



*Measuring*  
**TRANSPARENCY,  
PUBLIC PARTICIPATION  
*and* OVERSIGHT**  
in the budget processes  
of South Africa's  
Metropolitan Municipalities

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*Findings from the 2019  
Metro Open Budget Survey*

The International Budget Partnership-South Africa (IBP South Africa) and the Dullah Omar Institute are pleased to publish the findings of the Metro Open Budget Survey (Metro OBS) for 2019. This report first provides a brief overview of the focus and objectives of the Metro OBS. It then lists the key findings of the Metro OBS across the five metropolitan municipalities under assessment. Next, it briefly describes the Metro OBS standards which are based on generally accepted international good practices on public finance management. What then follows is a presentation of the results of the Metro OBS, with respect to the three pillars of budget accountability; namely transparency, public participation, and oversight. This analysis includes proposed ways in which performance can be improved. Lastly, the report provides an overview of the methodology and the future of the Metro OBS, as well as acknowledgements.

# 1.

## The Metro Open Budget Survey in a nutshell

The Metro Open Budget Survey (Metro OBS) is modelled on the global Open Budget Survey (OBS) initiated by the International Budget Partnership in 2006. The OBS is an independent, comparative assessment of budget accountability: transparency, oversight, and public participation. The global OBS has been conducted six times and evaluates national government budget processes in 115 countries across six continents.<sup>1</sup> The Metro OBS goes a level deeper by applying the OBS methodology to local government, and assesses five of the eight metropolitan municipalities (metros) in South Africa: City of Cape Town, City of Johannesburg, City of Ekurhuleni, eThekweni Municipality, and Nelson Mandela Bay Municipality.

### Why do we need the Metro OBS?

Budget accountability rests on the three pillars of public participation, strong formal oversight, and budget transparency. Evidence from around the world, including South Africa, shows that when there is public participation in budget decision making and systematic oversight, it can lead to better policy choices, deeper public trust in government, and stronger accountability for the use of public money to provide services on the ground.<sup>2</sup> Assessing the extent to which metros are facilitating accountability is an important step towards improving practice.

### Why focus on the Metropolitan Municipalities?

In the context of rapid urbanisation, the metros play a significant role in determining the quality of life of millions of households. According to South Africa's Integrated Urban Development Framework<sup>3</sup> it is estimated that by 2030, almost three-quarters (71.3 percent) of the country's population will live in urban areas. Housing shortages will leave a growing proportion of the urban poor with little choice but to live in informal areas and remain heavily reliant on government services. For these households, their ability to engage government about budgets for basic services in their areas is very immediately shaped by the capacity of municipalities to facilitate participation, oversight, and transparency in the budgeting process. The Metro OBS 2019 aims to inspire improvements in these areas by highlighting both the challenges and opportunities for achieving greater budget accountability in metropolitan municipalities in South Africa. Ultimately the improvements will help metro governments, and the people that they serve, to respond to the urban budget and service delivery challenges that will engulf cities in the next decade.

<sup>1</sup> For more on the international Metro Open Budget Survey, please visit this website: <https://www.internationalbudget.org/open-budget-survey/>

<sup>2</sup> A 2015 research study, 'The Impacts Of Fiscal Openness: A Review Of The Evidence' conducted by Paulo de Renzio and Joachim Wehner, found that fiscal openness can be associated with the quality of the budget in terms of macro-fiscal outcomes, resource allocation, and service delivery, as well as wider governance and development outcomes. This research paper is downloadable at: <https://www.internationalbudget.org/publications/the-impacts-of-fiscal-openness-a-review-of-the-evidence/>

<sup>3</sup> COGTA. 2016. Integrated Development Framework. Available online <https://iudf.co.za/download/2016-integrated-urban-development-framework/?wpdmdl=238&refresh=5dbadb387ac41572527043>



### Monthly budget statements

Monthly budget statements are the summary reports on the state of the municipality's budget presented to the municipal council. The reports present actual expenditure, revenue, and borrowing (amongst other items) for the month just completed, and aggregate expenditure, revenue, and borrowing for the year to date.

### MTREF

The Medium Term Revenue and Expenditure Framework (MTREF) is the municipality's budget estimates for the next three years (medium-term). It allows annual rolling revenue and expenditure planning, that links the medium term expenditure priorities to the hard budget constraints of the municipality.

