

INCLUSIVE LOCAL ECONOMIC DEVELOPMENT FOR EFFECTIVE SERVICE DELIVERY IN HIGH-RISK MUNICIPALITIES

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Abstract:

High-risk municipalities in South Africa are identified by their inability to render public goods and services owing to their almost dysfunctional operating systems and structures. Such municipalities are in financial distress and struggle to ensure inclusivity in implementing Local Economic Development (LED) projects that target poverty alleviation in impoverished communities. To understand how high-risk municipalities, expose citizens to dire poverty and inequalities, the study draws from an interpretive paradigm that allows for the use of a qualitative approach. A critical discourse analysis (CDA) was adopted to examine the implementation of various LED programmes in South African high-risk municipalities to alleviate poverty and promote socio-economic development. Peer-reviewed journal articles were used to validate the discussions emanating from the extensive document review. Findings derived from the study have shown that LED strategies as poverty alleviation techniques in high-risk municipalities have been met with several challenges. These include coalition politics, skills shortage, poor financial accountability, lack of compliance with legislation, weak oversight structures, poor strategic planning and budgeting skills including lack of monitoring and evaluation of the LED programmes. Derived from this study is that in high-risk municipalities, dedicated budgets are required to support municipal officials' training and development, which is critical for driving inclusive LED and poverty reduction programmes. Inclusive citizen participation in LED projects is fundamental for creating the citizen's sense of gain while triggering innovative capacities that lead to employment regeneration. Conclusions drawn for this paper indicate that regular monitoring and evaluation are key to ensuring that systems and structures of high-risk municipalities become responsive to the needs of citizens while accelerating developmental local government in South Africa. The study recommends co-production in the form of active stakeholder networking of public officials since fostering close ties with the mutually beneficial private sector through Public-Private Partnerships (PPPs) can help enhance public service delivery in high-risk municipalities.

Key words: Local Economic Development, Service Delivery, Risk Municipalities, South Africa

JEL classification: H83, I38, Q28

1. INTRODUCTION

The need to effectively render public goods and services has become prominent and a mandate for local government in South Africa. The White Paper on Local Government (1998) mandates local municipalities to deliver public goods and services in an effective, efficient and accountable manner. However, over the past decade, various local municipalities in South Africa have been failing to uphold this role which impacted negatively on local economic development (LED) in local municipalities. Various institutional factors as noted by Mkhize and Mutereko (2022) are attributed to the failure of local municipalities to ensure inclusivity and development in LED programmes which also results in them receiving adverse audit opinions from the Auditor General of South Africa (AGSA). The audit reports from the Auditor General South Africa, in the past five years, have shown repeated transgressions from local municipalities as they fail to uphold, good financial accountability, compliance with legislation among other imperatives that may help local municipalities to escape the high-risk category. The importance of LED in local municipalities is that it allows development projects to be rendered to communities which is a step towards alleviating poverty and generating employment among vulnerable households towards achieving National Development Plan Vision 2030. According to Nel and Rogerson (2005), LED has become a well-established component of South Africa's development scene; nonetheless, the number of LED projects that fail is far too high. LED strategy failure is linked to severe resource and skill

restrictions, which are exacerbated by a lack of strategic guidance, facilitation, and role models. Rigid ordinances, near-bankruptcy, a lack of trained personnel, and the absence of any significant body to provide extensive support and advice to local government are frequently impediments to progress (Nel and Tykkylainen, 1998).

