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1998
New law could rescue debt (252)
ridden councils

By Joshua Raboroko

The inability of most of South Africa’s 840 municipalities to recover arrears amounting to billions for services and rates, coupled with a lack of management and budgetary skills, has plunged them into a deep crisis.

This state of affairs prompted Provincial Affairs and Constitutional Development Minister Mohammed Valli Moosa to propose new legislation in an attempt to salvage local authorities.

"The new law will remove obstacles to local government and thereby enable municipalities to play a meaningful role in community development," he explained.

Key areas to be addressed when Parliament resumes this year include the monitoring of local government, capacity building, support, planning and financial management.

Last year many councillors were unable to monitor budgets regularly or assess their council’s performance to ensure that spending (both capital and operational) and revenue collection were going according to plan.

As financial pressure mounts on local authorities, the national and provincial governments seem determined to offer help, but at the same time also want to impose discipline on municipalities.

Up to a third of the country’s councils are said to be financially unsound, while others are under severe stress.

A government quarterly report reveals that councils owed at least R10 billion as at September 1997.

Proper mechanisms

According to the report (the latest quarterly account will be available this month), indications are that the debt will continue to surge unless proper mechanisms are put in place to prevent this.

The last report, known as Project Viability, shows that Gauteng tops the list of debtors with arrears amounting to R4.5 billion, followed by Western Cape with R1.5 billion and Eastern Cape with R339 million.

KwaZulu-Natal owes R799 million, Free State R574 million, North West R389 million, Mpumalanga R305 million, Northern Cape R220 million and Northern Province R124 million.

Johannesburg’s metro and its four local councils, which owe R1.8 billion, have been unable to pay Eskom for months, prompting the all-party decision to reduce its budget by R121 million.

The golden city’s financial crisis became so serious last year that Gauteng MEC for development planning and local government Sipho Shaikeya appointed a commission of inquiry to investigate the problems.

The commission recommended a major crackdown on defaulters in a bid to recover the R1.8 billion arrears, the highest of all local authorities in the country.

During the last few months, the electricity, water and refuse removal services of thousands of residents were cut.

However, claims that Gauteng’s crackdown on the non-payment of services has produced vastly increased revenue may not be as straightforward as they seem.

Substantial sums were gathered from businesses and government authorities, rather than from low-income consumers. And even if township dwellers are now paying, it is too early to know whether they will continue to do so.

However, Johannesburg is not the only local authority in financial trouble and which is being investigated.

According to the deputy director-general of Constitutional Development, Crispian Oliver, about 240 audits were conducted among local authorities throughout the country.

Nevertheless, he said, stricter credit control by local authorities was working to some extent. But, he added: "For the councils to become economically viable, it is important that residents pay their rates."

Eskom’s national deficit dropped from R1.4 billion to R1.1 billion last year, and a fair number of urban residents rushed to pay their bills when service cuts started.

Moosa said the Government encouraged private sector partnerships with local government in order to empower disadvantaged communities. "We need to create jobs for the poor."

He also emphasised the training of local councillors. It is at this level, he said, that the Government is closest to the people—it is the sphere of government which affects people’s daily lives more directly than any other.

"Local authorities are essential to realising the transformation of the socio-economic landscape of the country. To this end, they must see to the effective delivery of services to communities across the country."

Pivotal role

Local authorities have also been assigned a pivotal role in the implementation of the development agenda of the Reconstruction and Development Programme.

President Nelson Mandela warned even early last year in his opening address to Parliament: "In so far as local government is concerned, there is nothing as urgent and as critical as the training of councillors."

"Their ability to raise funds and manage them, to play their role in the multi-billion rand housing and infrastructure programmes, to attract investment, to deal with the distortions of the apartheid era and to work with communities in a partnership for development are skills that should be built more intensively."

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Provincial Affairs Minister
Mohammed Valli Moosa
Banks warn they will not support provinces, unlettered spending

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Megacities 'create the ills they seek to cure'

ACROSS THE WORLD, megacity administrations have become bloated and services have cost more, opponents of the plan say. Metro Editor CLAUDIA CAVANAGH reports.

The "megacity" option, favoured in the government's green paper and which would remodel local government in the Cape metropolitan area into a single authority, has failed miserably in other parts of the world, the Cape Chamber of Commerce and Industry says.

Single cities have led to "bloated administrations" and removed decision-making far from the people the council serves, it says.

"The chamber favours a two-tiered system of metropolitan government in which each level exercises legislative, executive and administrative powers and functions," said chamber president Mr Johann Baard.

"We are opposed to the concept of a megacity with a single elected council vested with all municipal powers and functions and a single administration.

"Experience in other parts of the world has shown that single metropolitan councils lead to diseconomies of scale and bloated administrations. The implementation of decisions becomes unwieldy.""

Local authorities should have maximum autonomy and should not be subordinated to the metropolitan council," Baard said.

"The primary objective of the local government restructuring that is under way must, in our view, be to rationalise administration and to ensure that services are provided in the most cost-effective way.

"Where it makes economic sense to undertake functions and provide services on a metropolitan basis... this should be done."

"At the same time, where it makes economic sense to outsource or privatise such functions and services, this should also be done."

The Democratic Party's Ms Francis Kendall, who lives in Johannesburg, where the "megacity" debate has raged for some time, agrees with the Cape Chamber of Commerce and Industry's objections.

"A comprehensive study of the cost of public services in cities across the United States has found that public services in big cities cost three times as much as those in smaller cities," Kendall said.

Megacities in North America had "aggravated social and ethnic segregation and widened the gap between rich and poor neighbourhoods."

In megacities across the world, rates had risen and services deteriorated, causing a "vicious circle of disinvestment, economic decline and Third World decay linked to soaring crime," Kendall said.

The single-city concept was endorsed at the African National Congress' national conference last month.

Its proponents say single cities would erase duplication, dramatically cut costs and allow for a leaner administration. Most important, they say, they would enable resources to be redistributed from rich and mainly white suburbs to poor black townships, which the present system fails to do.
Curing SA budget ills

Cash-strapped provinces need greater powers to generate income and need to practise fiscal discipline.

Sharon Chetty explains why ...(262)

At the same time it has committed itself to improving the conditions of service in the public sector. While there have been voluntary severance packages (many with high payouts), the effect of that will only be seen in the long term.

Therefore Government's plan to finance the changes in the civil service by not lure has not worked. A higher economic growth rate, a more efficient civil service and better management of all departments would be the answer.

But in the meantime, political leadership at all levels is needed to spur the change, says Morobe.

A big problem in many Government departments is a lack of sound financial management, which contributes to the cycle of bad budgeting and overspending. The way money is spent has to be reassessed, he says.

In social welfare and education departments, for example, 90 percent of the budget goes to staff. In the health department it is not much lower, says Morobe.

While the introduction of a new budgeting system, the Medium Term Expenditure Framework, is expected to make people more prudent because they have to set goals and justify spending, greater fiscal discipline is needed, says Morobe.

Since provinces complain that the base from which they are working is essentially flawed and they therefore continue overspending, one of the "rescue" possibilities is that Government provides a one-off "adjustment" that will allow the provinces to start with a clean slate.

The disadvantage however, is that Government would then have to absorb the cost. But the "hows and whys" still have to be worked out.

Since provinces raise only about four or five percent of their money themselves, ways are also being looked at to give them greater powers to generate revenue.

While the picture may appear to be gloomy, Morobe is quick to reassure that "the situation can be taken under control".
Meagery threat to local governance

City councils are pregnant to

The impact of COVID-19 on local governance and resource management

in the context of the spread of the virus

A review of the measures taken so far

The economic impact of COVID-19 on local authorities

The measures taken by local authorities to address the crisis

The role of local authorities in the pandemic response

The need for continued support for local authorities
ANC chairman says he would have liked to finish his term as premier

LEKOTA KEEPS HIS OPTIONS OPEN
New party proposes four commercial

provinces
Local authorities set to be overhauled

Deborah Fine

GREATER Johannesburg's five local authorities are set for a dramatic overhaul following a critical internal audit report which described the city's structures and operations as "inefficient, ineffective and fundamentally flawed".

This was confirmed by greater Johannesburg metropolitan council deputy executive chairman Kenny Pihla, who described the report as shocking in that it indicated problems deeper and more widespread than thought.

"There is a compelling case for change the structures and operations, with some exceptions, are unaffordable, give poor value for money and poor service delivery," said the report, compiled by consultants Price Waterhouse, Ebony Financial Services and JKMT Brey at a cost R1.7m.

The organisational assessment is part of a plan to correct the financial and structural defects which led to the city's cash-flow crisis last year.

The report said too many resources were diverted to purely administrative, bureaucratic or support departments instead of to delivery of essential services. Most departments had at least four "top heavy" levels of management, leading to an "unjustified" ratio of senior managers to workers.

A lack of clarity on roles and responsibility, both between the five local councils and among individuals, had blurred accountability as well as discouraged ownership of problems.

The city's strategies on service delivery were largely unrealistic and based on a "utopian ideal of unlimited resources". There was an almost complete absence of clear operational plans to implement these strategies.

There was also a lack of proper evaluation of the financial implication of decisions, as well as unnecessary and costly duplication of functions within councils, between councils and the Gauteng provincial government.

The allocation of the city's resources was not based on priority needs or the requirements of efficient service delivery. Officials spent more time attending internal co-ordination meetings than addressing community needs.

Pihla said the report was "not demoralising", but the first step towards making local authorities performance driven and customer focused.

The councils would be considering proposals from the consultants this week on how to rectify the situation. Changes would have to be implemented within three months to ensure that the 2008/09 budget was based on new, streamlined operations.
Big shake-up ahead for local government

Two-tier system in Johannesburg, Durban and Cape Town to be replaced by ‘megacity’ option

BY CECLA RUSSELL

Local government is set to undergo a radical shake-up in terms of a new policy document now being circulated in top government circles.

Details of the new set-up are contained in the White Paper on Local Government, which will form the basis of legislation due to be passed in Parliament later this year.

The proposed changes were discussed at a meeting in Pretoria yesterday of Minmsc, a non-statutory body that acts as a link between the central Government and the various provinces.

They are due to go to the Cabinet for approval shortly.

The envisaged changes are viewed as the climax of local government reform that began in 1995.

High on the list of reforms is the scrapping of the country's three metropolitan structures and their substructures in Johannesburg, Durban and Cape Town.

They are to be replaced with a single-city metro council – the so-called megacity – and a system of ward committees headed by a locally elected ward councillor assisted by community representatives.

The broad thrust of the proposals has the backing of senior figures in the Government, including Constitutional Affairs Minister Mohammed Vauli Moe, Gauteng Premier Mathule Motshaba and Johansburg Metro Council deputy executive chairman Kenny Phala.

The document argues that the redistribution of resources envisaged by the present model was not sufficient and that the structure had created "significant tensions" that affected local government's ability to deliver services.

The proposed ward committees are intended to counteract the tendency of metropolitan government to become distant and unresponsive to local needs. The ward committees would have the right to be consulted on ward-related issues but would have only advisory powers.

Mayors would in future head their councils in an executive capacity. Provincial governments would have to decide on the detail of the structure of local entities under their jurisdiction.

The present 69:40 ratio of ward councillors to proportional representatives would be retained. The number of councillors countrywide could be significantly reduced because many local authorities have more councillors than they need.

But the reduction in councillors is unlikely to affect Greater Johannesburg. The city, with 290 councillors, has the highest proportion of people to councillors countrywide.

Various approaches have been suggested to revamp administrative systems. These include performance-based contracts for senior staff and revised codes of conduct, privatisation of municipal services, encouraging public/private sector partnerships, and the "corporatisation" of some services.

A revamped financial framework is also proposed.

The financial base of local authorities is likely to be beefed up by incorporating areas, which are currently untaxed, into the property tax net and revamping property rates.

It is proposed that a portion of the fuel levy be used to finance road development in local authorities. And a land tax is proposed for rural areas.

It is proposed that the borrowing powers of local authorities be extended.
Local public-private partners are key to cities' revival.

In the years of recession, the development of city centers and the social, political, and economic issues have drawn a line of interest to the concept of mixed-use development. The integration of retail, commercial, and residential uses in a single project has been a key strategy for revitalizing urban areas. This approach not only provides a more diverse revenue source but also fosters a sense of community and encourages mixed-income housing.

The concept of mixed-use development has evolved over the years, with early examples such as the Seaport District in Boston and the South Street Seaport in New York City. These projects were designed to be self-sufficient, with retail and commercial spaces generating income to support the residential units above.

However, the success of mixed-use development is not just about the physical layout of the buildings. It also requires careful consideration of the community's needs and the integration of social services, including childcare facilities, senior centers, and community centers. The goal is to create mixed-use developments that are not only economically viable but also contribute positively to the social fabric of the city.

In recent years, there has been a shift towards more sustainable and environmentally friendly approaches to mixed-use development. This includes the use of green building practices, energy-efficient design, and the incorporation of green spaces and rooftop gardens. These efforts not only benefit the environment but also enhance the quality of life for the residents.

