



Department of Arts and Culture

Funding model

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DAC - Public library funding model - Phase 2 (Report 3 of 3)
final

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1 Executive summary

Purpose of the report

This report contains the third sub-deliverable of Phase 2 of 3, being the development of a funding model.

Key findings

- It has been shown that additional funding is required for public library services and that the provincial own revenue streams do not display the potential for generating those funds. Also there are two distinct categories of needs that require different solutions, being infrastructure creation and operating needs.
- The funding needs established in Phase 1 consists of the improvement of infrastructure and operation of libraries, and these two categories may require different funding arrangements. Funding is available for both categories, but the funding available through Provincial Equitable Share for the operating need, is not library-specific, whereas available funding for infrastructure specifically includes public library services.
- The analysis of funding options, other grants and international research reveals various criteria, including sustainability, for the successful design of a funding model. The preferred option is designed to satisfy these criteria. The analysis of other grants also revealed that they tackle the need for addressing public library backlogs within well-established frameworks.

Recommendations

- It is proposed that public libraries as a function of provincial government should be funded through the provincial equitable share allocation, assisted by other funding options that should be coordinated through agreements signed for every municipal jurisdiction.
- As the exact amounts to be allocated per province cannot be appropriately determined years in advance for a long-term grant, a formula was needed to approximate those amounts. Such a formula, which satisfies the criteria for the funding model, and which should annually be used to calculate the allocation of amounts between the provinces in the relevant schedule of the Division of Revenue Act, is recommended.
- Conditions are also recommended that should be incorporated into the 2008 conditional grant framework. The provision of technical assistance to provinces as well as several measures for sustainability, are included in the proposed model.
- The conclusion of agreements between the provinces and the various possible public library service providers for every municipal jurisdiction, and the utilisation of the various capital grants, are crucial for the successful application of this model, and are therefore rewarded by means of the allocation formula and the criteria for the implementation of an equitable

share. Minimum requirements for the conclusion of service agreements for public library services are also recommended.

- In order to successfully implement this funding model, provinces should annually test actual performance in comparison with the service or assignment agreements on a sample basis for cost-efficient monitoring, and reject such agreements when reasonable progress is not made in addressing library infrastructure backlogs in specific municipal jurisdictions. The monitoring systems of other relevant grants should be used where possible.

2 Introduction to the project

2.1 Background

Since 1994, there has been an increased pressure on public libraries¹ to provide information services to local communities whilst maintaining and improving existing services. This has led to a need for more funding. In the budget speech of 21 February 2007, the Minister of Finance, Mr. Trevor Manuel, confirmed this stance by stating that "... this year, we introduce a new conditional grant, called the Community Library Services grant, to develop the infrastructure and stock of books in local libraries. To spread the joy of books to millions more children and to provide access to information to teachers and parents, the grant starts off with an initial allocation of just under R1 billion over three years."

Goal 2 of the millennium development goals says that by 2015 all boys and girls should complete their primary education. In South Africa public libraries can be seen to be making a contribution to this ideal by providing the relevant information in an appropriate environment to help boys and girls complete their primary education.

2.2 Reason for this assignment

The Department of Arts and Culture ("DAC" or "the Department") appointed KPMG Services (Pty) Ltd ("KPMG") and Jacaranda Intellectual Property Business Consultants ("Jacaranda"), collectively referred to as the "project team", to develop a funding model for public library services in South Africa.

2.3 Scope of the assignment

This assignment is to be conducted in three phases:

- **Phase 1:** To conduct an impact assessment study in order to recommend the best way to distribute an allocation of R200 million to the provincial governments of all nine provinces for the expansion of public libraries and to address the most pressing needs that would have a high impact on the level of service that is provided. This sum has been set aside by the National Treasury for this task and will be made available for the 2007/08 financial year. (This phase was completed in September 2006).
- **Phase 2:** To report on the status quo, and to develop a funding model for public library services. This phase has four main objectives:
 - To analyse the current state of public library services through-out South Africa.
 - To clarify the legal framework for public library services.

¹ "Public libraries" means libraries open to the public and established and maintained by public funds, through local, provincial or national government, or a government agency. These libraries have the mandate to provide information services and access to knowledge through a range of means, resources and services. In this report, the term "public library" is used to include community libraries and community resource centres that serve the same purpose.

- To develop a funding model (taking into account the public library services analysis and the legal framework).
- To recommend a standard reporting format for accounting and statistical information.
- **Phase 3:** To develop a plan of action that prioritises needs, sets the framework for implementation monitoring, and proposes measures by which to evaluate the effectiveness of the funding model.

It is intended that from the 2007/08 financial year the Department will utilise the model to distribute the earmarked allocation to provincial and local governments in order to expand and transform the sector so that service delivery is improved and national policy objectives are met.

2.4 Progress to date

So far, the groundwork and deliverable for Phase 1 have been completed. The Department has accepted this deliverable. The project team has split Phase 2 into three separate deliverables:

- A report clarifying the legal framework within which public library services are being rendered (*DAC - Public library funding model - Phase 2* (report 1 of 3), referred to as the "Legal and accountability framework report").
- A report detailing the analysis of the current state of public library services throughout South Africa (*DAC - Public library funding model - Phase 2* (report 2 of 3), referred to as the "Status quo report").
- A report setting out the funding model which could be used for funding public library services from now on (*DAC - Public library funding model - Phase 2* (report 3 of 3), referred to as the "Funding model report").

To complete these deliverables the project team consulted with provincial and municipal library service representatives, National Treasury, the Department of Provincial and Local Government ("DPLG"), and the Financial and Fiscal Commission ("FFC").

2.5 Scope and purpose of this report

One of the key objectives for Phase 2 is to set out the funding model which could be used for funding public library services.

This report is the third of the three reports that comprise the deliverables for Phase 2. It sets out the funding models which could be used for funding public library services, as well as recommendations on preferred options on how to fund and better deliver the service going forward.

The findings and recommendations contained in the report have been made based on our understanding of the sector thus far and after having:

- analysed applicable funding mechanisms;
- conducted a desktop study to source benchmark information on how public library services are funded in Britain, Canada, India, Kenya, Finland, Botswana, Cuba, and Australia.
- given due consideration to the findings obtained from the detailed status quo review (please refer to the legal and accountability framework report which sets out the detailed findings in this regard);
- considered the legislative framework as detailed in the Legal and accountability report; and
- considered closely the available material about the status quo and strategies already developed by the different provinces to deal with Schedule 5 of the Constitution.

2.6 Reliance and limitations

Data for this report have been obtained from various stakeholders. The procedures which the project team used throughout the assignment do not constitute an audit or a review conducted in accordance with International Standards on Auditing. Therefore we have not attempted to verify this information, and accordingly we cannot guarantee its accuracy. However, where possible, the information has been checked for reasonableness and consistency. Findings and statements included in this report have been based on responses and data received from stakeholders.

As this assignment is not an audit or a review conducted in accordance with International Standards on Auditing, we do not express any assurance on the state of library functions or on the quality of the information that was provided for this study, or on any other facet related to this project.

If additional procedures were required, possibly including the performance of an audit or review of the Department or libraries in accordance with International Standards on Auditing, different matters might have been identified.

This report has been drafted as a standalone report. However, in order to obtain a clear picture of the objectives set for Phase 2, it is advisable to read this report together with the other two reports:

- The Legal and accountability framework report.
- The Funding model report.

2.7 Distribution of the report

The reports for Phase 2 have been distributed as follows:

- Department of Arts and Culture;

- National Treasury;
- DPLG; and
- FFC.

This list is not intended to be exhaustive. However, it includes all the stakeholders that have been identified as key for Phase 2, and some of them have contributed to this report.

2.8 Disclaimer

This report has been compiled by KPMG for the sole and exclusive use of the Department and should not be quoted in whole or in part without our prior written consent. KPMG's findings in connection with this report are intended solely and exclusively for the benefit, information, and use by the Department. No party, other than the Department, may rely on the findings, either in whole or in part. KPMG (including its directors or employees or any body or entity controlled, owned or associated with KPMG) accepts no liability or responsibility whatsoever, resulting directly or indirectly from the disclosure of our findings to any third party and/or the reliance of any third party on the findings, either in whole or in part. KPMG's findings related to prevailing conditions and information available at the time of issuing our report.

2.9 Acknowledgements

We record our appreciation for the time and cooperation provided to the project team by management and staff of:

- the Department;
- the provincial departments;
- relevant representatives of the National Treasury;
- DPLG;
- FFC;
- Managers within municipalities responsible for library services; and
- The librarians interviewed.

2.10 Structure of the report

The main body of the report starts with Chapter 3 - an overview of the challenges that give rise to the analyses conducted in this part of the project. Chapter 4 contains the analysis of available

funding options as well as of other models, to arrive at criteria for the design of a funding model.

Chapter 5 is the preferred option and design, and contains recommendations with regard to the kind of grant, the criteria that have to be satisfied before moving from one kind of grant to another and the requirements of assignment and service agreements. Finally, chapter 5 contains a test of whether a funding mechanism is then linked to every single responsibility identified in the Legal and accountability framework report.

Chapter 6 summarises how the funding model recommendations address the issue of sustainability.

Appendix A contains a list of acronyms and abbreviations for ease of reference, and Appendix B contains the list of sources that have been used in our analysis.

3 Problem statement

3.1 Historic overview

3.1.1 Before 1994

In the past library services were provided in terms of provincial ordinances of the then provinces of Natal, Transvaal and Cape Province. In the Orange Free State there was no ordinance, but the service was rendered through Provincial Government Executive Committee decisions and resolutions. In all provinces the provision of these services was undertaken in cooperation with municipalities. The functions that each sphere of government then rendered varied from province to province, and depended on the detail of the respective agreements between the provinces and municipalities on the one hand, and the detail of the ordinances or Executive Committee decisions and resolutions on the other. In most instances, however, the municipalities rendered public library services and funded library infrastructure, staff and assets.

According to the relevant library ordinances alluded to above, the provincial administrator oversaw the daily running, control and management of the library services. Some provinces also provided the financial assistance for the rendering of library services and the maintenance of library assets and materials, while others only provided an oversight and advisory role.

At the time the task was easily managed by the provinces and the municipalities as these services were not funded in proportion to the size of communities. The funding for library services in townships and homelands was inadequate for rendering these services on the same standard as for the predominantly white and affluent areas.

Addressing the situation was therefore now inevitable: firstly, because the four provinces were soon to be increased to a number of nine provinces, and secondly, it was necessary to address the fact that library services, in the manner in which they were being provided up to this time, were differentiated and the need for quality and redress of the situation was paramount.

3.1.2 The 1993 Constitution

In terms of section 175 of the 1993 Constitution, the establishment and administration of local government was to be done in terms of national legislation. The national legislation envisaged in the 1993 Constitution was enacted in the form of the Local Government Transition Act. Amongst others, the Local Government Transition Act dealt with the powers and duties of metropolitan councils in section 10C, and Schedule 2 of this Act. At one stage, Metropolitan municipalities were specifically tasked with the duty to render public library services.

Item 19 of Schedule 2 provided that metropolitan councils would be responsible for the establishment, management and control of libraries serving the metropolitan area. While other municipalities were not mentioned at all, they did continue to render community library services but with growing uncertainty as to who was responsible for funding them.

It is also important to note that the provision of library services was not included within the list of provincial competencies contained in Schedule 6 of the 1993 Constitution, therefore provincial funding of libraries remained small compared to that of municipalities.

3.1.3 The Current Constitution

The Current Constitution of 1996 brought with it a number of changes. Unlike in the 1993 Constitution, public libraries are now expressly assigned as a functional area of exclusive provincial competence in terms of Schedule 5, Part A of the Current Constitution.

The powers and duties of metropolitan councils (including, for that matter, district and local councils) were no longer determined in terms of the Local Government Transition Act, as that Act derived its authority from the Interim Constitution. In terms of the Current Constitution, local government was now established and administered in terms of the Municipal Structures Act. Section 84 of the Municipal Structures Act lists the powers and duties of municipalities. The provision of library services is not included in this list.