In Public Administration, LED is described as the process by which local governments and/or community-based organisations manage their existing resources and enter into partnership arrangements with the private sector or with one another to create new jobs and stimulate economic activity in an economic area (Zaaijer & Sara, 1993, p.129). This definition extends the role of LED to stakeholders such as community-based groups and the private sector which show the need for inclusivity in ensuring that development is delivered to needy communities in South Africa. While the broader aim is to ensure that jobs are created and economic activities are stimulated, this article argues that access to resources is another missing key that the national government needs to leverage to enable local municipalities and stakeholders to adequately deliver basic needs to the citizens as enshrined in Chapter 2 of the Bill of Rights in South Africa. As a way of reducing poverty and curbing vulnerability in local communities, the government of South Africa advocates for the implementation of inclusive LED programmes that economically empower citizens residing in distressed rural and urban communities. Echoing the above statement, Rogers et al. (2008), contend that poverty must be reduced by meeting the basic needs hence a strategic assessment of policies and plans must be undertaken to ensure that LED policies are responsive to the needs of communities. Local governments in South Africa are required to create LED policies that support job creation, reduce poverty, and raise household income following the White Paper on Local Government (1998). Infrastructure development, company growth and retention, export promotion based on a municipal geographic comparative advantage, economic development, and local government transformation must all be a part of the LED strategies and programmes. Investment in Small, Medium, and Micro Enterprises (SMMEs) or budding entrepreneurs may also be part of the initiatives. However, many obstacles prevent the government from reducing poverty through LED; these issues will be covered in more detail in the sections that follow.

Every year the Auditor General of South Africa expresses great concern over the deteriorating state of local municipalities. In the Department of Cooperative Governance and Traditional Affairs (COGTA) report (2022) where municipalities are categorised to be at high risk, there is a problem of poor service delivery associated with the absence of accountability, transparency and lack of compliance with legislation governing financial reporting in local municipalities. Adverse audit opinions are yearly provided to transgressing and risky municipalities which trigger various service delivery inefficiencies since such municipalities are often placed under provincial administration. Drawing from this narrative, the researcher observed a gap in terms of weak internal controls in high-risk municipalities which are detrimental to public service delivery. The exclusion of citizens in decision-making and other Integrated Development Planning (IDP) forums triggers poor provision of basic services. This research is conducted to advocate for the proper implementation of LED projects which are vehicles for rendering social and economic development to the marginalised citizens in communities. The research is of significance to high-risk municipalities in South Africa and it can assist local government planners in such municipalities on how LED projects can be effectively implemented to alleviate poverty and champion other entrepreneurial ventures that culminate in the upliftment of citizens in high-risk municipalities. Drawing from the Theory of Change, this research seeks to achieve the following objectives: to determine the nature and characteristics of high-risk municipalities to how they affect inclusive LED and to assess the factors affecting high-risk municipalities to achieve inclusive LED in South Africa.

The theoretical and empirical literature is discussed after the introduction followed by an overview of municipalities according to the level of risk in South Africa. The section after unpacks the AG Report (2021/22) focuses on key issues that may affect inclusive LED and municipal service delivery followed by the study methodology. The following section discusses the results focusing on some of the factors affecting inclusive LED and service delivery in high-risk-

municipalities in South Africa. The last section concludes and provides recommendations and direction for further research.

2. THEORETICAL AND EMPIRICAL LITERATURE

The study is based on the Theory of Change (ToC), a programme management theory that could potentially be used to evaluate LED implementation in high-risk municipalities in South Africa. The Theory of Change (ToC) evolved from the discipline of programme theory and programme assessment as a technique of analysing the theories that motivate programmes and initiatives working for political change. To address the failure of LED methods in South African local government, the ToC as a programme theory offers a programme evaluation that is critical for examining the ideas that motivate programmes and initiatives working for social, economic, and political transformation. According to Brest (2010, p.173), the ToC is more than just generating knowledge or determining whether a scenario is effective; it also describes how and which strategies can be employed to improve the effectiveness of a development programme. The TOC is critical in this study since it explores the implementation of an inclusive LED to address service delivery gaps in South African high-risk municipalities. Nel and Rogerson (2007), assert that LED has become a well-established component of South Africa's development scene, although the number of LED projects that fail is far too high. To combat high levels of poverty, the South African government established LED programmes in local governments to assist underprivileged communities. According to Rogers, Jalal, and Boyd (2008, p. 31), poverty must be alleviated by addressing basic requirements. Municipalities are expected to develop LED plans that support job creation, poverty alleviation, and household income growth. Infrastructure enhancement, company expansion and retention, export promotion based on a municipal geographic comparative advantage, economic development, and local government change must all be included in LED policies and programmes. Investment in SMMEs or the development of entrepreneurs are also possible strategies although numerous challenges are experienced in high-risk municipalities to allow LED to empower the people and enhance their living standards.

