

DFI Funding and Infrastructure Development: A case of the under-resourced Municipalities in South Africa

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Abstract

Despite powers and resources given to local authorities to deliver and manage their own resources, most municipalities still struggle to achieve their objectives as set out in the South African constitution. This research study sought to investigate and establish whether the infrastructure development funding by DFIs e.g. the DBSA invested in some of the under-resourced municipalities in all the provinces of the country has resulted in improved service delivery and upliftment of the socioeconomic standard of their communities and if not, what the specific reasons are. A qualitative research methodology was conducted because the objective was to get the opinions and experiences of the under resourced municipalities throughout all the nine provinces of South Africa.

The results of the study indicated that municipalities are very aware of the role of DFIs and all the municipalities that participated in the study stated that they had received development loans from DBSA. The outcomes of this research also showed that all the respondents indicated that development finance they received made a significant difference in improving infrastructure developments in their municipalities. It has advanced and uplifted the socio-economic statuses of the communities and improved service delivery and quelling the frequency and severity of service delivery protests. Poor governance was a serious impediment in municipalities where lack of accountability, lack of leadership, tensions between political and administrative interface; poor ability of many councillors to deal with the demands of local government; lack of clear separation of roles between the legislative and executive; inadequate accountability measures and support systems and resources for local democracy and poor compliance with the legislative and regulatory frameworks for municipalities and fraud and corruption are among the key governance challenges faced by municipalities.

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List of Acronyms

COGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
DFIs	Development Finance Institutions
DPLG	Department of Provincial and Local Government
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IDT	Independent Development Trust
SMEs	Small and medium-sized enterprises

Chapter 1: Introduction and background

1.1 Introduction

A good performing financial system is considered pivotal for economic development (Demirguc-Kunt, 2006). Development finance purposes create proactive methods to leverage public resources. These in turn solve the needs of business, industry, and uplift socioeconomic wellbeing of citizens. Conventionally, development finance is viewed as the provision of finance to those projects, economic sectors or sections of the population that are not well served by the financial system as a whole, (United Nations Report on world social situation, 2005).

DFIs have been created by governments around the world to promote economic growth and support social development. DFIs typically provides credit and a wide range of capacity-building programs to households, SMEs, and even larger private corporations whose financial needs are not sufficiently served by private banks or local capital markets. In doing so, they seek to promote strategic sectors of the economy, such as agriculture, international trade, housing, tourism, infrastructure, and green industries, among others. Development finance institutions (DFIs) in South Africa were established to accelerate sustainable socio-economic development through funding. The purpose of DFIs is to ensure investment in areas where the market fails to invest sufficiently. DFIs play a key role in the realisation of government's key priority areas. Development Financial Institutions (DFIs) provide financing (e.g. Grants, conditional grants, loans, guarantees and equity positions) to both public and private sectors, aimed at promoting and nurturing shared economic growth as well as sustainable development. Although DFIs' principal business is to invest financial resources, they are also involved in the provision of supporting and enhancing or imparting much needed knowledge through capacity building and technical skills assistance. DFIs work to strengthen environmental, social and corporate governance standards in business practices. DFIs usually function according to three principles, namely (i) additionality; (ii) catalytic role; and (iii) sustainability. DFIs provide additional support to other financial flows and domestic investment. Through such interventions, DFIs seek to catalyse and assist in mobilising investment from other investors both directly and indirectly by bringing comfort and demonstration effects. DFIs promote sustainable economic growth by curtailing dependence on relief and improving governance, environmental standards and good business practices (Dalberg Global Development Advisors, 2010).

1.2 Research problem

In all the nine provinces of the Republic of South Africa, municipalities, especially the rural and under-resourced ones, continue to experience serious service delivery challenges mainly attributable to lack of proper infrastructure development despite them receiving development funding support from DFIs, especially from the Development Bank of South Africa (DBSA). As set out in the South African constitution powers and resources are given to local authorities for delivery and management, most municipalities are struggling to achieve their objectives (Department of National Treasury, 2011). Lack of proper skills, supervision of projects and at times corruption of community and political leaders within rural communities, wherein leaders focus on their own needs over that of community members, is particularly highlighted as a big challenge in rural municipalities (Platteau 2004). This has led to service delivery protests by communities. These protests seem to be more frequent each year, increasing its intensity and violence. Commenting on the state of Local Government in South Africa, a government report indicated that although national government support programmes have assisted municipalities in specific ways, a number of stubborn service delivery and governance problems have persisted in municipalities over a number of years (COGTA report, 2009). Platteau further mentions:

“stubborn service delivery and governance problems remain consistently at the forefront of government’s developmental challenges. These priority areas include:

- Huge service delivery and backlog challenges, e.g. housing, water and sanitation;
- Poor communication and accountability relationships with communities;
- Problems with the political administrative interface;
- Corruption and fraud;
- Poor financial management, e.g. negative audit opinions;
- Number of (violent) service delivery protests;
- Weak civil society formations;
- Intra - and inter-political party issues negatively affecting governance and delivery;
- Insufficient municipal capacity due to lack of scarce skills” (2004).

This research seeks to investigate and establish whether infrastructure development funding by DFIs e.g. the DBSA invested in some under-resourced municipalities across all South African provinces has resulted in improved service delivery and upliftment of the socioeconomic standard of communities. If there has not been improvement in service delivery and socio-economic standards of these communities, this research specifically questions why and outlines details of identifiable problems.

1.3 Research objectives

The main objective of this study is to explore the role of DFI funding in infrastructure development using the Development Bank of Southern Africa as a case study. Specific objectives include;

- Exploring the role of DFI funding in improving infrastructure development within under resourced municipalities.
- Evaluate the impact of DFI funding on service delivery in under resourced municipalities.
- Examine the extent of poor governance in less optimum utilisation and allocation of DFI funding by municipalities for infrastructure development.

1.4 Justification of the study

The importance of this study is the contribution to the understanding of the funding needed for development projects in under-resourced municipalities so as to yield expected outcomes of improved infrastructure and upliftment of the socioeconomic status of communities. Where outcomes are less than favourable, this study also seeks to highlight challenges encountered and reasons for undesired results. Lessons learnt from this study contributes to developing standards for how to successfully finance development projects in rural municipalities which may need capacity building programs in addition to mere provision of funds.

1.5 Organisation of the study

This research study document is comprised of five chapters structured as follows:

Chapter 1: Introduction

This chapter provides background to the study and states the research problem, the research objectives and the research questions. The chapter also indicates the aims and significance of the study and provides the chapter organisation.

The first chapter introduces the topic, provides the background to the study and states the research problem, the research objectives and the research questions. The chapter also indicates the aims and significance of the study and provides the chapter organisation.

Chapter 2: Literature review

The second chapter reviews existing literature regarding development funding of South African municipalities focussed on improving service delivery in under-resourced municipalities. One

under-resourced municipality in each of the nine provinces forms part of this section. To identify gaps in existing literature, objectives of this research are related to previous research objectives.

Chapter 3: Research methodology

Chosen research methodology and reasons for this approach is articulated. A detailed description of research design, pilot study, targeted population, sampling techniques, sampling size and research instruments for data collection are outlined. Analysis of data-collection is examined before concluding with a discussion about ethical issues related to the research.

This chapter presents an overview of the plan to be considered in undertaking this study. It will outline the research philosophy, the preferred approach and the reasons for the selecting such an approach. There will also be a description of the research design, pilot study, the targeted population, the sampling technique adopted and the sampling size, the research instrument chosen to gather data and why such an instrument was preferred. The chapter also discusses the analysis of the collected data, trustworthiness and then finally a discussion on ethical issues concludes the chapter.

Chapter 4: Discussion of results and interpretation of findings

Findings of the research and analysis of results are presented in chapter four. Research findings are linked to previously reviewed literature subsequently identifying similarities or divergence with existing trends ultimately forming the basis of future research.

Chapter 5: Conclusions and recommendations

Chapter 5 concludes this research by summarizing main arguments and suggesting recommendations.

Chapter 2: Literature review

2.1 Introduction

This chapter evaluates relevant literature on DFI's role and funding of development infrastructure with a focus on under-resourced municipalities, the so-called Section "B" municipalities in south Africa. Development finance is defined by Thorne and du Toit (2009) as "the provision of finance to those market segments that are not well served by the financial system". Such market segments include development projects whose social benefits exceed their envisaged commercial worthiness. Development finance aims to lower the risks of investment in certain sectors by crowding in private sector investment. Development Finance Institutions (DFIs) are government-controlled institutions expected to invest in sustainable private sector projects hoping to spur economic growth and development while they themselves remain viable. Mahabir and Mabena indicates that "investment in infrastructure is such a crucial process but is made more challenging by its multifaceted nature and interrelated stages" (2015). These stages involves preparatory and budgeting, handling and oversight responsibilities in monitoring infrastructure projects and acquiring skilled manpower to run and repair existing infrastructure (Mahabir and Mabena, 2015).

2.2 An overview of under-resourced municipalities in South Africa

The Constitution of South Africa provides for three categories of municipality. There are 278 municipalities in South Africa. These comprise of eight metropolitan, forty-four district and two hundred and twenty-six local municipalities of which two hundred and nine are under resourced. All municipalities focus on growing local economies, providing infrastructure and service development. Table 2.1 below indicate the number of under resourced municipalities in each province of South Africa.

Table 2.1: Number of under resources municipalities in each province in South Africa

Province	Number of under resourced municipalities in the province
Eastern Cape	31
Free State	18
Gauteng	6
KwaZulu Natal	43
Limpopo	22
Mpumalanga	17
Northern Cape	26
North West	22
Western Cape	24

According to the Municipal Structures Act 117 of 1998, capacity is defined as “having reasonable administrative, financial and human resources, and infrastructure to perform each of the constitutional functions assigned to a municipality”. Capacity also includes leadership, governance and supervision responsibilities by councillors and senior management of municipalities, and all municipal staff in general. Municipalities in South Africa are categorised as being either **Category A** (Metropolitan Areas) or **Category B** (Local) within **Category C** (District) municipalities. Under resourced municipalities fall into category B and C Municipalities. These under-resourced municipalities (mainly rural with fewer resources and exercising relatively few powers) usually have a single or two small towns in their area. According to the Municipal Demarcation Board report (2018) 40% of South Africa’s population reside in metropolitan municipalities or Category A and remaining 60% reside in Category B and C local municipalities with over 90% in category B municipalities.

The effective functioning of municipalities begins with their political leadership. According to the newspaper Business Report in its report on 21 May 2018 municipal assessments exposed causal reasons for distress in municipal governance pointed to:

- a) tensions between the political and administrative interface;
- b) poor ability of many councillors to deal with the demands of local government;
- c) insufficient separation of powers between political parties and municipal councils;
- d) lack of clear separation between the legislative and executive;
- e) inadequate accountability measures and support systems and resources for local democracy;
- g) poor compliance with the legislative and regulatory frameworks for municipalities.

The above assessments also revealed that party political factionalism and polarisation of interests, subsequent creation of new political alliances and elites, have indeed contributed to progressive deterioration of municipal functionality rendering under-resourced municipalities are worst affected. Such contestations contaminate relationships at a local level amongst the privileged found within local areas.

2.3 Theorising community service delivery protests

Four theories on social protests shall be discussed in this study explaining protest phenomenon in South Africa. These are, insurgency theory, double movement theory, invited space and resource mobilisation theories.

2.3.1 Insurgency theory

Piven and Cloward (1997) advanced the insurgency theory proposing that the only strategy open to poor people or communities to progress their social and economic agenda is insurgency. It could be therefore hypothesized that protest phenomenon in South Africa and elsewhere globally is seen as insurgency or rebellion (Alexander, 2010; Alexander and Pfaffe, 2011). Social disobedience, mass disruptions and defiance have been shown as effective in achieving the aims of poor and working class in the United States of America. This is especially true for racial minorities in the 1930s and 1960s. It could then be argued that poor people in South Africa have taken a cue from the historical anti-apartheid struggle and are mobilising an ‘insurgent citizenry’ to counter ‘differentiated citizenship’ (von Holdt, 2012).

