How transparent and participatory are the budgets of Metropolitan Municipalities in South Africa?

Introducing the

Metro Open Budget Index
1. Why do we need an Open Budget Index for Metropolitan Municipalities (Metro OBI)?

Public participation in government is one of the cornerstones of the South African Constitution, and is an essential factor in ensuring accountability. This is particularly true when it comes to holding government to account for managing public funds. Evidence from around the world, including South Africa, shows that when there is public participation in public finance decision making and oversight, it can lead to better policy choices, deeper public trust in government, and stronger accountability over the use of public money to provide services on the ground.

Such participation, however, is only meaningful when the public has access to information about the government’s plans and activities, and the fiscal constraints it faces. Without this information, public inputs into budget policies risks being reduced to a “wish list” rather than forming part of the strategic trade-offs that sit at the heart of all budgets. When facilitated by access to complete budget information and formal participation opportunities, public engagement in budget processes combines with strong and independent formal oversight institutions (i.e., the legislature and supreme audit institution) to enhance public finance accountability.

So how do we know that these three pillars of accountability – transparency, participation, and strong formal oversight – are in place in South Africa? At the national and provincial level, South Africa has been part of the International Budget Partnership’s (IBP) Open Budget Survey since 2006. Every two years, IBP implements the Open Budget Survey – a rigorous, independent, comparative, and regular assessment of central government budget transparency, participation, and the strength of formal oversight in over 100 countries around the world. From a subset of survey questions that assess the level to which governments make budget information publicly available, IBP calculates the Open Budget Index. The OBI measures the level to which governments provide the public with timely access to comprehensive information contained in eight key budget documents that governments should publish according to international standards for budget transparency. Countries are assigned an OBI score between 0 and 100 and ranked against one another. South Africa’s national government has consistently placed among the top performers, including earning an OBI 2015 score of 86 – third highest out of 102 countries surveyed.

While national and provincial government have undergone regular assessments through the Open Budget Survey, to date there has not been a similar assessment of local government. This is about to change, as the International Budget Partnership South Africa (IBP-SA) is preparing to launch a Metro OBI in the eight metropolitan municipalities (metros). The importance of local government functions (water, electricity and sanitation) to the lives and livelihoods of those who are poor makes understanding and improving municipal budget transparency, participation, and formal oversight in South Africa of the highest priority.
2. What is the Metro OBI?

Similar to the OBI, the Metro OBI will assign a score to the relevant metro based on three aspects of how metropolitan municipalities manage their finances. These are:

- **Budget transparency:** the amount, level of detail and timeliness of budget information that metros publish.
- **Budget participation:** the opportunities the metros provide to civil society and individuals to engage in decisions about how public money is raised and spent.
- **Budget oversight:** the capacity and the authority of formal institutions, and specifically the metropolitan councils, to oversee how public resources are raised and spent.

Like the international OBI, the Metro OBI questionnaire will cover all four stages of the budget process: formulation, approval, implementation, and audit.

Based on the answers provided to each of the questions in the questionnaire, a score is given for each question. These scores will then be aggregated to produce a single score for each metro.

It should be noted that the questionnaire is not an opinion survey but objectively assesses the availability of budget information, public participation opportunities, and strength of oversight. The questionnaires for each metro will be completed by independent public finance experts, who are required to provide concrete evidence for their responses to each question. By requiring documentation, the answers provided for each question can be discussed and contested.

It is also important to note that the questions assess what happens in practice, rather than what is required by law. The Metro OBI questionnaire will therefore not measure compliance with the Municipal Finance Management Act and its accompanying Municipal Budget and Reporting Regulations, but rather it will evaluate a metro’s actual levels of budget transparency, participation, and accountability against recognized international good practice norms and principles.¹

Beyond establishing the current state of play in the metros, the Metro OBI will also provide clear guidance on what improvements need to be made to transparency and participation practices, and what needs to be done to strengthen formal oversight institutions in order to increase a city’s Metro OBI score and strengthen the accountability landscape.

3. Why will only the metros be assessed?

The choice to implement the Metro OBI in the eight metros rather than in all local governments is based on practical and strategic concerns. Assessing all 278 municipalities in South Africa is beyond IBP-SA’s current capacity. However, the central position that South African cities occupy in our political, social, and economic landscape provides a compelling rationale for us to focus on the metros. The South African population is urbanising with staggering speed. More than half of the population already lives in cities, and this number is increasing by two percentage points each year.