3. CATEGORISATION OF MUNICIPALITIES IN SOUTH AFRICA

High-risk municipalities in South Africa emerge following a report tabled to the parliament portfolio committees by the Cooperative Governance and Traditional Affairs (Cogta) that indicates that several municipalities in South Africa were in dire financial straits. As noted by the BusinessTech (2020) municipalities are grouped into four main clusters with different colours are:

- High-risk dysfunctional (Red);
- Medium risk (Orange);
- Low-risk (Yellow); and
- Stable (Green).

Most importantly, these categories are determined based on several indicators such as their political situation, the state of their governance, and their financial management including the level of service delivery. The table below shows the indicators for municipalities in terms of their risk in South Africa. Four aspects: Political, Governance, Administrative, Financial Management and service delivery are explored to assess the status of a municipality in South Africa: the category ranges from, high-risk/dysfunctional, medium-risk, low risk and stable municipalities. a detailed description of these categories is given below:

Table 1. Risk Category and State of Local Government: Indicators

State of Local Government : Indicators					
	Political	Governance	Administrative	Financial Management	Service Delivery
HIGH RISK DYSFUNCTIONAL	<ul style="list-style-type: none"> In-fighting in councils Intra-political party divisions in council Divisions in caucuses External political interference in councils Persistent & frequent section 139 interventions (esp. on dissolution of councils) 	<ul style="list-style-type: none"> Council not meeting as regulated Committees of council not meeting Council taking wrongful decisions No oversight by council on administration Poor and weak decision-making by council Councilors unduly interfering in administration No consequence management on corruption, maladministration, nepotism & poor performance Frequent Labour disputes and disruptions Poor public participation processes 	<ul style="list-style-type: none"> Vacancies in key positions Bloated structures Poor performance management and lack of consequence management Non-compliance: legislation, regulations and policies 	<ul style="list-style-type: none"> Unfunded budget Incapacitated and incompetent Budget & Treasury Offices (BTO) Excessive salary bills Non submission or late submission of annual financial statements Disclaimer & adverse audit outcomes High debt to utilities and statutory obligations Flouted SCM processes Poor collection of revenue 	<ul style="list-style-type: none"> High basic services backlogs High number of informal settlements No maintenance of infrastructure resulting in water and electricity supply interruptions and poor water quality No technical capacity Gaining service delivery issues Perennial poor infrastructure grant expenditure Persistent service delivery protests Poor response: service delivery complaints Court actions by interest groups on poor service delivery
MED RISK	<ul style="list-style-type: none"> Minimal in-fighting in council Elements of factionalism Regular Section 139 interventions 	<ul style="list-style-type: none"> Council meeting as scheduled with some external interruptions Reports on maladministration identified but not acted on by council Oversight conducted not fully effective Public participation not fully effective 	<ul style="list-style-type: none"> Vacancies in some key positions Structure not fully respondent to municipal needs Compliance to applicable legislation, regulations and policies not fully met 	<ul style="list-style-type: none"> BTO not fully capacitated – vacancies in some positions Financial management policies in place, not fully implemented Weak revenue collection Debt owed to utilities & statutory obligations not fully services Annual financial statements late Qualified audit outcomes 	<ul style="list-style-type: none"> Basic services backlogs not fully met Repairs and maintenance not fully executed due to capacity and budget Infrastructure grants not fully spent Frequent service delivery protests Inadequate response to service delivery complaints
LOW RISK	<ul style="list-style-type: none"> Robust and functional Council No intra-party political divisions 	<ul style="list-style-type: none"> Council meeting as scheduled with no undue external influence Reports on maladministration identified 	<ul style="list-style-type: none"> Vacancies in key positions Structure not respondent to municipal needs Compliance to applicable legislation, regulations and policies not fully met 	<ul style="list-style-type: none"> Weak revenue collection Debt owed to utilities & statutory obligations not fully services Reliance on consultants for Annual financial statements 	<ul style="list-style-type: none"> Repairs and maintenance not fully executed due to capacity and budget Incapacity to response to service delivery complaints
STABLE	<ul style="list-style-type: none"> Cohesion in council Functional caucus No intra-party political divisions No section 139 interventions over 5 year period 	<ul style="list-style-type: none"> Council meeting regularly, as regulated Council adopts IDP, budget, policies, annual financial statements on an informed and efficient basis Council provides effective oversight over administration 	<ul style="list-style-type: none"> Structure fully respondent to municipal needs No vacancies in key and senior positions (positions occupied by competent individuals) Full compliance with legislation, regulations and policies 	<ul style="list-style-type: none"> Fully funded budget Functional BTO Effective application of credit control and debt collection policies No or minimal outstanding debt to utilities & statutory obligations 	<ul style="list-style-type: none"> Community consultation on service delivery priorities Well capacitated and efficient infrastructure services department Uninterrupted delivery of services due to well maintained infrastructure Quick response and turnaround time to service delivery complaints Infrequent service delivery protests

