A qualitative approach is used in this study. Data for the research is collected from the general literature on accountability, oversight, fiscal and financial prudence, and from in-depth interviews with government actors and document analysis (internal government documents and documents related to financial performance). Data is analyzed using the constant comparison analysis method. Finally, interpretation is based on inductive reasoning by creating inductive arguments to show specific patterns and tendencies and to support the daim of conclusions, which are not absolute. The paper begins by giving a theoretical background on the meaning, concepts, forms, and applications of accountability and oversight, fiscal and financial discipline and crisis prevention, and intervention mechanisms in a local government context. It will then consider legal provisions and practices on monitoring, support, and intervention in South Africa.

Accountability and Oversight in Theory

Recent developments and reforms in local government across the globe have heightened the need

to possibly unlawful actions or omissions by other agents or agencies of the state. ⁹ This includes ombudspersons, auditors, anticorruption bodies,¹⁰ electoral commissions, the judiciary, and the local legislative branch of government.¹¹ Schmitter points out that horizontal accountability is an interaction between institutions that form part of the same governance apparatus.¹² According to Jenkins, vertical accountability refers to the relationship between the state and its citizens, where various actors that are not formally part of the state try to hold the government to account.¹³ This description is often used in the literature to more specifically refer to downward accountability. Elections are a central element of downward accountability. The effectiveness of this accountability mechanism in developing countries, where the election process is prone to capture, remains questionable.¹⁴ administered by men over men, the great difficulty lies in this: you must first enable the government

part has shown how and when higher levels of government oversee the work of local governments, which mechanism they use,

to higher local government debt levels.⁴² A policy of hard budget constraint is accordingly an effective mechanism to reduce the chances of local fiscal and financial distress.

In a study that set out to determine how local government fiscal crises can be prevented, Coe found three methods that states apply to prevent such crises from occurring. First, higher levels of government track and analyze local governments fiscal and financial data. The goal is to detect fiscal and financial distress signs and anticipate possible crise

Another alternative will be to monitor if local governments meet citizens needs, which is their central r ison tr. However, this is difficult and complex, as this cannot simply be extracted from budget tables and financial reports.⁴⁸ In brief, as argued by Kloha, Weissert, and Kleine, the value of monitoring lies in the fact that it: may avoid more costly involvement when an emergency is recognized.⁴⁹

failures today, it definitely indicates that there are deficiencies in the way we analyze the data. ⁶² Another interviewee, when asked about the quality of the data analysis, said: I would wish there are clear systems for data analysis and management, and therefore there are people with all the necessary skills and capabilities to do the analysis. ⁶³ Although there are specific teams available for data analysis in most cases, both on the national and provincial levels, they often lack the necessary skills, adequate resources, and political support to scrutinize the available data more effectively. Therefore, the quality of the analyzed data remains limited.

Finally, all the important data on the fiscal and financial situation in municipalities is publicly available. The NT makes sure that the available information is user-friendly, as Rossouw said: we publish it in a very simplified manner, in a robotic type of system that tells them whether their municipality is performing good, not so good, or badly. ⁶⁴ The NT is constantly improving the system to include more relevant information. In contrast, provincial institutions are not publishing any important information on the municipal issues they monitor. This type of data, mainly information on non affected municipalities are metropolitan areas with 87.5%, while local municipalities have a rate of 81%, and district municipalities have 77.2% In four provinces, all local municipalities were affected.⁶⁸

Another indicator that looks at the serious or persistent material breach of financial commitments shows that 47.5% of municipalities met at least one criterion for this indicator. 20.6% of municipalities are categorized as meeting at least one criterion for s v r material breach of financial commitments. Compared to the previous year, there is an increase of 1.6% for serious or persistent breaches and 4.3% for severe breaches. For this indicator, local municipalities are the most affected, with 48.8% District municipalities have a rate of 47.7%, while metropolitan municipalities are faring better in this indicator, having only 12.5%⁶⁹

The most interesting aspect of the system looks at the number of municipalities where at least one trigger, based on the above-described indicators, applies. The system shows that overall, 222 out of 257, or a staggering 86.4% of municipalities met at least one trigger of financial distress, as described i

forms of support that higher levels of government can provide to municipalities.⁷⁴ In reality, there is an apparent discrepancy between what is formally enshrined in the legal system and what actually

paid off large amounts of debt accumulated by municipalities to the electricity provider.⁸⁶ As one interviewee said: it is not something common, but it does happen from time to time when it becomes necessary.⁸⁷ There were some suggestions that this practice is wrong, as one interviewee put it: we are saying them, go and become irresponsible again, don t pay your debts, we as a big brother are going to pay for you, I mean, that is wrong.⁸⁸ This practice can indeed be considered wrong, as stable fiscal systems can only exist by applying a strict hard budget constraint policy.

