three municipal departments were identified, namely Corporate Services (CS), Finance and Administration, and Procurement and Stores - also known as SCM. More than half the respondents (60 percent) worked in the department of corporate affairs, while 36.7 percent were in the finance and administration department. The remaining 3.3 percent were in procurement and stores (SCM).

The CS department is charged with the responsibility of general operations of the municipality including administration, HR and document management in addition to oversight of central administrative function of the municipality, the role of the CS department is, therefore, to provide secretarial services and coordinate issues critical to the municipality through engagement with stakeholders including council and other governance structures (NT, 2017). It was found necessary to make an assessment in the study on the level of awareness and/ or knowledge pertaining to statutory instruments (legislation and regulations) that are used to facilitate and guide the operations of municipalities.

The Municipal Structures Act (1998) identified three primary areas that fall under the ambit of the CS department, namely: Administration –ensures statutory and regulatory compliance; ensures Council resolutions are communicated to the relevant parties for execution and provides guidance and advice on ethics and good governance.

Regarding the motivation why personnel from Finance and Administration need to be assessed on their knowledge of these aspects and being conversant with statutory instruments in their sphere of work, the MFMA being the cornerstone and foundation, should be articulated and applied in this department without compromise. The MFMA, supported by the annual DORA and other legislation, such as the Municipal Structures Act (117 of 1998), MSyst Act (2000), Property Rates Act (6 of 2004), and related regulations, form a coherent package.

This strategy, according to Mooi (2015), considers the diverse capacity of the municipality to implement the reforms and requirements for institutional strengthening, building municipal capacity and improving consultation, as well as reporting transparency and accountability. The implementation strategy demands close cooperation with other departments in national and provincial government.

SCM involves procurement processes regulated by mostly the MFMA and its regulations (RSA 2003), wherein municipal SCM may seem to be characterised by bureaucratic tendencies and requires paperwork from the clients. These clients do, however, have to comply with all the requirements, otherwise they will not receive a clean audit.

6.3.3 Key findings of Sub-objective 3

To determine the level of participation and/ or involvement of various stakeholders in funding processes in LG in SA

The literature on public participation has underscored the essence of involving stakeholders in institutions such as municipalities, wherein contributions to advance positive developments that provide better performance of the councils would be beneficial to the communities (Backette-Camarata 2019).

Lack of public participation has direct consequences from different stakeholder perspectives. The mass service delivery demonstrations, in the

form of violent strikes, have taken an intermittent toll in the South African LG landscape since the dawn of democracy. These demonstrations show deep rooted dissatisfaction by community members regarding lack of basic service delivery, partisan politics, corruption, as well as lack of community engagement, and more. Mabizela and Matsiliza (2020: 1) pointed out there is a notion in most communities where residents, owing to lack of consultation with the municipal council, realised the councils develop a political ploy of political manifestos for green pastures that would never be realised. There are also challenges associated with decision-making where stakeholders are not involved by the council in matters that concern them, such as resource planning, public participation and budgeting, as required by legislation and municipal by-laws.

In the context of this study, the findings from primary data showed participatory development through community engagement initiatives are paying dividends in the selected Zululand municipalities. Below are some of the findings on public participation:

- Agreement was indicated by 83.3 percent of the respondents that there is participation of various stakeholders in local governance of the municipalities. The other 16.7 percent were not sure.
- Seventy percent of the respondents were of the opinion that participatory development through community engagement initiatives is paying dividend in municipalities while 3.3 percent said no and 26.7 percent were unsure.
- Pertaining to the statement “*A more engaged citizenry is able to achieve a higher level of cooperation that make local authorities accountable*”. The rankings of this statement ranged from 1 to 10. With 1 being very high and 10 very low. The modal was 7 with 23.3 percent of the responses, followed by 4 and 5 with 67.7 percent each.

- Responses regarding the rating of knowledge and skills that foster public participation of stakeholders in municipalities indicated 52.7 percent had a modal rate of 7, followed by 20 percent for a modal rating of 3; 4 and 5, with 13.3 percent each; 7 and 8 with 10 percent each and lastly 1 and 9 with 3.3 percent each.

6.3.4 Key findings of Sub-objective 4

To proffer solutions through proposing and conceptualising a Municipal Hybrid Financial Performance Funding Model based on variation of literature and approaches on municipal finance, management and governance.

The development of this framework was achieved by analysing both secondary and primary data gathered and from insights gained from the conceptual framework of the study. The primary data were arrived at by testing a wide range of variables, all considered by respondents (municipal officials) to significantly impact the LG funding mechanism and sustainable municipal sector development. This framework was designed to fulfil one of the study sub-objectives as described in chapter one.

CHAPTER 7

DEVELOPMENT OF NORMATIVE LOCAL GOVERNMENT FUNDING MODEL

7.1 INTRODUCTION

The development of a proposed LG funding model in municipalities presented in this chapter was based on the literature on public finance and gaps identified through data analysis, including different experiences of the municipal operational environment.

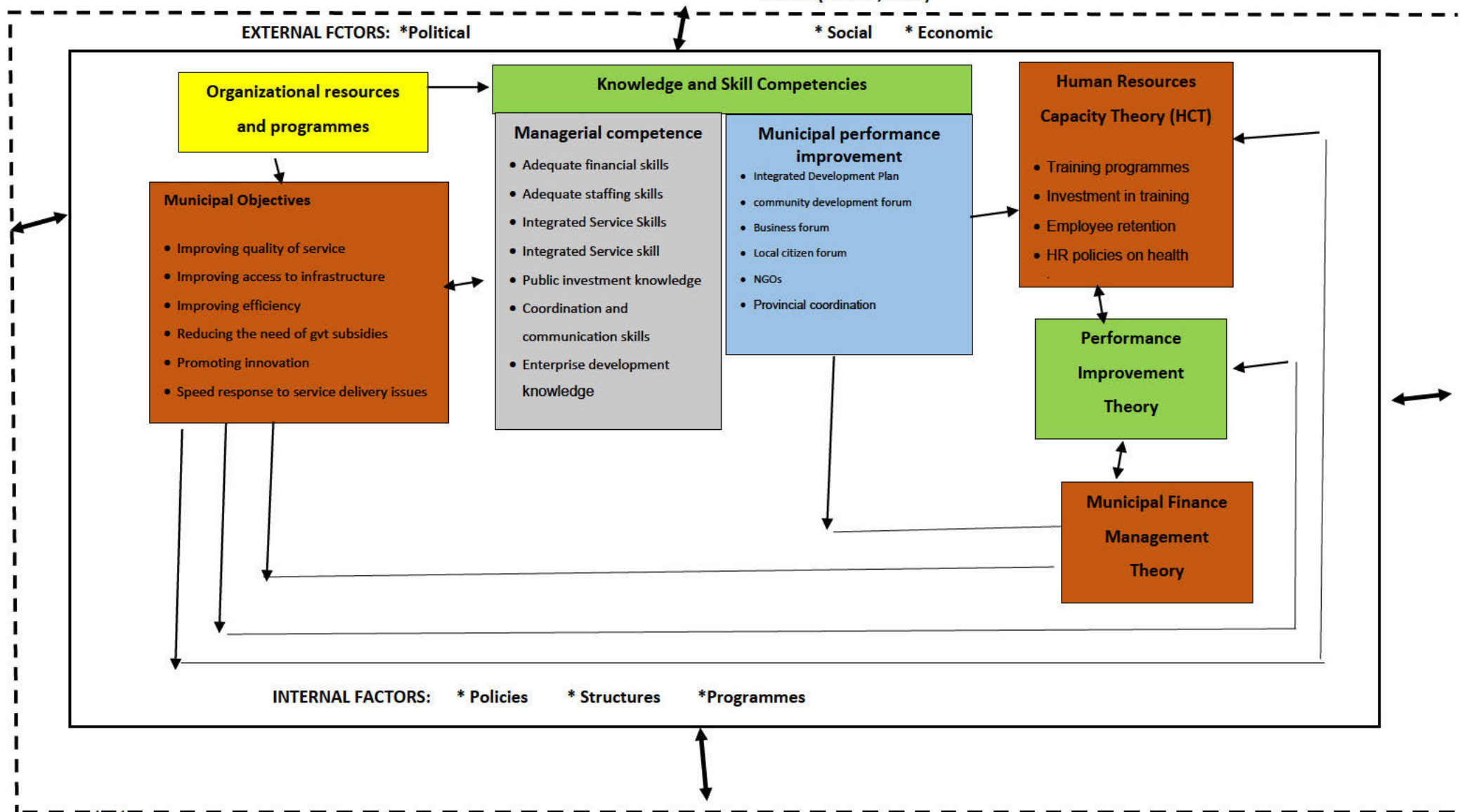
The escalating misallocation of funds, misinterpretation of relevant legislation and other statutory instruments, as well as rampant corruption and lack of funding are some of the red flags that have affected service delivery in municipalities. It has been revealed in literature (Citroni *et al.* 2013; Butterworth 2010) that service delivery is central and has a wider meaning, wherein it is not confined to the ability to merely provide users with services needed or demanded, but also to promote and unleash an acceptable standard of living and conditions for people at the grassroots in the community. It has become clear the municipal sector in SA needs to develop strategies and approaches to mitigate gaps that characterise and impact LG funding for social development.