As cities continue to evolve, mixed-use development will remain a crucial strategy for revitalization. The key to success lies in the collaborative efforts of public and private partners, who work together to create projects that are not only economically viable but also contribute to the social well-being of the community.
workers' commuting time and rationalising the provision of housing and infrastructure.

But the specialists do not foresee a pronounced shift towards higher residential densities.

Mabin argues that black and white elites, comfortable with a suburban lifestyle, have no commitment to it, and that SA developers are familiar with, and good at, turning profits from lower-density projects. "The conditions for the growth of Hillbrow in the 50s no longer exist," he says. "They'd have to be a real shift in the nature of the development industry."

Some densification will take place organically in the suburbs through subdivision, garden cottages and cluster housing, as white living standards level off. Johannesburg's cluster/townhouse complex threat is sure to gather momentum, not so much as a response to crime, Mabin believes, but because it is an efficient option for developers.

Mabin used to think that under the pressure of urban drift, SA's cities would go the same route as São Paulo and Bogota - "one 30-storey apartment block after another." He has revised his view, in part because SA does not suffer the same spatial constraints as the cities of South America. But he does envisage growing densification of the informal settlements encircling Johannesburg as rivalry for sites intensifies.

The issue for the specialists is not how informal settlement can be minimised - the trend is seen as unstoppable - but how to consolidate it. Indeed, Parnell argues that current land policies - the securing of rural tenure and rural settlement grants - are an echo of apartheid thinking which hinder consolidation by misdirecting resources to a lost cause.

Mabin stresses the creativity and resilience of ordinary people, and points to research showing the continuous formalisation of the informal economy as hawkers, taximen and tradesmen turn suppliers, fleet owners and contractors.

"There are probably more upwardly mobile blacks in SA than whites," says Parnell. "There is also consensus that there is no crisis of unrealised expectations" in SA, and that this deprivation is unlikely to trigger large-scale social disorder if people can see the possibility of a better life.

But the transition to permanent shelter and formal services is proceeding at a worryingly slow pace in SA's shack towns, and the effect of the reconstruction and development programme is seen as "patchy."

The inescapable implication is that patterns of distribution in the cities must change. "If money continues going into high walls in Sandhurst, rather than bricks and mortar for ordinary folk, there must be longer-term problems," Mabin says.

For him the key to unlocking the potential of the cities is the emergence of local public-private partnerships and the powerful local politicians - like New York's Fiorello La Guardia - who can drive them "Name one local mover and shaker in SA," he says "Everyone has their eye on provincial and national power."

Pilsel also underlines the role of the private sector, saying local government officials need to "balance equity and growth. There is still the idea that profits necessarily mean someone suffers," he says.

He points to the role of "growth conditions" in the strategies of politicians, businesses and civic bodies - in reviving the fortunes of decayed cities, as in the US.

"We need to deconstruct the overused phrase 'local economic development' and place it in the SA context," he says. "Our urban future hinges on this to a large extent."

Some families are forced to live on the roofs on blocks in the inner cities.
Withdrawing explosive proposals, IFP tells Moosa
The chickens come home to roost

The State begins to probe as criminal charges mount

The Office for Serious Economic Offences (Oseo) has begun to look into allegations of fraud and corruption against the SA National Civics Organisation (Sanco), an umbrella body for the township “civics” that sprang up in the mid-Eighties as alternatives to apartheid-sanctioned black local authorities.

These civic bodies were at the forefront of the Eighties’ rent and bond boycotts and contributed to the ANC’s campaign to render townships “ungovernable.”

Sanco has since denounced the perpetuation of these boycotts. But it has been implicated in acts of violence against the State, landlords, banks and their property, and individuals.

What was once an ANC ally has come to be regarded by the party as disruptive to its RDP projects and its Masakhane campaign for resumed rent and service payments.

The mounting complaints against Sanco may evolve into a full-blown criminal investigation by Oseo.

Johannesburg inner città landlords have alleged that Sanco is still using disruptive tactics, trashing the rental market. This has made the owners vulnerable to give-away property bids by Sanco, they say.

“Any possible costs to the public and to local councils as a result of Sanco’s actions are of concern,” says Auditor-General Henri Kleeber, “if proof exists, this needs to be investigated.”

Oseo’s involvement follows a report late last year on the financial status of Sanco’s national office by auditors Price Waterhouse. The report states that “the draft financial statement at March 1997 indicated insolvency.”

This is strongly denied by Sanco president Mlungisi Hlongwane.

Sanco founder and Sanco Investment Holdings (SIH) chairman Moses Mayekiso has been quick to draw a distinction between Sanco’s “political arm” and its investment companies, SIH and Sanco Development Trust, as well as its community development vehicle, Iluma SIH, which has investments of about R30m in blue-chip companies Hlongwane, who is also a non-executive director of SIH, asked at an SIH board meeting last Friday how Sanco could be written off if it has a 74% share in SIH.

Sanco’s shareholding in SIH is held by Sanco Development Trust.

A Sanco spokesman supporting Hlongwane’s denial of bankruptcy says Sanco made a loan (reportedly R6m) to SIH when it was formed. Whether that amount will be redeemed is Sanco’s debts remains to be seen.

Meanwhile, Johannesburg sheriffs are frequent visitors to Sanco’s offices, seeking to attach property to redeem its debts.

Owed substantial amounts of money in rent because of what they say are Sanco-led boycotts, many downtown Johannesburg landlords interviewed by the FM claim they are now unable to pay the council for services and have therefore been served summonses by the council.

Landlords attest to a systematic breakdown of landlord-tenant relations as a result of interference by Sanco. This tactic has resulted in what the landlords say is their near or actual bankruptcy, and is followed by offers from unofficial Sanco organisers to buy the buildings for “petty cash.”

Hlongwane, in the company of Sanco city organisers, has allegedly told at least one property management company that Sanco plans to use government housing subsidies to buy the buildings Hlongwane, however, completely denies this and any wrongdoing on the part of Sanco. He says he cannot answer for people who claim to be acting on the organisation’s behalf, and believes aggrieved landlords tend automatically to associate intimidatory tactics with Sanco.

Landlords say they feel trapped between Sanco on the one hand, and on the other the city council and Gauteng government, on which current and former Sanco members serve.

Sanco’s national housing chief, Sandi Ngqabulana, sits on the National Housing Board and is a ward councillor for Joubert Park, one of the main trouble spots.

In an apparent effort to ease the crisis, Gauteng Housing MEC Dan Mofokeng, a former Sanco secretary-general, says complaints of exploitation of landlords and tenants are now to be dealt with by the newly constituted Landlord Tenants Board.

Over the past two to three years Sanco inner città branch workers have advised tenants to put their rental money into “club accounts” rather than pay the landlords, and have arranged to pay for council services only, though not all council bills have been met.

Costly evictions for non-payment, which have been borne by landlords, have been followed by break-ins to buildings and the “ tenants” being convicted and fined by the State, while Sanco distances itself from their plight.

Death threats have been made to the partners of one property management company and to several landlords, though these cannot be directly attributed to Sanco.

Gauteng Democratic Party housing spokesman Ian Davidson tells the FM he plans to call on the Attorney-General “to investigate the criminal liability of Sanco’s leadership and the trustees of a certain Vukan Trust into which rental monies have been paid, and for which we have proof, as well as individual Sanco members who have collected monies from tenants which was due and payable to landlords.”

He says Sanco’s leadership has “ignored its political responsibility while the Attorney-General has ignored the criminal liability of Sanco’s members.”

Alun Goldburg
Vision of Integrated Metropolitan Development Falls

Local Government in Balancing Act Qualifies

Vallimooto accessorises that a more

CITY PRESS

FEBRUARY 1, 1998

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Local govt plans 'curb democracy'

By Deborah Fine

The draft legislation on local government would not further 'democracy' but was instead an indication that the African National Congress (ANC) wanted "total domination," Democratic Party councillor Max Moriarity said yesterday.

Moriarity leader of the DP in the greater Johannesburg metropolitan council, said he attacked on the draft document aimed at proposals to set up single-tier systems of governance in major urban centres, as well as drastically reducing the number of municipal councillors.

At present there are 11,300 councillors sitting on more than 90 councils countywide.

"Surely Johannesburg with close to 2,5-million voters cannot be represented by just 15 councillors instead of the current 296," he said.

With 40% of seats being determined by proportional representation, this would leave 27 wards seats with 100,000 voters per ward," he said.

In such a system, the ANC would win almost every election in every ward, he said.

Comment, page 11
Local government gets a slice of state pie

Local government will now be entitled to a share of national government revenue, after its formal recognition by Provincial Affairs and Constitutional Development Minister Valli Moosa yesterday. Vusi Khoza, an SA Local Government Association spokesman, said local government would now be entitled to have two non-voting members in the finance and fiscal commission and would also be represented in the National Council of Provinces.

"Basically it means that local government is a sphere of government and not an appendage to provincial governments." Beneficiaries would include rural councils with weak tax bases – Political Staff

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White paper reflects rethink on city concept

Wyndham Hartley

CAPE TOWN — The local government white paper would go to the cabinet within weeks for approval and would provide for the single city model of metropolitan government, Constitutional Development Minister Valli Moosa said yesterday.

At a news conference after the first meeting of the local government "Mnmen" — involving the minister and provincial MECs — Moosa said the African National Congress had endorsed the single city model at its conference last December and that there was no chance that the white paper would not provide for it.

He stressed, however, that the conference resolution had provided for a "phased" introduction of the single city model. Since shortly before the 1994 election, local government has been struggling to implement the present two-tiered metropolitan system.

Moosa said there had been time since the introduction of the tiered system to see that it was not working well enough. He said that in discussions he had held, the single city model was generally favoured and there was a recognition of "the imperative for there to be a single tax base for a single city". Focus of metropolitan government "had to be equity and redistribution".

Moosa said that discussions on the Masakhane campaign, which is designed to encourage consumers to pay for services, had dominated at least half the Mnmen meeting. Former leader of the ANC in the Western Cape, Chris Nissen, had been appointed national Masakhane co-ordinator.
Government needsholistic approach to meet demand of affordable housing in days ourSky specialists report crisis

Housing to play integral role in shaping the country's cities

ANALYSIS
Balking at megacities

Why tinker with structure when poor management is to blame?

The Western Cape, KwaZulu-Natal and even Durban’s ANC-controlled metropolitan council are opposed to government’s vision of replacing SA’s 850 municipalities with a small number of “megacities.”

A showdown between the ANC and opposition parties is looming over this urban model — the only option provided for in the draft local government White Paper.

The megacity concept has some influential backers, notably Provincial Affairs & Constitutional Development Minister Mohammed Valli Moosa, Gauteng Premier Mathole Motshekga and Johannesburg metro deputy executive chairman Kenny Phila.

Its detractors agree that local government reform is needed, but say this does not require scrapping the existing two-tier system.

The Western Cape’s South Peninsula municipality has threatened a Constitutional Court challenge unless the final White Paper, due out later this month, allows for choice.

A heated public meeting convened by the municipality last weekend nearly degenerated into a racial clash between ratepayers and councillors and some ANC representatives.

The National Party-controlled Western Cape is uneasy about the prospect of the ANC managing a powerful Cape Town megacity that would have control over 3m of the city’s 4m inhabitants. The same dynamic exists in KwaZulu-Natal, where the IFP controls the province but the ANC controls the metropolitan council.

Local government consultant Donald Craythorne argues that the megacity plan is both unconstitutional and unwarranted.

Craythorne, a former associate city administrator of Cape Town, former director of Constitutional Affairs for the Western Cape and author of the Municipal Administration handbook, dismisses the megacity proposal as “a political stunt” motivated by the ANC’s drive to centralise power.

The Local Government Transition Act’s regulations on equitable contributions already allow metropolitan councils to redistribute wealth across municipal boundaries, he says. This gives the lie to the argument that the existing two-tier municipal system needs to be replaced by the megacity model to ensure redistribution from wealthy areas to poor ones.

Craythorne’s chief concern is that a single-tier city government would deprive ratepayers of proper representation.

The draft White Paper reportedly proposes that the Cape metropole’s 340 councillors be reduced to 40. This would mean one councillor to every 75 000 people compared to about 1 800 now. In Durban the ratio could be 1 84 000 compared to about 1 800 now. As there will be far fewer councillors, those remaining will be able to command higher salaries.

“The top guys will want more money. Each will have a staff of special advisers and they’ll all become ministers,” he claims.

Megacities also require additional management tiers that will further increase costs. Craythorne predicts service delivery may worsen as megacities are prone to...
On track despite SA’s opening dismay

Hardheaded EU prepared to offer more tariff liberalisation

The European Union (EU)’s chief negotiator on a Free Trade Agreement (FTA) with SA, Philippe Soubestre, is confident the mid year target date for clinching a deal will be met “given political will from both sides and provided the pace achieved in recent months is maintained.”

This is despite SA’s disappointment that the EU’s detailed trade offer, presented on January 27, still excludes most of SA’s agricultural products, says SA chief negotiator and ambassador to the EU Eliaas Links.

After last week’s talks in Pretoria, Soubestre said he understands SA’s disappointment, but does not “share it entirely.”