From the above it is clear that the rendering of public library services now exclusively falls within provincial government competency. However, funding and other arrangements for this specific change in the status quo was not set out in great detail.

3.2 Increased funding of public libraries from own provincial revenue

The Impact assessment study report indicated that public library services are not funded adequately. As it has been established that public library services is a provincial function, that means that provincial government would be responsible in terms of section 215 of the Constitution to find sources of increased funding for this function. One of the sources of funding would be provincial own revenue.

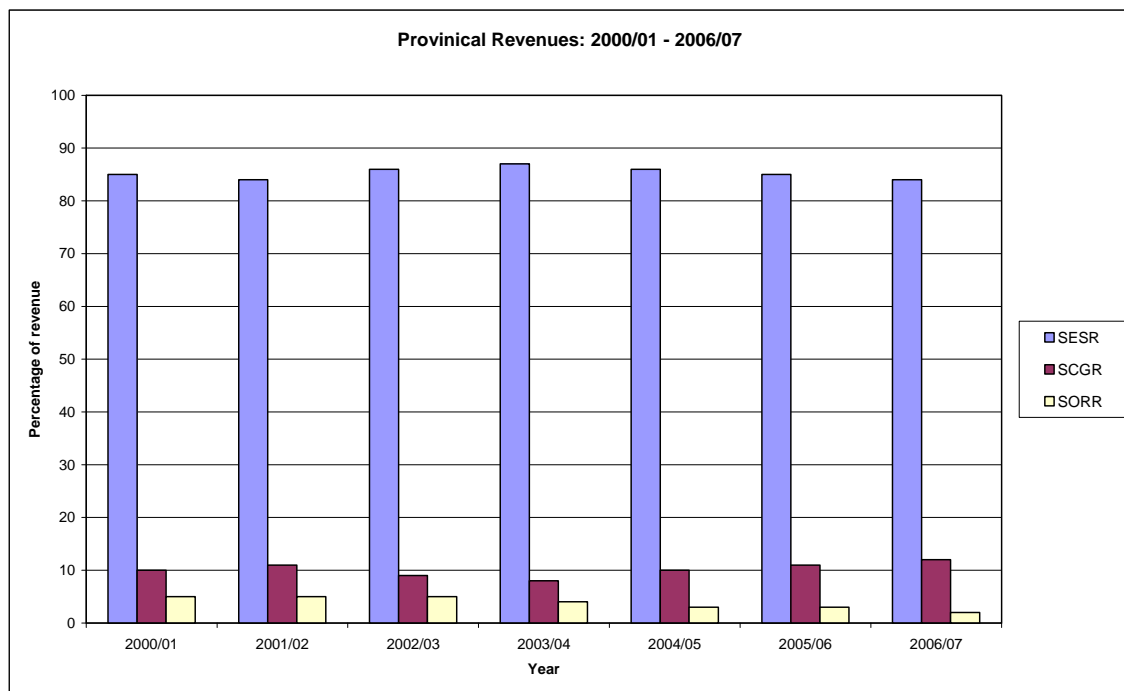
An investigation by the Finance and Fiscal Commission aptly summarises the position in this regard, which explains why public libraries as a non-basic service has not received adequate funding and identifies how crucial it was for a more detailed plan for the hand-over of this function to have been formulated in 1996:

“Provincial own revenue constitutes less than 4 percent of total provincial revenue. The main sources of own revenue are road traffic fees, hospital patient fees, horse racing and gambling fees. In some provinces, interest revenue is also a major source of own revenue. Provinces are generally still highly dependent on transfers for their expenditure needs. In its submission for the 2004-07 Medium Term Expenditure Framework (MTEF) cycle, the Financial and Fiscal Commission (FFC) made observations about the lack of flexibility in provincial expenditure patterns that could be explained partly by the low revenue-raising capacity of provinces. The provincial equitable share accounts for about 85 percent of total provincial revenues over the period under review. Conditional grants and own revenue proportionally accounted for 11 percent and 4 percent, respectively. Measured in terms of growth rates, conditional grants grew

at an average of 19 percent over the period, while the equitable share and own revenues recorded average growth rates of 11 and 5 percent respectively.”²

The following graph clearly depicts the limited ability of provinces to generate own revenue for provincial functions, and the lack of growth in that ability.

Figure 1: Provincial Revenues: 2000/01 -2006/07



Source: Intergovernmental Fiscal Relations Database (IGFR) as per Finance and Fiscal Commission.

Legend:

- SESR - share of equitable transfers in total provincial revenue
- SCGR - share of conditional grants in total provincial revenue
- SORR - share of own revenue generated in total provincial revenue.

These findings also indicate that the growth rate in the revenue generated by the provinces is lagging the rate of increase in equitable share, which means provinces own revenue is decreasing as a source of funding. Therefore, it is clear, in our view, that the rendering of a public library service, like other provincial services, will in the long term remain dependent on sources of revenue other than provinces’ own revenue. Our findings also indicate that, in addition to the funding options recommended, opportunities for achieving maximum coverage with less-than-ideal funding will need to be examined.

The diagram also shows a very small increase in the contribution of conditional grants, despite the disadvantages of this type of grant (see 4.2.4 below), because of the need for more control over the allocation of scarce provincial resources to national priorities.

² Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

3.3 The current challenge

Government realises that the appropriate funding of public library services is a matter of urgency. Since 1994, the new democratic South Africa has placed increased demands on libraries to provide its citizens with information. Government recognises the need for all South Africans to have improved access to public library services, and that these services should be expanded to all communities, while at the same time existing services be maintained and improved.

However, libraries have to compete with other services, such as housing, schools, etc, for funding. The financial management requirements of the Division of Revenue Act (DoRA), Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA) also pose various capacity challenges for the funding of public library services.

Although all sections of society use public libraries, they do not use them in the same way or for the same purposes. Public libraries can be used as information centres, knowledge centres, cultural centres, job-seeking centres, skills development centres, for recreational purposes or as meeting places (amongst other things). In the past few decades the use of information and communications technology (ICT) in and by libraries has accelerated, thereby opening an even bigger window to the global world of information.

Public library services form part of an elaborate library network in South Africa. This network includes national, provincial, school, university, and other types of libraries. These libraries cooperate in obtaining information from each other, eg. through inter-library loans and shared computerised catalogue networks. However, the quality and extent of the various public library services are unequal. Owing to a lack of funding not all public libraries participate fully in this network and therefore at present cannot reap the benefits of this system.

The legal mandate and responsibility to provide public library services is now formally placed with the respective provinces. But when drafting the Constitution and assigning this responsibility, which previously to a certain extent rested with both the provincial and municipal spheres, exclusively to the provinces, the legislature did not resolve how issues such as the ownership and responsibility for existing infrastructure, staff and other library assets (which previously belonged to municipalities) should be addressed. Another issue relates to what should happen with regard to current funding levels by municipalities (i.e. should those funds now be channelled to other services, should municipal funding remain at previous levels or should local ratepayers receive the benefit of the reallocation of this function). These issues were not addressed in detail in planning documents by the executive either.

This led to the situation where some municipalities continued to provide the service (and the funding), based on “goodwill” and in some cases the agreements that existed between themselves and the former provinces. However, during the impact assessment interviews conducted during Phase 1 of this project, several provincial officials told the project team that some municipalities were now questioning the status quo. They said that many municipalities believed that they did not have the legal mandate to provide public library services and consequently had started to reduce their library budgets for this.

Our impact assessment further revealed that not all provinces actively budget for public library services³. The fact that neither the provincial nor the local government sphere currently assumes full responsibility for the funding of public library services has resulted, in our view, in the deterioration of these services, as opposed to the necessary improvement of services described above, to a level where drastic intervention is necessary. As such, the key objective of this project is to identify a mechanism by which it would be possible to fund public libraries.

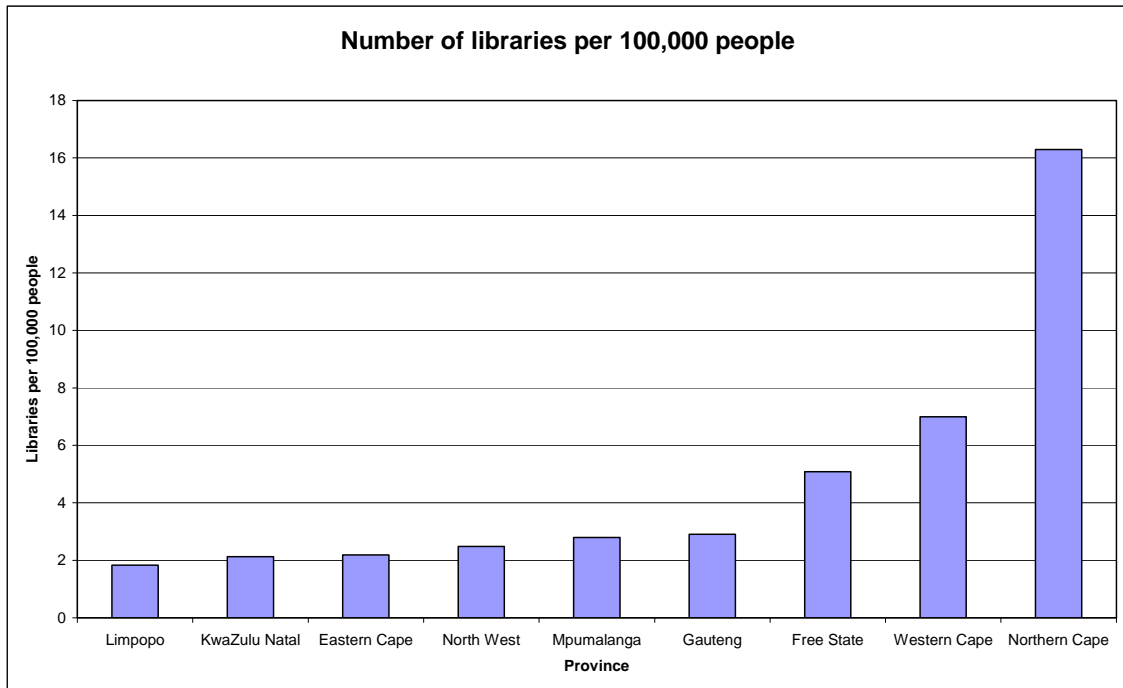
The DAC Impact assessment study report of 29 September 2006 confirmed that between the nine provinces there is significant disparity in the level of development of the libraries. While some provinces have a very well-established and articulated public library service, other provinces face ongoing challenges which include own limited administrative capacity, strained relationships with the municipalities (mainly caused by the legal and funding problems) and diverse needs of the population which they serve.

What is important to note is that even among the better performing provinces these services are mainly concentrated in urban centres, and the penetration level in the townships and rural areas is very low or none at all.

The figure below shows the number of public library service points per 100 000 people in each province. This is an indication of the current public library services infrastructure and the disparities that exist across provinces. The data is of course distorted by population density, for example in the sparsely populated Northern Cape region where libraries may be large distances away from communities despite the relatively high number of service points.

³ Refer to Chapter 5 of the “DAC - Impact Assessment Study, 29 September 2006”, which sets out our findings in more detail.

Figure 2: Number of library service points per 100 000 people



Source: Statistics South Africa, provincial library services

The Impact assessment study report of this project has furthermore identified two kinds of urgent needs in respect of public library services:

- Areas where appropriate public library services are currently not accessible. These are typically rural, very poor or previously disadvantaged areas.
- Public library services that are in danger of becoming obsolete due to declining funding levels, outdated material and equipment, staff vacancies or inadequacies.

It may therefore be that the kind of funding necessary or available for these two categories of need could be different, leading to different funding options. The variety of needs and circumstances between the various provinces and municipal jurisdictions in South Africa dictates that a flexible and variable model could be required.