### Section 79 council committees

These are municipal council committees, appointed in terms of Section 79 of the Municipal Structures Act. Section 79 committees are chaired by a 'non-executive councillor', i.e. a councillor who is not on the municipal executive. In that sense, they are similar to parliamentary committees. These Section 79 committees are different from committees established in terms of Section 80 of the Municipal Structures Act. Section 80 committees report to the executive and are chaired by a member of the municipal executive.

## KEY FINDINGS: How did the metros perform on the Metro OBS 2019?

- The 2019 Metro OBS found mixed performance on budget transparency, oversight, and participation in the five metros that we assessed. While there is a lot of room for improvement, good practice examples in specific areas from each of the metros show that better performance is possible.
- Metro budget **transparency** was stronger in the approval and audit phases of the budget process than in the formulation and implementation phases (*see section 2 below for the various phases*).
- Metro performance on **public participation** in the budget process was also stronger in the approval and audit phases of the budget process than in the formulation and implementation phases.
- Metros performance on **oversight** was strongest during the audit phase of the budget process.
- The following six low-cost, easy-to-implement reforms would improve metro budget accountability significantly in all of the five metros that were assessed:
  - Publish a pre-budget statement.
  - Produce more disaggregated **monthly budget statements** and publish them on time.
  - Provide more detailed and specific capital project information in the **Medium Term Revenue and Expenditure Framework (MTREF)**.
  - Publish information more timely on award of contracts and on procurement deviations and extensions of contracts.
  - Ensure that **Section 79 council committees** examine the draft MTREF and submit their recommendations to council.
  - Invite the public to attend and participate in Section 79 committee meetings where budget implementation is discussed.



## 2.

### What standards does the Metro OBS use to assess budget transparency, participation, and oversight?

The questions included in the Metro OBS are based on generally accepted good practice for public financial management. Many of these good practices are drawn from those developed by multilateral organisations, such as the Organisation for Economic Co-operation and Development's Best Practices for Fiscal Transparency, the International Monetary Fund's Code of Good Practices on Fiscal Transparency, the multi-stakeholder Public Expenditure and Finance Accountability initiative, and the Global Initiative for Fiscal Transparency's (GIFT) Principles for Public Participation in Fiscal Policy which were endorsed by the United National General Assembly in 2012.<sup>4</sup> The strength of such guidelines lies in their universal applicability to different budget systems around the world, including subnational governments like metropolitan municipalities.

#### Why Metros need to go beyond compliance

The Metro OBS intentionally goes beyond measuring metros' compliance with legal parameters and standards set by South African laws and regulations. In doing so, the survey emphasises best practice, rather than mere compliance. This approach aligns with the Constitution of South Africa, which establishes a set of responsibilities and standards for budget participation that go beyond formalistic legal compliance. This understanding is validated by a High Court ruling in 2014, in the case between *Borbet South Africa PTY LTD and others (applicants) v Nelson Mandela Bay Metro Municipality (respondent)*, which found that local governments' obligation to encourage public participation goes beyond implementing formal steps such as hosting public meetings and making information available. The judgement states that municipalities must not only create meaningful opportunities for participation, they should also ensure that people have the ability and capacity to utilise these opportunities. The implication is that these opportunities should actually result in meaningful engagement and the municipality must work towards achieving that.<sup>5</sup>

<sup>4</sup> For more information on GIFT's Public Participation Principles, please visit this website: <http://guide.fiscaltransparency.net/>

<sup>5</sup> Documents related to the case of Borbet South Africa (Pty) Ltd and Others v Nelson Mandela Bay Municipality (3751/2011) can be accessed online at: <http://www.saflii.org/za/cases/ZACEPEHC/2014/35.html>

## Budget accountability should be reflected in all four phases of the budget process

The budget process comprises four phases, namely budget formulation, budget approval, budget implementation, and audit/oversight. Each of the four phases includes decisions and practices that are crucial to efficient and effective use of public funding and therefore they should all be included in the annual cycle of public participation and formal oversight. If, for example, a member of the public indicates the need for street lighting and government allocates such funding, but the funding is misused in the implementation of the project, and the public does not have the opportunity to engage government on this, then the value of their initial participation is lost.