Source:BusinessTech, 2020.

As noted from the above table, in high-risk municipalities, infighting, divisions, and political interference are rampant as compared to medium-risk municipalities, and other low-risk municipalities where gaining stability is the main motive. Further oversight structure and poor governance, as depicted in the table, affect high-risk municipalities which may affect the implementation of LED programs due to weak internal structures that expose the municipalities to corruption, poor administration and poor service delivery in communities. Overall, high-risk municipalities require drastic transformative measures to ensure that citizens residing in such communities can receive quality basic services. This can be achieved among other things by implementing some of the AG audit opinions including change management to strengthen the oversight and internal control systems.

4. OVERVIEW OF AUDITOR GENERAL SOUTH AFRICA REPORT 2021/22

The term high-risk in South Africa was coined following the repeated transgressions by local municipalities which made the CoGTA and Auditor General view such failing municipalities to be at high risk and nearing the dysfunctional state in terms of rendering basic goods and services. In South Africa, high-risk municipalities are characterised by poor provision of water, sanitation, infrastructure, poor financial governance and reporting, weak oversight structures and there is largely a lack of compliance with legal provisions guiding municipal management in South Africa.

State institutions that enable constitutional democracy are outlined in Chapter 9 of the South African Constitution (1996). The AG office is mandated by Section 188(1) to audit and report on the accounts, financial statements, and financial management of all local governments as well as national and provincial state departments and admirations. Every year the AG report is unveiled with worrying trends due to their failure to uphold basic principles of governance. This year out of

the 277 local municipalities in South Africa only 37 managed to get clean which is worrying given the dire need for public services and goods in local communities (AGSA, 2021/2022).

The AG Report (2021/22) reported that concerning compliance with Municipal Finance Management Act (MFMA) 2003, the majority of municipalities continue to deteriorate concerning financial health as consumers were not paying their bills although a greater proportion of the blame is laid on poor financial management and accountability. Poor revenue collection is another impediment to municipalities as they fail to bill consumers properly which also results in unfair and uncompetitive procurement practices, in some cases, citizens complaining of overbilling or receiving bills for services not received. These observations resonate with a study conducted by Shava (2020) where poor revenue collection was regarded as an attribute of poor service provision in rural municipalities in South Africa. Further, the AG report (2021/22) indicates that poorly managed local government finances affect the capacity of local municipalities to efficiently render public goods and services. Other challenges relate to poor oversight, accountability and lack of transparency with legislation which are prominent problems recurring since 2016 in local municipalities in South Africa. Further analysis of the AG report (2021/22) indicates that weak institutions triggered instability as poor governance plunges local municipalities into financial distress. Despite the widespread urge to adopt modern technologies in government, the use of information communication technology (ICT) in South African local government was reported to be very low by the Auditor General. This could have been triggered by poor planning in local municipalities and limited staff capacity to adopt ICTs to improve information dissemination and efficiency in service provision. Drawing from this discussion it can be argued that ensuring inclusive LED can be a challenge, although local municipalities can address this by upholding accountability and transparency in municipal finance management which is critical for ensuring citizens and stakeholder trust in public service delivery. Enhancing financial reporting and accountability helps stabilises municipal finances, and reduce the marginalisation and poverty gap in local communities.