3.4 Conclusion

The discussion of the history and current status quo shows that additional funding is required for public library services and that the provincial own revenue streams do not display the potential for generating those funds. The discussion also shows that there are two distinct categories of needs that require different solutions, being infrastructure creation and operating needs.

Before entering into a discussion as to what would be the practical answer for the funding of public library services in South Africa, it is necessary to clarify the available funding options. This will be done in the following chapter.

4 Analysis of funding options

4.1 Equitable share

4.1.1 The equitable division of revenue

The Constitution requires that nationally collected revenue be equitably split and allocated to the national, provincial and local spheres of government, to enable them to fulfil the functions assigned to them.

Section 214 of the Constitution states, with regard to the equitable shares and allocations of revenue:

“(1) An Act of Parliament must provide for—

(a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government;

(b) the determination of each province’s equitable share of the provincial share of that revenue;
...

(2) The Act referred to in subsection (1) may be enacted only after the provincial governments, organised local government and the Financial and Fiscal Commission have been consulted, and any recommendations of the Commission have been considered, and must take into account—

(a) the national interest;...

(c) the needs and interests of the national government, determined by objective criteria;

(d) the need to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them;...

(f) developmental and other needs of provinces, local government and municipalities;

(g) economic disparities within and among the provinces;

(h) obligations of the provinces and municipalities in terms of national legislation;”⁴

Section 104(1)(b)(ii) and in Schedule 5 Part A of the Constitution places the mandate and responsibility for the provision of public library services with the provincial sphere of government. The legal mandate and responsibility to provide these services, therefore now rests “exclusively” with the respective provinces, and the equitable division of revenue through the Provincial Equitable Share (PES) can be used for this service. However, the current situation is that inadequate provision is made at provincial level for the funding of this service. Therefore

⁴ Constitution of the Republic of South Africa, 1996, Section 214

most of the funding comes from the municipal sphere of government and that funding is in danger of further decreasing in the future.

4.1.2 Advantages of the equitable share

The equitable share is the preferred funding mechanism for exclusive competencies of any sphere of government. The practical advantages of equitable share are:

- Ease of administration.
- It is more acceptable to receiving officers due to less stringent requirements.
- There are fewer requirements for the transferring officer, i.e. the Department.
- It is a sustainable mechanism for the long term. Less capacity has to be maintained to administer it, because it does not have to be renegotiated every year and it becomes a routine allocation and process. The latter is, of course, only a benefit if the appropriate routine has been established before it becomes an equitable share.
- It clarifies the responsibility and accountability of the relevant sphere of government for funding and providing the relevant function.

4.1.3 Disadvantages of the equitable share

The equitable share is not the preferred funding mechanism for new services, programmes or interventions.

Practical disadvantages of equitable share are:

- Smaller programmes will not feature specifically in the formula used to determine the equitable share. The revenue is therefore divided between provinces according to more general factors that may or may not be appropriate for this specific service. For example, public library services in the Northern Cape may need much improvement, but the equitable share for the Northern Cape in accordance with a general formula may be limited.
- The equitable share does not have specific conditions attached to it and is not subject to detailed monitoring by the Department. The funds may therefore be applied by receiving provinces in accordance with priorities that are different from that of national government and the Department may not receive adequate information on spending trends for public library services.
- The division of revenues from equitable share is subject to processes and debates that may not benefit programmes that are not yet strongly embedded in the structures, capacity and the political processes of a particular province, which could lead to public library services not receiving the appropriate attention and resources.

- As long as provincial revenues are inadequate to cover all services to specified standards, the equitable share portion of provincial revenues will be subject to provincial prioritisation, in our view. This prioritisation may or may not agree with national priorities. Public library services may therefore not feature in a particular province's list of priorities or might feature too low to be effective.
- If accountability processes and structures in a particular province are not well embedded or do not function well for particular reasons, then the use of equitable share transfers as a funding mechanism may actually lead to decreased accountability for public library services. The expected benefit of using this mechanism is therefore subject to provincial factors.

4.2 Conditional grants

4.2.1 The nature of conditional grants

Conditional grants are provided by national government to provinces and municipalities in order to achieve specific objectives. These can be classified as either:

- The achievement of national objectives in accordance with national priorities (for example the redistributive equity role of national government or a national norm such as literacy could dictate objectives surrounding public library services to disadvantaged communities).

Or:

- The establishment/revitalisation of a service and an improvement in the spending trend on that service.

The latter applies especially to public libraries when a formal assignment arrangement between provinces and municipalities, for example, is being implemented with national norms and standards, to address the challenges set out above. This grant objective is seen as being of a temporary nature. Once the service has been established/revitalised and the spending trend improved, then the grant should cease to be conditional and become incorporated into equitable share.

Also refer to page 18, section 5.1, of the DAC - Impact Assessment Study of 29 September 2006, for instances where conditional grants would be appropriate. Furthermore, the decentralisation of fiscal responsibilities entails various spill-over costs that are sometimes referred to by economists as fiscal externalities. These externalities appear in three forms.⁵

Firstly, there are the inefficiencies and inequities that result from the fact that decentralisation highlights differences in fiscal capacities among provinces and municipalities. These differences affect their ability to provide public services at comparable tax rates. This means that the net fiscal benefits (NFBs), i.e. benefits less tax paid, differ between jurisdictions. Such differences

⁵ Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

can either create incentives for both households and firms to relocate to where NFBs are higher or, where relocation does not occur, create horizontal inequities. This could specifically apply to public library services in poor areas, where a cost similar to that of affluent areas cannot be funded by the municipality or the province in addition to basic services that already need subsidisation. This is due to the smaller local tax base which generally does not have enough surplus revenue generating capacity to fund the service. Larger affluent areas may have a tax base sufficient to subsidise this service without a significant impact on tax rates. This externality could apply to public library services forever, or at least until the local revenue generating ability has been developed sufficiently through an increase in personal wealth.

Secondly, horizontal fiscal spill-over costs arise from tax and expenditure competition, as well as the export of the burden of fiscal policy decisions by one province (or a municipality) to another. This simply means a province's or municipality's fiscal decisions serve partly to achieve objectives at the expense of other jurisdictions. This is normally associated with revenue-side incentives that different sub-national jurisdictions may be offering to attract businesses. Horizontal fiscal externalities can be both positive and negative, incentivising sub-national governments to set either too high or too low levels of taxes or expenditures. Because they interfere with the national allocation of resources, they are also sources of inefficiency for the country in general. This is probably not applicable to libraries.

Thirdly, there are the vertical fiscal spill-over costs that arise as a result of one sphere of government exporting its tax or expenditure burden to another. An example would be a decision by national government to raise the standard of delivery of a service that is a provincial competence without providing a concomitant increase in financing, which could have a negative impact on the province and the service. This could apply to public library services regardless of the wealth of the local community and the current status of the service. This externality would, however, be only temporary until the imposition of a standard has become embedded and locally accepted. If the local community demands this standard of their representatives in accordance with legislation that has been implemented, then this externality may be internalised.

4.2.2 Forms of conditional grants

Conditional grants, sometimes called specific purpose grants or categorical grants, are those grants where the transferring government specifies the purpose, conditions, or both, under which the recipient government should use the grants. Conditional grants can either be matching or non-matching. Matching grants require the recipient government to match the contribution by the transferring government.⁶

The advantage of matching grants is that the recipient government contribution ensures a certain degree of ownership for the programme. Matching grants are often used to manage spill-over effects as discussed above, as this combats under-provision by a province in respect of the spill-over effect. However, the identification and measurement of spill-overs is a costly and complicated exercise. Although this form of conditional grant is often used overseas, its popularity is declining, for example in Canada, because of the difficult implementation and measurement issues.⁶

⁶ Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

A second form of conditional grant is the non-matching grant or conditional bloc grant. Most of the objectives of matching grants can be achieved through the latter while also avoiding the adverse effects of the former. The size of the conditional bloc grants can be designed to reflect both the need for which the grant has been created, as well as the perceived spill-over benefits. An advantage of bloc grants is that they can serve a much broader purpose. They can be used as vehicles through which provincial expenditure programmes can be induced to conform to national priorities. These would include, for example, achieving efficiency and equity, and the internalising of vertical fiscal spill-overs. These types of grants usually have specific conditions such as not discriminating against residents of another province or municipality and access criteria.

In this respect, the FFC has in the past recommended that the use of conditional grants should be introduced only when it is not possible to finance the relevant programmes through the equitable share. Indeed, in its submission to the Select Committee on Finance made in February 2002, the Commission proposed that, where conditional grants are used, there should be strong reasons to suggest the existence of spill-over benefits or they should be used to deal with programmes of national priority. In the latter event, such use of conditional grants should be allocated in order for sub-national governments to institutionalise programmes that eventually will be funded through the equitable share.⁷

4.2.3 Advantages of conditional grants

Conditional grants are sometimes favoured for its controllability. The following are some of the advantages of conditional grants:

- The monitoring and control requirements of the conditions and of the annual Division of Revenue Act could ensure greater compliance with the objectives and priorities of national government.
- Those same requirements could also establish a spending trend and a reporting practice on the programme that could lead to the programme maturing into one funded by equitable share transfers.

4.2.4 Disadvantages of conditional grants

Conditional grants are not the most popular of grants due to the administrative burden. The following are some of the disadvantages of funding by means of conditional grants:

- The increased use of conditional grants may be interpreted by sub-national governments as an intrusion by national government on their areas of competence. This is especially true when conditional grants are relatively large in proportion to total sub-national revenues. This perception can also lead to the various role-players not taking full responsibility for the successful implementation of the programme.

⁷ Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

- The reporting requirements on conditional grants can be strict to impose an extra burden on sub-national governments. In general conditional grants place a significant administrative burden on both the receiving and transferring agent, especially in terms of the DoRA.

4.2.5 Issues in the design of conditional grants

4.2.5.1 Introduction

Grants should be designed in such a way that decentralised decision-making does not result in the violation of national government's objectives of equity and the efficient allocation of resources. In the event of non-compliance, the size of the grant could even be reduced.⁷ In the South African context conditional bloc grants should be viewed as complementing the equitable share rather than being a substitute for it. The equitable share allows sub-national governments to carry out their constitutional mandates, while the conditional grants are there to deal with the potential violations of efficiency and equity resulting from the process of fiscal decentralisation.

In principle, the allocation of conditional grants results from the exercise by national government of its spending authority. However, a potential problem is that this spending authority may be in conflict with sub-national governments' exercise of the legislative powers and functions. In fact, where the intergovernmental fiscal relations system is based on an equitable sharing of nationally raised revenue among the three spheres of government (as is the case in South Africa), the use of conditional grants involves some trade-offs in the amounts available for equitable sharing. An increasing use of conditional grants may result in a reduced amount of transfers flowing through the discretionary equitable share (PES and LES) and therefore may impact on sub-national governments' flexibility to implement programmes according to their constitutional legislative mandates.

4.2.5.2 Conditions for conditional grants

Once a case has been made for the use of conditional grants, the conditions that should apply to the grant need to be addressed. Public finance literature has devoted substantial attention to the 'interjurisdictional spill-over' rationale for conditionality. Some forms of conditionality, however, may lead to problems with incentives⁸. If the conditions are overly strict, sub-national governments may be prevented from achieving the goals of the conditions in the most efficient ways, which might eventually result in funding being withheld. The conditions should respect individual province's priorities and local conditions.⁸ For example, different sub-national governments may be able to satisfy the same conditions in different ways that relate to the social, cultural and economic needs of their respective constituencies. In other words, we would recommend against a 'one size fits all' approach to conditionality, but rather for conditionality defined in terms of 'equivalence'. This means that sub-national governments should be allowed sufficient flexibility to design their own bundles of goods and services, consistent with agreed conditions or arrangements that are equivalent to those conditions. This form of arrangement would promote efficiency as it allows the essence of conditions to be met locally in the way that is most efficient for this particular sub-national government, given those local conditions.

