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**EVALUATING THE SUSTAINABILITY OF A MUNICIPALITY'S MERGER AND ITS IMPACT
ON SERVICE DELIVERY**

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Administration**

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DECLARATION

IHlengiwe Khuluse..... declare that:

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“Ebenezer !!!!!!!!!!!”

ABSTRACT

Purpose and Research Objectives: This study investigates the sustainability and service delivery impact of the Alfred Duma Municipality merger, a union of Indaka and Ladysmith municipalities. It explores post-merger organizational, financial, and service delivery dynamics, with specific emphasis on the Integrated Development Plan (IDP) and its revenue-generating projects.

Methodology: Utilizing a qualitative approach, the research included in-depth interviews and a comprehensive review of Alfred Duma LM's census statistics, financial indicators, and service delivery records over five years. The study's approach enabled a detailed examination of the merger's outcomes.

Key Findings: The research revealed mixed results post-merger, with slight population growth but persistent service delivery challenges. Although there was a growth in revenue, this did not directly translate to improved services. The financial health of Alfred Duma LM was closely scrutinized, revealing complexities in revenue management and challenges in maintaining financial stability.

Analysis and Interpretation: Findings suggest that while the merger led to some financial improvements, these gains did not proportionately enhance service delivery. The study highlights the importance of efficient asset, revenue, liability, cash flow management, and maintaining a balance between profitability and liquidity.

Contribution to Knowledge: This study adds to the understanding of municipal mergers in South Africa, particularly regarding financial sustainability and service delivery. It underscores the complexities of merging diverse municipalities and the pivotal role of strategic financial management in such unions.

Critical Assessment: Limitations include the focus on a single municipality and a qualitative approach that may not fully capture the quantitative aspects of financial and service delivery performance.

Recommendations and Future Research: Recommendations include enhanced strategic planning and financial management to improve service delivery. Future research could explore comparative studies across multiple merged municipalities for broader insights.

Keywords: Municipal Merger, Service Delivery, Financial Sustainability, Alfred Duma Municipality, Integrated Development Plan.

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LIST OF ABBREVIATIONS

| | |
|--------------|--|
| MDA | Municipal Demarcation Act |
| MBD | Municipal Demarcation Board |
| COGTA | Co-Operative Governance Traditional Affairs |
| IDP | Integrated Development Plan |
| SDBIP | Service Delivery Budget Implementation Plan |
| LED | Local Economic Development |
| LGES | Local Government Equitable Share |
| KZN | KwaZulu - Natal |
| RSA | Republic of South Africa |
| LM | Local Municipality |
| MFMA | Municipal Finance Management Act |
| MSA | Municipal Structures Act |
| MEC | Member of Executive Council |
| KPI | Key Performance Indicator |
| AGSA | Auditor General South Africa |
| LGES | Local Government Equitable Share |
| MIG | Municipal Infrastructure Grant |
| RES | Revenue Enhancement Strategy |

CHAPTER ONE – INTRODUCTION OF THE STUDY

1.1 Introduction

Municipal mergers are often implemented to improve the fiscal condition and efficiency of local governments. Over and above that mergers are recommended and often seen as a way to ensure that municipalities are large enough to be technically and financially viable and capable of providing service delivery as mandated by the Constitution. Enlarged municipalities cover wide territories and are mandated to delivery services across former municipal boundaries, usually with the purposes of reducing government costs. In South Africa, a total number of 27 municipalities have been amalgamated post the advent of democracy in 1994. An independent demarcation board came into existence in 1999, it is known as the Municipal Demarcation Board (MDB). The municipalities in South Africa were sitting at a total number of 284 in the year 2000, they have since been reduced to a current total number of 257 between 2011 and 2016.

This study focused on evaluating the Alfred Duma Municipality post-merger to determine if it was still sustainable as an ongoing concern and to establish how the merger had impacted service delivery in this municipal area. Most studies that have been done on municipal mergers have focused on financial viability, while very few have focused on the impact that the merger has had on service delivery. This study aimed to address this gap. Over and above introducing the purpose of this study, the chapter will also layout the historical background to the study and also present a brief review of the Alfred Duma LM's census statistics, financial indicators, and service delivery performance over a five-year period. The riddle under investigation and the purpose of the study are addressed, whilst research questions and objectives are also presented. To conclude, the methodology that was utilised and an outline of the dissertation structure are also presented in this chapter.

1.2 Background of the Study

The concept of municipal mergers, which involves the consolidation of local government entities, has been widely adopted as a strategy to improve service delivery and financial sustainability within the realm of public administration. In South Africa, this approach has been particularly pertinent as a means to address the inefficiencies and economic viability of local municipalities, especially those within rural confines that are heavily reliant on government grants (Ncube &

Monnakgotla, 2016). The Department of Cooperative Governance and Traditional Affairs (COGTA) in 2016 identified a pressing need for structural changes within the local government landscape, citing that a significant portion of municipalities was underperforming and, in essence, unviable (COGTA, 2017).

This study sets the stage to focus on the post-merger and the sustainability of Alfred Duma Local Municipality (LM). The merger, which combined the municipalities of Indaka and Ladysmith, was part of a larger initiative to reconfigure municipal boundaries, with the intent to create stronger, more functional, and economically self-sufficient entities (KZN Provincial Gazette No. 1723, 2016). The purpose of these amalgamations, as mandated by section 21 of the Municipal Demarcation Act No. 27 of 1998, was not only to enhance the administrative and fiscal capacity of local municipalities but also to forge social cohesion and advance good governance (Government of South Africa, 1998b).

The Alfred Duma LM, formally established on 3 August 2016, is a microcosm reflecting the broader challenges and opportunities inherent in such municipal mergers. The area, with a majority of its wards based in rural settings overseen by traditional leaders, encapsulates the socio-economic dichotomy prevalent in many South African municipalities. The region's economic foundation, predominantly agrarian with pockets of mining, manufacturing, energy generation, and retail businesses, presented a varied tax base that the merger aimed to capitalize on to bolster service delivery (Alfred Duma Local Municipality Profile, 2020).

Despite the theoretical advantages of municipal consolidations, the reality on the ground post-merger has been mixed. The Alfred Duma LM, while showcasing a slight population growth, continues to grapple with service delivery issues. Basic amenities such as electricity and waste management have not reached the entirety of the jurisdiction, indicating a gap between the merger's objectives and the on-the-ground realities. The demographic structure, dominated by black Africans and characterized by a high dependency ratio, underscores the socio-economic challenges, including high unemployment rates that impede the municipality's ability to generate revenue and sustain service delivery (Stats SA, 2016).

The financial health of the merged municipality remains a critical concern. While the Alfred Duma LM has demonstrated a growth in revenue consistent with the Consumer Price Index (CPI), this has not translated into an equivalent enhancement in service delivery. The municipality's revenue

streams, previously bolstered by electricity sales, have been affected by its inability to sell to areas that are supplied by Eskom, highlighting the complexities of revenue management in the post-merger landscape. Furthermore, fluctuations in grant funding and the financial strain caused by economic downturns, such as the COVID-19 pandemic, have placed additional pressures on the municipality's fiscal capabilities.

The management report of the Alfred Duma Local Municipality, communicated in January 2022, provides a granular view of the municipality's financial and operational performance. It elucidates the municipality's interactions with oversight and governance stakeholders, unpacks financial viability, and delves into procurement and fraud management. This report is instrumental in understanding the internal controls, compliance with legislation, and the performance information's usefulness and reliability—a mosaic of factors that directly influence the sustainability and efficacy of service delivery.

The Integrated Development Plan (IDP), a strategic tool for aligning municipal development objectives with financial and operational resources, emerges as an essential component in evaluating the success of the merger. The IDP's role in guiding revenue-generating projects and shaping the municipality's overall development strategy is a critical dimension that requires attention in the study.

In synthesizing these elements, this study aims to interrogate the fundamental premise of the merger—its financial viability and sustainability—and the resultant quality of service delivery to the residents of Alfred Duma LM. This study will traverse the intricate pathways that define the merger's success or shortcomings, scrutinizing organizational structures, financial indicators, and the IDP's strategic influence, to ultimately gauge whether the merger between Indaka and Ladysmith municipalities has achieved its intended outcomes.

1.3 Problem Statement

The amalgamation of municipalities, such as the union of Indaka and Ladysmith to establish the Alfred Duma LM, was initiated to bolster financial stability and service delivery. However, the actualization of these objectives remains uncertain. High levels of unemployment and poverty, coupled with a non-payment culture for municipal services, have compromised the financial sustainability of municipalities, particularly in impoverished areas.

Furthermore, the merger has introduced complexities in financial management capacity, compliance, and governance, exacerbated by unfunded mandates and low economic activity, which challenge the municipalities' ability to deliver fundamental services effectively (COGTA, 2017; Moloto & Lethoko).

The financial indicators integral to assessing the sustainability of such mergers—asset management, revenue management, liability management, cash flow management, profitability, and liquidity—have not been thoroughly examined in the context of Alfred Duma LM's merger. Moreover, the Integrated Development Plan (IDP), a critical component of municipal strategic planning, has not been adequately addressed in relation to its role in post-merger service delivery (Moloto & Lethoko; KZN Provincial Gazette No. 1723, 2016).

Thus, this study aims to rigorously evaluate the financial and service delivery outcomes of the Alfred Duma LM post-merger. It will examine whether the merger has indeed led to a financially viable and sustainable municipality capable of delivering improved services to its residents, and how well the IDP aligns with these goals.

The study will also scrutinize the municipality's revenue base changes post-merger and the proportion of revenue-generating projects within the IDP, to understand their significance in the municipality's development strategy. This research is therefore critical for providing a clear context of the current situation in the Alfred Duma LM and for devising strategies to address the challenges encountered.

1.4 Research Aims

The aim of the study was to evaluate whether the merger between the Indaka and Ladysmith municipalities was financially viable and sustainable. The study further evaluated the impact this merger had on service delivery.

1.4.1 Research Questions

1. What were the outcomes from the implementation of the merger in Alfred Duma Municipality and the community at large?
2. Has the revenue based of the municipality improved and how is it impacting on the service delivery?

3. What proportion of revenue generating projects makes up the Integrating Development Plan (IDP) of the Alfred Duma Local Municipality and do they achieve the fiscal and developmental goal?

1.4.2 Research Objectives

1. To analyse the outcomes of the implementation of the merger of Alfred Duma Municipality, considering both its organizational structures and the broader impacts on the community.
2. To examine the changes in the revenue base of Alfred Duma Municipality following the merger and to evaluate how these changes have influenced service delivery.
3. To assess the proportion of revenue-generating projects within the Integrated Development Plan (IDP) of Alfred Duma Local Municipality and discuss their significance in the municipality's overall development strategy.

1.5 Research Methodology

To thoroughly investigate and critically assess the issue at hand, this study used a qualitative research strategy and exploratory design (Murgia and Demeyer, 2013). Data were generated in their primary and secondary forms for the study's benefit.

Primary data were generated by means of interviews with municipal employees, Council members, managers, and other interested parties in the Alfred Duma LM. Secondary data were gathered via an in-depth literature review to learn more about the topic at hand. The trustworthiness of the study was enhanced by the perusal and integration of municipal documents, reports, regulations, and legislation.

Council members, Alfred Duma LM employees and managers, as well as people of the local community were interviewed using a predetermined set of questions. Chapter three of this study will extensively present the research methodology.

1.6 Significance of the Study

This study attempted to determine if the merger of erstwhile smaller municipalities into the current larger municipality (Alfred Duma LM) would be sustainable, especially in light of its incorporation of rural areas. It identified the challenges associated with the merger and explored how this merger

impacted service delivery in the newly established LM. It also analysed the revenue base of the municipality under study and determined if envisaged projects had the potential to generate income.

It is envisaged that the outcomes of this study will assist the Alfred Duma LM to overcome the challenges it has experienced since the merger, by deriving strategies to flourish as a sustainable ongoing concern that is able to increase its revenue base and become more financially viable.

1.7 Justification of the Study

The research questions show a gap that most of the mergers or amalgamations of municipalities, especially in rural areas, did not consider to ensure the affected municipality's viability as a continuing concern. As this study evaluated the viability of a merged municipality and the influence of this on service delivery and the economic ramifications, with particular focus on the Alfred Duma Municipality, it is important for numerous reasons.

First, research on municipal mergers, particularly in LMs such as Alfred Duma, has been limited (Tshamano et al., 2021). As reflected in the research questions, few studies have considered the aspect of long-term sustainability and the role of revenue-based initiatives in the aftermath of these municipal mergers. This omission is a significant blind spot in current research, as the financial viability of amalgamated municipalities is essential for maintaining, enhancing, and expanding the efficient delivery of public services (Tshamano et al., 2021)

Secondly, the majority of previous research on this topic has focused on the effects of mergers in urban contexts, ignoring the unique challenges rural municipalities face (Gu et al., 2022). This research, which focused on a rural setting, will therefore provide valuable insights that can inform policy formulation and implementation in similar environments.

The study may also have significant policy implications. Considering the extensive structural reforms of municipalities in the Republic, understanding the effects of these changes on the effectiveness of economic growth, service delivery, and financial viability that all affect residents can assist policymakers in developing more effective, context-specific strategies. In addition, these findings can serve as a guide for future researchers who contemplate comparable investigations into the impact of municipal mergers/restructuring initiatives on other areas across the country.

1.8 The Structure of the Dissertation

This study dissertation consists of six parts. The study's introduction, context, research questions and objectives, research methods, and chapter format can all be found in Chapter 1. The research paper has five parts. In the second chapter, we conduct a comprehensive literature analysis on the topic of municipal mergers and their economic sustainability. The Constitution, the Municipal Finance Management Act No. 56 of 2003; the Municipal Demarcation Act No. 27 of 1998; and the Municipal Structures Act No. 117 of 1998, and are all included in this section as examples of the framework policy foundation that supported the research.

In Chapter three of the report, I discuss the study's methodology, while the data analysis and interpretation are presented in Chapter four. This chapter also investigates the study site's most crucial sources of funding. In Chapter five of this dissertation, I summarise the findings and make suggestions to the local government depending on those conclusions. The suggestions of the study should help the ADLM to deal with the difficulties experienced due to the merger and to establish a solid foundation for its future financial health and continued viability.

1.9 Summary

This chapter has introduced the concept of the study, gave the background to the study, discussed the problem statement, the objectives and the research questions. It went further to discuss the methodology; the significance of the study and final gave the structure of the dissertation. In order to have an in depth understand of the impact that the amalgamations have in the financial sustainability of municipalities. The next chapter (Chapter 2) focuses on legislations that governs municipal re- demarcations and mergers, its further discusses theories that has emerged on this topic from other scholars.

CHAPTER TWO – LITERATURE REVIEW AND THEORITICAL FRAMEWORK

2.1. Introduction

The previous chapter presented the study's purpose, problem, historical context, objectives, and significance. This chapter will provide an overview of previous research knowledge as highlighted by various authors whose studies explored similar topics in this field. The literature review will explore successful previous municipal mergers as well as the significance of those mergers for municipalities that achieved their mandate. The discourse further explores the relation between municipal mergers and the revenue base. Moreover, this chapter introduces the legislative framework that governs and guides the re-determination of boundaries that occurs as a result of municipal mergers. The literature is predominantly more than five years old because municipal mergers normally occur in line with municipal elections, which are usually every five years or when deemed necessary. In South Africa, the re-demarcation of municipal areas last occurred in 2016, hence many of the articles referred to in the study are older than five years.

2.2 Literature Review

Businesses today face internal and international rivalry as a result of the removal of barriers, liberalisation, and globalisation of the economy in both industrialised and emerging countries. To stay ahead of the competition in today's market, many companies use mergers and acquisitions as a key strategic tool (González-Torres et al, 2020). The term “merger” is used to describe the coming together of two or more companies into one. The public sector, and particularly the state and local levels, are not immune to mergers (Gupta, 2012). Statistics from a wide range of countries reveal that while some countries' municipalities are shrinking, others are remaining static. Sustainability becomes an issue in cities that are diminishing as their populations fall and as their metropolitan counterparts continue to become old. In a declining population with few resources, how can necessary infrastructure be built and maintained? Smaller villages are being merged with larger ones as part of the government's attempt to address these issues through structural reforms (Heinisch, Lehner, & Mühlböck, 2019).

South Africa's Department of Cooperative Governance and Traditional Affairs (COGTA, 2009; 2014) reports that many local governments are having trouble fulfilling their legal obligations. This is especially true of rural towns. This is because of the lasting effects of apartheid's approach

to city development. During the apartheid era, there was a stark divide between the prosperous white municipalities and the financially unstable black municipalities. The old white local administrations were well-established economically and had complete control over their budgets. The post-apartheid administration prioritised merging communities as a means of reducing ethnic, racial, and socioeconomic segregation. Since the arrival of democracy in the country (RSA), amalgamations have been utilised to alter the country's historically racialized municipal structures. Mergers of poor, primarily black towns with wealthier, predominantly white ones were used to redistribute money and other resources from the "richer" to the "poorer" communities. As cited in (Ncube & Monnakgotla, 2016). From 1994 to 1996, the number of South African municipalities shrank from 1,262 to 862 as a result of the country's delineation process (Ncube & Vacu, 2014).

As a result of the redrawing of boundaries in 2000, there are now 284 "wall-to-wall" municipalities that span the whole regions of the country. The Constitution creates three tiers (A, B, and C) of municipal administration. There is a three-tiered structure, with Category A (metropolitan) municipalities at the top, followed by Category B (local) and Category C (district) municipalities. The legislative and executive power in a given area may be shared between a local and a district municipality.

2.2.1 Amalgamations in the Context of Financial Viability

After 2002, the amalgamations (which produced 257 municipalities in 2016) were more concerned with creating municipalities that could function and be financially stable. Some authorities felt it necessary to execute a second wave of mergers because many of the municipalities that were amalgamated after 1994 were not financially viable (Ncube and Monnakgotla, 2016). The goal of amalgamations was to form economically stable cities that could better serve their residents by sharing resources and reducing costs (Dafflon, 2012; Reingerwertz, 2012; MDB, 2015a).

The next logical step was to examine whether or not municipal amalgamations actually benefit their constituents by increasing scale economies, enhancing efficiency, bolstering financial stability, and facilitating the delivery of essential municipal services. According to the studies by Dollery, Byrnes, and Crase (2007), larger municipalities allow for better service coordination, benefit from more fiscal capacity, provide a broader spectrum of services, and result in greater technical and administrative capacity. However, there are competing lines of evidence in the real world. Through an examination of panel data from Israeli municipalities for the years 1999-2007

(Reingewertz, 2012: 10), it was found that amalgamations led to cost savings (with a 9% reduction in expenses) and without a reduction in the quality of services, demonstrating the existence of efficiency and scale effects.

However, Fritz (2011) found that after mergers, debt per capita and spending per capita climbed but administrative employee costs decreased. He used regression analysis to accomplish this feat, with data coming from 1,111 German municipalities between 1964 and 1988. Toronto is the largest city in Canada, and Slack and Bird (2013b) used data from 1988 to 2008 to examine the impact of the 1998 amalgamations there. They concluded that there was no improvement in the city's financial stability or savings as a result of the mergers. Since Toronto's amalgamations, most services have become more expensive for individual households. According to the results of this research, the consolidation's biggest benefit was providing city citizens with uniformly high-quality municipal services.

2.2.2 Amalgamations in the Context of Reduction in Grant Dependency

To reduce reliance on the government and enhance efficiency, COGTA recommended further merging of 21 municipalities in 2016. There were once 15 municipalities in KwaZulu-Natal, but after consolidation just roughly 8 remain. According to the KZN Provincial Gazette No. 1723 (2016), the municipalities of Indaka and Ladysmith combined in 2016 to establish the new municipality of Alfred Duma. Given that prior research has demonstrated that municipal mergers do not always give the needed effects, this study will evaluate whether or not the merger between Indaka and Ladysmith local municipality has yielded the intended results.

There are pros and cons to amalgamations, and they present both opportunities and challenges for communities. Slack and Bird (2013a) contended that effectiveness of municipal executive structures determines the quality, quantity, and efficacy of the public services provided by the municipality. Thus, the structural reforms were implemented to alter the economic foundations and institutional and regulatory frameworks of our government, particularly at the municipal level. Finland (Lapointe, Saarimaa, & Tukiainen, 2018); Switzerland (Koch & Rochat, 2017); Denmark, Norway, Sweden, & Iceland (Steineke, 2010); South Africa (2002); and many more have all enacted structural reforms at the municipal level in recent years.

As a result of consolidation, the number of municipalities has been cut in half. The sudden shift in the size of municipalities is a result of municipal mergers, however not all municipalities were

combined. The effect that the size of a political-administrative unit has on its level of democracy has been noted. Government expenses were lowered as a result of the elimination of overlap between the functions previously performed by different municipalities within the same District area (Slack & Bird, 2013a).

2.2.3 The Challenges of merging rural municipalities and Cities/Towns

The newly merged municipalities have difficulties in institutional administration, governance, financial management, and service delivery. If poor and rich communities are combined, Slack and Bird (2013b) argues that the costs of providing the same level of services to each will rise. Additionally, service quality will decrease if spending rises without an equivalent rise in the revenue base (Siddle and Koelble, 2016). Ntambanani Local Municipality in Kwa-Zulu Natal, for instance, was unmerged because it was not financially viable; this was due to the fact that the municipality had increased its expenses without an increase in its income base after dividing tax revenue from the tax base (Richards Bay economy hub) between uMthonjaneni and uMfolozi area in an effort to make everyone's service delivery standards uniform. The newly merged Alfred Duma Municipality might in future find itself in the same predicament as the likes of Ntambanani Municipality if the challenges experienced post-merger are not improving. The Alfred Duma Municipality has experienced financial performance management issues which has a negative impact on service delivery and has as a result caused community unrest in the area. The Cash funds of the municipality are strained due to the decrease in collection rates of both major and minor tariffs, and increases in expenditure and electrical losses which is current sitting at 36% compared to the norm of 11%. Furthermore, the revenue base of the municipality is not increasing and allocation of Grant Funding from Provincial and National Treasury departments is reducing every year. The Municipality is not funding revenue generating projects noting that social projects are becoming a financial burden to the Municipality. The Cash Reserves of the municipality may not be able to sustain cash outflows in future as the municipality has failed to budget for surpluses to replenish the reserves. This is having a detrimental impact on the financial viability of the municipality.