Audit outcomes-municipalities

This section describes the nature of an audit opinion a municipality in South Africa can receive from the AG. These terms are elaborated below:

Unqualified audit: this means financial statements do not have material misstatements. Findings have been raised on either reporting on preset objectives or non-compliance with legislation, or both of these aspects, unless AGSA expresses a clean audit outcome.

Clean audit: This means there are no misrepresentations in the financial statement hence a financially unqualified audit opinion and there are no material findings on reporting on performance objectives or non-compliance with legislation.

Adverse Audit: describes financial statements that have errors but are not limited to specific amounts (rands), or the errors that contribute to a substantial part of the financial statements.

Qualified audit: There are specific sums in the financial statements that have major misstatements, or there is not enough information to support the AGSA's conclusion that such amounts are not materially misstated.

Disclaimed audit: To form an audit opinion, the auditee did not provide sufficient documentation. It does not only pertain to specific sums or a sizable section of the data in the financial statements that lacks appropriate support.

Based on the audit categorisation it can be noted that in local government, qualified, disclaimed and adverse audit outcomes are not reflective of a well-run municipality which may also affect the implementation of inclusive LED. In this sense, local municipalities that fail to receive clean audits must strive to implement the recommendations from the AG which may help improve the financial health and integrity of local municipalities.

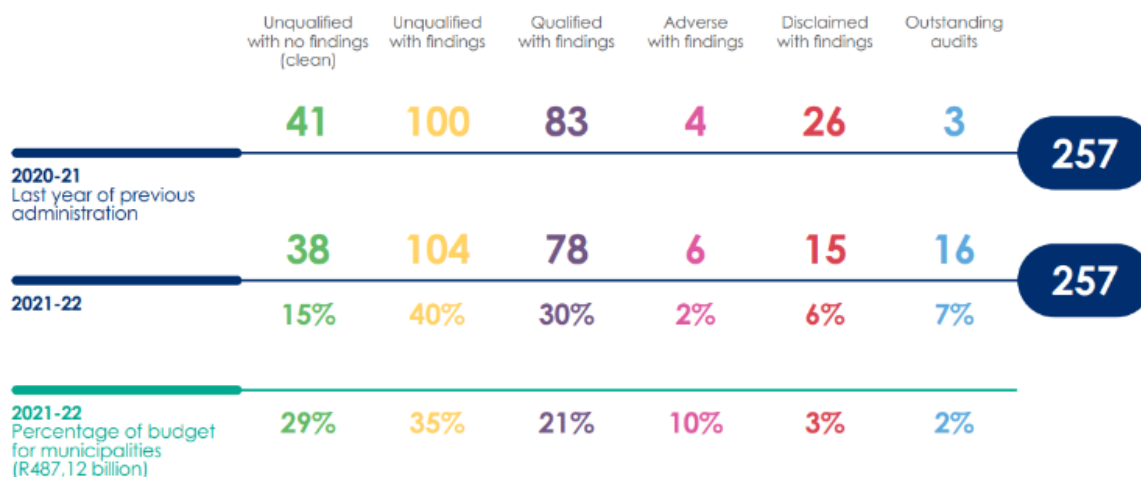


Figure 1. Municipalities at risk

Source AGSA, 2021/22.

Figure 1 above provides statistics regarding the state of findings (audit outcomes) revealed in the Auditor General Report 2021/22. Based on the figure above it shows that 70 municipalities are nearing financial distress and immediate attention is required to avoid such municipalities falling into the high-risk category where they will be dysfunctional. It shows further that 41 of the 70 municipalities have retained their position consecutively in the last five years or more. Worryingly from the AG Report (2021/2022) about 217 municipalities had weak financial statements that received adverse or disclaimed opinions with accounted for 56%. Indicators from this analysis show that such municipalities are in financial distress and may be categorised under the high-risk category in the event corrective measures are not implemented. Drawing from this analysis, LED programmes in highly risky municipalities may not be implemented effectively which may trigger other social-economic challenges to many local municipalities in terms of service delivery and economic empowerment. It remains evident that municipalities that are in the medium-risk category persistently fail to comply with some of the audit opinions of the AG, poor development can be experienced in communities as poor financial reporting and complaints with legislation such as MFMA are likely to be experienced. The researcher argues that, escaping the risk category demands local municipals to implement principles of good governance that direct good financial governance, adherence to legislation and general municipal accountability.

