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The Effects of Public Sector Corruption on Fiscal Decentralisation and Water and Sanitation Service Delivery

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Abstract

This research intends to shed light on an under-explored yet important issue – the challenges of water and sanitation service delivery in South Africa's local government. It makes the case for investigating the failure of local government to deliver water and sanitation services in two local municipalities in the Eastern Cape, namely the Dr Beyers Naude Local Municipality, based in Graaf-Reinet and Mnquma Local Municipality in Butterworth in order to identify the causes for the failure and to contribute to identifying plausible strategies to improve water and sanitation service delivery in the respective local municipalities. The investigation therefore asks why service delivery, with respect to water and sanitation, is failing in these municipalities. The research's interest is in several related issues that include corruption, underspending in municipalities, fiscal decentralisation, lack of accountability, and the institutional design of the co-operative governance model. However, the key focus that grounds this project is the underspending of funds earmarked for water relief in these municipalities, in an attempt to understand why underspending is widespread. Moreover, the intention is to provide an outline explaining why basic services, such as water and sanitation, are not being delivered in local government. The findings reveal that underspending is the root cause of the failure to provide water and sanitation services in the two above mentioned municipalities. These findings also identify and define the implications for citizens as well as on the co-operative governance model of South Africa. This research report utilised a mixed methods approach, combining qualitative and quantitative methods to analyse data.

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Chapter One: Introduction to the Study

1.1. Introduction

The residents of Graaf-Reinet and Butterworth depend on their local municipalities to provide water and sanitation services. However, public sector audit reports, as well numerous and frequently recurring service delivery protests, suggest that these two respective municipalities are failing to achieve this objective. There is already substantial evidence in the literature on municipality performance, which suggests that municipality failure to efficiently and effectively provide key services, as per their mandates, is caused by "inadequate human resources capacity; shortage of skills; unethical organisational culture, and ineffective (or non-existent) performance management systems" (Ramutsheli and Janse van Rensburg, 2015, p. 107). This research, however, intends to advance the idea that the failure of service delivery in municipalites is actually a result of the utilisation of funds to achieve efficient and effective delivery of basic services. Speciffically,water and sanitation services in Graaf-Reinet and Butterworth. Growing up in IBika Township, a location in Butterworth, and raised around an enviroment of extremist and contestive political activity, one would not have imagined that for almost three decades, scenes in the town would continue to mirror apartheid war zones with running battles between protestors and police. One side battling, as they did during apartheid, for decent and adequate public services; while the other side attempts to restore law and order and preserve monumental and apartheid heritage state property. Events of the past two decades in the small, but historically monumental town of Butterworth demonstrate gross negligence of the area by government in post-apartheid. One of the oldest towns in the Eastern Cape's Wild Coast (the former Transkei - a black homeland during the apartheid years) Butterworth has saddeningly fallen into worse times. This has motivated me to uncover why infrastructure projects have not advanced public services in Butterworth and Graaf-Reinet, which both have large water sources but suffered immeasurably during the drought of the past decade. One has wondered at the level of dysfunction of the municipalities involved. Kwazi Dlamini described the Mnquma Local Municipality (the municipality responsible for Butterworth) together with its district municipality, Amathole, to be in tatters (Dlamini, 2018). The

motivation for choosing the two respective municipalities of Butterworthand Graaf-Reinet for the case study has been the worrying concerns over their dysfunction and eminent failure and the fact that the district municipalities that are supposed to hold the local municipalities accountable also appear to be just as dysfunctional. The view that "local government's political and administrative leadership is therefore required to ensure that public funds are appropriately utilised to achieve service delivery objectives and targets" (Ramutsheli and Jansevan Rensburg, 2015, p. 107) informs the report's investigaton to identify whether underspending of funds is a causative factor for the lack of water and sanitation delivery.

According to Algotsson and Murombo (2011), "South Africa's status as a water-scarce country is reflected in the formulation of our legislative framework pertaining to water" (Algotsson and Murombo, 2011, p. 2). Algotsson and Murombo also state, "the three principal sources of national water legislation are the Constitution of the Republic of South Africa Act 108 of 1996, the National Water Act 36 of 1998 and the Water Services Act 108 of 1997" (Algotsson and Murombo, 2011, p. 2). For the pair, "this legislation has placed emphasis on water scarcity and the effective management of national resources coupled with the need to rectify historical inequities and promote justice and equality in the availability and use of water resources" (Algotsson and Murombo, 2011, p. 2).

"The executive power to deliver water and sanitation services falls, in terms of the Constitution, on local government" (Algotsson and Murombo, 2011, p. 2), which supports the view that the failure to deliver water and sanitation services is the responsibility of the local municipality. This informs the focus of this research report, in terms of assessing where and why the municipality has failed to deliver on these services. Makanyeza et al (2013) have defined service delivery "as the actual producing of a service" and use Stauss (2005) to support their view "that in economic transactions, it is specialized skills and knowledge that are exchanged for money rather than the physical resources" (Makanyeza et al, 2013, p. 1). It is from this vantage point and logic that the research explores underspending and mismanagement of municipal finances as a cause of poor water and sanitation service delivery in Graaf-Reneit and Butterworth. Furthermore, Makanyeza et al (2013) provide that "as a crucial responsibility

of government and government institutions, the public service should deliver services that a society requires to maintain and improve its welfare" (Makanyeza et al, 2013, p. 2).

Therefore, the research report views the failure to deliver on these constitutional promises as a denial of constitutional rights. The South African Human Rights Commission (SAHRC) also supports this view, "In order to give effect to this right Parliament has enacted the Water Services Act 108 of 1997. The purpose of this Act is to provide for the right to basic water supply and basic sanitation services" (The South African Human Rights Commission, n.d., p. 1). This view is also in accordance with chapter 2 of the Constitution which provides, "everyone has the right to have access to sufficient food and water" (Costitutio of the Repulic of South Africa, 1996). Sections 24 and 27 of the Bill of Rights in the Constitution provide direct rights to access to sufficient water, an environment that is not harmful to the health and well-being of individuals and it grants for the protection of the environment from degradation. Sanitation, itself as a right is not explicit in the Constitution, but is taken from the right to a clean environment read together with the right of access to clean water (Algotsson and Murombo, 2011, p. 2). The lack of service delivery also inhibits the right to equality and the right to dignity. This report will explore the Constitution in terms of these claims as well as examine whether the shortcomings of local government weaken the co-operative governance make-up of South Africa. In this view, intergovernmental relations are crucial in the delivery of services. An exploration, therefore, of the intergovernmental relations framework (IGRF) is a significant element for the assessment of local government expenditure for the determining of whether underspending has indeed been the cause of service delivery failure. This is explored briefly in the body of the report.

Between 2015 and 2020, severe drought and poor infrastructure have brought the Dr Beyers Naude Local Municipality based in Graaf-Reinet and Mnquma Local Municipality in Butterworth to their knees. Their dams, Nqweba Dam and Gcuwa Dam, respectively, are running dry and suffer remarkable infrastructural challenges. The impact of the failure to deliver water and sanitation by the municipalities has been harsher on the residents of these regions, who have had to deal with extreme water-shedding. Water-shedding is the equivalent in the water sector of the load-shedding implemented by state-owned power utility Eskom, in an effort to stabilise the constrained national grid and reduce consumption of

electricity. Many residents in these municipalities have to stand in long queues for hours for drinking water supplied by non-government organisations (NGOs), such as Gift of the Givers and The Mvula Trust. In the more impoverished communities, residents have been forced to retrieve water from rural 'sources' like rivers and streams. The water from these sources is also used by livestock and is often contaminated which has made people sick. Whilst communal taps have been provided, there are also time restrictions on the provision of that water, meaning that many residents often miss out. In 2019, the Department of Water and Sanitation encouraged Eastern Cape municipalities to impose water restrictions as a result of the water crises caused by the draught in the province (South African Government, 2019).

The Auditor General of South Afruica (AGSA) released municipal audit results for 2018/2019 on 1 July 2020. This, the latest local government expenditure and audits, painted an undesirable picture of a dysfunctional administration and governance, the mismanagement of billions of rand in funds allocated to municipalities, as well as a weak accountability and oversight system which exposes the abuse of public funds. In the case of the Eastern Cape province, the report portrayed "a widespread lack of financial controls and project monitoring, an ongoing culture of a lack of accountability as well as a tolerance of transgressions, which resulted in a further regression in audit outcomes in the province – improvements were rare and the general trend over the past three years remained negative" (Auditor-General South Africa, 2020, p. 6). The report found that, "instead of the responsible and diligent financial management of the limited resources available, there were dysfunctional control environments; extensive disorder in accounting records; prolonged vacancies in key positions and instability in councils; poor procurement processes; no consequences for poor performance and transgressions; and unreliable reporting on municipal finances and programmes" (Auditor-General South Africa, 2020, p. 6). This report is interested in of the impact of expenditure – or under-spending – on water and sanitation delivery.

There are two conflicting views on why there is a failure to provide proper water and sanitation services in the two municipalities under question. In the AGSA's consolidated general report, it was found that the Dr Beyers Naude Municipality was handed R30-million in relief funding for their drought disaster,

of which, a bulk of this grant, R25-million, was unaccounted for (Auditor-General South Africa, 2020). The Graaff-Reinet Advertiser also reported on the unauthorised spending of about 80% of the drought aid for the municipality receiving a disclaimer audit report for the 2018/2019 financial year. They reported that, "at that year-end, the AG found that over R24-million was supposedly on the books still from the drought aid, but this amount was not cash-backed as the municipality did not have cash reserves of R24-million in their bank account" (Shaw, 2020). The article went on to report that the Auditor-General Kimi Makwetu had gone on to say: "A rollover application was made in June 2019 for the R24-million, even though the money had been spent," said Makwetu. He added that this R24-million had been recorded as an unspent conditional grant in the financial statements. "This means that the unspent grant money was spent on expenses not relating to the drought relief," he concluded" (Shaw, 2020).

This revealed a lack of progress in the management of the municipality's' finances. The mayor of the municipality, Deon de Vos, however, has insisted that the money had not disappeared, that it had simply not been spent in the financial year (Ellis, 2020). The mayor did not offer any justifiable reasons for the underspending had occurred. In the end, whatever the cause, water and sanitation services are not being delivered to the residents. This report is thus, informed by these events to research whether it is corruption, as the AGSA's consolidated general report suggests; or, whether it is the underspending that is the cause for service delivery failures.

Moreover, one wonders, if from 2015, the Mnquma Local Municipality was declared a drought disaster area by then-Eastern Cape premier, how much disaster relief funds were allocated and how much of those funds earmarked for drought relief were actually spent. Despite a "drought rollover of more than R57-million in funding for Mnquma Local Municipality (being) was approved for 33 boreholes and infrastructure to connect them to the water treatment plant" (Ellis & Jubase, 2020), the municipality has failed to solve the water crisis and the Butterworth communities continue to wait in vain for relief. The research, therefore, must establish if underspending is the reason for the continued failure to deliver on water and sanitation or whether it could be as a result of a misappropriation of drought relief funds. In other words, research must determine whether it is accurate to conclude that the water crisis in which

many impoverished residents of the Eastern Cape find themselves in has as much to do with the drought as with the local government's mismanagement of funds. To do this effectively, the report examines the nature of the municipality's spending for drought relief between 2015 and 2020.

The report's definitive intention with this study is to provide the failure to deliver on the water and sanitation services as a failure of development. That is, the failure to develop adequately in these regions, particularly in the redressing of the inequality in the availability and use of water resources. The notion that the failure can be attributed to local government's under-expenditure is a defining factor for the government's inability to develop because of it. Thusly, the report sets out to understand how and why this is happening with the intention to contribute in the remedial strategies. The most hard-hit people by the implications of underspending are the underserved and under-prioritised communities that are rural and informal, which characterise the essence of the municipalities that the report uses as case studies. It is in these communities that protests have risen in explosive fashion as a result of underservicing as a result to underspending. Thus, it is prompt to briefly conceptualise these concepts elucidate the narratives of the communities' responses to the underspending that has created for them an absence of access to efficient water and sanitation service delivery.

1.2.. The Lack of Efficient Delivery of Water and Sanitation as a Constitutional Issue

The Constitution of the Republic of South Africa, 1996 is the supreme law in South Africa and serves as the ultimate resource on how institutions of government should operate through the provision of fundamental frameworks for the structures and processes of government. As such, "under the new constitutional dispensation (1996), South African local government was given a critical developmental role to play in rebuilding local communities and environments, as the basis for a democratic, integrated, prosperous and non-racial society. Local government was also to be structured along decentralised lines, with municipalities being given the right under the Constitution to govern, on their own initiative, the local government affairs of their communities" (Siddle and Koelble, 2016). Notwithstanding the remarkable achievements of local government in transformation, a large number of municipalities have lacked the capacity to fulfill their developmental duties. "Financial management is inadequate, service delivery is poor, and corruption is rife" (Siddle and Koelble, 2016) which has created a general

perception that local government has remarkably failed on delivering on its constitutional development mandate. In this section and the one that follows it, the report shows how a local government's failure to deliver basic public services such as water and sanitation is failing to deliver on its constitutional responsibility. The access to sufficient water and decent sanitation is recocognised as a basic human right in South Africa, however, as identified by the South African Human Rights Commision, despite constitutional and statutory provisions, which guarantee the right to water and sanitation these rights are neither universally nor equitably enjoyed (SAHRC, 2018). Furthermore, the constitution prescribes that "government and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and public sector" (Marwamuila and Lethoko, 2014, p. 781). However, as gathered from the report's evidence, budget processes as part of the planning in helping the local government in achieving pre-determined objectives has not been transparent, there has been no accountability in those officials entrused with the responsibilities, who delay the spending of the allocated budget and there has been a lack of effective financial management.

