

Unfunded Mandates in South African Local Government

The Financial and Administrative Burden on
Municipalities

PRESENTED BY:

Division:

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Overview

Understanding Unfunded Mandates

Scale of the Problem - Case Studies

Root Causes and Challenges

Historical Efforts

Proposed Solutions

Conclusion

Understanding Unfunded/ Underfunded Mandates

- Definition

- Functions allocated to provinces
- Delivered by municipalities
- Without adequate funding
- Evolution from 'unfunded' to 'underfunded'

- Key affected sector

- Health services
- Library services
- Human settlements
- Transport

Impact: Financial strain on municipal budgets and the NHI is likely to make this worse if the role of municipalities is not clearly articulated

Scale of the Problem - Case Studies

- eThekweni:
 - R344 million shortfall
- Nelson Mandela Bay:
 - R81.4 million shortfall
- City of Tshwane:
 - R268.5 million shortfall
- Cape Town:
 - R2.5 billion shortfall
- City of Ekurhuleni
 - R2.3 billion shortfall
- Buffalo City
 - R21.2 million shortfall
- Mangaung
 - R35.7 million shortfall
- City of Johannesburg
 - R1.2 billion shortfall

Root Causes and Challenges

- Legislative barriers
 - GIAMA prevents investment in non-owned assets
 - Inconsistent Service Level Agreements (SLAs)
- Higher operational costs in municipalities, especially metros
 - Staffing costs not accounted for in grants
- Service level discrepancies
 - Municipalities provide higher standard of service
 - Political dynamics complicating transfers

Historical Efforts

- 2016:
 - Initial National Treasury analyses
 - Identified financial implications
- 2022:
 - Renewed Treasury initiatives
 - Engagement with key stakeholders
- Sector-specific outcomes
 - Health: Acknowledged burden, service continuity concerns
 - Libraries: Agreement to transfer, no finalised plans

Proposed Solutions

- Short-term
 - Full transfer of national funds to municipalities
 - Establish task team to work with all the sectors led by National Treasury
 - Develop transitional arrangements
 - Protect staff employment conditions
- Long-term
 - Create equitable funding mechanisms
 - Ensure uninterrupted service delivery
 - Constitutional alignment of functions
 - Sustainable funding solutions
 - If none of these options are viable, then return functions to provinces

Conclusion

- Unfunded mandates
 - Significant financial burden on metros
- Collaborative approach needed
 - All stakeholders must be involved
- Transitional arrangements
 - Must prioritise service delivery continuity
- Constitutional alignment
 - Functions with appropriate funding
 - Most sustainable solution

Thank You