7.2 FRAMING OF MODELS IN LOCAL GOVERNMENT SECTOR

According to Dye (1998, cited in Shaid 2013), the real world is represented in a simplified way through a model, which is “used to interpret situations and assist in explaining and predicting the outcome” of a phenomenon. Furthermore, Badenhorst (2007, cited in Mphahlele and Zandamela 2021) concurred conceptual frameworks assist in examining key concepts used in the research, are able to identify relationships between concepts and provide the basics that outline and guide analysing data and draw conclusions.

FIGURE 7.1: PROPOSED MUNICIPAL HYBRID FINANCIAL PERFORMANCE MODEL

Source (Author, 2022)



A Municipal Hybrid Financial Performance Model cited above (Figure 7.1) has been developed as a proposed tool that can be utilised to guide municipalities in monitoring and evaluation, aimed at linking high-level social and economic development objectives with practical measures of service delivery and performance of government programmes at the grassroots level. The ensuing variables identified in this model are discussed below thus:

7.3 EXTERNAL ENVIRONMENTAL FACTORS

Municipalities operate in an ever-changing world. External environmental factors entail things outside the control of an entity and such as a municipality. A municipality like any organisation is affected by the external factors and needs to react to these factors and make decision. The model presented in Figure 7.1 highlights key external factors that has a bearing on success or failure of servicing communities. The the external factors identified include political, social, and economic and are explained thus:

7.3.1 Political

Globally, service delivery model most common to local governance is service delivery functions being decentralised, which has been adopted by many developing countries, based on good governance principles. The model is important to both local leadership and the community because residents are empowered in choosing their leadership since this allows them leverage in participating in matters that affect their lives. It was suggested local institutions being close to the public are best placed, as Ahmad and Koech (2019:23) pointed out, to adapt supply of a service to the requirements of people, transforming citizens into consumers as service recipient and ensuring greater service quality transparency for citizens. Muriisa (2008:41) states decentralisation in Africa as the basis for World Bank recommendations to decentralise political powers, as well as that of administrative decision-making, and sub-national roles, to enable service delivery.

7.3.2 Social

The social factors broadly speaking are hinged on group of common issues that impact the lives of both individuals and society at large. They are often consequence of factors extending beyond an individual control. These may include poverty levels of people at the grassroots levels who may be facing unemployment and unable to make ends meet. The magnitude of poverty has dire consequences on individuals and society in terms of crime, poor health and to some extent relations in homes are affected. The increased violent service delivery protests stem from dissatisfaction triggered by inequality, poverty and unemployment (Pillay 2011).

7.3.3 Economic

Significant variation is found in the economic activity level and nature across municipalities, as posited by Coetzee and Kleynhans (2019: 1). Wide growth trend variations between different economic sectors place different pressures on individual municipalities, according to their local economies' sectoral make-up (Bhatia 2019: 45; Vacu and Ncube 2017). The economic recession mostly affected the manufacturing, mining and trade sectors. This means those municipalities whose economies depend strongly on these sectors will take longer to recover from the effects of the recession.

The need for the local government fiscal framework is highlighted to differentiate between urban and rural municipalities in allocating taxing powers and national government transfer design and targeting.

When service delivery is inadequate, it also encourages non-payment for key services (Lita 2013). Furthermore, deficiencies in the supply of water, sanitation, housing, and electricity create public health hazards, business unproductively, negatively affecting the country's GDP growth, an increase in crime among the youth, limited opportunities and increased corruption (Makanyeza *et al.* 2013).

7.4 INTERNAL FACTORS

Organisational resources and programmes, Municipal objectives, knowledge and competence were identified by empirical study as part of key internal factors that had critical impact on municipal performance and innovative leadership in conducting the internal municipal business processes.

In this model, knowledge and skills competence have been broadly grouped into two namely, Managerial competencies and municipal performance improvement. Managerial competence can be regarded as the set of knowledge, skills, knowledge, traits, values and motives which correlates with job performance. This can be measured using standardised metrics and improved through targeted training and staff development initiatives (Coetzee and Kleynhans 2019:1; Makanyeza *et al.* 2013).

Municipal performance improvement is concerned with the measurement of LG primary objectives or results, at the expense of secondary objectives, or the determinants of organizational performance. Literature on strategic management suggests there should be a strong linkage between strategic plans and performance measures.

7.5 HUMAN RESOURCES CAPITAL THEORY (HCT)

The Human Resource Capital Theory (HCT) emphasises equipping staff with pre-requisite skills through training, informal workplace education and on-the-job education (Snell and Dean 1992; Schultz 1981; Corazzini 1967; Mineer 1974). It is one of the theories that promotes investment in training and development of staff. It has been included in this proposed model as one of the key building blocks to mitigate inefficiencies and ineffectiveness of personnel in the municipal sector in servicing the communities.

7.6 PERFORMANCE IMPROVEMENT THEORY

Performance improvement theory is anchored on the ground that performance could be improved through skills development, as alluded by Gilbert (1978) and Rummler and Brache (1988). Thus, the optimisation of performance is perceived as closely associated with other supportive

decision-making tenets (Sanderson 2001; Denison 1967; Karakaplan and Kutlu 2017).

7.7 MUNICIPAL FINANCE MANAGEMENT THEORY

The inclusion of Municipal Finance Management Act (MFMA) of 2003 as part of the Municipal Hybrid Financial Performance Model was based on the prescripts of the responsibility that the municipality management are required to institute for preventing irregular expenditure as well as on what process to follow if it has been incurred. Furthermore, the MFMA theory contributes and promotes transparency and accountability to the proposed model, wherein municipal personnel should disclose all irregular expenditure identified in their financial statements with detail on how it had been resolved; in other words, how much had been investigated, recovered or condoned (AGSA 2019/20).

7.8 IMPLICATIONS OF THE MUNICIPAL HYBRID FINANCIAL PERFORMANCE MODEL

- The interdependence of these three theories (Human Capital Theory, Performance Improvement Theory and Municipal Finance Management Theory) in the proposed hybrid financial performance model contributes to the capacity development of service delivery structures and programmes that impact skills development in municipalities.
- Municipal performance enables improvement of service delivery influenced by distinct aspects, that is, performance facilitators, fruitful feedback and responsive consequence management to mitigate ineffective implementation of developmental goals and policies, which are skewed to poor communities (Mphahlele and Zandamela, 2021).
- This model promotes accountability and supporting municipalities in supporting the existing National Treasury and the Auditor-General

initiatives that were developed for strengthening systems across national, provincial and local government (RSA, 2007).