2.3.2 Double movement theory

Double movement theory termed by Polanyi (1957) is the second theory on social protests to be discussed. Double movement refers to the claim that (re)structuring of the economy and society based on ideals of the self-regulating or free market inevitably leads society to reassert itself against the commoditisation of land, labour, and money. Many scholars utilise double movement theory to challenge the fundamental logic of free-market principles and to explain popular resistance to reforms based on it (Block, 2003). According to Polanyi (1957), there are two viewpoints to the ‘double movement’ theory. The first view apply to the late-18th and early-19th century push for a self-regulating market. The notion of separating the economy from the system of societal norms and practices is referred to as “separateness” or “disembeddedness”, as contrasted with “embeddedness” (Polanyi, 1977). The second viewpoint relates to counter movements which Polanyi argues necessarily and spontaneously mobilise against the push for free market reforms. Many of those who draw on Polanyi’s work have tended to focus their attention on the second aspect of double movement theory and how it might be applied to contemporary debates. This second aspect seems to explain South Africa’s social protests. In the early 1980s, neo-liberal micro-economic and micro-development policies caused disaffection and led to social protests orchestrated by the South African National Civic Organization. The same policies have influenced protest phenomenon in South Africa since the late 1990s. These are particularly associated with the reign of president Mbeki, when costs associated with commoditisation of water, sanitation, and electricity rose alongside increasing poverty, inequality, and unemployment.

2.3.3 Claimed spaces theory

Buccus, Hemson, Hicks and Piper see protests as a natural form of participation in local government, alongside formal electoral participation (voting) and participation via official structures such as ward councillors and participation in Integrated Development Plans of the country and have referred to this as claimed spaces theory (2007). Cornwall (2002) concurs with Buccus, Hemson, Hicks and Piper (2007) however, carries the protest-as-informal participation argument further, pointing out that two kinds of spaces with different sets of power relations co-existing, that is invited and claimed/invented.

2.3.4 Resource mobilisation theory

The final theory to be discussed in this research study is known as resource mobilisation theory. Resource-mobilization theory asserts that social movements form when people who share grievances are able to mobilize resources and take action. Resource mobilisation theory is used in the study of social movements and argues that the success of social movements depends on resources such as knowledge, money, media, labour, solidarity, legitimacy and the ability to use them (Crossman, 2017). This theory opposes traditional social-psychological theories, that typically focus on what attracts people to participate in social movements (Bamanie, 2016). Rather, this theory roots participation of protest in logical decision-making processes, whereby individuals evaluate pros and cons of participating in protests. According to this theory, protesters make rational choices premised upon what they perceive to benefit or to cause loss to themselves through the involvement in protest action and act according to their judgement.

2.4 Service delivery in the context of local government

Service delivery is the provision of municipal services, goods, benefits, activities and satisfactions that are deemed public, to improve the quality of life in local authorities in local government. Within this context, focus is on fulfilling municipal services, either tangible or intangible. Ndudula states:

“tangible municipal services are interpreted as being visible to local communities such as among others, public housing, roads, water and sanitation systems, and public transport, whilst the intangible services that are regarded as being essential, but not necessarily visible, include public drainage and sewage systems and public safety standards” (2013:).

According to Reddy and Naidu:

“municipalities are regarded as the guardian of public funds and accordingly, they are tasked with prudent utilisation of the resources to address the basic needs of local communities, particularly infrastructure, electricity, water, refuse removal and the spatial development of municipalities” (2012:).

Highlighting parts of 2008 local government budget and expenditure review, Govender and Reddy (2012) argue that local government investment had not yielded the anticipated returns expected. They pointed out that collectively; poor governance, inappropriate spatial planning, inadequate social infrastructure, lack of requisite skills and massive service backlogs contribute to undesired results. These factors emerged as constraints to poverty reduction and economic growth in turn giving rise to increased service delivery protests especially in poor and under resourced communities.

2.5 Conceptual framework: Municipal governance and service delivery in South Africa

The ideal conceptual framework for South African municipalities to uplift standard of living for communities and improve service delivery lies in the development of an integrated strategic development planning framework. The framework should among other objectives set long term sustainability goals, guides planning, budgeting, management and decision-making and above all prioritise infrastructure identification and development (Department of Provincial and Local Government (DPLG) report, 2007).

Prioritising infrastructure identification and development, sustainable socio-economic growth should be executed through building of affordable housing, construction of roads, provision of clean drinking water, sanitation and electrification among others. A focused approach will gradually lead to reduction in poverty and achieve sustainable development subsequently reducing violent service protests by communities (Dirie, 2006).

According to the Department of National Treasury SA, (2011), to realise objectives and goals of an integrated strategic development planning framework, there should be robust and sustainable institutions focused on serving communities and not partisan any political affiliation. Institutional capacity for sustainable development is key, this can be done by avoiding or

minimising blind political allegiances and infighting known to generally scatter investment, prevent development and leads to violent service delivery protest by communities. Adoption of robust governance oversight practices and appropriate skillsets will enable municipalities to comply with laid down rules and regulations, maintain constructed infrastructure and employ sound management and financial principles achieving unqualified audits.

Integrated strategic development planning framework funded by DFIs (also known to provide and play a number of roles) ensures the success of projects is epitomised in figure 2.1 below. Figure 2.1 focuses on Integrated strategic development planning as the initial basis to facilitate and attract infrastructure funding for improvement of service delivery. To enable this, municipalities should have integrated strategic development plan in place which they religiously follow while avoiding blind political allegiances and exercise robust governance practices that hold executives to account and provide transparency (Department of Provincial and Local Government 2004 -2007) Integrated development planning is a process through which municipalities prepare a long term strategic development plan. It is the principal strategic planning instrument, which guides and informs all planning, budgeting, management and decision-making in South African municipalities (Kuye and Ajam, 2012). It is also the process through which infrastructure projects for municipalities are identified and prioritised. DFIs also play a number of roles, providing skills and expertise due to the serious lack of such skills in under resourced municipalities. They play the role of advisor, partner, implementor and integrator as indicated in figure 2.1.

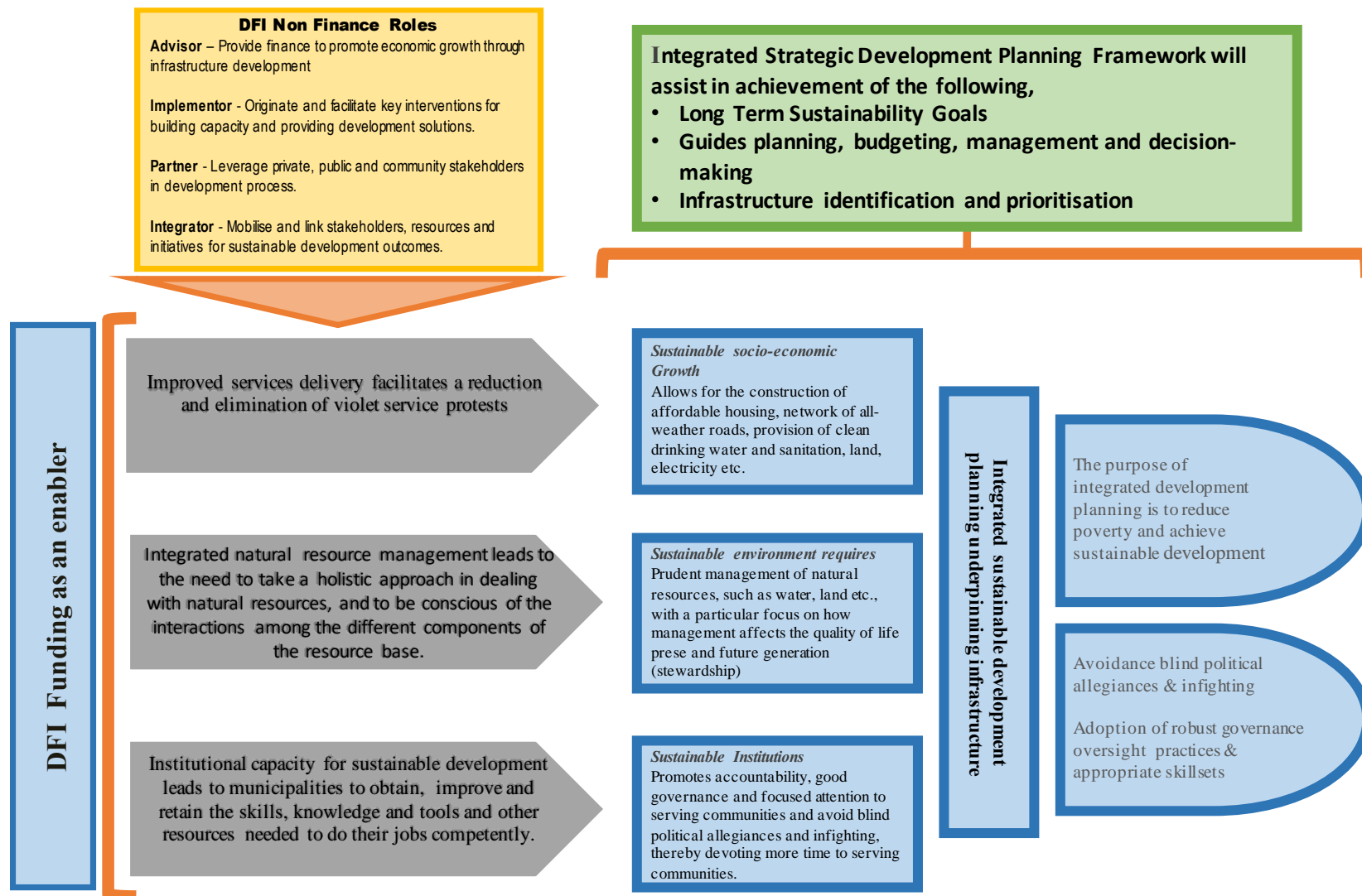


Figure 2.1: Conceptual Framework: Proposed Ideal Municipality integrated strategic development planning underpinning infrastructure development and service delivery.

2.6 Empirical studies on service delivery and local government projects.

Van der Waldt states that “one of the significant principles of a democracy is legislative oversight over executive authorities” (2015). Oversight over officials ensures and encourages accountability by executives who foster ethics and good governance. Paradza et al highlights that “official and media reports in South Africa record a rising trend in the number of unscrupulous, and mismanagement cases in especially the local sphere of government” (2010). Violent demonstrations and protests by communities flood the media throughout the country. Municipal officials are tasked with the responsibility of designing and carrying out service delivery projects that directly impact residents’ lives. According to Paradza et al. “robust oversight of these projects is critical to effect more legitimate local governance” (2010:).

According to the Department of Provincial and Local Government (DPLG), (2007), municipalities be it metropolitan, district and local are mandated by the South African law to come up with wide-ranging Integrated Development Plan (IDP). The main focus of the IDP is to prioritise and deliver much needed services to communities. Much needed services are identified through community discussion forums where community members raise issues they deem should be addressed. All municipal projects should be aligned and financed according to prioritisations agreed and recorded during the planning stage. Integrated Development Plan allows for projects in three segments of the five phases, namely DPLG, IDP Guide Pack 2002. Infrastructure development projects are an important mechanism for providing better service delivery to communities and positively impact people’s lives. Van der Waldt (2013) argues that projects implemented poorly may trigger feelings of slow pace service delivery. Poor project planning and robust oversight on projects negatively impacts on overall efforts executed by municipalities. Hence, it is critical for municipal councils to exercise their oversight role and act where questionable/inferior workmanship has occurred where compliance with state regulatory requirements have not been met. Therefore, it is important that councils demand and insist on accountability systems, transparency, and a performance culture from municipality executives.

2.7 Municipal capital expenditure and borrowing

National Treasury mentioned: “the main capital financing instruments available to municipalities for capital expenditure are municipal taxes, tariffs, intergovernmental fiscal grants and borrowings” (2008:). The level at which municipalities use these financial instruments differ throughout the country. Fees municipalities levy on users form the main

source of revenue they have to finance for capital investments to meet needs of communities (Gramlich, 1990). User charges are charged on local residents who use the local infrastructures. In most cases, especially for under resourced municipalities, user charges (tariffs) are insufficient to cover all spending requirements of the community. Financial and Fiscal Commission states:

“such revenue gaps can be either vertical, that is the municipality does not have enough revenue instruments to fund its expenditure needs, or horizontal, whereby individual municipalities cannot meet their expenditure mandates with existing revenue instruments” (2013:).

