CAPACITY BUILDING SYSTEM FOR LOCAL GOVERNMENT

Diagnostic Review

Overview to GTAC Weekly Webinar

PRESENTED BY:

Dr Tracy Ledger (PARI)
Li Pernegger (GTAC)

For National Treasury (Intergovernmental Relations)

2022-04-22

OVERVIEW

- Diagnostic Review is **part of a broader programme by National Treasury (IGR)** to address fragmented **capacity building system for local government** whilst also aiming for better VFM for all of government

- GTAC managing this **multi-year programme** for IGR; PARI appointed to carry out Diagnostic Review of entire capacity building system

- **Diagnostic Review** includes inputs from affected Treasury departments & Steering Committee members in 1st half of 2021 (Presidency, COGTA, DPME, DBSA, DWS, SALGA, DMRE, FFC, MISA, Provincial Treasuries, Provincial COGHSTAs & others)

- **Capacity** vs. **Capability**
  - **Concept of 'Capacity Building' is insufficient** for what we actually want to achieve: a more appropriate & newer concept is 'Capability Development'
  - '**Capacity**' refers to potential under ideal circumstances, while '**capability**' refers to what is possible under actual (almost always not ideal) circumstances
  - '**Capability**' incorporates a wide range of factors: individual skills, financial resources, business processes & systems, political stability, staff morale, staff turnover, effective use of technology, community participation & other contextual issues
  - So, a programme **might succeed** in significantly increasing person's capacity through skills development, but **make only marginal improvement** to their organisation's capability (which is the critical factor that actually impacts that municipality's outcomes) because of constraints imposed by that person's working environment & over-arching context within which that municipality operates

BACKGROUND

- Aim
  - Diagnostic Review in response to 25 years of effort to build LG capacity but **minimal improvements**; 60% of interventions are repeat interventions

- Current state of LG
  - CB **initiatives not impacting LG capability** but this is uneven
  - **Increasing number of municipalities in financial distress** – from 86 in 2013/14 to 125 in 2017/18 to 175 in 2019/20*; latest is 43 municipalities in financial & service delivery crisis as extreme as Lekwa's
  - '**Downward spiral** to a financial cul-de-sac... with limited exceptions' (AGSA)
  - 75% of households say **service delivery needs are not met** by their municipalities (StatsSA); access to **basic services has declined** (COGTA)
  - Service delivery **infrastructure is declining**, with some not fit for purpose (SAICE)
  - Significant '**capability gap**' – between capability (ability to get things done) & functional & delivery obligations of municipalities (what needs to be done); and **capability is declining as demands increase**

*September 2021 NT data shows that 223, or 87%, of all municipalities, have one or more triggers requiring a S139 intervention; also S140 indicators show R57 billion municipal debt for bulk water & electricity
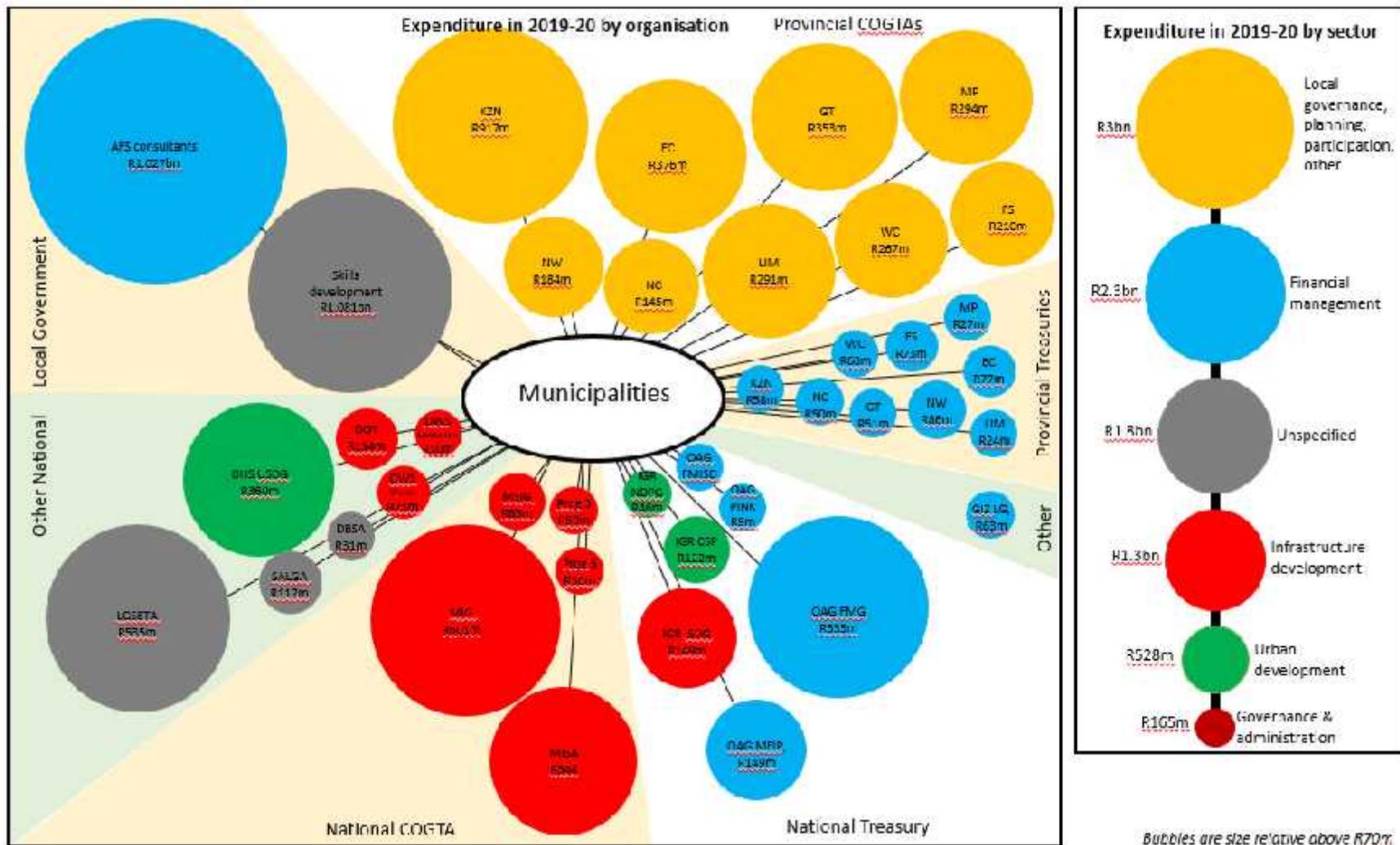
LEGISLATIVE & REGULATORY CONTEXT, LITERATURE REVIEW