- Standards for performance information are clarified especially through supporting regular audits of non-financial information; and this contributes to the Improvement of the structures, systems and processes that are required to manage performance information.
- Roles and responsibilities for performance information are defined thereby accountability to municipal councils and the public is promoted through timely, accessible and accurate publication of performance information.

7.9 CONCLUSIONS

The development of this framework was achieved through analysis of both secondary and primary data gathered, as well as from insights gained from the conceptual framework of the study. The primary data were arrived at with a wide range of variables tested, all considered by respondents (municipal officials) to have a significant impact on LG funding mechanism and sustainable development of the municipal sector. This framework was designed to fulfil one of the study sub-objectives as outlined in chapter one.

CHAPTER 8

CONCLUSION AND RECOMMENDATIONS

8.1 INTRODUCTION

Chapter seven presented the study findings after an analysis of collected data. In this chapter the findings and conclusions from the identified findings are summarised, followed by the recommendations.

The research undertaken in this study was anchored on the research statements in chapter one, namely, a more effective LG funding mechanism is achieved when institutional dimensions are effective, well-structured, and fit together well. The South African municipal sector is, in general, confronted by a variety of challenges that impact municipal financial management and good governance issues.

The rampant corruption, under-funding from NT, misappropriation of funds, including fruitless and wasteful expenditure have been exposed by various institutions as challenges that inhibit provisioning of basic services and infrastructure development.

The study critically analysed the impact of LG funding in Zululand municipalities in the KZN province. Chapter one presented the subject matter background and context, providing a deeper understanding of the study rationale. Relevant theoretical perspectives were provided in Chapter two relative to the new SA LG sector developmental mandate. The review of literature presented in Chapter three was used and enabled a discussion of on the literature regarding identification of external and internal environmental factors, to provide solutions that resonate with financial and strategic management, to prevent loopholes that affect municipal operations. Chapter four presented the research methodologies used namely, a mixed research method, incorporating both quantitative and qualitative approaches, to solicit data from the selected municipalities in the Zululand jurisdiction. Chapter five set out the data analysis of a survey and discussions that

underpin the views of the respondents (officials). Chapter six presented constructs and research findings that emerged from the empirical study that formed the basis on which a proposed Municipal Hybrid Financial Performance Model is built. Chapter seven culminated in the design of the Municipal Hybrid Financial Performance Model. Chapter eight, being the last chapter in this study, wraps up key areas of the study and recommendations thereof in relation to the challenges identified.

8.2 CONCLUSIONS ABOUT SUB-OBJECTIVES

This section presents conclusions reached on the findings of the study, analysed in chapter six, for each of the sub objectives of the study.

8.2.1 Sub-objective One

This sub-objective seeks to assess comparatively the existing funding models that are undertaken in the Zululand District jurisdiction in SA. Based on the discussion in chapter six, it is concluded that:

- The existing funding models do not adequately account for unique challenges faced by different municipalities within the Zululand jurisdiction. Consideration for the fact that municipalities are charged with the responsibilities for delivering essential social services and their proximity to the people they serve, it is therefore unacceptable for the municipalities to be left fending for themselves without the necessary financial support (Amsler and O'Leary, 2017).
- Minimum capital requirement, capital adequacy and reporting requirements, as well as liquidity regulation aspects of the guideline maintain the prudential nature of the municipalities, which is less user-friendly for implementation though. Unfortunately, these institutions rely mostly on intuition and their best understanding of the regulation in their operations.

- Alternative methods of revenue generation, such as municipal bonds, public-private partnerships, more equitable share and increased benefit of already taxed goods and services need to be looked at in consultation with stakeholders including local communities to ensure the viability and sustainability of the municipalities.
- In light of this, a lack of proper implementation of key operational programs by the municipalities can be partly attributed to inadequate stakeholder involvement and their municipalities disposition on the content of the broader LG sector;
- Given the quality of human resource and management, in municipal sector it is evident that compliance to the regulations will be less than expected. This has been pointed out in various AGSA reports year in year out. The conclusion is that the guidelines are not being adhere to and hence become ineffective as far as the LG disposition is concerned.
- Supervision and compliance is not as strong as other variables, so as to determine whether regulations do exist, yet if combined with other variables, plays a key role in establishing such.

8.2.2 Sub-objective Two

Regarding the assessment of awareness and knowledge on understanding how the relevant municipal policies and/ or other related statutory instruments are implemented and monitored, it was clear that most of the staff members including senior management grapple with skills to interpret the standing rules and regulations. This entails that the spirit and commitment to the regulating guidelines are virtually missing.

It is concluded that:

- The current state of municipal governance in Zululand municipalities in particular, is significant, as it affects service delivery, social cohesion and

local economic growth in municipalities, hence all stakeholders should thrive to work together in order to mitigate the systematic issues. Relating to the conclusion on this sub-objective, affirms the fact that acquiring skills to understanding the prescripts of the relevant legislation and/or other statutes and systems contribute to minimizing distortion of information for decision making and promoting the need for creating the platform for better communication.

- The above-mentioned challenges are mitigated by re-visiting some of the pieces of legislation which some were amended wherein they seemed to be archaic and redundant in nature, such as Municipal Financial Management Act, (2003), Municipal Systems Amendment Act, (2022) Municipal Structures Amendment Act, (2021) and the Municipal Property Rates Amendment Act (2014). Together, these pieces of legislation through amendments provide a framework for a democratic, accountable, and developmental local government system, as envisaged by the Constitution.
- Regarding support structures for the LG sector political arrangements that encapsulate funding and governance support were lacking in municipalities. This is substantiated by rampant corruption, deficiency of strong technical, planning and implementation know-how to professionally run departments with the necessary budget to deliver and maintain social services. Less efficient governance support is a recipe for poor implementation (National Anti-Corruption Strategy -2020-2030; AGSA, 2019).

8.2.3 Sub-objective Three

This sub-objective determines the level of participation and/ or involvement of various stakeholders in funding processes in municipalities in SA.

It is concluded that:

- Linkages between development, service delivery and local citizen participation constitute developmental local government in South Africa, as

pronounced by the then Department of Provincial and Local Government, (now COGTA) in 2002.

- Through participation, voters ensure democratic accountability, as citizens who through a variety of stakeholder organizations can contribute to policy processes, as consumers and end users can expect 'value for money' and affordable services, and as organized partners engaged in resource mobilization for developmental objectives (Municipal Systems Amendment Act, 2022; Municipal Structures Amendment Act, 2021)
- It should be borne in mind the concept of developmental local government to be realised municipality managers, and local government itself, are not the final actors on state policy matters regarding development and service delivery. However, as pointed out by Aronson and Schwartz (2004:35); Bhatia,(2019:74) that local government through municipalities has to explore ways and means of encouraging the state to, among other things, ease the financial burden on local government, for example, by getting the state to fund mandates, assume certain costs and re-examine the system of grants and shared revenue; find ways and means of promoting and developing citizen participation in public administration and public affairs; and facilitate the ability of municipalities to engage in mutually creative partnerships with other local governments entities.

8.2.4 Sub-objective Four

This sub-objective reflects a theoretical hybrid framework that characterises Human Resource Capital Theory (HCT), Performance Improvement Theory and the Municipal Finance Management Act (MFMA) (56 of 2003) that advocates efficiency, effectiveness and economically running of the operations of municipalities in the Zululand District jurisdiction in particular and other public entities in general.

It is concluded that:

- Investing in staff training and/or on-the-job education is key to both parties, (the organisation and personnel) involved to increase production and improved quality and better service delivery to the stakeholders.
- The inclusion of Municipal Finance Management Act (56 of 2003) as part of this hybrid theoretical framework is based on the view that proper guidelines should be adhered to when collecting and disbursing public money thereby financial leakages are plugged in as alluded by Graves and Dolley (2009:1).
- The MFMA model also emphasizes on the prevention of unauthorized, irregular and fruitless expenditures by local authorities in the main, which are mandated by the state to safeguarding LG (Mphahlele and Zandamela, 2021; Smell and Dean, 1992).