Ncube and Monnakgotla (2016) state that merging municipalities that are at risk of becoming dysfunctional is likely to make the issue worse, despite the fact that research and assessments have previously been undertaken on the amalgamation of South African municipalities (with a

concentration on rural municipalities). The four pillars upon which their evaluation was based were institutional administration, governance, financial management and service delivery. This case study shows what happens when a city that works well (Mangaung) and a rural city that doesn't (Naledi) combine. They claimed that this merger, and mergers in general, weren't the right tool for fixing Naledi's municipal government because they prioritised efficiency over democracy by reducing the number of people who voted in municipal elections. They went on to say that it was not the MDB's job to fix local problems, but rather the province's and the nation's. They argued that poor economically (due to reliance on government payments) but democratically important rural municipalities should be allowed to exist. The economic income base, controls, and policies of a municipality all contribute to its long-term financial health (Tshamano, Shopola, & Mukonza, 2021). Cities, towns, and the Metro all have different tax bases than their more rural counterparts. Due to their increased taxing authority, metropolitan and municipal governments generate substantial economic revenue (Heinisch et al., 2019).

However, because rural communities are typically led by people with little to no financial clout, rural towns must create methods to ensure their own long-term financial stability. Due in large part to the fact that rural communities do not collect property or land taxes and other levies, their economic and tax bases are extremely thin. Property taxes and assessments on payments for services done by or in place of the local government, there are the two major revenue streams for municipalities (Cloete, 1997). Assessment rates, property valuation, site rating, flat rating, and distinguishing rating are common ways in which municipalities generate their own money. When conventional methods of revenue generation fail, however, local governments may consider exploring alternative funding options. These may include, for example, sectoral funding for infrastructure, borrowings for capital expenditure, and the possibility of government harnessing the flow of revenue in communal land (Mazibuko, 2019).

2.2.4 Economic Growth Development in Rural Areas

For the purpose of carrying out service delivery and as well as for the municipality to engage in infrastructure development to create a conducive business climate, the municipality's financial viability becomes essential. When these two things are in place, the municipality may more easily entice investors to set up shop inside its borders, which in turn will spur economic growth, decrease unemployment and poverty, and increase tax income. South Africa's governments, and

municipalities in particular, have a constitutional duty to play an important role in promoting societal and economic development. This duty is recognised in Section 152 of the Constitution and the White Paper on Local Government of 1998. Both documents stress the importance of local governments taking the lead in combating poverty and expanding economic opportunity through Local Economic Development (LED).

Maintaining private sector performance and new employment growth in a region or district is ultimately dependent on the fiscal health of the municipality. Municipalities can have a significant role in shaping macroeconomic trends through the implementation of local economic policies, the Local Economic Development (LED) plan, and the Integrated Development Plan (IDP). In order to encourage private economic growth, municipalities provide a hospitable environment by way of tax incentives, technical assistance, and infrastructure (Tavares, 2018).

Furthermore, municipalities serve as investors by taking part in entrepreneurial endeavours and stimulating the economy. However, due to their varying sizes and locations, municipalities face unique difficulties. Communities are typically better off if they are situated in urban cores. Since rural communities tend to be smaller, many of its residents, especially the young, flee to the city in search of employment. As a result, municipal services had to be reduced. As a result, the city risks losing businesses and infrastructure including banks, stores, post offices, and schools as they reach capacity (Heinisch et al., 2019).

2.3 Financial Parameters Influencing Municipal Merger Sustainability: A Review of Asset, Revenue, Liability, Cashflow, and Profitability Management

The evaluation of municipal mergers' sustainability, particularly in the case of Alfred Duma Municipality, hinges significantly on certain key financial parameters: Asset Management, Revenue Management, Liability Management, Cashflow Management, and Profitability and Liquidity. The literature provided informs the critical understanding of these parameters:

Asset Management: The systematic handling of a municipality's assets, including their development, operation, and maintenance, is pivotal for service continuity post-merger. Waheed et al. (2019) emphasized the importance of efficient asset management in maintaining service quality and infrastructure integrity, which are crucial for long-term sustainability. This aspect is

instrumental in determining the merged entity's ability to manage its expanded asset portfolio and maintain service standards.

Revenue Management: Tshamano (2021) identifies the complexities of integrating distinct revenue systems post-merger. Effective revenue management, encompassing planning, directing, and controlling financial resources, becomes essential for the financial stability of the merged entity. It determines the municipality's capability to generate and manage income streams, crucial for service delivery and development initiatives.

Liability Management: The management of liabilities, including loans and pension obligations, is a key concern in maintaining fiscal discipline post-merger. Allers & Geertsema (2016) highlight the significance of managing debts to prevent fiscal stress, which can affect service delivery. Effective liability management is therefore crucial for the long-term financial health of the merged municipalities.

Cashflow Management: Powell (2012) underlines the importance of managing the net cash flow in municipal operations. Post-merger, efficient cashflow management becomes even more critical as it influences the entity's ability to fund operations and services. This aspect assesses the municipality's capability to maintain liquidity and meet immediate financial obligations.

Profitability and Liquidity: Although profitability is not a primary goal for public entities, it indicates the ability to generate surplus revenue. Liquidity, on the other hand, is about meeting short-term financial obligations. Saunders (2012) points out these indicators are vital for assessing financial stability and operational efficiency. They are indicative of the municipality's capacity to sustain operations and services without compromising financial stability.

In “Evaluating the sustainability of a municipality's merger and its impact on service delivery,” these parameters are integrated to assess Alfred Duma Municipality's financial viability and service delivery post-merger. The study leverages these financial measures to determine the overall success and sustainability of the municipal merger. Each parameter provides a lens through which the financial health of the municipality is viewed, informing strategies for effective management and sustainable service delivery in the merged entity.

2.4 The Legislative And Policy Framework

Chapter 7 of the Constitution (Government of South Africa, 1996) describes the structure of local governments as well as their legal foundations and mandates. In addition to the Constitution, four pieces of legislation and a policy document, the 1998 White Paper on Local Government, outline the legislative and policy framework for a system of local government that is developmental, democratic, and accountable. The Municipal Demarcation Act No. 27 of 1998 (Government of South Africa, 1998a) as well as the Municipal Structures Act No. 117 of 1998 (Government of South Africa, 1998b) are the two laws that have a significant impact on how the MDB operates. This study placed great emphasis on these two Acts, while other Acts that complement these two Acts will not be featured prominently. The Municipal Systems Act No. 32 of 2000 regulates essential municipal policy-making legislation, planning, participatory involvement, and service delivery structures, whilst the Municipal Finance Management Act No. 56 of 2000 regulates municipal financial matters.

2.4.1 The Constitution of the RSA (1996)

The Constitution establishes the developmental role of the local government sphere, which has been viewed as being a distinct sphere of government since 1996. Prior to 1996, municipalities were part of provincial governments but now, as provided for in Section 151 of the Constitution, municipalities are entitled to manage their own affairs without interventions from provincial and national government (Government of South Africa, 1996,).

According to Section 152 of the Constitution (Government of South Africa, 1996), the following are the primary objectives of any local government:

- a) To provide local communities with governance that is constitutional and accountable;
- b) To guarantee the timely delivery of services to communities; and
- c) To encourage the participation of communities and community organizations in municipal government matters.

Mergers are legislatively conducted with the view to expand municipalities and to optimise municipal financial viability. The Constitution allows for the establishment and disestablishment

of municipalities in order to improve service delivery-related matters. When municipalities are unable to deliver their core mandate and are not compliant with their objectives as outlined in the Constitution, the legislation then allows for them to be dissolved. Prior to the 2016 local government elections, KwaZulu-Natal had 61 municipalities and they were reduced to 54 through the process of municipality merging. The majority of municipalities were dissolved due to lack of financial viability. In the matter of the newly formed Alfred Duma Local Municipality (ADLM), Indaka Municipality was disestablished due to the fact that the entity was dysfunctional; it was thus merged with the Emnambithi Municipality. The Council was disbanded as there had been maladministration resulting in riots due to poor service delivery. Also, it had depended extensively on government funding as a rural municipality.

Section 155 of the Constitution addresses the formation of municipalities, whilst Section 155(3)(b) indicates the need for the establishment of criteria and methods for the determination of municipal boundaries by an independent authority (Government of South Africa, 1996). The newly formed Alfred Duma municipality is currently a Category B municipality. It shares municipal executives and legislative authorities in its area with a Category C municipality, in this instance Uthukela District Municipality, within whose boundaries it falls.

Schedule 4B and schedule 5B of the Constitution outline 38 key municipal powers and functions, whereas Section 229 details the municipal fiscal powers and functions such as enforcing property rates and end-user payments.

2.4.2 The Municipal Demarcation Act No. 27 of 1998.

The purpose of this Act (Government of South Africa, 1998a) is to establish criteria and procedures for the determination of municipal boundaries by an independent authority, and to address related matters. Chapter one of the Act authorizes the formation of the MDB. The Act details the MDB's status, functions, authorities, and composition. The criteria for delineation are outlined in Sections 24 and 25 of the Act. In accordance with Section 24, when determining a municipal boundary, the board must define an area that will:

- a) enable the municipality of that particular area to meet its constitutional responsibilities;
- b) enable effective local governance;
- c) enable integrated development; and

d) have a tax base that is as inclusive as possible of municipal service consumers.

Section 24 of the Municipal Demarcation Act, which outlines the demarcation objectives, is essentially equivalent to Section 152 of the Constitution, which outlines the purposes of local government. This study assessed the achievement and sustainability of the demarcation objectives in the amalgamated municipalities based on this legislation.

The Act's Section 25 addresses the factors that should be considered when determining municipal boundaries. In order to achieve the objectives outlined in section 24, the Board must consider the following factors when determining municipal boundaries:

- (a) the interconnectedness of individuals, communities, and economies;
- (b) the municipality's financial stability and administrative competence to carry out municipal functions efficiently and effectively;
- (c) the need to share and redistribute administrative and financial resources;
- (d) areas of traditional rural communities, (Government of South Africa, 1998a).

The factors outlined in Section 25 of the Municipal Demarcation Act are essential and should be taken into account by the MDB when re-determining municipal boundaries. The MDB has evaluated these factors in its investigation reports conducted prior to boundary redefinition, (see MDB, 2015a). According to (COGTA, 2015) in their economic assessment and the report for the adjustment of municipal boundaries that was done in conjunction with the Municipal Demarcation Board for all the municipalities in KZN Province, the following were taken in consideration:

- Despite substantial financial and numerous supports provided in terms of Departmental programs over the years, a number of municipalities were to a greater or lesser degree not able to optimally fulfill their Constitutional obligations.
- Due to the increased pressures of delivering services (including the introduction of free basic services), a number of municipalities were still not in the position to deliver on their mandate.
- Weaknesses within the system were apparent in three main categories: -
 - ❖ financial (to fund services from their financial resources and to provide services at a cost-effective manner);

- ❖ service delivery and infrastructure (including providing services at a cost-effective manner; governing and democratically representing the interests of the community, and satisfying the responsibilities for the administration in accord with legislation); and
- ❖ spatial (growth in population and economic terms).

Furthermore, there were public participation engagements conducted by the following stakeholders:

- MDB (Municipal Demarcation Board) in terms of the MDB Act;
- COGTA engaged in public participation processes through the establishment of the Change Management Committees, and including radio communication by the MEC and through press releases;
- Municipalities engaged in public participation through izimbizos, IDP and Budget process, including radio communication and press releases.

Section 21 of the Municipal Demarcation Act requires the Board to determine or redetermine South Africa's municipal boundaries. It also states that any person aggrieved by such a determination may file an objection with the Board, which, after contemplating the objection, may confirm, modify, or withdraw its determination.

There are six main steps involved in this process and these are:

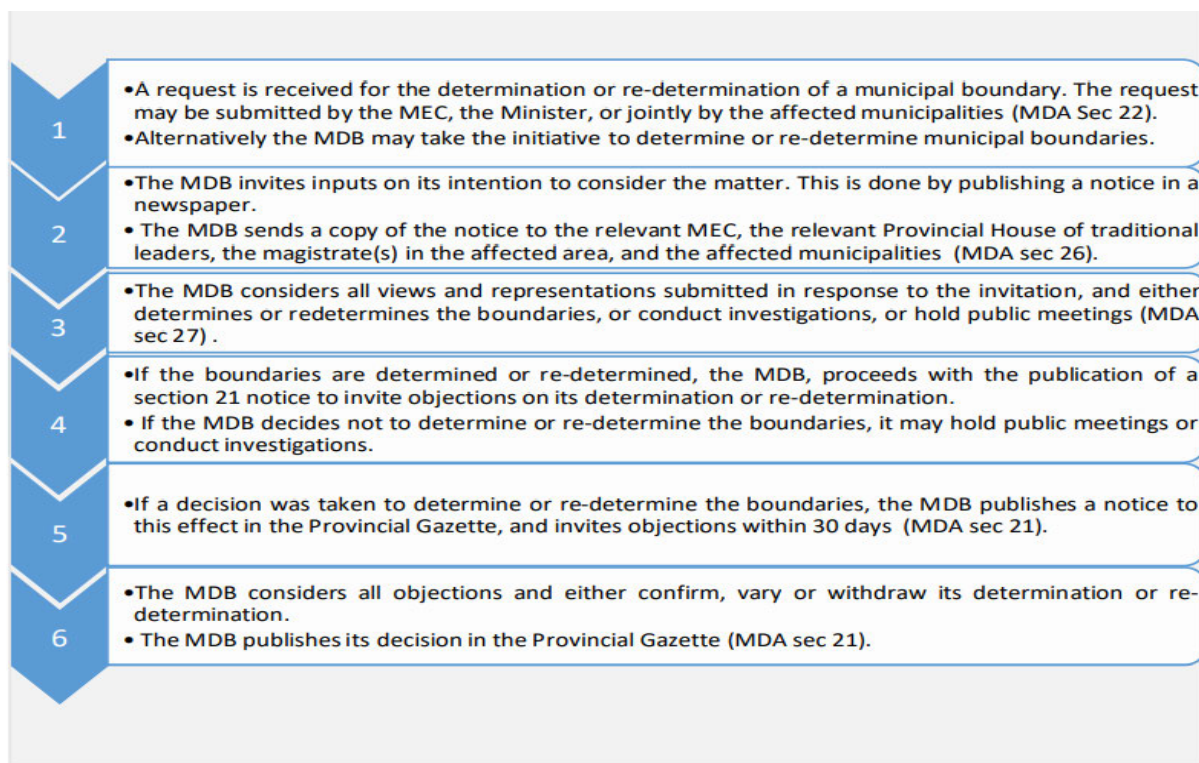


Figure 2.: The Process of determining/re-determining municipal boundaries (MDB, 2015a)

When the demarcation process of determining and re-determining municipal boundaries and had considered all the objections and disputes. The MDB finalised the outer boundaries of municipalities and this resulted in the number of municipalities in KZN decreasing from 61 to 54. The following municipalities were affected by major re-determinations which took effect in 2016:

Split Municipalities:

- i. Vulamehlo L M: Split between Umdoni and Ethekwini. L M
- ii. Ntambanana L M: Split between Mthonjaneni, UMhlathuze and Mfolozi. L M

Merged Municipalities

- i. Imbabazane LM and UMTshezi LM = Inkosi Langalibalele L M
- ii. Indaka L M and EMnambithi L M = Alfred Duma L M
- iii. Hlabisa LM and Big 5 False Bay L M = Big 5 Hlabisa L M
- iv. Kwa Sani L M and Ingwe L M = Dr Nkosazana Dlamini-Zuma (NDZ) L M
- v. Eziqoloni L M and Hibiscus Coast L M = Ray Nkonyeni L M

2.4.3 The 1998 White Paper on Local Government

According to the White Paper on Local Government (South African Government, 1998c), “basic services improve the quality of life of citizens and increase their social and economic opportunities by promoting health and safety, facilitating access to work, education, and recreation, and stimulating new productive activities. After the adoption of the Constitution of 1996, local government had to be structured in a manner that gave substance to the Constitution's goals. The White Paper on Local Government from 1998, which continues to guide government policy, outlined a developmental and transformative vision for the function of South African municipalities, (Pillay, Tomlinson and Du Toit, 2016). The vision for development was based on the proximity of local government to communities, which would enable it to deliver services and infrastructure using three strategies:

- (i) *integrated development planning and budgeting;*
- (ii) *performance management; and*
- (iii) *working together with local citizens and partners,* (South African Government, 1998c)

In addition to the compelling need for providing services and resolve apartheid's spatial deformations, the White Paper recognizes the enormous inconsistencies in municipal's revenue bases. Although there are a variety of municipal revenue sources, some of which will be discussed in this document, it is acknowledged that the vast majority of rural municipalities will struggle to be financially viable.

The predicament that most of our municipalities in South Africa are facing is that their integrated development plans (IDP) and budgets are not aligned. The IDP of municipalities usual contains more social projects rather than the revenue generating projects, thus making it difficult for the municipality to fund and sustain them. This issue is common in rural areas where the revenue base of the municipality is limited or non-existence. Even though government provides funding to build the infrastructure but it's does not equal provide the budget for maintaining the infrastructure, hence the municipalities are then forced to budget for the maintenance from their own funding which result in most budgets being not funded and rejected by National Treasury (National Treasury, 2014).

It is therefore imperative that with each merger, the newly formed municipality discontinue the old IDP and budget, and start again the IDP process to be in accordance with the vision of the newly formed municipality in trying to correct the inefficiencies of the old IDP in providing basic service delivery. Therefore, with the merger local governments are called to reprioritise their budgets to be in line with the new IDP.

Performance management for local government is part of a government-wide effort to infuse the public service with a performance culture and ethos. The Batho Pele principles serve as the foundation for this new performance management system for local governance. Performance. According to the White Paper (South African Government, 1998c), performance management requirements, municipalities must establish key performance indicators (KPI) that include both efficiency measures and human development indices. The White Paper on Local Government (1998) suggests that in order to enhance their operations, municipalities require constant feedback from service-users. It is then important that the municipalities work together with the community and partners as they are the beneficiaries of the service delivery. The key performance indicators (KPI) which assess value-for-money in delivery of services, can provide beneficial guidance for municipal organizational transformation. Municipalities are able to set targets for continuous development in their operations, prioritize areas where organizational change is required, and evaluate the success of their transformation programs using efficiency and quality indicators (South African Government, 1998c).

Community participation in the development of municipal key performance indicators increases the municipality's accountability. Involving communities in setting critical performance indicators and reporting back to communities on performance increases accountability and public trust in the local government system, regardless of priorities. In addition, the incorporation of municipal stakeholders' (i.e., management and organized labour) interests in the design of key performance indicators can facilitate the development of a mutual organizational goal and common objectives for enhanced performance and service delivery. However, improperly outlined performance indicators can negatively impact the service delivery, and it is essential that performance indicators focus on outcomes and not just inputs and outputs (South African Government, 1998c).

The primary local government legislation established in the Constitution and the new government's policy on local government (i.e., White Paper) have spawned three (3) significant pieces of

legislation: the Municipal Demarcation Act (MDA); the Municipal Structures Act (MSA 1998); and the Municipal Systems Act (MSA 2000).

2.4.4 The Municipal Structures Act of 117 of 1998

The Municipal Structures Act No. 117 of 1998 (South African Government, 1998b) defines a municipality as its structures, political officeholders, and administration, as well as the parameters of its geographic area and community. According to this rationale, a municipality is a combination of governmental and administrative structures of a municipal institution and the residents of a certain area. According to Chapter one of the Act, its purpose is to establish and describe the type of municipality that could be established in an area to bestow an appropriation of powers and functions between categories of municipality, provide for appropriate electoral systems, and regulate internal systems, structures, and office-bearers” (Government of South Africa, 1998). Chapter one of the Act also specifies the criteria for determining whether an area should have a single category (A) municipality or whether it should have both category (B) and category (C) municipalities. The different categories of municipalities are specified in section 152 of the Constitution (South African Government, 1996a).

Section 83 of the Act indicates that “municipalities have objectives aligned with section 152 of the Constitution, which is to annually review the needs of the community and its processes for involving the community” (Government of South Africa, 1998b). In this regard, the Act emphasises the need to involve the community before amalgamation takes place. Section 84 of the Act further indicates that, in the case of a district municipality and local municipalities existing within the district municipality's jurisdiction, the functions and powers must be divided. Those functions are that municipalities should seek “to achieve integrated, sustainable and equitable social and economic development” (Chapter five) (Government of South Africa, 1998b).

Concerning the amalgamation of municipalities, this can be done by promoting the equitable distribution of resources between the two merging municipalities to ensure appropriate levels of municipal services in the two communities. Section 85 of the Act permits the MEC for local government to modify the allocation of powers and functions between district and local municipalities after consulting with the MDB. Section 85 also outlines the MDB's advisory role, based on its evaluation of municipal size, before the MEC modifies municipal authorities and responsibilities (Government of South Africa, 1998b).

2.4.5 The Municipal Systems Act 32 of 2000

This Act (Government of South Africa, 2000) regulates key municipal planning, citizen participation, and organizational and service delivery structures. Chapter one establishes an easy and permissible framework for developing a local government and provides a framework for local public administration and human resource development. This Act also urges the establishment of measures to empower the poor and provides a framework for the provision of services, service delivery agreements, and municipal service districts. The framework also guides credit control and debt collection, and is a framework for community support, monitoring, and standard setting by other spheres of government in order to progressively build local governments.

According to Chapter 4 Section 73(2) of this Act, “municipal services must be equitable and accessible; be provided in a manner that is conducive to the prudent, economic, efficient and effective use of available resources; be financially sustainable; be environmentally sustainable; and be regularly reviewed with a view to upgrading, extension and improvement” (Government of South Africa, 2000). Section 74 of the Act “aims to accredit local government to fulfil its democratic objectives. It is therefore advisable for the Municipal Systems Act 32 of 2000 to be fully followed by any municipality. This is purely to accommodate the ever-changing conditions that are found within communities and for the sustainability of municipalities.

2.4.6 Municipal Finance Management Act 56 of 2003

The Local Government: Municipal Finance Administration Act No. 56 of 2003 (MFMA) (Government of South Africa, 2003) is intended to ensure the healthy and sustainable administration of the finances of municipalities and other local institutions. The Act also regulates the municipal treasury by setting rules and regulations that govern it and that deal with associated issues.