“The proposal we have put on the table covers 90% of SA exports to Europe, with the prospect of full liberalisation over 10 years,” he says. “And we will soon add specific proposals for something like 4% more, pending discussion at EU level. So, 94% will be on the table.”

The question is whether the proposals for those products meet SA expectations, and in which areas they could be improved. “That’s part of the process,” Soubestre says. “You cannot expect that an initial proposal will meet your expectations 100%. Let us progress on that first.”

SA exports to Europe — by far its biggest trade and tourism partner — comprise 86% industrial, 13% agricultural and 1% fisheries products.

Currently 80% of SA’s exports to Europe enter the market duty-free, says EU expert Talitha Bertelsmann of the SA Institute of International Affairs. By contrast, only 44% of EU products enter SA without a tariff. SA is obliged under General Agreement on Tariffs & Trade (GATT) rules to reduce tariffs on 54% of EU exports by 2000, and Europe is obliged to let 83% of SA products enter its markets duty-free.

Bertelsmann says according to World Trade Organisation (WTO) rules, “substantially all” trade has to be included in an FTA, which means more than 90% of traded goods. “Under an FTA the EU would need to eliminate duties on only 7% of currently traded goods, while SA would need to eliminate duties on 36% of products to reach the target. Though the EU is proposing the exclusion of 45% of SA farm products, this amounts to only about 6% of SA’s total trade with the EU, which would allow the trade pact to remain WTO-compatible.”

Soubestre says the EU has excluded 45% of farm produce (or 6% of total trade) “for the time being” only. He says the figure was 40% when the EU issued its first proposal in 1996 based on 1995’s trade figures.

This showed that “SA has been competitive for those products precisely, which means that your competitiveness is already established — and the sensitivity on the European side has been confirmed — because even with protection you have been able to increase your share of the market.”

I have no doubt that at some stage in the negotiations we will have to improve that part of our offer.”

A crucial part of his mandate is to balance liberalised entry of SA goods to the EU with sensitivity to competition on the part of EU member states, notably Spain’s fishing industry.

SA has tabled a proposal which covers about 80% of EU exports to SA, says Soubestre. “But while you are prepared to consider full liberalisation for 100% of the trade (over 12 years), SA wants special treatment, or ‘protocols’, for 10 sectors” — red meat, dairy products, winter grain and sugar in agriculture, automobile and components, textile and clothing, TV assembly and parts, mineral oil fuel and derivatives, footwear, and arms and ammunition. SA also wants fisheries included as a special protocol.

The EU has accepted the deal could be asymmetrical, “which means that in terms of coverage, depth of timing, what we are doing goes beyond what we are called upon to do.” However, maintains Soubestre, “I still do not know what SA means by protocol, and how this will translate in operational terms.

“We need to know about the policies of the new SA. One might say that the process is still continuing. There might be some contradiction between those wanting to clinch the deal as soon as possible, and the fact that SA’s domestic policy cannot be decided and implemented overnight.”

Though aware of the importance of trade, which is the focus of the SA delegation, Soubestre says negotiators are “aiming at a comprehensive relationship” which includes economic co-operation and development, taking into account the consequences of a trade pact for SA’s regional partners.

OBITUARY

Ivan Faul

The FM’s head proofreader, Ivan Faul (62), died last Friday after a short illness. He was born in the Cape but moved to Johannesburg while still young. Faul started proofreading for Times Media Ltd (formerly Saan) in 1970, specialising in reading the FM’s pages for more than 20 years. For the past few years, after early retirement, he worked part time for the FM.

He was well known as a trade unionist and served on the Johannesburg branch committee of the SA Typographical Union.

The Editor and colleagues offer their condolences to his wife, Marie and two children, Llewellyn and Laurnda.
Chiefs to challenge legislation

Contractual powers that its powers will be cut

By ANDELE NQAYA

CITY PRESS
Law will provide for claims against insider traders

Linda Ensor

CAPE TOWN — Novel legislation providing for civil claims to be brought against an alleged insider trader was approved by the policy board for financial services and regulation and would be presented to Parliament this year, Johannesburg Stock Exchange (JSE) legal counsel Nicky Newton-King said in Parliament yesterday.

The proposed law was presented to a joint sitting of the trade and industry and finance parliamentary portfolio committees whose members generally welcomed it, though some with reservations.

It provided that "victims" would receive compensation for the harm caused by insider trading.

The proposals were the product of the King task group's report on insider trading and aimed to tighten legislative loopholes which had led to no prosecutions for insider trading in SA, despite allegations of widespread abuse, Newton-King said.

The proposed law would make it a criminal and civil offence not only to deal on insider information, but to also tip and encourage trade. A civil offence was proposed, in line with UK legislation, because of the contractual anonymity of securities markets which rendered normal contract law useless.

Task group member Brian Spilg said that the civil remedy would take the profit out of crime and remunerate victims. The burden of proof in a civil action was less onerous than in a criminal trial. And civil actions would not be hampered by the manpower problems of the police and justice department.

A special directorate with powers to summon and interrogate would be formed under the financial services board. The board would conduct civil prosecutions and refer criminal cases to the attorney-general. The board would be able to sue for profit, a penalty of at most three times the profit made from the trade, interest and costs of the suit. Victims would be paid a proportion of the court award minus the administration costs.

The proposed law would not limit insider trading to the specific internal affairs of companies but to the economy generally. It defined insider information as being not public; learned as an insider; and having the potential to materially affect the share price.

Another change proposed was that the perpetrator be "an individual" and not "a person" as this included companies. An individual was defined as an insider if he was a director, employee or shareholder, had access by virtue of employment or profession to the information and knew that the source of the information was a primary insider. The employer would be liable if the individual dealt on his behalf.

Committee members were concerned about the proposed inclusion of a defence for analysts and dealers, with Afrikan National Congress MP Andrew Feinstein expressing concern that this created such a big loophole it made the proposed law meaningless.

Under the proposed law, analysts could defend themselves by saying they had acted together an unpublished, price-sensitive conclusion from known and published information, while a dealer would be guilty of an offence only if he knew he was acting on inside information, either for himself or a client.
Green paper targets SA’s vulnerability to disasters

(Cape Town) — Vulnerability to disasters could be decreased significantly by better development planning and programmes, says a green paper on disaster management released last night by Provincial Affairs and Constitutional Development Minister Valli Moosa.

"Exposure to a hazard need not necessarily mean disaster. It is the level of vulnerability for those who are exposed to the hazard that increases risk, and thus the likelihood of a disastrous occurrence," it said.

"By taking full account of known hazards, the likely risks facing a community and the community’s capacity to withstand these hazards, focused development actually reduces the likelihood of disastrous events."

In the past, disasters had been dealt with largely on a reactive basis, but Moosa said this approach was unacceptable considering the loss of lives and property, especially in poor communities. Existing legislation was inadequate, he said, in not clearly delineating lines of authority.

Policy formulation and implementation should be co-ordinated by central, provincial and local governments, statutory authorities and voluntary and community organisations.

In his foreword to the report, Moosa said there should be regular training for those dealing with natural disasters. He called for comments and recommendations before April 30.
R2,08-bn earmarked for provincial debt

But Manuel denies bail-out

ALIDE DASHOFS
Business Editor

Provinces that have over-run their budgets will have to cut staff, use fewer cellphones and sell cars if they want access to a special, R1,5-billion fund to be set up by the state.

Finance Minister Trevor Manuel is asking parliament to approve additional spending of R2,73-billion on the 1997-98 budget of R166,7-billion.

Of this, R2,08-billion will be available for the provinces, mostly in the form of conditional grants.

"This is not a bail-out," Mr Manuel said at a briefing yesterday.

Provinces seeking money from the R1,5-billion available for conditional grants would be expected to come up with convincing plans on how to manage budgets more efficiently.

This would involve re-examining staff numbers, cutting down on inefficient departments and controlling spending on items like cellphones and government garages.

Expenditure on these seemed small in isolation, but added up to large amounts of money, Mr Manuel said.

Provinces would also be expected to recruit financial managers for "big ticket" departments like health and education.

He did not expect all provinces to apply for money.

"Most provinces have managed well in very difficult circumstances," he said. The R2,08-billion set aside for provinces should wipe out the bulk of their debt.

The extra money Mr Manuel is asking for brings the country's budget deficit to 4,3% of gross domestic product, instead of the 4% expected in the 1997 budget.

Included in the additional spending is R341-million for "unforeseen and unavoidable expenditure", which covers, among other things, losses of R235,9-million by the SABC, nearly R2,4-million for legal assistance to former president F W Botha and the privileges of former executive deputy president F W de Klerk, R150,8-million in legal aid and R15,7 million for the Truth and Reconciliation Commission.
Moosa faces MEC revolt

Provinces fear being sidelined by new local government proposals

Minister of Provincial Affairs & Constitutional Development Mohamed Valli Moosa is facing open revolt from provincial MECs who fear that new local government legislation will strip them of power.

They argue that proposals in the White Paper on Local Government currently under discussion, would significantly increase the independence of local authorities, thus reducing the provinces' power over them.

In at least three meetings with Moosa in the past month, MECs from all nine provinces have complained bitterly about at least three important clauses in the final draft of the White Paper. They held at least two secret meetings among themselves to devise strategies of attack before confronting the minister.

Interestingly, the revolt is being led by African National Congress MECs and supported by their counterparts in both the National Party-controlled Western Cape and Inkatha-controlled KwaZulu Natal.

Another meeting with Moosa, requested by the MECs, will be held on February 23.

The differences have surfaced at an awkward time for Moosa as he is preparing to launch another salvo in his ongoing conflict with the Western Cape Provincial government. This week, the Minister approached the High Court in Cape Town for an order directing the province to ensure that it reconstitutes its district councils on the basis of proportional representation. The ANC has been complaining for months that the Western Cape NP is trying to gerrymander local government to favour its strong rural constituencies.

The MECs' fight with Moosa, meanwhile, centres on several issues in the draft White Paper, stemming from the strengthening of local government in the Constitution. For example, the new dispensation stipulates that an electoral commission will run local government elections — a function that used to reside with the provinces. It also gives more clearly defined powers to local government, with less dependence on the provinces.

Local government finances are also a major issue, says Deputy DG of Local Government Chippie Olver. Where local governments used to receive money through inter-governmental grants disbursed by the provinces, now there is a formula based on needs, population and other factors, by which the money is paid independently of provinces.

The powers of provinces in this regard are therefore curtailed, ensuring that need instead of political whim becomes the overriding criteria in distribution of funds.

Other differences exist over the demarcation of local governments, which will be overseen by an independent board instead of the nine provincial boards of the past.

"We are negotiating on the various issues, but the reality is that we can only play at the margins. To really change it, they will have to get a constitutional amendment," says Olver.

Gauteng local government chief director Bamba Ndwandwe denies the differences are serious. "It's just that we occupy different seats and there are differences in emphasis," he says. Gauteng MEC for local government Sceclo Shiceka, alleged to be leading the charge, has agreed in principle that things had changed and local government would have more power.

The White Paper will be presented to Cabinet soon and, if adopted, will form the basis of a Bill.
All nine regions expected to seek a share of Manuel’s R1.5bn extra cash

Provinces extend begging bowls

CHRISTO VOSCHENK
CAPE EDITOR

Cape Town — Budget-watchers expected all nine provinces to notify Trevor Manuel, the finance minister, that they wanted to share in the R1.5 billion set aside for the provinces in the Adjustment Appropriations Bill tabled in parliament on Friday.

The provinces were given until the weekend to notify Manuel whether they wanted to enter negotiations for a share. Late on Friday the finance ministry could not give a final list of interested provinces.

Manuel asked parliament on Friday to approve extra spending of R2.7 billion, which would bring state expenditure to R169.4 billion and income to R163.1 billion for a deficit of R26.3 billion in the current financial year.

On Thursday, Manuel said the government would enter into bilateral negotiations with the provinces this week to divide the R1.5 billion.

Another R500 million would be transferred to the provinces out of the contingency reserve to bring the total additional amount available to cash-strapped provinces to R2.08 billion.

Manuel said the R500 million would be divided between the provinces using the formula of the Financial and Fiscal Commission (Fisc).

He said the R1.5 billion would be a conditional grant made in terms of section 100 of the Constitution. The conditions of this would be published in the government gazette.

Some of the conditions would be that the provinces should tighten up certain aspects of their management, cut down on staff numbers, improve management at non-performing state institutions such as development agencies before transferring money to them, and improve control over smaller expenditure items such as the use of cellphones and cars.

Manuel said that the nine provinces had borrowed a combined amount of R1.5 billion in overdrafts from banks at the end of January and that he did not expect this to deteriorate to the end of the financial year.

As banker to seven of the nine provinces, First National Bank would have extended the bulk of the overdraft facilities.

Manuel said the government would not guarantee these overdrafts. He warned banks to be responsible in their lending to provinces on overdraft.

"Banks would have to act responsibly. Quite clearly, some banks were guilty of undisciplined behaviour in their lending to provinces," Manuel said.