It is the existence of revenue holes among others are a key reason for intergovernmental monetary transfers or funds moved from other spheres of either provincial or national government to local government (Dirie, 2006).

Over and above municipal revenue instruments, municipalities can also take up debt for infrastructure investments. The issue of credit is a critical part in municipal infrastructure financing, and in particular, if the funds are put in assets that generate revenues. Ideally, such investment repays borrowed funds, according to tariff setting arrangements. Access to credit by municipalities is therefore a valuable source of revenue for investment in capital programmes.

2.8 The role of development finance institutions (DFIs)

Development Finance Institutions (DFIs) operate between public aid and private investment; they provide finance to private sector for investments that promote development (Griffith and Smith, 2012). The role of the DFIs is increasingly significant by the requirement that public authorities should fulfil their responsibilities, ensuring that taxpayers’ money is used for socially desirable projects, which are in line with development strategies and industrial policies of a country. Funding by DFIs using very scarce public resources should be genuinely additional to private financing. According to Kwakkenbos and Romero (2013) the use of DFI funding should lead to the best possible development outcomes, such as increasing job opportunities and alleviation of poverty. Given the fact that DFIs are protected by public liability and guarantee and are driven by a development mandate, they are supposed to invest in projects or areas with higher risk and higher social return. Kwakkenbos and Romero (2013)

argue that DFIs and other aid agencies justify their investment in the private sector by cooperating with the private sector, so to significantly leverage more finance into their projects than development institutions could do on their own. DFIs are there to provide finance to financial institutions that provide long-term capital and knowledge to local small and medium sized businesses. This is also the case for private sector intermediaries specifically invested in underlying private enterprises involved with development projects, and directly to underlying private enterprises (Te Velde and Warner, 2007). DFIs act in cooperation with government to provide management consultancy and technical assistance in general and specific projects (Griffiths and Smith, 2012).

2.9 Multiple roles of a DFI

It is increasingly becoming the norm for a DFI to play multiple roles in order to safeguard financial sustainability, transparency, environmental and social accountability to benefit from coordinated development engagements and coordinated approaches. This requires that a DFI needs to assist with capacity building, giving of advice and project preparation support. Table 2.1 below indicates various roles a DFI should play for successfully financing projects and more so in poor or under resourced municipalities. Such under resourced municipalities are also saddled with inefficiencies as well as a range of financial, political and management problems which in most instances contribute to failed infrastructure development. Additionally, limited or lack of important skills such as in finance, management, and operations are among some of the main causes for developmental failures.

Table 2.2: Multiple roles of DFIs

Role	Activity
Financier	Contribute to the delivery of basic services and promote economic growth through infrastructure development.
Advisor	Build institutional, financial and knowledge capacity for development.
Partner	Leverage private, public and community stakeholders in development process.
Implementer	Originate and facilitate key interventions for building capacity and providing development solutions.
Integrator	Mobilise and link stakeholders, resources and initiatives for sustainable development outcomes.

2.10 DFIs help expand infrastructure development

The reconstruction of infrastructure was the vital difference in salvaging Europe under the US Marshall Plan, as well as that of Japan, South Korea, Taiwan and other East Asian countries.

Yoshida points out that “these nations received developmental aid from the United States and the World Bank after World War II to rebuild their infrastructures” (2000). In nations that have succeeded due to developmental funds, the issue of infrastructure development means much more than simply constructing roads but is understood as a sure-fire way to achieve widespread economic investment for posterity. It is essential and central to a nation’s economic growth and improvement in the lives of communities. For development of infrastructure in developing nations to be significant and real, efforts ought to be connected to economic hubs so as to augment infrastructure financing and the generation of collaboration outcomes. Such a thorough approach to infrastructure development is lacking in under resourced areas of the country and even in less successful developing countries of the African continent. Abidin

cites:

“for example, in East Asia, most of the fiscal stimulus packages meant to counter the 2008 global financial crisis effects have largely consisted of huge investments in infrastructure such as building roads, ports, rail networks and more efficient energy supplies, reliable clean water supply and sustainable environmental management” (2010:).

For such huge investments to happen and to succeed DFIs are often at the centre of such infrastructure integrated planning.

In most unsuccessful developmental initiatives, infrastructure development has rarely been integrated into broader economic development, but often occurs on an isolated and stand-alone basis. For DFIs to be effective in poor rural municipalities, they should play multiple roles where they play role of financiers, advisers, partners, implementers, and integrators in the infrastructure delivery value chain.

2.11 Main shortcomings in municipalities and impact on sourcing finance for infrastructure development

2.11.1 Lack of accountability in local government

When announcing the 2016-2017 latest municipal audit outcomes, the Auditor General emphasises that accountability continues to fail in local government. The report clearly pointed to glaring governance, leadership and oversight lapses in municipalities contributing

immensely to undesirable audit results. In turn, undesirable audits result negatively impact municipalities' ability to secure loans and development finance. No financial institution, private or public would extend loans to non-accountable entities. The importance of accountability in the management of municipal business, commencing with proper planning focused on the needs of communities and setting up of appropriate internal controls and supervision ensure proper financial and performance management. In addition, respect for the law when running of municipalities, monitoring by all, gives assurance to funders that budget and performance management principles are in place ensuring the existence of accountability culture.

2.11.2 Poor quality financial statements and reports

Credible financial statements and performance reports are crucial as they ensure accountability and transparency. However, year in and year out, audit reports highlight that municipalities are consistently and progressively failing in such areas. This situation seems to be regressing as indicated in the 2016 – 2017 municipal audit report, where the Auditor General stated that “not only did the unqualified opinions on the financial statements decrease from 68% to only 61%, but the financial statements provided to us for auditing, were even worse than in the previous year”. In this year, 2016-2017, only 22% of the municipalities were able to submit financial statements that had no material misstatements.

2.11.4 Shortcomings in the development and maintenance of infrastructure

There are many shortcomings in development and maintenance of infrastructure by municipalities, these include among others; lack of relevant skills, delays in projects completion, poor quality workmanship, and inadequate monitoring as well as oversight of contractors. This is indicative of major underlying challenges that municipalities have with managing their finances, performance, projects and when taking responsibility for outcomes.

2.12 Conclusion

Although local authorities in South Africa have contributed toward achievements of social and economic development advances, the South Africa Yearbook (2017/18) acknowledges that the treasured role of municipalities and smooth running of local government systems show signs of serious distress. Chief among the attributable distress factors include; party political factionalism and polarisation of interests subsequently creating new political alliances and elites, insufficient separation of powers between political parties and municipal councils, poor compliance with legislative and regulatory frameworks for municipalities, tensions between

political and administrative interface and lack of required skillsets to implement council decisions, projects and oversight on executive to account and transparency. The conceptual framework presents the ideal starting point where municipalities are expected to craft an integrated strategic plan which underpins everything they do and holds executive to its responsibilities. Persisting with the integrated strategic plan, ensures proper processes will be followed thereby placing blind political interferences and allegiances on the back burner and almost guaranteeing community development, assured of funding for infrastructure, improved service delivery, promoting good governance practices and ultimately upliftment of the standards of lives of the communities.

Chapter 3: Research methodology

3.1 Introduction

This chapter presents an overview of specific techniques utilised in this research process to collect, gather and evaluate research data. The chapter outlines the type of research approach used for this research supported by reasons for selecting such an approach. It also describes research design, target population, sampling strategy, chosen data collection instruments and reasons thereof. This section describes how data was analysed, and how issues of trustworthiness and credibility were dealt with. The chapter concludes with justifications of this research and chapter organisation.

3.2 Research Approach

A research approach is a strategy and procedure that involves steps of broad hypotheses to detailed method of data collection, analysis and interpretation. Research approach is thus, centred upon the research problem being addressed. In this study, qualitative research methodology was used to understand details of and gain deeper insight into why under resourced municipalities continually experience service delivery challenges as a result of lack of proper infrastructure even though they receive development funding support from DFIs. This research sought to investigate and establish whether infrastructure development funding by DFIs e.g. DBSA into some under-resourced municipalities throughout all the provinces of the country have resulted in improved service delivery and upliftment of the socioeconomic standard of their communities. This approach enables the researcher to gain an understanding of underlying reasons, opinions, and insights. Qualitative research methodology was selected because the study deals with subjectivities of human beings as an attempt to understand what DFIs development finance gets used for. In addition, this research aimed at collecting insights

into why service delivery protests seem to progressively increase and are more violent (Bansal and Corley, 2011).

3.3 The research design

Qualitative research design aims to descriptively understand research objectives through questioning underlying reasons, opinions, and motivations. According to Bhat (2016) “Research design is defined as a framework of methods and techniques chosen by a researcher to combine various components of research in a reasonably logical manner so that the research problem is efficiently handled. It provides insights about “how” to conduct research using a particular methodology”. The purpose of a research design is to make certain findings of research enable the researcher to answer initial research questions as unambiguously as possible (Astalin, 2013). There are three main sections of research design namely, data collection, measurement, and analysis (Grey, 2014). According to Robson (2002), there are three possible forms of research design that is exploratory, descriptive and explanatory. Most research objectives can be achieved by utilising one of these three types of research designs (Stern et al., 2012). The research design preferred for this study was the Exploratory method. Marlow defines exploratory research as “A form of research that generates initial insights into the nature of an issue and develops questions to be investigated by more extensive studies” (2005:). As the name suggests, an exploratory research design deals mainly with exploration into phenomenon. Exploratory research is usually a prelude to a more comprehensive study; however, it can also be an important form of research in its own right (Alston and Bowles, 2012). Exploratory research design is the most appropriate design used when there is a high level of uncertainty, ignorance and limited knowledge about a phenomenon or problem (Engel and Schutt, 2010). Such research is usually characterised by a high degree of flexibility and lacks formal structure (Mitchell and Jolley, 2010; Royse et al., 2011).

3.4 Target population

Asiamah et al. describes target population as “the group of individuals, objects, elements or participants with the specific attributes of interest and relevance that the research results are intent to apply to” (2017:). In this research study, targeted population consisted of some Municipal Mayors and Municipal Managers in under resourced municipalities within the nine provinces of the Republic of South Africa. It was important that research participants ought to have at least three or more years holding office of Municipal Mayor or Manager so as to ensure validity and richness of their responses.

3.5 Sampling strategy

Maheshwa defines sampling strategy as “the plan a researcher set forth to be sure that the sample utilised in research study represents the population from which the sample is drawn from” (2017:). According to Delice (2010) when interested in a population, typically a sample of that population is studied rather than an attempt to study the entire target population. The intention of sampling techniques is to assist in selecting units to be included in a sample.

There are mainly two types of sampling methods, namely probability and non-probability sampling techniques. The probability sampling methods use random selection to select units from the target population to include in sample. On the other hand, non-probability sampling techniques the population elements do not have equal chance of being selected and as a result of this it is not correct for a researcher to presume that the sample fully represents the target population (Robson, 2002). It is also possible that the researcher deliberately chose the individuals that will participate in the study.

In this study judgmental sampling was chosen, where a non-probability sampling technique allowed the researcher select units to be sampled based on their knowledge and professional judgment. According to Showkat and Parveen (2017) non-probability sampling techniques can be used when a researcher aims to do a qualitative, pilot or exploratory study. This technique can also be useful when the researcher has limited budget, time and workforce (Taherdoost, 2017). Judgemental sampling enables the researcher to handpick subjects from the population based on their knowledge and experience. In this research only Municipal Mayors and Managers with at least three years or more consecutive years in the role constituted the research population.