As per Section 52 of the Act, the mayor is charged with providing "general political guidance over the fiscal and financial affairs of the municipality" and "must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget" (South African Government, 2003). Section 53(1)(c)(ii) of the Act states the following:

"A service delivery and a budget implementation plan means a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) for implementing the municipality's delivery of

municipal services and its annual budget, and which must indicate the following: Projections for each month of revenue to be collected, by source; operational and capital expenditure, by voluminous A mayor is required to take all reasonable steps in ensuring that the municipal's service delivery and budget implementation plan is approved within 28 days after the approval of the budget" (Government of South Africa, 2003).

2.5 Municipal Mergers: Efficiency and Challenges

Municipal mergers are strongly rooted in the rhetoric of local government reform and have been extensively discussed in academic literature. There is an underlying belief that such amalgamations will increase the delivery of public services efficiency by leveraging economies of scale and stronger governance structures (Hanes, Wikström, & Wngmar, 2012). The latter indicates a shift away from tiny, fragmented structures and towards larger, more strong institutions capable of leveraging resources, skills, and capabilities for improved public administration.

However, the potential efficiency of municipal mergers ought not to be assumed. According to Fox and Gurley (2006), the consolidation of municipalities, although offering economies of scale and greater governance, may also result in an 'overload' in terms of service needs and management. Such overburdening could complicate the mechanics of public service delivery, potentially reducing the merger's purported benefits. The authors noted that increasing scale may result in diseconomies as complexities rise, undermining the benefits of higher scale (Fox & Gurley, 2006). This highlights the fact that bigger is not necessarily better, and that the issues connected with municipal mergers should not be overlooked.

Furthermore, there are possible threats to the newly amalgamated entity's financial viability. Financial uncertainty following the merger could result in fiscal hardship and greater vulnerability to bankruptcy (Lüchinger & Stutzer, 2002). The financial problem encountered by the town of Vallejo in California upon its municipal merger is a dramatic illustration of this (Hanes et al., 2012). To inform complete and context-specific evaluations, the efficiency-related benefits of municipal mergers must be carefully assessed against these possible negatives.

Aside from budgetary hazards, the obstacles associated with political stability, social acceptance, and successful integration of multiple organisational cultures as a result of municipal mergers are important. Following mergers, a body of studies has emphasised the possibility for conflicts, employee resistance, and a drop in morale (Teicher, Hughes, & Dow, 2002). These social and

human components of mergers are frequently disregarded in favour of financial and administrative considerations, despite the fact that they are critical to the successful implementation of such transformational transformations.

2.6 Impact on Organizational Structures and Community Welfare

Municipal mergers have a variety of effects on organisational structures and community welfare, including adjustments to administrative systems, shifts to power dynamics, and variations in community response (Blom-Hansen, Houlberg, Serritzlew, 2014). Municipal mergers have a dualistic aspect, according to studies like those by Byrnes and Dollery (2002), which have emphasised how they may streamline operations and save money while also causing some organisational turbulence and harming community welfare.

The impact on the organisational structure is frequently direct and extremely disruptive. Municipal mergers may lead to changes in managerial roles, an expansion in the span of control, and a need for organisational reorganisation to handle the widened operational remit. Roles and duties may become unclear as a result of such significant changes, which could have an impact on the general effectiveness and efficiency of the business. The leadership's capacity to manage change and to keep the attention on service delivery amidst organisational changes is also challenged by these transitions (Hulst et al., 2009).

Another crucial factor is how municipal mergers affect the welfare of the local community. The underlying premise of these mergers is that by utilising economies of scale, they will enhance community service delivery (Dollery & Robotti, 2008). However, Byrnes and Dollery (2002) stress that growing in size and complexity can also result in a loss of responsiveness to local demands. Larger municipal institutions, according to their argument, can potentially dilute the "local" character of public administration, resulting in a rift between the people and the local municipalities and harming the welfare of the communities in the area.

The topic of democratic representation is also brought up in relation to municipal mergers. Larger municipalities brought on by amalgamations may make residents feel removed from their elected officials, which may lower civic engagement and jeopardise the integrity of local democracy (Blom-Hansen et al., 2014). Municipal mergers have been found to have a substantial disadvantage

that adversely affects the welfare of the community: the perceived lack of democratic accountability.

It is also important to consider the sociocultural dynamics of merging municipalities. Citizens may have a sense of identity loss as a result of the blending of various communities into one larger entity. As a result, there may be increased social conflicts within the community, which, if left unchecked, may undermine its welfare.

2.7 Municipal Mergers and Revenue Base

The impacts of municipal mergers are frequently discussed in terms of efficiency, service delivery, and community welfare. However, a significant but often overlooked feature of such mergers is the influence on the income base of the combined firms (Dollery & Robotti, 2008). The complexities of municipal merger fiscal ramifications can have a considerable impact on the amalgamation's effectiveness and sustainability.

Municipal mergers are fiscally based on the principle of combining resources, so broadening and perhaps expanding the revenue base of the amalgamated body (Feiock, 2007). However, the precise consequences depend on a variety of factors, including, but not limited to, the form and breadth of the merger, the financial condition of merging towns, and changes in government procedures following the merger.

The merging of communities with disparate economic profiles may provide significant obstacles. A merger of richer and poorer towns can result in a transfer of wealth, which can lead to inter-community conflicts and conflict, jeopardising the newly created entity's social fabric (Allers & Geertsema, 2016). Furthermore, expanding the revenue base does not inevitably imply greater budgetary stability. Indeed, a larger revenue base may inadvertently increase fiscal risk, especially if it results to an over-reliance on volatile revenue streams (Sacchi & Salotti, 2014).

Municipal mergers' fiscal consequences are intricately tied to changes in government policy and funding mechanisms. The merger may result in a loss in state or federal grants, worsening the financial strains on the combined municipality (Lago-Peas & Martinez-Vazquez, 2013). Dollery, Grant, and Kortt (2012) present an apt example from the Australian setting, where state government financial assistance subsidies often decline after merger, resulting in significant revenue losses for newly amalgamated towns.

Furthermore, the anticipated efficiency-related gains of municipal mergers might not always correlate with fiscal benefits. Expenses related to the merger process, such as worker redundancies, integration costs, and administrative rearrangement, may negate the financial gains, resulting in a net fiscal disadvantage (Allers & Geertsema, 2016). Furthermore, the development of larger municipalities could end up in a surge in demand for diversified and sophisticated services, resulting in higher expenditure that may put a strain on the expanded tax base (Blom-Hansen et al., 2014).

2.8 Revenue-Generating Projects and Integrated Development Plans (IDP)

The inclusion of revenue-generating initiatives in the municipal's Integrated development Plan (IDP) is a critical component of its growth strategy and fiscal sustainability. This approach to municipal planning, revenue generation, and project implementation is widely acknowledged as an important aspect of municipal sustainability (Rogerson, 2013). However, its implementation and efficiency are influenced by a number of complex aspects, needing a thorough analysis.

Revenue-generating initiatives have a multifaceted role in a municipality's IDP, with consequences for local economic development, resource distribution, and community welfare (Madumo, 2013). Strategically managed revenue-generating initiatives can help a municipality's financial status, giving it the resources, it needs to improve service delivery as well as infrastructure development (Nel & Rogerson, 2005). However, the ability of local governments to identify, plan, and manage these initiatives successfully is required for these potential advantages to be realised.

The capacity of municipalities to connect their revenue-generating initiatives with the IDP's broader aims is a key barrier. According to Swilling (2011), these projects must be firmly incorporated in the larger planning framework, considering the socioeconomic environment, community demands, and resource availability. Revenue-generating projects that do not connect with the IDP's broader aims may fall short of producing meaningful results, either by failing to earn the expected revenue or by not contributing significantly to the welfare and development of the community.

Implementing revenue-generating projects is always difficult due to financial constraints. Limited financial resources and reliance on intergovernmental transfers may stymie project implementation (Lago-Peas & Martinez-Vazquez, 2013). Furthermore, as noted in the preceding section, the

impact of municipal mergers on the tax base might put further strain on the funding of these projects.

Governance and administrative obstacles, in addition to budgetary issues, can have an impact on the viability of revenue-generating projects. Corruption, inefficiency, and a lack of transparency can all stymie project implementation and diminish the potential advantages (Dollery & Grant, 2011). Furthermore, changes in organisational structures following a merger might disrupt project management processes, negatively impacting their outcomes.

The importance of public and stakeholder participation in revenue-generating projects under the IDP framework cannot be emphasised. Citizen participation not only supports democratic procedures, but it also improves project outcomes by incorporating local expertise and cultivating a sense of ownership (Madumo, 2013). Furthermore, public-private collaborations can bring important resources and knowledge, hence increasing the effectiveness of revenue-generating projects (Rogerson, 2013).

2.9 Summary

This chapter explored the motives for municipal amalgamations in South Africa, ranging from the dysfunctionality of municipalities to the elimination of financial dependency on the government and the need to improve functionality and service delivery. In trying to assess whether merging municipalities is sustainable and to determine what impacts the merger may have on service delivery, the challenges that amalgamated municipalities normally face were discussed. This chapter also highlighted the importance of municipalities' financial viability so that they are able to ensure service delivery. The importance of sourcing sustainable funding and of the need for municipalities to increase and sustain their tax base through economic development were also discussed. Policies that guide amalgamations and what they seek to achieve were also explored

CHAPTER THREE – RESEARCH METHODOLOGY

3.1. Introduction

For the purpose of ensuring that the research objectives were met, this chapter examines the methods utilised to gather and analyse data in order to answer the research questions that were directly related to those objectives. For the purposes evaluating the long-term effects of municipal mergers on service provision, it was necessary to conduct interviews with key municipal personnel and to review a variety of reports documenting the municipality's performance in order to collect the primary and secondary data for this study. The chapter explains the interview foci and how they unfolded. The researcher also elaborates on the specific methods used to recruit study participants. Ethical considerations are addressed in the final section of the chapter.

3.2. RESEARCH PARADIGM AND DESIGN

3.2.1 Paradigm

According to Guba and Lincoln (2013), the research paradigm is a set of guiding beliefs. Paradigms show the researchers' moral principles about the world, how they define it, and how they operate within it. In regard to qualitative research, the analyst's views and beliefs regarding any explored issues would subsequently direct their actions. Each researcher has their own conceptions of what constitutes understanding and what constitutes truth (Chilisa & Kawulich, 2012). Such knowledge influences academics' thoughts and perspectives about themselves and others as much as their thoughts and perspectives about the world (Schwandt, 2001). Hughes (2010), page 35, defines paradigm as "a way of seeing the world that frames a research topic" and influences how researchers think about the topic.

This study adopted a qualitative research approach as the researcher was interested in determining how people (individuals and groups) interpret their experiences of the merger; in other words, "how they construct[ed] their worlds, and what meaning they attribute[d] to their experiences" (Merriam & Tisdell, 2016, p. 6). This explanation concurs with how the researcher perceives the world and how he or she views the construction of knowledge, which is reflected in the constructivist paradigm. This paradigm is also called a naturalistic paradigm or an interpretive paradigm (Guba & Lincoln, 2013; Merriam & Tidell, 2016). Ontology, epistemology, and

methodology are essential components of a research paradigm, according to Guba and Lincoln (2013). According to Merriam and Tisdell (2016), "ontological assumptions give rise to epistemological assumptions that have methodological implications for the selection of specific data collection techniques". In other words, the ontological explanation of a research constrains the epistemological explanation. In addition to the epistemological and ontological explanations of a research, the methodological explanation is required (Lincoln & Guba, 2013).

3.2.2 Design

According to Creswell (2017), methodology in research is described as a systematic and organized technique that is used to resolve research problems. It's including the art of studying and conducting research. It refers to the techniques, procedures, or steps that researchers use in their daily work to describe, analyse, and predict a phenomenon. There are three types of research methods that may be used by researchers to study different subjects:

- Quantitative method: This is used to investigate the relationship between variables to analyse objective, if not impartial, theories. The variables are measured using instruments so that numerical data can be analysed using statistical procedures.
- Qualitative method: This is a technique used to comprehend and examine the significance that groups or individuals attach to human or social challenges. It involves gathering and analysing qualitative data as a way of comprehending the concepts, experiences, or opinions or participants. Additionally, it could be utilized to collect more extensive perspectives on the study or to generate new research ideas emanating from the data (Creswell, 2017).
- Mixed methods: This is an investigational strategy that combines quantitative and qualitative study. This method enables the researcher to incorporate two forms of data collection as a way of gaining a comprehensive grasp of the study data and findings.

Marczyk (2010) defines research design as the concepts of selecting the subject matter, research sites, and data collecting processes in order for such research questions to be responded accordingly. The Research design aims to ensure that all evidence obtained allows for ease in addressing the research problem with less uncertainty. There are three categories of research

design that are usual used in the research: experimental, quasi-experimental, and non-experimental.

- Experimental design: This is a process of carrying out research in a controlled and objective fashion so that specific conclusions can be drawn regarding a certain study. Participants are randomly assigned to experimental and control groups so that one's selections are not biased.
- Quasi-experimental design: This is almost the same as the experimental design, but 'quasi' differs because it does not rely on a random assignment of variables. Subjects are assigned to groups using non-random criteria. The aim is to establish the cause-and-effect relationship between an independent and dependent variable (Marczyk, 2010).
- Non-experimental design: This is a design that lacks the manipulation of an independent variable. Rather than manipulating an independent variable, the researcher simply measures variables as they naturally occur in the laboratory or real world (Marczyk, 2010).

In order to draw conclusions about the effects of municipal amalgamation, the researcher in this study employed a qualitative design, as understanding the concepts behind and following amalgamation from the perspective of selected human participants was necessary before drawing any conclusions about its viability. Furthermore, the researcher conducted interviews with those tasked with service delivery as well as the beneficiaries to gain insight into their perspectives. FitzGerald (2014) argues that qualitative research methods are very formative and exploratory and that this is suitable for when a researcher needs to delve deep into a problem. The qualitative method yields thorough explanations of the phenomenon under study and elicits in-depth insights into human behaviour and perceptions based on their lived experiences.

As this study aimed to assess the long-term viability of municipal mergers, it employed a non-experimental methodology and focused on a single case study. The use of case studies in research allows for the elucidation and understanding of the complexity of a case as it has changed over time. It also facilitates an exploration of the surrounding factors that have impacted the case. According to Yin (2014), case studies can be used in a variety of contexts to inform programme evaluations, such as the subset of a major evaluation in which the study constitutes both a complementary and an explanatory component. The primary assessment method is used when the

action being assessed serves as the main case and as part of a dual-level assessment arrangement. In fact, a single assessment can comprise of one or more sub-assessments.

3.3 Research Site

The terms study ‘area’ or ‘site’ are used interchangeably to describe the geographical region where the research was conducted. In this study, the investigation focused on the Alfred Duma Local Municipality (ADLM) area surrounding the town of Ladysmith. The majority of the interviews were conducted at the municipal offices, but the researcher also conducted interviews at the House of Traditional Leaders in uMhlangeni with those who were unable to travel to the municipal offices. The remaining respondents were interviewed in their own environments (houses or offices).

3.4 Population of The Study

The Alfred Duma Local Municipality comprises an area of 4 010.13 km² with an estimated population of 356 274. The area is divided into 37 wards, 23 of which are in rural areas. As time and resources were both constraints, the researcher had to narrow the focus of the study to a manageable subset of the population and a subset of occurrences of interest. Researchers often conduct studies with a specific subset of a larger population in mind (Creswell, 2014). Maxwell (2021) agrees, arguing that before beginning any study, researchers must specify the population or set of cases they will examine. I heeded this advice, hence municipality officials, executive councillors, stakeholders, and ward residents all figured prominently in this survey.

3.5 Sampling Strategies

The purposive sampling strategy will be utilised in the proposed study. Purposive sampling is a technique of selecting the units of study based on their significance to the issues being studied rather than selecting participants randomly (Teddlie & Tashakkori, 2010). Purposive sampling technique is considered to be appropriate for the proposed study, it will enable the researcher to judge as to who will be most suitable to provide in-depth relevant information and therefore be picked as part of the research. The participants in this research were selected based on their role in the organisation, in the community and their interest in the operations of the municipality. These respondents were all either negative or positive affected by the merger between Ladysmith and Indaka Municipality, whether in their personal capacity as residents of Alfred Duma Local Municipality or in their capacity as leaders and employees of the municipality.

3.6 Sample Size

As on-probability sampling makes inferences about theory rather than the population as a whole, it is not constrained by rules about the size of the sample, as affirmed by Saunders (2009). The researcher utilised purposive/judgment sampling for the current investigation. Each sample in this method was selected/recruited because he/she would be in the best possible position to answer the research questions (Creswell, 2014). The benefits of sampling, according to his approach, are as follows:

- i. It facilitates the management of the population under investigation.
- ii. It accelerates the process of data collection.
- iii. It reduces expenses for the researcher.
- iv. It provides precise research results.
- v. It allows the researcher to effectively and efficiently process information.

Due to limited financial resources, the researcher could not afford to interview all role players such as ward councillors, traditional leaders, management, and all the employees and community members within the Alfred Duma LM. Additionally, due to the limited time available for this study, the researcher would not have been able to meet deadlines if she had interviewed all affected community members. Therefore, it was pertinent to use a sample that represented the community as a whole and that would yield acceptable results. The participants were selected based on their perceived knowledge and experiences of the merger as they worked/lived and played leadership roles in the Alfred Duma LM. The sample formation is presented in Table 3.1.

Table 3. 1: The sample composition

| Target Population | Responsibility/Interest | Selected sample |
|--------------------------|-------------------------------------|------------------------|
| Executive Councillors | Community Leader – Political | 1 |
| Senior Managers | Administration | 3 |
| Stakeholders | Ratepayers’ Associations/Businesses | 1 |
| Employees | Employee Representative | 1 |
| Ward Committee | Community Representatives | 2 |
| Total | | 08 |

This group of selected participants was deemed critically important due to the roles they played in this LM. Some were decision makers whilst others were engaged in various capacities in the area and were imminently suitable to discuss the topic under investigation.

3.7 Data Collection Method

Determining the scope of the research and the mechanism for gathering data are both part of the data collection process (Creswell, 2014). When it comes to analysis, hypothesis testing, and addressing research questions, "a variety of data collection methods can provide valuable information" (Sekaran, 2003). As a result, the researchers used both primary and secondary sources to compile their information. Conducting in-depth interviews with participants by using open-ended questions to better grasp their experiences is a major means of data collection. The researcher therefore gathered secondary data on municipal financial performance and the quality-of-service provision by combing through publicly available documents like audited financial statements (found on municipality websites), Service Delivery and Budget Implementation Plans (SDBIP), and Integrated Development Plans (IDP), as well as data tables from the National Treasury's Municipality and Municipal Finance Department.

Interviews (oral inquiries), as defined by Woods (2011), are conversations that are conducted face-to-face between a researcher and a subject using predetermined questions in order to elicit information that may be sensitive or confidential. Semi-structured interviews with open-ended questions were used in this study because of their adaptability in eliciting details that participants find relevant but that the researcher may have overlooked. This gave the researcher a wealth of background knowledge and insights about the issue at hand.

3.7.1 Primary Data Collection

Interview with municipal officials, councillors and traditional leaders

All the participants were part of the day-to-day operations of the municipality as well as policy and decision making in some form. Three core questions were prepared and administered to the above-mentioned participants. All the formulated questions had been set in English for formality but the researcher gave the participants the option to answer the questions in IsiZulu for more clarity, and these were translated into English. The questions sought to extract in-depth knowledge based on each participant's experiences and views on the pros and cons of the merger, how they

managed the transition of the two municipalities into one, and how the merger was impacting service delivery.

Interviews with stakeholders and ward committee members

These respondents were all beneficiaries of the services delivered by the municipality in one form or another. Three core questions had been prepared in both isiZulu and English and the interviews were conducted in these languages. The participants were interviewed in the language that they were more comfortable in. These questions sought to investigate whether the merger had brought any changes or challenges in terms of service delivery. The study also sought to determine whether the new 5-year plan (IDP) addressed issues of infrastructure and economic development, which were deemed the priority needs of most of the communities in the area.

Prior to the interviews being conducted, the intentions of the interviewer were communicated in writing. Issues such as confidentiality, format of the interview, and duration concerns were first ironed out. All the interviewees were required to sign an informed consent form that gave them the option to accept or decline being recorded. Four respondents were unwilling to be recorded, thus only written notes were taken of their responses. All other remaining interviews were recorded, and later transcribed in English.

3.7.2 Secondary Data Collection

The audit opinions of the Auditor-General are a key indicator of financial management (and, by extension, effective governance) in a municipality. This study evaluated the reports from the Auditor-General of South Africa (AGSA) on the levels of financial viability and sustainability of the municipality post- merger as a going concern. Based on the norms in Municipal Finance Management Act Circular 71 (henceforth the norm), the financial indicators for this study were:

- a) Total operating revenues.
- b) Transfers as a percentage of total operating revenues.
- c) Current ratio.
- d) Cash coverage ratio.
- e) Debtors' collection rate.

Regarding service delivery, the assessment focused on two important aspects: electricity for lighting and waste removal. The service delivery analysis also examined the municipality's capital expenditures and expenditures on restorations and maintenance. Important assets are likely to deteriorate due to a dearth of maintenance, which will have a negative effect on the delivery of services. Key service delivery indicators examined in this study include:

- a) Waste removal.
- b) Electricity for lighting.
- c) Capital expenditure.
- d) Expenditure on repairs and maintenance.

In terms of service delivery, comparisons were made on data for a period of five years post the merger (2017-2021).

3.7.3 Concurrent mixed-methods approach

A concurrent mixed-methods approach is a research design that involves collecting both quantitative and qualitative data simultaneously (Creswell & Guetterman, 2019). This approach is often used when researchers want to gain a comprehensive understanding of a research question that cannot be adequately addressed by a single method.

This method involves collecting both qualitative and quantitative data simultaneously, the merging of the data streams to provide a comprehensive analysis. The qualitative data (interview responses) will be used to add context and depth to the quantitative data, which consists of financial and service delivery metrics. For instance, qualitative insights from interviews can explain the reasons behind the numerical trends observed in financial reports or service delivery statistics.