In most developing countries imposing some conditions on grants seems desirable, particularly when services of national importance, such as education and healthcare, are provided by sub-national governments. However, transfers based solely on need may not ensure that the recipient government in fact uses the funds as national government may wish, unless the receipt is conditioned on performance, and compliance is adequately monitored. In a country where a significant proportion of own-revenue would come from revenue sharing, as is the case in South Africa and the German-type decentralisation model, there would be substantial vertical imbalance.

Legislation or norms and standards relating to the spending programme could be at the national sphere depending on the legislative competencies associated with the programme, while the implementation is delegated to sub-national governments (i.e. decentralisation of implementation rather than policy-making). The grants themselves should be targeted to specific spending programmes with associated conditions. *Over time, these conditions could be relaxed to allow for more sub-national autonomy on the spending front and eventually made non-conditional.*⁸

As mentioned above, overly strict conditions may prevent sub-national governments from achieving the goals of the conditions in more efficient ways. In Canada, for instance, there are no formal conditions associated with provincial post-secondary education, but it is assumed that all Canadian residents have equal access to provincial education. The lesson learnt is that a conditional grant is not the appropriate mechanism to remedy a lack of trust in the politics or capacity of a province or municipality. This has to be addressed constitutionally.

4.2.5.3 *Minimum norms and standards*

One of the issues worth considering in designing effective conditional transfer systems is the issue of norms and standards. It could be argued that where the national government wishes to ensure 'minimum standards' in areas that broadly fall within the constitutional responsibility of sub-national governments, it is often the case that conditional transfers are preferred. Such conditional grants need not be matching, so that recipient governments (especially poorer ones) are not overwhelmed with matching requirements.

Transfers designed to finance particular types of services (e.g. road maintenance or education) are often linked to measures of need, e.g. length of roads or number of students. This approach often leads to the same 'norms'. Using this approach requires some level of circumspection. Given inadequate attention, it can give rise to measures that reflect past political decisions rather than current needs.

4.2.5.4 *The use of conditional grants for capital expenditure*

There are a number of reasons why central governments have an interest in financing sub-national capital expenditure:

⁸ Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

- Some sub-national infrastructure projects may involve significant spill-overs or externalities (as discussed above).
- Some projects may constitute essential elements of national development programmes. Infrastructure related to the provision of basic education and health services, for example, may qualify, as may projects improving the level and quality of water supply and sewerage treatment. Public libraries relate strongly to basic education programmes as libraries provide access to study material.
- National government may have an interest in improving the economic productivity of poor rural areas (through literacy and increased levels of information, for example). Financing large infrastructure projects from sub-national government funds may be impeded by a number of factors, e.g. the issue of inadequate resources, inadequate access to private capital markets and heavy reliance on central transfers.

The level of complication of the public library service is evident from the fact that it contains elements of all three of the above. Most of these reasons for conditional grants do not however apply for the operational expenditure which results when the infrastructure has been created. In fact, capital expenditure programmes are very distinct from programmes intended to fund the operating expenditure.

Capital grants should also pursue sectoral objectives. The use of matching arrangements can encourage sub-national government to act with a sense of ownership in managing the funds. However, a significant level of flexibility in the use of capital grants is important to take into account inevitable time lags in implementation. These grants should be project-managed, closely administered and monitored by line departments.

There are a number of preconditions for the successful implementation of capital projects funded through conditional grants:

- The recipient government should be required to prepare adequate investment plans as well as maintenance plans.
- The recipient government should be selected not by political criteria but by an objective and systematic process that pays attention to both needs and capacity, as well as economic and environmental evaluation (such as a cost-benefit analysis).
- Adequate technical assistance should be made available to the receiving governments to permit them to develop plans, arrange financing, manage construction and operate the facility in the most efficient manner possible. The execution and operation of grant-aided work should be monitored and evaluated, with periodic progress reports, field inspections and formal evaluation of outcomes.

4.2.5.5 Administrative challenges

Conditional grant transfers often impose administrative costs on both national and sub-national governments. The manner in which the grants are designed can either reduce or increase the

probabilities of administrative burdens. Where the recipient governments are accorded adequate decision space, administrative burdens are reduced substantially. This, however, may be at the expense of compromised efficiency. These issues therefore need to be taken into account and an appropriate balance struck.⁹

National government also needs to have adequate monitoring capacity. This capacity is required to ensure that compliance with the conditions and purposes of the grants is assessed on an ongoing basis. Such capacity would also assist in ensuring that the grants have been utilised in the stipulated manner and that the grants did not merely substitute for resources that might have been allocated by the sub-national government. The latter requirement is particularly difficult to monitor, although more or less objective and verifiable criteria could be established under the first two criteria.

Several role-players confirmed that it is accepted practice and even in this case a requisite for a so-called “top slice” of the funds allocated to this programme to be set aside. This would mean that the funds can be used for the creation of capacity at national and provincial sphere. This is necessary to ensure that the administrative and managerial capacity exists that is needed to:

1. Plan, design and structure the programme. (A once-off capacity need.)
2. Monitor and implement the conditional grant. (A medium-term capacity need.)
3. Manage the programme once it is funded by equitable share. (A long-term capacity need on a much smaller scale than in 1. and 2. above.)

It is clear that the timescale and skills requirement for these three objectives vary significantly. It would normally be more practical to use contractors, with a skills transfer element, to address the first two issues above while the third issue typically requires permanent capacity. Technical assistance is also available from National Treasury, especially for the first need above.

The current capacity of the national and provincial departments of Arts and Culture to design, plan, administer and monitor a conditional grant is illustrated by the following:

- According to the adjusted estimates of national expenditure for 2006/07 (National Treasury), the total expenditure on Vote 14: Arts and Culture, is R 1.3 billion. It would be a stretch for this very same capacity to deal with an additional allocation of approximately R 1 billion over a period of 3 years. This is clearly a significant programme for this particular Department.
- There are currently no conditional grants in this vote (Department of Arts and Culture). The receiving departments may have some limited experience in or capacity for administering a programme on the basis of a conditional grant, however this would have been confined to provincial Sports and Recreation programme.

⁹ Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

- The creation of two types of grants, for example capital and operational expenditure, and the involvement of various funding mechanisms, would require even further resources. For the Department to move from a situation of administering no conditional grants to having to administer various grant mechanisms, would expose it to significant risks.

4.3 Lessons learnt from other grant programmes

Information was gathered about other relevant grant programmes during the scheduled interviews with National Treasury and the DPLG, as well as during additional interviews scheduled with programme managers for related grants such as the Neighbourhood Development Grant, the MPCC and similar grants such as the Forensic Pathology Grant. Information about lessons learnt from other relevant grant programmes was also apparent in documents received from National Treasury and the Finance and Fiscal Commission.

It was evident from the information that certain basic criteria, for example simplicity, should be observed. It also emerged that there are various other capital grants which specifically could be available for addressing public library infrastructure backlogs.

The following table summarises the lessons thus learnt from other grant programmes, in order to formulate criteria for the design of a successful funding model:

Name of grant programme	Lessons Learnt
<p>The Neighbourhood Development Programme Grant (NDPG)</p> <p><i>Conditional grant to municipalities, intended to stimulate and accelerate investment in poor, underserved residential neighbourhoods by providing technical assistance and grant financing for municipal projects.</i></p>	<ul style="list-style-type: none"> • There is a sizeable leakage of income from the NDPG target areas to the wealthy (established) CBDs and centres of commerce. • Private sector investment and co-funding is extremely hard to come by in these areas. • The lack of private sector investment is due to a combination of physical limitations (access, business infrastructure, location), institutional and management limitations (lack of certainty around who to negotiate with, often disorganised and poorly resourced local business organisations, fragmented civil society structures, and so forth) and perceptions (safety concerns, the often neglected and barren nature of the investment nodes in these areas). • Efforts to address past and current social inequalities should focus on people, not places. In localities with low development potential, government spending, beyond basic services, should focus on providing social transfers, human resource development and labour market. • Community infrastructure, places and facilities would include: <ul style="list-style-type: none"> - Libraries as hubs of e-government and community access to information and educational and information services; - Multipurpose Community Centres (MPCCs - government service access facilities).
<p>National Sectoral Development Grant (NSDP)</p> <p><i>Conditional grant, intended to guide infrastructure development.</i></p>	<ul style="list-style-type: none"> • The NSDP approach has not been internalised by sub-national spheres of government. • Challenges around ‘ad hoc-ism’ remain - patterns of infrastructural investment are often illogical and influenced by factors beyond rigorous understanding of need and potential. • Based on this, it is thus also critical that sufficient resources and technical assistance is provided to ensure that the NDPG allocations are correctly and appropriately applied – both in terms of locality and in the of nature of investment.

<p>Health Conditional Grants (various)</p>	<ul style="list-style-type: none"> • In reviewing and reconfiguring the grant, it would be advisable if only priority programmes are funded through the grant and others are institutionalised. A conditional grant by its very nature is supposed to address specific objectives or programmes. It may not be very realistic to target a wide range of programmes and still expect to address the objectives of the grant effectively.¹⁰
<p>Community based public works grant</p> <p><i>Conditional capital grant to municipalities for poverty alleviation.</i></p>	<ul style="list-style-type: none"> • A major design problem of the grant was that the choice of recipient municipalities and the approval of project funding were determined by a central body. Often, such centralisation meant that an understanding of local areas of acute poverty was lacking. • Central processing of applications resulted in lengthy approval times adversely affecting project design and making implementation of poverty relief programmes unpredictable.

¹⁰ Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

<p>Water Services Grants</p> <p><i>Conditional grants to municipalities intended to aid municipalities in creating the infrastructure required to render the service assigned to municipalities.</i></p>	<ul style="list-style-type: none"> • Both the operating and transfer components of the grant are treated as a grant in kind till the effective date of the transfer of the service. Thereafter, it will be phased into the equitable share. • Some administrative design practices impact negatively on the transparency and legibility of the grants. For example: <ul style="list-style-type: none"> ○ The grant contains a number of sub-allocations intended to cover the costs of physical upgrades and capacity building activities. The DoRA 2005 gives no indication of such sub-allocations. In addition, there is very little information about the subdivision of the refurbishment allocation; nor is much known about the information benefiting municipalities has received regarding grant flows. ○ The design of the grants seems ambivalent regarding the pressing issue of the successful transfer of schemes to municipalities. Although municipalities are aware that these schemes will be transferred to them, many lack the capacity and the necessary resources to operate and maintain transferred schemes. While DWAF has carried out capacity-building exercises (especially in relation to pre-1994 schemes), poor cost recovery on these schemes indicates that such interventions are not necessarily yielding the expected results. Perhaps, a design framework that explicitly states that municipalities are made aware of the allocations involved and the purpose of the grant is needed.
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<p>MPCC</p> <p><i>Integrated backlog alleviation grant</i></p>	<ul style="list-style-type: none"> • This grant (Multi-Purpose Community Centre Program) specifically includes the inclusion of public libraries in Community Centres and has mechanisms for appropriately allocating funds therefore.
<p>Municipal Infrastructure Grant</p> <p><i>Grant to municipalities, mostly unconditional, to structure and assist with infrastructure creation to extend services to all communities.</i></p>	<ul style="list-style-type: none"> • The main reason for the under-expenditure of transferred funds in the 2005/06 fiscal year has been attributed to continued spending by many municipalities of MIG funds carried over from the 2004/05 financial year. It therefore takes a few years to establish what the true spending trend is on a grant like this. • There are a number of underlying factors including lack of proper project planning, ineffective management of project life cycles, lack of capacity in managing MIG funds, as well as late approval of projects and budgets by council officials. • Practical and innovative design elements: <ul style="list-style-type: none"> ○ No application needed – money transferred to municipality with performance requirements. ○ Grants linked to IDPs & community participation ○ Predictable flow of capital ○ Explicit link between capital investment and job creation. • Rollovers and delays in transfers in a fiscal year tended to impact on project implementation and grant spending in subsequent years, escalating administration costs of the grants. The design of the MIG does not explicitly state how these issues will be addressed such that, over the past year (2004), many municipalities have expressed concern that the problem appears to have been left unresolved.¹¹