Figure 1: Overview of the Budget Process





## Why formal oversight by elected public representatives should be supplemented by direct public participation

While legislation emphasises formal oversight by elected representatives, it is essential that formal oversight be supplemented with direct public participation in each of the phases of the budget process. Elected representatives have a formal mandate to represent their constituents in each of the phases of the budget process. In addition, the public can contribute service preferences and information on their reception of services directly, which can supplement their relationship with their elected representatives. Further, government systems of representation are under stress and could be strengthened by such direct participation by the public. As the National Development Plans says, 'the culture of valuing and respecting the expressed needs of communities has faded and been replaced by a top-down approach.'<sup>6</sup>

The Constitutional Court has made this a central principle in our democracy. In *Matatiele Municipality and Others v President of the Republic of South Africa and Others*,<sup>7</sup> the Constitutional Court emphasised that the Municipal Systems Act instructs the municipality to develop 'a culture of municipal governance that complements formal representative government with a system of participatory governance. 'The Court rejected the argument that elected representatives speaking on behalf of communities constitutes participatory governance: 'Taken to its logical conclusion, this submission would render meaningless the public involvement provisions and reduce our democracy to a representative democracy only.' So while elected representatives have a formal mandate to represent their constituents in each of the phases of the budget process, the public can contribute grassroots information and service preferences directly.

### The importance of civil society intermediaries for budget accountability

Even in a scenario where a metro proactively enables public participation, residents in marginalised communities do not have equal opportunities to influence decision making. The middle and upper classes, represented by Ratepayers Associations and Chambers of Commerce, for example, have significantly more resources to participate in metro budgeting processes. Civil society organisations (CSOs) and community based organisations (CBOs) can play a role in addressing this constraint by acting as intermediaries between poor communities and government. The ways in which they help bridge the gap between residents and government include making published information more accessible and user-friendly, interpreting budget information, and distributing findings. This has been shown to be valuable, even in countries with high levels of budget transparency such as South Africa and India. Many CSOs and CBOs also help poor communities advocate change and mobilise direct accountability by supporting grassroots engagements for improved service delivery.<sup>8</sup>

The GIFT principles for public participation cited above also recognise that both private citizens and civil society organisations are 'important agents of good governance and sustainable development alongside the state and market.'<sup>9</sup> As the tier of government responsible for service delivery, metros are encouraged to engage non governmental organisations and CBOs in a meaningful way to bring decision making closer to the communities most in need of basic services.

## The importance of timeliness in budget transparency

The Metro OBS's definition of transparency is closely linked to the enhanced public participation and the formal oversight that it supports. For example, public availability of a government document is taken to mean that the document was published on the relevant metro's website in time to inform the public participation and formal oversight of the relevant budget phase. The decisions made during the budget process are highly structured and time-bound and for this reason information quickly loses its relevance as that phase of the budget process passes.

## The Metro OBS traffic light system

We present an aggregate analysis of the Metro OBS results below, using a 'traffic light' approach to assess performance (see methodology section below for more detail).



**RED** indicates **poor** performance,

**ORANGE** shows **moderate** performance and

**GREEN** signifies **good** performance.

We also make recommendations for 'low-hanging' improvements and show how the traffic light colours would shift, if the metros applied the recommended practice.

### This is not a theoretical exercise. People already use metro budget information to participate in metro budget processes

IBP South Africa and its network of partners work with informal settlements to use metro government budget information to engage in all four phases of the budget process.<sup>10</sup> At the moment they draw largely on budget implementation and procurement information and try to engage their metros during the implementation phase of the budget process.

But in metros like Ekurhuleni, where there is a little more space for public engagement in budget formulation, the informal settlements are also beginning to use more detailed information from MTREFs to provide input, especially with respect to decisions about capital expenditures in their areas. For example, if metros provided more detailed information on the wards where capital projects are being implemented, specifically listing all the wards for 'multi-ward' projects, this would tell informal settlement communities if the metro is going to implement a project in their area (and if the metro is responding to a need that the community has identified).

<sup>6</sup> National Development Plan – Vision for 2030, 2011, p. 301.

<sup>7</sup> 2007 (1) BCLR 47 (CC).

<sup>8</sup> van Zyl, A 2013. 'Greasing the wheels of the accountability system: How civil society organisations close the gap between transparency and accountability'. Accessible online at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.646.8547&rep=rep1&type=pdf>

<sup>9</sup> The GIFT Principles of Public Participation document is accessible at: [http://www.fiscaltransparency.net/pp\\_principles/](http://www.fiscaltransparency.net/pp_principles/)

<sup>10</sup> We currently work with informal settlements in all five metros included in the Metro OBS as well as Buffalo City Metro. Partners include Planact, the Social Audit Network, Afesis Corplan and the Community Organisation Resource Centre (CORC).