5. METHODOLOGY

To explore the factors affecting inclusive LED in high-risk municipalities, the researcher adopted an interpretive paradigm that utilised a Critical Discourse Analysis (CDA) to effectively scrutinise the audit outcomes of the recent (2021/22) Auditor general report for South African municipalities, peer-reviewed journal articles on LED and service delivery including other eclectic sources on the subject. Although language is the heart of CDA, Van Dijk (2007) affirms that CDA also focuses on understanding a social problem, instead of only scholarly paradigms. In qualitative studies therefore CDA is influential in understanding and solving problems with any theory or method that is deemed relevant. In this sense, Fairclough (2001) regards CDA as a transdisciplinary

approach that has a “dialogical relationship with other social theories that could engage with them in a transdisciplinary rather just interdisciplinary way’. Due to its flexible nature, the CDA adopted in this study assists in understanding the linkages between the AG reports and other peer-reviewed literature on LED, inclusive development and service delivery. By examining the relationship, the CDA brings a much broader analysis that helps the researcher to draw documentary findings to complete this paper. Further, the rationale for selecting secondary sources emanates from the idea that the LED landscape in local municipalities in South Africa is largely affected by many factors most of them highlighted in the AG report. Therefore, CDA will allow texts to be analysed and narratives to be examined to draw meaningful conclusions regarding the subject under review.

6. DISCUSSION OF FINDINGS

This section discusses the factors affecting inclusive LED in high-risk municipalities in South Africa.

6.1 Coalition politics and LED

The critical review of documents has confirmed the lessons observed from the literature survey regarding the implementation of LED in high-risk municipalities. Studies conducted in South Africa by Wissink & Reddy (2022) and Mutereko (2022) indicated the widespread practice of coalition politics, as largely contributing to the ineffectiveness of LED projects due to several governance challenges in high-risk municipalities. The management and governance instability challenge emanating from coalition governments was observed by Mutereko (2022) as detrimental to changes in policy and LED implementation process which has further widened the poverty and inequalities in local communities. Through Critical Discourse Analysis, various existing challenges such as skills shortage, poor financial accountability, lack of compliance with legislation, weak oversight structures, poor strategic planning and budgeting skills including poor monitoring and evaluation of LED programmes were revealed (Mkhize & Mutereko, 2021). Most importantly, there is the absence of co-production in which citizens are partnered with and consulted regarding the type of LED project that could be offered in their communities. This triggers social and economic exclusion as inconsistent LED projects are often implemented in communities which triggers community discontent and the demise of LED projects. Managing coalition politics is fundamental to ensuring inclusivity and sustainability when implementing developmental LED programmes that improve the lives of citizens in communities.

6.2 Capacity building to enhance LED programmes

The Skills Development Act (1998) in South Africa gives a platform for government entities such as local municipalities to develop a framework that promotes the capacity building of municipal officials in LED programmes. Audit opinions from the AG Report (2021/22) show that local municipalities in South Africa utilised billions of Rands each in outsourcing capacity building with many municipalities failing to achieve a clean audit. Worryingly is the fact that municipal budgets are strained in the quest to enhance the capacity of officials who in some cases fall back on acquiring the needed competencies and skills due to either short-term training from consultants or the incompatibility of some capacity-building programmes with what is required to enhance service delivery. Research in South Africa has shown the need to revisit the whole outsourcing idea in local government although such thoughts are quickly dismissed by the growing shortage of skills in local government due to the brain drain of skilled professionals to the private sector and other countries (Mthembu & Mutereko, 2021). While capacity building is key to revamping the skills of municipal officials a study conducted in the City of Johannesburg by Shava and Doorgapersad (2023) revealed that capacity-building programmes in local government are not uniform, they depend on what skill a particular department requires at any given time. From the foregoing narratives, to enhance the