"In terms of the country's Constitution, every person's right to equitable and efficient sanitation services is consolidated under the following clauses: human dignity (Section 10), privacy (Section 14), freedom and security of person (Section 12(1)(e)), environment (Section 24(a)), and the right to housing (Section 26(1))" (Shoniwa and Thebe, 2020, p. 2). According to the SAHRC, "Section 27(1)(b) of the Constitution guarantees everyone the right of access to sufficient water, and requires that the state take reasonable and other measures within its available resources to ensure the progressive realisation of the right. The Constitution implicitly recognises the right to sanitation via associated rights provided for in the Bill of Rights including the rights to a healthy environment, health and dignity" (SAHRC, 2018, p. 10). However, as demonstrated by the consolidated reports of the Auditor-General year in and year out, "there is widespread failure on the part of municipalities to comply with the legislative requirements of the local government framework; service delivery is often haphazard, and in some municipalities, virtually non-existent; and often-violent service delivery protests (or to use the currently fashionable term, "community protests") occur continually" (Siddle and Koelble, 2016, p. 2).

Moreover, as the SAHRC report added, “the Local Government Municipal Systems Act, 32 of 2000 (Local Government Act) was promulgated to “provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of communities.” The Local Government Act entrenches an obligation for the delivery of basic services to all. A basic service is defined as “a municipal service that is necessary to ensure an acceptable and reasonable quality of life” and, if not provided, would endanger public health or safety or impact on the natural environment. A basic service would include access to water and sanitation” (SAHR, 2018, p. 10). Section 27 of the Constitution is interpreted by Section 3 of the Water Services Act, 108 of 1997 as “everyone has the right of access to water and basic sanitation, relevant state institutions must take reasonable measures to realise these rights and that relevant authorities must provide measures to realise these rights” (SAHRC, 2018, p. 10).

In this section the report has undertaken an examination of the framework which guides local government and how that framework has been applied in practice so that we may be able to develop an understanding of how failure to provide or facilitate the service delivery of water and sanitation is regarded as not upholding constitutional duties. The Constitution devolves significant powers and resources to local government as the most important precondition for effective decentralisation, attempts to establish adequate capacity and accountability mechanisms at local level. Thus, an establishment of a regulatory and legislative framework for provision for meeting the above conditions (at least on paper), the South African local government framework. For instance, concerning the regulation and legislation for the provision of water and sanitation services, there is the coordination and cooperation between government (even inter-sphere) institutions as prescribed in the Constitution. “Concerning policy formulation, two government departments—the Department of Human Settlements (DHS) and the Department of Water and Sanitation (DWS)—coordinate efforts to formulate sanitation policies and legislation, which are then implemented at the local government level (CoGTA 2015)” (Shoniwa and Thebe, 2020, p. 2). However, in South Africa, complete synergy between the departments and other government institutions has been impossible which has created challenges for the Dr Beyers Naude Local Municipality and Mnquma Local Municipality water and sanitation crises. For example,

"the challenge of addressing informal urban sanitation revolves around the National Sanitation Programme Unit (NSPU), a subsidiary entity of the DHS, which is tasked with the provision of basic sanitation services to deeply impoverished areas like informal urban settlements and rural areas. However, such fragmentation has rendered the NSPU ineffective because of the general unwillingness of these departments to coordinate resources (Tissington 2011)" (Shoniwa and Thebe, 2020, p. 2).

With its emphasis on 'co-operative government', the South African Constitution sets out the state structure and delineates, broadly, the responsibilities of the different levels of government. Detailed here by Lianne Malan, "the principles of intergovernmental relations and co-operative government in South Africa are set out in Chapter three of the Constitution of the Republic of South Africa, 1996 and apart from recognising the interdependence of the three spheres, also highlights their distinctiveness and interrelatedness. The spheres of government must, while co-operating with each other, foster friendly relations; assist and support one another, inform and consult on matters of common interest, co-ordinate their actions and legislation; adhere to agreed procedures; and avoid legal proceedings against one another. Co-operative government and intergovernmental relations accept the integrity of each sphere of government, but it also recognises the complex nature of government in modern society" (Malan, 2008, p. 77). Thus, when these are not upheld, it is a constitutional matter. That is, when the spheres of government do not uphold the principles of co-operative government and intergovernmental relations set out in constitutional/legal framework it is in direct contrast of the Constitution and its law. Co-operative government and intergovernmental relations are premised upon the belief "that all three spheres of government are able to work together by co-operating and providing the citizens of South Africa the services that would benefit all" (Malan, 2008). Therefore, when the residents of Graaf-Reinet and Butterworth are not being serviced water and sanitation the matter can and should be perceived as a denial of their constitutional rights to these services.

Despite notable increases of people who have access to water and sanitation since democracy, people without access continue to be remarkably high. In a national context, "according to a survey conducted by Stats SA in 2016, only 44.4 percent of people had access to water inside their dwelling, while 30

percent of households had taps within their stand and the remaining made use of communal taps and natural water sources such as rivers and dams" (SAHRC, 2018, p. 9).

1.3. Aims and objectives

Given the widespread failure of municipalities across South Africa to deliver basic services to its citizens, the report makes the case for investigating the failure of local government to deliver water and sanitation services in two local municipalities in the Eastern Cape, namely the Dr Beyers Naude Local Municipality in Graaf-Reinet and Mnquma Local Municipality in Butterworth. The research report seeks to identify the causes of poor service delivery of water and sanitation as well as to identify remedial strategies to improve the water and service delivery of the two municipalities.

The report will define the challenges of water and sanitation service delivery in the respective municipalities. It will identify that the underspending of money earmarked for water relief in the regions is a major contributor to the causes of failure in the delivery of the services.

The report therefore attempts to understand why underspending is so rampant in order to determine causality. In this sense, the core focus for the report can be summed up as being on why such basic services are not being delivered. In other words, why service delivery is failing with respect to water and sanitation.

Moreover, the report intends to demonstrate how the challenges of water and sanitation service delivery in South Africa's local government, as a result of underspending, threaten the country's co-operative governance model.

1.4 Research Methodology

The report follows a qualitative approach to address its research questions, which includes desktop research and analysis. The report presents a research hypothesis that it then seeks to test in order to draw conclusions and present recommendations. Through desktop research, the report investigated the failure of municipalities to deliver water and sanitation services to its communities, primarily focusing on the

Dr Beyers Naude Local Municipality and the Mnquma Local Municipality, both in the Eastern Cape in Graaf-Reinet and Butterworth respectively. The intention has been to identify causes for the poor service delivery of, particularly, water and sanitation in these regions. These respective municipalities that have been identified for the research report form part of the Eastern Cape, the province hardest hit by the drought that has persisted in South Africa since 2015 and was declared a disaster area. The selection of the municipalites for the research came following their identification as the worst performing municipalities in the drought relief initiatiatives, which begged the question of relief fund management. The report thusly evaluated the local municipalities' revenue(s), expenditure and underspending patterns of capital budgets earmarked for water relief during the periods of 2015-2020 of almost a decade long drought season with the intention to identify and/or determine the causality of capital budget underspends and fiscal mismanagement. It also evaluated accountability arrangements with respect to infrastructure grants.

Research required a collection and study of municipal financial statements which were readily availale in electronic format. Data was retrieved from these documents and analysed accordingly for a fuller picture in the exploaration and understanding of how finances are managed in the respective municipalities. Performance reports which were also collected for research on the financial management of the case municipalities revealed that unprofessional conduct and incapacity of municpalities at human resources level were the primary causal factors in the poor revenue and expenditure performance.

In seeking to evaluate the efficacy of accountablity mechanisms in infrastructure delivery within the local government, a qualitative case study approach was undertaken. The two identified and selected municipalities' financial and performance reports were analysed, past and present, where their regulatory, legislative and oversight systems, such as the The Municipal Systems Act and the Auditor General's Reports of the last five years leading up to 2020, were tested against the Constitution as well as their outputs versus constitutional obligations and mandates.

The report used a review of documents for its data collection in order to debate, criticise and discuss the many challenges affecting the two municipalities from providing adequate water and sanitation

delivery to their poorer and rural communities, as well as to find out whether inadequate knowledge and unprofessional conduct of officials and authorities, especially in responding to the demand of the less privileged and inspiring the local economy are some of the major factors hindering the rural development of the municipalities in providing adequate service delivery to their communities. It is therefore, by design an exploratory study, committed to comparing evidence and findings from the municpal documents against the realities of the communities without water and sanitation services.

Through this qualitative approach, the report analysed the data using the content analysis technique which the analysis focused on trends, patterns and emerging themes. Drawing on literature reviews the report has critically examined peer-reviewed journal articles, book chapters, government reports and theses on service delivery protests in the South African municipality level, especially in reference to the case studies for comparative purposes. The report's research design could also be considered as a review of relevant publised work up to 2020.

The value for this type of research method has been that it offers an eveluation of the precise functions and tasks of the various sectors that work together with the local authorities for effective service delivery. It enables an identification of the gaps between key role players, their jurisdictions in terms of their responsibilities to their communities, and the disconnect with respect to drought relief programmes and expenditure. The report may be able to identify key areas where these local municipalities may need to improve in order to develop comprehensive and effective strategies for achieving adequate water and sanitation delivery.

Very few quantitative research studies on the topic of the research were found which presented considerable limitations for its methods. Not a lot of the desktop data were grounded on any theoretical and conceptual frameworks and most of the data were qualitative and rather generic. Since the purpose of the research was to collect data that was mostly theoretical and conceptual of the themes the research concerned itself with, for example service delivery of water and sanitation, this presented major limitations to pin-pointing causal elements for the report.

Chapter Two: Literature Review

There is substantial literature on municipalities that show the challenges of poor service delivery are not only due to corruption but to inadequate management in areas such as finances, development planning, and other human resource-related functions. Most of the literature on poor service delivery shows "the major causes of poor service delivery (as) are councillor interference and political manipulation, corruption and lack of accountability and transparency, inadequate citizen participation, poor human resource policy, failure to manage change, lack of employee capacity, poor planning, and poor monitoring and evaluation" (Makanyeza et al, 2013, p. 1). The report shares a concern for why these problems occur and notes that underspending of municipalites is an under-explored issue of contention. Therefore, its analysis of the Dr Beyers Naude Local Municipality and Mnquma Local Municipality, both in the Eastern Cape, focuses on providing an evidence-based investigation for why underspending is widespread in these regions as well as providing a determination of its causes and how they have affected the delivery of water and sanitation services.

The report finds it to be valuable to assume a logic of service delivery through a legislative lens. The reason being that it clarifies accountability and responsibilty in terms of constitutional mandates and obligation which is very crucial when referring to constitutional directive for the distribution of basic public services. In South Africa, "the lack of accountability and systemic governance issues within local government remains a serious concern" (Toxopeus, 2019). Therefore, it is imperative to include fiscal decentralisation and its regulartory framework in a discussion that attempts to demonstrate the failure to deliver water and sanitation services as a result of the financial mismangement of municipalities' finances. Another significant consideration is the connection between the residents and public sector

effeciency, as De Mello Jr argues, “by bringing the government closer to the people, fiscal decentralisation is expected to boost public sector efficiency, as well as accountability and transparency in service delivery and policy-making” (Mello, 2000, p. 365). It is for these reasons that the report considers the component of fiscal decentralisation and intergovernmental relations frameworks as critical to this study even if covered briefly. That is to say that these are also constitutional issues as much as they are issues of local government. The report believes that, although complex, it is fundamental to demonstrate the devolution of revenue sources and expenditure functions.

Literature on understanding water issues and challenges with municipalities and the delivery of water services has focused on the municipalities’ failure to provide basic water and sanitation services. The literature points out to systemic issues that are impacting their ability to deliver these services. Michelle Toxopeus supports this view when she states, “municipalities are experiencing systemic issues that adversely affect their ability to deliver basic water services to the people in their area” (Toxopeus, 2019). Thus, most of the literature identifies the main challenges hindering municipal water functions. The question of why these challenges happen has not fully been explored, presenting opportunities to investgate why these challenges are so rampant.

In the literature, the biggest contributor to the dysfunction of water services is noted as municipal consumer debt and financial management. “A large contributor to the dire state of municipal finance is consumer debt” (Toxopeus, 2019). None of the literature, however, seems to pick out a causative issue or examine why it has occurred and how it has directly implicated water services.

Rightly, available literature encourages the exploration of the underlying relationship between the poor service delivery from municipalities and the number of protests in the country. This form of literature attempts to investigate whether policy-makers understand the relationship between poor service delivery and protests to resolve the protest issues. The report finds it too simplistic to suggest, as this kind of literature has, that minimising the number of protests is dependent on local municipalities increasing the provision of basic services. This is a rather obvious assertion and it does not completely explain why it is not already happening, nor does it advise an increase in service delivery can be achieved. For example, Hlabi Morudu asserts that, “with regard to water services, focus should be

placed more on actual water supply to communities rather than on the number of water accounts registered with municipalities" (Morudu, 2017, p. 2). However, his assertions do not fully challenge the conditions that do not allow for this to happen. The literature does not ask why service delivery has failed and it does not reserve a single cause that could possibly explain hinderances or municipalreluctance to just provide water services to all equally, instead of relying on registered water accounts to determine the provision of water and sanitation services.