### 3. Findings of the 2019 Metro Open Budget Survey

#### TRANSPARENCY: Metros perform better in the approval and audit phases

Most metros published their Medium Term Revenue and Expenditure Frameworks (MTREFs) on time resulting in an orange light for overall transparency in the budget approval phase. This is the key budget document in the approval phase of the budget process. The depth and quality of the annual report in some metros had a positive impact on the overall transparency result in the audit phase, leading to the orange result shown below.

The red lights for transparency in Figure 2 below were mostly as a result of metros not publishing pre-budget statements, monthly budget statements being late or incomplete, and limited procurement information being made publicly available.

Figure 2: Aggregate transparency across metros

Actual results	Formulation	Approval	Implementation	Audit	Procurement
Transparency					

Figure 3 shows that transparency in budget formulation is clearly a particularly challenging area for all the metros surveyed. While some metros produce documents that would have qualified as pre-budget statements, none of them yet publish these documents.

The City of Cape Town and the eThekweni Municipality performed well in the approval phase. The green lights for both metros reflect that they not only published their draft MTREFs on time, but also that these documents were relatively comprehensive. Johannesburg and Ekurhuleni also published their draft MTREFs on time and included important information such as revenue and expenditure estimates according to all main classifications. If these two metros fully completed all the MTREF tables in the A1 schedule<sup>11</sup> as required by the Municipal Budget and Reporting Regulations and included it in their budget reports, as well as provided more detailed information for individual capital projects, their approval transparency traffic lights would also have been green. The Nelson Mandela Bay Metro's draft MTREF was not published in time to be considered publicly available according to the Metro OBI standard – hence the red light (*for more on this, please see the box on page 10*). If they had published on time, their traffic light would have been orange.

Figure 3: Metro performance on transparency

	City of Cape Town	City of Johannesburg	City of Ekurhuleni	eThekweni Metro	Nelson Mandela Bay Metro
Formulation					
Approval					
Implementation					
Audit					
Procurement					

All the metros, with the exception of the City of Johannesburg, published their monthly budget statements on their websites. The City of Cape Town gets an orange light for transparency during the implementation phase because all of its statements for the twelve months preceding the assessment were published on time. The City of Ekurhuleni and the Nelson Mandela Bay Metro only published some of their monthly budget statements for the twelve months preceding the assessment on time. If they, as well as the eThekweni Metro, had published all their monthly budget statements on time, their traffic lights for transparency during the implementation phase of the budget process would have been orange.

The results for transparency during the audit phase are again mixed. The City of Ekurhuleni and the Nelson Mandela Bay Metro both provided more budget information (comparing budgeted estimates and actual outcomes) than what the audited financial statements require – which resulted in both metros getting a green light for transparency in this phase. The City of Cape Town provided enough information for an orange light, while the City of Johannesburg would have been given an orange light if they provided marginally more detail in their report.

Finally, the Metro OBS also assessed transparency with regards to public procurement. The Nelson Mandela Bay Metro leads the way here. For the period under review, it made information on awards publicly available within five working days, and on deviations/extensions within seven working days. If the other metros did this, their red lights would turn orange.

With a few simple reforms, the budget transparency picture across the metros could look very different. Our suggested reforms to improve transparency include:

- publishing a pre-budget statement;
- producing more disaggregated monthly budget statements and publishing them on time;
- providing more detailed and specific capital project information in the MTREF; and
- publishing information on award of contracts and on procurement deviations and extensions of contracts more timely.

Figure 4: Traffic lights after proposed transparency reforms

	City of Cape Town	City of Johannesburg	City of Ekurhuleni	eThekweni Metro	Nelson Mandela Bay Metro
Formulation					
Approval					
Implementation					
Audit					
Procurement					

Figure 4 above shows that by publishing pre-budget statements, all metros would see their traffic light for transparency during the formulation phase turn green. Pre-budget statements would present a metro's policy priorities, and revenue and expenditure plans for the forthcoming budget year, and would encourage debate on the budget before the tabling of the detailed draft MTREF. As indicated above, some of the metros already produce, but don't publish, such a statement. National government and many provincial governments have been publishing pre-budget statements for more than two decades.

<sup>11</sup> The A1 schedule is all the main and supporting budget tables (in Microsoft Excel format) that municipalities are required to submit as part of their draft MTREF. Many municipalities include some or all of these tables in their main budget report.