The latest Auditor General (AG) report on the local government audit outcomes reveals how effective these forms of support to municipalities are.

powers or delegating the same to other municipalities. The legal system speaking to intervention is completed with the far-reaching mechanism of giving the right to higher levels of government to dismiss democratically elected municipal institutions entirely and replace them with authority determined and appointed by higher levels of government. These intervention mechanisms are broadly referred to as placing a municipality under administration. Let us now consider what happens in practice.

One account shows that between 1998 and 2019, some 140 interventions in 143 municipalities were initiated, of which 125 were instituted.¹⁰⁶ A summary document compiled by the Department of Cooperative Governance (DCoG) on municipalities placed under intervention for the 2019/20 financial year gives us broader insights into intervention practices and dynamics in South Africa. This summary document reveals that during the 2019/20 financial year, 34 out of 257, or 13.2% of municipalities across South Africa, were placed under intervention. Of these 34 municipalities, 82% were local, 12% district, and 6% were metropolitan municipalities.¹⁰⁷ Intervention durations largely differ depending on the seriousness of the situation. However, on average, the latest interventions have lasted at least 19 months. In 61% of the cases, the most common reasons for intervention were the necessity to retain a certain level of service delivery, prevent municipalities from activities that may cause a negative impact to other municipalities or the province, or maintain economic unity. The other significant reason which occurred in 32% of the cases was connected to financial distress. In two cases, higher levels of government have dissolved the municipal council and appointed an administrator. To put the results in broader terms, interventions were triggered by financial issues (35%), governance issues (24%), municipal service delivery (19%), municipal incompetence (15%), and employee unrest (6%).108

Intervention mechanisms are not an immediate remedy to minimize the failures of the local governance system. The DCoG document further shows that even after an intervention occurs, serious challenges remain. Many municipalities were still not able to provide essential services to the community. Other municipalities were constantly failing to comply with the law, and many were still engaged in ongoing legal procedures and pending court cases. In addition, maladministration, fraud, and corruption were still present in at least ten cases. The intervention did not improve political stability within municipalities, and a high number of critical senior management positions remained vacant. Regarding fiscal and financial distress, the document reveals that it is difficult to improve the situation in municipalities. Many municipalities continued to struggle with revenue collection, and they continued to incur a substantial amount of debt.¹⁰⁹

Having rules of hard budget constraints in place is essential for the overall stability of the system. Still, at the same time, it makes it difficult for higher levels of government to substantially improve the situation in municipalities facing fiscal and financial distress. Even if the financial situation in a short-term perspective can be improved, Von Hagen argues that institutions tend to return to high debt and spending levels in the long term.¹¹⁰ This is also confirmed in the case of South Africa. There were prior interventions in the past years in more than half of the municipalities placed under intervention during

¹¹⁰ Von Hagen,

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⁽Public Affairs Research Institute, 2019), p.7

¹⁰⁷ Department of Cooperative Governance, Republic of South Africa, umm ry o uni ip liti s l n r nt rv ntion or in n i l r

¹⁰⁸ Ibid. Because of rounding percentages do not sum to 100%.

¹⁰⁹ Ibid. I would like to express my gratitude to Duncan Seoke and Smbulele Szani for summarizing the data from on the DCoG document on municipalities under intervention

the 2019/20 financial year. Only in recent years, higher levels of government have intervened more than twice in a number of municipalities. This indicates that improvements through interventions tend to be unsustainable. Therefore, there is a large chance that institutional instability, the failure to deliver services, and fiscal and financial distress will remain in municipalities even during and after an intervention takes place.

Interviews show that there are structural causes for these intervention failures. The leading cause appears to be the current intervention approach. Instead of sending in an inter-institutional expert team, the provincial and national institutions usually send one person in the municipality to solve

The principal theoretical implication of this study is that strong lines of vertical upwards accountability, from local governments to higher levels of government, can only be enacted by effective administrative oversight. In South Africa, institutions should aim to strengthen prospective ex ante accountability forms: monitoring and support. This would reduce the number of required interventions. It is important to notice that interventions are instituted only after the damage has already been caused. Ex post interventions can difficultly reverse this damage. Because of this, preventative measures, proper monitoring, and adequate support would accordingly improve the sustainability of the overall local governance system in South Africa. Intervention as a mechanism should thus only be considered as the choice of last resort. The results of this study strengthen the idea that monitoring, support, and intervention should be considered inseparably. The three processes must be connected, ideally in a unique system that links them together. Ultimately, there must exist a structured and systemic inter-institutional approach to this new system that becomes the central part of administrative oversight. Considerably more work will need to be done to determine how this system could effectively be applied in practice.

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