The research report explores therefore, the plethora of evidence in the municipalities that the challenges of poor service delivery are not only due to corruption but to inadequate management in areas such as finances, development planning, and other human resource-related functions. The purpose is to fully research the widespread failure of municipalities across the country to deliver basic services to their citizens. The intention is to focus on why basic services are not being delivered before concluding that cooperative governance and fiscal decentralisation have failed. Objectively, the report seeks to ask why service delivery is failing with respect to water and sanitation. In this sense, it can possibly come the closest to providing conclusive research-based evidence to whether or not the underspending of the municipalities causes the failure to deliver water and sanition service delivery in Graaf-Reinet and Butterworth. Where the research has found a gap in terms of the literature is that there is not any recognition or acknowledgement that in this plethora of issues that municipalities face, the most significant of these, is that there is no determination of whether underspending is itself responsible for the issues as in the short-comings of water and sanitation delivery in the cases of the Dr Beyers Naude Local Municipality and Mquma Local Municipality in Graaf-Reinet and Butterworth respectively. Notwithsatnding, that water delivery for these municipalities is the responsibility of the Amathole District Municipality, the respective municipalities equally have a responsibility to ensure that such a delivery is provided, and as such are equally accountable for non-delivery. Thus, emphasis is directed at them as the closest institutions to the people and communities they serve. In other words, the district municipality would be the next line of focus following attention raised at local level.

Mbanda and Bonga-Bonga contest that there is "a lack of empirical studies, particularly from a local government perspective, on what determines the level of capital budget spending across municipalities"

(Mbanda and Bonga-Bonga, 2019, p. 4). What may be understood from them is that there may have not been relative introspection from local government and not enough self-corrective studies and evidence-based research and solutions undertaken by municipalities themselves which may have gone on record for public access.

There are, however, numerous administrative reports on underspending by National Treasury, which analyse municipal spending trends, such as the Finance and Fiscal Commission and NGOs as well as the International Budget Partnership (SA). For instance, the National Treasury released the local government revenue and expenditure report for the fourth quarter of the 2019/20 financial year, which covered the performance against the adjusted budgets of local government for the fourth quarter of the municipal financial year ending on 30 June 2020 and included spending against conditional grant allocations for the same period. The report found that a large number of municipalities are not budgeting, transacting and reporting directly in or from their core financial systems. Instead they prepare their budgets and reports on excel spreadsheet and then import the excel spreadsheets into the system. Often this manipulation of data lead to unauthorised, irregular, fruitless and wasteful (UIFW) expenditure and fraud and corruption as the controls that are built into the core financial systems are not triggered and transactions go through that should not, amongst other findings (National Treasury, 2021, p5).

After a visit by Human Settlements, Water and Sanitation Minister, Lindiwe Sisulu, to the Eastern Cape in January 2020, where she met with the provincial government to discuss plans to mitigate drought in the province after the Premier had declared a Provincial State of Disaster, the Department of Water and Sanitation allocated R230 million to Amatola Water for a period of three years to assist the Eastern Cape to mitigate the effects of drought (Reliefweb, 2020). Other funders include the Eastern Cape Provincial Treasury and National Treasury. In 2018 the Amathole District Municipality approached National Treasury for additional funding. It owed the Amatola Water Board R136 million. The board wanted a payment plan from the municipality to deal with its current debt of R73 million. The Amathole district Municipality received a grant of R419 million for municipal infrastructure (SABC News, 2018) for that financial year, but was insufficient to address all the water-related problems in the district. The

historical debt of the municipality often means that funding for water services are often redirected resulting in the underspending on water services (SABC News, 2018).

According to Mbanda and Bonga-Bonga, "a number of studies have, in one way or another, analysed the capacity to spend by subnational government" (Mbanda and Bonga-Bonga, 2019, p. 4). In this sense the report looks at the financial capacity of the municipalities and the macroeconomic enviroment in which they operate in order to understand the differences in the level of infrastructure spending. Moreover, how fiscal capacity is related to the capacity to spend transfers from central government. Mbanda and Bonga-Bonga identified that there is a positive relation between underspending and rigidity and adjustments in current budgets, however there is a negative relation to financial autonomy. "In practice, intergovernmental transfers can have a significantly positive impact on local level capital spending capacity (Lewis, 2013) and related capital expenditure (Litschig & Morrison, 2013; Arvate, et al., 2015). However, in other instances transfers may have an insignificant impact on grant recipient's spending" (Mbanda and Bonga-Bonga, 2019, p. 4). Mbanda and Bonga-Bonga noted how there appeared to be no consistency in the debate on impact of transfers on local government spending capacity of capital budget. Thus, the report intends to explain this inconsistency in an advanced segment on municipal spending capacity. Mbanda and Bonga-Bonga believe that "while (intergovernmental) transfers are an important source of income, particularly from central government, there is a possibility that they may affect the capacity to spend in an undesirable way" (Mbanda and Bonga-Bonga, 2019, p. 4). The report in large is an exploration of this conviction by the pair.

The existing evidence about underspending in municipalities demonstrates that there is a large challenge, in a number of municipalities, where they are unable to spend their entire capital budgets. And this results in undelivered services. "Despite the government having in place measures such as delaying, withholding or even stopping transfers to curb underspending by municipalities, as outlined in the Department of Provincial and Local Government (2006), the problem of underspending persists" (Mbanda and Bonga-Bonga, 2019, p, 5). These punitive measures by government to curtail the underspending of these municipalities is failing. Therefore the report, in action is an attempt to

contribute not only in identifying why underspending persists but to also identify the determinants of municipal capital budget spending.

There is limited research done on the key contributors that have informed the level of capacity to spend on local government capital infrastrcuture programmes. The factors on spending capacity by government that have been considered attribute the inability to spend on the failure of decentralisation particularly fiscal decentralisation which is touched on briefly in the upcoming sections of the report. According to the advocates of decentralisation, "decentralisation would enhance public economy efficiency, accountability, good governance and therefore, democracy" (Guimaraes and Chilenga-Butao, 2018, p. 5).

Peters et al (2013) contend that "the government budget is one instrument or policy that has a significant impact on economic performance and can be used to influence the behaviour of economic agents and the economy at large" (Peters et al, 2013, p. 98). The government's budget outlines how government sets up and manages its priorities, mobilises, allocates and spends public resources. "It not only articulates the micro and macroeconomic policies of the government, but also fulfils the obligations and roles of the government to the population" (Peters et al, 2013, p. 98). In their literature, Peters et al advocated for constant reviewing and evaluation for assessment of the effectiveness and efficacy of budgets earmarked for addressing priorities or whether they have deviated from their local priorities. Peters et al contend that "budget analysis is critical for local government, as municipalities can respond to local needs and priorities in a way that no other sphere of government can. By virtue of their proximity to the people, local governments are better placed and informed to understand the socioeconomic dynamics that exist within their communities" (Peters et al, 2013, p. 98). Thusly, the report has moved to conduct a comparitve study of much of the literature that documents and accounts for the constitutional mandates and obligations of local government against the reality versus reality or emperical evidence of how local government has responded to local needs particularly for water and sanitation. "In South Africa, municipalities are constitutionally mandated to ensure that their constituents have constant and high quality access to basic services such as water, sanitation and refuse removal. The local government sector is increasingly called upon to play a pivotal role in service

delivery" (Peters et al, 2013, p. 98). The literature acknowledges how the role of local government is central in the transformation of the country's fortunes, however it has not singled out a definitive accelerant for the service delivery failures and community protests which have undoubtably increased in number and frequency. In broader service delivery and government budget debates surrounding local government financial mismanagement has been identified as primary causes for the failure of municipalities to maximise service delivery. Financial mismanagement is however too broad a term that articulates a variety of concepts that range from a lack of sound financial practices, fiscal credibility and sustainability and so on. The report intends to focus on one element, underspending, which captures financial mismanagement and is under-explored. Missing from financial mismanagement literature and debates are investigations on the underlying causes of underspending and the report believes that by investigating causes of underspending you reveal a fuller picture of the underlying causes of financial mismanagement within the public sector.

Failure to deliver water and sanitation services appears to result from certain distinct cracks in the management and governance structures at local government level that contribute to financial mismanagement in some municipalities. Literature from Rangongo et al revealed findings that suggested a lack of knowledge of legislation and skills, poor monitoring and control of funds, poor financial policies in municipalities, omission to act against culprits, and lack of honesty, transparency and trustworthiness. They argue that "there is no sense of morality and professional ethics and integrity when dealing with public funds" (Rangongo et al, 2016). However, the report seeks to contend that accountability is a key factor resulting in the underspending woes but does not on its own account for what causes it. It thus seeks to examine, as forces acting unitarily, the implication of corruption, financial maladministration, financial misadministration and misappropriation, not only to uncover the underlying causes for the underspending but to also answer why it persists.

2.1 Decentralisation

"A main concern in any decentralization process is to provide subnational governments with the appropriate means to perform their new responsibilities (Bahl & Martinez-Vasquez, 2006). Traditionally, the main focus has been on decentralization of tax capacity and intergovernmental

transfers. However, with the growing decentralization in developing countries, practitioners have also recognized the need to improve local institutions and develop managerial and planning skills (Litvack, Ahmad, & Bird, 1998)" (Aragon and Casas, 2009, p. 2). This outlines the need for technical assistance and training programs for municipalities with special attention to fiscal decentralisation. Aragon and Casas argue that managerial and planning skills should be viewed and understood as part of the 'technology' that is required for local government to provide public goods and respond to local needs (Aragon and Casas, 2009, p. 2).

In an article by Thomas A. Koelble and Andrew Siddle, "the experiment with local government decentralisation in South Africa has failed" (Koelble and Siddle, 2014, p. 1117). However, before we delve into their argument the report at this juncture finds it prudent to explain the relevance of this section to the investigations of the report. There is the view that decentralisation is the act of 'bringing government closer to the people', that is, "decentralisation may be a key ingredient in making government more accountable" (Wittenburg, 2003, p. 4). According to Marwamuila and Lethoko, "in providing the required services to citizens, it is important that there should be clear legislative framework that regulates the management of expenditure" (Marwamuila and Lethoko, 2014, p. 779). They have argued that legislation, regulartory frameworks and policies lay the foundation because policy decisions are themselves expenditure decisions. Since the core interest of the report has been to focus on the emperical data that it has collected which has suggested that local government underspends their allocated budget and the accountablity of municipalities on their expenditure patterns regarding the provision of services, namely water and sanitation in Graaf-Reinet and Butterworth, it is important to explore the government structures that allow local government fiscal autonomy and to assess the limits of such autonomy in order to research effectively what causes financial mismanagement particularly underspending in (these) local government(s)/municipalities. In this sense, the report seeks to uncover the range of municipal accountability to better understand why underspending in the Dr Beyers Naude Local Municipality and Mnquma Local Municipality persists and is so rampant. Therefore the purpose of this section has been to briefly explore the effects of South Africa's intergovernmental fiscal relations policies on the accountability of local governments. Therefore, in this

section the report interrogates whether decentralisation as a system answers the question of underspending and accountability in municipalities.

C. J. Hendriks argues that "the adequate design and implementation of an intergovernmental fiscal relations system is crucial for sustainable development" (Hendriks, 2017, p. 305). This refers to the assignment of expenditure functions to sub-national governments. However, "sub-national governments are almost never financially self-sufficient. This is because their revenue-raising capacity falls short of their expenditure responsibilities" (Hendriks, 2017, p. 305). The 'vertical imbalance' which is also known as a mismatch of functions and finances results because sub-national governments generally depend on transfers from the higher spheres of government.

"In the provision of services by sub-national governments, accountability is achieved when citizens are able to identify who is responsible for rendering services and from where the funding for those services will be obtained" (Hendriks, 2017, p. 305). This is a key argument in defence of decentralisation with another being that "the provision of certain goods and services is best placed in the hands of local governing bodies because the specific conditions of local communities generate different types and levels of public wants" (Guimaraes and Chilenga-Butao, 2018, p. 8). These two arguments compounded affirm that local communities know exactly where to direct their dissatisfaction for services not being rendered. Moreover, they suggest that through (fiscal) decentralisation local communities are entitled to transparency and information from their local municipalities, which has proven to be very challenging for the Dr Beyers Naude Local Municpality and Mnquma Local Municipality. "If sub-national governments are responsible for collecting their own-revenue by means of taxes instead of receiving it in the form of transfers, local populations will hold them more accountable" (Hendriks, 2017, p. 306). However, evidence has shown that in practice decentralisation and intergovernmental relations (IGR) have, albeit minimal, improved service delivery and accountability – if one compares it to the deprivation of black communities during apartheid to present day. Therefore, there is urgent response required for why intergovernmental relations have not fully alligned in terms of (development) plans in the three spheres of government which has resulted in the lack of coordination. "The essence of IGR is to facilitate service delivery, and considering the current service delivery chaos, it can be

argued that collaboration, coordination and cooperation between the three spheres of government do not happen. This lack of interaction has a negative impact on the IDP process and consequently on effective and efficient service delivery. Additionally, the extent to which the provincial and national governments participate in the IDP process is crucial in assessing the role of IGR in facilitating and sustaining service delivery" (Mbecke and Mokoena, 2016, p. 96).

Koelble and Siddle make the argument that "the system of decentralisation is far too complex for under-capacitated municipalities to handle" (Koelble and Siddle, 2014, p. 1117), that local government in South Africa is overburdened with constitutional and legal requirements it is not equipped to meet since it lacks the technical and administrative capacity for the provision of the services it is required to deliver. For Koelble and Siddle, this is the largest factor contributing to 'service delivery' protests as seen in the country. Lianne Priscilla Malan also argued that "capacity development of intergovernmental relations practitioners and the development of an intergovernmental relations implementation plan and monitoring framework should also be considered" (Malan, 2012, p. 123) in the hopes that it would increase and develop municipal capacity. Therefore, there exists this undisputed factor that municipalities are incapacitated to facilitate many of their constitutional mandates, emphasising why failure to deliver water and sanitation in the Graaf-Reinet and Butterworth areas is a constitutional issue. According to Koelble and Siddle, "municipal governance in South Africa is in a state of paralysis, service delivery failure and dysfunction" (Koelble and Siddle, 2014, p. 1117). They relate this notion to the persistence of often violent 'service delivery' protests in the country as indicators of the citizens' dissatisfaction. An earlier notion of the report was that it is easy to plan efficient infrastructure policies than actually implementing them. Koelble and Siddle share this sentiment and offer an explanation that "the South African institutional design was indeed painstaking, based on international best-practice experience, and is grounded both in the constitution and several acts of parliament" (Koelble and Siddle, 2014, p. 1118).