### The Importance of timeliness in transparency: A red light for its draft MTREF in Nelson Mandela Bay

The Nelson Mandela Bay Metro did not publish its draft MTREF in time to be considered publicly available. In line with the National Treasury guidelines, the Metro OBS required that the draft 2019/20 MTREF and any supporting documents be published by 24:00 on the 6 April 2019 to be eligible for assessment.

The draft MTREF was only tabled in the metro’s Council on the 9th of April and was only published on its website on the 15th of April. The late tabling and publishing of such a key document has a negative impact on the public’s ability to engage with the content.

If all metros provided marginally more information for individual capital projects in their draft MTREFs, they would have a green traffic light for transparency in budget formulation. This includes fully completing the relevant table in the A1 schedule, but also providing some additional information such as sources of revenue for individual projects (some metros are already providing some of this in appendices to the draft MTREF), as well as estimates of the duration of individual projects.

If all metros publish their monthly budgets statements on time, the traffic lights for transparency in budget implementation would turn orange for the four metros who currently have red lights. In addition, if the metros publish more disaggregated information, specifically actual expenditures for individual capital projects, and the reasons for any over- or underspending as well as remedial measures to address these, the traffic lights will turn green for all five metros as shown in Figure 4.

If the other four metros would follow the good practice of Nelson Mandela Bay for transparency in procurement, it would turn the procurement transparency lights for the other four metros orange as well.

### Nelson Mandela Bay: Procurement participation

Nelson Mandela Bay’s good practice for transparency in procurement extends further and also contributes to enabling public participation in the budget implementation phase, although as the results on page 15 show, this was too limited to significantly impact on the metro’s traffic light score for participation in the implementation phase.

Most metros allow the public to attend their Bid Adjudication Committee meetings (where the reports and recommendations of bid evaluation committees are discussed and decisions are made on the award of tenders). But in most cases only the time, date, and venue for the meetings, and sometimes the names of the tenders that are going to be discussed, are published. This severely limits the public’s ability to engage with this process. During the period reviewed by this year’s Metro OBS, Nelson Mandela Bay Metro went a significant step further by publishing the full agenda as well as all documents (including the full bid evaluation reports) that were going to be discussed. This provided the public with key information on how tenders had been evaluated.<sup>12</sup> This practice seems to have been discontinued since September 2019, but it gives proof of concept to other metros.

<sup>12</sup> <http://www.nelsonmandelabay.gov.za/Documents.aspx?catID=64&pageID=224>

## OVERSIGHT: Metros perform strongest during the audit phase

As indicated earlier, oversight by elected representatives over the executive and the administration is a necessary, but not sufficient condition for budget accountability. The main political oversight structures in the metro are the council and council committees established in terms of Section 79 of the Municipal Structures Act. They represent an opportunity for those councillors who are not part of the executive, to interrogate budget documents, exercise oversight and, importantly, facilitate public input. These structures are not chaired by ‘executive’ councillors (such as members of mayoral committees) so there ought to be a healthy distance between them and the executive. While the Municipal Public Accounts Committee (MPAC) is a Section 79 committee dedicated to oversight, we examined whether the metros also used other oversight structures.

Figure 5: Aggregate metro performance on oversight

Actual results	Formulation	Approval	Implementation	Audit
Transparency				

Our traffic lights show that metros performed strongest on oversight during the audit phase, when council and committees of the council were assessing the annual report and audited financial statements. However, with the exception of the City of Cape Town, all metros performed poorly in terms of oversight during the other three budget phases. The reasons include lack of evidence that either the council or council committee(s) considered certain documents (for example the draft MTREF or the monthly budget statements). Where there is evidence that they did consider documents or discussed allocations or actual expenditure, no reports on these deliberations were made publicly available. The key results for each budget phase are presented for the five metros in Figure 6 on page 12 and are subsequently discussed in more detail.

### Oversight structures

The oversight structures refer to the council and Section 79 committees of the council, that have the duty of approving raising and spending resources on behalf of the metro’s residents, of overseeing whether revenue was raised and used as approved, and of overseeing the performance of the metro.



Figure 6: Metro performance on oversight

	City of Cape Town	City of Johannesburg	City of Ekurhuleni	eThekwini Metro	Nelson Mandela Bay Metro
Formulation	●●●	●●●	●●●	●●●	●●●
Approval	●●●	●●●	●●●	●●●	●●●
Implementation	●●●	●●●	●●●	●●●	●●●
Audit	●●●	●●●	●●●	●●●	●●●

The oversight structures are not really visible during budget formulation and need to take on a more active role. This part of the budget cycle is clearly dominated by the executive and the administration. Some good practice is emerging in Nelson Mandela Bay where a Section 79 committee discussed budget policy prior to the tabling of the draft MTREF and also approved recommendations for the upcoming budget.