In addition, Manuel said that 802 individuals and companies out of 5,109 who had signed affidavits stating that their tax affairs were up to date before getting approval to invest money abroad, had subsequently been found by the receiver of revenue to have lied.

A large percentage of the 802 were in arrears with their taxes, and the receiver would act against them, Manuel said.
SA's cities ‘must change focus’

Deborah Fine

SA's cities were paying too much attention to racial integration and historical services backlogs at the expense of the promotion of economic growth and investment, a recent report by the Centre for Development and Enterprise said.

The report, "Cities and the global economy - new challenges for SA," said the growing strength of the global economy meant large groups of cities were gaining importance as the primary arenas of global economic and national competition.

Some analysts had suggested a decline in the importance of nations and a rising pre-eminence of cities in the global marketplace. This was because cities were the prime locations for the production of goods and services. More than half of the gross domestic product of most countries came from urban-based activity.

Cities would thus become the "engine rooms" of national economies, and the future of countries would depend on their cities becoming globally competitive, SA's future would be "decided in the big cities," the report said.

Globally, cities would have to compete for investment and capital, making it necessary for them to devise increasingly competitive means of attracting investors.

Besides having to face the "harsh realities" of economic competition on a global scale, cities in the developing world bore the additional challenge of growing populations, enormous services needs, and limited human and financial resources.

The only way in which the quality of life in these cities would improve was through sustained economic growth. Failure to achieve growth and investment would lead to insufficient resources to address backlogs.

SA cities therefore needed to realign their development priorities, which were too "logically" at present. While the correction of historical socioeconomic imbalances was vital, more focus was needed on making SA cities globally competitive by maximising and marketing their advantages to the global market.

It was only through competing as a "desirable site for investment in the tough global marketplace" that sustainable resources would be secured to effect SA's desired socioeconomic transformation.

"Any national economic growth strategy must have the role of cities as a top priority. To neglect cities is to jeopardise national development," the report said.

The new global economy was built on "access, communications and connections." Thus developing infrastructure, particularly transport and communications, had to be a priority. Government, business and labour needed to assess the impact of their policies on the global competitiveness of SA's big cities, the report said.

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Barnard stands behind blanket denial

Stephanie Bothma

PRETORIA — Two weeks into his trial on 34 criminal charges, it has become apparent that former Civil Co-operation Bureau (CCB) agent Ferdi Barnard will counter accusations of fraudulent deals by blaming them on a dead man.

Barnard offered no explanation for his plea of not guilty on all charges when his trial began in the Pretoria High Court on February 2. However, since then his advocate, Fanie Coetsee, has offered a blanket denial of all testimony implicating Barnard in criminal activity, including the May 1989 assassination of anti-apartheid activist David Webster.

On the fraud charges, however, Coetsee has repeatedly intimated that Barnard was no more than an innocent bystander, acting as a bodyguard and security expert for West Rand gangster Corrie Goosen, who was killed in a motorcycle accident near Port Elizabeth last May.

"I am instructed by my client that he merely provided security," Coetsee has told every state witness who has testified so far about the R1.7m scams which the state alleges were the brainchild of Barnard and Goosen.

While not denying his presence at the scene of allegedly fraudulent deals, Barnard has claimed that he was not involved in their planning or execution, at one point accusing his ex-lover, Amore Badenhorst, of conspiring behind his back with Goosen in an illegal diamond deal.

His most recent denial was on Friday, when Pretoria attorney Evander de Jager told how her life had been ruined by what she believed was a legitimate foreign currency deal in 1993, set up by Barnard and Goosen.

De Jager had found a buyer for seven billion Angolan kwanzas which were to be exchanged for dollars, but was told by Goosen that R200 000 in outstanding storage fees had to be paid before the kwanzas could be delivered to her client. After she handed over the money, Goosen disappeared.

The trial continues today. Former Vlakplaas policeman Chapin Klopfer will tell the court about Barnard's alleged criminal activities.
Refusal of salvage plan ‘has forced baleouts’

David Greybe

CAPE TOWN — The cabinet’s refusal six months ago to adopt a salvage plan for beleaguered provinces has contributed to the need for central government to bail them out, a senior government official said yesterday.

The official spoke during a break in the first of a two-day public hearing on the provincial audit reports called by the public service portfolio committee.

The audit reports, released last August, indicated that the Northern Province, Eastern Cape and KwaZulu-Natal were on the verge of collapse.

It said many departments and administrations were crippled by grossly inadequate financial information and human resource management. There was also a chronic shortage of skilled staff and a prevalence of misconduct.

Public Service Commission member John Ernstzen, speaking during the hearing on the Eastern Cape, called for the appointment of a national team of experts to assist the province.

Ernstzen’s suggestion that a few dozen experts work “cheek to jowl” for six months with Eastern Cape officials was very similar to a proposal submitted to cabinet last September by Public Service Minister Zola Skweyiya for a salvage plan for struggling provinces.

The cabinet, however, rejected Skweyiya’s proposal to set up a national task team of about 10 experts who would work full time for nine months to help the beleaguered provinces.

Skweyiya said at the time his cabinet colleagues were “rather reluctant” to release two of their best people as suggested in the plan. They agreed instead on a plan for national departments to assist their sister departments at provincial level. However, the official said yesterday that only the health, housing and social welfare departments had implemented the plan in a meaningful way.

“As a result, (Finance Minister) Trevor Manuel is having to bail out provinces with huge sums of money,” the official said. Manuel has set aside R1.5bn for the provinces.

Acting Eastern Cape director-general Mvuyo Tom described the province as being slowly on the mend since he took over from Thozama Botha last December. The biggest problems facing the province were a lack of skills and ill discipline.

Meanwhile, Mpumalanga premier Mathews Phosa told the hearing that his province, despite a projected small deficit, would not ask central government for extra funds. “The boosted public service has been an impediment to our efforts to shift our budgets into the areas of capital expenditure,” he said.

He called on the labour and public service departments to lead the way in negotiations with unions “to ensure that our government is streamlined, smaller and empowered to focus on areas of social and capital expenditure”.

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Critical metropole debate

Mohammed Valli Moosa

Why the metropole debate is critical for the future of our cities

The recent interest and speculation regarding the metropole planning proposals to be contained in the White Paper on Local Government is pertinent. If somewhat premature.

Unfortunately comments from political parties have tended to muddy the debate and reduce it to the supposed conflict between "parochial" and metropole options. The issues are much more complex than this and warrant serious examination in order to enrich the public debate.

Metropole areas are critical to this country’s economy. They contain 30% of the country’s population, generate 40% of GDP and are crucial instruments for both improved international competitiveness of our industry and for social advancement and empowerment of the previously disadvantaged majority.

The government has to play a crucial balancing act between imperatives for equity and poverty alleviation on the one hand and the creation of an environment for investment and job creation on the other.

There are not necessarily trade-offs and the challenge is to develop strategies which link local economic development with improved service delivery and increased access for the poor to urban amenities.

Six metropole authorities, created in terms of the Local Government Transition Act, have had a difficult transition period.

They have undergone extensive administrative upheavals and the division of assets and liabilities and the result has been an initial loss of over R120 million in municipal staff in accordance with inter-urban boundary and functional divisions. This has been accompanied by a reduction in clarity over the powers and functions of the metropole and local councils and difficulties in conditions of service and job evaluation systems.

They have incurred spatially distorted inefficient service delivery backlogs of apartheid. They are also required to deal with large-scale poverty - and the consequent problems of affordability and sustainability.

The transfer of these problems is being exacerbated by the fact that problems have been revealed. All metropole areas have shown certain general deficiencies that need attention in the future design of the system.

- There is a costly duplication of functions between metropolitan and local councils - in all cases top management, treasury, planning functions and staff are replicated for each local council - in some instances, tension and turf battles between metro and local councils have led to duplication on a huge scale.

- The ability to influence resource flows to areas of need; both in terms of poverty alleviation and growth promotion, is hampered - in no metropole area is redistribution happening on a sufficiently coherent and sustainable basis.

- In most cases metropolitan and local council services are not a single coherent system but have fragmented and inefficient structures. This is particularly pronounced in metropole areas - varying degree, the vision of integrated metropolitan development has failed and apartheid fragmentation of the city is being perpetuated.

- Political representation on local councils has not devolved to local communities as successfully as hoped. Perhaps because of the size of local councils, residents find local councils distant and unaccountable at metropolitan council level.

- Other costs associated with current top structures include an unnecessarily large number of councils and political office bearers and over-burdened finance directors for financial restraint or savings by local councils.

- Most importantly, metropolitan residents find the current system complicated and inaccessible and do not identify with the local political structures which represent them.

In short, metropolitan government in SA today is too costly, in many instances inefficient and is not providing the metropole the wide governance function envisaged for it.

Some metropole areas have taken decisive steps to overcome the limitations of the current system. For example, Durban has chosen to vertically integrate water and electricity provision rather than fragment these functions between upper and lower tiers.

Other metropole areas have not achieved these efficiency gains due to turf battles between metropolitan and local councils.

While the obstacles to potential efficiency gains in the current system must be removed, it is clear that for some metropole areas decentralisation of functions, administrations and political representation will be the most effective way to manage the metropole. Metropolitan government should be given full powers to enable the integration and decentralisation of functions as in the other system.

This flexibility should be built into the system of metropolitan government. We need to examine whether the levels of efficiency and efficiency required can be achieved within a system with independent tiers of municipalities.

There is a danger that a rigid split of powers and functions between tiers will not only perpetrate existing inefficiencies, but also limit the ability of metropole governments to adjust their delivery systems over time as circumstances change or better ways of delivering services are developed. A metro-wide government system which provides for decentralisation may be the best way to achieve the flexibility required within and between municipalities. Whatever system is adopted, we should at the very least avoid extraneous powers in independent local councils which may compromise effective service delivery.

Equally, the right of all metropole residents to benefit from the tax base to which they contribute cannot be compromised.

While these are important considerations, the debate on whether metropole areas should be governed by one or multiple municipalities has eclipsed several equally important issues which must be resolved in restructuring metropole government. To find the most appropriate system of metropole government, we must take a multi-faceted approach and see restructuring as a combination of changes to political, administrative, institutional and financial systems.

For example, strengthening local democracy and accountability may best be achieved through changes to the ward based election system, a focus on ward committees, creation of full-time ward councillors and establishment of performance reporting systems. Whether such councillors are on local or metropole councils is not a particularly critical issue.

Similarly, the allocation of functions to metropole municipalities simply creates a framework for affordable and efficient municipal service delivery. Improvements to delivery ultimately have to do with management reform, worker empowerment, the introduction of performance management systems and better budgeting and benchmarking new approaches such as corporatisation of the creation of special purpose bodies.

We should not be trapped in a debate over the division of responsibilities between metropole and municipalities and instead focus narrowly on metropole structures and assume that there must be a rigid correspondence between political and administrative structures. Rather, what is needed is a more homogenous conception of metropole government, the flexibility to adopt the best approach to delivering functions such as service delivery, revenue collection, economic development and political representation.

At the same time we must be mindful of the need for rationalisation at both political and administrative levels, to give us a clearer, more efficient developmental city government.

In tabling the White Paper on Local Government, the government will seek to provide a model that meets the above requirements and gives the citizens a chance to shape their own destiny in ways best suited to them.

As always I welcome public debate on the topic and hope that the above points have provided some clarity regarding the options we need.

Mohammed Valli Moosa is director of AML and Constitutional Development.
That monkey still clings to our back

SA lost nearly R1.4bn to fraudulent civil servants of the four formerly “independent” homelands in just five years — and that may be the tip of the iceberg.

The amount — calculated for the first time in an Auditor-General’s audit — was paid in salaries between July 1991 and March 1995 to staff who promoted and overpaid themselves and their cronies. Coincidentally, it nearly equals the amount Finance Minister Trevor Manuel set aside last week to bail out provinces with “critical problems”.

Not surprisingly, the provinces in the worst financial shape are those that inherited the civil services of the once nominally independent homelands — Transkei, Bophuthatswana, Venda and Ciskei.

The Eastern Cape, which has an overdraft of R800m, absorbed the Ciskei and the Transkei Venda fell within Northern Province, and highly fragmented Bophuthatswana fitted mostly into the North-West. The Northern Province and the Eastern Cape compete for the unenviable position of poorest in SA.

Though a report on the AG’s audit has been drafted, the figures have not yet been released to allow Justice Colin White’s commission — investigating corruption in the public service prior to the 1994 election — to conclude its work.

The White Commission is scheduled to complete its work in July, only then will the full extent of the losses be known.

However, in a letter to parliament’s Standing Committee on Public Accounts, deputy AG Bertie Loots gives a preview of what is contained in his report.

His audit does not include money paid to so-called “ghost workers”, the non-existent persons whose salaries are being drawn by other workers involved in scams. It also does not take into account the cost to the taxpayer of the thousands of “supernumeraries” — civil servants on the payroll who have no work to do.

The money lost to these two categories is not yet known, but is expected to run into hundreds of millions of rand.

Loots’ confidential letter shows that the overpayments were made by civil servants who appointed and promoted themselves, with generous salary increases, in the chaos that followed the collapse of the homeland system and its subsequent amalgamation in 1994.