2.2 Institutional capacity

The report attempts to evaluate, empirically, the relevance of capacity constraints and challenegs for the performance of local governments. "Institutional capacity is about the ability of municipalities to

perform tasks effectively, sustainably and efficiently. It encompasses the ability to undertake administrative functions, provide services, respond to citizens, legislate and implement laws, and hold public officials accountable" (Koelble and Siddle, 2014, p. 1121). In their study into municipality capacity at the time, Koelble and Siddle had found that very few municipalities were fully compliant with legislation. The legislation referred to is the Local Government Municipal Systems Act 32 of 2000 which required that municipalities "establish a policy framework in which they outline how they plan on going about exercising their functions and powers, a staff establishment in which they set out what kind of personnel is needed to discharge the required functions, and performance management criteria by which managers and workers can be evaluated and by which managers in the municipality might establish the extent to which employees and managers in the municipality fulfill their employment contracts" (Koelble and Siddle, 2014, p. 1121). They also revealed that their research picked up that key positions in municipalities were filled by individuals who lacked in the administation and technical skills to fulfill the required functions. This demonstrated a culture, which unfortunately persists within South African municipalities, of ignorance towards and a lack of compliance with the legal requirements and procedures in the Systems Act which entailed inappropriate procedures and appointments, poor discipline, and ineffective staff. Koelble and Siddle's evidence found "only a minimal compliance with these legal requirements and in those where appropriate procedures and systems were in place, enforcement was usually lax or even non-existent" (Koelble and Siddle, 2014, p. 1122). The pair added that the above issues were compounded by the practice of 'cadre deployment' whereby officials were appointed into positions because of their political reliability rather than skills. A finding of theirs, which the report attributes to the continuation of such a culture, has been that "numerous public officials either charged with or suspected of wrong-doing had simply resigned from one municipality to take over positions in another to carry on with their self-serving activities" (Koelble and Siddle, 2014, p. 1122). This may be, as Aragon and Casas suggest, as a result of local government needed more time to learn and acquire experience or to recruit skilled personnel, thus overlooking particular capacity issues. Therefore displaying the understanding that human capital and expertise endowments constribute massively to the financial mismanagement (Aragon and Casas, 2009, p. 2).

For a fuller picture, the report demonstrates that the policy framework for South Africa's intergovernmental fiscal relations came as a result of its negotiated Constitution which was adopted into Parliament in 1996. The Constitution set out "broad principles that guide national and subnational policies, the division of powers of each sphere determines its detailed legislative responsibilities (Boadway 2007, 66). This is known as the assignment issue of intergovernmental (fiscal) relations, where legislative powers are assigned by function (defence, education, criminal justice) rather than by objective (redistribution, stabilisation, allocation)" (Hendriks, 2017, p. 306). According to Hendriks it is crucial to note this since "some of the responsibilities assigned to sub-national governments are those necessary for achieving national objectives such as redistributive equity or efficiency in the economy" (Hendriks, 2017, p. 306). P. Mbecke and S. K. Mokoena provided this understanding, "the Constitution of the Republic of South Africa, 1996 sets out four requirements in section 41(1)(c) to facilitate service delivery through cooperative government (Layman 2003:10). These requirements are meant to support collaboration, coordination and cooperation between the local, the provincial and the national spheres of government through intergovernmental relations (IGR)" (Mbecke and Mokoena, 2016, p. 96). "Municipalities were charged with bringing about the delivery to the population of a myriad of services, with a special emphasis on the so-called 'basic services'— electricity reticulation, water and sanitation services, and refuse collection" (Koelble and Siddle 2014, 607). That is, municipalities are mandated to provide goods and services through Integrated Developmental Plans (IDPs) systems and provincial and national governments focus on policies, coordination, technical support and funding. The collaboration, coordination and cooperation between the three distinctive, interdependent and interrelated spheres of government (national, provincial and local government) is facilitaded by intergovernmental relations and Intergovernmental Relations Framewrok (IGRF) Act 13 of 2005.

The Intergovernmnetal Fiscal Relations Act 97 of (RSA 1997a) is to promote the same cooperation between the three spheres of government on fiscal, budgetary and financial matters. "The Constitution makes provision for the division of the revenue raised nationally between the three spheres of government" (Hendriks, 2017, p. 308). The biggest issue that faces local government is their widespread inability to manage finances. "Reasons for this failure are usually rooted in a lack of capacity" (Koelbe

and Siddle, 2014, p. 1127). The Auditor-General reports on Audit Outcomes of South African Local Government from 2007 to the most recent, 2020, "identified a general lack of capacity and skill (attributable to ineffectiveness of recruitment training and supervision of financial personnel) to enable compliance with the prescribed accounting framework as a principal contributing factor to the high incidence of audit qualifications of municipalities in most provinces" (Koelble and Siddle, 2014, p. 1127). This is notwithstanding other factors which include "ineffective performance management systems, inadequate government structures, lack of leadership involvement, the failure to prioritise and address issues, and non-adherence to established controls" (Koelble and Siddle, 2014, p. 1127).

Municipalities have for a very long period demonstrated poor financial practice and weakness in their financial management. For Koelble and Siddle "the issue of financial management systems is symptomic of a much larger malaise at the local-government level" (Koelble and Siddle, 2014, p. 1128). They have found that the local government sphere is beset with capacity constraints to a point that the Constitution and the various Acts of Parliament have proven too sophisticated and complex for local government. The report argues that there has been remarkable neglect in terms of oversight for local government and its capacity issues by the higher spheres of government, "institutions with low levels of capacity are expected to meet huge demands despite little or inappropriate support being provided by the central government" (Koelble and Siddle 2014, 618). As such, and as a point made in this report that this threatens the country's governance model, decentralisation, intergovernmental relations and Integrated Development Plans have not facilitated service delivery. The provincial and national governments are not actively involved in the planning processes of municipalities, thus it has hampered service delivery.

This also relates to the notion of fiscal decentralisation, described by Guimaraes and Chilenga-Butao to mean "the assignment of responsibilities… as well as the assignment of own-source revenues to subnational governments" (Guimaraes and Chilenga-Butao, 2018, p. 8). They approach decentralisation in terms of the transfer of revenue collection and expenditure powers to lower levels of governance, which they regard to be necessary (by no means enough), for the autonomous provision of local public goods. As a result, fiscal decentralisation refers to the fiscal independence from the central government

to implement policies and it concerns the creation and collection of subnational government's own revenue in its regions. "Fiscal decentralisation capacitates local municipalities to consider their varying environments, socio-cultural, socio-economic disparities when allocating services" (Gumede et al 2019, 61). It empowers municipalities to deal with their natural resources and their socioeconomic institutions to the advantage of the advancing of the local people. Data on local needs and demands can be collected in less expensive ways by the municipality. Fiscal decentralisation enhances and advances accountability and transparency regarding the usage of public funds at the municipal level. It helps in advancing local traditions and the restructuring of the public sector, also, it very critical in advancing more prominent local fiscal autonomy and transparent fiscal governance, which in turn advances local economic growth and encourages poverty alleviation. Fiscal decentralisation is an opportunity for the local government in South Africa to assume ownership of their fiscal resources. "In South Africa, local government Integrated development plans (IDPs) permit effective and efficient local community participation in decisions over their financial priorities and local economic development" (Gumede et al 2019, 61). The redistribution, by local government, of scarce resources as per the expectations of local development is enabled through fiscal decentralisation, also, allocative efficiency as well as the redistributive effectiveness in local service delivery is enhanced.

Whilst this as regulatory frameworks present opportunities for the materialisation of noble promises such as equal and adequate service delivery, it has not answered the question of implementing these effectively. As such, in South Africa, "fiscal decentralisation and decentralisation, in general, faces a plethora of challenges at the local government level" (Gumede et al 2019, 62). For one, there is no clear-cut evidence that conclusively suggests that greater fiscal autonomy will result in improvements in service delivery at local government levels. Such has never been guaranteed even in global experiences. There are not conclusive formulae and methods of assessing the impact of fiscal decentralisation on the poorest segments of the local communities. Another issue is the lack of institutional and technical capacity in the implementation of adequate service strategies suitable for the needs of the local people. Many of the local municipalities are unable to integrate local preferences in their IDPs, particularly, when dealing with systemic corruption as a challenge. "The levels of corruption or financial misconduct

is very high in most municipalities to the extent that very few municipalities get clean audits from the Auditor-General" (Gumede et al 2019, 62). Transparency is a huge challenge for fiscal decentralisation at the municipal level of government, where there is the prevalence of political interference in the financial processes of many municipalities in South Africa by the dominant political parties. There is also the issue of underdevelopment in formerly blacks-only settlements. There is poor economic infrastructure and very little to no investment in these areas, therefore, the potential for revenue is impacted upon negatively by it. Many of the South African municipalities fully depend on national and provincial government financially. They also depend on the Development Bank of Southern Africa (DBSA) for municipal grants, of which, they receive monies which they spend without trying to be independent from the other spheres of government. Making decentralisation particularly fiscal decentralisation, to some level, somewhat farcical. That is, studies have not demonstrated conclusively that decentralisation is the most effective method for delivering services.

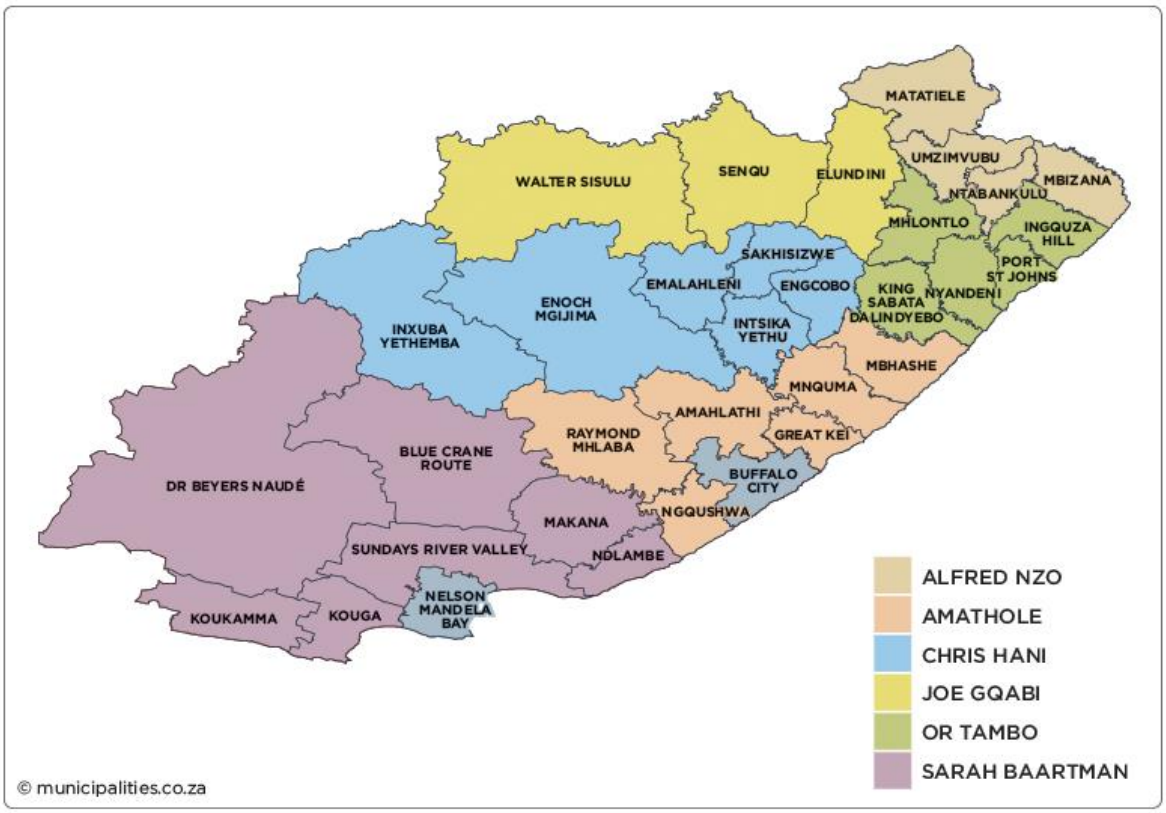
Chapter Three: The Case Studies

3.1. Introduction

The Eastern Cape is made up mostly of large areas of South Africa's former homelands and is one of South Africa's poorest provinces. According to Alexander (2019), "South Africa's poorest province is the Eastern Cape… Around 880,000 of the mostly rural Eastern Cape's people live in poverty" (Alexander, 2019). Alexander's numbers are calculated from Statistics South Africa's 2016 Community Survey. The Eastern Cape province is divided into two metropolitan municipalities (Buffalo City Metropolitan Municipality and Nelson Mandela Bay Metropolitan Municipality) and six district municipalities, which are further subdivided into 31 local municipalities. As of 2018-2020, the population of the province is 6 996 976 (Kamer, 2020). The population of Sarah Baartman District Municipality, where theDr Beyers Naude Local Municipality is located, is 479 923 people. InAmathole District Municipality, where the Mnquma Local Municipality is located, has 880 790 people (Alexander, 2018). A historical understanding of how successive colonial and apartheid authorities related to the region provides useful insights into the contemporary socio-economic realities of the region and it explains why it is the poorest and least developed province in South Africa. Alexander's

research found that, “today, geographical patterns of poverty on the map of South Africa still correspond to the apartheid “homelands”, barren rural regions far from cities, packed with people but with little infrastructure, no development and few jobs. Municipalities with high percentages of people living in poverty are today often found in regions that were once homelands” (Alexander, 2019).