The linkage between qualitative and quantitative data will be achieved by mapping interview themes to specific financial and service delivery indicators. This integrated approach allows for a seamless understanding of how subjective experiences and perceptions align with objective data, leading to more informed conclusions about the findings.

The concurrent mixed-methods approach was adopted because, it provides a holistic view that combines the richness of qualitative data with the objectivity of quantitative analysis. It enables the researcher to capture the complexity of municipal mergers, addressing the multifaceted nature of the impacts on financial viability and service delivery. The mixed-methods approach is critical

because it aligns with the study's objectives to analyze the merger's outcomes comprehensively and assess their implications on revenue changes and the success of revenue-generating projects within the IDP.

3.8 Quality Control

Adherence to reliability and validity has become increasingly important in qualitative research (Creswell, 2014), and this is true from both a positivist and postmodern standpoint. "Validity is a tool for determining whether or not the research actually measured precisely what it was intended to measure in terms of reliability, bias, and trustworthiness" (Saunders, 2012). As the researcher would be interacting with participants with a wide range of expertise and worldviews, it was crucial that they trusted the researcher. Credibility, transferability, dependability, and confirmability are the four requirements that determine trustworthiness in a study, as outlined by Guba and Lincoln (1994).

Establishing the reliability of qualitative research findings is what Saunders and Lewis (2012) call 'data credibility'. In this case, the participants provided their own assessments of the veracity of the information presented. Therefore, it was the researcher's responsibility to provide an account of the phenomenon under study as viewed and expressed by the participants. Results are said to be transferable if they may be used in a different setting (Trochim, 2006). As a result, it is necessary to generalise to an extent so that findings in one setting can be applied to the interpretation of findings in another setting where the same phenomenon is observed. The assumptions and setting of the study were established to guarantee the data's applicability to other situations. The first step was to determine who would be the subjects and how they would be surveyed. There was no ambiguity about who was being studied and what questions were being asked. Therefore, as all the assumptions of the study were accounted for, the outcomes may be applied in other municipalities in a comparable situation.

The emphasis on the instruments and methods used is central to the concept of dependability, as described by Trochim (2006). This means that, if they are repeated elsewhere, it is likely that identical results will be obtained. The researcher in this study took great care to detail the surrounding conditions under which the data were gathered. Moreover, the case is presented and compared to various settings and initiatives using secondary data as utilised in Chapter four and Chapter five.

Confirmability is all about extracting facts and interpretations that are based on actual events rather than on the researcher's beliefs or biases (Guba & Lincoln, 1994). Therefore, confirmability of the audit trail, particularly the ability to track the full process during the research for data collection and analysis, was important.

3.9. Data Analysis

The data collected from the interviews were analysed thematically to draw on common threads and insights in order to arrive at credible findings. According to de Vos et al. (2011), the thematic data analysis method is a kind of qualitative analysis that is utilised in identifying, examining critically, and describing themes within data. This method helped the researcher to make connections between the concepts that inspired the study. For this kind of examination, the investigator needed to pay close attention to the specific phrases and words used.

For the researcher to get a better grasp of the participants' opinions and incorporate their experiences into the study, a process of content analysis was deemed necessary. As it enables the examiner to become immersed in the material and to investigate broader patterns, thematic analysis is highly recommended for qualitative studies (Braun & Clarke, 2006). In preparation for the presentation of thematic analysis in Chapter five, the researcher followed the following six steps as proposed by Braun and Clarke (2006):

- i. She acquainting herself with literature.
- ii. Coding was used to collect relevant themes.
- iii. Themes were identified based on the initial codes.
- iv. The themes were reviewed.
- v. Themes were defined and designated.
- vi. A written report was produced.

3.10 Ethical Considerations

The terminology "ethics" pertains to a set of rules or principles that help researchers do their jobs ethically, as defined by Guba & Lincoln (1994). In this way, researchers can be closely watched and educated to keep research ethics at a high level. It guarantees that scientists care about their subjects' well-being and respect their privacy as much as they care about the data they collect. Ethical Clearance certificate that was obtained from the University of KwaZulu-Natal (UKZN)

Ethics committee and as well as the Gatekeeper's letter obtained from the Municipal Manager of the Alfred Duma local Municipality allowed us to move on with this research. Participants' identities were redacted from the researcher's presentation to protect their anonymity. Participants were clearly advised that their participation in the study was wholly voluntarily and that they are able to discontinue at any time should they no longer want to be part of the study.

After a random selection of participants was made, an email invitation to participate in the study was sent out, with a copy of the ethical clearance letter attached. The email also included the anonymous and confidential informed consent forms. Permission to use digital recording was granted by all respondents with the exception of four who were uneasy about being recorded. The interviewees requested that their conversations be recorded, therefore the researcher complied by taking meticulous notes that were refined through multiple drafts.

The researcher was responsible for establishing rapport with the participants and ensuring that she did not jeopardize the institution's reputation while collecting data. Participants' liberties were protected at all costs. To safeguard the participants' identities and to demonstrate respect for their right to privacy and confidentiality, fictitious names were used. The research would further avoid disclosing detrimental participant information. Using sealed crates, the collected information from respondents was kept private. The information was then presented in the fifth chapter of the study.

3.11 Summary

The chapter discussed the qualitative research methods that were employed. The research paradigm, design, strategy, population of interest, sample plan, and data collection methods were all spelt out. It was explained how the interaction between the researcher and participants in an open forum throughout the in-depth interviews would help to clarify and better understand their experiences and perspectives. Additionally, the study's validity, reliability, and ethical implications were assessed. The following chapter will present the data and the researcher's analysis and interpretation of the findings emanating from the data.

CHAPTER FOUR - PRESENTATION OF DATA, ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter focuses on the presentation and analysis of the data that were elicited during interviews with the participants. Key findings are highlighted and analysed. The first part of the chapter will focus on data presentation and analysis. The NVIVO computer-aided data analysis software was used to assist in this process. This study aimed to understand the effect of the municipal merger on the organization and community. Furthermore, the study also sought to investigate the municipality's financial viability to determine if it fulfilled its mandate. To fully grasp the implications of the merger of the two municipalities, the study also aimed to investigate if there had been any improvement in the economic growth of the rural areas after the merger. The researcher conducted an in-depth interview with five high-ranking officials and three community representatives who part of the two former municipalities.

The data analysis process was designed to pose appropriate questions and elicit in-depth responses during the interviews. The research questions this data analysis addressed were:

- i. What were the outcomes from the implementation of the merger in Alfred Duma Municipality and the community at large?
- ii. Has the revenue based of the municipality improved and how is it impacting on the service delivery?
- iii. What proportion of revenue-generating projects makes up the Integrating Development Plan (IDP) of the Alfred Duma Local Municipality and do they achieve the fiscal and developmental goal?

Each of the above questions was augmented by posing several sub-questions that were intended to achieve the objectives. The researcher used thematic analysis to analyse and understand the data. As this was a qualitative study, the researcher utilized the six stages outlined by Braun and Clarke (2006) for thematic analysis:

- i. Acquainting oneself with the data: The recorded vocal data were transcribed into written format by the author. During the transcription processes, the recordings were often rewound and re-listen to before they were transcribed into written texts that accurately reflected the participants' responses.

- ii. Coding to collect relevant data: Data that seemed compatible and that intrigued the researcher in terms of the research objectives and questions were coded through a process that identified similarities in the responses. According to Braun and Clarke (2006), this necessitates a comprehensive examination of the information in which lists of paragraphs, words, as well as phrases are highlighted and marked in a way that is understandable to the examiner. This study was electronically supported as it made use of the Nvivo system for coding.
- iii. Identifying themes derived from the initial codes: Applying graphic presentations to map the patterns, the preliminary codes compiled from all the information were categorized into patterns in accordance with the guidelines pertaining to Step 2 (see Figures 4.1 to 4.15 of this chapter). In this manner, themes that emerged most predominantly from the interviews emerged, such as poor communication, financial constraints, drop in income, lack of resources, transactional issues, merger not a correct decision, depleting service delivery, and lack of economic growth, among others.
- iv. Reviewing the initial themes: The whole data set was analysed during this stage to identify underlying patterns and combine multiple codes. The research re-analysed the data to ensure that nothing was left that had not been coded and analysed. The patterns were refined in respect of their importance to the study. Themes that lacked relevance were eliminated, while others were deconstructed further due to their significance.
- v. Definition and designation of themes: The themes were analysed in depth to determine their interconnections and relevance to the research query. Braun and Clarke (2006) affirm that this phase concludes with the presentation of the researcher's key findings, which are based on the participants' lived experiences and knowledge. The researcher organised the themes that had emerged in this manner into three main themes that responded to the research questions. The following themes emerged and are presented and analysed: the effect of inadequately planned and communicated municipal mergers, the financial viability of the municipality, and improvement in the municipality's economic growth and resources.
- vi. Writing the report: This phase involved the logical, written presentation of the interconnectedness of patterns, the analysis of the results based on the outcomes of similar pertinent ideas, and merging the findings with those of earlier studies and theories. In order

to reach a concrete conclusion, the information gathered from the participants necessitated the integration of secondary data sources' findings with those of the current study.

The outcomes were then displayed in models to visualize themes and relationships. The analyses are presented in models per theme. Each research question is addressed to show the responses and patterns in the data that were provided by the participants.

Secondary Data Presentation

This includes the financial and service data to augment the qualitative analysis done and presented below:

4.2. Data Presentation

4.2.1. Theme: The effect of inadequately planning and communicating of municipal mergers

Question: *What are the significant changes that can be the attributes to the implementation of the merger, and what they had brought to the organisation and community of Alfred Duma Municipality at large?*

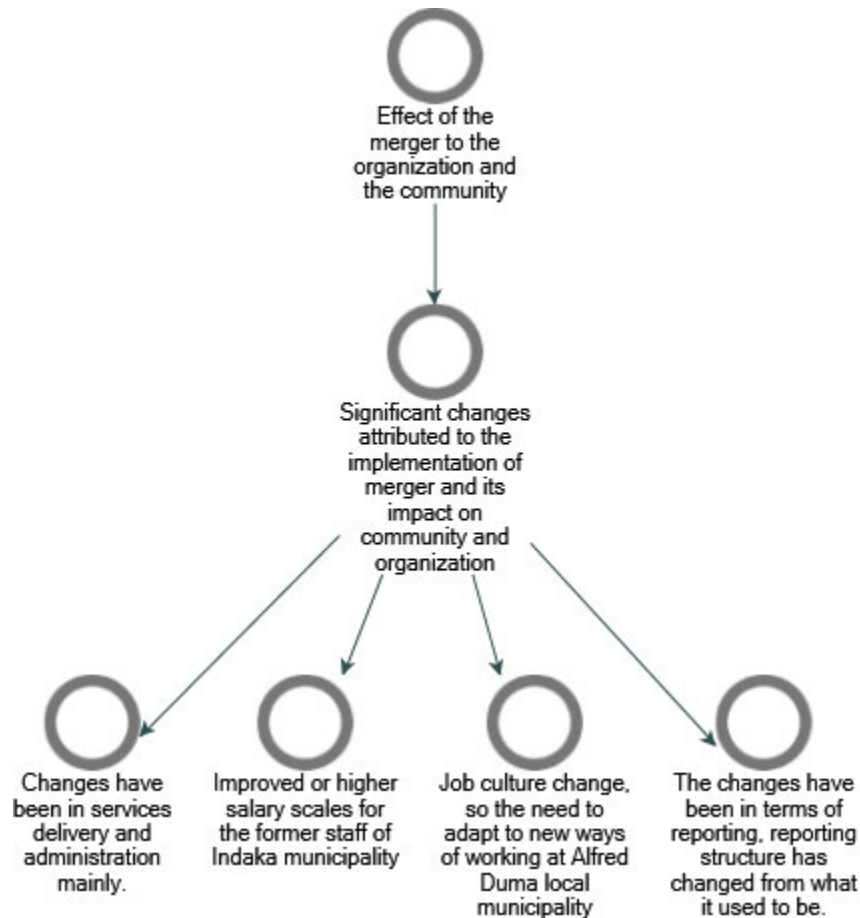


Figure 4 1: Model showing the significant changes attributed to the implementation of merger and its impact on community and organization.

The participants' responses included the following:

- ✓ Improved or higher salary scales for the former staff of Indaka municipality.
- ✓ Job culture changes, so the need to adapt to new ways of working at Alfred Duma local municipality (ADLM).
- ✓ Some changes have been in respect of reporting, reporting structure has changed from what it used to be.
- ✓ Changes have been in service delivery and administration mainly.

Question: *Having been part of the former and now the new municipality, what has changed for you?*

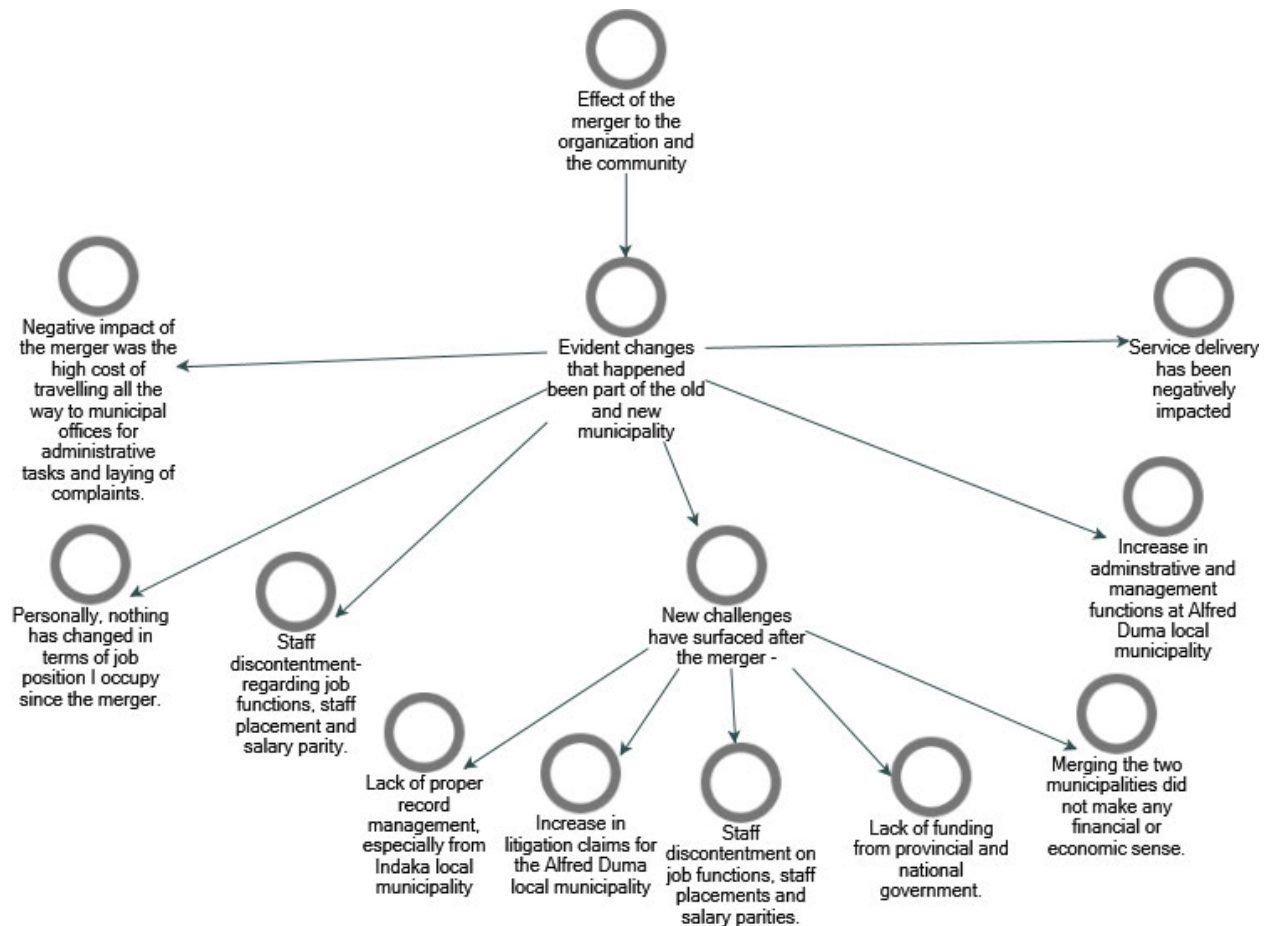


Figure 4 2: Model showing the evident changes that happened having been part of old and new municipality.

The participants commented as follows:

- ✓ The negative impact of the merger was the high cost of travelling to municipal offices for administrative tasks and laying off complaints.
- ✓ Personally, nothing has been challenged in terms of the job position I occupy since the merger.
- ✓ Service delivery has been negatively impacted.
- ✓ Increase in administrative and management functions at Alfred Duma local municipality.

The participants agreed that new challenges had surfaced due to the merger:

- ✓ Merging the two municipalities did not make any financial or economic sense.
- ✓ Lack of proper record management, especially from Indaka municipality.
- ✓ Lack of funding from provincial and national governments.
- ✓ Increase in litigation claims for the Alfred Duma Municipality.

- ✓ Staff discontentment regarding job functions, staff placement, salary parities.

Question: *Would you say the merger was a correct decision taken and why?*

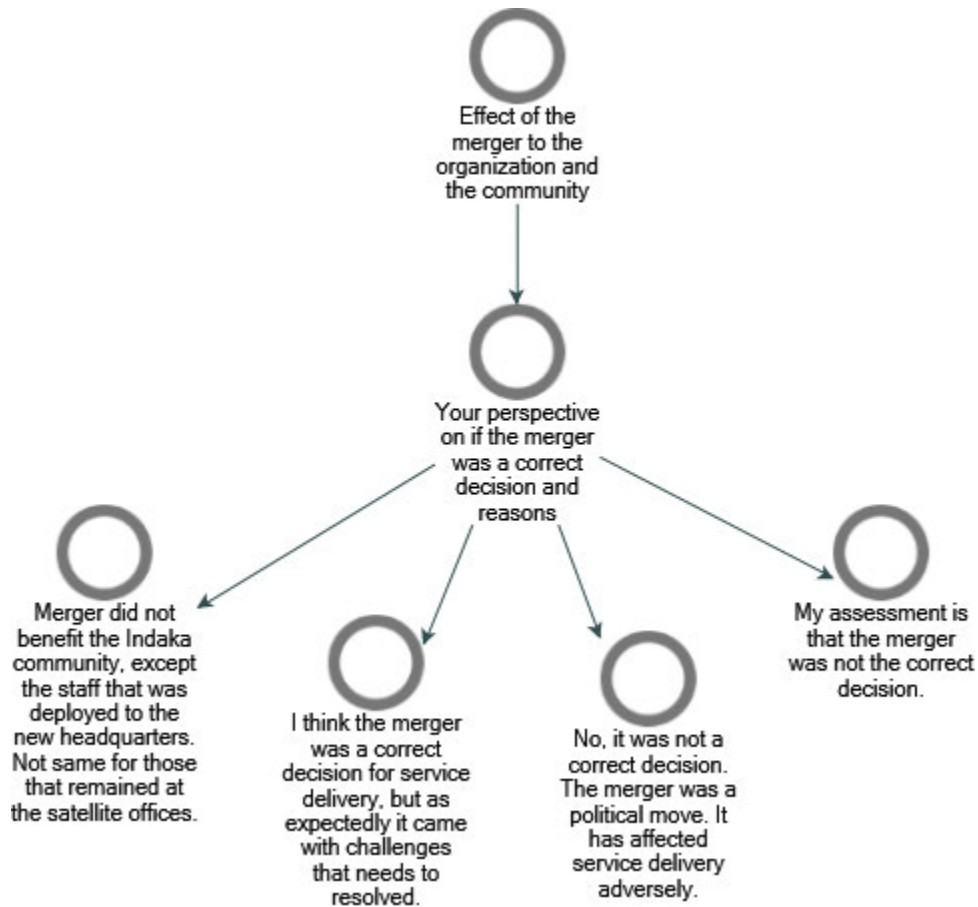


Figure 4 3: The model shows the perspectives of respondents on the merger, and if it was a correct decision and the reasons.

The participants' responses were as follows:

- ✓ The merger did not benefit the Indaka community, except for the staff that was deployed to the new headquarters. Not the same for those that remained at the satellite offices.
- ✓ No, it was not a correct decision, the merger was a political move. It has affected service delivery adversely.
- ✓ I assessed that the merger was not the correct decision.

- ✓ I think the merger was a correct decision for service delivery, but as expected, it came with challenges that need to be resolved.