8.3 IMPLICATIONS OF THE STUDY

The proposition of this study is based on two aspects, namely: contribution to theory of good governance in municipalities and municipal financial management to mitigate infrastructure and service delivery.

8.3.1 Contribution to Good Governance Theory

The implication of this study to the body of knowledge relates to regulations, procedures and systems that resonate with municipal financing in the LG subsector, specifically in ZDM municipal jurisdiction. The policy formulation strategies currently being used do not promote cooperation and provide less support in use resources that are available. The concept of 'Good Governance' and Infrastructure development and maintenance tenets (Foss and Stea 2014) must be seriously considered in tandem with the existing municipal and other LG statutory instruments in policy formulation.

It has been observed and well documented in the good governance research wherein debate on instituting policies has gained the attention of many

research studies because it is now understood that time is wasted formulating policies that become “white elephants” that are left to gather dust, when the very purpose of doing it does not materialise. Understanding good governance theory and the processes thereof enhance the application of regulations and the realisation of the intended purpose of it in the municipal subsector.

This research contributes to adding ‘good governance’ as a new concept within the Municipal Hybrid Financial Performance theory and strategies to enhance research on municipal service delivery. Such theories and concepts are relatively new not much literature have been found. The implication is that the Municipal Hybrid Financial Performance theory must be added to research on improving social service and municipal infrastructure delivery at the community level.

8.3.2 Contribution to the Financial Management Skills in the Municipal Sector

This study contributes to the understanding of senior management and officials in the Municipal sector in SA of their role in promoting and sustaining prudent financial practices through formulation and implementation of relevant policies and statutory instruments.

It is expected that this study practically gives impetus to the municipal sector to adopt innovative strategies and process that will contribute towards quality service delivery, through the creation of a robust information platform. This will also ensure the sector characteristics, resources, and management quality of the social service delivery are factored into broader spectrum of LG, to enhance aspirations of local populace. The need for information sharing and the capacity building of such support structures, will promote understanding, cooperation and best practices in the municipal sector.

8.4 RECOMMENDATIONS

The recommendations of this study are based on the empirical findings deliberated upon in the previous chapters. The formulation of the objectives, research questions and data collection instrument (questionnaire) were achieved through a rigorous literature search. The literature review provided a fundamental source for identifying and selecting variables that supported the development of this research.

The focus of the review of literature was on the impact of LG funding in municipalities. The following are major findings synthesised from the relevant literature in this research study:

8.4.1 Sustainability of Municipal Finance

The findings of the study revealed that weak governance and financial controls affect the provisioning of basic services in municipalities.

- It is recommended a partnership between municipalities and communities should be instituted, considering that a municipality depends on the public recognising the value of, and paying for municipal services.
- Subsidies offered to the municipal sector, such as for low-income households by central government become sustainable only when people can afford and are able to pay for them. It thus follows that sustainable municipal finances partly depend on efficient revenue collection systems in place. (MPRA, 2014; Chohan, 2019)

Literature review findings on the impact of LG funding in municipalities have, furthermore, revealed the ad hoc adjustment of municipal boundaries (demarcations) depending on political, economic, and social purposes.

- This imperfect congruence, as argued by Brand (2016: 1), presents a challenge wherein large assets such as stadiums, shopping centres, transport stations and airports within one local jurisdiction derive significant tax revenue from communities in nearby jurisdictions that do

not have such large facilities. It is recommended prudent measures should be taken by each locality to forge synergies to combine some services and facilities, as mentioned above, with one or more neighbouring municipalities.

Making services available to low-income families is highlighted in the literature to require substantial subsidies that municipalities are unable to generate from their own revenue.

- Debt swaps and discounted debt are recommended as instruments that may be used to finance environmental and social programmes, and their integration into the pool of resources could open new perspectives that would yield positive results in the near future.

8.4.2 Governance and Financial Management

Empirical studies and municipal audit reports revealed that most of the South African municipalities were not taking corrective action on the issues of irregularities raised in prior year audits, hence some of the weaknesses and problems remain unresolved and/ or were recurring yearly.

- Skills and training are a prerequisite for municipalities to achieve clean audits through compliance. The study recommends that there is need for municipalities to start investing in staff capabilities, if they are serious about instituting and improving performance and growth through good governance and sound financial management. Cost effective training workshops should be arranged and made available to employees.
- Staff training and development provided on an annual basis should be part of innovative leadership, where computational and strategic thinking can bear fruits that contribute to better service delivery in municipalities (Deloitte Report. 2017; FFC, 2020).

- The study further recommends the employment of qualified and competent personnel in municipalities to contribute to the overall performance of the entity. Mbulawa (2019: 1) alluded to the quality of governance in municipalities having an indirect impact on service delivery, as evidenced in recent years, where municipalities in SA, for example, have been confronted with civil protests because of service delivery backlogs.

8.4.3 Municipal Performance

Literature review analysis on the evaluation of municipal performance discovered that officials lack educational qualifications and adequate understanding of relevant legislation such as the MFMA (2003), MSyst Act (2000) and MPRA (2014), among others.

- It is recommended policy makers in the public sector should review cadre deployment and reconsider recruiting key personnel on merit, rather than on political party basis. Political influence in the form of cadre deployment inhibits municipal performance. Cadre deployment contributes to the deficit of professional skills in the context of lack of political will to appoint senior managers in municipalities.

Literature findings show the large amount of LG capital transfers in SA contribute to underspending of capital budget at local level as contributing factor to poor performance of the municipal sector.

One of the most vital functions of local government is to construct and maintain the public works infrastructure within their jurisdictions. Without this network of capital investments including roadways, bridges, sanitary sewers, water mains, and other essential public facilities, a wide range of negative impacts are likely to be felt by the residents and commercial enterprises which rely on local governments for their physical well-being and economic prosperity (Hart, 2003; Kaganova, 2011).

- As a recommendation, the implementation of sound capital spending framework over the period ahead, for specific sectors, programmes and government activities, will contribute to further strengthening of the information base on which budgets are constructed and their implementation monitored.

There has been wide debate regarding the inadequacy of the Local Government Equitable Share (LGES) intergovernmental grant received annually by municipalities in SA. The LGES encapsulate items such as funding the provision of basic services, as external cost pressures which are outside the control of individual municipalities intensify, and revenue bases are eroded in the wake of the natural disasters that include the Covid-19 pandemic, floods and fires as for example.

For annual revenue-sharing purpose in municipalities due processes should be put in place and adhered to whereby debt service costs are top-sliced from the pool of nationally collected revenue, and the remainder is split among national, provincial and local government (the ‘vertical division of revenue’).

Alternative methods of revenue generation, need to be explored such as municipal bonds, public-private partnerships, more equitable share and increased benefit of already taxed goods and services, in consultation with local communities to ensure the viability and sustainability of municipalities.

8.5 CONCLUSION

Based on the literature reviewed, it can be concluded municipalities outside the metropolitan category struggle to raise their own funds to mitigate social infrastructure development and maintenance, as well as provisioning of basic service delivery such as water, electricity, storm water, as well as refuse collection, and so on to the communities under their purview.

Furthermore, to these systematic failures, the funding model for municipalities from the national government is outdated and fails to support

the constitutional mandate of local government (Khalo, 2013:25; Kettl, 2015:57). The equitable share allocation has been pointed out as not going far enough to address the expectations placed on local municipalities and, lastly, municipalities have very limited legal mechanisms to generate revenue (DORA, 2000).

These challenges culminate in major setbacks in terms of business development, innovation, and sustainable growth where investment and employment creation are concerned. These challenges were identified and categorised into research themes thus creating a focus of the research study, with these variables tested empirically, and culminating in the development of a proposed hybrid municipal financial model, explained in chapter seven.