3.6 Sample size

It is recommended that qualitative studies require a minimum sample size of at least 12 to reach data saturation (Clarke and Braun, 2013; Fugard and Potts, 2014; Guest et al, 2006). This research study sample size consisted of 18 participants drawn from Municipal Mayors and Infrastructure Heads in the nine (9) under resourced municipalities of the Republic of South Africa. *(According to the Municipal Structures Act, under-resourced municipalities fall into category B and C municipalities and they are mainly rural with fewer resources.* Table 3.1 below indicates the nine (one from each province) under resourced municipalities that constituted the sample size for this study.

Table 3.1: List of selected under-resourced RSA municipalities that have received lending and non-lending support from a DFI in the past years

Province	Number of under resourced municipalities in the province	Selected Municipality
Western Cape	24	Bitou
Free State	18	Maluti-a-phofung
Mpumalanga	17	Mbombela
Northern Cape	26	Ga Magara
Limpopo	22	Greater Tzaneen
Gauteng	6	Mogale
North West	22	Moretele
Kwa Zulu Natal	43	Umgungundlovu
Eastern Cape	31	Mbizana

3.7 Research data collection instrument

Trigueros states that

“there are many types of qualitative research tools, however, the one that is preferred must go according to the research objectives. The most common qualitative research data collection instruments are interviews, focus group discussions, observational methods and document analysis” (2017:).

Data was collected by use of face-to-face interviews in this study. Face-to-face interviews were helpful in determining detailed perceptions, opinions, and attitudes of research participants. Marshall states that “face to face interviews allows the for opportunity to probe for explanation of responses and also to interpret body language and facial expressions” (2016:). The interview questions guideline (*Appendix A*) consisted of twelve (12) semi-structured questions. These questions were pilot tested on six of the participants so as to ensure that the interview questions captured relevant data.

3.8 Data analysis

Charmaz defines data analysis as “a process which the researcher uses to reduce data to a story and it’s interpretation” (2014:) Richards and Janice defines data analysis as “the process of reducing large amounts of data to make sense of them” (2013:). There are different ways of analysing qualitative data. The analytical approach of a researcher depends on a combination of factors such as the research questions asked, theoretical basis of the study and appropriateness of the process to make sense of the data among others (Kawulich, 2004). The actual process involves the researcher immersing himself or herself in the data with a view to thoroughly understanding it and identify patterns and themes through searching for relationships between data (Fries, 2019). Framework analysis was adopted to analyse the data of this study. Framework analysis involved of a number of stages such as data familiarisation, searching and identifying a thematic framework, coding, and eventually interpreting.

3.9 Trustworthiness

Trustworthiness is equivalent to validity and credibility in quantitative research methods. In qualitative research, however, the concept of trustworthiness is obscure because it is referred to in different terms. Anney stated that

“Since qualitative researchers do not use instruments with established metrics about validity and reliability, it is pertinent to address how qualitative

researchers establish that the research study's findings are credible, transferable, confirmable, and dependable" (2014:).

Trustworthiness refers to establishing these four concepts in ascertaining the quality of a qualitative research study (Lincoln and Guba, 1985). The concepts of credibility, transferability, confirmability, and dependability are described below with quantitative equivalents indicated in brackets and italicised.

Credibility (*Internal validity*) refers to how assured the qualitative researcher is in the truthfulness of the findings of research study. According to Stumpfegger "This boils down to the question of "How do you know that your findings are true and accurate?" (2017:) To enhance the credibility of this study, the researcher included exact words interviewees used.

Transferability (*external validity*) refers to the applicability findings of the research beyond the bounds of this particular research. In other words, can the findings be applicable to other contexts or similar situations including the generalisation a study's results? Transferability in this study was achieved by thoroughly describing the research context and underlying assumptions. These assumptions included the judgemental sampling that was adopted so that research results may be transferred from the original research situation to an alternative but similar situation.

Confirmability, (*objectivity*) Lincoln & Guba stated that "Instead of general objectivity in quantitative research, the researcher's neutrality of research interpretations is required (1985:). Patton confirms, "confirmability means that the findings are based on participants' responses and not any potential bias or personal motivations of the researcher" (2002:). To ensure confirmability in this study all procedures were documented and highlighted. Additionally, all steps of data analysis was outlined to provide a rationale for decisions made enabling audit trails and reviews of the data throughout the research study.

Dependability (*reliability*) refers to the extent and consistency of how research findings can be replicated by other researchers. According to Goertz and Mahoney "if another researcher wants to repeat the research study, such a researcher should have enough information from the research report to do so and obtain similar findings" (2012:). A qualitative researcher can use an inquiry audit to establish dependability, requiring an objective party to review and examine the research process as well as data analysis ultimately ensuring findings are consistent and

could be repeated. In this study dependability was ensured through use of thick description where every step of the research processes was recorded in detail.

3.10 Ethical considerations

It is crucially important that animals, humans, especially children subjects are protected by employing suitable honourable ethical principles in all research studies (Binti Mohd Arifin, 2018). There are a number of ethical values and considerations that ought to be observed by researchers. These principles emphasise the need to do good (also known as beneficence) and do no harm (also known as non-maleficence) (Amon et al., 2012; Hoekveld & Needham, 2013). It is the responsibility of every researcher to obtain informed consent from potential research participants, so as to minimise the risk of harm to participants; to protect participants anonymity and confidentiality and to give participants the right to withdraw from the research study if they so wish. In this study all the above-mentioned principles were observed.

Informed consent: Israel and Hay state that “Participation should be the voluntary choice of the participants and should be based on sufficient information and an adequate understanding of the research and the consequences of their participation” (2016:). The researcher ensured that prospective participants consented voluntarily to participate in the research study by requesting research participants complete and sign consent forms (*Appendix B*). Consent forms explained and ensured participants were well-informed about the purpose of the research study, they understood risks they may face by taking part in this research study. Research participants acknowledged their freedom to independently make decisions including the right to withdraw from participation in this research study without fear of negative consequences.

No harm to participants: Baines et al. (2013) and Fuggle (2012) state that “It is fundamental that no harm must come to participants as a result of their participation in the research and this means not only that participants must not be exposed to pain or danger in the course of the research (such as in a psychological experiment or medical trial), but also that there must be no adverse consequences to a person as a result of their participation”. The researcher ensured that no harm was made to participants by ensuring under the consent principle, participants were fully appraised of all possible risks during this research study. Possible emotional distress risks were addressed by ensuring that counselling would be available to any participant where necessary.

Presumption and preservation of anonymity and confidentiality: According to Economic and Social Research Council “there is an assumption of anonymity, that is, people participate in research on the presumption that they will be anonymous and that their anonymity will be protected, unless they have given permission to be named” (2012:). In this study, anonymity was ensured by not recording real names, titles or where a person’s identity would be evident from the context. Personal information was treated confidentially unless express permission was sought and granted by the research participant. Furthermore, this research study complies with the regulations of the South African Data Protection Act 1998 as well as the Protection of Personal Information act 4 of 2014. The Protection Act 1998 says that “information must be processed fairly and lawfully at all times” and the Protection of Personal Information Act of 2013 indicates that “it promotes the protection of personal information by public and private bodies”.

Chapter 4: Discussion of results and interpretation of findings

4.1 Introduction

The focus of this chapter is to discuss and interpret data analysis results. These results, are interpreted, evaluated and connected to previous literature reviewed in chapter two. Some/all responses of interviewees are quoted verbatim to demonstrate subjective insights. This is to ensure responses can be objectively interpreted, ensuring their legitimacy. The focus of the study was to establish whether infrastructure development funding by DFIs (e.g. the DBSA) invested in some of the under-resourced municipalities in all South African provinces have resulted in improved service delivery and upliftment of the socioeconomic standard of their communities and if not, what the reasons are.

4.2 Sample overview

A synopsis of respondents that participated in the study is shown in table 4.1 below. A total of 27 invitations (three requests per province) were sent electronically to prospective participants in identified under-resourced municipalities within all nine South African provinces. 74,07% of research participants accepted involvement in this research study. Only 18 research participants were actually interviewed. This means that each of the nine South African provinces contributed two participants to this research study.

Twenty prospective participants responded accepting to be involved in the research, this is equivalent to an acceptance rate of 74,07%. Even though 20 prospective respondents accepted to be involved in the research, only 18 were actually interviewed with each of the country's nine provinces having two representatives.

Four themes were identified during data analysis phase namely, municipalities' knowledge and understanding of DFIs and their role in infrastructure development funding, impact of DFI funding on alleviation of poverty and improvement of service delivery in under-resourced municipalities; role of poor governance on the utilisation of allocated DFI funds and suggested alternative infrastructure development funding for under resourced municipalities. The analysed data indicated that all respondents interviewed had at least seven or more years' experience working in infrastructure development or related roles within their municipalities, thus a total average municipal working experience of 12.73 years. This indicates responses of research participants were detailed and comprehensive. Feedback included actual experiences

of each participant and reflected realities within South African municipalities. This presents feedback from research participants as legitimate and true.

Table 4.1: The profile of the respondents interviewed

	Municipality & References	Province	Title of Participant & Role	Years of service in Municipality
1	Bitou <i>[BM 01]</i>	Western Cape	- Roads Infrastructure Maintenance Officer - Responsible for road network maintenance	12 Years
			- Water Infrastructure Engineer; - Responsible for storm water and drainage infrastructure;	17 Years
2	Greater Tzaneen <i>[GTM 02]</i>	Limpopo	- Electrical Engineering Assistant; - Responsible for project management of electrical capital projects	15 Years
			- Infrastructure Head; - Responsible for infrastructure development and monitoring	10 Years
3	Lesedi <i>LM 03]</i>	Gauteng	- Infrastructure Manager; - Responsible for infrastructure Maintenance	18 Years
			- Municipal Surveyor; - Facilitation of planning and development	10 Years
4	Maluti-a-Phofung <i>[MPM 04]</i>	Free State	- Executive Manager; - Strategic Management Services;	7.67 Years
			- Infrastructure Planning Manager; - Responsible infrastructure development	13 Years
5	Mbizana <i>[MM 05]</i>	Eastern Cape	- Manager Electricity infrastructure projects, - Manage and facilitate electricity operations	7 Years
			- Manager Infrastructure Projects, - Responsible infrastructure development	9 Years
6	Mbombela <i>[MM 06]</i>	Mpumalanga	- Civils & Construction Manager, - Responsible infrastructure development	14 Years
			- Development Projects Manager, - Responsible for infrastructure development	10 Years
7	Moretele <i>[MM 07]</i>	North West	- Director Infrastructure Development - Responsible for operation and maintenance of municipal infrastructure,	8 Years
			- Infrastructure Development Manager, - Responsible for various infrastructure projects	8 Years
8	Sol Plaatje <i>[SPM 08]</i>	Northern Cape	- Infrastructure Maintenance Officer, - Responsible for infrastructure projects,	12 Years
			- Manager Infrastructure Planning and Development; - Plan, design and construction of water and wastewater infrastructure projects	20 Years
9	uMgungundlovu <i>[uM 09]</i>	KZN	- Manager Infrastructure Planning and Development; - Responsible for planning, designing and construction of water and wastewater infrastructure projects	22.5 Years
			- Senior Development Planner;	16 Years

			- c) Responsible for planning development projects	
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4.3 Findings

Thematic analysis results are presented in this section. Discussions are referred to here in relation to themes identified based on questions asked.

4.3.1 Municipalities’ knowledge and understanding of DFIs role in infrastructure development funding.

Main themes and sub-themes identified from data analysis seek to understand municipalities’ knowledge about the role of DFI funding. From the data structure presented in Figure 4.1, the role of DFI funding in infrastructure development are classified into municipal development resourcing and financing; empowerment of under resourced municipalities and strategic partnerships. Each of the three thematic areas on knowledge and role of DFI funding in infrastructure development are discussed below.

4.3.1.1 Municipal development resourcing and financing

Results of data analysis indicate that all respondents except one are substantially aware of and understand the role of development financing institutions for providing finance to accelerate sustainable socio-economic development by funding physical, social and economic infrastructure. The findings are consistent with an observation made by Thorne and du Toit that “development finance is defined as “the provision of finance to those market segments that are not well served by the financial system” (2009:). Mahabir and Mabena, also indicated that “DFIs improves governance and additional support to other financial flows and domestic investment through their financial and non-financial interventions” (2015:).