The respective case studies, Dr Beyers Naude Local Municipality and Mnquma Local Municpality, have been selectively chosen as they are the two municipalities that have both demonstrated an experience of severe drought since 2015 which has proven to have remarkable socioeconomic effects on the large impoverished rural and urban population of their respective communities. In both these cases, water supply and sanitation services have broken down almost completely. Moreover, there appear to be cases of irregular and underspending of drought relief and water and sanitation infrastructure funds in these municipalities. One of the outcomes of the report is that it will also illustrate the socioeconomic effects of the failure to deliver water and sanitation. Furthermore, it must determine and demonstrate why these municipalities have not been able to turn things around in terms of water and sanitation delivery in their areas.



Source: municipalities.co.za, 2016

Above is a map of the Eastern Cape colour coding the different districts and detailing the different local municipalities that fall under them.

3.2. Case Study 1: Dr Beyers Naude Local Municipality

Graaf-Reinet is situated along the banks of the Sundays River and is the primary town within its local municipality which includes other smaller rural towns. A study by Manfred Spocter of Graaf-Reinet stated: "The town lies 750 metres above sea level in the arid Karoo region. Although Graaff-Reinet has an approximate average annual rainfall of only 335mm, the town is fortunate to be situated just south of the Nqweba Dam (Rogers, 2008). When the dam runs dry the town is dependent on water from boreholes, but even this water source is depleted when it does not rain for some time. Thus, the absence of a sustainable and reliable source of water is the main factor that inhibits the economic growth of the town" (Spocter, 2011, p. 2).

The residents and several community organisations in Graaf-Reinet have displayed dissatisfaction over the provision of water and sanitation in the Dr Beyers Naude Local Municipality. The Graaff-Reinet Advertiser reported residents joining in a peaceful protest at the Robert Sobukwe building, the municipal headquarters, to hand over a petition against the municipality which would be signed and sent to parliament (Smit and Vermaak, 2019). In another instance, "the Graaff-Reinet Action Committee declared a dispute with the municipality, saying grievances over electricity and water meters, rates accounts, the maintenance of roads, the provision of sanitation, waste management, the provision of water and job creation had not been addressed to its satisfaction" (Ellis, 2020). According to the article by Ellis, thousands of residents in Graaf-Reinet signed a petition against rates and salary increases for officials, e.g councillors, in the new financial year because of unresolved service delivery issues that the municipality had not addressed and was refusing to engage with community organisations. Graaf-Reinet's main water supply, the Nqweba Dam is low and residents now rely on alternative delivery of water, mainly humanitarian organisations. Residents in the area go as long as two weeks periods without water. In a statement, Dr Imtiaz Sooliman, founder of the humanitarian and non-profit organisation Gift

of the Givers, said the following about the dying Nqweba Dam and the residents, “Dead fish are visible everywhere, boreholes have run dry, desperate residents collect water from unhygienic drains, children are pushed away from water tankers as residents 'fight' for the little water that arrives” (Njilo, 2019).

On issues of sanitation the Dr Beyers Naude Local Municipality blamed the drought for sewage challenges. This, despite contrary evidence showing that as early as before 2012 the municipality had been warned that urgent repairs to the sewage system were required. “Even before that, in 2012, the municipality’s head of infrastructure, William Berrington, warned in a submission to Parliament that extensive repairs and capacity building were needed for the town’s sewerage infrastructure. These included an upgrade of the water reticulation system, the replacement of valves and iron and clay pipes, and a waste water system.” (E. Ellis, 2019). Sonwabile Menywela, an expert appointed by the Department of Water and Sanitation (DWS), following a complaint filed by residents in 2017 found that Graaf-Reinet’s ageing sewage system could not manage the growth in population and that in a particular instance channels were dug so that the sewage from overflowing manholes could be redirected into a river, Sundays River, nearby. Joseph Chirume comfirms that “raw sewage from a municipal sewage works has been flowing into the Sundays River near Graaff-Reinet, Eastern Cape. A flood of excrement runs from the Kroonvale Brug Sewage Pump Station through a grass morass before it enters the river” (Chirume, 2020). Moreover, “masses of bubbling raw sewage” (Ellis, 2020) runs through backyards and into the streets for days on end, disproving the municipality’s claims that all broken sewage pumps had been restored. Research has shown that the Dr Beyers Naude Local Municipality had received R7m from the Department of Water and Sanitation, as confirmed by the regional office in the Eastern Cape, for planned projects in the 2019/20 financial year. However, “due to the declaration of drought disaster, some of the funds have been re-prioritised and assigned to emergency water supply schemes. Some of the funds will be used for drought interventions, to drill and equip a total of nine boreholes in the 2019/20 financial year” (Speelman, 2020). Research challenges the re-channeling of funds intended for remedial measures for the rehabilitation and restoration of the affected areas in terms of the sewage and sanitation issues. It clashes with the logic of re-channeling funds particularly since the municipality had already been allocated a large drought relief budget.

“A number of people around the town got sick and complained of poor water quality” (Zuzile, 2019) according to a councillor, Samantha Graham, who also made mention of the fact that the municipality was sitting on a R30m drought relief budget. The 30m to which refers was handed to the Dr Beyers Naude Local Municipality to help deal with the drought disaster in 2018. This grant has been surrounded by great contraversy since auditors could not account for R25m of it. Findings made by the auditor-general in a report on the municipality’s finances for the 2018/2019 financial year showed that only R5m of the grant for drought relief had actually been used. The Dr Beyers Naude Local Municipality mayor, Deon de Vos, however insisted that the R25m of the R30m had not mysteriously disappeared, rather it had simply not been spent in the financial year. Such underspending of the drought relief funds amidsts persisting drought conditions and the declaration of a state of disaster since 2017 in the area caused for an investigation which this research has undertaken.

With the Nqweba Dam, the local water source in Graaf-Reinet, very low on water and some pumps broken the reliance on borehole water has also proven unreliable. Furthermore, not all residents of Graaf-Reinet have access to borehole water - which itself is not always considered to be clean and healthy for human consumption. Residents in the area often have to go periods of more than seven days without water. Officials at the municipality confirmed that old and ageing infrustructure is partly to blame for irregular water supply in many parts of the area. This, despite sitting on a budget squarely for the maintaince of water supply.

The water crisis has led to communinities in Graaf-Reinet losing their reticulated water supply and at the time of the commencment of this research it had still not been restored. According to community leaders the municipality had opted to keep information from the community on their progress on the restoration of their drinking water. The situation meant that the community now depended on water trucks to provide them with water and for various reasons not all able to be serviced. The lack of water in Graaf-Reinet has had far-reaching consequences such as learners staying away from school because of it. The failure to provide water to the communities deepens the existing levels of poverty affecting mostly the elderly and women-headed housholds.

The report found that the red-tape, lack of transperency and the acrimonious relationship between the communities and their municipality makes it even harder for the communities to deal with the lack of delivery. Many in these communities feel that they have been abondoned to fend for themselves during these harsh times. Protests for improved living conditions are a regular occurance as a result of the limited access to water and the health hazard created by broken and blocked toilets.

Research discovered that communities of hundreds of people were provided with two toilets each which has proven to be few considering the large populations living within the communities. Theoretically they make up the 96.5 percent of people in the municipality that have access to flushing and/or chemical toilets, this is according to a Statistics SA houshold survey done in 2016. In reality, the people in these communities should be included to the 1.1 percent of the households that the survey found did not have access to any form of toilet whatsoever. These facts, 26 years after democracy, show that the municipality did not prioritise the provision of water and sanitation, at least not for these communities.

3.3. Case Study 2: The Mnquma Local Municipality

The Mnquma Local Municipality of Butterworth and surrounding areas, just as the Dr Beyers Naude Local Municipality, faces similar challenges of water scarcity and deteriorated sanitation services. It is among the worst-hit areas affected by exteme drought conditions. In 2015, Phumulo Masualle, then Eastern Cape premier, declared the Mnquma Local Municipality a drought disaster area (Damba-Hendrik, 2019). Its residents have also had to rely on intermittent water supply brought in by tankers provided for mainly by humanitarian and non-government organisations.

The Mnquma Local Municipality, as part of the Eastern Cape Province, is one of the municipalities with the highest levels of poverty, illiteracy and unemployment. In its 2015/2016 Annual Report, “an estimated 11% is unemployed, only 25% is employed while 64% of the municipal population is considered economically inactive” (MLM, 2016, p. 17), figures from the MLM Socio-economic Review and Outlook, 2017, report as 37.1% unemployed and 24.29% employed in the year 2016. This reveals that the area has limited employment opportunities and an increased need for the prioritisation of service

provision. In a census conducted in 2011 results showed that 39% of the population did not have access to piped water.

In expressions of frustration over the erratic water supply has led to protests in Butterworth. On occasion, the residents of Butterworth confront their municipality by taking to the streets to demand water through violent protest. In a recent instance of violent protests, residents of Butterworth and surrounding villages were left scrambling for water due to security concerns for water carting to communities by the municipality following the violent protests as the water crisis grew in the area. Whilst the municipality promises long term solutions for the water crisis, residents in Butterworth have threatened to boycott the upcoming local government election because of the lack of water in the area (Matsipane, 2020). As the delivery of water failed, mainly due to the security concerns from the violent protests, the water crisis grew in the Eastern Cape region and forced the Department of Water and Sanitation to announce multimillion-rand investments to address the infrastructure problems.

In a recent statement, municipal spokesperson Nonceba Madikizela-Vuso confessed the following: "Our water sources are dry. Xilinxa Dam is empty. Gcuwa Weir is empty. Our only source of water is the boreholes. We do not have enough water tankers. The area is vast and water carting by its nature is not meant to be a permanent solution. It won't be sufficient" (Ellis, 2020). The borehole water solution is not considered the safest for human consumption, as such, with the water crisis intensified, there have been increased cases of diarrhoea and dermatitis which are both water-related diseases. Dr Ongama Ntloko, a doctor practising in Butterworth for more than 13 years, said these cases are being observed in both children and adults (Ellis, 2020). The informal settlements residents of Butterworth say that they have had to rely on dirty water which they collect from rivers which are far and that animals use.

Since the numerous residents protests for water that have engulfed the town of Butterworth with residents demanding to be addressed by the president Cyril Ramaphosa on the water crisis. The Eastern Cape Department of Water and Sanitation, Amatole District Municipality (ADM) and Amatole Water Board responded to the protests by claiming they and the community of Butterworth were working very well together in fighting the water crisis and suggested, with Mnquma Local Municipality, that the protests were politically motivated, "political thuggery", targetted at upcoming local government

elections. The Butterworth residents, believing that the officials were avoiding responsibility and accountability, elected a committee to fight for clean water called the Mnquma Concerned Citizens (MCC) which has been leading a number of the water protests. According to some members of the community, the MCC sought to encourage and motivate the residents and communities to hold officials and representatives accountable for their promises over the water crisis and their only means, they believe, has been to take to the streets in protest. For instance, "in November 2019, Minister of Human Settlements, Water and Sanitation Lindiwe Sisulu visited Butterworth and promised the hire of 50 water tankers to fill 120 tanks. However, in February 2020, residents were back on the streets closing the busy N2 between Butterworth and East London with burning tyres after their water tanks had stood dry for three weeks. Shops had to close due to the lack of water. Protests went on for a week" (Damba-Hendrik, 2020).

Chapter Four: Mapping the Underspending

4.1. Conceptualizing and Contextualizing Underspending

In this section the report focuses on the financial management or mismanagement of local government and government departments particularly in the Dr Beyers Naude Local Municipality and the Mnquma Local Municipality to help better understand the poor provision of water and sanitation services in these respective regions. According to Murwamuila and Lethoko, "financial management is about allocation and utilisation of scarce financial resources to ensure efficient, effective and transparent use of public funds and to achieve value for money through the provision of service delivery as one of the key objectives of government" (Murwamuila and Lethoko, 2014, p. 779). The report has collected literature and emperical data that has indicated financial mismanagement that has led to underspending from the Dr Beyers Naude Local Municipality and Mnquma Local Municipality of their allocated drought relief budgets which has inhibited them from providing the required water and sanitation services to their residents. Financial mismanagement is described by Murwamuila and Lethoko as "management that, deliberately or not, is handled in a way that is characterised as wrong, bad, careless, inefficient or incompetent, and that will reflect negatively on the financial standing of the organisation/department"

(Murwamuila and Lethoko, 2014, p. 786). In this sense, the report has sought to look at the fiscal performances of the Dr Beyers Naude Local Municipality and the Mnquma Local Municipality as they have struggled to deliver water and sanitation services to their communities causing a plethora of problems. Further, through the assessment of various evidence, the report intends to determine in this section whether money allocated for the provision of water and sanitation has been re-channelled for the provision of other services or expenditure.