Figure 6 above shows that the City of Cape Town leads the way when it comes to oversight in the budget approval phase. Its Section 79 committees were given sufficient time to examine the draft MTREF, and submit their findings and recommendations to the council well before the budget was adopted. In the remaining four metros, the role of oversight structures, who bring a 'non-executive' input into the budget formulation, is underdeveloped. The role of oversight structures in the budget approval phase requires improvement. The Section 79 committees, responsible for finance or budget matters generally, did not examine the draft MTREF or had insufficient time to do so. In some metros the relevant committees examined the draft MTREF but did not submit findings and recommendations to the council prior to the adoption of the budget. In all the metros the budget was duly approved by the council. The exception was in Nelson Mandela Bay where the Council approved the annual budget less than 30 days before the start of the budget year, but at least by the start of the budget year.

Each metro has Section 79 committees responsible for particular sectors. In the City of Cape Town, Section 79 committees examined revenue collection and expenditure for their sectors at least four times during the period under review and made their reports with findings and recommendations publicly available. This significantly enhanced transparency during budget implementation. In other metros, there is little evidence of Section 79 committees examining actual revenue collection and expenditure for their sectors while the budget is being implemented. The role of oversight structures in the budget implementation phase needs improvement.

The Section 79 committees responsible for finance should engage with the metro's monthly budget statements. In Cape Town, the Section 79 committee on finance examined the monthly budget statements at least four times and made its findings and recommendations publicly available thereby adding significantly to transparency. In other metros, this is not yet a regular practice.

It is clear from Figure 6, that the metros' oversight structures are the most active in the audit phase. This is where all metros score relatively well. All five metropolitan councils considered the Annual Report within two months of its tabling and adopted the Oversight Report on the Annual report within two months of its tabling. In almost all metros, the Oversight Report included a statement as to whether the Council explicitly approves, rejects or has comments on the Annual Report. This suggests that the councils do not just rubber stamp the report. Four of the five metros made the **Oversight Report** public within seven days of its adoption.

It is a concern is that Section 79 committees (other than the MPAC) don't often interrogate the Annual Report. This was done in only two of the five metros. Cities of Johannesburg and Ekurhuleni buck the trend because some of their Section 79 committees (other than MPAC) did deliberate on the Annual Report.

In Ekurhuleni members of the executive participated in some Section 79 committee meetings (other than the MPAC) to discuss the Annual Report. Members of the executive in other metros are encouraged to participate in these platforms to enhance the quality of deliberations.

In terms of reforms, metros can strengthen oversight during the approval phase by re-enforcing the practice of committees examining the draft MTREF and then submitting recommendations to council and publishing these reports. This intervention would make the approval results shift significantly from red to green as shown in Figure 7 below.

Figure 7: Traffic lights after proposed oversight reforms

	City of Cape Town	City of Johannesburg	City of Ekurhuleni	eThekwini Metro	Nelson Mandela Bay Metro
Formulation	●●●	●●●	●●●	●●●	●●●
Approval	●●●	●●●	●●●	●●●	●●●
Implementation	●●●	●●●	●●●	●●●	●●●
Audit	●●●	●●●	●●●	●●●	●●●

### Oversight Report

An oversight report is the report produced by the council of a municipality in which the council approves or rejects the Annual Report, and provides its comments on, and raises matters of concern regarding the Annual Report of the municipality.



## PARTICIPATION: Metros perform better during the audit and approval phases of the budget process

On aggregate, the metros' performance on participation is better during the approval and audit phases than during the formulation and implementation phases of the budget process.

Figure 8: Aggregate performance on participation

Actual results	Formulation	Approval	Implementation	Audit
Participation				

The red traffic lights for public participation in the formulation phase mask the fact that both Nelson Mandela Bay Metro and the City of Ekurhuleni use open participation mechanisms through which members of the public can provide input on expenditure during the formulation of the draft MTREF (before the tabling of the document in Council). These experiments are currently too limited to register in the Metro OBS, but they point the way for future reforms.