8.6 LIMITATION OF THE STUDY

The study was confined to the Zululand district, which is part of KZN and focussed on four municipalities in the province. Municipalities outside KZN were not covered, although, as a true reflection of the Zululand jurisdiction, lessons could still be learned by municipalities in other regions. It follows that the findings of the study should, therefore, be used with caution. Despite the use of a questionnaire with an open-ended section to solicit qualitative responses, there was need for more interviews to obtain individual opinion and insights from the respondents. The conduct of interviews was not possible due to stringent regulations imposed because of the Covid-19 pandemic.

Another mentionable limitation is the reluctance of some municipalities to complete questionnaires, as they incorrectly saw the interviewers as ‘mystery officials’ of the COGTA, seeking to obtain information that might lead to their closure; in case of being found guilty of transgressions. However, the Ethical Clearance letter and the researcher identification details were used to prove the intent of the study to solicit the support of the respondents.

8.7 RECOMMENDATIONS FOR FUTURE RESEARCH

Based on the empirical study findings, further research is recommended into:

Exploring the impact of township economy in municipalities for sustainable growth innovation and development.

Factors that successfully influence investments in LG entities should be further researched. This will assist in addressing bottlenecks such as bureaucracy and red tape tendencies that inhibit development in municipalities. Innovative leadership will be motivated to invest in improving quality of life in communities.

Further research should also be conducted on financial support systems and structures by Government that can mitigate current shortcomings in terms of survival and growth of distressed municipalities.

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APPENDICES

Appendix A: Permission to Conduct Surveys

Appendix A1: Permission to conduct surveys: Abaqulusi Local Municipality

MAIL 74081 FILE 10/LR USER FDMHABURD

2021A



Faculty of Management Sciences:
Department of Public Management & Economics

ABAKULUSI MUNICIPALITY	
CORPORATE SERVICE	
FILE NO.	101/R
DATE	31 MAY 2021
BY	DR. L.M. LEKHANYA
FOR	DR. L.M. LEKHANYA
DR. L.M. LEKHANYA	DR. L.M. LEKHANYA
DR. L.M. LEKHANYA	DR. L.M. LEKHANYA

74081

The Municipal Manager
Abaqulusi Local Municipality

Dear Sir/ Madam

REQUEST FOR PERMISSION TO CONDUCT RESEARCH: MANAGEMENT SCIENCE
PROGRAMME: MAONE KUDAKWASHE K. STUDENT NUMBER 21032633

I wish to request for your permission to undertake a research at your institution. I am Kudakwashe Karikoga Maone, a student registered for Doctoral of Philosophy in Management Degree at the Durban University of Technology. My research proposal is entitled: *Impact of Local Government Funding in Zululand District, South Africa.*

The identified area of my study is based on the local governance focussing on public finance issues. It is envisaged that the study would be used in conjunction with other existing statutory instruments in providing a coordinated approach in mitigating the critical institutional challenges within and across the local government sector.

The collection of data will be done through the use of structured questionnaires to be issued to key personnel, especially middle-to-top management. This target group is mostly involved and is conversant with policy related issues. I intend to collect data from various local government authorities within your province. This procedure is used to constantly compare data gathered so that commonalities and variations can be determined.

I wish to categorically state that, this study could bring a shared contribution to the local government framework on finance tenets that could go a long way in mitigating socio-economic issues affecting South African service delivery. At the completion of the study, the results will be made available to the Zululand District Municipality (ZDM) with the necessary recommendations.

Thanking you

Kudakwashe K. Maone
Student No.: 21032633
Contact Details: 078 4398262
kmaone@yahoo.com

Dr. L.M. Lekhanya
Supervisor / Promoter
Contact Details: 0313735372

31 May 2021

Approved/ Not Approve

Abaqulusi Local Municipality

Appendix A2: Permission to conduct surveys: Nongoma Local Municipality



Faculty of Management Sciences:
Department of Public Management & Economics

The Municipal Manager
Nongoma Local Municipality

Dear Sir/ Madam

REQUEST FOR PERMISSION TO CONDUCT RESEARCH: MANAGEMENT SCIENCE
PROGRAMME: MAONE KUDAKWASHE K. STUDENT NUMBER 21032633

I wish to request for your permission to undertake a research at your institutions. I am Kudakwashe Karikoga Maone, a student registered for Doctoral of Philosophy in Management Degree at the Durban University of Technology. My research proposal is entitled: *Impact of Local Government Funding in Zululand District, South Africa.*

The identified area of my study is based on the local governance focussing on public finance issues. It is envisaged that the study would be used in conjunction with other existing statutory instruments in providing a coordinated approach in mitigating the critical institutional challenges within and across the local government sector.

The collection of data will be done through the use of structured questionnaires to be issued to key personnel, especially middle-to-top management. This target group is mostly involved and is conversant with policy related issues. I intend to collect data from various local government authorities within your province. This procedure is used to constantly compare data gathered so that commonalities and variations can be determined.

I wish to categorically state that, this study could bring a shared contribution to the local government framework on finance tenets that could go a long way in mitigating socio-economic issues affecting South African service delivery. At the completion of the study, the results will be made available to the Nongoma Local Municipality with the necessary recommendations.

Thanking you
Sincerely yours

Kudakwashe K. Maone
Student No.: 21032633
Contact Details: 078 4398262
kkmaone@yahoo.com

Dr. L.M Lekhanya
Supervisor / Promoter
Contact Details: 0313735372

02 December 2020

Approved/ ~~Not Approved~~: _____
Municipal Manager:
Nongoma Local Municipality

Date: 08/12/2020

Appendix A3: Permission to conduct surveys: Zululand District Municipality

Zululand
DISTRICT MUNICIPALITY
UMKHANDLU WESIFUNDA



Private Bag X76
Ulundi
3838
Tel/Ucingo: 035 8745500
Fax/Ifeksi: 035 8745581/89

Ref: 14/3/5/2

Enq: PM MANQELE

Email: kphungula@zululand.org.za

Date: 09/04/2021

PERMISSION TO CONDUCT RESEARCH IN ZULULAND DISTRICT

Dear Mr. Kudakwashe K Maone

Your request was received with thanks.

First, I wish to congratulate you for your past academic achievements.

Your passion in research is remarkable and I honestly believe your findings will contribute immensely to Zululand District Municipality. It is therefore my absolute pleasure to state that we have acceded to your request. I hope that the findings of this study will be made available to us.

I wish you every success in your current and future studies.

Yours sincerely

09-04-2021

MR PM MANQELE
MUNICIPAL MANAGER

Appendix A4: Permission to conduct surveys: eDumbe Local Municipality

eDumbe Municipality

10 Hoog Street
Private Bag X308
PAULPIETERSBURG 3180



☎ : (034) 995 1650
Fax : (034) 995 1192
edumbekz261@mweb.co.za

ALL CORRESPONDENCE TO BE ADDRESSED TO THE MUNICIPAL MANAGER

Your Ref :
Our Ref :

10 March 2021

Dear Sir/ Madam

**Re: AUTHORIZATION LETTER, PERMISSION TO COLLECT DATA:
eDUMBE LOCAL MUNICIPALITY**

I, J.F.K. Khumalo in my capacity as Acting Municipal Manager at eDumbe Local Municipality hereby grant permission to Kudakwashe Karikoga Maone to collect data and conduct a research study on.

Impact of Local Government Funding in Zululand District, South Africa.

Guided by research ethical principles, Mr K.K. Maone is expected to conduct his study in a more professional manner.

