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INDEPENDENT MUNICIPAL DEMARCATION AUTHORITY BILL [B14B-2022]

Socio-economic analysis

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PRESENTATION OUTLINE

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- SOCIO-ECONOMIC ANALYSIS: INDEPENDENT
MUNICIPAL DEMARCATION AUTHORITY BILL
[B14B-2022]
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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 in relation to boundary re-determination (mergers/amalgamations).
- How this affects the overall municipal governance system, service delivery disruptions, financial sustainability and 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 larger (in population terms) 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.

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- 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.

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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 on audit outcomes.

- There is no real evidence that the overall sustainability of municipalities has been affected.
- Reducing the number of 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:

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- There is limited planning, change management, costing and provision of resources for the transitionary processes of such mergers/consolidations.
- Dedicated teams are required to work with the merged municipalities to assist in 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 be required to provide evidence that a budget for such restructuring is available.
- COGTA should indicate what processes it will follow to ensure effective change management happens.

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- 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 mergers and 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.

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- Full engagement with stakeholders such as the Premiers, Members of the Executive Councils (MECs) and Mayors.
- it is imperative that the demarcation procedure starts with publication of a notice in a local newspaper within the 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 redundancies in municipal services.
- Reduce govt. deficit.
- Ease the burden on poorer municipalities through redistribution.



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