The key results are presented for each metro in Figure 9 below. With regard to the approval phase, all metros complied with the legislative requirements for inviting public participation on the draft MTREF. Nelson Mandela Bay Metro's green light reflects the fact that they provided comprehensive information on the process of public engagement on the draft MTREF.

### Nelson Mandela Bay and Ekurhuleni: Emerging good practices in public participation in budget formulation

Both the City of Ekurhuleni and the Nelson Mandela Bay Metro are leading the way on public participation during the budget formulation phase. The Nelson Mandela Bay Metro's 2019/20 Integrated Development Plan (IDP)/Budget participation process started as early as September 2018.<sup>13</sup> The metro developed a number of different avenues through which the public could provide input into the 2019/20 IDP and Budget. This included an IDP App, and IDP Input Form which people could complete online or on hard copy, as well as public participation meetings in September/October 2018. All of these mechanisms allowed a wide range of people in the metro to participate in both IDP and budget formulation.

The City of Ekurhuleni relies on its ward councillors to engage directly with communities. Communities are given the opportunity to identify five priorities per ward. These items are not limited to the small ward allocation budgets, but are considered for inclusion in the main budget. These priorities are then discussed in consultation meetings between the ward councillors, ward committees, and the administration before they are finalised. The City also provides some high level feedback in its IDP on how many of these priorities they were able to address in the coming year's budget.<sup>14</sup>

<sup>13</sup> See page 46 of the 2019/20 Integrated Development Plan for more on this (<http://www.nelsonmandelabay.gov.za/datarepository/documents/nmbm-draft-2019-20-idp.pdf>)

<sup>14</sup> For more, see page 162 of the 2019/20 Integrated Development Plan ([https://www.ekurhuleni.gov.za/images/IDP\\_2019/A-F\\_28-2019\\_Annexure\\_\\_A.pdf](https://www.ekurhuleni.gov.za/images/IDP_2019/A-F_28-2019_Annexure__A.pdf))

<sup>15</sup> <https://www.capetown.gov.za/Family%20and%20Home/Meet-the-City/City-Council/Meeting-calendar>

During the implementation of the budget, the City of Cape Town publishes comprehensive information for all Council committee meetings where budget implementation is going to be discussed, earning them an orange in Figure 9 below. This includes announcing the meetings well in advance, as well publishing all relevant reports and minutes. One of the benefits of this is that it allows the public to engage in monitoring budget implementation.

While all the metros invited the public to comment on their Annual Reports, the green lights for eThekweni and Nelson Mandela Bay Metro reflect that they did so immediately after these reports were tabled in Council.

### City of Cape Town: Making council committee information publicly available

The City of Cape Town provides very comprehensive information for all Council Committee meetings in the Meeting Calendar section of its website.<sup>15</sup> This includes any monthly meetings where budget implementation is being discussed. The notices of the meetings (including time, date, and place) are added to the online calendar well in advance. All reports to be discussed (including monthly financial monitoring reports and capital exports for the relevant sector) are published on the calendar before the meeting, as well as the minutes from the previous meeting. All of this information provides the public with comprehensive information on budget implementation and any committee discussions of it.

Figure 9: Metro performance on participation

	City of Cape Town	City of Johannesburg	City of Ekurhuleni	eThekweni Metro	Nelson Mandela Bay Metro
Formulation					
Approval					
Implementation					
Audit					

One actionable strategy to improve public participation is for all metros to invite the public to attend and provide input when Section 79 committees discuss budget implementation. The impact of this step on the aggregate traffic light picture is shown in Figure 10 below, with a notable shift from red to green in the implementation phase. Again improvements to public participation in budget formulation would need to start with the publication of a pre-budget statement.

Figure 10: Traffic lights after proposed participation reforms

	City of Cape Town	City of Johannesburg	City of Ekurhuleni	eThekweni Metro	Nelson Mandela Bay Metro
Formulation					
Approval					
Implementation					
Audit					

## Methodology

In 2018, IBP South Africa in partnership with the Dullah Omar Institute (DOI) at the University of Western Cape piloted the Metro OBS across the same five metros. The questionnaire used in this pilot was developed by adapting the 2017 international Open Budget Survey for the South African local government context. After using the 2018 pilot to test and refine the methodology, we rolled out the project in full from the beginning of 2019.

The survey for each metro is completed by independent researchers appointed by IBP South Africa and DOI. In 2019 the survey consisted of 115 questions. Detailed guidelines have been developed for each question and the team of researchers underwent extensive training. Researchers base their answers to each question on budget documents or official records such as minutes of meetings and agendas. The Metro OBS is therefore not an opinion survey but objectively assesses the availability of budget information, public participation opportunities, and strength of oversight.

