



Following up on our commitment to the People of Gauteng

INDEPENDENT MUNICIPAL DEMARCATION **AUTHORITY BILL [B14B-2022]**

Socio-economic analysis

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PRESENTATION OUTLINE

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- **Objectives of the Bill**
- SOCIO-ECONOMIC ANALYSIS: INDEPENDENT MUNICIPAL DEMARCATION AUTHORITY BILL [B14B-2022]
- PUBLIC PARTICIPATION AND LACK THEREOF
- FINANCIAL IMPLICATIONS
- CONCLUSION









INTRODUCTION

- Section 155(3)(b) and 157(4)(a) of the Constitution (1996) mandate the MDB to determine or re-determine municipal boundaries and to delimit wards.
- In 1999, MDB created six single-tier Category A Municipalities and divided the rest of the country into Category C (District) and B (Local) municipalities.
- Municipalities reduced from 843 to 284.

- The new system had six Category A (metropolitan) municipalities, 47 district municipalities and 231 local municipalities.
- Socio-economic analysis aims to unpack and understand the significance of the proposed Independent Municipal Demarcation Authority Bill relation to boundary redetermination (mergers/amalgamations).
- How this affects the overall municipal governance system, service delivery disruptions, financial sustáinability effective performance.









OBJECTIVES OF THE BILL

- To provide for the establishment, functions, and powers of the Independent Municipal Demarcation Authority.
- To provide for the criteria and procedures for the determination and redetermination of municipal boundaries.
- To provide for the delimitation of wards.

- To provide for the establishment of the Demarcation Appeals Authority.
- To provide for municipal capacity assessments.
- To provide for matters incidental thereto.







SOCIO-ECONOMIC ANALYSIS

- Changes ranged significantly across SA's municipalities.
- Smaller rural areas are merged with population terms) larger (in municipalities.
- Municipalities are losing population, due to migration and/or increasing urbanisation.
- Many smaller municipalities, and particularly those without a rates base, have become even more financially unviable.

The analysis of these mergers found the following additional points:

Merging settlement realities

 Surrounding municipalities which are functionally linked to a larger more urbanised municipality have been incorporated or merged into the larger municipality.

New governance arrangements

 Mergers impacted the number of municipal council seats and the ratio of registered voters to councillors.









- Tshwane's merger in 2008 with Metsweding and the disestablishment of Nokeng Tsa Taemane and Kungwini.
- This demarcation took effect after the 2011 municipal elections.
- In 2015, Randfontein and Westonaria local municipalities were merged, to form the Rand West City local municipality.
- This demarcation took effect after the 2016 municipal elections.

Changed economic bases

 Merged municipalities have poor and limited economic bases compared with their neighbouring municipality.

Personal income tax bases

- Merged municipalities were compared on several financial indicators showing important differences within and between the merged municipalities.
- Significant differences across the municipalities in terms of rates generation.









Merging municipal financial realities

- National Treasury's financial distress scores found that there was no or improved change in their status before and after the formal mergers occurred.
- In terms of audit scores, there is no generalised immediate and negative impact audit on outcomes.

- There is no real evidence that the overall sustainability municipalities has been affected.
- Reducing the number municipalities that had poor financials, audits and performance may assist in reducing the overall challenges of governance in SA.

A number of conclusions are reached including:









- There is limited planning, change costing and management, provision of resources for the transitionary processes of such mergers/consolidations.
- Dedicated teams are required to work with the merged municipalities to assist managing the change processes.
- Proper planning and a transitional grant should be made available to facilitate the restructuring process.

- Once final boundary recommendations are published, National Treasury should required to provide evidence that a budget for such restructuring is available.
- COGTA should indicates what processes it will follow to ensure effective change management happens.







- A formal due diligence study should be commissioned after boundary decisions made.
- Identify the financial situation of the affected municipalities.
- And what steps should be taken (including a freeze on appointments, etc.) to stop potential wasteful/duplicate expenditure/etc.

- The Bill should consider that municipal and mergers consolidations are inevitable and should not be seen as a solution for viability and sustainability.
- Provision must be made for at least a three-year transition process, with funding for change management.







Public Participation

- One of the contentious issues with regard to the MDB's relates to public participation.
- Contention among members of the public affected by decisions of the Board has been that Government Gazettes have not been made available for comment.
- Thereby giving rise to issues of transparency in the process.

- MDB is perceived as a political machinery instituted [...] to win local government elections.
- Discontent by municipal residents, opposition parties against the Municipal Demarcation Board in Vuwani-Malamulele, Tlokwe-Ventersdorp and Emfuleni, and Sedibeng-Midvaal municipal cases.







- Full engagement with stakeholders such the as Premiers, Members of the Executive Councils (MECs) and Mayors.
- is imperative that the demarcation procedure starts with publication of a notice in a local within the newspaper communities concerned showing intentions to demarcate and invite written representations.
- The Board in many instances ignored the affected people by failing to publish notices and encouraging public and stakeholder participation.







FINANCIAL IMPLICATIONS

 Authority will be liable for the financial expenditure associated with its obligations in the Bill.

 Improve service delivery efficiency.

CONCLUSION

- Authority establishment ensure full public participation.
- that municipal mergers and consolidations improve municipal financial viability.
- Reduce administrative overheads costs.

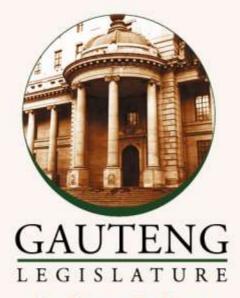
- Eliminate redundances in municipal services.
- Reduce govt. deficit.
- Ease the burden on poorer municipalities through redistribution.











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