Many of the overpayments also arose from alleged attempts to provide parity in salary scales between the various systems.

The audit exposes a huge gap in accountability with regard to the employees in the Transkei, for example, the salary position of 35% of a sample of workers “could not be tested owing to the personnel files of these employees not being submitted for auditing and a lack of sufficient alternative supporting documentation.” Four percent of these employees’ files could not be audited due to insufficient information on their files. The trend repeats itself in all the other homelands.

The audit finds that in the Transkei R484m may have been overpaid, R222m in the Ciskei, R422m in Venda and R201m in Bophuthatswana.

Eastern Cape Finance MEC Enoch Godongwana said this week that the province had “irredeemable difficulties” and would itself probably need all of the R1.8bn offered by Manuel.

In opening parliament two weeks ago, President Nelson Mandela said that “the measures that have been taken to eliminate corruption have uncovered many fraudsters in the government machinery, but we still have a long way to go”.

Netco Malula

FINANCIAL MAIL · FEBRUARY 20 · 1998
Sideling by stealth?

Is national government trying to bypass the provinces?

Never keen on federalism or decentralised government, the ANC reluctantly conceded to a form of provincial rule in the multiparty Convention for a Democratic SA negotiations of 1993-1994.

Four years later, with many of the provinces in financial trouble and unable to manage their affairs, let alone deliver, there is fierce debate inside the ruling party about the efficacy of provincial government in its present form (See Economy & Business page 46).

The question is whether provincial inefficiency has become so bad that the national government — out of frustration or desperation — has begun trying to marginalise or downgrade provincial government and, in effect, run the show from the centre. The problem is that SA's three-tier system of government is constitutionally entrenched. Scraping it would require a two-thirds parliamentary majority, which the ANC does not possess.

According to the Markenor research company's recent Business Climate Intelligence report, "there is a growing realisation in ANC circles that the only way to meet election promises is drastically to curb provincial autonomy."

With general elections 16 months away, it says, political parties are shifting their focus to issues of performance and governance, and, to a lesser extent, security matters. Longer-term economic goals, the report argues, will take second place in the drive to improve citizens' quality of life and the realignment of politics.

Tensions within the ANC alliance, the report suggests, extend to the provincial and national leadership over the election of provincial leaders and the pace of delivery by regional governments, "and there are signs of populist rebellion at both local and provincial level against the autocratic approach of the leadership."

The political independence of the provinces is of growing concern to the ANC leadership, it claims, pointing to wrangles last year in the Free State, Northern Province and Gauteng.

Far more weighty was the release of government's provincial audit last year, which "exposed widespread corruption, mismanagement, incompetence, indiscipline, nepotism, lack of vision and grossly inadequate management of financial and human resources."

The compiler of the report, Public Services director-general Paseka Nichola, concluded that the entire provincial structure "needs a rethink because, from an administrative point of view, the system is expensive, chaotic and unaffordable."

Lack of delivery by provinces (and most local government structures), says the Markenor report, threatens party and government unity. "For this reason ANC strategists are considering alternative options."

Provincial Affairs & Constitutional Development minister Mohammed Valli Moosa, it says, has said that his department is examining ways to reorganise administration to improve delivery and is considering a greater role for national departments in provincial administrations.

The report further claims that centrist in the ANC are exploring the provinces' mishaps to promote the single-tier, megalcity model for local government. "Their aim is to reduce provincial government, sandwich it between strong municipalities and megacities that deliver, and a mighty national government that devises the development strategies."

This deduction is backed by the negative reaction of MECs to the recent White Paper on Local Government, which they feel reduces provincial power over local authorities (Current Affairs February 13).

"Another suggestion is to reduce the provinces to regional administrations, cutting off their political heads and turning them into delivery machines," the report says.

KwaZulu-Natal's MEC for Housing and Local Government, Peter Miller (IFP), says the concept of "co-operative governance" between the national and provincial tiers, set out in Section 3 of the Constitution, "is being abused by the central government in order to co-opt the provinces."

Co-operative governance, Miller says, presupposes a relationship in which both parties are willing co-operators. "But what is happening is that this section is being used to say to the provinces 'we will decide policy and make the laws and you will carry it out whether you like it or not.'"

If that is to be the case, he adds, "all you need is an extension of the centre's administration in the provinces."

"As soon as you have a provincial legislature, executive and cabinet you presuppose that they have political discretion," Miller has no doubt that "the terminology of co-operative governance is being used to enforce co-opted government" in the provinces.

Like others in opposition, Miller believes there is a strong lobby that is not satisfied with provinces' performance and would prefer them to be run from the centre.

The NP-controlled Western Cape's principal legal adviser, Durk Brand, however, says it is difficult to assess whether the centre wants to take over. One way of
Provinces hold back on PAYE payments

Greta Steyn

Cash-strapped provinces have tried to alleviate their fiscal crises by delaying the payment of their public servants' personal income taxes to the receiver of revenue.

Sources said the issue had been raised at a recent budget council meeting between provincial representatives and the finance ministry. The ministry rapped some provinces across the knuckles for their failure to hand over pay-as-you-earn (PAYE) deductions.

"Provinces experiencing extreme cash flow problems have been trying to use the receiver as a banker. It seemed like an easy option," a source close to the budget council said. He said Finance Minister Trevor Manuel had warned the provinces to cough up by the end of March. "They were told that if they did not meet their payments, they would be breaking the law."

A figure of R1.6bn in backlogs in PAYE has been mentioned, but this could not be confirmed by people who attended the meeting, or by the minister's spokesman.

Manuel's office said the commissioner for inland revenue, Trevor van Heerden, was prohibited by law from confirming or denying the PAYE backlogs existed. An oath of secrecy prevented Van Heerden from discussing the tax affairs of particular taxpayers.

But Van Heerden indicated that he expected any shortfalls in payment to be met by the end of the fiscal year.

"We can confirm that the published revenue targets are those that the SA revenue service expects to reach this fiscal year," he said.

Pointing out that provinces that were behind on PAYE payments was not possible yesterday. A spokesman for the Eastern Cape, which is in dire straits financially, could not confirm or deny that payment had been stopped.

It is understood that the finance department's financial management systems picked up the non-payment of PAYE and that Manuel's deficit calculations last week took account of the debt to the receiver.

The provinces were probably trying to use the extra cash to reduce or wipe out their expensive overdrafts, rather than finance additional unforeseen expenditure.

Manuel made available last week a total of R1.6bn in additional finance to provinces with extreme financial problems. He also mentioned that provincial overdrafts had declined to R1.6bn at the end of January.

The Eastern Cape and KwaZulu-Natal indicated that they would each need about R1.5bn to solve their problems. As Manuel will be unable to meet their demands, the possibility exists that the two provinces will end the fiscal year with their bank balances in the red.

Economists said provincial overdrafts at the end of the fiscal year should be added to the deficit total to arrive at the "true" picture.

"Manuel has said the deficit will be 4.3% of gross domestic product against a budgeted 4%. He has remained emphatic that the figure will be 4.3% despite signals that the provinces are likely to end the year in the red."

Manuel and the provinces most in need of cash are negotiating the conditions attached to the additional finance. He has indicated that he will require them to use qualified financial managers, and that they will be asked to review their salary bills. It is understood that promotions have placed pressure on personnel costs.

The stringent conditions have deterred most provinces from asking for more money. Manuel has indicated that he will be able to provide further information next week on the provinces' applications for extra cash, as well as on the conditions agreed.

The present fiscal year is the first in which the provinces have run their own budgets, based on revenue allocated by central government. Provinces were allocated almost 54% of the total budget, spending for this fiscal year.

The provinces' difficulties in reaching their spending targets have led to some economists questioning the feasibility of using budgeted rather than actual — spending figures to calculate next fiscal year's budget.
Opposition alleges government acted too slowly to stop mismanagement

Provincial inefficiency under fire

Lynda Loxton
Parliamentary Correspondent

Cape Town — Trevor Manuel, the finance minister, yesterday dismissed allegations by opposition parties that government had failed to act quickly enough to stem financial mismanagement in the provinces.

Speaking during the national assembly's debate on the Appropriation Bill, which sets aside R1.5 billion to help provinces in financial difficulties, Manuel said only KwaZulu Natal and the Eastern Cape had applied for assistance, and the rest would manage on what they had been allocated in the 1997/98 Budget.

Ken Andrews, the Democratic Party finance spokesman, said the government had been warned since 1995 about the financial chaos in some provinces, but had acted "at a snail's pace".

"I would ask hon (Andrews) to stop crying wolf because the situation is nowhere near as calamitous as is suggested," Manuel said.

But he agreed that a great deal still had to be done to improve financial capacity in some provinces.

"We believe that the focus should largely be on constructing and strengthening fiscal capacity in the provinces," he said.

"The overall system is fraught with moral hazard because provinces are receiving too large a share of transfers from another level of government without them having to raise it.

"That is the key issue, and that is something that runs throughout the constitution that we need to be mindful of. It is an ongoing process, it requires cooperative governance and a lot of support from the national focus.

"I think that we must give recognition to the seven provinces that have done as well as they did."

He cited the Northern Cape, the Free State, the Northern Province and the Eastern Cape, whose NRCs were in the public gallery and they received a round of applause from the house. "They need to be commended for a sterling performance under exceedingly difficult circumstances."

Gavin Woods, the Inkatha Freedom Party finance spokesman, said he did not understand why there had been so much media focus on the financial problems of the provinces when the extent of overspending by national government departments was not that much less than that by the provinces.

Manuel denied allegations by Theo Alant, the National Party finance spokesman, that the budget deficit was actually 4.6 per cent of GDP instead of the 4.9 per cent claimed by Manuel because it had been funded by the strategic oil fund and the proceeds from privatization.

Manuel said the deficit calculation had not included the proceeds of privatization as revenues. These, as well as the proceeds of the sale of strategic oil stocks, had been used to reduce the debt burden and infrastructural loans. This year, less had been borrowed because other resources had been available.

Of the additional R2.7 billion being voted, R400 million had come from the agricultural credit account in the Commission for Public Deposits. This had been lying idle and not earning any interest. It had been transferred to the exchequer in terms of existing regulations and had not changed the deficit target.
Penalties for local govt needed — DP

Deborah Fine

THE Democratic Party in greater Johannesburg has called for the introduction of mechanisms to ensure local authorities which "defaulted" on services provision could be financially penalised, or have their councillors voted out of office.

The party was reacting to a Constitutional Court judgment last week in which it was ruled that ratepayers were not entitled to withhold municipal payments as a means of protesting against constitutional breaches committed by local authorities.

The court ruled that ratepayers should rather approach the courts to obtain orders compelling local councils to correct their behaviour.

DP leader in the Johannesburg council Mike Moriarty said the court had given "solid and cogent" reasons for this ruling.

His party believed, however, that the court should also have made a "strong statement in respect of the patent inability of many local authorities to render services anywhere near commensurate to the amount of money being paid by ratepayers."

Moriarty said it was "not good enough" that ratepayers should have to apply for writs against a council as court action was often "hugely expensive and of questionable efficacy."
### Table: Fiscal Position of Provincial Government

<table>
<thead>
<tr>
<th>Province</th>
<th>Revenue</th>
<th>Expenditure</th>
<th>Surplus/Deficit</th>
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<tr>
<td>Alberta</td>
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<td>British Columbia</td>
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<td>New Brunswick</td>
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#### Comment & Analysis

The provincial government is grappling with the problem of the province's fiscal management. The surplus in each province ranging from $1,000 to $1,000 indicates a healthy financial position. However, the government is looking into strategies to increase revenue and manage expenditure effectively.

### Analysis

- **Alberta**: Revenue is slightly higher than expenditure, indicating a balanced fiscal position.
- **British Columbia**: Shows a steady surplus, suggesting good financial management.
- **Ontario**: Maintains a consistent surplus, reflecting a strong fiscal strategy.
- **Quebec**: Consistent surplus, indicating a strong economic foundation.
- **New Brunswick**: Surplus, indicating a stable financial position.

The government is reviewing policies to ensure long-term fiscal sustainability and to address any potential challenges in the future.
A benchmark court ruling

No justification for service boycotts

In a watershed judgment, the Constitutional Court has described the culture of nonpayment of municipal service charges as a feature of the past which cannot be justified in post-apartheid SA.

The judgment means that people who are aggrieved about the conduct of public officials or local authorities cannot “take the law into their hands” by withholding payment for services rendered.

Constitutional Court deputy president Judge Pius Langa says in a 70-page judgment on a Pretoria dispute that payment boycotts have “no place in a constitutional State in which the rights of all persons are guaranteed and all have access to the courts to protect their rights”.

Those who believe their constitutional rights have been contravened should seek relief through the courts against government officials or institutions, instead of embarking on nonpayment campaigns, Langa states.

But, in a critical corollary to that conclusion, Langa’s judgment contains another salient finding — the council’s policy of taking legal action against defaulters in Pretoria while not acting similarly against house holders in arrears in the township amounted to unfair discrimination.

Langa prefaced his finding with a general observation: “No members of a racial group should be made to feel that they are not deserving of equal concern, respect and consideration.”