implementation of LED programmes in high-risk municipalities, there is a need for continuous learning and retraining of municipal officials taking into consideration the trends and shocks triggered by the economic, technological including political environments. For instance, capacitating officials in the use of ICTs is reliable given the changes in the external environment triggered by the ‘unstoppable’ Fourth Industrial Revolution (4IR). High-risk municipalities are expected to gazette as part of their municipal planning the need to embrace ICTs and digital technologies that can be useful in communication with citizens and offer support to municipal officials to effectively execute their mandates in LED to enhance community service delivery (Shava & Vyas-Doorgapersad, 2021). Nevertheless, Abdulai (2021) warns of the ineffectiveness of human resource management in adequately staffing competent municipal officials who can render LED programmes towards improving service delivery in communities. Dodo (2017) observes the same sentiments arguing that the absence of technical and managerial expertise triggers poor municipal finance management and reporting which opens doors to corruption and other mismanagement issues in the local government. Apart from these contestations’ capacity building is fundamental in the implementation of LED in high-risk municipalities as communities rely on these state agencies to receive quality services.

6.3 Financial monitoring and accountability in LED

Section 155(7) of the Constitution of South Africa (1996) mandates national and provincial governments to execute executive authority and legislative roles whereby they act as watchdogs over local municipalities to ensure that services are rendered in line with schedules 4 and 5 of the Constitution. In addition, Chapter 10 of the constitution including section 195 informs the need for accountability in public administration as a requisite to uphold transparency and opens with regards to public expenditure. Nevertheless, the audit opinion from the recent AG Report (2021/2022) painted a bleak picture of the state of accountability previously highlighted financial transgressions were never corrected which exposes more municipalities to be at risk. The absence of financial monitoring and accountability is worrying in local municipalities as it affects various LED programmes that are aimed at poverty alleviation and employment generation in South African communities. Although legislative prescripts such as the Municipal Finance Management Act (MFMA Act 56 of, 2003) exist to direct the proper management of municipal finances, local government in South Africa is in a state of disarray which calls for municipal transformation in terms of governance to ensure the LED programmes are effectively executed which is fundamental for municipalities to escape the high-risk status which forces COGTA or provincial government to place such municipalities under administration. Further, section 165 of the MFMA provides for every municipality to develop an internal audit unit that reports to an audit committee on issues related to internal controls, risk, performance management and compliance with prevailing legislation. Implementing these provisions has been a challenge in medium-high risk municipalities as the AG report, for instance, reports on the deteriorating state of financial reporting in local government which require stringent measure to be undertaken to ensure that LED programmes are effectively implemented using the strong municipal structure that is not only dependable in the public eye but is also accountable to the taxpayers.

6.4 Compliance with legislation guiding LED

The operations of local municipalities are guided by various legislative frameworks such as MFMA (2003) which provide a platform for sound financial governance. Such legislation directs proper reporting and accountability procedures when it comes to municipal finances. Nevertheless, the lack of compliance with legislation such as MFMA has become rampant as evidenced in the AG Report (2021/22). In high-risk municipalities service delivery is almost non-existent and such municipalities are often subjected to or placed under administration. Having an administrator running a local municipality indicates the extent of risk which in turn affects the delivery of basic

needs to the citizens in local communities. Further, the lack of compliance with legislation affects the implementation and sustainability of LED projects which are targeting impoverished rural citizens. Research conducted by Moji et al. (2022) confirms that local municipalities in South Africa are struggling to comply with legislation guiding the management of municipal finances, including stakeholders in municipal affairs among others. This contributes to high-risk municipalities in particular failing to effectively deliver LED programmes that can benefit the general citizens in their jurisdictions.