Question: *What are the significant changes or transformations the merger brought about, whether administratively or politically?*

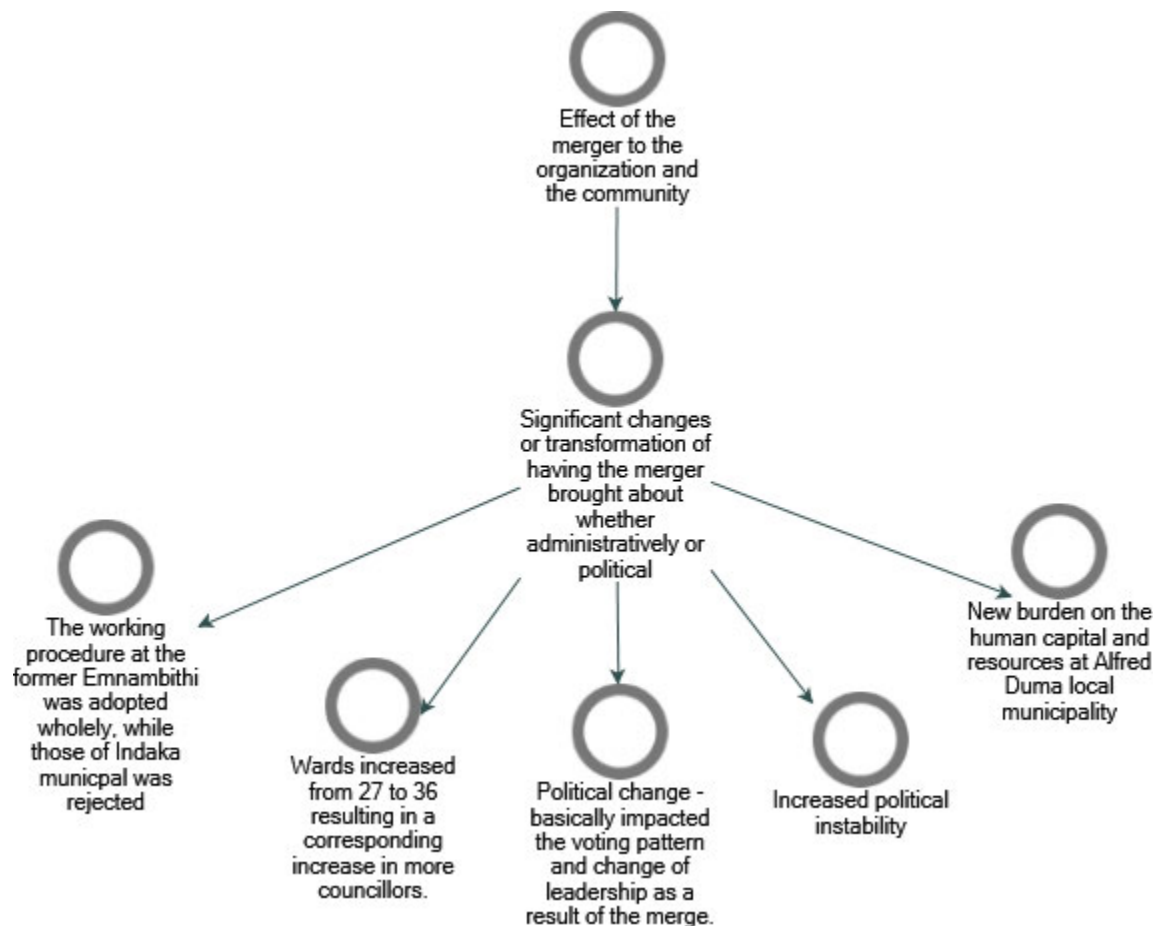


Figure 4 4: The model shows the significant changes or transformation of having the merger brought about whether administratively or political.

The following views of the participants are highlighted:

- ✓ The working procedure at the Emnambithi municipality was adopted wholly, while those of Indaka municipal were rejected.
- ✓ Wards increased from 27 to 36 resulting in a corresponding increase in more councillors.
- ✓ Political change – basically impacted the voting pattern and change of leadership as a result of the merger.

- ✓ Increased political instability.
- ✓ The new burden on the human capital and resources at Alfred Duma local municipality.

Question: *How have these changes impacted the municipality and the community as a whole?*

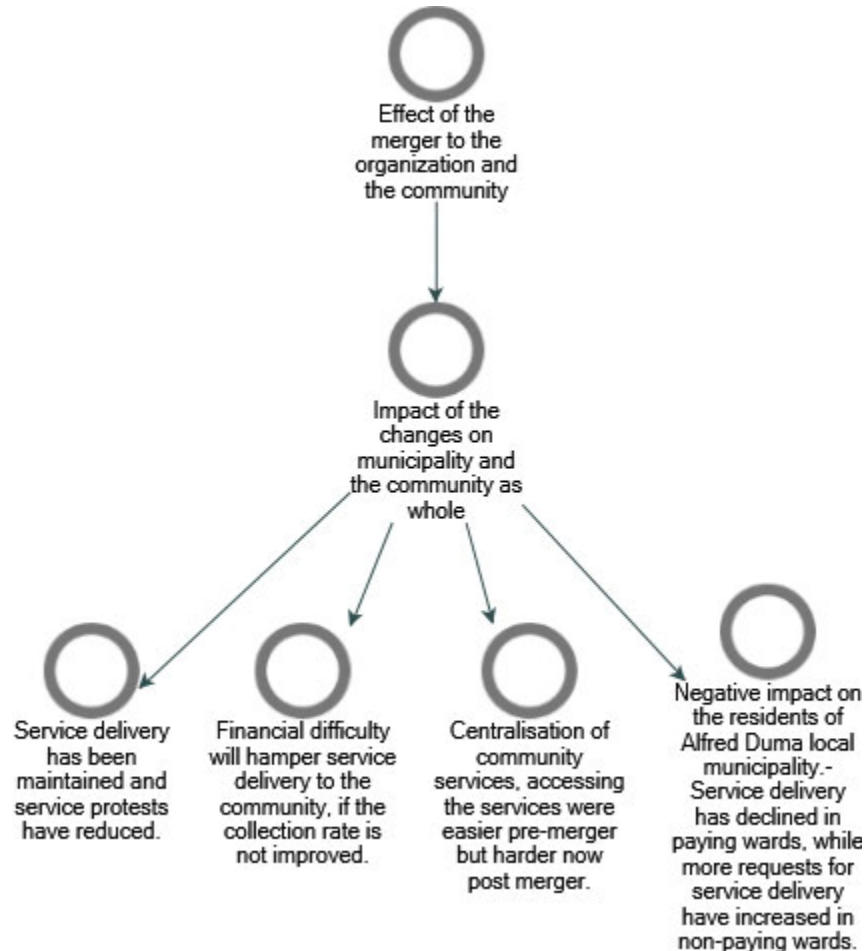


Figure 4 5: The model shows the impact of changes on the municipality and the community as a whole.

The participants' responses to this question included the following:

- ✓ Service delivery has been maintained and service protests have been reduced.
- ✓ The financial difficulty will hamper service delivery to the community if the collection rate is not improved.
- ✓ Centralisation of community services, and accessing the services were easier pre-merger but harder now (post-merge).

- ✓ Change has had a negative impact on the residents of Alfred Duma local municipality. Service delivery has declined in paying wards, while more requests for service delivery have increased in non-paying wards.

Conclusion on Theme: The effect of inadequately planning and communicating of municipal mergers

Objective 1:

The study's objective was to determine the outcomes of the changes that came with the merger of the former rural and the semi-urban municipalities (i.e., Indaka and Emnambithi LMs). The objective sought to understand the impact that the merger had on the organization and the community at large. It also aimed to determine whether the merger between these two municipalities had been the correct decision that would serve the interests of all the communities residing in these areas.

This objective was addressed by posing four sub-questions. The first two questions determined what changes each participant experienced when comparing the former municipalities with the newly formed municipality. Their personal opinions about the merger were elicited. The participants argued that there were significant changes in service delivery and administrative functioning.

The third question sought to reveal if any significant administrative and/or political changes were brought to the municipality. The data revealed political instability, new challenges, new burdens on human capital and resources, some staff discontentment, changes in job requirements, disruptive staff placements, and salary disparities, among others.

The fourth question addressed the impact that these changes had on service delivery by the new municipality, and the following findings emerged: a decline of service delivery especially in paying wards, the centralisation of service delivery becoming more challenging, and service delivery being negatively impacted by financial constraints in the municipality.

The participants indicated that the merger did not meet residents' expectations or the promises made when it was proposed, and it was suggested that nobody benefitted by the merger. Even though the participants had conflicting views on whether it had been the correct decision or not,

the majority seemed to think it had not been the correct decision due to the many new challenges the larger municipality now had to face.

In a nutshell, the data revealed that the merger fell short of initial expectations and that the envisioned advantages were not equally dispersed due to the many challenges that were encountered. This is consistent with a broader academic discussion that municipal mergers frequently fall short of bringing about the promised scale of economies and efficiency gains (Tshamano et al., 2021).

The vast array of difficulties that surfaced after the merger led the majority of the participants to believe that the decision had not been the right one as the merger was not accompanied by the advantages that had been foreseen, mostly because of the unexpected difficulties it posed. This underscores the necessity of thorough effect analyses and planning before enacting any significant administrative reforms in local governments.

Additionally, it emphasises the significance of listening to the experiences and viewpoints of community members and municipal workers who will be most impacted by any such a merger.

In brief, most of the interviewed participants echoed disappointment with the merger because one of the reasons it had been welcomed was the expectation that the government would continue to allocate the same amount of grant funding as during the pre-merger period. However, this did not happen.

4.2.2. Theme: Financial Viability of the town (municipality)

Question: *Has the income base of the town increased or decreased?*

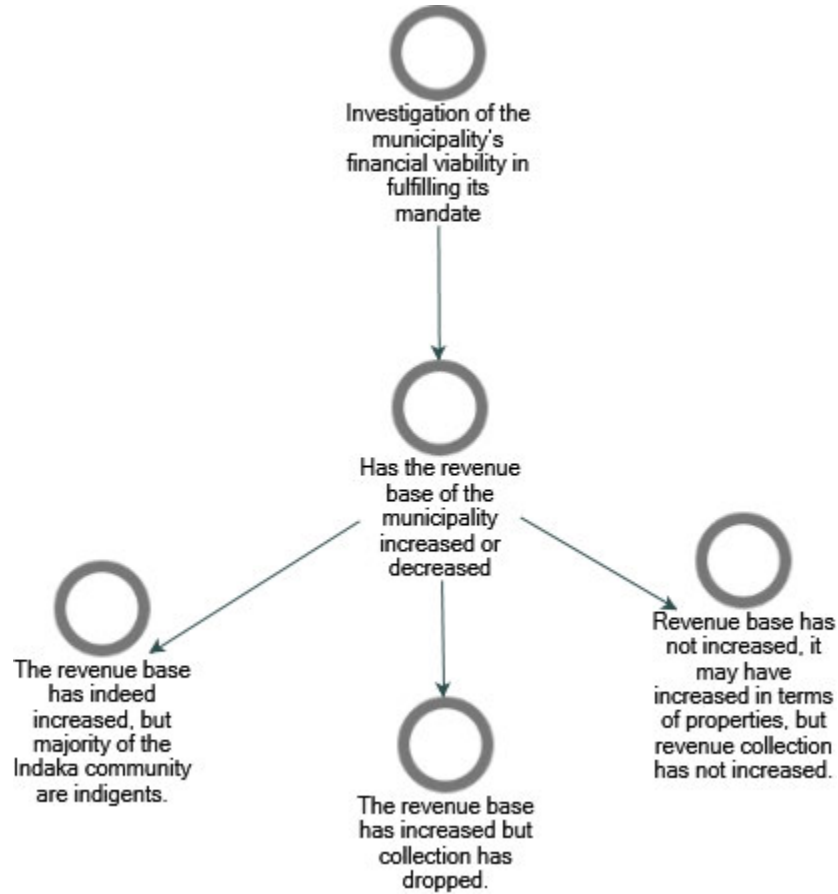


Figure 4 6: The model shows whether the revenue of the municipality has increased or decreased.

The following responses were offered by the participants:

- ✓ *The revenue base has indeed increased, but the majority of the Indaka community are Indigents.*
- ✓ *The revenue base has increased but the collection has dropped.*
- ✓ *The revenue base has not increased, it may have increased in terms of properties, but revenue collection has not increased.*

Question: *How is the financial conduct of the municipality, now that it is bigger?*

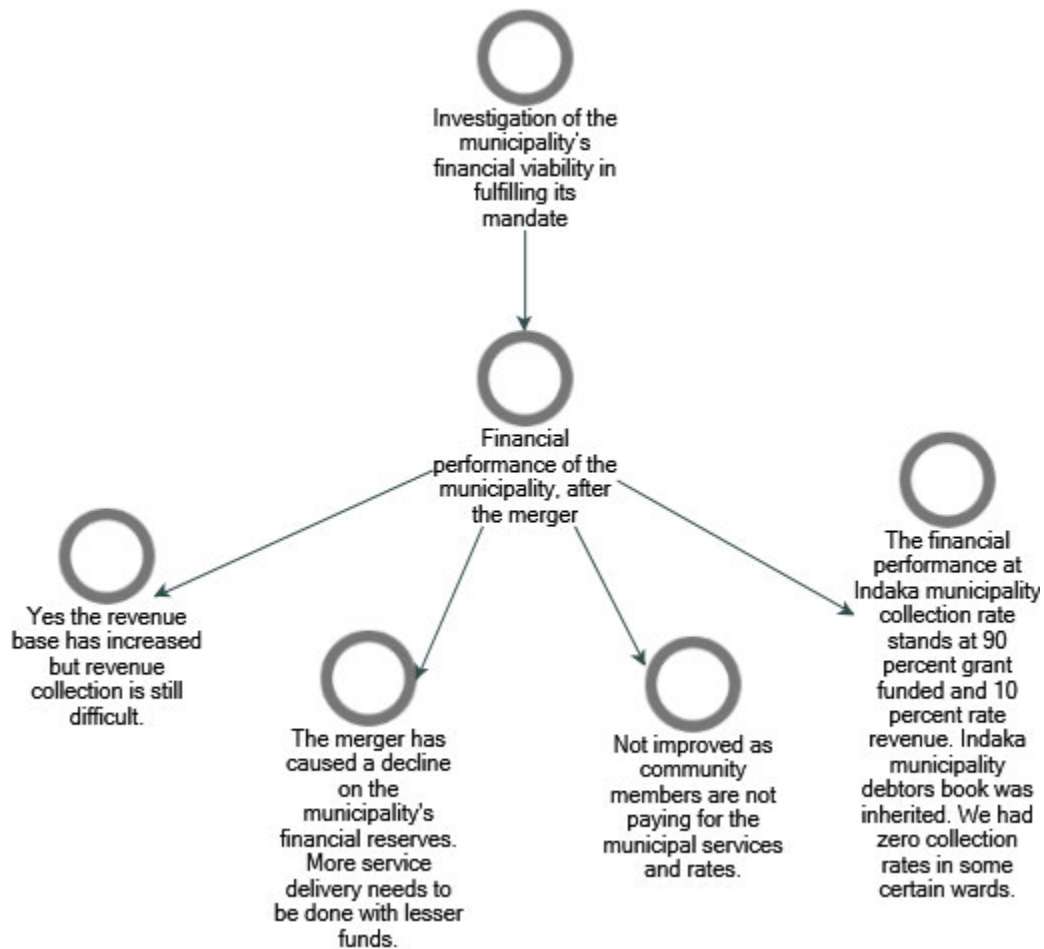


Figure 4 7: Model showing the financial performance of the municipality, after the merger.

The participants responded as follows:

- ✓ *Yes, the revenue base has increased but revenue collection is still difficult.*
- ✓ *The merger has caused a decline in the municipality's financial reserves. More service delivery needs to be done with lesser funds.*
- ✓ *Not improved as community members are not paying for the municipal services and rates.*
- ✓ *The financial performance at Indaka municipality, collection stands at 90 per cent grant funded and 10 per cent rate revenue. Indaka municipality's debtors' book was inherited. We had zero collection rates in certain wards.*

Question: *What does the collection rate look like after the merger?*

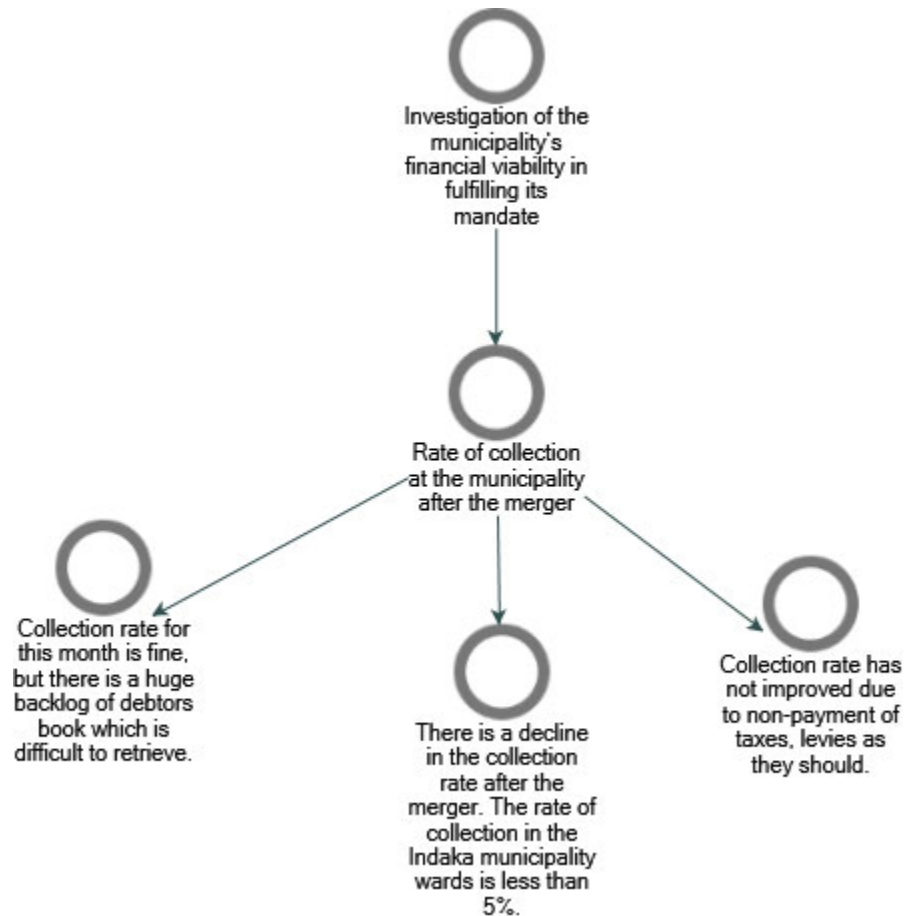


Figure 4 8: Model showing the rate of collection at the municipality after the merger.

The participant's perspectives on the rate of collection at the municipality are listed below:

- ✓ *The collection rate for this month is fine, but there is a huge backlog of the debtor's book which is difficult to retrieve.*
- ✓ *There is a decline in the collection rate after the merger. The rate of collection in the Indaka municipality wards is less than 5%.*
- ✓ *The collection rate has not improved due to non-payment of taxes, and levies as it should.*
- ✓ *The collection rate has dropped as a result of electricity losses and aging infrastructure.*

Question: *In your opinion will it improve?*

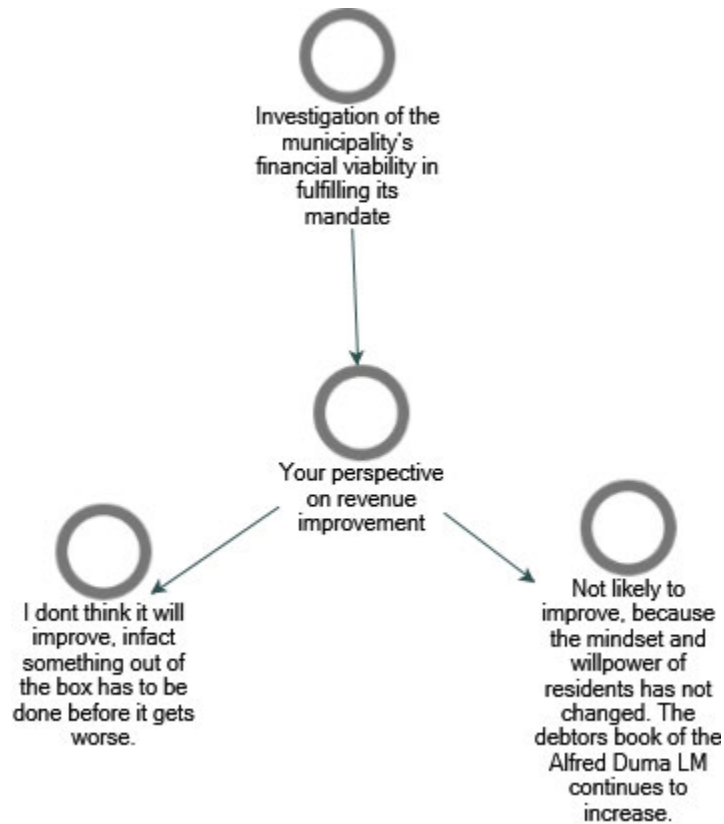


Figure 4 9: The model shows if the income base of the municipality' has increased or decreased.

The participants responded as follows:

- ✓ *I don't think it will improve, in-fact something out of the box has to be done before it gets worse such as reviving existing revenue generating sources.*
- ✓ *Not likely to improve, because the mindset and willpower of residents have not changed. The debtor's book of the Alfred Duma local municipality continues to increase.*

Question: *What are your views on service delivery in the future?*

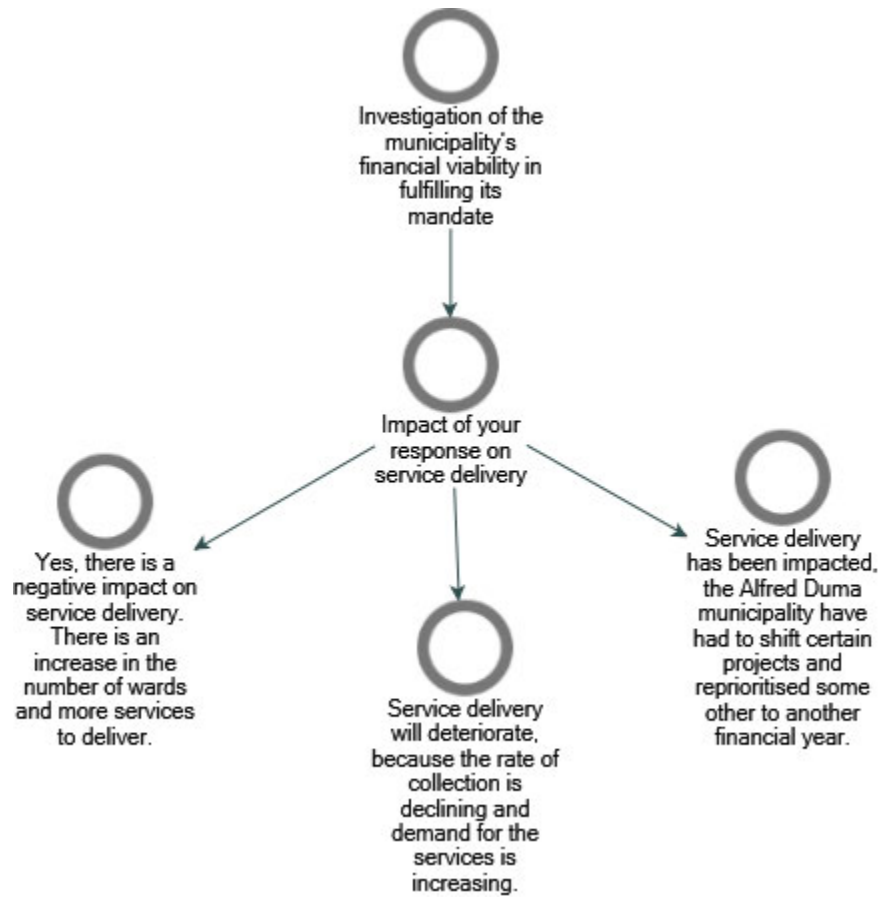


Figure 4 10: The model shows your perspective on the impact of your response on service delivery.