Results also indicated that there is an awareness by all research participants about the role development finance institutions play in advancing development and expanding access to development finance and effectively integrating and implementing sustainable development solutions. Some of the roles fulfilled by DFIs include crowding-in third party funding and provision of long-term infrastructure lending efforts for improving general socioeconomic wellbeing of citizens. DFIs are crucial structures for infrastructure development, enhancement and impartation of much-needed skill and knowhow to assist governments realise their set key priorities. Respondents noted that DFIs bridging finance provided assisted in supressing both

the frequency and severity of service delivery protests and offered youths the chance to acquire education for better future prospects. Infrastructure funding by DFIs is their prime objective and is meant to improve communities' quality of life. This is articulated through expressions by research participants about the role of DFIs.

“DFIs are crucial cornerstones in infrastructure development and the enhancement and impartation of the much-needed skill and knowhow together with capacitating and resourcing under resourced municipalities for sustainable development” (MM05).

“DFIs not only provide us with infrastructure finances but also municipal support services such as revenue enhancement programmes and long-term financial strategies and investment planning ideas, so they go out of their way to ensure under resourced municipalities are both financed and resourced” (GTM02).

“Development financing purposes to create proactive methods that leverage public resources to solve the needs of business, industry, and the upliftment of the socioeconomic wellbeing of citizens” (BM 01).

Although there are well over 10 development finance institutions in South Africa, all research participants only recognized the Development Bank of Southern Africa (DBSA) as a development finance loaning institution. They indicated that within the last ten opportunities for funding, finance loans from DBSA were acquired for infrastructure development. The following statements substantiate this well by answering the following question: “Were you aware of various development financing institutions that could provide the municipalities with infrastructure development funding? if so, name at least two.

“Yes, Development Bank of Southern Africa (DBSA) allocated a total of R2 429 billion to maintain roads, water & sanitation reticulation, electricity distribution in 2016 /2017 financial year” (BM01)

“Yes, I am only aware of Development Bank of Southern Africa (DBSA) which have allocated funds to us a couple of years back” (GTM02);

“Yes, I only know of Development Bank of Southern Africa (DBSA) which loaned us money for project developments” (LM03).

Only 39% of the respondents mentioned Industrial Development Corporation (IDC), the Landbank and the Independent Development Trust (IDT) was mentioned by one respondent each time, namely **MM05** and **MM06** respectively.

4.3.1.2 Empowerment of under resourced municipalities

It was further revealed that DFI funding has become pivotal for minor development undertaken in under-resourced municipalities. DBSA further substantiates this claim in the Sustainability Report of 2019. It is mentioned that empowerment of under resourced municipalities mean the creation of an inclusive economy increasing participation by local communities to uplift their lives. A study by Gumede et al. (2011) further corroborates this notion where he/she concludes successful DFIs accomplish their functions well. Apart from financing infrastructure projects, DFIs also embrace roles of facilitators, arrangers, idea banks and perform them equally well thereby broadening economic growth and community empowerment.

Under-resourced municipalities are predominantly rural bearing a huge deficit of both resources and skillsets areas. DFIs have contributed to enhancing and imparting knowledge as well as building capacity for municipal affairs to run more effectively. Many infrastructure development project examples were cited by respondents. These examples were supported by DFI funding, confirming the improvement of people's lives. These funds have provided much needed assistance to under-resourced municipalities and have enabled sustainable infrastructure development and maintenance of existing infrastructures. Such funds empower young people through education facilities. Responses by research participants below demonstrate the extent to which DFI funding has positively contributed.

“The funds received from DBSA enabled the municipality with lacking financial resources and skills for maintenance of ageing infrastructure and empowerment of youths through the construction of education facilities” (uM09).

“Without a doubt, improvements in service delivery to communities is quite noticeable for all to see and this has reduced the rates and violence of service delivery protests” (LM03).

“It is gratifying to know that due to lack of the requisite knowhow in under resourced municipalities Development Financing Institutions have really equipped us with project preparation knowledge where they assist us and invest more in early-stage project development, crucial bottleneck in infrastructure and technical assistance” (MPM04).

When respondents were requested to identify at least two infrastructure development projects where the DFI funding was utilised, results indicated that each respondent was able to identify two separate infrastructure development projects funded by Development Finance Institution within their municipalities. It was also revealed that each of the two respondents from the same municipality identified two but very different infrastructure development projects. Ultimately resulting in a total of four completely different developmental projects for each municipality in the last ten years. Quotations below clearly present the ability DFI funding has to improve service delivery within under-resourced municipalities:

“The upgrade and refurbishment of the Gogga Pump station benefited over 17000 households and the replacement of 66KV and 11KV electrical lines improved electricity supply to communities at Southridge, Hadison Park and Galeshewe communities” and “The installation of a new pump station and its outfall sewer line now caters for the existing area and future housing developments that are imminent in the Cartersglen, Hillcrest and MacDougal precincts and will benefit all the communities in the Cartersglen area” (SPM08),

“Wilge wastewater treatment Works increased the daily mega litre capacity of water therefore unlocking residential developments which increased the municipal revenue”. “Phuthaditjhaba transit waste station which services the majority of informal settlements’ waste removal function to a previous serviced area. This project assists the municipality in servicing of the emergency site and services developments” and “The building of the Intabazwe substation uplifted the lives of the Intabazwe township which is situated outside of the municipal feeding area as the existing substation had no capacity to supply electricity beyond its boundary of supply”. “The construction of a new substation did not only enabled supply of electricity to Intabazwe township but also takes into account future growth anticipated at the Intabazwe Township; 300 hundred families are now connected to the power grid” (MPM08).

“Construction the Harkerville waterworks. Now people in the Harkerville area have access to safe, clean drinking water which is within proximity to homes”. “The Kwanokuthula BULK outfall Sewer Upgrade Phase 1B did enable the current frequent localized sewage overflows and spills a thing of the past. If the sewer was left as is it would have led to environmental, public health and safety hazards” and “The construction of the Kranshoek Bulk Water Supply Pipeline benefited communities having safe portable water for consumption and the provision of water which in turn leads to the unlocking of socio-economic development”. “The upgrading of Aventura sewerage pump station opened the opportunity for the municipality to start several

housing and social housing developments in the Aventura area and this further leads to reducing the housing list for the municipality” (BM01).

Considering the above, it is clear DFI funding is effective for upliftment of communities. However, one should note that under-resourced municipalities are struggling and cannot easily access DFI funding due to lack of resources.

4.4.1.3 Strategic partnerships

Results indicate that DFIs have partnered with investors and funders to provide blended funding solutions for infrastructure development. Jenkins and Fries, (2012) in their study on Partnering for Business Opportunity and Development Impact established, strategic partnerships strengthen the means of implementation and revitalisation of municipal sustainable development. There is evidence from the findings that DBSA had strategic partnerships with various government departments for partnering in the delivery of social and economic infrastructure (Mahabir and Mabena, 2015).

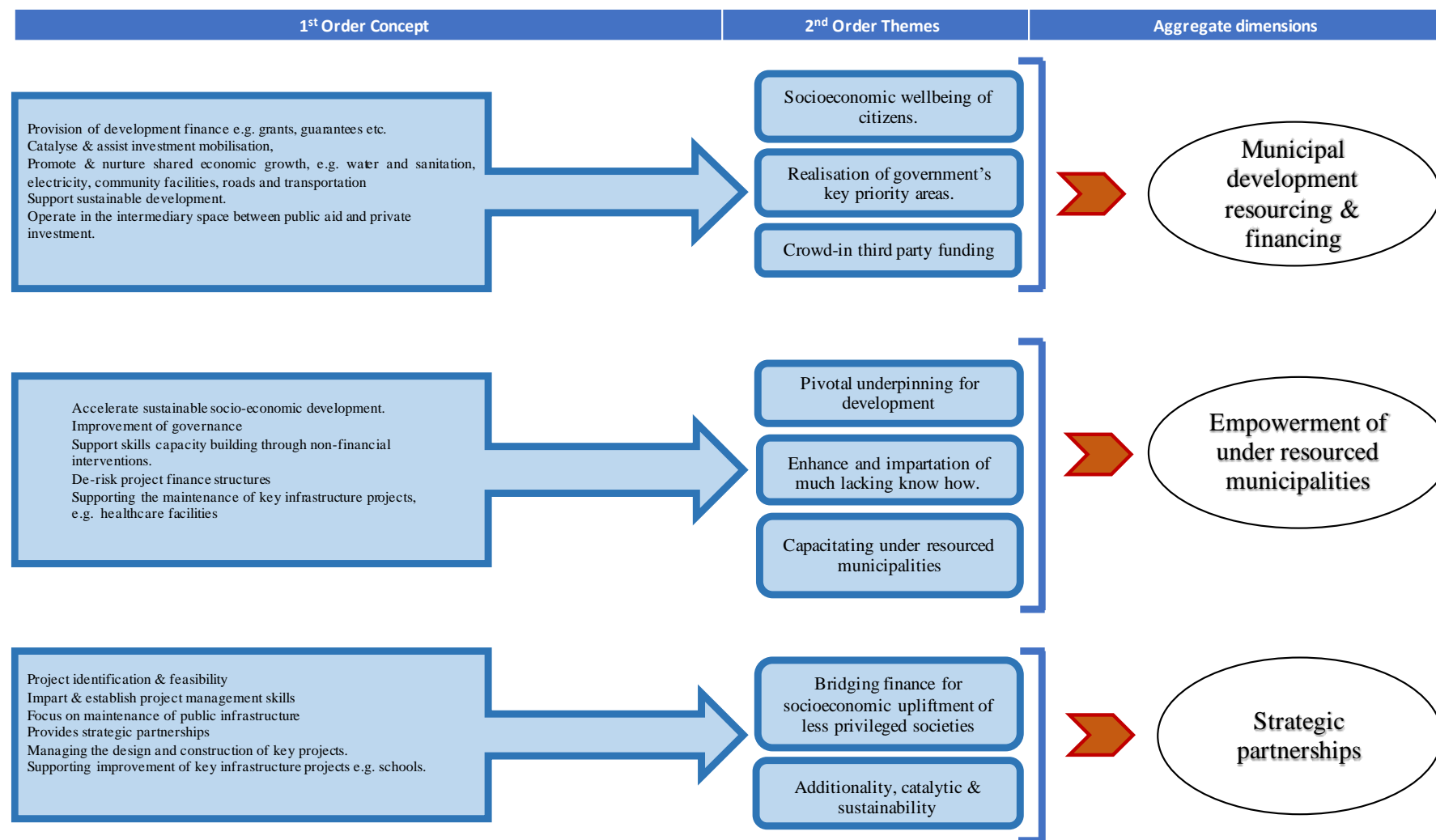
Respondents also indicated that their municipalities forged strategic partnerships with DFIs to build and expand schools and health centres. Respondents determined that some of the projects conducted in partnerships with DBSA include maintenance of key infrastructures such as roads, electricity transmission projects, water and sewer reticulation projects. In most partnership projects DFIs provide much needed knowhow and expertise. This in turn provides capacity to under-resourced municipalities. The following highlight some of the projects that were as a result of strategic partnering with a DFI.

“Strategic partnerships helped us to do most of our electricity transmission projects. If it were not the partnership, we forged with DBSA we would have not managed to transmit power to newly constructed school and clinic” (LM03).

“We had serious challenges with water in the past years but last year was the worst and we had to source strategic partners with an DFI to address water and sanitation infrastructure and service delivery challenges in the under resourced municipalities in the province, potentially enabling a significant lending and technical knowledge opportunity in the municipal environment and the water sector” (BM01).

“Our municipality has benefited hugely in partnering with DBSA in building technical support capacity and peer learning opportunities, sharing expertise and making better use of evidence” (GTM02).

Figure 4.1: Data structure summary theme on role of DFI funding and infrastructure development in under resourced municipalities.



Sources: Researchers design based on research data, an adaptation from Corley and Gioia (2004)

4.3.2 Impact of DFI funding on service delivery in under-resourced municipalities

According to the Department of National Treasury (2011), despite powers and resources given to municipalities to deliver and manage their own resources, most municipalities, especially the under resourced ones struggle to achieve their objectives as set out in the South African constitution. Three aggregate themes emerged from the data are discussed below; opportunity for a better future; improved and sustainable infrastructure and upskilling and upliftment of lives.