According to the National Treasury briefing the Committee on the Municipal Infrastructure Grant (MIG) roll-overs for the past five financial years (2011-2016), "the MIG was often linked to backlogs in basic services - mainly the provision of water and sanitation - and therefore MIG allocations were biased towards provinces without access to these basic services" (Mohai, 2016), it was identifiied that unspent conditional grants had been increasing in trend during this period, the MIG rollovers increased. In addition, the report through this discussion contends that while re-channelling funds may be a form of attempting remedial action for underspending, it may have a negative effect. First of all, it does not resolve the first instance of the crippling and recurring underspending, it also does not solve the infrastructural challenges faced in the first instance, for example if money intended for the replacement and maintenance of boreholes and sewage piping, but is utilised in ways that do not fulfil these objectives and is spent on a road instead, it does not solve the first issue of water and sanitation.

In it's 2018-19 MFMA General Report on the local government audit outcomes the Auditor – General reported that the management at the Dr Beyers Naude Local Municipality was not implementing adequate financial disciplines (Auditor – General South Africa, 2020). It was found that there was an absence of document management and that supervisory reviews and monthly reconciliations were not being done resulting in a lack of evidence to support the figures in the financial statements. Furthermore, the internal audit unit was not capacitated enough which resulted in them being unable to finish all their planned reviews for the year, which incorporated the audit of the financial statements and the relavant supporting schedules. As such, a number of mistakes were not recognised and rectified.

The municipality (DBNLM), according to the General Report (GR), disclosed R85 million in irregular expenditure at the end of the financial year. This included the irregular expenditure that they had

acquired from the merging of the districts of Camdeboo, Ikwezi and Baviaans in 2016. The council, through their municipal public accounts committee, investigated transactions making up the irregular expenditure balance to determine if value was received and if a financial loss was incurred that should be recovered. The committee recommended that R79 million of the irregular expenditure be re-investigated, as they did not have sufficient information to write this off. However, the accounting officer of the municipality approved and submitted financial statements with the write-off of irregular expenditure of R79 million. This resulted in irregular expenditure being understated in the financial statements.

The Dr Beyers Naude region experienced extreme drought and received a drought relief grant of R30 million to assist. An amount of R5 million was spent and R25 million was recorded as an unspent conditional grant in the financial statements. This amount was not cash-backed as the municipality did not have cash reserves of R25 million in their bank account. This means that the unspent grant money was spent on expenses not relating to the drought relief. The municipality applied for a rollover of the grant even though the money had been spent. Due to the poor state of record keeping, it could not confirmed on what the grant money had been spent. Furthermore, the municipality did not have evidence of the reported service delivery performance relating to water services.

There are millions of rands earmarked for drought relief projects and work intended to strengthen water supply in the Eastern Cape. “Then Eastern Cape Premier Oscar Mabuyane visited the town (Butterworth), promising residents a wall around Gcuwa dam and piped water from the Tsomo River as part of the R735-million Ngqamakwe project” (Damba-Hendrik, 2020). Government officials and South African authorities as the premier confirm, “these projects aim to meet the water needs of the inhabitants of the towns of Tsomo Ngqamakhwe, Butterworth and the surrounding area” (Magoum, 2020). However, the documented evidence of poor infrastructure which the municipalities have failed to maintain, leaking pipes and the shutting off of the water supply have all pointed to the evidence of a history of poor money management and underspending. According to data by treasury, “the municipality (Makhanda in this case) spent 0.97% of its budget on maintenance and repairs from July 2016 to June 2017” (Pather, 2019), it also underspent its budget by 73.96% during the same period and

a 2017 plan to upgrade the plant went nowhere, which demonstrates a persistant culture endured by the Easten Cape municipalities of financial mismanagement and underspending. The end of the third quarter, March 31, 2017, Mnquma Local Municipality from a budget of R72 225 650 utilised R2 723 664 spending just 4% and the Dr Beyers Naude Local Municipality from their R99 309 085 used R12 411 978 making their spend 12%. This has been the kind of persistant pattern of underspending in these municipalities of their capital budgets.

With the Amathole District Municipality (ADM) the Water Services Authority and Provider for Mnquma (since 2010) in 2016/2017 financial year, a total amount of R87 618.38 was set aside for water services projects. The Mnquma Local Municipality itself is neither a Water Services Authority nor a Water Services Provider. The Department of Water and Sanitation, in 2020, allocated R230 million to Amatola Water for a period of three years to assist the Eastern Cape to mitigate the effects of drought.

The Butterworth water treatment works was refurbished in 2019 at a cost of R8-million during the crippling drought that saw the dams in the area running dry. “An amount of R8 million will be spent on refurbishing the Butterworth Treatment Works” (Department of Water of Sanitation, 2019).

Drought rollover of more than R57-million in funding for Mnquma Local Municipality was approved for 33 boreholes and infrastructure to connect them to the water treatment plant. In a media statement, the Department of Water and Sanitation (DWS) announced this intervention to mitigate the drought impact in Butterworth, “The Department of Water and Sanitation (DWS) responded positively to the impact of drought that hit hard Butterworth and other surrounding areas of Mnquma Local Municipality… Currently the levels of the dams supplying Butterworth are 0%, mainly Gcuwa and Xilinxa. The DWS has allocated drought funding to Mnquma LM to ease the situation. The drought rollover amount for Mnquma Local Municipality that has been approved is an amount of R57, 365, 420-00. The funding was utilized to drill and equip 33 boreholes, and connect them to the existing water treatment plant. An amount of R49.9 million will be spent on ground water development for the Ibika Township” (Department of Water and Sanitation, 2019).

The Eastern Cape generally has displayed a frightening lack of accountability and tolerance for transgressions as has been demonstrated by the Auditor-General (AGSA) reports of almost the past half a decade up to 2020. Exuberant amounts have been paid to consultants as part of the public procurement system and Supply Chain Management (SCM), discussed in the next section, and the province has been characterised by reckless irregular expenditure, that is, no municipality in the Eastern Cape has received a clean audit during this period. For example, in the Amathole District Municipality (ADM), which the Mnquma Local Municpality falls under, spent more than R27-million on one financial consultant, despite it already spending R96-million on salaries in the financial department, according to the AGSA consolidated report (Auditor-General South Africa, 2020). Supply-chain mismanagement was also flagged as a major issue because of how high non-compliance with legisalation is. The next section will discuss the unethical practices pertaining to the public procurement system, SCM and tender processes – where in most instances fraudulent declarations had been made and captured, for instance, employees of the municipalities failed to declare their family memebrs' interests and millions of rands were spent on contracts awarded to family members (Auditor-General South Africa, 2020), this largely contributes to underspending as some of the funds awarded are vulnerable to being siphoned off for private gain and not what they are actually intended for. Evidence from AGSA showed that neither of the municipalities even bothered to investigate their findings.

4.2. Factors that contribute to underspending at the local government level

"Reasons for underspending are many and include poor capacity among some municipalities, weak oversight institutions and poor planning and budgeting for some municipalities" (Ncube and Tullock, 2015, p. 51). In this section the report focuses on the factors that contribute to underspending at local government level. The intention for this section is to establish the causes for capital spending challenges in municipalities as well as the impact these challenges have on service delivery. It will make comparisons of its findings to those of the case studies, Dr Beyers Naude Local Municipality and Mnquma Local Municipality, as well as assess the similarities to identitfy the problem areas within the two municipalities. This is in a sense, while an identification of issues that cause underspending, also an assesment of public infrastructure investment and spending.

Literature and emperical data that has been collected has shown that there are numerous reasons for why underspending happens such as but not limited to, "unreliable operational planning, intimidating sanctions in the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999) (PFMA) on overspending, or incapacity to deliver services; many organs of state fail(ing) to spend their budgetary allocations for various reasons, including lack of capacity and skills, incompetence, financial mismanagement, inadequate procurement mechanisms and corruption; the absence of detailed costing coupled with the timing of spending, impacts on the in-year management of finances towards reaching service delivery targets; budget allocations and estimates are not clearly linked to priorities, and this results in underspending/overspending of the budget" (Murwamuila and Lethoko, 2014, p. 780). National Treasury identified as large reasons for underspending, the challenges facing municipalities which include "the non-submission of Annual Financial Statements (AFS), insufficient motivation as required by the Treasury circular, restating of the AFS by municipalities and grants not properly disclosed in the AFS. Additional challenges that had been identified included unspent funds which were not cash backed, reporting on approved rollovers, non-reporting of rollover expenditure incorporated into the current allocation, late submission of rollover applications, multiple applications for the same grant, and the inability to verify expenditure against approved projects on the ground" (Mohai, 2016). There may be, under these circumstances, consequences that result in services not being rendered or rendered poorly and financial resources not being spent, leading to underspending as well as government not fulfulling its service delivery mandate.

Whilst there has been progress in expanding access to previously disadvantaged communities since democracy, there still remains inadequate public infrastructure and persisting service delivery backlogs (Mbanda and Bonga-Bonga, 2019, p. 2). That is, although the core national economic infrastructure is relatively good, for many South Africans especially those in poor, peri-urban (rural) and informal settlement communities, access to basic servcies such as safe water and sanitation continues to prove a challenge. "The 2011 Census data shows that only 73.4% of the population have access to piped water inside a dwelling and only 71.4% have access to sanitation (National Treasury, 2013a)" (Mbanda and Bonga-Bonga, 2019, p. 2). It is imperative that at local government level there needs to be investment

in a strong economic infrastructure that is intended to support local municipalities' medium- and long-term economic and social oblectives. "This economic infrastructure is a precondition for providing basic services such as electricity, water, sanitation, telecommunications and public transport, and it needs to be robust and extensive enough to meet industrial, commercial and household needs (National Planning Commission, 2011; South Africa, Department of the Presidency, 2013)" (Alexander, 2015, p. 8). Mbanda and Bonga-Bonga have argued that municipalities have inadequate investments in infrastructure and have maintenance and repairs backlogs exceeding billions which hinders not only economic growth but access to general services for the poor. "Inadequate investment accompanied by expanded access to infrastructure and ineffective operation and maintenance of existing infrastructure, hinder economic performance and results in prohibitive costs that make the services unaffordable to the poor (NPC, 2012; National Treasury, 2013a)" (Mbanda and Bonga-Bonga, 2019, p. 2). Local governments face challenges of investing in infrastructure which has been highlighted by their below-budget expenditure on capital projects. "According to Treasury figures on local government's revenue and expenditure for the 2017-2018 financial year… municipal capital expenditure amounted to R58.8bn, or 82.3%, of the adjusted capital budget of R71.4bn. This means R12.6bn (17.7%) was not spent on urgently needed infrastructure such as roads, sanitation, water and schools" (Ensor, 2018). A key challenge for local government has been the viability and ability to establish effective organisations capable of delivering on the principles of S153 of the Constitution, which states the following, "a municipality must 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 participate in national and provincial development programmes" (Constitution of the Republic of South Africa, 1996, Act 108 of 1996).

According to The South African Local Government Association (SALGA) (2012), "municipalities inherited worn-out infrastructure, some of which was more than 30 years old and in need of replacement, which required massive investments. In addition, SALGA (2012) mentions, municipalities had to provide infrastructure services to a substantial part of the population that previously had no basic infrastructure provision" (Mbanda and Bonga-Bonga, 2019, p. 3). Therefore, the challenge for the new

democratic government has been to provide infrastructure to the previously excluded population rather than to repair and replace the existing ageing infrastructure which benefitted the few. In the last decade however, period between 2010-2020, when experts pointed out the issues of having ageing infrastructure in today's climate of extreme drought and a growing population, such concerns should take priority. Whilst in some cases, numerous municipalities have compalained of insufficient funding for the eradication of infrastructure backlogs on water and sanitation which have resulted in unfinished infrastructure projects, "individual assessments have also demonstrated examples of underspending, a degree of wastage, inappropriate usage of funds, and poor oversight (Department of Co-operative Governance and Traditional Affairs, 2009)" (Alexander, 2015, p. 12).

Municipal capital spending is intended for the provision of municipal infrastructure, which includes water reticulation, storm water and sewage. "Through capital expenditure, municipalities can achieve greater access to basic infrastructure and services which helps combat poverty more effectively (National Treasury, 2011). Thus, the main policy instruments to achieve infrastructure provision targets by municipalities are budgets and municipal infrastructure grants (Josie, 2008)" (Mbanda and Bonga-Bonga, 2019, p. 3). A Municipal Infrastructure Grant (MIG) is a municipal infrastructure funding, combining all the existing capital grants for municipal infrastructure into one consolidated grant and is aimed at assisting the poor gain access to infrastructure, for example infrastructure for basic services. "National governments provide infrastructure subsidies to ensure that all household have access to basic infrastructure services" (Maake, 2017, p. 1). MIGs are allocated to municipalities annually to provide service delivery infrastructure such as water and sanitation, roads and storm water and electrification infrastructure to poor households. The report in its research was able to identify that the municipalities' failure to adequately spend the MIG was a result of poor planning and huge political interference in key expenditure positions such as the Supply Chain Management processes. Khomotso Maake's research results revealed that underspending of MIG funds was due to poor planning by management and late appointement of service providers (tenders) by municipalities (Maake, 2017, p. 48). Maake's findings resolved that "poor planning from management and project consultants, community unrest, interference by political office bearers in the Supply Chain Management processes, poor performance by service

providers and late appointment of service providers, is a major cause of underspending the MIG funding" (Maake, 2017, p. 54). When local municpalities do not spend all their MIG funding, National Treasury withholds its grants which may cause infrastructural issues for municipalities.