Two important conclusions can be drawn from the judgment:

1. There is no legal justification for withholding service payments because of differentiation by a local authority in its policy towards historically segregated areas, though aggrieved parties will be able to seek redress through the courts if they can prove the differentiation is tantamount to unfair discrimination, and

2. Local authorities will face court injunctions if they squeeze residents from historically white suburbs while adopting a lenient policy towards ratepayers in traditionally black townships.

As payment levels are still generally higher in the once whites-only areas, the challenge for local authorities is to press for payments across the board, even if it means losing votes for the majority party in next year’s general, provincial and — if they can be organised simultaneously — local government elections.

Patrick Laurens
The Local Government is also about economic development and good governance. Local government is the backbone of economic development and good governance. It is the local government that delivers services to the people, it is the local government that makes decisions about how resources are used, and it is the local government that ensures that the rule of law is upheld. Local government is therefore crucial to the development of a country.

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Fury as ministers 'bunk national council sitting'

Provicial head Letaola orders written explanations from Cabinet minsters
Truant ministers in for the high jump

Tshwete angry over absence

Clive Sauyer
Motional, Coase in Alunt

The absence of nine Cabinet Ministers from the National Council of Provinces at question time will be taken “very seriously”.

This is the vow of Leader of Government Business Steve Tshwete, who is the link between the executive and Parliament.

The first question session of the year for the NCOP, Parliament’s second House, had to be postponed yesterday when nine ministers failed to turn up.

None sent their deputies, meaning that with no other Cabinet members having turned up to observe proceedings, government benches were completely empty

NCOP chairman Patrick Lekota told chief whip Henry Makotho to contact Mr Tshwete to ensure that each minister provided written reasons for not being in the house.

Mr Tshwete told the Cape Argus he would take up the matter “very seriously”. Ministers were expected to respect Parliament and be present when this was required.

Mr Tshwete — who was not one of those absent — said that when he had to answer questions in Parliament and was not available he ensured that another minister deputised for him.

Those who were meant to reply to a series of 11 questions were Health


Dr Jordan gave a written reply.

Congratulations: NCOP chairman Patrick Lekota, centre, with outgoing deputy chairman Ben Ngubane, left, and Matthews Phosa, the new deputy chairman.

Mr Makotho said he had been told the ministers would be absent because they had been at a meeting in Johannesburg of the Inter-Governmental Forum, a liaison body for the three spheres of government, and that the meeting had been expected to last longer than scheduled.

However, it had not. This led Mr Lekota to question why it had not been possible for the ministers to appear at the NCOP meeting.

Opposition parties expressed concern that ministers were failing to treat the NCOP properly.
New bill opens way for board to redraw municipal boundaries

By Lee-Anne Alvis
City Desk

Changes to South Africa's municipal boundaries will be on the cards once again if proposals to Parliament are approved.

The Municipal Demarcation Bill, published for comment last Friday, proposes the setting up of an independent, impartial board to draw up new municipal boundaries.

The bill will be submitted to Parliament before the end of the month.

The board—which will be composed of between 11 and 16 members—is expected to be operational by next year, Chappy Olver, local government deputy director-general of the Constitutional Affairs Department, said yesterday.

South Africa's municipal boundaries were last amended before the 1996 local government elections.

All former demarcations were done by politicians, but the bill seeks to move away from this tradition by establishing a board that is independent and impartial and 'performs its function without fear, favour or prejudice', according to the department.

In terms of the bill, board members must be South African citizens with experience in local government or any sector related to development planning, finance and administration, legal matters and land surveying.

Board members are appointed for five years and may be re-appointed.

The proposed legislation stipulates that the board advertise its intention to determine and redraw a boundary, and consider all objections to the moves.

The board must also relay its decisions to the Electoral Commission to ensure it will not affect the representation of voters in any council.

The board must also determine several factors while redrawing boundaries, including:

- any demarcation policy determined by the minister of provincial affairs and constitutional development;
- the interdependence of people, communities and economies;
- the financial and administrative capacity of the municipality to perform municipal functions efficiently and effectively;
- the need to share and distribute financial and administrative resources;
- existing functional and municipal boundaries;
- existing and proposed service and administrative systems;
- existing and expected land usage in the area;
- town and transport planning;
- the need to establish a single, cohesive, unfragmented area;
- topographical, environmental and physical characteristics of the area;
- the need for co-ordinated municipal, provincial and national programmes and services;
- the administrative consequences of its boundary determination.

Olver said that while all municipal boundaries would be studied, the board was expected to deal first with those municipal areas considered a priority. However, he would not identify which areas had been classified a priority.
9 ministers fail to show up at National Council of Provinces

Deputy chair Phosa pleads with politicians not to treat the NCOP like a leper

BY JOVIAK RANTAO
Cape Town

With no fewer than nine cabinet ministers absent and thus unable to answer questions in the first sitting of the National Council of Provinces, the chamber's new rotating deputy chairman, Mathews Phosa, pleaded with politicians to take Parliament's second house seriously.

In his maiden speech soon after he was unanimously elected, Phosa, who is also premier of Mpumalanga, said the NCOP should be taken seriously by all cabinet ministers, premiers, the deputy president and the president.

"The NCOP should not be regarded as a stepbrother or stepaunt of the ANC or as a leper," Phosa said.

The ministers, who were all delayed at the Inter-Governmental Forum (where the implementation of policies of the Government at national, provincial and local levels is co-ordinated) in Pretoria, but failed to send apologies to the NCOP, were Health Minister Nkosazana Zuma, Home Affairs Minister Mangosuthu Buthelezi, Minerals and Energy Minister Penuel Maduna, Environmental Affairs and Tourism Minister Pallo Jordan (who provided a written reply to questions), Housing Minister Sankie Mhembu-Mahanyele, Correctional Services Minister Sopo Mzemela, Welfare and Population Development Minister Geraldine Fraser-Moleketi, Justice Minister Dullah Omar and Arts, Culture, Science and Technology Minister Lionel Mashabane.

NCOP chairman Patrick Lekota has ordered the ministers to provide written replies.

Opposition political parties expressed their dissatisfaction at the manner in which the ministers had treated the chamber.

ANC chief whip in the NCOP, Henry Makqotha, said the ministers had contacted him to request that their replies to questions stand over.

Phosa replaced KwaZulu Natal Premier Dr Ben Ngubane as the rotating deputy chairman.

The constitution allows for each of the nine provinces to get a turn to elect a deputy chairman for a 12-month tenure.

Phosa said one of the major challenges facing the NCOP was to ensure that the "voices of the grassroots" were heard at the highest level.

"The status of the NCOP will not be determined by wines and steaks but by attending to issues that affect the grassroots on a daily basis. It's the nature of things and how we deal with them that will determine the status of the NCOP and how seriously it's taken," he added.
Lekota to see Mandela as ministers snub provinces

CHARLES PHAHLANE
PARLIAMENTARY BUREAU

National Council of Provinces chairman Patrick Lekota is to see President Mandela after several Cabinet ministers ignored his order to attend question time in the house today – the second time in a week.

"I find this situation completely unacceptable," he said "This is a very serious matter and it raises the question to what extent we are loyal to the Constitution."

Mr Lekota, who is also national chairman of the African National Congress, accused the ministers of turning the house into a circus.

The NCOP postponed its debate on the Adjustment Estimates Bill because of the no-show.

Only Finance Minister Trevor Manuel arrived for the debate, with Deputy Minister of Minerals and Energy Susan Shabangu.

"I cannot allow the situation, and I would be failing in my duty to allow that this debate can take place without the people who must answer questions. I owe it to this house, to all of the parties that are here and the voters," Mr Lekota said.

Ministers sent apologies for failing to turn up for Tuesday's plenary after Mr Lekota had demanded they explain their failure to turn up in writing.

Tuesday's item on interpellations was postponed to today.

Mr Manuel offered to answer questions that may arise from the bill for the absent ministers, but Mr Lekota turned the offer down.

There were suggestions that the council vote on whether to debate the issue or not but he rejected those too.

On Tuesday he had underlined the fact that Parliament was not made up of the National Assembly alone.

Mr Lekota said his order that the ministers be present had been issued in terms of his powers under the national Constitution.

Cabinet accountability – page 13
Parliament

Monarchs argue that many of the questions are better addressed by their ministers, and that it is a waste of their time and the taxpayers' money. The question of whether the monarch should have a role in the running of the country is a matter for voters and the electorate to decide. In the past, there have been occasions when monarchs have played a more active role, especially in times of crisis or when the electorate has been divided.

Lekota tackles ministers' absent-minded approach to work

Wythman Hardy reports on the latest row over executive accountability:

The National Council of Provinces' finding by the National Assembly's political co-ordinator, Wynand Van der Walt, that the ministerial cabinet were guilty of absent-mindedness is a significant step forward in increasing accountability. The council's report, released today, highlights the need for ministers to be more accountable and transparent in their decision-making processes. The report also calls for greater oversight and monitoring of ministerial actions to ensure that they are fulfilling their duties effectively.

Walter Sisulu, a former deputy president of South Africa, has been appointed as the new director of the National Assembly's political co-ordinator. His appointment comes as the council faces criticism for its handling of the recent Zuma and Mabuza scandal. Sisulu's role will be to ensure that the council's findings are implemented and that ministers are held accountable for their actions.

The council's report also acknowledges the challenges faced by the government in managing the country's affairs. It calls for greater cooperation between the executive and the legislature to ensure that policies are aligned and that decisions are made in the best interests of the country.

The report also highlights the need for greater oversight and monitoring of ministerial actions to ensure that they are fulfilling their duties effectively. It calls for greater transparency and accountability in the decision-making processes of the government, and recommends that the council take a more active role in monitoring ministerial actions.

The council's report is a significant step forward in increasing accountability and transparency in the government. The appointment of Walter Sisulu as the new director of the political co-ordinator is a positive development, and his role will be crucial in ensuring that the council's findings are implemented and that ministers are held accountable for their actions.
Finance impasse as Lekota cracks down

CAPE TOWN — Government finance became embroiled in a "constitutional impasse" yesterday following a decision by the National Council of Provinces chairman, Patrick Lekota, to allow a debate on the Adjustment Appropriation Bill because of the nonappearance of cabinet ministers.

Lekota went so far as to rule Finance Minister Trevor Manuel out of order when he tried to object to Lekota's ruling that the debate be postponed. Lekota's decision upheld the views of minority parties who requested a postponement and went against those of his own African National Congress (ANC), whose members voted for proceedings to continue.

Lekota insisted that the constitutional provisions relating to the council's functioning be strictly applied and that it not become a mere rubber stamp. The presence of ministers had been specifically requested by members to ask them questions.

Manuel obtained legal advice on the implications of a delay in passing the bill, which authorises additional government expenditure for the remainder of the year.

"It is imperative that the council approves the bill before the end of the fiscal year," Manuel said. Otherwise, technically, additional expenditures would be regarded as unauthorised by the auditor-general.

An "extremely disturbed" Manuel had dealt in depth with provincial expenditures. "To then seek to amend what you did not approve seems to be a contradiction in terms of parliamentary convention. That is the same process which we have to deal with.

"This matter is out of line. The key issue is that from next week we go full steam ahead with the budget and I don't know when the (council) will reconvene. But it does create something of a constitutional impasse." Lekota said he found it "completely unacceptable" that six ministers were absent. He regarded it as a serious constitutional violation and would raise it with President Nelson Mandela.

Having failed to submit written replies, they were obliged to attend Tuesday's session when they did not do and yesterday they disregarded Lekota's ruling that they be present. Manuel had to answer questions on their behalf.

Lekota clamps down. Page 13
LOCAL government transformation was aimed at "capturing the synergy" between the alleviation of socio-economic inequalities and economic growth, rather than favouring one over the other, constitutional affairs senior official Chippy Oliver said yesterday.

He was responding to comments from the privately funded Centre for Development and Enterprise that the transformation policy proposed by the local government green paper appeared "unrealistically skewed" in favour of redistribution and service delivery-orientated development.

Policy should instead concentrate primarily on economic growth and globally competitive cities to ensure sufficient future resources to carry out the delivery of infrastructure and services, alleviate historical socio-economic inequalities, the centre said.

It hosted a workshop to stimulate debate when the new local government white paper was launched on Monday.

"Poverty and inequality is the one key challenge, economic growth the other. A trade-off is required ... (it is) essential for towns and cities to increasingly choose priorities through an economic lens," the centre said.

Apart from addressing skewed settlement patterns, backlogs in service delivery and apartheid-induced concentrations of taxable economic resources, local government policy should also emphasise technological, telecommunications, transport and formal economic sector needs which would directly affect local authorities' future economic prospects, it said.

Oliver said this "trade-off" view presented a "completely false dichotomy".

"There is an ugliness behind it which suggests ditching the poor and focusing on growth in the belief it will eventually trickle down to them." Policy attempted to "marry" the two
Report finds megacity ‘unworkable’

CAPE TOWN — The proposed megacity system of local government was completely unworkable in a modern democracy, according to a report published by a leading consultancy in Canada, Wendell Cox.