4.3.2.1 Opportunity for a better future

DBSA development funding contributed to significantly improving infrastructure developments in municipalities, improved education, innovation and skills for communities. This research study's results are further verified by Gumede et al. (2011) where DFI funding is found to create an economy that is capable of providing quality education, prospects for skills training and innovation thereby in turn create jobs and employment chances as well.

The results of this study revealed that all the respondents indicated that the development finances they received from DBSA made a significant difference in improving not only infrastructure developments in their municipalities but also better education, innovation and skills. According to Gumede et al. (2011) DFI funding helps to create an economy that is capable of providing quality education, prospects for skills training and innovation thereby in turn create jobs and employment chances as well. Due to improvement in infrastructure, service delivery challenges have to a greater extent also improved. This truth is supported by reduction in frequency and severity of service delivery protests compared to before increased infrastructure developments. Positive developments such as these grants both younger and unemployed people hope for future opportunities. When asked about personal opinions regarding whether DFI funding improved both infrastructure development and bettered their lives, responses were the following:

“Very much so including addressing the lack of capacity by municipalities to implement projects”, (BM01).

“Indeed, investment in infrastructure development has paid off hugely and uplifted the lives of our communities in this municipality. Schools and clinics have been built and more importantly the labour to build these structures was obtained locally thereby affording idle people opportunities to work and better their lives”, (MPM04).

“No doubt the funding we secured enable us to make a number of infrastructure developments that have improved service delivery to communities”, (MM06).

“Yes, the funds received did improved and reduced the infrastructure backlogs because numerous projects were implemented to accelerate service delivery and created jobs for the local communities through subcontracts. All children a going to school and some are being trained to gain skills and all this augur very well for a much better tomorrow especially of our children”, (MM07).

The results of the study indicate that lack of adequate resources has resulted in huge infrastructure development and service delivery backlogs. However, the municipalities try whenever they can to address service delivery challenges that are triggered by such backlogs, lack of development or efforts thereof and delivery of poor services to the people. When asked how they are managing the various development and social services challenges, all respondents indicated that municipalities struggle to provide services and social facilities but when funds are provided, urgent requirements are prioritised. Social development projects such as schools, healthcare facilities, community housing etc. happen slowly and only when funds get secured. This is clearly reflected in quotes below,

“Construction of schools takes place from time to time when funds permit so as to decongest existing schooling facilities”, (BM01).

“Funds permitting the municipality construct schools, health centres, and improve recreational facilities” (LM03).

“The municipality has made efforts to improve school infrastructure by refurbishing and upgrading water facilities at schools, funding laboratory facilities, libraries, computers, sports equipment. Of course, resources are always not enough given that we are a poor rural and under resources municipality and we explain this to our communities as the reason for slower development”, (uM09).

Municipalities try to address demands of people by engaging and involving communities in project-planning, prioritising and implementation committees. In dealing with communities demands for better service-delivery and higher standards of living, methods attempted by municipalities seek to provide a sense of entitlement and involvement of communities.

Municipalities dealt with challenges regarding communities demanding better services and improved standards of living including service delivery protests the results of the study revealed that municipalities try to address the challenges by both involving and engaging communities in projects planning, prioritising and implementation committees so as to have a sense of entitlement and involvement.

“We involve the community in our various planning committees so that they champion the direction and also help to explain to their communities about exactly what is happening on the ground”, (SPM08).

“We involve communities in the prioritisation and implementation of projects so that we work together and get the communities to endorse decisions they were part in making”, (uM09).

“Engagements with communities to outline the plans that the municipality has and also to explain any constraints the municipality faces so they are in the know”, (MM06).

Results show that municipalities engage frustrated communities by encouraging municipal officials unrestricted access when dealing with protests. Unrestricted access to municipal officials allow issues communities voice to be acknowledged and managed before protests occur.

On protests the results indicated that municipalities engage frustrated communities and encourage municipal officials to allow the people they represent to have unrestricted access to them, so they get to know of and address any issues the communities raise before they get to boiling point and protests happen as evidenced by these quotes,

“Access to public representatives by the electorate is very important as this enables communities to know where things are thereby avoiding community frustrations which sometimes leads to protests”, (MM05).

“We try always to involve community participation in various developmental committees so they can explain to their own communities what exactly is going on. We keep communities informed and this has assisted hugely in dispelling feelings of revolts and public service delivery protests”, (LM03).

“A protest committee was established to deal directly with any concerned group that may emerge with the intention of establishing the root cause of issues raised and having regular update meetings”, (MM07).

4.3.2.2 Improved and sustainable rural infrastructure

Findings of this study indicate that interventions of DFI funding brings much relief to these rural municipalities in terms of enabling the capability of maintenance of rural infrastructure which otherwise would deteriorate and become dilapidated. Most of the respondents acknowledged a huge difference DFI funding has made to enabling municipalities for ageing municipality infrastructures especially in the following areas: bulk water, sewer reticulation and bulk electricity transmission. Lack of this funding means poor service-delivery to communities. According to Hemson et al. (2014) most under resourced municipalities in South Africa are predominantly in rural areas where government services are very scarce and without proper oversight from either central or provincial governments. Hence, DFIs provide much needed resources to develop rural municipalities.

Expertise and knowledge they impart to municipal employees who understudy them on projects is so invaluable that after completion of projects their own employees are able to maintain infrastructures rather than farming them out at astronomical costs to the municipalities. Responses below argue DFI funding and knowhow greatly assists in sustaining rural infrastructures.

“The funding we received from DBSA was pivotal in enabling the municipality to make upgrades to a number of projects which had stalled and also including addressing the lack of capacity by municipalities to implement projects”, (MM07).

“Indeed, investment in infrastructure development has paid off hugely and uplifted the lives of our communities in this rural municipality. No doubt the funding we secured enabled us to make a number of infrastructure developments that have improved service delivery to communities” (MM06).

“Yes, the funds received did improved and reduced the infrastructure backlogs because numerous projects were implemented to accelerate service delivery and created jobs for the local communities through subcontracts” (LM03).

“The upgrade and refurbishment of the Gogga Pump station benefited over 17000 households and the replacement of 66KV and 11KV electrical lines improved electricity supply to communities at Southridge, Hadison Park and Galeshewe communities were made possible through DFI funding” (SPM08).

4.3.2.3 Upskilling and upliftment of lives

In addition to financial assistance, DFIs provide knowledge and sustain a number of useful roles. Some of these roles include, capacity building, advisement, project preparation support. The additional role DFIs play as financier involves a contribution to the delivery of basic services and promotion of economic growth through infrastructure development. Within an advisory role, DFI build institutional, financial and knowledge capacity for the maintenance of developed infrastructure. Under a partnership role, DFI leverage private, public and community stakeholders in development process'. As the role of implementor where the DFI originates, they facilitate key interventions for building capacity and providing development solutions. Kwakkenbos and Romero (2013) infers it is increasingly becoming the norm for development finance institutions to play multiple roles apart from financing for safeguarding financial sustainability, transparency, environmental and social accountability.

All non-financial knowledge and expertise imparted to municipality employees by DFIs affords under-resourced municipalities capacity building and up-skilling officials in project preparation and implementation support; maintenance and improvement of key infrastructure; financial management skills amongst others. Should a DFI not support these under-resourced municipalities, saddled with inefficiencies and other problems, almost always contributes to failed infrastructure development projects. Non-financial knowledge and skilling has proved quite critical in upskilling municipal employees which in turn improves service delivery by otherwise poor municipalities and ultimately improves and uplifts communities. The following attests to this reality.

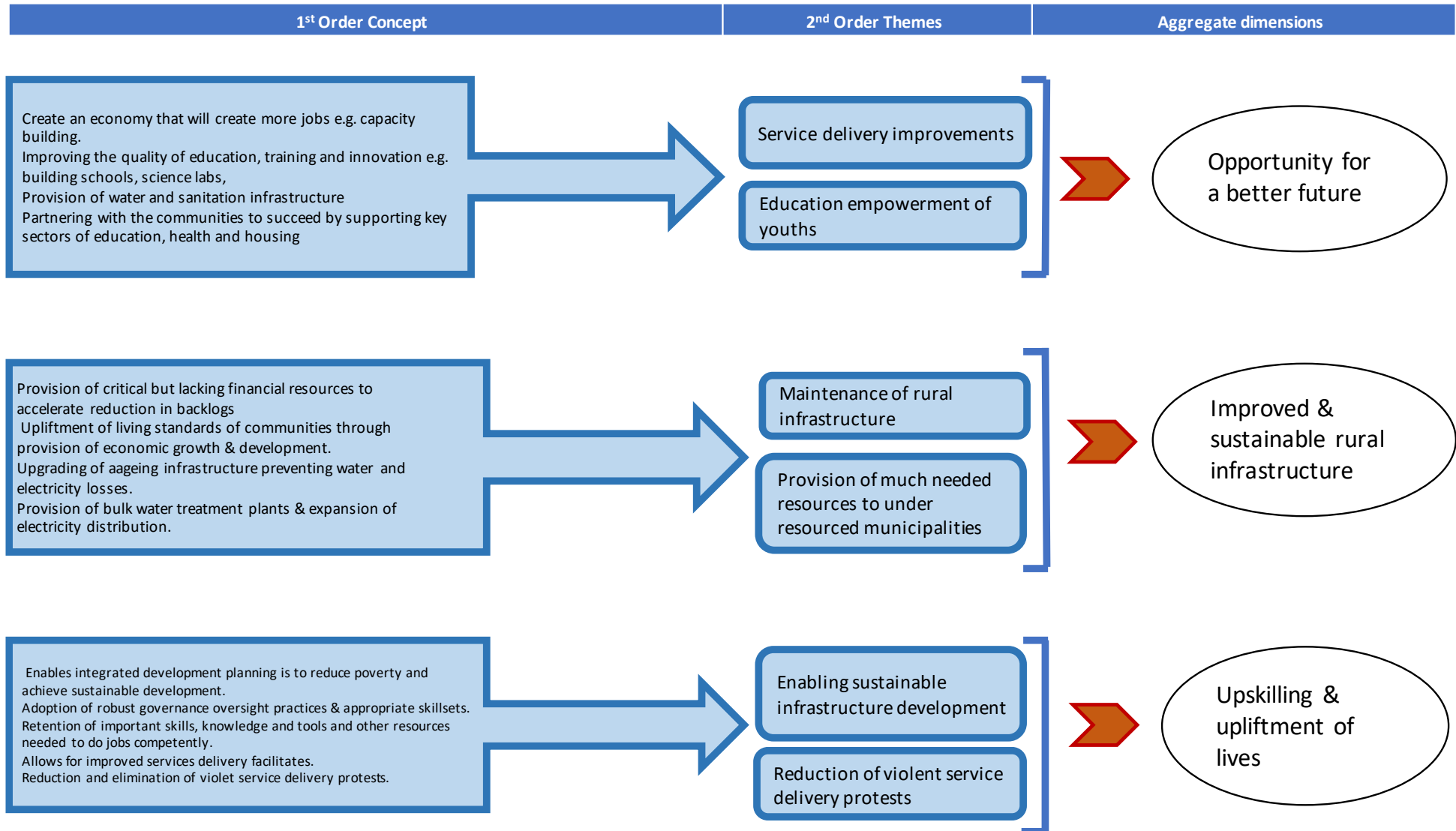
“We received capacity building support and up skilling of some staff. DBSA assisted us with giving of advice and project preparation support. We also received support in the maintenance and improvement of key infrastructure projects of schools, housing sector projects” (MPM04).

“DBSA provided us with their project management knowledge, financial management and capacitated us, giving of advice and project preparation support. We also received support in the maintenance and improvement of key infrastructure projects of schools, housing sector projects” (BM01).

“We were provided with project management skills and knowledge, financial management which resulted in building our capacity to be able to improve in a number of areas, such as

monitoring and evaluation and maintenance of some of our existing infrastructures. This knowledge is very invaluable to poor and under resourced municipalities like ours” (uM09).