¹¹ Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

<p>Forensic Pathology Grant</p> <p><i>Conditional grant to provinces to provide resources for the transfer of the pathology services.</i></p>	<ul style="list-style-type: none"> • This grant was different in the sense that it was a temporary grant for the purpose of funding the moving of this function from one responsible department to another. However, the grant is subject to a very detailed business plan for that move, detailing the funding responsibilities between the various role-players from the outset and beginning the calculation of funds needed, with an assessment of staff and capacity needs. It should be considered to do this kind of plan, even retrospectively, to implement the 1996 Constitutional change described earlier. • The starting point was to structure the desired organisational design for service delivery (geographical and management hierarchy), based on available mortuary statistics, and to assume staffing numbers and post levels based on rough norms and practice experience. • The grants comprise recurrent and capital components. The source of the funding are from: <ul style="list-style-type: none"> • The transfer and allocation of the present SAPS funding for the mortuaries to the nine provinces (2004/05 estimates plus adjustments for personnel improvements and inflation). • The respective health departments' own funding. • New funds to be granted from national Treasury.
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<p>Other general conclusions on grant design from the Finance and Fiscal Commission</p>	<ul style="list-style-type: none"> • The conditions and lifespan of conditional grants are, in some cases, not sufficiently comprehensible. Complicated designs cause inefficiencies and communication difficulties. • It is observed that implementation challenges encountered for most grants were possibly not anticipated. This suggests that the magnitude of potential risks may have been underestimated before implementation, resulting in an ad hoc approach to resolution of those problems during implementation. • In particular, the administrative requirements of the grant on the recipients and transferring department should be established in advance and any related issues dealt with as part of the pre-implementation planning and not on an ad hoc basis during implementation. • Risk identification and a management plan should be the two pillars of motivating for the establishment of any new conditional grant. • With changes to the DoRA, conditions and reporting have become more stringent and these results in an additional administrative burden on grant recipients. • Some grants have a multitude of programmes or purposes and this poses a risk of the grant focusing only superficially on each of the stated objectives. • If the intention is ultimately to institutionalise a grant into a provincial or municipal programme, an exit or continuation strategy needs to be developed to ensure that spending on the programme continues. • Sufficient support capacity does not always exist in the national department to assist provinces and municipalities. • It is critical that, before a grant is folded into the equitable share, it should be established that it is entrenched as a provincial or municipal programme and that the level of spending for the grant reflects that. • The allocation mechanism/criteria for a grant must be strongly supportive of the purpose for which the grant was established. • There is a very strong case for finding alignment with different grants that fund common areas. A number of them could be merged. A conditional grant must not be introduced for a purpose already served by another grant. Extension and expansion of existing grants should rather be encouraged and investigated.
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<p>Observations made about capital grants during research for the NDPG</p>	<ul style="list-style-type: none"> • Issue of maintenance and operational expenditures of infrastructure once created. • Need for technical assistance to spending and even transferring departments. • Need for project management and implementation capacity. • Need for prompt and timeous release of funds - no bureaucratic delays. • Delivery of infrastructure does not necessary assist people in addressing the cycle of poverty. • It is extremely difficult to institutionalise capacity for capital programmes and projects that have a developmental impact. • Partnership between fund, government and civil society – needs dynamic and competent leadership. Partnership for the creation of infrastructure in areas where it was previously not regarded feasible, is a very ambitious design element.
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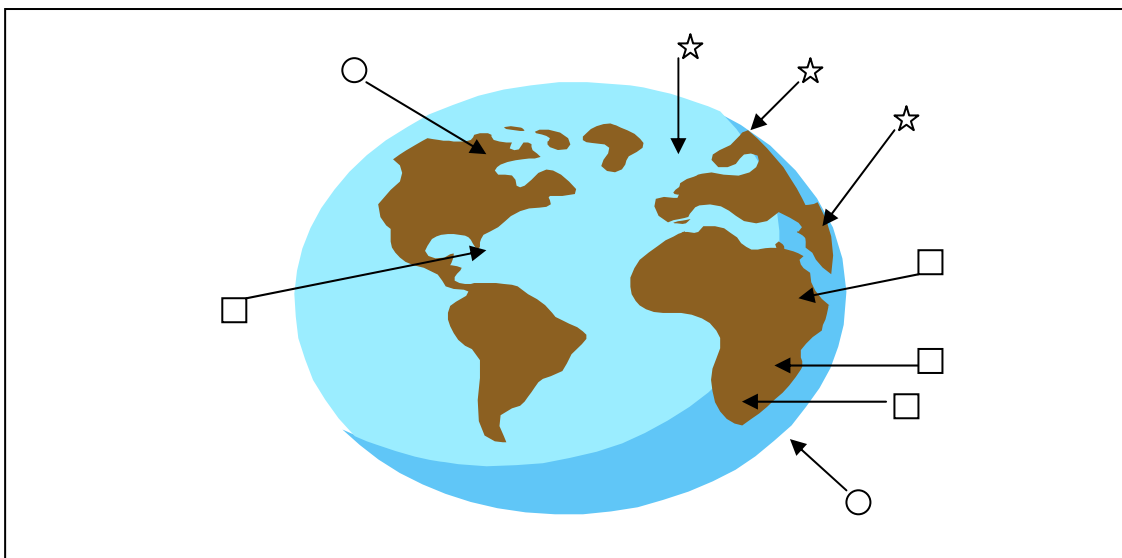
The lessons learnt from experiences with other grants, were used in compiling the criteria for the design of a funding model in paragraph 4.7. In summary, the following are some of the lessons learnt repeatedly:

- Several grants already include the creation of infrastructure for public amenities, including libraries. Several grant programmes have processes developed to ensure that infrastructure creation for public services follow national priorities and policies.
- Ad hoc infrastructure development is a challenge. More coordination between various infrastructure development programmes is needed to ensure that common objectives are addressed.
- Private sector investment in public amenities is very hard to come by in the areas where previously disadvantaged communities live. The public sector needs to play a leading role.
- Simple conditions and processes achieve outputs while complication and administrative burdens can significantly inhibit the achievement of goals. Complicated designs cause inefficiencies and communication difficulties.
- Centralisation of detailed control and approval of expenditures can be counter-productive as local managers may not take full responsibility or local conditions may not be dealt with appropriately
- Risk anticipation and management could contribute significantly to the success of grant programmes.

- Support capacity can often be a challenge and can have a significant influence on the success of grant programmes.

4.4 International research

International research was done for the Legal and accountability framework report, using a sample of public library services of other countries. This research also divulged information regarding the funding of these services. The funding options for public library services elsewhere are briefly summarised as follows:



- Legend:
- Funded and service rendered mainly by national government, standards by national government.
 - ☆ Funded and standards by national government, service rendered by municipalities and communities.
 - Jointly funded, service rendered by municipalities according to national standards.

A number of countries (Australia and Canada) operate public libraries by service agreement between national government and municipalities or local communities. Several countries (Finland, Cuba, India, and Botswana) run public libraries in cooperation with schools. In many countries the purchasing of books and equipment are centralised together with the setting of standards. The only country where research indicates a substantial (50%) recovery of public library costs from users, is Britain.

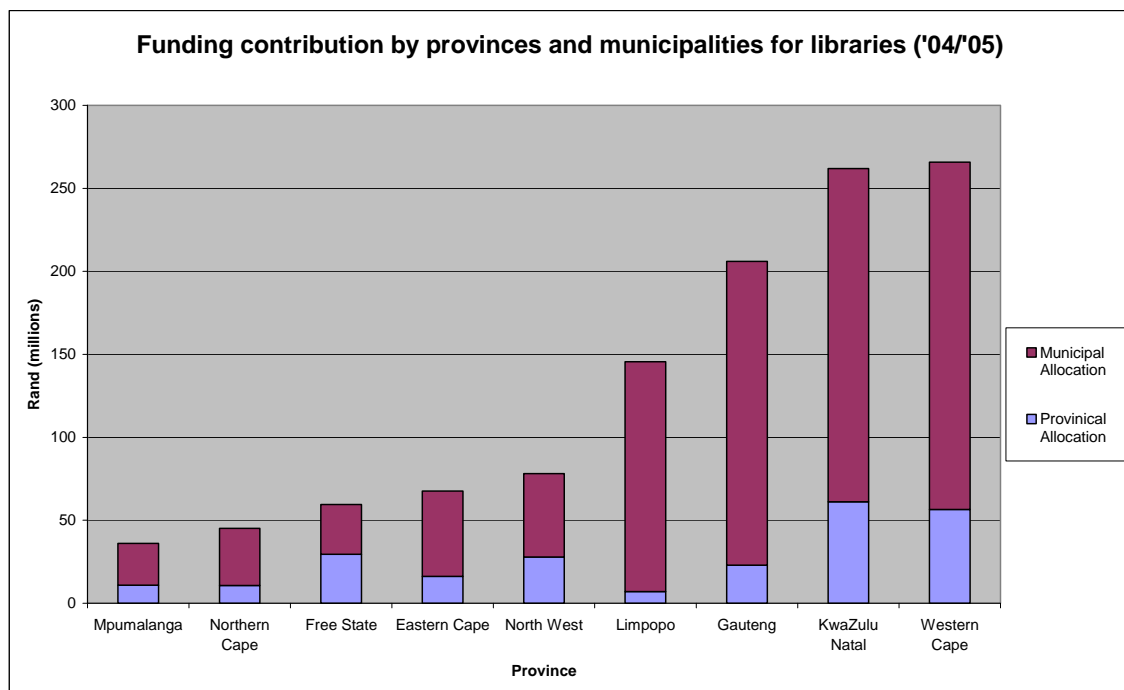
4.5 Other funding options

4.5.1 Municipalities

In most cases municipalities traditionally rendered public library services. However, municipal funding could decrease due to political prioritisation of other service needs, the gap between the increased service coverage requirement versus the minimal increase in revenue base and the fact that public libraries are not a municipal service. However, municipalities have other legal and community commitments, for example the library staff that have labour relations rights and the liability to maintain library buildings that were paid for by local communities.

Public library services cannot continue without municipal funding or replacement funding. The following diagram depicts the dominating funding contribution by municipalities to these services at this stage:

Figure 3: Municipal and provincial contribution to library funding (2004/05)



Source: DAC situation report on the funding and maintenance of libraries at national, provincial and local levels, 2004

Given the past situation with regard to selective provision and funding of public library services as earlier described in the historic overview, there is reason to believe that the dominating (magenta) bars in figure 3 depict funding of libraries in viable areas where a service has been established but where services have in many cases been found to be outdated (refer to the Impact Assessment Study). The smaller provincial allocation includes provincial attempts to provide a service in previously disadvantaged areas with limited funding.

4.5.2 Other grant programmes

As indicated in 4.2.7 above, we found it surprising that so many other grants aimed at providing technical assistance and capital expenditure for establishing and developing community facilities (specifically including municipal library services) in previously disadvantaged areas for developmental or educational purposes. These grants include:

- The Neighbourhood Development Programme Grant
- The Municipal Infrastructure Grant
- The Multi-Purpose Community Centre Programme
- Various funded programmes aimed at establishing Information Technology Infrastructure that could be employed, or even specifically refer to, school or public libraries through information technology:
 - Implementation of e-Education in Public Schools and FET Colleges Project
 - Gauteng Online (only in Gauteng, but there could be similar projects elsewhere.)
 - Blue Umbrella Project (only in Gauteng, but there could be similar projects elsewhere.)