The answers of the researchers are subjected to extensive review. First the relevant metro is given the opportunity to review the answers. If the metro disagrees with a specific answer, we provide space on the questionnaire form for evidence for the alternative answer. Next, each questionnaire is reviewed by an expert peer reviewer. The peer reviewer considers the responses from both the researcher and the metro reviewer and provides an independent assessment of the answers. This review is also recorded in the published questionnaires.

In the final stage of the process, IBP South Africa and the DOI review all completed questionnaires to ensure consistency across questionnaires and referee any conflicting answers. Upon conclusion of the process, the completed questionnaires, including all evidence and comments at each stage of the review process, are made publicly available – see <https://www.internationalbudget.org/metro-OBS>.

The majority of questions in the five sections of the Metro OBS have three possible responses. The first response (Option A) is the most positive answer, reflecting the best practice for the specific subject matter of that question. The second response (Option B) generally reflects weaker, but still good practice, while the third response (Option C) reflects the most negative response. For the purposes of numerically scoring the responses on the questionnaire, if the question has three possible options, an 'A' response will be scored as 100 percent, 'B' will be scored as 50 percent, and 'C' as 0 percent. For the small number of questions with four possible responses, an 'A' will be scored as 100 percent, 'B' as 67 percent, 'C' as 33 percent, and 'D' as 0 percent. Where a question only has two possible responses, an 'A' will be scored as 100 percent, while a 'B' as 0 percent.

For the 2019 Metro OBS, we decided to create a traffic light scoring system, instead of creating an index like the international OBI. For each of the three aspects assessed – transparency, oversight and participation – each metro received an aggregate score for its performance in each of the four budget phases. This aggregate score is between 0 and 100 based on the simple average of the numerical value of each of the answers in that section of the questionnaire. For a score of 33.33 or below, a red traffic light was assigned. A score between 33.33 and 66.67 received an orange traffic light, while a score of 66.67 and above was assigned a green traffic light. This means a green light denotes a relatively good performance, an orange light moderate, and red light a relatively poor performance.

The traffic lights allow for some margin of error – which means that if there are questions where an 'A' answer would have been a more accurate reflection of reality than the current 'B' answer, we are confident that it would not have changed the current traffic light colour.

## Looking ahead

The 2019 Metro OBS is the start of what is hoped will be a sustainable initiative to promote greater accountability in budgeting processes and serve as a valued resource for government, civil society, and the broader public. We are planning to undertake the Metro OBS annually. Between the annual assessments, IBP South Africa and DOI will interact with metros to identify areas for improvement and provide platforms for good practice examples to be shared. Over time, the intention is to spread the lessons and insights of the survey to all local governments in the country.

Future surveys may include specific focuses on challenging areas such as procurement of services to informal settlements.

The Metro OBI 2019 is the result of the collective effort of the IBP South Africa and DOI teams, independent researchers, government reviewers from across the five metros, an independent reviewer, as well as many others involved in advising on earlier iterations of this initiative. The contributions of the following individuals are acknowledged with thanks:

- **Independent Researchers:** Allan Roman, Thabo Khaile, Andrew Kaliati, Reuben Baatjies, and Remember Tshesane
- **Independent Reviewer:** Alta Folscher
- **Government Reviewers:** Officials from the City of Cape Town, the City of Johannesburg, the City of Ekurhuleni, eThekweni Municipality and Nelson Mandela Bay Municipality
- A countless number of officials from each of the metros who helped us to refine the methodology
- **DOI core team:** Jaap de Visser and Tinashe Chigwata
- **IBP South Africa core team:** Carlene van der Westhuizen, Albert van Zyl, Andile Cele, and Tracy Jooste
- Joel Friedman and the OBI team in IBP's head office who helped us develop the questionnaire
- Jan Hattingh and the Local Government Budget Analysis team at the National Treasury who helped us refine the questionnaire
- Nishendra Moodley and David Savage of the City Support Programme at the National Treasury who had the initial idea to use the OBI methodology to assess metros
- Trinity Loubser who was responsible for the design, layout and production of this report and Richard Jordi who edited it.

A special word of thanks is due to our patient and supportive donors: the Delegation of the European Union to South Africa, Luminare, The Raith Foundation, and the Open Society Foundation for South Africa.



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