Figure 4.2: Data structure summary themes on the evaluation of the impact of DFI funding on service delivery in under resourced municipalities.



4.3.3 The extent poor governance plays a role in the less optimum utilisation and allocation of DFI funding by municipalities

According to Mahabir and Mabena (2016) effective functioning of municipalities in South Africa begins with political leadership. According to literature reviewed in this study, most reasons for distresses in municipal governance are as a result of a) tensions between the political and administrative components; b) poor ability of many councillors to deal with the demands of local government; c) lack of clear separation of roles between the legislative and executive; d) inadequate accountability measures and support systems and resources for local democracy; e) poor compliance with the legislative and regulatory frameworks for municipalities and fraud and corruption (Municipal Audit Report, 2016-17) . The following section discusses emerging themes from this research study; poor governance and how its negative impacts are retrogressive practices; requirement strict monitoring and supervision and absence of consequence management.

4.3.3.1 Retrogressive practices

This study reflects some shortcomings identified in previous literature. Main issues impacting governance that were raised included; issues of not holding officials to account for their performances and conformance, misappropriation of funds and diverting funds meant for infrastructure development to serve other unauthorised interests, lack of distinct separation of roles between legislative and executive and rampant unqualified audit reports. All the issues raised indicates a total disregard for formal organisational practices and undermines developmental opportunities. It was also highlighted that governance plays a key role ensuring efficient operation of a municipality by ensuring that checks and balances are in place to foster accountability and oversight principles.

The results pointed out that although proper governance structures and committees are in place, they are very ineffective because they simply turn a blind eye and officials are rarely held to account. This reflects chaos, lack of proper leadership, retrogressive and degenerative tendencies unfit for running professional organisations or municipalities in general. Results also clearly indicated running of municipality business matters are of a political nature. Politicisation of functions and decisions on development matters is left to politicians breeding corruption and collapses of proper service delivery efforts to communities. The Auditor General (2017-2018) report, the Auditor General emphasised that accountability continues to fail in local government. The report clearly pointed to glaring governance, leadership and

oversight lapses in municipalities that contributes immensely to undesirable audit results. This is evidenced by the following quotation raised by some of the respondents,

“Infrastructure development is the cornerstone for sustainable economic development of any country, such that infrastructure development support should chiefly be based on equality and sustainability and not on links to people in high offices and blind political allegiances aimed at scoring cheap brownie points is damaging and hampers progress”, (BM01).

“Lack of governance due to tensions between the political and administrative interfaces has led wrong decisions being taken in municipality meetings just because the political part with more votes on a voting item wins the day without the decision being necessarily correct and beneficial to the communities this clearly reflects total lack of leadership in our municipalities, politics should not be used to make important decisions”(GTMO2).

“Most municipalities, especially the under-resourced ones need assistance with strategies, programmes, funding and other resources to enhance the internal capacities and governance. It is crucial that municipal political and administrative leadership themselves internalise the values of good governance and shun malpractice in any form, so that they can serve citizens with pride and integrity” (uM09).

4.3.3.2 Requirement of strict monitoring and supervision

The findings of this study showed that in a fair amount of under resourced municipalities there is widespread noncompliance with legislation and regulatory frameworks. No checks and balances are in place to monitor and supervise deviations from what is required. Results also revealed evidence of diversion and misappropriation of funds earmarked for infrastructure work for other unauthorised uses.

Respondents spoke of numerous documented shortcomings regarding monies received for development and maintenance of infrastructure by municipalities in South Africa. These shortcomings include among others, unauthorised, irregular, fruitless and wasteful expenditure, lack of relevant skills, delays in projects completion, poor quality workmanship, inadequate monitoring and oversight of contractors. This is indicative of major underlying challenges that municipalities have with managing their finances, performance, projects and with taking responsibility for outcomes. Results of this study revealed that due to lack of relevant skills, delays in completion of projects, poor quality workmanship, and inadequate monitoring, oversight of contractors and unauthorised, irregular and fruitless and wasteful

expenditure occurs. To curb these malpractices both provincial and national governments ought to regularly audit, monitor and supervise operations of municipalities so that deviations are dealt with immediately before harm is caused and negatively impacts on service delivery to communities. The following evidence quotations reflect the need for strict monitoring and oversight.

“Total disrespect of conventional organisational practices is actually abuse of executive powers which glorifies corruption, misuse and misallocation of funds which requires very strict monitoring and supervision to avoid the free for all we see in some of the municipalities. This needs leadership and checks and balances to arrest the situations which are now out of control. Constant monitoring and supervision are also required” (MPM04).

“There has been a number of incidents where funds have been diverted and used for other purposes they were not acquired for because politics won the day and some of the amounts ended up in the wrong hands and was misappropriated and never got to be accounted for. Audits has revealed time without a number misappropriation of funds meant for development, yet the municipality claims poverty, but it does not use the little they get appropriately, and this is what infuriates residence who then violently protest” (LM03).

“Lack of accountability, undesirable audits result in negatively impact on the municipalities’ ability to secure loans and development finance. No financial institution, private or public would extend loans to non-accountable entities where skills lack, their leadership is dysfunctional and above all unauthorised, irregular and fruitless expenditure is all too common. The importance of accountability in the management commences with proper planning focused on the needs of communities and setting up of appropriate internal controls and supervision ensures proper financial and performance management, unfortunately all these lack in most municipalities in this country” (MM05).

There is lack of accountability and poor governance practices which has crippled and hold work progress due to corruption in most under resources municipality. Lack of distinct separation of roles between legislative and executive makes it worse as officials are never held accountable for performance and conformance as confirmed by the high irregular expenditure which is money that could be used to improve the life of ordinary people in the municipal communities” (SPM08).

4.3.3.3 Absence of consequence management

Results of this study show that there is free-for-all in the way municipalities are ran where delays in completion of projects, budgets overruns, overstating of procured materials is wilfully permitted. If free-for-all practices were to be hindered through consequence management application, municipalities would be run professionally and with much commitment from those in charge. Van der Molen states that “Without consequence management, one is not leading but creating chaos” (2018:). Malena et al. (2014) indicates that if a team or person do not do what is expected of them, then appropriate consequences should be applied. It is quite concerning that the municipalities rely only on the audit process to identify errors in their performance reports and not have their own checks and balances put in place to help flag any variations. The results also indicated even though governance structures are in place, those in charge turn a blind eye and intentionally avoid holding officials to account, thus seemingly glorifying corruption, misappropriation of funds, bribes etc. which sends a very wrong message to communities. Lack of consequence management is a major cause of service-delivery collapse in South African municipalities. (Auditor General Report, 2018-19). The following responses reflect research participants opinions regarding lack of consequences for violators.

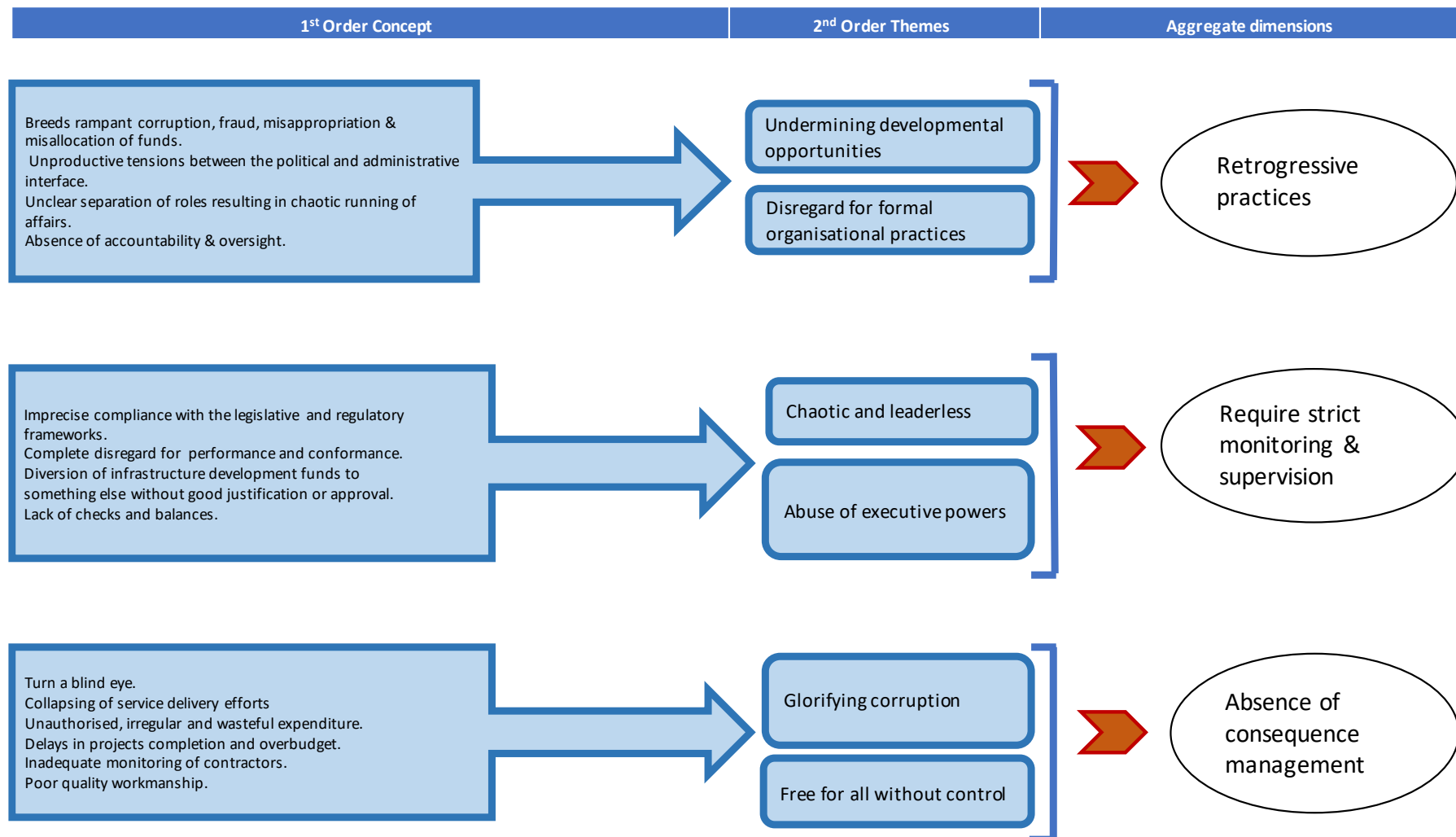
“The lack of decisive leadership and appropriate consequences to address the lack of accountability by ensuring consequences are meted out against those who flouted basic processes that hampered effective municipal governance (GTM02).

“Poor governance has reached astronomical levels and it is evident that most of our municipalities are suffering from dire challenges, yet most municipalities disregarded the auditor general’s recommendations, this is purely lack skills, but consequences should also befall those who digress from doing what is expected of them. Both provincial and national governments need to supervise and monitor adherence to laws as per the constitution and help these municipalities and impart much lacking skill so as to capacitate them” (MM06).

“Municipalities across the country must prioritise the needs and plight of ordinary citizens. As they are the sphere of governance that is closest to people’s everyday lives, citizens have an expectation that municipalities will be responsive to their needs and deliver on the social contract. They should institute appropriate internal control and supervision that will ensure proper financial and performance management. Serious consequences ought to befall whoever violates laid down controls and procedures without fear or favour including criminal charges” (LM03).

“Usually sufficient steps are not taken to either recover, write off, approve or condone unauthorised, irregular and fruitless and wasteful expenditures that are rife as required by legislation. There are issues of poor-quality workmanship, and inadequate monitoring and oversight of contractors resulting in payments done for work at times not even done”
(MPM04).

Figure 4.3: Data structure summary themes on examination of the extent poor governance plays a role in the less optimum utilisation and allocation of DFI funding by municipalities.



Sources: Adapted from Corley and Gioia (2004).