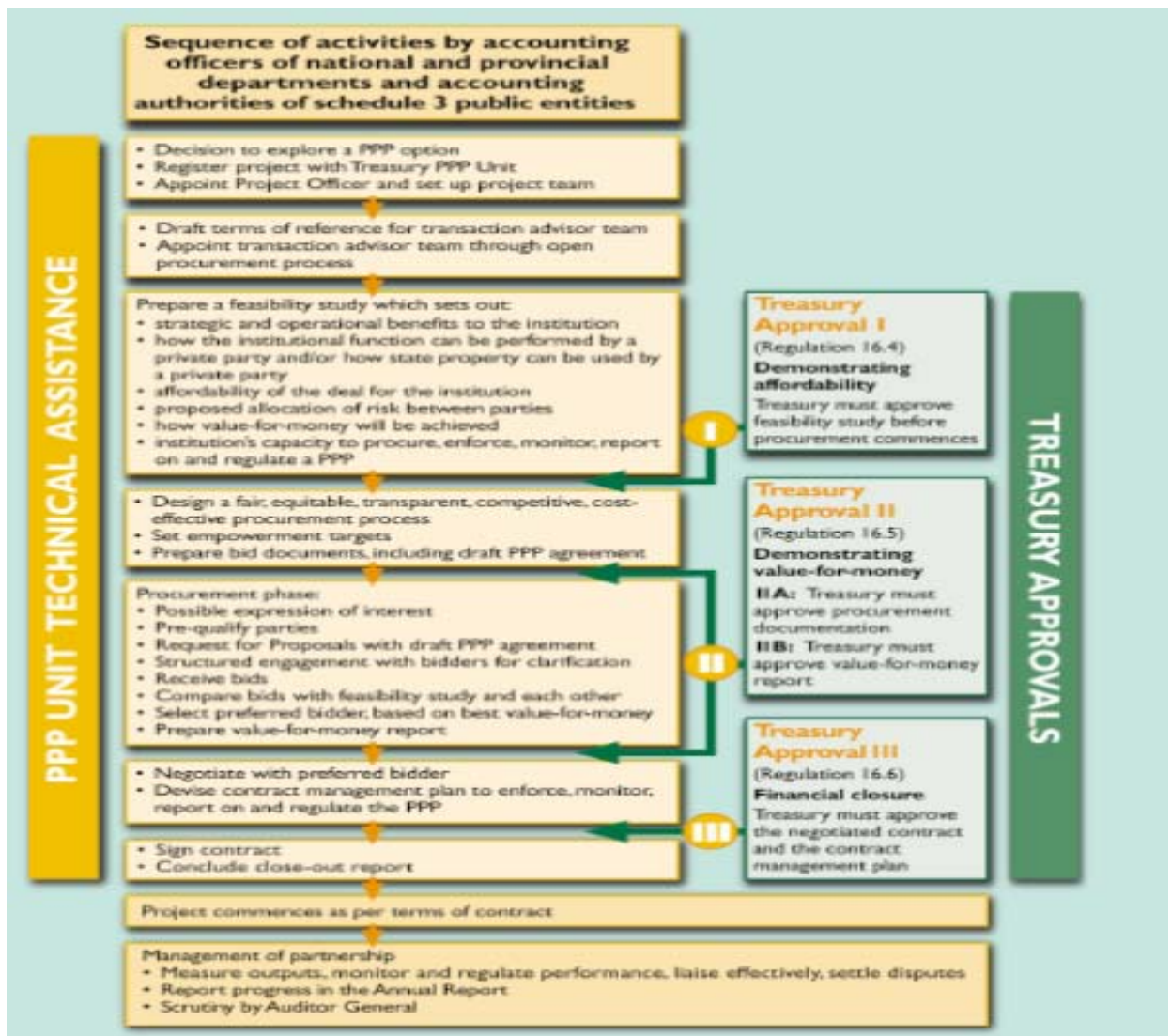
More than just being sources of finance for library infrastructure, these programmes represent existing capacity and processes to deal with grants for capital projects, something that does not exist at the Department and its provincial counterparts. These programmes entail processes to apply for capital projects, to establish the viability of infrastructure creation and maintenance, to formulate viable business plans, to monitor spending and progress, coordination with municipalities and schools, and at national, provincial and district level, to compile and include budgets for the spending of capital grants at provincial and municipal level as required by DORA and the MFMA, intergovernmental relations and follow-up of initiatives. These are all processes that will have to be duplicated should the Department implement a grant for infrastructure creation for public libraries and Information Technology. (It should be remembered that the funds applied for in terms of these grants should be over and above the R1 billion grant already made available by the National Treasury to the Department.)

Therefore, it is preferable to use the existing processes and capacities for the funding and creation of public library infrastructure, rather than to recreate it for this grant. Not only are the processes, needs and categories of needs different between capital and operational expenditure as indicated earlier in this report, the municipal budgets and requirements for capital and operational expenditure are also separate. An additional funding model would be required should a new capital grant be created for public libraries.

4.5.3 Public Private Partnerships (PPP's)

This is another alternative for the partial funding of a public service. A PPP is a contractual arrangement between a public sector institution and a private entity, where the private sector performs an institutional function or uses state property (for own commercial purposes) in

accordance with output specifications and assumes substantial risk transfer for a significant period of time, in return for a benefit (charges/fees). This means that the private sector brings its expertise, money and business skills to assist government to ensure delivery by way of a balance between affordability, value for money, and risk transfer/management. Some of the alternative programmes mentioned above (for example the Implementation of e-Education in Public Schools and FET Colleges Project) already contain a PPP element. Some of the above-mentioned grant programmes also already contain significant mechanisms for investigating and employing community and business involvement in the development of public facilities like libraries in previously disadvantaged areas (for example the Neighbourhood Development Programme). A PPP requires considerable capacity and significant processes, and is not often viable in areas where there is little income-generating capacity. The processes required for a PPP, and its life-cycle, incorporating the requirements of Regulation 16 of the PFMA, can be depicted as follows, which also illustrates the capacity needed to implement this:



The PPP diagram aptly demonstrates the complicated nature of a PPP project, which makes it a cumbersome solution. Furthermore, as indicated in the Status quo report, the revenue generating ability of libraries is limited, which restricts the viability of a PPP for a public library, especially in previously disadvantaged communities.

4.6 Criteria for the design of a funding model

Taking into consideration all of the above, the following criteria have been identified for the design of a funding model for public libraries:

4.6.1 Simplicity

Any design, in our view, has to be as simple as possible to ensure that the limited resources that are available are used to achieve the programme's objectives instead of being used merely to satisfy the model. We believe it is crucial to ensure that it is as easy as possible for the many role-players to understand the entire programme.

4.6.2 Ease of administration:

A significant burden will be placed on the Department, the provincial departments of Arts and Culture and treasuries, and the municipalities with regard to meeting the minimum requirements of any kind of transfer. Therefore, the design should not further encumber these role-players with additional administrative processes, and should not in any way prevent funds from being used for the day-to-day operations of viable and crucial services.

4.6.3 Synergy and the prevention of duplication

We see a danger of the Department's objectives with regard to library services significantly overlapping those of other programmes. We believe that all duplication of administrative and managerial processes should be eliminated. Therefore, it is our view that the opportunities presented by other programmes for public libraries should be utilised. For example, it is our belief that the existing provincial school library function would significantly overlap a public library function for children between 6 and 18.

4.6.4 Needs based (relevance)

Any funding should be aimed at supplying a public library service that meets the real needs of learners, adults and other community groups.

4.6.5 Exit strategy

Any system of transfers to fund an exclusive competency of another sphere of government should eventually be folded into the relevant equitable share allocation. However, we believe that significant criteria have to be satisfied before it can be assumed that public libraries will be

served with the funds, that spill-overs will be addressed equitably, and that appropriate capacities, spending patterns and processes have been established.

4.6.6 Equity, viability and sustainability

The basic rights of communities to have access to developmental opportunities presented, in this case by public library services, should be addressed in an efficient manner through viable and sustainable processes.

4.6.7 Flexibility

The information we have gathered confirms the great variation in the needs and in the status quo among provinces and communities with regard to public library services. Therefore, we advise that any design should leave room for flexibility. Furthermore, as this is an exclusive provincial function, we recommend that the decision-making powers and the responsibility of provinces be respected and allowed.

4.6.8 Accountability and transparency

Simple, understandable and flexible processes promote accountability and transparency. It should be possible to measure, at a basic level, what is being achieved with the funds provided. Therefore, in our view, accountability relationships and flow of information should not be obscured by the design of the funding model, but should be accommodated as per the current practice and clarified as much as possible. Once again, any funding of public libraries should eventually fold into an equitable share allocation.

4.6.9 Design follows strategy and capacity

The objectives of the Department with this programme should be met, and the available capacity and ability to grow that capacity, we believe, should be recognised in any design. It does not make sense to design any model or process that will not be possible to implement properly with current and future capacity. Practical realities should be recognised.

4.6.10 Compliance

The relevant legislation should be complied with.

4.7 Conclusion

The analysis of funding options, other grants and international research revealed various criteria for the successful design of a funding model. The preferred option and design to satisfy these criteria will be discussed in chapter 5. The analysis of other grants also revealed that they address the need for addressing public library backlogs within well-established frameworks.

5 The preferred option and design

5.1 Initial conditional grant

The analysis of funding options in chapter 4 indicates that a simple and flexible method of allocating funds for public library services is needed. It also shows that a conditional grant will initially have to be used to achieve national government's objectives and to ensure equity with regard to, amongst others, the spill-over effect between affluent areas (where workers come to work and spend) and poor areas (where workers return, sometimes late every day, and little development takes place). The conditional grant, as discussed above, is also the chosen method for ensuring the establishment of a service or a spending pattern before the funds are folded into the equitable share.

It is therefore recommended that the funding allocated for public library services are allocated and transferred by means of a simple non-matching conditional grant until the criteria detailed in 5.3 below have been met per province.

The criteria for the design of a funding model that has been formulated above could become a considerable burden if existing methods and capacities to satisfy them are not utilised to simplify the grant. It is therefore assumed that the LES formula satisfies the following criteria:

Simplicity and ease of administration: The use of an existing value is simple and easy.

Equity, viability and sustainability: The LES formula represents the best attempt to build these elements into the allocation of resources.

Flexibility: If augmented with other elements in a formula, and using latest available values only, it should give the Department and the receiving organs of state sufficient leeway for their own processes.

Accountability and transparency: Through simplicity and familiarity, and the quality of the LES formula, these values should be supported.

The specific amounts of funding per province cannot be determined years in advance in order to meet the criteria of a funding model. Therefore, a formula is needed to calculate the annual allocation of amounts to the provinces in line to the relevant schedule of the Division of Revenue Act. **It is recommended that the following formula, which we believe satisfies the criteria for the funding model, should be used to calculate the annual allocation of the conditional grant per province:**

$$G_p = (V_p / \text{Sum } V_p \text{'s}) \times (T - \text{NTS})$$

G_p is the conditional grant per province.

T is the total grant for public library services for the relevant year

NTS is the "top slice" for the Department at national level for the creation and maintenance of capacity to effectively plan, implement and monitor the programme. It is recommended that this

should be at least 5 % of the total available amount due to the current lack of capacity and the importance of capacity outlined above.

V_p is the value per province and Sum V_p 's is the sum of the values of all the provinces. This part of the formula is intended to relate the formula to whatever amount is available for allocation, which allows flexibility.

$V_p = \text{Sum } G_{ia} / \text{Sum } G_{ip} \times G_p$ of the previous year

G_i is the latest available LES allocation per municipality as published with the Division of Revenue Act. **This element of the formula incorporates all the poverty and population-related elements of the LES formula to promote equity in this allocation. It increasingly allocates money towards the bulk of previously disadvantaged communities over time.**

Sum G_{ia} is the sum of the G_i for all municipalities for which library service assignment or service level agreements were approved per council or executive resolution (by the entity to which the service is assigned for that municipal area) and received by 30 July of the latest municipal financial year.