- Legislative & regulatory context
  - Constitution & supporting legislation is clear that LG capacity (to implement its constitutional mandate) is directly linked to the delivery of that mandate; **capacity is for a purpose – a means & not an end**
  - To be delivered in a **cooperative environment**: not something one party 'does' to another, but something that arises out of working together to deliver LG mandate
- Themes from the literature
  - **Significant numbers of programmes fail** (& not just in the developing world), in large part because of poor problem diagnosis & consequent programme design (in general)
  - Much easier to introduce new legislation or create new institutions or send people to workshops, **much harder to fundamentally change the way in which things are done**
  - Programmes tend to **present activities (training) as impact**, losing sight of long-term goals
  - **Context & inclusion matter**: the likelihood of success is increased by developing solutions that are based on local realities & buy-in
  - **Long-term & sustainable improvements take time**: focusing on 'quick fixes' & short-term performance is counter-productive
  - Many of the **implementing organisations themselves lack the requisite capabilities**, but there is little focus on building appropriately capable delivery organisations

SCALE & SCOPE OF CURRENT SYSTEM

- R9.1bn in 2019/20 by +40 entities or programmes – or 13% of aggregate LG capex of R69bn
- R42.7bn over 5 years includes CB + CD endeavours but excludes very small initiatives, costs of administration of Conditional Grants + much of non-state owned CB endeavours
- Expenditure is often invisible/not clearly reported
- Significant variations across provincial Treasuries & COGTAs
- Complex interrelationships by entity & by sector
- Duplication & fragmentation evident
- Based on assumptions as detailed in report

2019/20	
Programme Delivery Entity	**Amount (Rm)**
National Treasury	R1bn
Provincial Treasuries	R514m
National COGTA	R1.1bn
Provincial COGHSTA	R3bn
Other National departments/entities	R1.2bn
Municipalities	R2.1bn
Other	R62m
Total	**R9.1bn**

Expenditure in 2019-20 by organisation

Expenditure in 2019-20 by sector

Bubbles are size relative above R70m.