4.5 Conclusion

This research study has shown that that most municipalities are aware of DFIs and all municipalities participants received loans from the Development Bank of Southern Africa which is the most known of the all DFIs. Under-resourced municipalities are poor and mainly located in rural areas where communities are incapable of paying for the services they receive. As a result, municipalities cannot raise collateral for secure loans from DFIs and government grants are small and are for limited use. What has emerged are huge backlogs in most under-resourced municipalities. These results also indicate that municipalities appreciate the roles governance plays ensuring smooth operations. It has been noted that political bickering is detrimental to service-delivery in communities and ultimately encourages community protests. On the contrary, development funds benefit communities and improve general socioeconomic status, creating jobs and employment.

This chapter concluded by suggesting alternative methods of funding infrastructure investments for under-resourced municipalities. One particularly valuable solution was that both provincial and national governments are responsible for the most vulnerable in society where public funds should be used to create special budgets for these under privileged municipalities. This should be accompanied by necessary skills and strict monitoring until such time they have built enough capacity.

Chapter 5: Conclusions and recommendations

5.1 Introduction

This is the final chapter of this study and it presents the conclusions drawn from the results of the data analysis and the literature reviewed and then make recommendations relating to the outcomes of study.

5.2 Research summary and the research objectives

The focus of this study was to investigate and establish whether infrastructure development funding by DFIs e.g. the DBSA invested in some under-resourced municipalities in all the South African provinces resulted in improved service delivery and socio-economic upliftment of their communities and if not, what the specific reasons are. This study sought to understand the following:

- To explore the role of DFI funding in improving infrastructure development in under resourced municipalities.
- To evaluate the impact of DFI funding on service delivery in under resourced municipalities.
- To examine the extent poor governance, plays a major role in the less optimum utilisation and allocation of DFI funding by municipalities to infrastructure development.

In this study a total of 27 invitations (three requests per province) were electronically sent to prospective research participants in the identified under resourced municipalities within all the nine provinces of South Africa. Twenty prospective participants accepted participating in the study, that stipulates a 74,07% response rate. Although 20 potential participants positively responded to take part in the study, only 18 were actually interviewed with each of South Africa's nine provinces having two representatives. The other two prospective respondents expressed unwillingness at the last minute. As indicated in chapter three, research data was collected through conducting interviews.

Data analysis was carried out by first going through the interview responses thoroughly, preparing organising and transcribing responses to each interview question onto an excel spreadsheet. Tabulating responses allowed the researcher to organise data into first and second order categories. The first order analysis focused predominantly on respondents' common terms or explanations. The second order analysis identified any emerging themes that suggest

concepts to potentially assist in defining and explaining research questions and objectives. Second order themes were further refined and condensed into second order aggregate dimensions or final emerged themes.

5.3 The key findings from the primary research

Main findings pertaining to the research objectives of this study are discussed below.

5.3.1 The impact of DFI funding in improving infrastructure development in under resourced municipalities

Results of this study revealed most municipalities have fairly good knowledge and understand Development Financing Institutions (DFIs) and the roles they play. These roles particularly involve providing finance for acceleration of sustainable socio-economic development by funding physical, social and economic infrastructure. The objective is to improve quality of life of communities and regions.

In addition to providing financial means for infrastructure development results also indicated that municipalities understood the increasing norm for DFIs to also play variable roles for positively impacting communities and safeguarding financial sustainability. DFIs play roles that also ensure transparency, environmental, social accountability while benefitting from coordinated development engagements and coordinated approaches. Some of these roles require that DFI assist with capacity building, giving of advice, upskilling and project preparation roles for the successful financing of projects and more so in poor or under resourced municipalities. Such under-resourced municipalities are also saddled with inefficiencies and a range of financial, political and management problems which in most instances if not attended in a professional manner contribute to failed infrastructure development efforts. Adding to this limited or lack of important skills such as in finance, management, and operations are among the some of the main causes of developmental failures in the under resourced municipalities. Results showed that most known DFI is the Development Bank of Southern Africa and all respondents indicate their municipality had at least received a loan from the Development Bank of Southern Africa (DBSA). An interesting find was that despite the fact that there exist over 10 development finance institutions in South Africa, all respondents only knew of the Development Bank of Southern Africa (DBSA) as a development finance loaning institution.

5.3.2 The impact of DFI funding on service delivery in under resourced municipalities

This study also revealed that development finance municipalities receive from DBSA make significant difference improving infrastructure developments in their respective municipalities. Thereby advancing and uplifting their communities' socio-economic status while improving service delivery, in turn appeasing communities. This also quashed the frequency and severity of service delivery protests by communities. In under-resourced municipalities, results of the study indicate that lack of adequate resources results in huge infrastructure development and service delivery backlogs. However, the municipalities try whenever they can to address service delivery challenges that are triggered by these backlogs, lack of development or efforts thereof and delivery of poor services to the people. Respondents' commentary on how they manage various development and social services challenges indicate that under-resourced municipalities struggle to provide most basic services and social facilities, however, whenever they get funds they prioritise and focus on the more urgent and pressing requirements communities need. Results revealed social development projects such as schools, healthcare facilities, community housing etc. happen at a slow pace as and when funds are secured. Results of the study revealed how municipalities cope with challenges regarding demands for better services and improved standards of living. This includes service delivery protests municipalities try to address by involving community members in various committees that champion the developments for a sense of entitlement and involvement. Community members in turn explain exactly what is happening to the communities they come from. Results of the study also indicated that municipalities engage frustrated communities. They also encourage municipal officials to allow people they represent be unrestricted by communities, so that they get to know of and address any issues communities raise before service delivery protests are triggered.

This study suggests communities and individual people benefit from infrastructure development. Thus, reducing the chance of serious community protests. Results also revealed that each of the two respondents from the same municipality identified two but very different infrastructure development projects resulting in a total of four completely different developmental projects for each municipality in the last ten years. This marks DFI funding as improving service delivery within under-resourced municipalities. This concludes that DFI funding is successfully uplifting the lives of communities and reducing protests however it is

also clear that under resourced municipalities are struggling and cannot easily access DFI funding due to lack of resources.

5.3.3 The role of governance role in the less optimum utilisation and allocation of DFI funding by municipalities to infrastructure development

The main results of this study on the above objective indicated that poor governance is typified by some of the following behaviours; illogical policy making, unaccountability, bureaucracies and red tape, the abuse of executive power, political interferences, poor financial management, violation of laid down rules and regulations, misappropriation of funds, proper governance structures and widespread corruption. Results also pointed out that with proper governance structures in place, governance and politics can harmoniously work together to benefit communities, however, in most instances are antagonistic.

In this study poor governance issues included not holding officials accountable for performance and conformance, misappropriation of funds and diverting funds meant for infrastructure development to something else. Indistinct separation of roles between legislative and executive as well as rampant unqualified audit reports featured a fair amount in this study. It was also highlighted that governance plays a crucial role ensuring efficient operation of a municipality by establishing checks and balances are in place to foster accountability and oversight principles. The results pointed out that although proper governance structures and committees are in place, they are very ineffective because those who are meant to enforce them simply turn a blind eye and rarely hold anyone to account. It was clearly indicated that politics gets involved in the running of municipality business matters. Politicisation of functions and decisions on development matters is usually left to politicians and the practice breeds corruption and collapses proper service delivery efforts to the people.

Majority of the respondents highlighted overwhelmingly that there were glaring governance, leadership and oversight gaps in municipalities. The issue of unauthorised, fruitless and wasteful expenditure was mentioned often by respondents. Such gaps have serious negative consequences impacting on service delivery to communities and contributes to undesirable audit results which in many cases revealed huge unauthorised, irregular and fruitless expenditures. Responding to what municipalities are doing to address governance challenges that they face, the results revealed a variety of possible solutions to the challenges. Some of

the solutions highlighted included, enforcement and close supervision by both provincial and national governments should ensure that rules and regulations are abided by. In addition, municipalities ought to encourage and eradicate the culture of non-payment for services and educate people about the importance of paying for services to facilitate development. There should also be a clear distinction between politicians and administrators and the implementation of stricter mechanisms, and policies such as carrying regular audits and increase project oversight and monitoring.

5.4 Conclusion

Chapter five concluded findings of the main research as well as the literature review. It also highlighted some recommendations regarding some of the findings. The main findings of the primary research were those that focused on answering objectives of the study. Overall, results of this study indicate that most municipalities have fairly good knowledge and understand Development Financing Institutions (DFIs) and the role they play in providing finance to accelerate sustainable socio-economic development by funding physical, social and economic infrastructure. The objective is to improve the quality of life of the communities and regions. The outcomes of this study display that development finance municipalities receive from DBSA make significant difference in improving infrastructure developments in their respective municipalities. Thereby advancing and uplifting the socio-economic statuses of their communities and improved service delivery. This appeases communities and quashed the frequency and severity of service delivery protests by communities. The findings also indicated that poor governance in the municipalities is typified by illogical policy making, unaccountability, bureaucracies and red tape, abuse of executive power, political interferences in the running of municipal businesses, poor financial management, violation of laid down rules and regulations, misappropriation of funds, proper governance structures and widespread corruption. The results also pointed out that with proper governance structures in place, governance and politics can harmoniously work together for the benefit of communities, however, in most instances they are antagonistic.

Main findings of the literature relate to the state of under-resourced municipalities in South Africa characterised by accountability failures, lack of leadership, where senior management and officials neglect to develop, implement checks and balances, absence of effective monitoring processes of internal control and lack of consequence management. It also considered municipal governance and service delivery in South Africa. One of the most

important principles of democracy is the legislative oversight role on executive authorities and this study indicates local government investment has not produced expected returns in terms of community upliftment which always trigger service delivery protests. Main shortcomings of municipalities impacting on sourcing finance for infrastructure development are, lack of accountability in municipalities, poor quality financial statements and reports and development and maintenance of infrastructure.

5.5 Recommendations

The study has revealed that under-resourced municipalities are increasingly struggling due to inadequate resources while their financial risk score appears insufficient for lenders to be attracted. Poor governance practices are worsened by political bickering at the expense of service delivery, corruption, misappropriation of funds, lack of requisite skillsets, irregular and unauthorised wasteful expenditures. Lack of accountability and poor financial statement by municipalities make auditing impossible allowing all sorts of public fund embezzling to occur.

It is recommended that governance structures within municipalities be strengthened. Provincial or national governments need to intensify supervisory roles so as to arrest any deviations from compliance with legislative requirements before spreading. It is also recommended that due to poor or lack of failure to attract requisite skills in rural municipalities, provincial governments are supported by national governments and address the issue of long-term missing skills in addition to increasing capacity of municipalities. Municipalities cannot compete for the acquisition of available best talent since they lack resources to do so. Efforts should be made to inculcate a culture of accountability and conformance in all municipalities if the current non-accountability and non-compliance practice is to be done away with. It may require radical measures such as appointing new office bearers who have professional qualifications and sound knowledge of running municipalities to head and lead municipalities. Implement protocols that show clear separation of powers between political parties and municipal councils with clear distinction of roles between the legislative and executive is needed.

Due to the prevalence of corruption, it is recommended that once accountability and other governance malpractices are effectively addressed, those who disregard, and violate processes and procedures need to be held accountable and where necessary prosecuted.

Municipalities normally fund their capital expenditure from municipal taxes and tariffs they generate from various services they offer to their communities and any intergovernmental fiscal transfers (provincial and national government grants) they get as well as municipal borrowings. Consumer charges are the major financing tool for municipal capital investment to meet the needs of communities. However, in under-resourced municipalities predominantly rural their ability and capacity to charge the user charges (tariffs) is a serious challenge given the scarcity of resources even while revenues are not always sufficient to meet expenditure needs of local communities. Municipalities circumstances are made worse by lack of resources. It is recommended that both provincial and national governments be responsible for the most vulnerable in society. Public funds can be used to create special budgets for these under privileged municipalities accompanied by necessary skills and strict monitoring until such time as the municipalities have built enough capacity and skillset to manage their own affairs. Grants given to under-resourced municipalities are too little, and extremely prescribed resulting in creation of huge service delivery backlogs. It is recommended that such grants be increased and also be less prescriptive to allow room for flexibility so that they can be used for other more urgent requirements such as development of infrastructure.

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