Sum G_{ip} is the sum of the G_i for all municipalities in the province. **This element of the formula allocates money to developing capacity for a coordinative function for public library services. It increasingly benefits provinces that close assignment and service agreements over time.**

G_p of the previous year: **This element of the formula slows down the tempo of change in the allocation and brings the allocation back to the needs assessment that was used to determine the allocation for the first year. It brings stability to the allocation of funds in order to achieve that stable spending pattern that is a criterion for folding the allocation into equitable share.**

If an allocation to a province cannot be transferred for any reason, then that amount can be allocated to other provinces using the above formula by regarding the available amount as (T-NTS) and excluding that province from the summations.

The remaining criteria for the design of a funding model are satisfied as follows:

This part of the formula takes into account the factors leading to the previous year's allocation, but allows for growth relative to the closing of service agreements for all the areas in the province. This is intended to motivate towards making progress with the closing of agreements throughout the province.

Design follows strategy and capacity: The formula contains growing bias towards provinces with the capacity to perform, though the original base amount (the proposed 2007 allocation) is operational needs-based. This allows time for capacity creation where there is the political will to do that, but more elements in this regard would be built into the conditions for the grant. The criteria for the folding of the allocation into equitable share supports a strategic approach, as does the emphasis on allowing the provinces to determine strategies for closing service agreements in the province.

Synergy and the prevention of duplication: This is served by the requirement for business plans to explore the other funding options. This aspect requires further attention though, more than a mere formula can attain.

Needs based (relevance): Other than the extent to which the base amount for 2007 is needs-based, the formula and the design alone cannot ensure this. A comprehensive analysis is needed to determine what communities really need, which should be recognised in the norms and standards for a public library service.

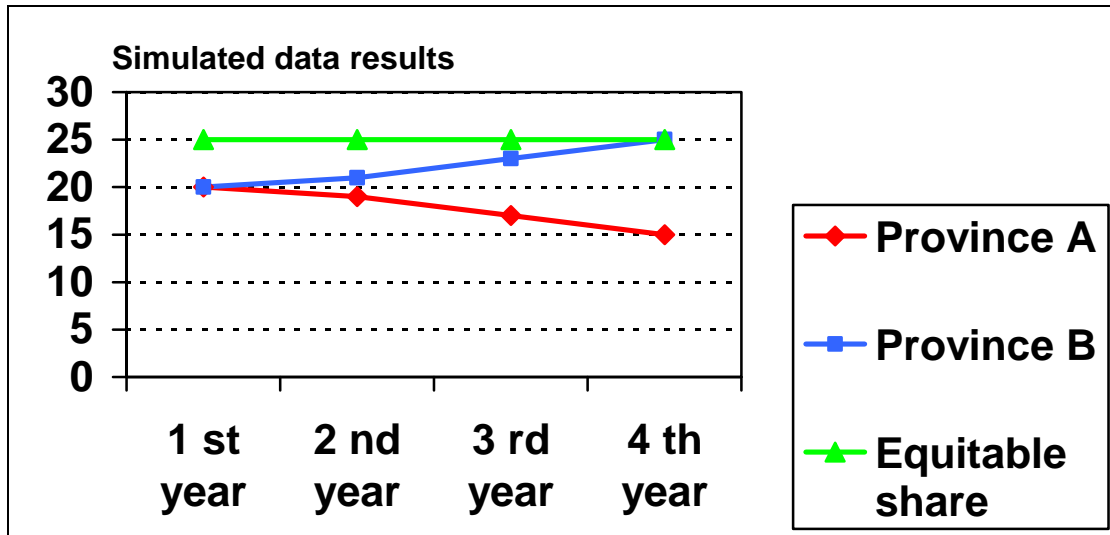
Exit strategy: This criterion will be addressed in the conditions of the grant, in addition to the criteria proposed for folding the allocation into the equitable share.

Accountability and transparency: The inclusion of plans, budgets and service agreements in the criteria further promote accountability and transparency.

A conditional grant can be intended for operational or for capital expenditure. However, the capacity requirements and processes differ considerably (also refer 4.6.2 above). If both these objectives were served, it would increase the administrative burden on the Department and the provinces. Furthermore, the overlap with **other** grants described above, is mostly in respect of capital expenditure. **It is therefore recommended that the purpose of this grant should be for operational expenditure and provisioning (equipment, material and capacity) of public library services only.** These are also the immediate needs identified and addressed in the original allocation. Infrastructure creation is a longer-term need that would be a prerequisite for making progress towards the national objectives and for the allocation to be folded into the equitable share. Finally, infrastructure creation requires viability studies and maintenance planning that is already built into the existing grants. As more infrastructure is created, the operational and provisioning expenditure should extend to the new infrastructure as the proposed formula contains an element of bias towards poor communities and developmental needs through the G_i value.

The figure below illustrates the practical application of this formula.

Figure 4: Illustrated provincial funding allocation



Source: KPMG

The typical provincial equitable share is represented by the green line and could be interpreted as the fully-funded position for library services (in real terms). This becomes the long term goal for the province to aim for, especially in terms of establishing spending and management patterns, and adhering to national norms and standards. Reaching this threshold would allow for the folding of the conditional grant into equitable share.

As an example, Province A does not make progress with implementing library services, and as a consequence the grant share decreases slowly, while sufficient time is given to national Department for intervention. On the other hand, Province B makes practical progress with implementing library services and over time the grant converges to the proximity of equitable share.

5.2 Conditions for the conditional grant

The natural tendency is to attempt to ensure control through stringent conditions. However, the objective of the conditional grant is not to exercise control over another sphere of government. Rather it is to establish a service and spending pattern (evidence of capacity) and to top up the existing resources where sufficient resources are not available at the sphere of government to which the function was allocated.

The following are therefore recommended as conditions for the grant based on the criteria for the funding model design:

- A business plan, approved by the executive authority, must be submitted by the province, showing:

- how it is going to progress towards achieving national norms and standards with respect to public library services (including norms for the provision of access to electronic information services) for the province as a whole (that is, in every municipal jurisdiction of the province), by the date determined by the Department;
- how the province is going to access other grants and programmes that are available for the creation of library or public information technology infrastructure in all areas of the province where public library services are not readily accessible in accordance with national norms and standards;
- how the province is going to progress towards achieving an assignment agreement for public library services, approved by the relevant authority of the assigner and assignee, for every municipal jurisdiction in the province. As it is suggested above that only selected municipalities could be considered viable providers of these services, this means that where the province opts to not assign to a specific municipality, a service level agreement between the executive authority for the province and a line department, or a service level agreement with a body other than a municipality, can be acceptable;
- how the province is going to comply with the relevant requirements of the Intergovernmental and Fiscal relations Act; and
- a simple exit strategy which details at least how and when the province is going to make progress towards achieving the criteria for folding the grant into the equitable share.

To ensure that this condition does not prevent the flow of funds, a draft business plan must be submitted by the province a month before the date for input and, **if a province misses this deadline, we recommend that the Department should without delay, after notifying that province, request the technical assistance team of the National Treasury to assist that province.**

- The budget of the province for public library services, including the detailed allocation to every municipality or other entity with which an assignment or service level agreement must be approved and submitted to the Department by the Date determined by the Department. The budget should contain detail on resources allocated towards implementing the above-mentioned business plans. The budget must allocate the full amount allocated minus a top slice (for the creation and maintenance of capacity to effectively plan, implement and monitor the programme), towards those who have signed agreements for the provision of public library services in the various municipal areas of the province. We recommend that this top slice should be between 5 and 10% of the allocation.
- A cooperation agreement must be signed between the provincial Department of Arts and Culture and the provincial Department of Education with regard to the role of school libraries by a second date determined by the Department.
- The Province must obtain confirmation from the accounting officer of the Department that the province submitted all reports and returns required for this grant in terms of the Division of Revenue Act OR the province must submit a plan of how this is going to be achieved for the next financial year.

To ensure that this condition does not prevent the flow of funds, **we recommend that the Department should identify provinces that will need such a plan a month before the Date for input and should without delay, after notifying that province, request the technical assistance team of the National Treasury to assist that province.**

It is recommended that the Date should be 31 January to enable the timeous completion of processes and compliance with the Division of Revenue Act. It is recommended that the second date should be determined by the Department in consultation with the National Department of Education and adjusted if necessary to not unduly prevent the transfer of funds.

The above-mentioned recommendations would satisfy the final design criterion namely compliance with relevant legislation.

5.3 Criteria for folding the allocation into the equitable share

“Folding” is the technical term used when a conditional grant programme matures to the point where it can become equitable share. It is not merely a change in the type of grant. Because of the way in which provincial budgets are compiled, a spending pattern established by the conditional grant can be perpetuated and funded through the equitable share. This is what the intention is of initially using the conditional grant. Once that spending pattern is established and the spending agencies’ capacity has been proven, the need for the conditional grant expires and the programme can continue without it.

Based on the analysis of funding options above and the lessons learned from other grant programmes, it is clear that simple yet critical criteria should be met before a province should qualify for having the conditional grant for public library services folded into its equitable share allocation. The following criteria are recommended and should be agreed with provinces in advance:

- An assignment agreement for public library services, approved by the relevant authority of the assigner and assignee, should have been in place for at least two years in respect of every municipal jurisdiction in the province. As it is suggested above that only selected municipalities could be considered viable providers of these services. This means that where the province opts to not assign to a specific municipality, a service level agreement between the executive authority for the province and a line department, or a service level agreement with a body other than a municipality, could also be considered.
- A business plan, approved by the executive authority, should be in place for the province of how it is going to progress towards achieving national norms and standards with respect to public library services (including norms for the provision of access to electronic information services) for the province as a whole (that is, in every municipal jurisdiction of the province). The business plan must specify how the province is going to access other programmes that are available for the creation of library or public information technology infrastructure in all areas of the province where library services are not readily accessible in accordance with national norms and standards. The folding of funds into equitable share should not be delayed until all those business plans have been achieved.

- At least ninety (90) % of the allocation to the province in respect of community library services should have been spent for two consecutive years, according to audited (if available) financial statements, as a demonstration of the capacity and intention of the province to manage this function.
- At least ninety (90) % of the municipal jurisdictions in the province must have been addressed through a formal agreement with an appropriate service provider (for example, the municipality) in the previous two years.
- The budget of the province for community library services should have been approved and submitted to the Department by the annual date determined by the Department for at least two consecutive years. The budget should contain detail on resources allocated towards implementing the above-mentioned business plans.

These are simple and achievable criteria designed to respect and implement the Constitutional mandate of each province to render community library services. These and other arrangements could be contained in an implementation protocol signed by the Department and the relevant provinces. This would also involve the provincial administration and empower the relevant provincial department within that administration.

5.4 Equitable share of the responsible sphere of government

Public library services should in the long to ultra long term be planned and executed by the sphere of government whose function it is (currently provincial) in accordance with norms and standards determined, in consultation with all role-players, by national government.

It is recommended that any funding for this service from the national revenue should eventually be folded into the equitable share allocation on a province by province basis. If this cannot be done then conditional grants will have to continue until the last province has met the criteria for folding the allocation into equitable share, which would cause unnecessary administrative work for the Department and for the provinces that have met the criteria for folding the allocated funds into the equitable share.

The preferred option for the design of the public library function (refer the Legal and accountability framework report) is option 6 (as defined in that report): Library services to be allocated to municipalities. This means that public library services remain the function of provinces, and provinces assign the function to municipalities or other appropriate service providers (for example, PPP's) in the provinces' respective jurisdictions¹². It would be best to select the executive assignment option, as this option would allow a province to follow the specific assignment route (i.e. the province could select the municipalities it would like to assign the function to). This option would cater for the diversity of capacity in the public library service sector, which we are currently experiencing.

Library services would remain the function of provinces. Provinces, however, would have the option to allocate the function to municipalities, should they wish to do so. In our view, it would

¹² The provincial departments would only assign to those municipalities who would actually have the capacity to administer this function.

be sensible to select the executive assignment option¹³, as this option would allow a province to follow the specific assignment route (i.e. they could select the municipalities to which they would assign the function to). They do not have to assign the function to all the municipalities in their jurisdiction. This option would cater for the diversity of capacity that is currently being experienced in the public library service sector.