I am looking forward to his successful journey during his studies and upon completion of this research study it will assist and contribute in shaping the manner in which things are done in local government. Should you have any queries with regards to this, please do not hesitate to contact me at 034 995 1651 or mm@edumbe.gov.za

Yours Faithfully,

// **Mr J.F.K. KHUMALO**
ACTING MUNICIPAL MANAGER

Appendix B: Invitation Letter to Participants



Faculty of Management Sciences
Department of Public Management & Economics

Dear Participant

PHD: MANAGEMENT SCIENCE RESEARCH PROJECT
RESEARCHER: KUDAKWASHE KARIKOGA MAONE (0784398262)
SUPERVISOR: DR. LM LEKHANYA (031 373 6808)

I am ***Kudakwashe Karikoga Maone*** a student registered for PhD degree in Management of Science, at the Durban University of Technology. You are invited to participate in a research project entitled: ***Impact of Local Government Funding in Zululand District, South Africa.***

In order to complete my degree, the latter part of the research involves the administration of a questionnaire and conducting interviews. You have been identified as someone who could contribute significantly to this study. It is envisaged that the study would be used with other existing statutory instruments to contribute significantly in financial management and in improving local government systems that would be providing a coordinated approach in dealing with complex basic service delivery issues.

Your participation in this project is voluntary. You may refuse to participate or withdraw from participating from this project at any time with no negative consequence. There will be no monetary gain from participating in this survey. Kindly be assured that your response will receive utmost confidentiality and will not be divulged to any other person.

Should you encounter any problems or concerns about the questionnaire or participating in this study kindly contact me or my supervisor at numbers cited below:

The survey should take you 15 – 20 minutes to complete. Your participation would be greatly appreciated.

Sincerely Yours

Kudakwashe K. Maone
Student No.: 21032633
Contact Details: 078 4398262
kkmaone@yahoo.com

Dr. L.M Lekhanya
Supervisor / Promoter
Contact Details: 0313735372

Appendix C: Questionnaire



QUESTIONNAIRE

IMPACT OF LOCAL GOVERNMENT FUNDING IN ZULULAND DISTRICT, SOUTH AFRICA

**[NB: THIS QUESTIONNAIRE SHOULD BE COMPLETED BY OFFICIALS FROM THE
MUNICIPALITY]**

[Confidentiality of information is guaranteed]

RESPONDENT NUMBER

Purpose

The purpose of this questionnaire is to evaluate the Impact of local government funding in your municipality under the purview of Zululand District Municipal (ZDM) jurisdiction.

Your responses must be accurate and related to the current situation at your municipality, so as to assist the researcher to identify and mitigate the gaps/problems and challenges in the selected sample and thus provide possible solutions.

Instructions to the Selected Municipal officials

Step 1: Use a black pen/ blue pen and mark your response clearly with an X in the columns using the rating scale provided.

Step 2: Use the relevant Likert rating scales to rate each item in the space/column provided to answer questions that require your opinion or assessment.

SECTION 1: BIOGRAPHICAL INFORMATION

PLEASE MARK THE APPLICABLE BLOCK WITH AN (X).

1.1: AGE GROUP (In Years)

18-35		36-45		46-55		+55	
-------	--	-------	--	-------	--	-----	--

1.2: HOME LANGUAGE

ISIZULU		ISIXHOSA		ENGLISH		SUTHU	
---------	--	----------	--	---------	--	-------	--

OTHER

(Specify):

1.3:

MALE		FEMALE	
------	--	--------	--

 GENDER:

1.4: HIGHEST GRADE PASSED AT SCHOOL

GRADE 0-7	
GRADE 8	
GRADE 9	
GRADE 10	
GRADE 11	
GRADE 12	

1.5: HIGHEST TERTIARY QUALIFICATION

CERTIFICATE	
DIPLOMA	
DEGREE	
POSTGRADUATE	
OTHER (Specify)	

1.6 MUNICIPAL COUNCIL AT WHICH YOU ARE CURRENTLY EMPLOYED

ULUNDI	ABAQULUSI	NONGOMA	uPHONGOLA	eDUMBE	ZDM
1	2	3	4	5	6

1.7: DEPARTMENT YOU ARE EMPLOYED IN

CORPORATE AFFAIRS	
ENGINEERING	
FINANCE AND ADMINISTRATION	
PROCUREMENT & STORES	
OTHER (Specify)	

1.8: LENGTH OF SERVICE IN YOUR CURRENT POSITION

LESS THAN ONE YEAR	
01-04 YEARS	
05-09 YEARS	
10-20 YEARS	

SECTION 2: SUB-OBJECTIVE NO. 001

CONDUCT A COMPARATIVE ANALYSES OF FUNDING MODELS UNDERTAKEN BY THE LOCAL AUTHORITIES.

Kindly indicate by (X) to what extent you agree with the following statements:

A. SUCCESS FACTORS OF LOCAL AUTHORITIES FUNDING MODELS

2.1. Local executive bodies have clear responsibility for providing municipal/ community services to mitigate lack of service delivery.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.2. The recurrent provision of municipal/ community services is the sole responsibility of local executive bodies.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.3. The capital infrastructure required for the municipal/ community services should not be the responsibility of local executive bodies.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.4. Public-private partnership (PPP) models are appropriate models for financing local government infrastructure such as roads, water and buildings, etc.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.5. National (central) government should use Public-private partnership (PPP) models to address the problem of operation and maintenance of local government infrastructure such as roads, water and buildings, etc.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.6. Municipal Infrastructure Grant (MiG) models are successful in financing local government infrastructure such as roads, water and buildings, etc.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

B: THE MANAGEMENT OF LOCAL GOVERNMENT FINANCE

2.7. Management of local government finances should be the sole responsibility of accounting officers not politicians.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.8. There is need to revisit the structure and revenue allocation of the existing local government funding models.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.9. The criteria being used for revenue allocation in local authorities by the national government are not equitable and have a bearing on basic services delivery to the communities.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

2.10. The provisions of Municipal Finance Management Act, Public Finance Management Act, and Municipal Strategic Act are inadequate to promote sound local government administration.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

C: CHALLENGES ASSOCIATED WITH INFRASTRUCTURE FUNDING IN MUNICIPALITIES

2.11. In your opinion, what do you think are the reasons behind the lack of basic services infrastructure funding in Municipalities?

.....

.....

.....

.....

.....

2.12. What is the economic status of the communities now, compared to before the construction and/or rehabilitation of some of the road/ storm waste water/ bore-hole/ dam/ stadium/ installation of electricity?

.....

.....

.....

.....

.....

2.13. Do you think funding from the appropriation (intergovernmental transfers) is a better funding model compared to the other models of basic services infrastructure funding? Give your reasons for your answer.

.....

.....

.....

.....

.....

2.14. Do you have any basic services infrastructure in progress? If yes, give the details in terms of its duration and budget as well as the type of grant/ fund.

.....

.....

.....

.....

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.....

.....

2.15. Do you think there is/ was value for money on the basic social services and infrastructural development undertaken by your local authority?

.....

.....

 2.16. Do you have any other view or comment in relation to basic services infrastructure issues that you may want to share?

.....

SECTION 3: SUB-OBJECTIVE NO. 002

CONDUCT AN ASSESSMENT ON THE AWARENESS AND KNOWLEDGE OF RELEVANT STATUTORY INSTRUMENTS USED IN MUNICIPAL OPERATIONS

- 3.1 Kindly indicate and rank the Municipal Act(s) / or instrument(s) which you are familiar with, starting with the most familiar and ending with the least one. Rank them from 1 – 10. (1) – being the most familiar and (10) – being the least familiar.