The participants responded as follows:

- ✓ Yes, there is a negative impact on service delivery. There is an increase in the number of wards and more services to deliver.
- ✓ Service delivery will deteriorate because the rate of collection is declining and demand for the services is increasing.
- ✓ Services delivery has been impacted, and the Alfred Duma municipality has had to shift certain projects and reprioritised some other to another year.

Conclusions on Theme: Financial Viability of the municipality

Objective 2:

The objective was to examine the municipality's financial viability in delivering on its mandate, which is service delivery. This objective was divided into five sub-questions for further clarity. The first three questions addressed the financial performance of the newly established, larger municipality.

The participants unanimously agreed that the financial performance of the municipality was not stable because, even though the revenue base had increased, revenue collection had dropped due to an increase in non-payment of taxes, levies and increasing electricity losses. The fourth question sought to determine whether there was a possibility for future increases in the revenue base and collection.

The sentiment shared by the respondents was that it would not improve unless there was a change in residents' mindset and they started paying for services being carried out by the municipality, or if the municipality devised other strategies to generate such as, reviving old towns, repairing aging infrastructure and collect extra revenue. The fifth question sought to determine the impact of a possible increase or decrease in service delivery based on the revenue base of the organization.

The view shared by the majority was that, with the collection rate dropping even though the revenue base had increased, this would have a further negative impact on service delivery. However, the scope of work had increased concomitant with the increased number of wards in the municipality, but projects that had been in the pipeline had to be reprioritised due to financial constraints.

The findings illuminate the criticality of having not just an expanded revenue base, but also efficient revenue collection mechanisms in place. A study by Tshamano (2021) highlights that the financial health of a municipality is often dependent on the robustness of its revenue collection system. A decline in revenue collection rates, as observed in the Audit General Reports and Annual Financial Statements, as in the case of Alfred Duma LM, can lead to significant challenges in service delivery, even if the overall revenue base has expanded.

It is the researcher's contention that the complexities of municipal mergers demand holistic and well-considered financial strategies. Understanding the potential pitfalls and strategizing accordingly could be crucial in determining the viability of such a venture.

4.2.3 Theme: Improvement of the municipal economic growth and resources

Question: *What proportion of revenue-generating projects have been included in the Integrating development plan (IDP) of the Alfred Duma local municipality?*

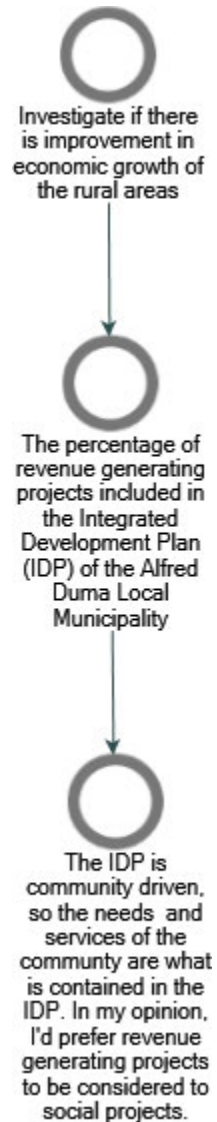


Figure 4 11: The model shows the percentage of revenue-generating projects included in the IDP.

One unanimous response was consistently iterated by the participants, as exemplified in this response:

- ✓ The IDP is community-driven, so the needs and services of the community are what are contained in the IDP. In my opinion, I'd prefer revenue-generating projects to be considered social projects.

Question: *What kind of projects makes up the IDP of the municipality?*

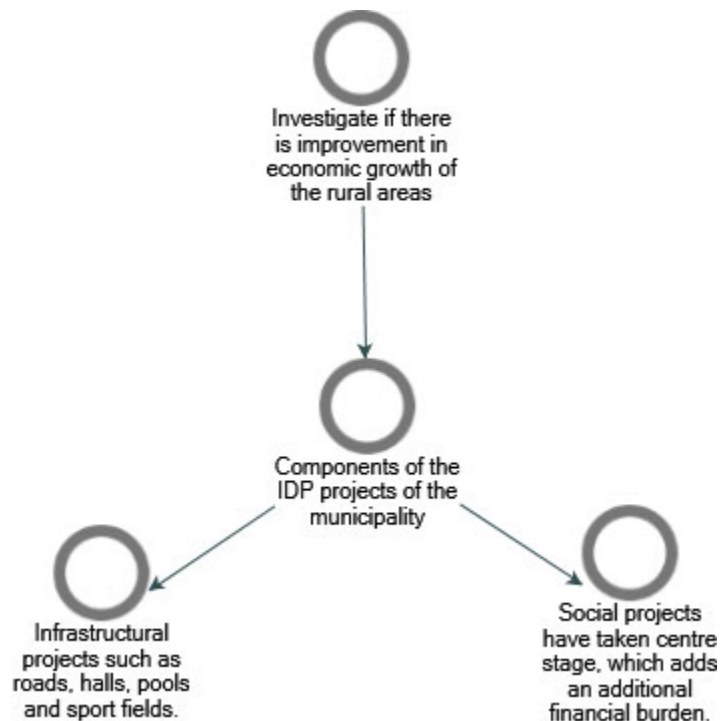


Figure 4 12: The model shows the components of the IDP projects of the municipality.

The following responses were iterated by the majority of the participants:

- ✓ Infrastructural projects such as roads, halls, pools and sports fields.
- ✓ Social projects have taken centre stage, which adds a financial burden.

Question: *In your own opinion, should the municipality focus more on revenue-generating projects or infrastructural projects when developing the IDP?*

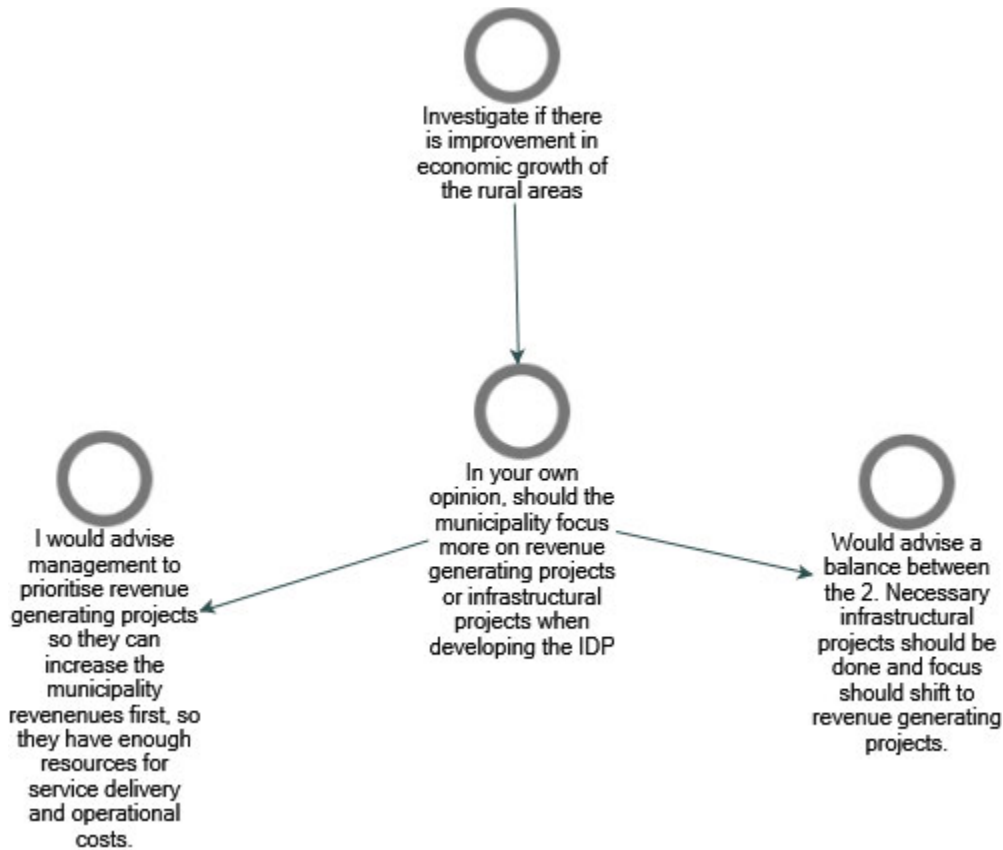


Figure 4 13: The model shows the municipality focuses more on revenue-generating projects or infrastructural projects when developing the IDP.

The participants agreed unanimously, as iterated in the following two responses:

- ✓ *I would advise management to prioritise revenue-generating projects, so they can increase the municipality revenues first, so they have enough resources for service delivery and operational costs.*
- ✓ *Would advise a balance between the two (2). Necessary infrastructural projects should be done, and the focus should shift to revenue-generating projects.*

Question: How can the municipality strike a balance in developing its IDP to include projects that will both sustain growth and impact service delivery positively in the municipality?

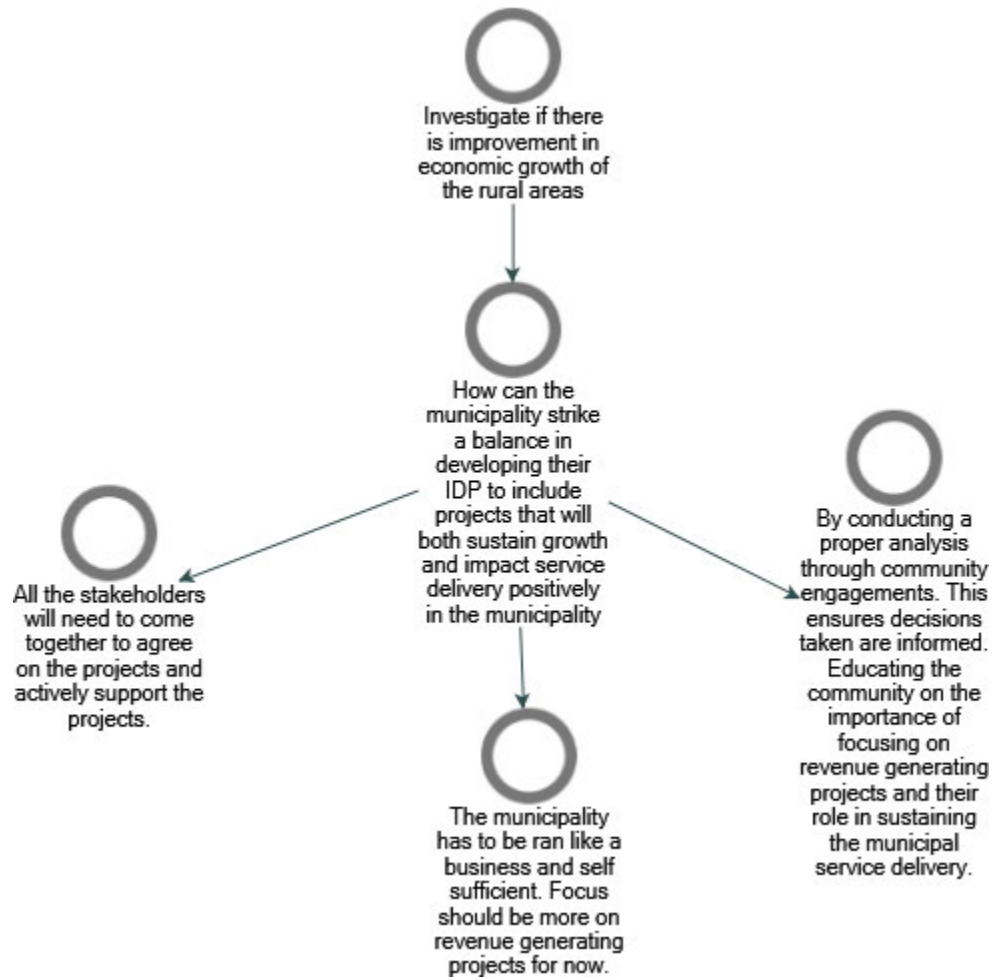


Figure 4 14: The model shows how the municipality can strike a balance in IDP development to include projects that will both sustain growth and impact service delivery positively.

The following responses by the participants addressed this question:

- ✓ *All the stakeholders will need to come together to agree on the projects and actively support the projects.*
- ✓ *The municipality must be run like a business and self-sufficient. The focus should be more on revenue-generating projects for now.*
- ✓ *By conducting a proper analysis through community engagements. This ensures decisions taken are informed. Educating the community on the importance of focusing on revenue-generating projects and their role in sustaining the municipal services delivery.*

Conclusion on Theme: Improvement of economic growth and resources

Objective 3:

This objective of investigation was to determine whether there had been any improvement in the economic growth of the rural areas and whether the municipality had a plan in place to grow its revenue-generation capacity. This objective was addressed by means of three sub-questions. The first question sought to determine the type of projects that were included in the IDP of the municipality.

It was determined that the IDP of Alfred Duma LM proposed predominantly social projects (community ventures) and infrastructural projects (roads, electrification) as identified by the participants. The second question investigated whether the municipality should prioritise revenue-generating or infrastructural projects in its IDP. The participants were of the view that it should prioritise revenue-generating projects so that the revenue collected would assist in growing the pool of the municipality's resources.

The third question determined how the municipality could strike a balance in its IDP between projects that would sustain growth while also positively impacting municipal service delivery. Majority of the respondents argued that this could be achieved by conducting proper analyses, running the municipality like a business, and ensuring stakeholder participation in determining the projects.

Based on these findings, it may be concluded that a municipality's ability to provide improved services can expand sustainably by balancing infrastructure expenditure and revenue-generating projects in its IDP. This can be accomplished by doing thorough analyses, encouraging a business-like attitude, and including stakeholders in project selection. However, such a strategy calls for additional empirical analysis and confirmation in subsequent studies.

Summary and Conclusion of the Qualitative data analysis

These findings aimed to comprehensively analyze the implications of the Alfred Duma Municipality merger, particularly focusing on its organizational structures, revenue base changes, and the role of revenue-generating projects within the Integrated Development Plan (IDP). The findings from this research have led to several key conclusions.

Objective 1. Outcomes of the Merger Implementation

The merger between the rural Indaka and semi-urban Emnambithi municipalities into Alfred Duma Municipality led to significant administrative and service delivery changes. While some staff experienced improved salary scales, the overall administrative integration presented challenges such as political instability, increased workload, and discontentment among staff.

The merger did not uniformly benefit the community as anticipated. The participants highlighted a decline in service delivery, especially in wards that previously had better services. The centralization of services post-merger made accessibility more challenging, contributing to community dissatisfaction.

The majority of participants believed that the merger was not beneficial, citing the unexpected challenges and the failure to meet the initial expectations of improved efficiency and service delivery. This finding aligns with broader academic perspectives that question the efficacy of municipal mergers in achieving promised economies of scale and efficiency gains.

Objective 2: Changes in Revenue Base and Impact on Service Delivery

Although the revenue base of Alfred Duma Municipality increased following the merger, there was a significant drop in revenue collection. This decline in collection rates led to financial instability, affecting the municipality's ability to deliver services effectively.

Participants expressed scepticism about future improvements in revenue collection without substantial changes in strategies or community payment behaviours. The increase in the scope of work due to the addition of new wards and the financial constraints further exacerbated the challenges in service delivery.

Objective 3: Revenue-Generating Projects within the IDP

The IDP of Alfred Duma Municipality predominantly focused on social and infrastructural projects, with less emphasis on revenue-generating projects. Participants suggested prioritizing revenue-generating projects to assist in growing the municipality's financial resources.

To achieve a balance in the IDP, the municipality needs to conduct thorough analyses, adopt a business-like approach, and ensure stakeholder participation in project determination. This balance is crucial for sustainable economic growth and positive impacts on municipal service delivery.

In conclusion, the merger of Alfred Duma Municipality presented complex challenges that affected its organizational structure, financial stability, and service delivery capabilities. The need for effective communication, strategic financial management, and a balanced approach in the IDP is evident. Future strategies should focus on enhancing revenue collection mechanisms, engaging the community in decision-making processes, and prioritizing projects that contribute to sustainable economic development and improved service delivery.

Secondary Data Analysis

FINANCIAL AND SERVICE DELIVERY PERFORMANCE DATA

4.1 Population and Households

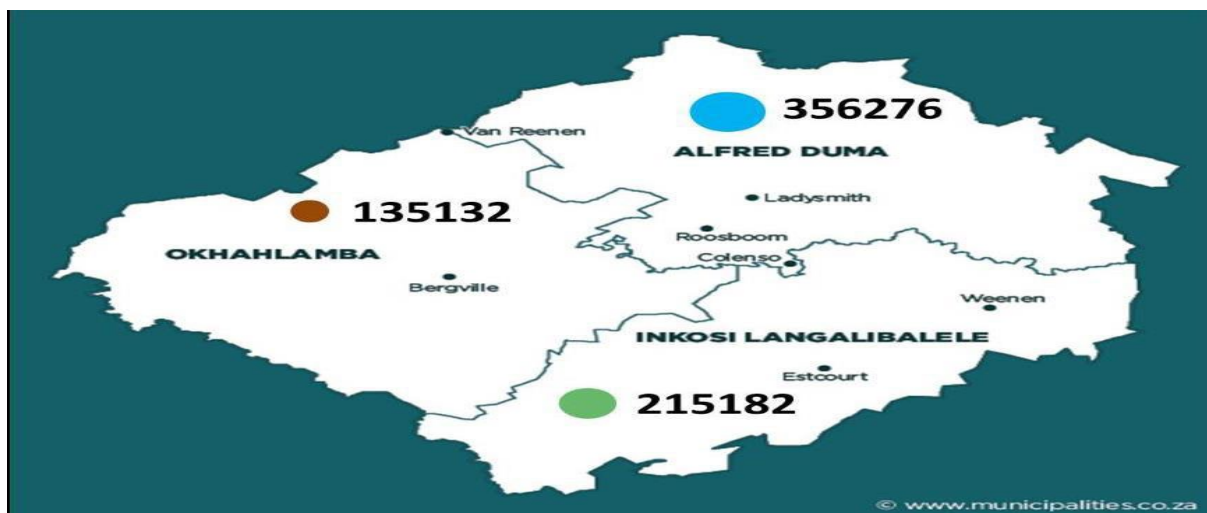


Figure 4 15: Population Structure in the Alfred Duma LM (Community Survey, 2016)

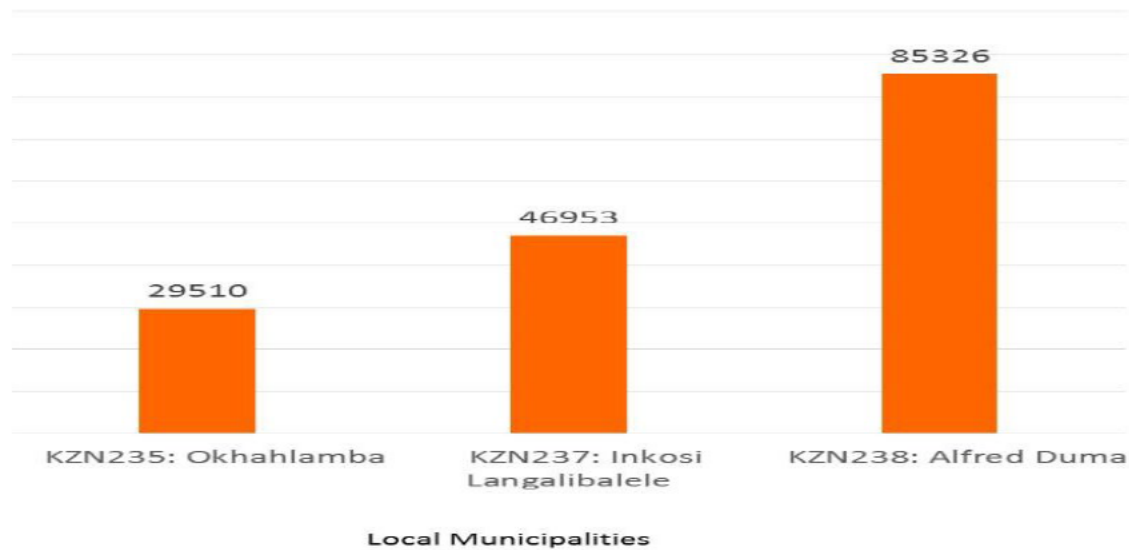


Figure 4 16: Number of Households (2021)

The demographic composition and household data for Alfred Duma Local Municipality are depicted in Figures 4.15 and 4.16. As of 2021, the municipality experienced a 0.52% increase in population since the merger. Concurrently, the number of households rose marginally by 0.09%. On average, households comprised four individuals, predominantly female-led. Out of 85,326 households within the municipal ambit, 53% had access to electricity, while refuse removal services were extended to 58% of households. This data underscores the challenges faced by the municipality in scaling service provision to meet the demands of a gradually expanding population.

Table 4.1 shows the total population of the two municipality pre – merger as well as for Alfred Duma Municipality (Post-merger).

Table 4 1: PRE- AND POST-MERGER POPULATION AND NUMBER OF HOUSEHOLDS IN ALFRED DUMA

| | Indaka (2011) | Emnambithi /Ladysmith (2011) | Alfred Duma (2016) | Alfred Duma (2021) |
|-----------------------------|----------------------|-------------------------------------|---------------------------|---------------------------|
| Population | 103 116 | 237 437 | 340 553 | 356276 |
| Number of Households | 20 035 | 58 058 | 78 093 | 85 326 |

Source: Community Survey 2016 (Stats SA, 2016)

Total operating revenue

Table 4 2: TOTAL OPERATING REVENUE

| Year | Own Revenue | Transfers /Grant Funded | Total | Own Revenue % Change | Transfers /Grant Funded % Change | Total % Change |
|-----------------------|---------------|-------------------------|-----------------|----------------------|----------------------------------|----------------|
| 2016/17 | R 536,217,269 | R 346,090,658 | R 882,307,927 | NA% | NA% | NA% |
| 2017/18 | R 573,855,652 | R 282,786,253 | R 856,641,905 | 7.02% | -18.29% | -2.91% |
| 2018/19 | R 611,048,501 | R 289,995,116 | R 901,043,617 | 6.48% | 2.55% | 5.18% |
| 2019/20 | R 653,883,974 | R 349,644,220 | R 1,003,528,194 | 7.01% | 20.57% | 11.37% |
| 2020/21 | R 699,361,747 | R 393,979,326 | R 1,093,341,073 | 6.96% | 12.68% | 8.95% |
| Total % Change | 30.79%, | 13.75%. | 23.88%. | | | |

Sources: Alfred Duma Local Municipality Audited Annual Financial Statements (2022).