Mbanda and Bonga-Bonga's research demonstrated that in South Africa the main constraint to providing adequate infrastructure is not budgetary pressures nor is it the difficulty to access financing. They found that "the chief constraint to delivery of infrastructure investment initiatives, "has been capacity to spend, rather than the resources themselves" (World Bank, 2009, p. 7)" (Bonga-Bonga, 2019, p. 3). The major challenge for municipalities in South Africa is their capacity to spend on capital or the infrastructure budget. According to Aragon and Casas, "if a local government is capacity constrained, then it may be unable to effectively spend additional financial resources. Hence, their propensity to spend would be smaller. For example, a local government with limited capacity to design and implement an investment project may be unable to complete the necessary steps to claim a grant and built a local road widely demanded by the population even if the budget is available" (Aragon and Casas, 2009, p. 2). As such, "the government has responded to this challenge by implementing a host of capacity building initiatives and through establishing various monitoring and benchmarking arrangements. In addition, the government has taken over the administration of some funding instruments, e.g. through indirect grants" (Ncube and Tullock, 2015, p. 51).

"To discourage underspending, budgeted funds for infrastructure investment that are not spent are returned to the fiscus at the end of the financial year, or the underspending municipalities get reduced budgets in the subsequent year (National Treasury, 2015; Capricorn District Municipality, n.d.)" (Mbanda and Bonga-Bonga, 2019, p. 3). Mbanda and Bonga argue that "such downward fiscal adjustments can diminish the gains from government investments and contribute to economic growth slowdown (Leeper, Walker & Yang, 2010). Thus, underspending can compromise the effective provision of infrastructural services in South Africa" (Mbanda and Bonga-Bonga, 2019, p. 3). On the other hand, the report proposes how underspending has compromised the effective service delivery of water and sanitation in the Dr Beyers Naude Local Municipality and Mnquma Local Municipality.

The constraints, as identified by National Treasury (2013b), which include poorly prepared budgets, weak revenue management, over-ambitious capital programmes and non-priority spending, which are driven by the operating budget cause the planned aggregate infrastructure spending to be below the desired level and actual infrastructure spending falls short of the budgeted amounts. Such findings have suggested that it is far to easy to plan efficient infrastructure policies than actually implementing them. The report intends to give detailed findings to why this is rampant in South African municipalities particularly when it comes to the explored case studies.

"Municipalities use a mix of revenue sources to fund their capital expenditure. These include own revenues, market credit and intergovernmental transfers, mainly in the form of conditional grants (Financial and Fiscal Commission, 2014). Municipal own revenue contributions to capital infrastructure investments are limited, resulting in municipal infrastructure being increasingly funded by intergovernmental transfers (Financial and Fiscal Commission, 2014)" (Mbanda and Bonga-Bonga, 2019, p. 5). This is as a result of national government through intergovernmental transfers attempting to address backlogs in service delivery by driving high levels of municipal spending. However, evidence shows that there exists a remarkable challenge of municpalities unable to spend their entire capital budgets. The unspent capital budget is a reflection of undelivered servcies. That is, "capital budget underspending can affect the ability to carry out programmes and deliver services" (Mbanda and Bonga-Bonga, 2019, p. 5).

The major challenge for infrastructure delivery in local government is accountability. "When infrastructure delivery accountability fails many things do go wrong: public funds may be misappropriated or stolen, public officials may routinely demand bribes, public contracts may be unfairly awarded, and public services may be poorly delivered or not delivered at all" (Ncube and Tullock, 2015, p. 46). Therefore, for Ncube and Tullock, "underspending implies non delivery or postponed delivery of infrastructure" (Ncube and Tullock, 2015, p. 51) and this for them raises significant accountability questions.

4.2.1. Public Procurement as a Challenge

According to David Fourie and Cornel Malan, “public procurement fulfils an important role in the economy and public expenditure of a country and can be regarded as a critical indicator of the effectiveness of a government, because it is a central aspect of public service delivery” (Fourie and Malan, 2020, p. 1). Public sector procurement is vital for the purpose of conceptualising and contextualising underspending because it revovles around government expenditure and capital resources. The report in this section briefly discusses the public sector procurement system in South Africa, the application of the Supply Chain Management (SCM) as a strategic piece of policy, the reforms made to it, and the challenges the system is still faced with. “According to the Secretary-General of the Organisation for Economic Co-operation and Development (OECD), Angel Gurría, “public procurement, as a major part of the economy and public spending, can be regarded as an indicator of government efficiency”” (Fourie and Malan, 2020, p. 2). For this reason, the report has found this as an element and cause for the nature of government expenditure and thusly linking it to underspending and as a major contributor to underspending.

It is widely accepted that the challeneges that face the public procurement in South Africa have a lot to do with how the system has been implemented – the system itself may not be the problem. The report will discuss in an upcoming section the notion of ‘institutional capacity’ which will deal directly with the question of implementation of strategic policies pertaining to the effective delivery of public services. “Odhiambo and Kamau and Ambe and Badenhorst-Weiss argue that “the origins of public procurement can be connected to the responsibility of government administrations to provide goods, services and infrastructure to the people of a country, at a national, regional or local level”. According to the World Bank, public procurement is a necessary strategic development instrument to promote good governance and to embed the effective and efficient use of public resources, which ultimately results in higher levels of service delivery” (Fourie and Malan, 2020, p. 3). In this sense, there is little denying that this promotes efficiency, transparency and accountability, and visa-versa. Additionally, “procurement reforms in South Africa started in 1995 and were directed at two broad focus areas, namely the promotion of principles of good governance and the introduction of a preference system to address certain socio-economic objectives. The procurement reform processes were embedded in

Section 112 of the Municipal Financial Management Act No 56 of 2003 (MFMA) and Section 76(4) (C) of the Public Finance Management Act No 1 of 1999 (PFMA) and the Preferential Procurement Policy Framework Act No 5 of 2000 (PPPFA)" (Ambe and Badenhorst-Weiss, 2012, p. 254). Therefore, sound public procurement is essential for better development outcomes.

Advocates for the public procurement system in South Africa have argued that, despite it being without fault, it compares favourably when compared with international standards. The report found that while their arguments have served to suggest that the system is theoretically near perfect, they neglected to take into account the kind of enviroment which it creates. That is, because of the governance model of South Africa, which gives authority and autonomy to individual authority figures or a close group of officials, opens up the system to capture that may monopolise the entire system. In this sense, making what they have argued to be challenges not of the system but of the governance structures to be intentional and deliberate actions. In other words, these challenegs are deliberate on the part of those involved in the processes, enabled by the enviroment that the system creates, for example underspending as a challenge exists because the system, as a model, encourages financial misappropriation and mismanagement. Irregular expenditure and supply-chain-mismanagement have been identified as major issues – and as such massive contributors to underspending – because material non-compliance with legislation is extremely high. The legislative and regulatory frameworks and designs have not been impactful in curbing the abuse of power for private gain, and have not been able to deal with the capacity issues to perform. "Public procurement operates in an environment of increasingly intense scrutiny driven by technology, programme reviews, and public and political expectations for service improvements" (Ambe and Badenhorst-Weiss, 2012, p. 242), however, political interference is rife, and there is "non-compliance with procurement and SCM-related legislation and policies as well as tender irregularities" (Ambe and Badenhorst-Weiss, 2012, p. 243). Where such issues have occurred, these were attributed corruption, incompetence and negligence by public servants, where unethical procument practices have been detected - non-compliance with legislation, uncompetitive bids, awards to employees and family members, and accepting less than three

quotations, inadequate contract management and internal control, leadership, as well as irregular expenditure.

Chapter Five: Analysis and Remedial Recommendations for Municipalities

Local government, being the sphere of government closest to the communities is required to be accountable, efficient, and effective, and this has served to sharpen the debate on enhanced service delivery, that means striving to identify ways in which it can work in cooperation with the communities to meet their social and economic developement (Hanabe et al, 2017, p. 393). The report takes into account the Local Government: Municipal Finance Management Act 56 of 2003 (hereafter referred to as the MFMA), which in terms of the Act "aims to modernise budget and financial management practices in municipalities in order to maximise the capacity of municipalities to deliver services to their residents, customers and users. It also aims to put in place a sound financial governance framework by clarifying and separating the roles and responsibilities of the executive mayor or committee, nonexecutive councillors and officials" (Hanabe et al, 2017, p. 394). The report identified that municipalities were failing in their financial management and implementation of the Act for various

reasons, but mainly capacity challenges, and therefore characterised terrible governance and, as such, the MFMA was failing in its objective to promote sound financial management and, consequently, despite 'positive' budgetary reforms, it affected service delivery negatively. Hanabe et al (2017) identified the MFMA budgetary reforms implementation challeneges as including the complexity and high cost of these reforms. "Consequently, they have, in the process, undermined the primary objectives of the budgetary reforms and, as such, these reforms have not yet produced the intended or envisaged results for local government" (Hanabe et al, 2017, p. 395).

The report argues the capacity of a municipality as a major factor attributing to massive underspending. According to Aragon and Casas, "if a local government is capacity constrained, then it may be unable to effectively spend additional financial resources. Hence, their propensity to spend would be smaller. For example, a local government with limited capacity to design and implement an investment project may be unable to complete the necessary steps to claim a grant and built a local road widely demanded by the population even if the budget is available" (Casas, 2009, p. 2).

Public sector procurement is a huge element for improvement to the provision of public services. However, "a culture of non-compliance combined with a lack of accountability and transparency contributed to the wholesale of looting and unethical procurement practices" (Mazibuko and Fourie, 2017, p. 108). This has contributed largely to the question and discourse of good governance. A such, the report has identified that such unethical conduct of procurement officials, for example, the corruption, bribery, fraud and nepotism which impacts negatively on poor quality service delivered to the people, has massively contributed to why underspending is so rampant within local government, and as such in the cases of Dr Beyers Naude Local Municipality and Mnquma Local Municipality. According to Mazibuko and Fourie, "there are great risks that the procurement process faces during the pre-bidding phase, e.g. lack of adequate needs assessment by contracting authorities and thus leads to poor procurement planning and budgeting" (Mazibuko and Fourie, 2017, p. 109). In many instances this has hampered infrastructere budget immeasurably as government has often-times depended on independent suppliers and maintenance, as per the National Development Plan (NDP) (2013), which has as many times proven to produce ineffecient and unqualified service providers. "The procurement

for infrastructure delivery and maintenance is paramount for economic development and growth in South Africa" (Mazibuko and Fourie, 2017, p. 109). The public sector therefore needs to improve the efficeincy of managing finances, there needs to be a reimagining of the transformation and fundamental improvements, and how to strengthen the legislation of SCM to deter irregular spending. Stricter measures and penalities are necessary, and possibly the threat of jail time to unlawful actions can help the situation immensly. Authorities should not tolerate unethical procurement processes of any kind within the procurement enviroment, particularly from leadership and professionals in the space. No compromises should be made at all, of performance at the procurement levels, there should be continuos and vigorous monitoring and contract management enforced. This may be imperative because as argued by Mazibuko and Fourie, "unethical procurement practices are dangerous and ubiquitous, costly and can produce economic and social ills to society. It can impair trade, deter investment, diverting government spending away from public good such as infrastructure development and public works programmes" (Mazibuko and Fourie, 2017, p. 115).

Underspending persists and is so rampant because no one is holding anyone accountable anywhere in local government, therefore there is no restorative action that can take place. For example, in 2019 Dr Beyers Naude Local Municipality accepted an adjustment budget despite serious opposition and claims that it was flawed, unfunded and did not address service delivery. The MIG funds had been reduced, National Treasury withheld MIG funding as the reslut of underspending, and infrastructure projects were cancelled, spending on maintence and repairs was reduced despite serious issues with water and electricity supplies due to poorly maintained infrastructure. Opposition argued that transparency accountability had been neglected since they were refused an opportunity to 'peruse and consider' the document (Graaff-Reinet Advertiser, 2019). Ther report found that there is widespread lack of financial controls and project monitoring which has demonstrated an ongoing negative trend and culture of a lack of accountability together with a tolerance of transgressions, resulting in more irregular expenditure and a regression in audit outcomes. With accountability as the cornerstone for infrastructure delivery programmes, transparency is a prerequisite and there needs to be a strengthening of municipal oversight and accountability structures, in terms of enhancing capacity and skilled personnel. The National

Treasury and the Department of Cooperative Governance can look into developing accountability frameworks for infrastructure grants, and perhaps even institutionalise community accountability in the local government sector.

Findings indicate that there are major inefficiences in the use and allocation of resources, the results suggest that infrastructure investments by local government in South Africa are subject to diminishing returns, referring to a point beyond which the level of profits, production or benefits gained is less than the amount of money or energy invested. Capital budgets are characterised by under-spending across municipalities, demonstrating either a failure to align municipal IDPs with budgets or a lack of capacity to properly plan for and implement critical service delivery programmes. Municipal infrastructure investment remains significantly important despite infrastructure spending by many municipalities being poorly planned. The report identified that municipal capital spending can enhance economic growth, depending on the specific function, for example incresing capital spending on water and sanitation, and electricity can spur local economic development. Furthermore, repairing and maintaining existing infrastructure would not only extend its useful life but would benefit long-term economic growth across South Africa's municipalities.

In the periods between 2015-2020 drought relief funds had been handed over to the Dr Beyers Naude Local Municipality, large sums of which had not been used, and the municipality displayed no real urgency to do so. This research report attempted to uncover the underlying reasons and causes for the persistence of such under-expenditure. Moreover, it sought to establish the reasons for why the municipality insists that it is on track with the expenditure against evidence that shows it is not. The report found that as a result of underspending the National Treasury withheld much needed Municipal Infrastructure Grant (MIG) funds which meant that some projects had to be cancelled. The Dr Beyers Naude Local Municipality reduced its spending on maintenance and repairs despite identified issues with water and electricity supplies as a result of poorly maintained infrastructure. Sewage was found to running through communities because the municipality cannot afford to fix pumps. The 2017/18 annual report revealed that only 1 percent of the budget for the maintaince of the water and sanitation infrastructure was spent. The report recommends that the municipality should always seek to employ

relevant, qualified and experienced officials in strategic financial positions who can help them with best prcatices and innovative approaches. Approaches such as,constantly seeking training to improve capacity of other staff as well to empower them, increase financial knowledge and financial skills through training in order to manage public funds accordingly. Additionally, the municipality must submit in a timely manner, the MIG reports to National Treasury monthly, quarterly, and annually in order to receive feedback reports to assist improve capacity.