6.5 Weak oversight structures in LED

In local government, the role played by oversight structures is key to the overall management and effective provision of public goods and services. Weak oversight structures in most cases open doors to corrupt tendencies and manipulation of municipal management systems which may impede institutional integrity and service delivery at large. A skills audit by the Department of Cooperative Governance and Traditional Affairs COGTA (2023) revealed that 300 local government councillors in KwaZulu Natal cannot read or write. While this is more worrying for local government oversight and service provision, the AG Report (2021/22) confirms poor oversight in local government as a detriment to compliance with legal frameworks guiding good financial management of local municipalities. Although local municipalities are mandated by section 79 committees to play an oversight role, several local municipalities are failing due to either a lack of political will, capacity or systematic deviation from the prevailing legislation on local government management. The challenges emanating from weak oversight affect the implementation of LED projects in various high-risk municipalities. Transparency International (TI) (2022) affirms the danger weak oversight structures trigger in terms of corruption as public funds are embezzled due to poor auditing systems which ultimately affect the LED programmes and general service provision. In this case, high-risk municipalities need to harness their administrative and political capacities to ensure that, oversight structures function in a manner that avoids risks, and curbs any illicit financial outflow in local municipalities through unwarranted procurement procedures. A study by Kraai (2017) adds that oversight structures such as Municipal Public Accounts Committees (MPACs) act as watchdogs in local municipalities hence their role needs to be reinforced to ensure that municipal officials execute their roles by upholding good governance principles. Upholding good principles of governance can enable high-risk municipalities in South Africa to implement LED projects in an accountable and effective manner for the ultimate benefit of local communities.

6.6 Skills deficit in implementing LED projects

Recent research has shown that South African local government is losing municipal employees due to emigration and high employee turnover as skilled employees in various fields choose to join the private sector where the rewards systems are more attractive as compared to the public sector (Thusi & Chauke 2023). This high employee turnover has triggered a severe skills shortage which has resulted in poor service delivery in most high-risk municipalities. The result from the AG Report (2021/22) reflected on the absence of skills to implement the audit outcomes which led municipalities to repeatedly transgress and fail to comply with AG recommendations. Findings from the document review revealed that the skills deficit has caused many local municipalities to not comply with legislation guiding the implementation of LED programmes in South African local municipalities. Although Local Government Sector Education and Training Authorities (LGSETA) exist to provide training to municipal officials in various local municipalities, the AG report (2021/22) revealed poor compliance which confirmed a lack of project management skills to drive LED projects. This deficit which may be attributed to brain drain negatively affects the achievement of inclusive LED in high-risk municipalities which widens the poverty gap. 'Troubled' local municipalities that are at high risk fail to attract competent skills to

drive LED hence perpetuating poverty and inequalities in South African communities (Ngumbela, 2021).

7. CONCLUSION

The study examines the implementation of inclusive LED to achieve effective service delivery in high-risk municipalities in South Africa. The study employed a Theory of Change to assess the key audit opinion outcomes from the recent AG report 2021/22 and other peer-reviewed journal articles on LED and public service delivery. The rationale was to analyse how inclusive LED can be attained in high-risk municipalities through the adoption of the AG recommendations that target improved performance in project implementation and general municipal management. The conclusions drawn for this paper indicate that regular monitoring and evaluation are key to ensuring that systems and structures of high-risk municipalities become responsive to the needs of citizens while accelerating developmental local government in South Africa. Further deductions have shown that to avoid and escape the risk status, local municipalities should function as learning organisations which gives room for further learning and training of municipal officials to improve their competence in LED projects. Implementing the audit outcome from AG requires political will, a shortage of mindsets and compliance with legislative prescripts on governance and financial accounting, which helps in improving budgeting and reporting strategies concerning public finances. As propagated in the theory of change, transformation is required to enable local municipalities to render public goods and services to communities which are also fundamental for achieving Sustainable Development Goal 2 (Zero Hunger). Consequent management is also required for high-risk municipalities that repeatedly transgressed which is crucial for enhancing the implementation of LED for the benefit of local communities. Deriving from the study conclusion, the researcher recommends co-production in the form of active stakeholder networking of municipal officials since fostering close ties with the private sector through mutually beneficial Public-Private Partnerships (PPPs) can help achieve stable municipalities and enhance public service delivery in high-risk municipalities.

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