From Table 4.2(Total operating revenue), both Own Revenue and Transfers / Grant Funded have grown over the years since the merger. Own Revenue has grown by 30.79%, while Transfers / Grant Funded has grown by 13.75%. Total revenue has grown by 23.88%.

This is a positive trend, and it suggests that the merger has been successful in generating additional revenue for the organization. However, it is important to note that these are just revenue figures, and they do not necessarily reflect profitability. It is possible that the organization's expenses have also grown above the determined CPI, which could offset the increase in revenue. Additionally, it is important to consider the overall economic climate during this time period. If the economy has been growing, then it is possible that the organization's revenue growth is simply a reflection of that overall growth.

Table 4 3: GRANT DEPENDENCY

| REVENUE | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--------------------------------|---------|---------|---------|---------|---------|
| Transfers /Grant Funded | 39% | 33% | 32% | 35% | 36% |

Sources: Alfred Duma Local Municipality Audited Annual Financial Statements (2022)

The Alfred Duma Local Municipality's grant dependency, is defined as the percentage of total municipal revenue derived from grants, has fluctuated within a range of 32% to 39% between 2016/17 and 2020/21. This variation in grant funding is attributed to a combination of factors, including:

Changes in national and provincial grant allocation policies: The municipality's grant receipts are influenced by the policies and priorities of the national and provincial governments, which may change over time. For instance, the COVID-19 pandemic and floods in the area prompted an increase in grant funding in 2019/20 and 2020/21.

Local revenue generation capacity: The municipality's ability to generate its own revenue through local taxes and fees can also affect its reliance on grants. While the municipality's local revenue generation capacity may have increased during this period. Although, the data does not explicitly support this conclusion.

Equitable share allocations: The Equitable Share (LGES) is a formula-based allocation of funds from the national government to municipalities, considering factors like poverty levels, service costs, and institutional needs. While the Equitable Share is a significant source of revenue, it is only one component of the municipality's total grant funding.

Conditional grants: Conditional grants, such as the Municipal Infrastructure Grant (MIG), provide funding for specific infrastructure projects. The municipality's receipt of conditional grants can vary depending on the availability of funding and the municipality's ability to meet the grant requirements.

It is important to note that grant dependency is not negative in itself. Grants can play an important role in supporting municipalities, particularly those with small local revenue generation capacity, in providing essential services to their communities. However, excessive reliance on grants can also make municipalities vulnerable to fluctuations in funding and can hinder their ability to achieve financial sustainability which may as a result have negative impact on service delivery.

Current ratio

Table 4 4: CURRENT RATIO

| Description | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---------------|---------|---------|---------|---------|---------|
| Current ratio | 1.96 | 2.36 | 2.52 | 2.72 | 2.15 |

Sources: Alfred Duma Local Municipality Audited Annual Financial Statements (2022).

The current ratio of Alfred Duma Local Municipality as indicated in Table 4.4, the increase from 1.96 to 2.72 in the years following the merger indicates a strengthening liquidity position, where the municipality has more than twice the amount of short-term assets compared to its short-term liabilities. This is a positive sign, reflecting improved financial stability and efficiency in managing working capital.

To contextualize these figures, a comparison with similarly merged South African municipalities, such as the amalgamation that formed the Dr. Nkosazana Dlamini Zuma Municipality which has average of 3:1, would be insightful. If their current ratios are significantly lower, it would further underscore Alfred Duma LM's positive liquidity status.

Strategies to improve the current ratio, inferred from the MFMA Circular No. 71 and the Auditor-General's reports, might include prudent financial management practices such as improving debtor collection rates, efficient cash management, controlling current liabilities, and maintaining an optimal level of inventory. These strategies are essential to ensure that the municipality remains solvent and can meet its short-term obligations, ultimately leading to sustained service delivery and development.

Cash Coverage Ratio

Table 4 5: CASH COVERAGE RATIO

| Description | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---------------------|---------|---------|---------|---------|---------|
| Cash Coverage Ratio | 1.07 | 3.7 | 3.82 | 1.77 | 1.5 |

Sources: Alfred Duma Local Municipality Audited Annual Financial Statements (2022)

The Cash Coverage Ratio in Table 4.5 for Alfred Duma Local Municipality reveals a generally favourable liquidity position in the years following the merger, with the exception of the merger year 2016/17, where the ratio fell below the normative threshold of 1.5.

The subsequent years show a robust cash coverage, notably exceeding the upper trend of 3 in 2017/18 and 2018/19, indicating an ample cash reserve capable of covering operating expenses for

several months. This suggests a strong financial resilience for those years. The dip in 2019/20 and 2020/21, aligning with the minimum standard, still reflects adequate liquidity management. Overall, apart from the initial post-merger year, the municipality has demonstrated commendable financial management with respect to its cash reserves, positioning it well to meet its immediate financial obligations.

Debt collection rate

Table 4 6: DEBT COLLECTION RATE

| Description | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|-----------------|---------|---------|---------|---------|---------|
| Collection Rate | 96% | 84% | 82% | 84% | 82% |

Source: Alfred Duma Local Municipality Annual Performance Report (2022a)

The Alfred Duma Local Municipality has commendably sustained a debt collection rate above the National Treasury's norm of 80%, demonstrating effective revenue management strategies. The slight decrease to 82% in 2020/21, though still above the benchmark, merits investigation. Two possible reasons for this dip could be the economic downturn caused by the COVID-19 pandemic, which has impacted the financial capacity of residents, and the integration challenges post-merger, particularly in aligning the revenue systems of the merged entities. These factors, alongside the transition to incorporate Indaka's predominantly rural, non-taxable community, may have compounded collection challenges. The municipality's proactive measures, such as the Revenue Enhancement Strategy and public awareness campaigns, have been integral in maintaining relatively high collection rates despite these adversities.

Service Delivery

Electricity supply

Table 4 7: ELECTRICITY SUPPLY

| Description | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---------|---------|---------|---------|---------|
| No. of households that have access to basic electricity in the Municipal supplied area. | 16660 | 16780 | 16980 | 17130 | 17310 |
| No. of households that have access to basic electricity in the Eskom supplied area. | 37676 | 38069 | 38319 | 38869 | 39133 |

Source: Alfred Duma Local Municipality Annual Performance Report (2022a)

The incremental improvements in electricity provision within the Alfred Duma Local Municipality, as shown in Table 4.7, are commendable. Achieving 100% electrification in urban areas and making strides in rural regions, despite the financial constraints of the community, reflects positively on the municipality's efforts. The challenges in rural electrification are understood to be due to dependency on Eskom's grid and funding for connections. While the overall increase is modest, it suggests a progressive trend towards enhancing service delivery. This progress, although below the municipality's KPI, indicates a positive progress that should be acknowledged and encouraged.

Refuse removal

Table 4 8: REFUSE REMOVAL

| Description | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---------|---------|---------|---------|---------|
| No. of households that have access to basic refuse removal in the municipal urban area | 28 557 | 28 557 | 29 875 | 29 875 | 29 905 |
| No. of households that have access to basic refuse removal in the rural areas (Uitvaal, Ekuvukeni & Vaaihoek) | 5 544 | 5 544 | 5 672 | 5 720 | 5 714 |

Source: Alfred Duma Local Municipality Annual Performance Report (2022a)

The data presented in Table 4.8 indicates marginal improvements in the provision of basic refuse removal services across Alfred Duma Local Municipality, with urban and rural areas experiencing an increase of 0.05% and 0.03%, respectively. As per the annual performance report (2022a), the municipality managed to remove approximately 58% of waste weekly, aligning with its established KPIs. Challenges such as the management of vacant plots, fleet breakdowns, and illegal dumping were factored into these KPIs. Street cleaning is conducted daily in central business districts and surrounding townships. Additionally, the Siyazenzela Domestic Waste program facilitates bi-weekly waste collection in rural sectors, demonstrating the municipality's commitment to improving environmental sanitation services.

Repairs and maintenance expenditure

Table 4 9: TOTAL EXPENDITURE ON REPAIRS AND MAINTENANCE SERVICES

| Description | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|----------------------|------------------------|------------------------|------------------------|------------------------|
| Budget | R51 540 132 | R76 473 320 | R80 526 511 | R89 909 085 | R85 822 933 |
| Actual | R43 812 350 | R67 254 249 | R66 056 400 | R76 852 149 | R64 788 602 |
| % on R and M | 85% | 88% | 82% | 85% | 75% |
| Total Operating Expenditure Budget | R 877 513 833 | R 1 117 466 170 | R 1 246 705 267 | R 1 370 485 040 | R 1 413 949 233 |
| Repairs & Maintenance on Total Expenditure (%) | 6% | 7% | 6% | 7% | 6% |

Source: Alfred Duma Local Municipality Annual Performance Report (2022a)

In alignment with the National Treasury Guidelines, the municipality's budget allocations and expenditures on repairs and maintenance are crucial for assessing its commitment to infrastructure upkeep. The normative guideline stipulates that such expenditure should constitute 8% of the total budget. To provide a comprehensive analysis, it is necessary to:

1. The total amounts budgeted for repairs and maintenance have been presented in table 4.9.
2. The proportion of the budget relative to the municipality's total expenditure, which ensured it falls between the recommended range of 4%-8% is shown in the table.
3. The researcher also detailed the actual expenditures spent on repairs and maintenance during the fiscal year.

These components offered an insight into the municipality's financial stewardship in maintaining its infrastructure, as well as its adherence to prescribed financial governance standards. The municipality is unable to allocate a repairs budget that equals to the norm or above due to the drop-in collection rate which has a negative impact on the cashflow of the municipality.

Capital Expenditure

Table 4 10: CAPITAL EXPENDITURE

| Year | Grant Funded (R mil) | Council Funded (R mil) | Total Capital Expenditure (R mil) | Capital Budget (R mil) | Total Spent as (%) |
|---------|----------------------|------------------------|-----------------------------------|------------------------|--------------------|
| 2016/17 | 137 | 87 | 224 | 386.21 | 58 |
| 2017/18 | 66.1 | 21.8 | 87.9 | 101.03 | 87 |
| 2018/19 | 79.5 | 30.5 | 110 | 141.03 | 78 |
| 2019/20 | 94.4 | 10.5 | 104.9 | 126.39 | 83 |

| | | | | | |
|---------|------|------|------|-------|----|
| 2020/21 | 62.2 | 14.1 | 76.3 | 81.17 | 94 |
|---------|------|------|------|-------|----|

Source: Alfred Duma Local Municipality Annual Performance Report (2022a)

In the post-merger phase of the Alfred Duma Local Municipality, the capital expenditure analysis reveals mixed outcomes. Initially, in the 2016/17 financial year, capital expenditure was markedly low at 58%, primarily due to legal disputes arising from the merger. This underperformance affected service delivery, as some projects faced termination or delay, and impacted the municipality's financial health through reduced grant funding. However, subsequent years saw a notable improvement in capital spending, despite some fluctuations. By 2020/21, the municipality nearly reached optimal spending levels at 94%, indicating a recovery and better alignment with the expected norm of 95-100% for capital expenditure. This turnaround reflects the municipality's increased focus on infrastructure development, though it also highlights the need for sustained and efficient budget management to maintain financial stability.

Annual Report

Audit and management report

Table 4 11: AUDIT OPINION

| Description | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--------------------|------------------|------------------|----------------------------------|----------------------------------|----------------------------------|
| Audit Outcome | Qualified | Qualified | Unqualified with findings | Unqualified with findings | Unqualified with findings |

Source: Alfred Duma Local Municipality Annual Performance Report (2022a)

As shown in Table 4.11, the municipality auditors issued an unqualified opinion for the last three years of the review period, which means that this LM's financial expenditure had improved over the years as the merger became more stable. At financial year-end, the Auditor-General of South Africa (AGSA) audits each municipal institution's annual financial statements to determine if they are credible. After the audit, the auditors prepare an audit report in which they express their opinion of soundness or not. Four types of opinion are expressed in these reports:

- **Unqualified Opinion:** It is a clean audit report where auditors are satisfied with the municipality's reporting and believes that the municipal's operations are in consent with governance principles and applicable laws.
- **Qualified Opinion:** The auditors issue this opinion when they are uncertain about a transaction or certain process; whether it was done correctly or fell short of receiving an unqualified opinion.

- Disclaimer Opinion: The auditors issue this opinion when they distance themselves from giving an opinion on the financial reporting of the municipality. This may be due to the fact that auditors, who were not permitted to observe operational procedures or examine specific procedures, may feel incapable of expressing a definitive opinion, making a disclaimer necessary and appropriate.
- Adverse Opinion: The auditors express this opinion when they are not satisfied with the financial reporting of the municipality. It suggests that financial reports contain significant inconsistencies and are potentially deceptive

The merger came with many challenges such as record management that was mentioned by some of the interviewees in this study. There were missing documents so they were unavailable for auditing purposes. However, the improved or qualified opinion does not necessarily mean that the municipality is currently financially viable and does not have backlogs on service delivery.

Summary /Conclusion of the Findings

The Alfred Duma Municipality's merger, involving the amalgamation of the rural Indaka and semi-urban Emnambithi municipalities, has yielded a complex array of outcomes that have affected both its organizational structure and the broader community. The study set out to analyze these outcomes, examine changes in the revenue base post-merger, and assess the role of revenue-generating projects within the Integrated Development Plan (IDP).

Objective 1: Outcomes of the Merger Implementation

The merger brought about significant changes in service delivery and administrative functioning. This included challenges such as political instability, increased workloads, and staff discontentment. These changes did not meet the residents' expectations, indicating that the merger, despite its initial promises, fell short in delivering the anticipated scale of economies and efficiency gains.

The centralization of services post-merger made accessibility challenging, contributing to a decline in service delivery. This underscores the importance of effective communication and planning in executing significant administrative reforms in local governments.

Objective 2: Changes in Revenue Base and Impact on Service Delivery

The revenue base of Alfred Duma Municipality has increased post-merger, but this was accompanied by a significant drop in revenue collection. This decline in collection rates led to financial instability, negatively impacting the municipality's service delivery capabilities.

The research findings highlight the necessity of not just expanding the revenue base but also establishing efficient revenue collection mechanisms. This is crucial for maintaining financial health and ensuring the provision of services to the community.

Objective 3: Revenue-Generating Projects within the IDP

The IDP of Alfred Duma Municipality primarily focused on social and infrastructural projects, with less emphasis on revenue-generating projects. There is a recommendation for a greater focus on revenue-generating projects, which can assist in enhancing the municipality's financial resources and supporting sustainable economic growth.

Achieving a balance in the IDP requires thorough analysis, a business-like approach, and stakeholder participation in project determination. This balance is critical for ensuring that municipal services can expand sustainably.

In conclusion, the Alfred Duma Municipality's merger highlights the complexities involved in amalgamating distinct municipalities. The challenges in administrative integration, financial management, and service delivery emphasize the need for meticulous planning, effective communication, and strategic financial management. Future strategies should focus on enhancing revenue collection, engaging the community in decision-making, and prioritizing projects that contribute to sustainable economic development and improved service delivery.

The findings from this study offer valuable insights into the challenges and opportunities that arise from municipal mergers, providing a foundation for future policy and administrative decisions in similar contexts.

4.3. INTEGRATION OF QUALITATIVE & SECONDARY RESULTS

First objective: In assessing the outcomes of the Alfred Duma Municipality merger, it is evident that the integration did not uniformly benefit the organization and community. Administrative and service delivery changes were significant but not always positive, as corroborated by Tshamano et al. (2021) who noted that municipal mergers often fail to deliver on the efficiencies they promise.

The findings align with broader literature indicating that mergers may not always address financial viability or community service needs effectively.

Second objective, the financial viability post-merger shows increased revenue bases but decreased collection rates, signalling financial instability. This echoes the findings of Tshamano (2021), who emphasizes the importance of efficient revenue collection for municipal financial health. The results suggest that while expanding the revenue base is crucial, effective collection mechanisms are paramount to support service delivery.

Lastly the third objective, the balance between revenue-generating and infrastructural projects within the IDP is crucial for sustainable economic growth. Participants favoured a focus on revenue-generating projects to enhance financial resources, which is consistent with literature advocating for diversified revenue strategies to support service delivery (Smith, 2016). However, the necessity for a balanced approach that also considers infrastructural needs is highlighted, reflecting the complexity of municipal development strategies (Jones & Stewart, 2015).

These findings indicate that the Alfred Duma Municipality's merger encountered challenges common to such initiatives, with the need for more nuanced approaches to financial and development planning to ensure sustainability and improved service delivery.

4.4. Discussion Of Main Findings

4.4.1 The effect of inadequately planning and communicating of municipal mergers

This theme emanated from the challenges that caused the obvious lack of success of the merger under study. The envisaged benefits of the merger had clearly not been realised by the time of the study. The participants were conflicted in terms of this research question and objective, as some were convinced that the merger had been the correct decision while others did not share this sentiment. However, even though the participants had different views on the purpose of the merger, they all agreed that it came with challenges such as poor communication, transactional issues, and declining service delivery. Some of the participants said that they had had no idea that their municipality was going to be disestablished and merged with another. It seemed that this intention had not been communicated to the affected communities at large. The merger resulted in services being centralised and receiving basic services became a frustration for many ordinary residents.

This suggests that public participation was side-lined and inadequate in the planning stages of the merger.

According to Snape and Dobbs (2003) and Karlsson (2012), municipal councillors have two main roles to play, which are representation and scrutiny. If these roles are ignored or executed ineffectively, service delivery is negatively impacted. Council members are expected to communicate all the issues that affect their constituents and liaise with the community and the local government in terms of representation and responsiveness.

Councillors were therefore supposed to communicate plans of the merger to the community and inform them of the intention to centralise services. They should have elicited the views and concerns of the community and present them to the Municipal Council timeously for consideration and consultation. They should also have ensured that the planning commission that propelled the merger should have taken all the concerns into consideration prior to the merger being effected. In that way they would have compelled the municipal executive to be accountable for anything that affected service delivery emerging from the amalgamation.

The second challenge that the merger posed was the transaction thereof. Even a few years after the merger, at the time of the study, the municipality was still facing transactional issues such as unresolved human resources issues, records from former municipalities that were still missing, and unresolved legal disputes with suppliers, as pointed out by some participants. In my view, it is incumbent upon the government to consider a merger only after proper consultation and when the timing is right.

Each merger must be aligned with the beginning of the municipal financial year (June-July) regardless of when local government elections take place. This will allow all former municipalities to close their books and finalise any outstanding issues for that particular year, and it may eliminate some of these most pressing transactional issues. According to Powell (2012), transitional processes are not always smooth, but a legislation framework has developed over the years to correct imperfect transitions. Therefore, municipalities, COGTA, and the MDB must ensure that these legislative imperatives are applied both prior to and after a merger. It is crucial that a proper plan, based on information sharing and consultation, must be put in place to deal with transition issues.

In terms of economies of scale, the participants again had conflicted views. Some believed that the merger had achieved its purpose of bringing communities to the same level of service delivery, while others disagreed, arguing that the municipality had not achieved this as it was merely depriving some community members of services in order to render them to others. Some even argued that nobody was receiving proper services at all as there was a serious breakdown in facilities and infrastructure. Cowley (2009) contends that low-density projects, which are quite expensive to serve, can undermine the benefits of higher-density developments in terms of administrative and service delivery savings.

Furthermore, Byrnes and Dollery (2002) emphasise that growing in size and complexity can also result in a loss of responsiveness to local demands. Larger municipal institutions, according to their argument, can potentially dilute the 'local' character of public administration, resulting in a rift between the people and the local government and harming the welfare of the community.

Therefore, amalgamations might not produce the hoped-for economies of scale; rather, they might just keep the dissolving municipality from going bankrupt by distributing its operational costs across a larger tax base. In the case of Alfred Duma, the government expanded the municipality's jurisdiction while maintaining its operating budget; hence, at the time of the study, this municipality was in a position of financial constraint which impacted negatively on service delivery.

In the researcher's view, the amalgamation of Indaka and Ladysmith was not the correct decision at the time for either of these municipalities. The merger was fraught with too many challenges, and some have not been resolved to this day. Even more disconcerting is the negative impact on service delivery which is the reason why any municipality exists. In South Africa, there is a dire need for proper analysis and impact studies when re-determining municipal boundaries for the purpose of financial support, such as the merger under study. Such an investigation must determine if, in terms of finances and their tax base, the municipalities that are to be merged will be able fulfil their constitutional obligations with little assistance from the government, as is intended. Furthermore, in-depth analysis must be done on previous mergers for comparative purposes. This will help to determine if the intended merger will be successful based on the lessons learnt.

4.4.2 Financial Viability of the municipality

Several conclusions were drawn from the data emerging from the interviews in the study's assessment of the merged municipality's fiscal health. The participants' responses and the figures (Table 1.3) over a five-year period indicate that the municipality's financial performance was unstable, and likely to remain so if the declining trend from the first to the fifth year (39%-36% respectively) is sustained. It is evident that the municipality's resources are slowly shrinking as annual revenue declines and grant allocations are substantially decreased. COGTA (2015) states that viability is the degree to which a municipality can fulfil its constitutional purpose from within its existing budget. In order to comply with this mandate, the municipality must have the financial wherewithal to become increasingly independent of outside assistance. Amalgamations were expected to help towns and rural municipalities to become financially viable, administratively successful and efficient, and to reap the benefits of economies of scale in terms of the distribution of municipal services (Dafflon & Reingerwertz, 2012). However, the findings demonstrated that even though the revenue base of the ADLM had increased, revenue collection had dropped, causing the debtors' book of the municipality to increase due to the inability of residents to pay for rates and taxes. The financial viability of any municipality is based on how strong its economic revenue base is, and this requires the effective implementation of controls and policies to manage the use and curb the abuse of all financial resources (Tshamano, Shopola, & Mukonza, 2021). Furthermore, civic responsibility in this financial ecosystem becomes increasingly apparent and pivotal. Municipalities rely heavily on residents to fulfil their obligation of tax and levy payments to maintain the financial resources needed for service provision. The research echoes concerns voiced by scholars like Allers and Geertsema (2016), who emphasise the necessity of nurturing a culture of civic responsibility so that residents understand the importance of their contributions for sustaining municipal services.