In the 2017/18 local government audit outcomes report by the auditor-general, the report was able to identify that accountability for financial and performance management continued to deteriorate. The key issues which were identified ranged from late submission of financial statements; quality of financial statements submitted for audit very poor and quality of published financial statements worse than the previous year. Material non-compliance with key legislation on financial and performance management was found to be escalating rather than receding. Irregular expenditure continues to be high. Transparency is non-existant. It was found that accountability and transparency were not being enabled through credible financial and performance reporting. Irregular expenditure from previous years starting from 2015 to 2020 has not been properly dealt with through investigation, and followed by condonement, recovery or write-off of the expenditure, hence it remains signficantly high. Findings show that unauthorised, irregular and/or fruitless and wasteful expenditure were not being investigated. The report recommends that local municipalities should be proactive in seeking out invitations and to attend workshops for training on MIG spending, support can also be given by the district municipalities, for example Amathole and Sarah Baartman District Municipalities, who are better capacitated to lend support to local municipalities.

In the local government revenue and expenditure report released by National Treasury for the fourth quarter of the 2019/20 financial year, covering the performance of local government and including spending against conditional grant allocations, “a net total underspending of R96.9 billion or 20.1 per cent of municipalities’ total adjusted expenditure budgets was reported. Compared to the R54 billion recorded as net total underspending in 2018/19, there has been an increase of R42.9 billion year-on-year” (National Treasury, 2020). There is a sense that the reports from the municipalities are not as

transparent as they should and by so doing escape accountability and miss out on critical opportunities for restorative measures. Attempting to understand accountabilities in local government requires an understanding to whom the sphere and participants therein are accountable in terms of infrastructure delivery, which according to Ncube and Tullock would be remarkably difficult to exactly pin point the flow of accountability arrangements as there are many actors or players with diverse governance and mangement responsibilities within the local governance enviroment, adding that "the location of accountability is made even more complicated by the conflation of accountability processes with various socio-political factors" (Ncube and Tullock, 2015, p. 48). The fiscal framework of South Africa's local government is complex and is characterised by too many fiscal accountability connexions consisting of two extremes, namely the service recipients and central government, between them are several accountablity arrangements, for instance arrangements in the local and provincial spheres, service providers, middlemen, politician, civil society and so forth. Municipalities should continue to to ustilise the systems available to monitor MIG spending and constantly seek to improve them where necessary. Since research determined that the major contributing factor to underspending in the case studies, that is underspending of MIG funding and drought relief funding resulted from poor planning by management and reckless appointment of service providers by the municipalities, it recommends that managers should conduct proper and thorough planning beforehand, be cognosant of regulations, legislation and requirements in the appointment of service providers. Moreover, municipalities should conduct adequate conslutation of projects, budget accordingly, and ensure they appoint professional and reputable companies to receive value for money. National Treasury should not be discouraged by municipal short-comings in spending budgets, but rather should seek more proactive ways and innovative means to encourage efficient spending by municipalities. In our case studies, it has be remarkably imperative, particularly with the drought, that the municipalities receive MIGs to assist them with improving their project implementation and service delivery in their communities, thus it is recommended that National Treasury continue allocating MIG funding to these municipalities so that they may improve implementation of projects and enhance service delivery, however, with stringent stipulations and penalties for misappropriation and mismanagement.

Ncube and Tullock also contend that, “the main challenge vis a vis infrastructure grants is that of underspending” (Ncube and Tullock, 2015, p. 50). There are numerous reasons for underspending and they include among some municipalities, weak oversight institutions and poor planning and budgeting.

In as far as legislation and accountability capacities in South African local government, legislation is very clear with regards to infrastructure funding. “The constitution and enabling legislation requires all spheres of government to be accountable, transparent and responsive to the needs of the people. Section 152 (1 a) of the constitution and Section 51 (b) and (i) of the Municipal Systems Act are explicit on the need for accountability in the local government and the need for establishing accountability structures” (Ncube and Tullock, 2015, p. 52).

Fourie and Malan responded to the dilemmas and challenges of the public procurement enviroment in South Africa by proposing that public procurement be refocused towards a strategically placed business process, implemented by well-trained and competent procurement officials. “The ability to spend either the capital or the infrastructure budget adequately could be regarded as one of the foremost issues encountered by municipalities in South Africa” (Fourie and Malan, 2020, p. 12). National Treasury should take lead in ensuring the accountability of government budget, “there should be effective control and monitoring in departments, under/overspending can be minimised or brought under control through implementing some of the key responsibilities of National Treasury as prescribed by the PFMA, some of which are to coordinate intergovernmental fiscal relations, manage the budget preparation process, monitor the implementation of provincial budgets and promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of departments” (Murwamuila and Lethoko, 2014, p. 789).

“The role of local government as the focal point of public service delivery is undeniable. Yet, some of the limiting factors of service delivery are related to the interference of politicians in the running of municipalities; the councillors’ interference in administration and the lack of political and administrative leadership are key causes of poor service delivery; politicians interfere in supply chain management processes contrary to the legislation” (Mbecke, 2014, p. 98). Good governance in this sense would therefore respond to the importance of the harmony between local government authorities

and politicians in enabling service delivery through corporate governance. According to Mbecke, "corporate governance can clarify the powers, roles and responsibilities of politicians and public servants to facilitate service delivery in local governments" (Mbecke, 2014, p. 99).

According to Weaver et al, "household water security problems associated with water service delivery in South Africa are recognisably intractable, multi-scaled, comprising many actors and elements and having no single solution" (Weaver et al, 2017, p. 398). Government is ultimately responsible for the overseeing of water service delivery to Butterworth and Graaf-Reinet households. "The local government has the primary responsibility for providing household water services (RSA, 2000)" (Weaver et al, 2017, p. 402). It is therefore answerable to the residents that endure the hardships of intermitent water supplies and irregular sanitation or even going without water for long periods sometimes. According to research studies by the South African Human Rights Commission (SAHRC), "macro conditions such as corruption and slow economic growth has led to low levels of service delivery to poor and outlying areas. This is important because poor people are the least likely to have access to a reliable and safe water supply and decent sanitation services, and are less able to secure appropriate redress for the violations of such basic rights. This failure to realise basic rights in such communities, serves to perpetuate and entrench cycles of poverty and inequality in the country" (SAHRC, 2018, p. 6).

The report acknowledges the challenges facing service delivery which have manifested through strike and protest action demonstrating the weakness of the good governance principles that are supposed to improve and sustain service delivery in local government. Naido and Ramphal noted that "South Africa is experiencing massive backlogs, a poor skills base, and persistent service delivery protests, often characterised by the violent destruction of public property. One major reason for such protests appears to be the exclusion or inadequate participation of the society to be served by the integrated development plan (IDP) process" (Naidoo and Ramphal, 2018, p. 83). Residents of the Dr Beyers Naude Local Municipality have expressed through petition and protest their concerns and frustrations over the municipality's lack of cooperation, recognition and consultation with regards to to the provision of services, "residents demanded improved consultation, better service delivery, and respect from Mayor

Deon De Vos" (Vermaak, 2020). Additionally, they demand the resolution of a few key issues which included, "the lack of consultation regarding the installation of water meters, issues relating the practicalities of the water meters once installed, and challenges already encountered due to the new meters and billing" (Vermaak, 2020). According to Naidoo and Ramphal, "in order to strengthen its service delivery plans, the South African government introduced the Batho Pele principles to serve as the acceptable policy and legislative framework for service delivery in the public service. Batho Pele is a 'tool' that is nested in strategies that are intended to enhance community or pubic participation and service delivery. Public participation can be defined as a process by which potential interested and affected parties are given an opportunity to comment on, or raise issues relevant to, an application" (Naidoo and Ramphal, 2018, p. 83). The residents of Graaf-Reinet were evidently not offered this constitutional courtesy, and generally as the next step following, not only a constitutional violation, but a public rights infringement, a protest would ensue. In a meeting between the communities of Mnquma in Amathole and the Eastern Cape Premier Oscar Mabuyane, the members of the communities demanded the premier remove Mnquma Exucutive Mayor citing that he has failed to develop the town. This followed a water protest by communities in the region that went on for at least two weeks, which saw the barricading of the town with burning tyres, and residents demanding improvements to the Gcuwa and Xilinxa dams. They also accused all the Mnquma councillors of enjoying monthly salaries loitering in their offices and doing nothing (Damba-Hendrik and Isaac, 2020).

The report revealed that Dr Beyers Naude Local Municipality and Mnquma Local Municipality suffere challeneges in implementing MIG funding as a result of poor planning by municipal officials and consultants; the political intereference on SCM processes affects the effectiveness of public procurement reforms. The unpreparedness for the circumstances such as droughts and protests contributed significantly to unspent MIG funds. The respective municipalities should seek to improve their MIG spending through proper planning; the appointment of relevant, qualified and experienced service providers. Political interference in SCM processes should be rejected and guarded against at all times, and a department for Monitoring and Evaluation should be established for monitoring and evaluating progress of projects.

Chapter Six: Conclusion

In South Africa the problem of underspending the infrastructure budget has persisted and is parallel to the lack of provision of local level infrastructure, which at local level remains inadequate in many parts of the country. The report was able to determine as a major developmental challenge that "underspending on infrastructure grants implies forgone or postponed investment, an increase in backlogs, and ultimately diminished growth" (Ncube and Tullock, 2015, p. 55). Through the use of two case studies, the Dr Beyers Naude Local Municipality and the Mnquma Local Municipality, the report zeroed in on the factors that explain the capital budget underspending in local government in South Africa. This was informed by the lack of emperical research especially from the perspective of local government. The research that was undertaken focused on the main factors contributing to the underspending by these respective municipalities.

It was difficult for the report to rule out that money allocated to the provision of water and sanitation was not in competition with the provision of other services and thus re-channelled to be used elsewhere. For this reason, noting the rampant misappropration and mismanagement, we assume that it was.

Municipality responsibilities for infrastructure investment have risen remarkably in the last five years (between 2015-2020) and this requires an understanding of which aspects of public capital spending (on water and sanitation, roads and storm water, housing and sewerage systems) will benefit citizens mostly, that is, which will have the greatest impact on social and economic growth. Thusly, the report recommends that grants for infrastructure investment should prioritise growth-enhancing infrastructure (i.e.water and sanitation, and electricity) so that municipalities can play their role in promoting economic development and growth; government should establish an incentive grant or a reserve fund for maintaining and renewing infrastructure, to ensure the long-term sustainability of critical socio-economic infrastructure and enhance local economic growth; and government should introduce a transitional capacity-building grant for providing technical assistance to municipalities in preparing infrastructure asset management plans. Spending on electricity, water and sanitation, and repairs and maintence has a positive effect on economic growth.

It is imperative to hold those responsible for managing public resources accountable, "accountability is the cornerstone of development and good governance (National Planning Commission, 2011)" (Ncube and Tullock, 2015, p. 54). From the literature reviewed the report was able to locate accountability issues in terms of infrastructure transfers as well as identify challenges in the accountability arrangements within the local government sector. Ncube and Tullock in their research found that "the proliferation of indirect grants distorts effective accountability within the transfer system. This is the case despite a range of legislative instruments that seek to maintain effective accountability. Without proper accountability, optimal delivery of infrastructure cannot be achieved" (Ncube and Tullock, 2015, p. 55). The final determination in respect to the accountability structures in place in the municipalities is that they are not sufficiently resourced to hold public officials accountable for bad behaviour and to hold them responsible for their actions and decisions. "These structures lack the capacity and skills to monitor and track expenditures and hold executives accountable for "underspends"" (Ncube and Tullock, 2015, p. 55). Thus it is a critical necessity to stregnthen the capacities of accountability structures, and it is also a constitutional mandate to do so, "Section 215 of the Constitution of the Republic of South Africa prescribes that the national budget process must promote transparency. The

process of budgeting in government should become transparent in that if the strategic plan indicates that during the first quarter of the financial year, a certain service is going to be rendered, it should be rendered through following the correct supply chain process and without any interference from those who are in power, only those assigned the responsibilities of appointing service providers" (Murwamuila and Lethoko, 2014, p. 789). These actions may provide resolutions for the issues of accountability as prescribed by the PFMA and can bring it and overspending under control, as well as curb the underspending.

The report focused strongly on the notion of decentralisation in order to ellucidate the responsibility of government as per South Africa's decentralised system of governance, to not just the principles of good governance but also development and economic growth. Decentralisation was the process and system introduced as reforms to transform the South African public financial management system, which was centralised, to be in line with international best practice following the collapse of apartheid. "Essentially, the budget reform process that was initiated had, as its main premise, the enhancing of service delivery by government through better information for decision-making and clearer managerial authority and accountability. The potential outcomes of such reforms would be improved services, value for money and sound management of public finances. A financial concept that is used very closely within public finance is the budget. The Constitution of the Republic of South Africa, 1996, makes reference to the budget within all three spheres of government. The budget reform introduced post-1994 focuses on the Intergovernmental system, the Medium-Term Expenditure Framework (MTEF), the Public Finance Management Act, (No. 1 of 1999) the Estimates of National Expenditure and Strategic Planning" (Murwamuila and Lethoko, 2014, p. 789).

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