The megacity, or single city, option violates the principle of democracy and accountability, the report released by the Cape Metropolitan Council yesterday says.

The megacity concept is believed to be favoured in the white paper on local government, now due for consideration by the cabinet. Last week the council and the metropolitan local councils argued in favour of the integrated two-tier system.

The report says the megacity concept would “dilute democracy, creating government that is more remote and thereby less accountable and responsive to its electorate.”

The chairman of the council’s executive committee, Pierre Uys, appealed yesterday to the government not to make any hasty decisions on the matter.

“All available information shows that the megacity would be a disaster. Far more time is needed to examine alternative systems in a responsible and scientific manner,” Uys said. — Sapa.
Lekota slams missing ministers for snub

JOVIAL BANTAO

NATIONAL Council of Provinces (NCOP) chairperson Mr Patrick Lekota has launched a blistering attack on 10 cabinet ministers who snubbed his council yesterday for the second time this week.

He suggested their absence was turning Parliament into a "circus" — at taxpayers' expense.

Lekota accused the ministers of flouting the Constitution. The ministers were also absent on Tuesday when they were originally meant to be there.

"None of us wants to be part of a circus at the expense of the taxpayers' money," an angry Lekota said.

"The President would not direct any ministers to ignore this Constitution and to attend matters which are not their primary task. I find this completely unacceptable," Lekota said he would ask President Nelson Mandela to intervene.

Constitutional Affairs Minister Mohammed Valsi Moosa has since been given the task of arranging a meeting to secure better co-ordination between the two houses of Parliament.

The NCOP was hoping to pass Finance Minister Trevor Manuel's Adjustment Appropriation Bill in which their departments were given extra funds in their budgets in 1997/98. The failure to pass the bill means Manuel will present the 1998/99 budget on Wednesday without having first finalised departmental spending for last year.

Manuel yesterday made a vain attempt to answer the questions on behalf of his fellow ministers. He argued that the council, as Parliament's second chamber, did not have to discuss his bill in its detail. But he was overruled by Lekota and the members of all parties.

Manuel left the chamber an angry man. His department later described the impasse as "most unfortunate." Another session would have to be held before the end of this month to pass the bill. If the bill, which has been passed by the National Assembly, is not approved by the NCOP, government departments and provinces will have spent additional money in the current financial year without the approval of both houses.
Manuel runs into budget crisis

National Council of Provinces refuses to approve minister’s expenditure applications.
‘Terror’ stalks the Cabinet

Lekota blasts 10 no-show ministers for turning Parliament into ‘a circus’

BY JONAL HARTROD
Cape Town

Patrick “Terror” Lekota, chairman of the National Council of Provinces (NCOP), has launched a blistering attack on 10 Cabinet ministers who yesterday snubbed his council for the second time this week.

He suggested their absence was turning Parliament into a “circus”, at taxpayers’ expense. Lekota accused the ministers, eight of them ANC members and two Inkatha Freedom Party members, of flouting the constitution.

The ministers were also absent on Tuesday when they were first meant to appear.

Absent yesterday were Justice Minister Dullah Omar, Health Minister Nkosazana Dlamini Zuma, Education Minister Ntsosehe Benga, Telecommunications and Broadcasting Minister Jay Naidoo, Provincial Affairs and Constitutional Development Minister Mohamed Valli Moosa, Environmental Affairs and Tourism Minister Pallo Jordan, Housing Minister Sankie Mthombeni-Maharyele and Welfare Minister C. S. Thine Fraser Moleke. All of the ANC, and Correctional Services Minister Sopo Manela and Arts, Culture, Science and Technology Minister Lionel Mbakela, both of the IFP.

Lekota said he would ask President Nelson Mandela to intervene. “When ministers respond and come to this House, they are not doing me a favour. They’re fulfilling their obligation under the constitution.”

The ministers’ non-appearance yesterday to answer questions on their departments’ budgets means Manuel will present the 1998/99 Budget on Wednesday without having first finalised government spending for last year.

Manuel yesterday made a vain attempt to answer the questions on behalf of his fellow ministers. He argued that the NCOP, as Parliament’s second chamber, did not have to discuss his bill in detail.

But he was overruled by Lekota and the members of all parties. Manuel left the chamber an angry man. His department later described the impasse as “most unfortunate”.

Another session would have to be held before the end of this month to pass the bill.

If the bill, which has been passed by the National Assembly, is not approved by the NCOP, it would mean government departments and provinces would have spent additional money in the current financial year without the approval of both Houses.

The Finance Ministry said it would have wanted a situation where the budget for the fiscal years 1997/98 and 1998/99 would have been debated simultaneously.
Come under fire
Non-attenders

BY CHINA CARVER

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Why we need provincial governments

Provincial government is more a matter of democracy than another layer of management, writes Steven Friedman

Provincial government was established to ensure that they should not deliver run or that they should not deliver services. But, if we see them as vehicles for democracy rather than as another layer of management, whether they do this or not is a matter between them and their voters, not between them and central government.

If we are to discuss their future or role, the issue is not whether they are better at performing functions than unelected officials responsible to national government. It is whether they are better vehicles for democracy.

If, therefore, we believe that South Africans do have regional identities and interests which ought to be represented, officials in the provinces should be directly controlled by representatives of voters, and that differing sources of power in the governing party and a route into the system for opposition parties besides national government is vital, then we need provinces.

Most of these issues can be boiled down to one, mentioned previously in this column: if we feel that difference, within common norms set by a national constitution, is healthy, we need provinces. If we feel it is divisive, we do not.

But if we decide that we need provinces, we may need to do far more thinking and working to ensure that they are effective democratic vehicles.

At the moment, they are not. As noted above, their legislatures do little to translate regional needs and desires into law or policy. And, while events in the ANC over the past year have shown that difference between the provinces and national leadership is a reality, it has been expressed more in disputes about personalities than in different interests and approaches.

One obstacle to provinces playing this role is our system of "co-operative governance" which tries to cut down on differences between provinces by forcing many of the vital decisions which affect them into a national decision-making body, the National Council of Provinces.

Among other effects, this reduces further the effectiveness of provincial law-making bodies, whose most important functions are taken elsewhere and whose role is largely reduced to deciding how their province is to vote in the council.

But even this does not explain the provinces' limited democratic role if they decided to turn the council into a vehicle for debating the perspectives of provinces, rather than adhering strictly to their national party lines, it could become an important vehicle for democracy. The chief fault of this role in the political weakness of provincial legislatures and their limited ability (and willingness) to represent their voters and to take independent positions where voters want them.

It is this weakness which requires urgent attention if we are to have effective provinces. Their future should depend on the extent to which we can achieve strong provincial legislatures which respond effectively to voters needs.

But what about delivery problems? Surely citizens should not be forced on or suffer from capacity problems while central government can help sort out, and can be offered in a way which does not undermine the provinces elected representatives' roles and take power.

Secondly, if provincial democracy was strengthened, voters might be able to do far more to hold non-performing provincial governments to account.

If they repeatedly vote back into office people who have failed them, it is they who will live with their choices. If they do not want to be 'saved', it is not national government's job to save them.

The provinces are vehicles to give us a voice, not conveyors of a governance factory.

But if we believe we need that voice, the same is not whether provinces should survive, but how to make them work.

Friedman is director of the Centre for Policy Studies.
Local govt white paper was consultative.
The people's voice in local government

DEWAY HOLLOWAY

(262)

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White paper will revamp local government

BY HOPHVEL RADERE
Political Reporter

Local Government Minister Valli Moosa will today launch the White Paper on Local Government, which is set to transform the electoral systems, boundaries and structure of municipalities.

Department deputy director-general Dr Crispian Oliver said a "string of related bills will be tabled in Parliament this year to allow the smooth introduction of the Local Government Bill."

He said the transformation of local government would affect the Demarcation Bill and also introduce the Electoral Systems for Local Government Bill.

"All this will happen before the end of the year," Oliver said.

Since a thorough consultation process was done on the green paper, Oliver said it was unlikely the portfolio committees would repeat the process of conducting public hearings to a similar magnitude.

There were at least 230 written submissions received from representatives of organised local government associations, individual municipalities, ratepayer associations, political parties and academic institutions towards the formation of the white paper, he said.

"Members of the public will be granted an opportunity to comment on the legislation that will follow from the white paper.

"The national legislation based on the white paper will mark the end of the interim phase of the local government transition and take us into the final phase of establishing new local government systems and institutions," Oliver explained.
Ministers to account for absence at NCOP

By Ido Lekota

AFTER a week of constituency work, parliamentarians return to Parliament today and Cabinet Ministers are expected to explain their failure to attend last Thursday's crucial sitting of the National Council of Provinces (NCOP).

Cabinet Ministers were expected to take part in the debate on the Adjustment Appropriation Bill which authorises the Government to spend more money for the remainder of the current year.

Their absence has led to a constitutional crisis whereby the NCOP has to reconvene before the end of the current financial year to approve the Bill - failing which the Auditor-General will regard the additional expenditures as unauthorised.

The Thursday sitting was postponed after NCOP chairman Mr Patrick Lekota overruled Finance Minister Trevor Manuel's offer to answer questions on behalf of the absent Ministers.

Only Manuel, Safety and Security Deputy Minister Joe Matthews and deputy Mineral and Energy Affairs Minister Susan Shabangu were at the sitting.

An angry Lekota said the absent ministers were in contravention of the country's Constitution by failing to come an explain how they were to spend the public's money.

He accused them of reducing the NCOP into a circus, where people disregarded their accountability to those who had voted them into power. Last Thursday's incident is expected to cause tensions within the ANC.

In an interview with Sowetan, Lekota said he could not think of any excuse that could have led to the ministers' absenteeism.

"I cannot think of any business that can supersede the work of parliament," he said.

The newly appointed leader of Government Business, Steve Tshwete, on the other hand, was defensive, saying ministers could have had valid reasons not to attend.

"We cannot just guillotine them without hearing what they have to say," he said.
Vuyo Mvoko

CAPE TOWN — The standoff between National Assembly chairman Terror Lekota and cabinet ministers who did not attend last week's council plenary was not a deliberate act of defiance on the part of the ministers, Lekota and leader of government business Steve Tshwete said in a joint statement yesterday.

The statement did not untangle the web of confusion triggered by Tshwete's assertion that the issue was resolved at a meeting on Sunday between himself, Lekota, speaker Baleka Kgatla, deputy speaker Frans Ginwala, deputy speaker Baleka Kgatla, Constitutional Affairs Minister Valli Moosa and council deputy chairman Bulelani Ngcuka.

Lekota denied that such a meeting had taken place. Yesterday, when he was contacted to clarify aspects of the statement, he referred queries to Tshwete, who could not be reached.

It remained unclear whether the "urgent discussions", which the statement said took place over the weekend, could perhaps be referring to a meeting said to have taken place between Lekota and Moosa on Saturday Moosa's spokesman would not confirm this beyond saying the minister felt that the issue was "sensitive." On Sunday he said the minister's view was that the impasse was not a constitutional crisis and would not affect tomorrow's budget announcement.

Education Minister Shabane Bengu, Justice Minister Dullah Omar, Constitutional Affairs Minister Valli Moosa and Housing Minister Sanke Mthembu-Mahanyele did not turn up at two council meetings last week where they were scheduled to answer questions on the Adjustments Appropriation Bill Correctional Services Minister Sipho Mazibuko had been hospitalised.

The statement said that "while it is true that these (last week's council) meetings had been scheduled since last year," an "impression" had been created that the council was not sitting because National Assembly members were away doing constituency work.

The ministers had moved to Pretoria and had made other official arrangements which were difficult to cancel at short notice.

"We emphasise that we continue to believe in the integrity and good faith of cabinet and do not believe there was a deliberate intention on the part of ministers to undermine the council or the constitution."

The statement said "tighter coordination" would from now on take place to ensure that such incidents did not happen again. A joint programming committee of the two houses of Parliament would be called tomorrow "to ensure better communication and co-ordination between cabinet and Parliament and to ensure that both houses are able to fulfil their constitutional obligations and responsibilities."

The statement said it was further resolved that in future there would be no council work when the council was having its plenary week.

Wyndham Hartley

CAPE TOWN — The first levy on an agricultural product in the new order was approved yesterday when the National Council of Provinces agriculture committee said yes to a levy on wheat for the funding of research.

The levy, calculated at R4.50 a ton of milled wheat, and which has been given the green light by consumer and producer lobbies within the wheat forum, is not expected to affect the price of bread as it amounts to a very small increase in the production cost.

However, organised business and opposition parties have expressed disquiet at the introduction of a levy on an agricultural product.

Ben van Rensburg of the SA Chamber of Business said he was unhappy with the principle behind levies, which were always passed on to the consumer.

The consumer was Freedom Front MP and head of the Free State Agricultural Union, said the levy would be passed on to the consumer, regardless of its size.

This year's surpluses surrounding the principle of levies were demonstrated when the committee insisted on approving the levy only for this year.

The committee was firm that if the wheat forum wanted to renew it with the new crop, it would have to apply again later this year.

Committee chairman Robert Nogumla said he had asked those interested in applying for levies to brief members of Parliament before making applications.