Further, the eight metro governments are more politically contested than any other part of government. Together with rapid urbanisation, this realignment of party politics in the metros presents a unique opportunity for bringing the voice of the public back into the conversation about how public money is raised and spent.

A further opportunity for improving accountability in the metros arises from the National Treasury’s introduction of the municipal Standard Chart of Accounts (mSCOA), with all metros now being mSCOA compliant. This reform standardises government financial planning and implementation. It also makes it easier for metros to present budget information in ways that make dry budget documents more relevant to the public, like clearly showing which geographical areas money is being spent in.

The mSCOA reforms mean that metros now produce all the information that the public needs to participate in the budget, but because they are not required to publish this information, public access is still limited. The Metro OBI will help metros take the next step in improving budget transparency and participation by assessing their performance and providing guidance on which kinds of information should be published to facilitate more and better public participation.

4. How was the Metro OBI Questionnaire developed?

The Metro OBI Questionnaire was developed through an iterative process with the kind participation of IBP’s Open Budget Initiative team in Washington, D.C.; the eThekwini Metropolitan Municipality; the Nelson Mandela Bay Metropolitan Municipality; and the Local Government Budget Analysis Unit of the National Treasury.

Adaptation of the Open Budget Survey Questionnaire

The first phase of developing the Metro OBI questionnaire entailed adapting the 2017 Open Budget Survey (OBS) Questionnaire, which as described above assesses national and provincial government, for the South African local government context. During this phase, we benefited from the insights and inputs of Joel Friedman, a senior Open Budget Initiative researcher.

In this first phase, some questions in the OBS Questionnaire were removed because they were not applicable to the local government context in South Africa. For example, most of the questions related to the mandate of a country’s supreme audit institution (SAI) were deleted. In South Africa, the SAI (or Auditor-General’s) mandate is nationally determined and therefore falls outside the scope of the Metro OBI.

We also adapted the remaining questions to reflect the terminology applicable to the local government context in South Africa. For example, the Executive’s Budget Proposal was renamed the draft Medium Term Revenue and Expenditure Framework (MTREF). The deletion throughout the questionnaire of the “not applicable/other” option as a possible response to many of the questions was also a major adaptation. In the OBS Questionnaire, the “not applicable/other” option applies when questions are not relevant to the circumstances in a particular country, a necessary accommodation given the OBS is implemented in over 100 countries. In South Africa all metros are responsible for the same general functions or services, are governed by the same laws and regulations, use the same financial systems, and are supposed to produce standard budget documents. For that reason, the “not applicable/other” option was not necessary, except for a few specific questions.

As mentioned above, metros are responsible for the delivery of such basic services as water, electricity, and sanitation. To ensure its relevance, IBP-SA added a range of new questions to the questionnaire that assess the availability of budget information relevant to the delivery of these services. We specifically added questions about capital projects, which include those projects responsible for putting the infrastructure in place for the delivery of services to poor communities. In IBP-SA’s work with civil society organizations and poor communities we have found that this type of information is invaluable in engaging with metros. The box below presents an example of one such new question that has been completed for the Nelson Mandela Bay Metro.

Sample Metro OBI Question

Does the draft MTREF or any supporting budget documentation present capital expenditures for the budget year and the next two years (BY+1 and BY+2) by individual capital project?

a. Yes, capital expenditures for all individual capital projects are presented.

b. Yes, some but not all capital expenditures for individual capital projects are presented.

c. No, capital expenditures are not presented by individual project.

Response for Nelson Mandela Bay Metropolitan Municipality: a (Score: 100)


Comments: This is a supporting document and the information is not found in the main draft MTREF.

Note: In this report, we show the completed question and score for selected questions for illustrative purposes only. When the survey is launched in 2018, all responses will be peer reviewed and the relevant metro be given the opportunity to comment.

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2 The Executive’s Budget Proposal is the government’s (or in this case the metropolitan municipality’s) major statement on fiscal issues for the budget year that is about to begin and includes detailed revenue, expenditure, and debt estimates; macroeconomic assumptions; historical and multi-year budget data; and public policy information (International Budget Partnership. A guide to the Open Budget Questionnaire: an explanation of the questions and the response options (2014)).