- **Share by entity**/programme of total system architecture expenditure
  - ⅓ = Provincial COGTAs (33%)
  - ⅓ = National Treasury (11%) + COGTA (12%) + national departments (6%)
  - ¼ = LG (23%)
  - Balance = Provincial Treasuries (6%), SALGA + DBSA + LGSETA (8%), other (1%) = 15%
- **Share by sector** is much harder to differentiate as no common categorisation: ⅓ on local governance, planning, participation & other by PCOGs; ⅓ on financial management + governance & administration; ⅓ on the rest
- **NT's share** is +R1 billion (11%) & covers not only financial management capacity building but also urban, & infrastructure, development

MAIN FACTORS IMPACTING SYSTEM OUTCOMES

A **third of the Review** focuses on analysis drawn from rich & deep data from **interviews of officials** within the system & reflects their **lived experiences** about its underwhelming aspects

1. A strong focus on **individual capacity** building rather than **organisational capability** development
2. **Short-term fixes of symptoms** rather than long-term change
3. **Limited impact (outcome) reporting** by any of the programmes
4. Programme design & expenditure priorities often reflect **pressure to comply or shifting political priorities**
5. Programmes are **fragmented** & multiple entities are **competing for municipal attention**
6. Extensive municipal **monitoring & reporting has not translated into detailed problem diagnosis**

MAIN FACTORS IMPACTING SYSTEM OUTCOMES

7. It is **difficult to effect significant & sustainable change** in the way in which people do their work

8. Some **municipalities may never achieve the required capability** to deliver every aspect of their mandate

9. Mutual **cooperation across the system is limited**

10. The **context of the intervention is key to its success**

11. Long-term **programmes focusing on entrenching the basics** appear to have better results but are limited by resource constraints

12. **More collaborative approaches, incorporating change management,** have shown better results

13. Programmes with **clear outcome targets** are more likely to achieve them

Local government shares these concerns & are frustrated & dismayed at being seen as incompetent

IMPLICATIONS OF FINDINGS

- **Radical change** to the system is required
  - Merely continuing to do what is currently being done, with a few efficiency & cost-effectiveness improvements will most likely never generate the required impact

- Current system of capacity building is **no longer fit for purpose**

- Much **easier to talk of the need for radical change than to actually achieve it**
  - Most parts of the current system are well entrenched in their way of doing things & have developed their own momentum that is difficult to change; even those in the system acknowledge that current efforts are not working & are clear that something has to change
  - But what that 'something' might be or how to re-orientate their organisations to doing something completely different is not clear; the system participants are 'stuck' in a particular way of doing things, trapped in the same compliance-driven system (which requires them to adhere to long-term plans, budgets & targets, even if everyone knows this is not really working) as the municipalities that they aim to support

PROPOSED NEW CDPL FRAMEWORK

- Require a **fundamental reformation** of current system of capacity building to improve it
- Should be **long-term goal** of all system participants; however, realistically this is not something that can be achieved in the short-term, nor should we try as it will cause significant disruption in system
- Advocating for a **new framework for sustainable capability development**
- **Four guiding principles** as a package deal: all inter-linked & each component must be fully present for the framework to succeed in driving meaningful change – cherry-picking some parts while leaving others out will result in a significantly diluted impetus for change
  - A clear **focus on capability** development
  - A **problem-led approach** → starting with the problem that requires solving – rather than the capacity of the individual (or an apparent solution).
  - **Co-production and inclusion** at all points in the system
  - A **whole-municipality** (fully integrated) approach

NEW CDPL FRAMEWORK

ALL PHASES ARE BASED ON INTEGRATION: HORIZONTAL, VERTICAL, INTERNAL & EXTERNAL

DIAGNOSIS: WHY ARE WE FAILING TO MEET OBJECTIVES?

Evidence: Comprehensive & empirical, based on observation and both expert and local input

causal linkages

Progress: Against pre-determined indicators

ASSESS-MENT OF PROGRESS

DESIGN: WHAT NEEDS TO BE DONE?