In this scenario provinces would be responsible for the strategic planning, budgeting, and the funding of library services in their jurisdiction. Where provinces have assigned the function to their municipalities, they would:

- Transfer the budgeted funds to the municipalities, who would use these funds to operate libraries.
- See that the strategic plans and budgets of the municipalities rendering the service were consistent with their own.
- Monitor the municipalities' performance in terms of rendering the service, using the assignment agreements as a performance measure.

The librarians within the municipalities would ultimately report to the Municipal Manager, who in turn would report to the provincial department¹⁴ regarding the library's performance against predetermined objectives.

In the event where the province wants to retain this function, it can do so. In this instance, the province would be responsible for all aspects of rendering the service. The proposed funding model is flexible enough to accommodate the various ways of structuring the service, as long as the eventual service provider (even if it comprises of staff of the province itself) signs a specific agreement that identifies the relevant municipal jurisdictions.

What remains is to demonstrate that the proposed funding model addresses every funding need for public libraries.

5.5 Funding of all responsibilities

A matrix of responsibilities for each sphere of government is proposed in the Legal and accountability framework report. To ensure that the funding model addresses resources for all responsibilities, the recommended source of funding is indicated below.

¹³ Refer to Annexure A, where the various options of allocations functions to municipalities have been discussed. The feasibility of applying the specific options have also been investigated and concluded upon.

¹⁴ This arrangement would fit into the *draft* "Implementation protocol for the management of conditional grants for public/community libraries" (the Implementation Protocol) which is at this stage envisaged to be entered into between the Department and the provincial departments. In terms of the protocol the Technical Task Team (consisting of the executive managers and heads of libraries in the national and provincial departments) will be charged with the responsibility of monitoring the delivery of services performed in terms of service delivery/agency agreements.

5.5.1 National government

<i>Role and responsibility</i>	<i>Institution</i>	<i>Source of funds</i>
National Government		
<ul style="list-style-type: none"> Determines national policy, including norms and standards in respect of library services 	National DAC	Normal voted funds (NVF)
	National Council for Library and Information Services	NVF
<ul style="list-style-type: none"> Planning and coordinating library services 	National Council for Library and Information Services	NVF
<ul style="list-style-type: none"> Develop principles and criteria that should govern allocation of public funds 	National Council for Library and Information Services	NVF
<ul style="list-style-type: none"> Coordinate the strategic planning and budgeting process for library services: 	National Council for Library and Information Services	NVF
	Department	National Top Slice funding (NTS)
<ul style="list-style-type: none"> Performance monitoring: 	Department	NTS
<ul style="list-style-type: none"> Capacity support: 	<i>Not currently addressed in legislation</i>	NTS
<ul style="list-style-type: none"> Consultation: <p>Promotes consultation on matters regarding public library services between national government, provincial government and municipalities (where relevant) and any other stakeholders.</p>	National Council for Library and Information Services	NVF
	National Library	NVF

5.5.2 Provincial government

<i>Role and responsibility</i>	<i>Institution</i>	<i>Source of funding</i>
Provincial Government		
<ul style="list-style-type: none"> Provincial strategy with regard to library services 	Provincial department	Provincial top slice funding (PTS)
<ul style="list-style-type: none"> Develop legislation regarding library services 	Provincial department	PTS
<ul style="list-style-type: none"> Providing library services 	Provincial department	Gp plus other grants and possible PPP's
<ul style="list-style-type: none"> Budget for, and provide funding for library services 	Provincial department	PTS
<ul style="list-style-type: none"> Planning and co-ordination of library services 	Provincial department	PTS
<ul style="list-style-type: none"> Performance monitoring <p>Monitors the performance of the municipalities in rendering library services</p>	Provincial department	PTS
<ul style="list-style-type: none"> Taking care of all operational aspects of rendering the service 	Provincial department	Gp plus other grants and PPP's

5.5.3 Local government or other signatory to the assignment or service agreement

The activities of these role-players should be funded by the allocation made by the province from Gp, plus the retaining of current municipal funding levels, other grant programmes for infrastructure creation and technical assistance as discussed above, and PPPs.

5.6 Requirements of assignment and service agreements

In order for the funding model to satisfy the criteria for design, the following criteria have to be included in these agreements:

- The relevant municipality must at least maintain current funding levels in respect of public library services if significant. This means that an alternative service provider must, if there is a relevant municipal contribution, be able to come to agreement with that municipality or the municipality must be reconsidered as a service provider.

- The agreement should detail how progress is going to be made towards satisfying the national norms and standards for public library services throughout the relevant municipal jurisdiction.
- The agreement must contain commitments to timeously provide information that the province is going to need to comply with relevant legislation and to assist the Department to comply, for example with the Division of Revenue Act.
- The agreement must contain a commitment to access other grants for capital expenditure and technical assistance, and to consider the viability of PPPs for this service. It should at least detail for which grants the municipality will apply or register in order to expand library infrastructure to previously disadvantaged communities, and by when.
- The agreement must be approved by the municipal council or alternative executive authority for other service providers and by the province by 30 June of the relevant year.
- The agreement must contain a commitment to cooperate with all schools that have significant libraries in the relevant municipal jurisdiction.

5.7 Conclusion

It is proposed in this chapter that public libraries as a function of provincial government should be funded through the provincial equitable share allocation, assisted by other funding options that should be coordinated through agreements signed for every municipal jurisdiction.

However, in order to establish a spending pattern and to embed the service rendered in terms of these various agreements, an initial simple non-matching conditional grant should be used. Large-scale infrastructure creation, as opposed to operational and provisioning activities, should be coordinated by means of this grant rather than being directly funded by it.

In order to successfully implement the funding model, provinces should annually test actual performance in comparison with the service or assignment agreements on a sample basis, and reject such agreements when reasonable progress is not made in addressing library infrastructure backlogs in specific municipal jurisdictions. The monitoring systems of other relevant grants should be used where possible.

Our recommendations regarding the agreements to be concluded per municipal jurisdiction in 5.6 above, read with paragraph 3.2 regarding the ability of provinces to generate own funding, leads to the conclusion that replacement funding needs to be found if negotiations fail to secure a commitment to maintain current levels of municipal funding. **We recommend that the Department should pursue the issue of replacement funding with government if this lack of commitment becomes apparent, as the current allocation and this model does not include replacement funding.**

6 Long-term sustainability

6.1 Flexibility of approach

It is important for long-term sustainability that no model, or even allocation of functions, be regarded as cast in stone. Development with regard to a sustainable public library model for South Africa is a relatively new concept, and changes such as technological renewal occur with increasing frequency. Conditions and requirements change from time to time and therefore there should always be flexibility and a willingness to improve or adjust.

6.2 Grant requirements

The criteria and requirements detailed in Chapter 5 are intentionally relatively light and easy to comply with. Regular monitoring should take place to ascertain whether this approach is successful. Empirical data investigated reveal that programmes with stringent conditions are frequently not very successful. However, there is very little detail about the relative success of less stringent requirements. The Municipal Infrastructure Grant is the only detailed example where the research and discussions point toward success with intentionally easy processes and requirements.

The information provided by regular monitoring of this programme, the requirements of the conditions, budgets, business plans, progress reports and many others should be constantly analysed, especially in the first two years of the programme, in order to adjust and improve any aspect of the programme. The Department is encouraged to augment the creation of medium- and long-term capacity with temporary/contracted capacity from now on until the programme is running smoothly in order to assist with the various planning activities but also to make sure that the analyses described above take place.

6.3 Other factors

The following factors have been built into the model detailed above to promote sustainability:

- Every business plan and budget recommended as criteria or condition above, include a requirement to access alternative funding.
- The formula for allocation of the conditional grant is biased in favour of performing provinces, as are the criteria for folding the conditional grant into the PES, which should motivate the planning and implementation of sustainable strategies.
- The clear indication that the allocation must eventually be folded into the equitable share, as well as the requirement for an exist strategy, are intended to promote sustainability. All the role-players interviewed regard equitable share, as opposed to conditional grants, as the long-term viable funding option.

Much of the empirical data analysed during the investigation, however, indicate that a service such as public libraries cannot become viable and self-sufficient without the communities

themselves first becoming viable with relatively low levels of poverty. It cannot be expected that most communities will soon fund their own libraries. The information collected during the regular monitoring of this programme could be used to design and implement criteria that require communities that are able to, to fund their own libraries to the extent that, for example, occurs in the United Kingdom. These will, however, probably be exceptional cases.

6.4 Conclusion

It is imperative that the revenue-generating ability of the responsible sphere of government, provincial in this case, is further developed to improve the situation depicted earlier in Figure 1. In the absence thereof public libraries, especially those in previously disadvantaged communities, cannot thrive without national government funding in the foreseeable future. In fact, the risk is very real that infrastructure could be created that cannot be maintained or utilised properly.

A List of acronyms and abbreviations

A.1 Institutions

The Department – The Department of Arts and Culture

DPLG – The Department of Provincial and Local Government

FFC – The Financial and Fiscal Commission

MEC – Member of the Executive Council

NCLIS – National Council of Library Services

A.2 Legislation

A.2.1 Library specific legislation

The Current Constitution or the Constitution – The Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996);

The 1993 Constitution – The Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993);

The Legal Deposit Act - The Legal Deposit Act, 1997 (Act No.54 of 1997)

The National Council for Library and Information Services Act - The National Council for Library and Information Services Act, 2001 (Act No. 6 of 2001)

The National Library of South Africa Act – The National Library of South Africa Act, 1998 (Act No. 92 of 1998)

The South African Library for the Blind Act - The South African Library for the Blind Act, 1998 (Act No. 91 of 1998)

A.2.2 Provincial legislation pertaining to provincial library services

(Free State) The Library and Information Services Act;

(Limpopo Province) The Library and Information Services Act; and

(Eastern Cape) The Libraries and Information Services Act;

A.2.3 Financial or finance related legislation

The Division of Revenue Act (DoRA) – The Division of Revenue Act, 2006 (Act No. 2 of 2006)

The Financial and Fiscal Commission Act - The Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997)

The Intergovernmental Fiscal Relations Act - The Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997)

The PFMA - The Public Finance Management Act, 1999 (Act No. 1 of 1999)

A.2.4 Local government legislation

The Municipal Structures Act - The Municipal Structures Act, 1998 (Act No. 117 of 1998)

The Municipal Systems Act - The Municipal Systems Act, 2002 (Act No. 32 of 2002)

The MFMA - The Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

A.2.5 Other general legislation

PAIA - The Promotion of Access to Information Services Act, 2002 (Act No. 2 of 2002)

The Copy Right Act - The Copy Right Act, 1978 (Act No. 98 of 1978)

A.3 DoRA and financial terminology

Gi – The result of the LES formula, determining the amount of LES per individual municipality

LES – Local Government Equitable Share: an equitable share of national revenues transferred to municipalities

PES – Provincial Equitable Share: an equitable share of national revenues transferred to provinces

PPP – Public private partnership

MPCC – Multi-purpose Community Centre

B List of sources

B.1 Annual Reports

Annual Reports for 2004/05 for provincial departments of Arts, Culture and Tourism

B.2 Books

Finance and Fiscal Commission, Review of Transfers in the Intergovernmental Fiscal Relations System of South Africa, 2006

B.3 Legislation

The Constitution

The DoRA 2006 and related Division of Revenue Attachments

The Municipal Systems Act

The PFMA and related Treasury Regulations

B.4 Situation reports

DAC situation report on the funding and maintenance of libraries at national, provincial and local levels (as at 1 June 2004), Department of Arts and Culture, 2004

Public libraries in the Western Cape, A Situation Report, Directorate: Library and Archive Services, 2003, 2005

Computers in Schools: A national survey of Information Communication Technology in South African schools, Education Policy Unit, University of the Western Cape, 2000

B.5 Government websites

Statistics South Africa, www.statssa.gov.za

National Treasury, www.treasury.gov.za