Further Modification of the OBS Questionnaire

After we developed the Metro OBI Questionnaire, staff members from the National Treasury’s Local Government Budget Analysis Unit provided valuable clarity on the local government budget regulations and processes. Some questions were adapted further based on these clarifications.

IBP-SA also benefitted greatly from input from the Budget and Treasury Directorate of the Nelson Mandela Bay Metropolitan Municipality and the Finance Cluster of the eThekwini Metropolitan Municipality. A draft questionnaire was completed for each of the metros, and senior officials from both met with researchers from IBP-SA to provide feedback. This part of the process allowed us to test whether the questions are clear, all terminology used is meaningful in the local government context, the answer options for each question apply to the local context, and, the proposed scoring system is logical.

At this stage, no scores or overall index ranking for the metros were produced and the assessments were not published. These assessments were used purely to refine and develop the questionnaire.

Structure of the Metro OBI Questionnaire

The final Metro OBI Questionnaire includes five sections.

1. Draft Medium Term Revenue and Expenditure Framework (MTREF) — including key supporting draft documents, such as the Integrated Development Plan, the Built Environment Performance Plan, the Service Delivery and Budget Implementation Plan and the Tariffs Policy.
2. Pre-Budget Statement
3. Adopted Medium Term Revenue and Expenditure Framework
4. Citizens Budget
5. Monthly Budget Statements
6. Mid-Year Review
7. Annual Report
8. Audit Report

This section of the questionnaire will require the researcher to identify each of the key documents that the metro issues (or fails to issue), to provide details on the availability and the timely publication of the documents, and to note any laws governing the relevant stage of the municipal budget process. The researcher will then use these eight key documents to answer the questions in the remainder of the questionnaire.

It should be noted that because the overall goal of the project is to encourage and bolster public engagement with metros, we will use only publicly available documents to answer questions. In line with the IBP’s OBI, the eight key budget documents are considered publicly available only if they are published on the relevant metro’s website within the timeframe specified in the Municipal Finance Management Act and the Metro OBI methodology, and if members of the public can obtain the documents free of charge.

Sample Metro OBI Question

Does the draft MTREF or any supporting budget documentation present the sources of revenue for individual capital projects for a multi-year period (at least two-years beyond the budget year)?

a. Yes, different sources of revenue accounting for all individual capital projects are presented for a multi-year period.

b. Yes, different sources of revenue accounting for some but not all individual capital projects are presented for a multi-year period.

c. No, different sources of revenue for individual capital projects are not presented for a multi-year period.

Response for eThekwini Metropolitan Municipality: b (Score: 50)


Comments: The Draft MTREF presents a list of capital projects funded by the Urban Settlements Development Grant (see pages 284 -288), but does not present the sources of revenue for projects not funded by this grant.
Section 4 assesses the role and effectiveness of oversight institutions in the budget process, and in particular the role of the relevant metro’s Council and Council Committees. The questions evaluate whether there are adequate checks and balances for ensuring integrity and accountability in the metro’s use of public resources. An example of such a question completed for Nelson Mandela Bay Metro, is presented in the box below.

Sample Metro OBI Question

Did a committee of the Council examine the Audit Report on the annual budget produced by the Auditor-General?

- a. Yes, a committee examined the Audit Report on the annual budget within three months of its availability, and the committee published a report with findings and recommendations.
- b. Yes, a committee examined the Audit Report on the annual budget within six months (but more than three months) of its availability, and the committee published a report with findings and recommendations.
- c. Yes, a committee examined the Audit Report on the annual budget, but either it did so after the report had been available for more than six months or it did not publish any report with findings and recommendations.
- d. No, a committee did not examine the Audit Report on the annual budget.

Response for Nelson Mandela Bay Metropolitan Municipality: a (Score: 100)

Section 5 of the Metro OBI questionnaire focuses on the opportunities for public engagement in all four phases of the budget process. Budget transparency alone is not enough to ensure public accountability; it must be coupled with opportunities for the public to participate meaningfully in budget decisions and oversight processes. Section 5 of the questionnaire will therefore examine the processes, mechanisms, and practices the metro’s executive and council have in place to ensure that the public is included in the formulation, discussion/approval, implementation, and auditing of the metro’s budget. An example of a question in this section, completed for eThekwini, is presented in the box below.

### Sample Metro OBI Question

Are participation mechanisms incorporated into the Executive's timetable for formulating the draft MTREF?