	MUNICIPAL ACT/ STATUTORY INSTRUMENT	RANK
3.1.1	The Constitution of the Republic of South Africa (1996)	
3.1.2	White Paper on Local Government (1998)	
3.1.3	Municipal Structure Act (117 of 1998)	
3.1.4	Municipal Finance Management Act (56 of 2003)	
3.1.5	Public Audit Act (25 of 2004)	
3.1.6	Municipal Property Rates Acts (6 of 2004)	
3.1.7	Municipal Fiscal Powers and Function Act (12 of 2007)	
3.1.8	Municipal Systems Act (2000)	
3.1.9	Annual Division of Revenue Act	
3.1.10	Integrated Development Plan (IDP)	

- 3.2. The following are some of the objectives that shape the municipal sector strategies and influence decisions relating to choices of service delivery mode. Indicate the extent to which they impact on your municipality financial imperatives:

3.2.1 Improving quality of services			
Very important	Important	Not important	Not sure
1	2	3	4

3.2.2 Improving access to infrastructure			
Very important	Important	Not important	Not sure
1	2	3	4

3.2.3 Improving efficiency			
Very important	Important	Not important	Not sure
1	2	3	4

3.2.4 Reducing the need for government subsidies			
Very important	Important	Not important	Not sure
1	2	3	4

3.2.5 Promoting innovation			
Very important	Important	Not important	Not sure
1	2	3	4

3.2.6 Speed of service delivery			
Very important	Important	Not important	Not sure
1	2	3	4

- 3.3. Revenue autonomy is accomplished when municipalities are able to determine which revenue statutory instrument to use. Rate your understanding on this statement.

Very High					Moderate					Very Low
1	2	3	4	5	6	7	8	9	10	

- 3.4. To what extent do you measure the following assessment indicators involved in the budgetary process of your municipality. Give a score on each indicator out of a maximum score on each respective indicator.

	Assessment indicator: Local financial management	Own score	Maximum score
3.4.1	Do your municipality have an orderly annual budget process?		3
3.4.2	What is the quality and timeliness of annual financial statement?		2
3.4.3	Are the expenditure items consistent with the original approved budget?		2
3.4.4	Do your municipality have the right to set the tax base or tax rate of all local revenue instruments?		3

3.4.5	Do you effectively and equitably collect property tax revenue?		3
3.4.6	Do you have access to credit from public or private financial institutions (bonds) to fund local infrastructure expenses?		2
3.4.7	Do you receive (conditional or unconditional) grants/ transfer from higher level government to support local administration and to provide general local public services?		2
3.4.8	Do you have effective and established channels for citizenry participation in the review and monitoring of the IDP/ budget document?		3
	Total (Maximum)		20

- 3.5. How important do you regard the role of Auditor-General of South Africa (AGSA) in municipal financial management?

Very important	Important	Not important	They are irrelevant
1	2	3	4

- 3.6. What was the audit opinion that your municipality received recently from AGSA?

Qualified	Unqualified	Disclaimer	Not sure
1	2	3	4

- 3.7. Do you agree that reports issued by AGSA are not politically motivated, considering the fact that most of the municipalities are performing below the expected levels?

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

- 3.8. Do you require training in financial management and budgeting?

Yes	No	Not relevant to my work
1	2	3

SECTION 4: SUB-OBJECTIVE NO. 003

DETERMINE THE LEVEL OF PARTICIPATION AND/ OR INVOLVEMENT OF STAKEHOLDERS IN LOCAL GOVERNMENT FUNDING PROCESSES

- 4.1. Does participation and/ or involvement of various stakeholders in local governance exist in this municipality?

Yes	No	Not Sure
1	2	3

- 4.2. Participatory development through community engagement initiatives is paying dividend in this municipality

Yes	No	Not Sure
1	2	3

- 4.3. A more engaged citizenry is able to achieve a higher level of cooperation and make local authority accountable. Rate this statement in a continuum below.

Very High					Moderate					Very Low
1	2	3	4	5	6	7	8	9	10	

- 4.4. How do you rate the level of knowledge and skill to foster public participation/ involvement of stakeholders in this municipality?

Very High					Moderate					Very Low
1	2	3	4	5	6	7	8	9	10	

- 4.5. Meaningful and effective monitoring of performance of local service delivery by local residents of this municipality requires public participation.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

- 4.6. An effective complaint mechanism entails the ability of municipality to contain and resolve pertinent issues raised by residents through follow-up tenets.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

- 4.7. Local authority budget and finances are managed in a participatory and transparent manner. Use the continuum below to rate yourself against this statement in your municipality.

Very High				Moderate					Very Low
1	2	3	4	5	6	7	8	9	10

4.8. What is your take on the level of community participation and involvement in the basic infrastructural development?

Very High				Moderate					Very Low
1	2	3	4	5	6	7	8	9	10

Thanking you

Appendix D: Editors Confirmation

Helen Richter
Advanced Editing, Proofreading
& Copywriting
feetieding@gmail.com
+27 729538169

26 October 2022

To whom it may concern

CERTIFICATE OF EDITING & AUTHENTICATION

I have proofread and language edited the PhD thesis titled:

"Impact of local government funding in Zululand District Municipality"

by

Kudakwashe K Maone

To the best of my knowledge, the work is free of spelling, grammar, structural and stylistic errors and the contents are certified as the author's own work.

With thanks.

H. S. Richter

Appendix E: Ethical Confirmation



MANAGEMENT SCIENCES: FACULTY RESEARCH ETHICS COMMITTEE (FREC)

Student No: 21032633

20 October 2020

Dear Mr K Maone

RECERTIFICATION - DPHIL: PUBLIC ADMINISTRATION

TITLE: Impact of local government funding in Zululand district, South Africa

Please be advised that the FREC Committee has reviewed your proposal and the following decision was made: **Ethical Level 2**

Date of FRC Approval: 23 February 2017

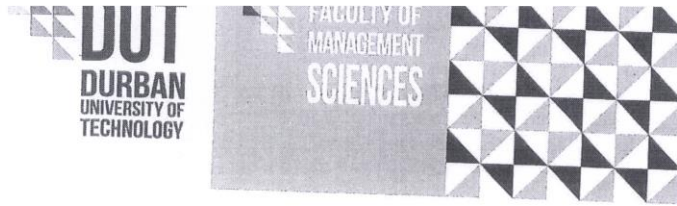
The Faculty Research Ethics Committee has granted your request for recertification for a period of **One year (From 20 October 2020)**, after which you are required to apply for safety monitoring and annual recertification. Please use the form located at the Faculty. This form must be submitted to the FREC at least 3 months before the ethics approval for the study expires.

Any adverse events [serious or minor] which occur in connection with this study and/or which may alter its ethical consideration must be reported to the FREC according to the FREC SOP's. Please note that ANY amendments in the approved proposal require the approval of the FREC as outlined in the FREC SOP's.

Yours Sincerely

Prof JP Govender
Chairperson: FREC

Appendix F: Approval of Research Proposal



1 March 2017

Reference: Proposal Approval: Mr K Maone, Student number: 21032366

Dear Mr K Maone

DOCTOR OF PHILOSOPHY: MANAGEMENT SCIENCES (PUBLIC MANAGEMENT)

This serves to confirm the approval of your research proposal by the Faculty Research Committee, at its meeting on 23 February 2017, as follows:

1. Research proposal and provisional dissertation title:

THE IMPACT OF LOCAL GOVERNMENT FUNDING ON COMMUNITIES IN DEVELOPING COUNTRIES

Supervisor: Prof R Balkaran

Co-supervisor: Dr M de Beer

Please note that any proposed changes in the thesis/dissertation title require the approval of your supervisor/s, the Faculty Research Committee, as well as ratification thereof by the Higher Degrees Committee.

2. Research budget to the amount of **R15 000.00**

Please note that this funding is not a scholarship or bursary and is therefore not paid directly to you, but is controlled by your supervisor. Any proposed changes to use of this funding allocation require the approval of your supervisor and the Faculty Research Committee.

The Institutional Research Committee has stipulated that:

- (a) This University retains the ownership of any Intellectual Property (patent, design, etc.) registered in respect of the results of your Masters/Doctors Degree in Technology studies as a result of the award and the provisions of the above Act;
- (b) Should you find any of the terms above not acceptable then you are given the option to decline the Research budget award to your project in writing.

May we remind you that in terms of Rule G25(2)(b), if you fail to obtain the Masters/Doctors degree within the maximum time period allowed after first registering for the qualification, Senate may refuse to renew your registration or may impose any conditions it deems fit. You may apply to the Faculty Research Committee for an extension.

Please note that you are required to convert your registration from the informal to the formal course and re-register each year.