All the participants agreed that the drop in revenue collection had an adverse effect on service delivery because, due to an increase in the number of wards, the scope of work and costs increased against declining income. In the researcher's view, the merger of ADLM did not meet the government's expectation of a financially viable municipality because the two merged municipalities were not equal in terms of their revenue-generating capacity. According to Slack and Bird (2013), merging poor and rich municipalities is likely to result in increases in expenditure levels in order to bring everyone up to the same levels of service delivery. However, Siddle and

Koelble (2016) argue that increasing expenditure without a corresponding increase in revenue or tax base will cause service delivery to deteriorate and even collapse. According to Allers and Geertsema (2016), an enlarged revenue base post-merger does not necessarily guarantee financial viability and a stable revenue if collectable taxes are not levied. This seems to be the case with the ADLM and similar municipalities that were merged in 2016, and where the revenue base has increased but the municipality has been unable to levy taxes on rural tribal land where the majority of the wards are now located.

Future research could usefully focus on innovative methods of revenue collection, measures to encourage civic responsibility, and financial planning strategies tailored specifically for post-merger municipalities.

4.4.3 Improvement of economic growth and resources

The findings under this theme concur with what is known as ‘the norm’ for municipalities around the country, which is that the IDP is mostly used to provide service delivery in the form of developments rather than economic growth. This seems true for the ADLM, as the majority of the projects proposed in the IDP are infrastructural and social oriented. Some of the participants argued that these projects would result in a deeper financial burden for the municipality as ADLM is not grant dependent. According to Ncube and Monnakgotla (2016), the IDPs of most municipalities only partially address the issues that are part of the mandate of local development, as most only address the issue of socio-economic support but fail to address the issue of creating employment, income, and wealth for the local community. Therefore, there is a view that the IDPs of most municipalities are not correctly informed and utilized.

Furthermore, the findings demonstrated that, in order for economic growth to improve in rural areas, municipalities’ IDPs should include viable projects that encourage revenue generation. This means that the inclusion of revenue-generating initiatives in the IDP of a municipality is a critical component of its growth strategy and fiscal sustainability, and requires planning for appropriate projects that have the potential to create employment and increase the revenue base of the municipality (Rogerson, 2013). This will in turn increase the financial resources within the municipality and enable the municipality to provide services for all, including indigent recipients who mainly reside in rural communities.

It was obvious that most of the participants viewed the IDP as a ‘wish list’ rather than a tool that could be used to ensure sustainable development. Most of the projects that were prioritised in the IDP seemed to be politically motivated with no funding plan and no analysis on how they would benefit the municipality in terms of development, especially in terms of creating wealth in the long term. According to Swilling (2011), this lack of vision sometimes has a negative impact on identified LED projects, as they are placed on hold because of budgetary constraints while others are facilitated by agencies. This occurs when most municipalities fail to prioritise these in the IDP. The capacity of municipalities to connect their revenue-generating initiatives with the IDP's broader aims seems a key barrier to economic viability. It is therefore argued that projects must be firmly incorporated in the larger planning framework in consideration of the socioeconomic environment, community demands, and resource availability. The researcher thus agrees with the notion that revenue-generating projects that do not connect with the IDP's broader aims may fall short of producing meaningful results, either by failing to earn the expected revenue or by not contributing significantly to the welfare and development of the community, as proposed by Swilling (2011).

The researcher is of the view that the ADLM's IDP has the potential to create economic growth even in the rural wards. This is possible if the IDP always speaks to the vision of the residents and not to that of politicians. Projects incorporated in the IDP should reflect development initiatives that intend to enhance economic growth. The IDP should also be able to attract investors and funding and effectively utilise any scarce resources in the municipal area. The municipality should also, at all costs, avoid using the IDP as a manifesto for individuals' political principles, as these persons usually only want to retain their elected positions by winning votes through projects that benefit certain individuals but do not focus on the objectives that the municipality has to meet for all its residents.

4.5 Conclusion

This chapter recognizes the complexity and the multifaceted nature of the Alfred Duma Municipality's merger. It is clear that the merger has not uniformly met the needs of the organization or the community, reflecting broader challenges documented in the literature regarding municipal amalgamations. Financial viability concerns, driven by an increased revenue base but a declining collection rate, highlight the importance of efficient financial systems and

underscore the necessity for innovative revenue collection strategies. Moreover, the findings suggest a critical balance between revenue-generating and infrastructural projects is essential for sustainable growth, which must be reflective of both the community's vision and the municipality's developmental objectives. This chapter sets the stage for future inquiries into revenue enhancement and community engagement within post-merger municipalities, advocating for policies and strategies that are informed by the lessons learned from past mergers and tailored to the unique contexts of newly formed municipal entities

CHAPTER FIVE – CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

In the preceding chapter, the researcher presented and analysed the data and discussed the findings. This chapter presents a brief summary, key conclusions, and recommendations based on the study findings. The purpose of this study was to evaluate the sustainability of a municipalities that had been amalgamated and to determine how this merger impacted service delivery and other features of the organization.

5.2. Summary Of the Study

The chapter one of this dissertation sets the stage for a critical examination of municipal mergers within the South African context, particularly scrutinizing the consolidation of Indaka and Ladysmith into the Alfred Duma Local Municipality. It delves into the historical precedents of such amalgamations, driven by the need for improved fiscal health and efficient service delivery mandated by the constitution, and orchestrated by the Municipal Demarcation Board (MDB). The study is poised to assess the post-merger sustainability of the Alfred Duma LM, addressing a research lacuna by correlating financial viability with the quality-of-service delivery.

This chapter elucidates the rationale behind the merger, the anticipated benefits, and the challenges that have emerged, providing a comprehensive overview of the municipality's demographic composition, fiscal indicators, and service delivery metrics. It lays the groundwork for subsequent analysis and discussion, with the objective to propose actionable strategies for overcoming merger-induced challenges, optimizing revenue bases, and fostering a sustainable model for service delivery that aligns with the municipality's developmental aspirations.

The literature review chapter provides a comprehensive exploration of municipal mergers, drawing on historical contexts and legislative frameworks to understand their implications on fiscal stability and service delivery. It delves into the rationale for municipal consolidations, primarily to enhance efficiency and expand revenue bases within the South African municipalities. This chapter systematically reviews previous studies, highlighting both the potential benefits and challenges of such mergers, and assesses their impact on organizational structures and the welfare of communities. It examines the interplay between municipal mergers, revenue bases, and the critical role of revenue-generating projects within Integrated Development Plans (IDPs), emphasizing the

need for aligning these projects with broader developmental goals for sustainability. Through this scholarly discourse, the chapter underscores the significance of financial viability, community participation, and strategic planning in ensuring the success of municipal mergers.

The Research Methodology chapter outlines the qualitative approach utilized to investigate the long-term effects of municipal mergers on service delivery within the Alfred Duma Local Municipality. Emphasizing a constructivist paradigm, the chapter details the non-experimental research design and case study method adopted for in-depth exploration. Purposive sampling was employed to select key municipal personnel for interviews, complemented by an extensive review of municipal performance reports. Ethical considerations were meticulously observed, with confidentiality and voluntary participation as central tenets. The data were thematically analyzed to ensure credible findings, with the chapter concluding by reinforcing the importance of methodological rigor and ethical research practices.

The chapter on data analysis, interpretation, and discussion presents findings from interviews with Alfred Duma Municipality officials and community representatives' post-merger. Utilizing NVIVO software, thematic analysis revealed significant shifts in service delivery, administrative function, and political stability. Despite an increased revenue base, collection rates dropped, impacting financial viability. The merger, viewed by some as politically motivated, did not uniformly meet organizational or community needs, and the majority felt it did not benefit residents. It also emerged that the IDP prioritized social projects over revenue-generating initiatives, suggesting a need for more balanced development strategies. Overall, the merger's intended benefits were overshadowed by challenges, highlighting a need for thorough planning and community-inclusive decision-making in future amalgamations.

5.3. Recommendations

5.3.1 Recommendation according to the Research Objectives

Based on the findings of the study, the following recommendations are proposed for each research objective:

1. Analyzing the Outcomes of the Merger Implementation

Enhance Communication and Engagement: To address the challenges in administrative integration and service delivery, it is recommended that Alfred Duma Municipality improve communication

channels both within the organization and with the community. This includes regular updates on changes and developments, as well as forums for feedback and discussion.

Conduct Impact Assessments: Before implementing significant administrative changes, such as a merger, the municipality should conduct comprehensive impact assessments. These assessments should focus on potential effects on service delivery, staff morale, and community satisfaction.

Develop Integration Strategies: Create detailed strategies to facilitate smoother integration of different organizational cultures and systems. This includes staff training, standardized procedures, and mechanisms to address discontentment and workload issues.

2. Examining Changes in Revenue Base and Service Delivery:

Implement Efficient Revenue Collection Systems: Develop and implement more efficient revenue collection mechanisms. This could include modernizing billing systems, enhancing enforcement of tax collection, and offering incentives for timely payments.

Diversify Revenue Sources: Explore alternative sources of revenue beyond traditional taxes and grants. This could include public-private partnerships, community-based projects, and exploring economic opportunities unique to the municipality's context.

Monitor Financial Health: Regularly monitor and assess the financial health of the municipality, focusing on key indicators such as revenue collection rates, expenditure patterns, and grant dependencies.

3. Assessing Revenue-Generating Projects in the IDP

Prioritize Revenue-Generating Projects: In the planning and implementation of the IDP, prioritize projects that have the potential to generate revenue for the municipality. This could include commercial developments, tourism initiatives, or renewable energy projects.

Engage Stakeholders in IDP Development: Actively involve local businesses, community groups, and residents in the development of the IDP. This engagement should aim to balance the need for infrastructure and social projects with revenue-generating initiatives.

Conduct Regular Reviews of the IDP: Regularly review and adjust the IDP to ensure it remains aligned with the municipality's development goals and financial capabilities. This includes

assessing the effectiveness of implemented projects in generating revenue and contributing to sustainable development.

In implementing these recommendations, Alfred Duma Municipality can better navigate the complexities arising from the merger and enhance its capacity to deliver effective services to its community while maintaining financial stability.

5.3.2 Recommendations for the municipality

The participants lamented the lack of repairs and maintenance of the infrastructure and viewed this as a factor that contributed to declining service delivery. In light of this finding, the municipality should devise a plan to collect and save financial resources in order to maintain the ageing infrastructure such as roads and electricity provisioning. The ADLM generates most of its revenue from the sale of electricity, therefore the municipality must ensure that this infrastructure is maintained at all times to ensure that there are no electricity faults that cause blackouts. The roads need to be maintained and rehabilitated to avoid threats to residents such as potholes. This maintenance will ensure that taxpayers are happy and business people are retained within the municipality. ADLM is among the few municipalities in KwaZulu-Natal that have experienced minimal national load-shedding, and it can utilize this positive aspect to entice the majority of investors to make investments in the municipality. If its sources of income are increased, it will enhance the economic viability of the municipality.

The municipality does not have enough money to fulfil its constitutional duty because its revenue base is not producing any new money at the moment. Instead of considering a merger, the municipality should have focused on expanding the revenue base through economic development in order to stabilize its finances. The municipality should now prioritize expanding its local economic development in order to boost its budget. For instance, the City Council should consider revitalizing Pieters' textile sector, which is important to the region's economy. They should also try to entice major investors of the calibre of Dunlop and Defy, the city's two largest corporations. In addition, it needs to consider ways to reinvigorate the economy in historic districts like Colenso. In addition to lowering the unemployment rate, this will also allow more individuals to afford these towns and the city's services and will contribute to the entire area's long-term economic health. The municipality's debtors' book is high right now, and in places where energy is supplied by Eskom, they can't enforce their credit control policy. This is true especially in semi-rural regions

where the municipality is charging for property rates but is unable to enforce collection through disconnection/reconnection of energy. The municipality should explore reaching an agreement with Eskom to take over the supply of electricity in these areas. In semi-rural areas, municipal service delivery includes garbage collection, water mains, and street maintenance but not rate billing or power distribution. The City Council should therefore consider instituting and setting a flat rate or rural tax levy to encourage citizens to pay for the localised services they receive. The municipality can then expand its revenue base by using these newfound resources.

5.3.3 Recommendations for government

Rural municipalities should be permitted to continue operating and receiving grant financing rather than being compelled to merge. This is because they may be fulfilling other important constitutional requirements like democratic representation and community involvement. If these municipalities were to be merged for other reasons rather than dependency, the government must not reduce the grant allocations such as the MIG and the Equitable share that they had received prior to the merger, as that might have an adverse effect on municipal service delivery. The newly formed municipality has an increased scope of work with limited resources.

There is a need for more effective monitoring and evaluation of transitional issues post the merger by both national and provincial COGTAs. Analysis must be conducted to determine whether the newly formed municipality is fulfilling its constitutional objectives as intended by the merger and also as per the legislative framework in place. The option of de-merging should also be considered if the merger has not achieved positive results by a due date in the near future.

5.4. Delimitations And Limitations

The study was delimited to a newly merged municipal area in the central region of the KwaZulu-Natal Province, which is an area that is dominated by rural settlements and municipal wards in the geographical vicinity of the largest town, namely Ladysmith. It includes large expanses of farmland, formal and more informal residential areas, and some industrial and business activities and enterprises.

The study was relatively small in scope as it was limited to investigating only one of many municipal mergers and involved only eight interview participants. However, due to purposive sampling that ensured that these participants were knowledgeable of the topic under investigation

and thus contributed rich data, the findings are trustworthy and may serve as a guideline for other researchers who may wish to embark on a similar study in other regions of the country.

5.5 Areas for Future Research

Based on the findings, this study concludes that municipalities in rural areas have limited to no revenue base and are generally dependent on grant transfers to be able to provide services to their residents. Most communities in these areas reside on tribal land and do not have ownership of the land or properties, hence these municipalities are unable to collect rates and taxes in their demarcated areas. Future studies may investigate the introduction of a monthly flat rate that the government can prescribe and implement in these areas for services rendered in order to assist financially burdened municipalities to increase their revenue base and improve service delivery.

5.6 Conclusion

The study intended to determine whether the merger of the ADLM under study had rendered it self-sufficient and less dependent on transfers, and whether this situation was sustainable. Based on the findings, it was argued that the ADLM merger would not be sustainable as the revenue base of the municipality had not increased even though the municipal jurisdiction and costs had been expanded. Therefore, for the municipality to be able to continue as a going concern, it was proposed that it needed to drastically reduce its expenditure to be in line with the revenue it would be able to collect, particularly as it was clear that this gap had a negative effect on service delivery within the municipality.

It is envisaged that this study will make an essential contribution to local government authorities and that they might take into consideration the findings of this study when they consider re-determining of boundaries of rural municipalities, as was the case in the Alfred Duma LM. The study suggests that municipal mergers in rural areas are not financially viable and may have a negative impact on service delivery.

For such mergers to be sustainable in the long term, it was recommended that affected municipalities should find ways of increasing their revenue base by utilising existing and new sources of income. Furthermore, the study recommended that municipalities with a limited or no revenue base should be allowed to exist and be dependent on government transfers.

Finally, the study demonstrated that amalgamations are not necessarily a solution to improving the financial viability or self-sufficiency of rural municipalities; rather, this initiative exacerbates the situation. The majority of rural municipalities have a weak and fragile revenue base; thus, they should continue to be transfer dependent.

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Washington, DC, United States of America.

APPENDICES

Appendix A: Ethical Clearance



15 September 2022

Hlengiwe Bawnile Carol Khuluse (203506802)
Graduate School of Business & Leadership
Westville Campus

Dear HBC Khuluse,

Protocol reference number: HSSREC/00004606/2022
Project title: The evaluating sustainability of the municipalities merger and its impact on service delivery
Degree: Masters

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 11 August 2022 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. **PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid until 15 September 2023.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

HSSREC is registered with the South African National Research Ethics Council (REC-040414-040).

Yours sincerely,



Professor Dipane Hlalele (Chair)

/ms

Humanities and Social Sciences Research Ethics Committee

Postal Address: Private Bag X9/001, Durban, 4000, South Africa

Telephone: +27 (0)31 260 8350/4557/3587 Email: hssrec@ukzn.ac.za Website: <http://research.ukzn.ac.za/Research/Ethics>

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

INSPIRING GREATNESS

Appendix B: Data Collection

Information Sheet and Consent to Participate in Research

Date: 15 July 2022

Greeting

My name is Hlengiwe Khuluse, I am studying towards a qualification of Masters in Business Administration (MBA) through the University of KwaZulu-Natal, College of Law and Management Studies, Graduate school Business and Leadership.

You are being invited to consider participating in a study that involves research that will be undertaken at Alfred Duma Local Municipality. The aim and purpose of this research is to evaluate whether the merger of municipalities is sustainable and what impact does it's had on service delivery. The study is expected to enroll only the municipal officials, councilors and stakeholders and will require the recruitment of eight (8) participants. It will involve the following procedures, each participant will be asked a total of three questions, subdivided into three or four semi-structured questions. The interviews will be done physical. The duration of your participation if you choose to enroll and remain in the study is expected to be no more than fifteen to twenty minutes.

The study may involve the following risks and/or discomforts in honestly evaluating the decision of the merger between Indaka and Ennambithi, from a personal point of view. The study will provide no direct benefits to the study.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number_____).

In the event of any problems or concerns/questions you may contact the researcher at (provide contact details) or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION
Research Office, Westville Campus
Govan Mbeki Building
Private Bag X 54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557- Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

State clearly that participation in this research is voluntary (and that participants may withdraw participation at any point), and that in the event of refusal/withdrawal of participation the participants will not incur penalty or loss of treatment or other benefit to which they are normally entitled. Describe the potential consequences to the participant for withdrawal from the study and the procedure/s required from the participants for orderly withdrawal. Under what circumstances will the researcher terminate the participant from the study?

State clearly if any costs might be incurred by participants as a result of participation in the study. If there are incentives or reimbursements for participation in the study, state how much and why they will be given.

Describe in detail the steps that will be taken to protect confidentiality of personal/clinical information, and the limits of confidentiality if applicable. Describe the fate of the data and stored samples.

INTERVIEW GUIDES QUESTION

Research Topic: The evaluating sustainability of the municipalities merger and its impact of service delivery.

1. What are the significant changes that can be the attributes to the implementation of the merger, and what they had brought to the organisation and community of Alfred Duma Municipality at large?

- 1.1 Having been part of the former and now the new municipality, what has changed for you.
- 1.2 Would you say the merger was a correct decision taken and why.
- 1.3 What are the significant changes or transformation having the merger brought about, whether administratively or political.
- 1.4 How have these changes impacted on the municipality and the community as whole.

2. Has the revenue based of the municipality improved and how is it impacting on the service delivery?

- 2.1 How is the financial performance of the municipality, now that it is bigger.
- 2.2 How does the collection rate look like after the merger.
- 2.3 Has the revenue base of the municipality increase or decrease.
- 2.4 In your opinion will it improve.
- 2.5 What impact will your answer on the above have on service delivery.

3. What proportion of revenue generating projects makes up the Integrating Development Plan (IDP) of the Alfred Duma Local Municipality and do they achieve the fiscal and developmental goal?

- 3.1 What kind of projects makes up the IDP of the municipality.
- 3.2 In your own opinion, should the municipality focus more on revenue generating projects or infrastructural projects when developing the IDP.
- 3.3 How can the municipality strike a balance in developing their IDP to include projects that will both sustain growth and impact service delivery positively in the municipality.

INTERVIEW GUIDES QUESTIONS (ISIZULU VERSION)

Isihloko Socwaningo: The evaluating sustainability of the municipalities merger and its impact of service delivery.

1. Yiziphi izinguquko ezibalulekile ezaba yimbangela yokuqaliswa kokuhlanganisa kwemikhandlu, futhi yini ezayiletha emkhandluni nasemphakathini kaMasipala i-Alfred Duma wonkana?

- 1.1 Njengoba ubuyingxenywe yomasipala waphambilini futhi usiyingxenywe yomasipala omusha, yiziphi izinto ezishitshile kuwe.
- 1.2 Ungasho yini ukuthi ukhuhlanganiswa kwemikhandlu kube yisinqumo esifanele futhi kungani.
- 1.3 Yiziphi izinguquko ezibalulekile noma uguquko olulethwe ukuhlanganiswa kwemikhandlu, noma ngabe ezokuphatha noma ezezipolitiki.
- 1.4 Lezi zinguquko zibe nomthelela ongakanani kumasipala nomphakathi wonkana?

2. Yingabe ithuthukisiwe yini imali eyinzuzo sisekelo kamasipala futhi inamthelela muni ekulethweni kwezinsiza kubantu?

- 2.1 Yingabe injani indlela yokusebenza yezimali zikamasipala manje njengoba usumkhudlwana.
- 2.2 Libukeka kanjani izinga lokuqoqwa kwezimali zikamasipala ngemumva kokuhlanganiswa kwemikhandlu.
- 2.3 Ingabe isisekelo semali enganayo kamasipala siyakhuphuka noma siyancipaha.
- 2.4 Ngokombono wakho izoba ngcono yini indlela izimali ezingena ngayo.
- 2.5 Impendulo yakho kulokhu okungenhla izoba namuphi umthelela ekuletheni kwezinsiza ngqangi emphakathini.

3. Lingakanani ingxenywe yomklamo enginisa imali elifakiwe kuHlelo oLudidiyelwe Lwentuthuko (IDP) likamasipala wendawo yase-Alfred Duma? Luyawufeza yini umbono wentuthuko nolwezimali zikaMasipala?

- 3.1 Hlobo luni lohlelo lwentuthuko (projects) olwenza IDP kamasipala.
- 3.2 Ngokombono wakho, kumele umasipala ugxile kakhulu kuhlelo lwentuthuko olungesisa imali noma imiklamo yengqalasizinda lapho ithuthukisa IDP.