- **a.** Yes, the executive incorporates participation into its timetable for formulating the draft MTREF and the timetable is available to the public.
- **b.** No, the executive incorporates participation into its timetable for formulating the draft MTREF but the timetable is not available to the public.
- **c.** No, the executive does not incorporate participation into its timetable for formulating the draft MTREF.

**Response for eThekwini Metropolitan Municipality: a (Score: 100)**

**Sources:** There is a draft Process Plan for the 2018/19 IDP that includes a timetable for formulating the draft MTREF. This can be accessed at [http://www.durban.gov.za/City_Government/City_Vision/IDP/Documents/Process%20Plan%20Report_%202017_18.pdf](http://www.durban.gov.za/City_Government/City_Vision/IDP/Documents/Process%20Plan%20Report_%202017_18.pdf)

Completing the Metro OBI Questionnaire

In each of the five sections, the questions will apply to the most recently completed part of the budget process. This means that the Metro OBI considers budget documents, processes, and practices from more than one year. For example, if the questionnaire is being completed soon after the start of a new financial year, the researcher might have to assess the Mid-Year Review and monthly budget statements from the previous financial year. And, the most recent Annual Report might be the one for the year prior to the previous financial year.

The majority of questions in the five sections of the Metro OBI Questionnaire will have three possible responses. For questions with three options, the first response (the letter "a") is the most positive answer, reflecting the best practice for the specific subject matter of that question. The second response (the letter "b") generally reflects weaker, but still good practice, while the third response (the letter "c") reflects the most negative response. As explained above, for a handful of questions there will be a “not applicable/other option.” With regard to questions for which this response is an option, if selected as the answer, the question will not be included in the scoring.

Researchers should mark the most negative response – generally a “c” – in instances when the document in question is not available to the public. All questions related to that document will then also be marked with a “c.” To reiterate – a document is only considered publicly available if it is available on the website of the relevant metro. Thus, if the document is available, for example, on the National Treasury website but not on the metro’s website it would be considered to be not publicly available for the purposes of completing the questionnaire. The reason for this is that from an accountability and participation perspective, the unit of government that the public seeks to engage should issue the information needed to do so.

When completing the questionnaire, sources or references must be cited for each question. This evidence can range from references to specific documents to specific sections/chapters/pages of documents or interviews with public officials. For each question, a comment box is also provided where researchers should summarize their supporting evidence and explain their choice of answer. The box below provides an illustration of such a completed question for Nelson Mandela Bay.

### Sample Metro OBI Question

**Does the Year-End Report present the differences between the enacted levels and the actual outcome for individual capital projects?**

- **a.** Yes, estimates of the differences between the enacted levels and the actual outcome for all individual capital projects are presented, along with a narrative discussion.
- **b.** Yes, estimates of the differences between the enacted levels and the actual outcome for some but not all individual capital projects are presented.
- **c.** No, estimates of the differences between the enacted levels and the actual outcome for individual capital projects are not presented.

**Response for Nelson Mandela Bay Metropolitan Municipality: b (Score: 50)**


**Comments:** A score of “b” was chosen because a narrative discussion was only presented for the differences between the enacted levels and the actual outcome for some individual capital projects.
Implementation of the Metro OBI: next steps

The first round of the Metro OBI will be implemented in four metros, with the selection of the metros based on size, location (province), and political composition of the council. The assessments will be done during the first half of 2018 and the results published during the second half of the year. The other four metros will be considered for inclusion in subsequent years.

An accompanying guide to the questionnaire will be completed early in 2018. The guide will assist the researchers in completing the Metro OBI Questionnaire by providing detailed guidelines for each question. These guidelines will include explanations of terminology as well as more detailed explanations of what each question is asking, and what the different answer options mean.

While the Metro OBI will provide a comparative picture of participating metros’ performance, we hope that each metro will engage with their scores beyond their position in the index. We also hope that metros will engage with the scores of individual sections of the questionnaire or even individual questions to identify areas and opportunities for improvement in transparency and participation. The individual scores will provide a diagnostic of the current state of transparency, participation and oversight in the metro. This diagnostic along with the recommendations included in each metro’s Metro OBI report could provide the foundation for the metro to develop a plan for transparency and participation reform.

We hope that this will result in more detailed and relevant budget information in the public domain and that more opportunities will be created for the public to participate in the budget process in metros.
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