Should you experience any problems relating to your research, your supervisor must be informed of the matter as soon as possible. If the difficulties persist, you should then approach your Head of Department and thereafter the Executive Dean of the Faculty.

Please refer to the 2014 General Rule Book concerning the rules relating to postgraduate studies, which include *inter alia* acceptable minimum and maximum timeframes, submission of thesis/dissertations, etc. You are also advised to read the Postgraduate Students' Guide which is available on the DUT website.

Please do not hesitate to contact this office for any assistance. We wish you success in your studies.

Kind regards,

✓ Prof R Balkaran

FRC Chairperson: Faculty of Management Sciences

Cc Supervisor: Prof R Balkaran
Co-supervisor: Dr M de Beer

Appendix G: Analysis of Results

Appendix G1: Frequencies

Biographical variable	Category	Frequency	Percentage
Age group	18-35	12	40.0
	36-45	11	36.7
	46-55	5	16.7
	Over 55	2	6.7
Gender	MALE	14	46.7
	FEMALE	16	53.3
Home Language	ISIZULU	28	93.3
	ISIXHOSA	1	3.3
	OTHER	1	3.3
Highest grade passed at school	GRADE 12	30	100.0
Highest tertiary qualification	CERTIFICATE	2	6.9
	DIPLOMA	12	41.4
	DEGREE	6	20.7
	POSTGRADUATE	9	31.0
Municipality council at which you are currently employed	ABAQULUSI	11	36.7
	NONGOMA	10	33.3
	eDUMBE	6	20.0
	ZDM	3	10.0
Department	CORPORATE AFFAIRS	18	60.0
	FINANCE AND ADMINISTRATION	11	36.7
	PROCUREMENT and STORES	1	3.3
Length of service	LESS THAN ONE YEAR	9	30.0
	01-04 YEARS	3	10.0
	05-09 YEARS	8	26.7
	10-20 YEARS	9	30.0
	20+ YEARS	1	3.3

Appendix G2: Correlations

Pairwise Comparisons					
Sample 1-Sample 2	Test Statistic	Std. Error	Std. Test Statistic	Sig.	Adj. Sig. ^a
Q3_1_4-Q3_1_8	-.500	.782	-.640	.522	1.000
Q3_1_4-Q3_1_3	.933	.782	1.194	.233	1.000
Q3_1_4-Q3_1_10	-1.017	.782	-1.301	.193	1.000
Q3_1_4-Q3_1_6	-1.800	.782	-2.303	.021	.959
Q3_1_4-Q3_1_7	-2.750	.782	-3.518	.000	.020
Q3_1_4-Q3_1_5	-3.017	.782	-3.859	.000	.005
Q3_1_4-Q3_1_9	-3.167	.782	-4.051	.000	.002
Q3_1_4-Q3_1_1	3.617	.782	4.626	.000	.000
Q3_1_4-Q3_1_2	3.867	.782	4.946	.000	.000
Q3_1_8-Q3_1_3	.433	.782	.554	.579	1.000
Q3_1_8-Q3_1_10	-.517	.782	-.661	.509	1.000
Q3_1_8-Q3_1_6	1.300	.782	1.663	.096	1.000
Q3_1_8-Q3_1_7	2.250	.782	2.878	.004	.180
Q3_1_8-Q3_1_5	2.517	.782	3.219	.001	.058
Q3_1_8-Q3_1_9	-2.667	.782	-3.411	.001	.029
Q3_1_8-Q3_1_1	3.117	.782	3.987	.000	.003
Q3_1_8-Q3_1_2	3.367	.782	4.307	.000	.001
Q3_1_3-Q3_1_10	-.083	.782	-.107	.915	1.000
Q3_1_3-Q3_1_6	-.867	.782	-1.109	.268	1.000
Q3_1_3-Q3_1_7	-1.817	.782	-2.324	.020	.906
Q3_1_3-Q3_1_5	-2.083	.782	-2.665	.008	.346
Q3_1_3-Q3_1_9	-2.233	.782	-2.857	.004	.193
Q3_1_3-Q3_1_1	2.683	.782	3.433	.001	.027
Q3_1_3-Q3_1_2	2.933	.782	3.752	.000	.008
Q3_1_10-Q3_1_6	.783	.782	1.002	.316	1.000
Q3_1_10-Q3_1_7	1.733	.782	2.217	.027	1.000
Q3_1_10-Q3_1_5	2.000	.782	2.558	.011	.473
Q3_1_10-Q3_1_9	2.150	.782	2.750	.006	.268
Q3_1_10-Q3_1_1	2.600	.782	3.326	.001	.040
Q3_1_10-Q3_1_2	2.850	.782	3.646	.000	.012
Q3_1_6-Q3_1_7	-.950	.782	-1.215	.224	1.000
Q3_1_6-Q3_1_5	1.217	.782	1.556	.120	1.000
Q3_1_6-Q3_1_9	-1.367	.782	-1.748	.080	1.000
Q3_1_6-Q3_1_1	1.817	.782	2.324	.020	.906
Q3_1_6-Q3_1_2	2.067	.782	2.644	.008	.369
Q3_1_7-Q3_1_5	.267	.782	.341	.733	1.000
Q3_1_7-Q3_1_9	-.417	.782	-.533	.594	1.000
Q3_1_7-Q3_1_1	.867	.782	1.109	.268	1.000
Q3_1_7-Q3_1_2	1.117	.782	1.428	.153	1.000
Q3_1_5-Q3_1_9	-.150	.782	-.192	.848	1.000
Q3_1_5-Q3_1_1	.600	.782	.768	.443	1.000
Q3_1_5-Q3_1_2	.850	.782	1.087	.277	1.000
Q3_1_9-Q3_1_1	.450	.782	.576	.565	1.000
Q3_1_9-Q3_1_2	.700	.782	.895	.371	1.000
Q3_1_1-Q3_1_2	-.250	.782	-.320	.749	1.000
Each row tests the null hypothesis that the Sample 1 and Sample 2 distributions are the same. Asymptotic significances (2-sided tests) are displayed. The significance level is .050.					
a. Significance values have been adjusted by the Bonferroni correction for multiple tests.					

Appendix G3: Factor Analysis

A. SUCCESS FACTORS OF LOCAL AUTHORITIES FUNDING MODELS	Frequency Distribution							Descriptive	
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	% Agree/Strongly Agree	Mean	Std Dev
FACTOR A									
2.1 Local executive bodies have clear responsibility for providing municipal/ community services to mitigate lack of service delivery	Count	15	12	3	0	0	90	1.6	0.675
	%	50.0	40.0	10.0	0.0	0.0			
2.2. The recurrent provision of municipal/ community services is the sole responsibility of local executive bodies	Count	9	15	3	2	1	80	2.03	0.999
	%	30.0	50.0	10.0	6.7	3.3			
Cronbach's Alpha							0.57		
FACTOR B									
2.3. The capital infrastructure required for the municipal/ community services should not be the responsibility of local executive bodies.	Count	5	7	12	4	2	40	2.7	1.119
	%	16.7	23.3	40.0	13.3	6.7			
2.6. Municipal Infrastructure Grant (MiG) models are successful in financing local government infrastructure such as roads, water and buildings, etc.	Count	12	8	6	3	0	69	2	1.035
	%	41.4	27.6	20.7	10.3	0.0			
Cronbach's Alpha							0.436		
FACTOR C									
2.4. Public-private partnership (PPP) models are appropriate models for financing local government infrastructure such as roads, water and buildings, etc.	Count	8	14	6	2	0	73.4	2.07	0.868
	%	26.7	46.7	20.0	6.7	0.0			
2.5. National (central) government should use Public-private partnership (PPP) models to address the problem of operation and maintenance of local government infrastructure such as roads, water and buildings, etc.	Count	5	18	6	1	5	76.7	2.10	0.712
	%	16.7	60.0	20.0	3.3	16.7			
Cronbach's Alpha							0.65		

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