Principles:
- Sequenced
- Buy-in/ commitment/ cooperation
- Includes progress indicators that reflect objectives (not inputs or activity)
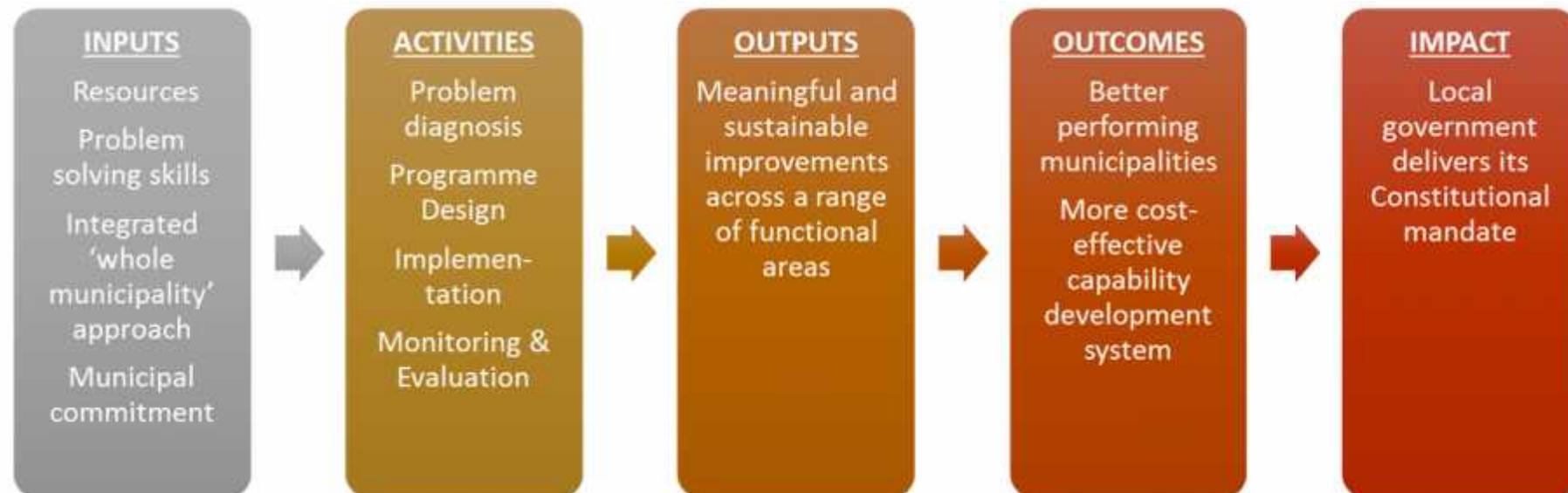
IMPLEMEN-TATION

Principles:
- Long-term commitment
- Cooperation
- Agility/flexibility
- Monitoring

- Proposed Capacity Development Problem Led (**CDPL**) Framework Lifecycle
- Different from current approach in **all aspects of cycle**

NEW CDPL FRAMEWORK

- Indicative theory of Change under CDPL Framework

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES	IMPACT
Resources Problem solving skills Integrated 'whole municipality' approach Municipal commitment	Problem diagnosis Programme Design Implemen-tation Monitoring & Evaluation	Meaningful and sustainable improvements across a range of functional areas	Better performing municipalities More cost-effective capability development system	Local government delivers its Constitutional mandate

- To realise meaningful & sustainable change in ability of LG to deliver its mandate (impact), need to **focus on new kinds of activities** for better outputs & thus outcomes

- **No best practise blueprint** somewhere that can simply be adopted – instead CDPL framework has to be built from the ground up, specifically & intentionally designed to address particular problems, in a particular environment – if is not a home-grown solution, it will not work

- Attributes of institutional arrangements – **integrated** across 3 spheres, inter- & intra-departments, focusing on **problem-solving** not mandate delivery – accommodates decentralised decision-making and differentiated responses

TWO-PRONGED STRATEGY

- Two-pronged strategy to be implemented simultaneously

1. Steady but **incremental improvements** to the current system
   - Improve **expenditure reporting** across the system
   - Improve '**destination' reporting**
   - More **targeted data** collection from municipalities
   - **Streamline** existing grants & programmes
   - Increase opportunities for **learning**

2. Small number of **pilot sites for innovation** and experimentation
   - Get broader **buy-in** of a radically different approach
   - Try out different kinds of problem solving processes – public sector **innovation labs**

POST-DIAGNOSTIC REVIEW ACTIONS BY NT

- Review adopted by NT Exco in December 2021 (this contains suggested next steps for NT: advocacy for CD orientation, improving data, identifying & implementing learning opportunities & innovation labs)

- Review document finalised with minor amendments in February 2022 & released (launch planned for May)

- IGR sponsored NT-internal process to identify a Capability Development Programme for NT
  - Interviews with 10 units across NT units responsible for different components of LG & CB in mainly IGR & OAG + also PTs, PCOGs, DBSA, MISA & DCOG & municipalities
  - Workshop to collectively agree Way Forward with NT units to design programme

- Highlights of emerging CD Programme
  - Change management approach to tackling systems within system, & not just a technically-driven programme, starting with the NT
  - Build on existing NT work & seek improvements in CB in parallel with new initiatives in CD space
  - Draft outcomes
    - Effective, accountable leadership for coordination & collective action
    - Effective long-term organisational wide approach for LG CD
    - Learning environment

- Still gaps—especially DCOG's upcoming integrated strategy for the NCBF

- GTAC consolidating all inputs so far for CD programme for NT for IGR for discussion April

FOR YOUR COPY OF DIAGNOSTIC REVIEW & ENQUIRIES

- **GTAC**: Li Pernegger, Local Government & Governance Specialist (li.pernegger@gtac.gov.za)

- **PARI**: Tracy Ledger (tracy@pari.org.za)

- **IGR**: Letsepa Pakkies, Local Government Fiscal Framework Director, Intergovernmental Policy and Planning, IGR, National Treasury (letsepa.pakkies@treasury.gov.za)