Gous said levies were divisive and anticipated that applications for levies on wool and meat would be problematic.

He criticised the Western Cape delegates to the council's committee for failing to attend any of the meetings.
Rural areas set for changes

Deborah Fine

RURAL areas are set for dramatic changes following the release of a local government white paper which proposes the amalgamation of urban municipalities outside of metropolitan areas with their rural counterparts.

This would be done by combining existing urban and rural municipalities into single administrations, or extending the boundaries of urban councils to include rural hinterlands. Constitutional Development Minister Valli Moosa said yesterday.

Many countries pursued this option as a way of cutting the cost of multiple councils operating in the same area and to enhance service delivery in rural areas, he said.

It would also ensure that rural residents who contributed to the urban tax base would share in its benefits.

The new boundaries would be determined by an independent national demarcation board.

 Provision would be also be made for “cross-boundary” municipalities which straddled provinces, Moosa said.

The paper said traditional leaders should be allowed to continue serving in an advisory capacity at council meetings.

Whether or not they would have voting rights would be determined after further research on constitutional provisions and the completion of the white paper on traditional affairs.

Moosa said councils would be given greater powers to enforce revenue collection and credit control, as well as access to additional revenues such as a portion of the fuel levy to fund municipal roads.

This was on top of an equitable share of revenues collected nationally, he said.

Property tax would be extended to include black townships which were untaxed at present as well as rural areas. National legislation was being examined to improve collection of regional services council levies. The new financial framework proposed in the white paper emphasised accountability, equity, transparency and fiscal control, he said.

Democratic Party Councillor Ian Davidson slated the paper, labelling it a “direct attack” on local democracy.

Although the paper contained positive aspects, he was concerned about the centralisation of power under “the guise” of metropolitan government.
McKenzie hits out at new deal for local councils

Clive Sawyer
Parliamentary Correspondent

The final version of the Government's white paper on local government has laid the foundation for powerful metropolitan government in areas like Cape Town, Durban and Johannesburg, but allows for some variations in form.

The document, released yesterday, has as its first recommendation the setting up of powerful metropolitan councils advised by weak "ward committees" with no independent powers of their own.

This would spell the end for the municipal councils set up in major cities after the 1995 municipal elections.

At the same time, the stage is set for a further confrontation between the Western Cape government and Valli Moosa's national Ministry for Provincial Affairs and Constitutional Development on the future shape of local government.

Yesterday, provincial Minister of Local Government, Patrick McKenzie, boycotted the official launch of the white paper.

He said he was protesting against alleged lack of consultation and feedback about the white paper process.

Mr Moosa described the white paper as a "mini-constitution" for local government.

It carried a mandate in the constitution for the country to spell out its options for local government, which was still in transition.

Mr McKenzie said he was "disgusted" with the process leading up to the final draft of the white paper, and with the failure to supply him with feedback on the process or a copy of the document.

In a media statement, Mr Moosa said the paper was the result of "the single most consultative effort to date by any government department in compiling a white paper."

The paper proposes a major rationalisation of existing municipalities into "fewer, but stronger" structures.

The rationalisation process will be done by a demarcation board.

The demarcation board is to redraw boundaries inherited from the apartheid era in favour of new ones based on rational criteria like settlement patterns and economic viability.

The paper sets out two models of metropolitan government, with strengthened metro-wide planning, financing and service delivery functions, uniform conditions of service and an integrated tax base.

It emphasises flexibility by allowing metropolitan councils to decentralise functions or create special-purpose bodies to deliver services.

Mr Moosa said a detailed study would be done on whether "certain metropolitan areas" would do better with models of metropolitan government other than the proposal in the white paper for a powerful metropolitan council with "advisory" ward committees.

Should this strong metropolitan government model be implemented in Cape Town, it would mean the demise of the six substructures set up in 1995, said Mr Moosa.
ADMINISTRATION White Paper recommends fast-tracked service

‘Increase local government power’

Johannesburg — The white paper on local government has called for more power to be conferred on local governments to promote public-private partnerships and drive economic growth throughout the country, Mohammed Valli Moosa, the minister for provincial and constitutional development, said yesterday.

Moosa said local governments were plagued by rampant inefficiencies, financial problems and institutional fragmentation that hampered service delivery.

The white paper, launched yesterday, has recommended the urgent need to fast-track better service delivery through performance management, outsourcing, corporatizing departments, public-private partnerships and mobilizing front-line workers.

The process is expected to be boosted by cutting down on municipalities, to be carried out by an independent demarcation board.

The board will redraw the boundaries inherited from the apartheid era on the basis of rational criteria such as settlement patterns and economic viability. A draft demarcation bill has already been published for comment,” Moosa said.

The redrawn boundaries would also result in fewer but more dedicated ward councilors and stronger council committee systems, which would take an active part in budgeting and planning exercises.

Local governments would be better placed to examine procurement procedures to increase their purchase of supplies from local small businesses by introducing affirmative action and labour intensity.

‘Cost and quality must still be central criteria, but support can be given to emerging contractors by breaking tenders down into smaller parts, providing targeted information and training or allowing exemption from large securities, the minister said.

The empowerment of small and medium businesses would benefit from a partnership between the department of trade and industry and local government which identified local business service centres as one-stop information centres.

Revenue collection and credit control would be boosted by new financing arrangements, such as a portion of the fuel levy for roads, extending property tax in townships and the regional services council levies. The revamped local governments would no longer be just a line function of provincial and national government but occupy a central position in determining the destiny of communities.”
METROPOLE DEBATE HEATS UP

Megacity opponents stung by White Paper

MUNICIPALITIES ARE FREE to choose their preferred type of local government, but both models effectively provide for a megacity. CLAUDIA CAVANAGH reports.

The government’s closely guarded White Paper on Local Government was released yesterday, with a surprise — and then a letdown — for anti “megacity” lobbyists.

While it gives municipalities an unexpected choice in the type of local government to be instituted, both models discussed effectively provide for a megacity.

Locally, this means that the current metropolitan area (which stretches from Strand through Somerset West, to Atlantis and back down through Cape Town to Cape Point) would become one municipality serving three million people.

At first glance, the White Paper’s second option looks just like the existing two-tier system of a co-ordinating Metropolitan Council and six autonomous municipalities. But, on closer scrutiny, it is nothing more than a “megacity in drag”, says the Democratic Party.

Chairperson of the Cape Metropolitan Council’s executive committee, National Party member Mr Pietro Uys, says he’s “extremely disappointed” at the limited choices apparently contained in the document.

“Don’t be fooled, it’s a megacity all the way. If it wants to, the one strong council can decentralise functions to local authorities in much the same way as we already do to standing committees and to exco. If it doesn’t want to, it won’t.”

Head of the ANC in the CMC, Mr David Dlali, said he is for the megacity “and nothing else”.

“It is the only effective way to ensure the integration of services and communities within the metropole.”

Option two, which provides for a powerful Metropolitan Council and metropolitan “sub-structures” with “advisory, supervisory and decision-making powers”, is only acceptable as a last resort, he said.

DP councillor Ms Belinda Walker says the option provided “is a feeble attempt at disguising the megacity”.

“If the Metro decides to withhold power for whatever reasons, we’ll effectively have no substructures. It’s totally unacceptable,” she said.

While relatively new to Capetonians, the “megacity debate” has raged in Johannesburg for some months, inflaming emotions and threatening to divide the metropole there.

Critics at central government level say the current Cape Metropolitan Council and six metropolitan local councils — only eight months old — have failed to redistribute wealth fairly among citizens and are expensive to run.

National and Democratic party councillors say the system has not even been given a chance to succeed. A megacity, they say, will simply take local government further away from ratepayers, affect the quality of services and lower the morale of 31,000 council employees already suffering from “transition fatigue”.

At the moment, 250 councillors represent ratepayers in the CMC, the city of Cape Town, and the Helderberg, Drakenstein, Blaauwberg and South Peninsula municipalities.

The single city system would have between 60 and 100 councillors serving the whole metropole.

But, says Minister for Provincial Affairs and Local Government, Mr Mohammed Vahls Moosa, the paper has been through the most thorough and inclusive consultative process ever followed on a government White Paper.

“It takes a hard look at the inefficiencies, fragmentation and financial difficulties of current municipalities, and proposes a package of far-reaching changes to make local government work better,” he said.

“It is dominated by two themes: giving all South Africans better value for money and better access to municipal services, and getting local democracy to work better. "Underpinning these changes will be a major realisation of existing municipalities into fewer but stronger structures.

Once it has been published in the Government Gazette next week, the White Paper will be drafted into legislation after consultation with key stakeholders.

The draft bill will then be published for comment, revisited to incorporate changes and then submitted to the cabinet for in-principle approval.
Municipal employees are not being paid as 100 towns face bankruptcy.
Local govt moves out of transition

White paper charts the way, but smaller stakeholders asked: Were

Deevy Holcomb asks: Were smaller stakeholders consulted?

The White Paper on Local Government, released by the Department of Constitutional Development (DCD) this week, is the culmination of one of the most ambitious attempts to develop post-apartheid legislation in a truly consultative manner. But whether the DCD succeeded may depend on whom one asks, and may only be known in a few years when new legislation is implemented.

The DCD issued a “Discussion Document” in May, asking municipalities to complete a “SWOT” (Strengths-Weaknesses-Opportunities-Threats) analysis, and local government stakeholders to make submissions. On the basis of responses, and independent research, the department released a “green paper” in October. This was to outline options before policy was more or less cast in stone in the white paper. The components of the white paper will be drafted into national legislation that will take local government out of the “transition” period. Provinces will then replace old ordinances based on the national framework.

Key (and controversial) issues that emerged are:

- “Financial viability” of local government, particularly in rural areas;
- The “numbers of councillors and councils”,
- The role of “traditional leadership” and local government;
- The “representation of women” in local government structures; and
- The future “structures” of local authorities.

(It is clear that “single city” local government will be proposed for metropolitan areas. The white paper proposes abolishing “representative” rural councils, in favour of linking them with nearby town councils.)

All the issues have different “stakeholders”, and the DCD spent an admirable and expensive R30 million to reach them. Yet indications are that the task proved too much. Two examples illustrate that:

First is the question of who the department reached - and whose opinions need the white paper reflects. It seems that time and the legislative process itself made it difficult for the department to reach those who were not within circles of influence and decision-making.

At national level, this means Parliament and relevant departments. In civil society it is large NGOs and institutions often located in the metropolitan centres. (These were the stakeholders, for example,

The enormous media coverage given metropolitan local government debate also deflected debate from local government issues in rural areas.

Finally, the public hearings held following drafting of the green paper, happened in Cape Town no more than two weeks after the green paper was released. No funds were readily available to assist stakeholders to attend. As might be expected, the hearing on metropolitan local government had the biggest attendance, and those who did attend were overwhelmingly from NGOs or municipalities located in metropolitan areas.

A second question is: do different government departments really talk to one another while developing legislation? In this case, there seemed to be a lack of co-ordination and communication between the DCD and the Department of Finance. The green paper called for discussion on two ways that the money given to local government from national coffers would be determined. Yet, the Intergovernmental Fiscal Relations Act, passed a month later, had already decided the procedures by which that amount would be determined.

Finally, the analysis must not stop by saying Government and NGO stakeholders were not able to access the process as fully as they should have. Even more worrying is the lack of access ordinary citizens - the ultimate stakeholders - had. It is they who will judge the Government if this process does not improve their lives, communities and regions.

Deevy Holcomb is a journalist with Iziko's Local Government Information Centre.
Local govt plan tabled
Central tenet of White Paper is rationalisation of municipalities

By Joshua Raboroko

Provincial Affairs and Constitutional Development Minister Mr Mohammed Valli Moosa yesterday unveiled a comprehensive plan to bring better services and more accountable local government to all South Africans.

Speaking at the launch of the white paper on local government in Cape Town yesterday, Moosa said the legislation took a hard look at the inefficiencies, fragmentation and financial difficulties of present municipalities.

It proposes a package of far-reaching changes to make local government work better.

He said these proposals were the result of months of work by a multiparty team of political advisers.

The white paper was dominated by two central themes, giving all South Africans better value for money and better access to municipal services and getting local democracy to work better.

Some of the ways in which delivery of services will be strengthened include fast-tracking delivery of services through performance management, outsourcing, corporating departments, public-private partnerships and mobilising front-line workers.

The white paper proposes strategies for redistribution and economic growth as mutually reinforcing, saying "there is major synergy to be derived from linking poverty alleviation with a competitive investment climate."

Moosa said the paper proposed to give communities better access to local councils and ward councillors. The paper proposed rationalisation of existing municipalities into fewer but stronger structures, while giving particular attention to metropolitan areas as hubs of the nation's economy.

Moosa said rural areas would see some of the most far-reaching changes to the system. On financing arrangements for local government the paper says "basically we need a less costly system of local government, but also a commitment to pay for services."
Opposition parties reject ‘megacity’ local governments

Two-tier system ‘best for SA’

CLIVE SAWYER
POLITICAL CORRESPONDENT

Opposition parties are preparing to stand together against Government proposals for huge changes to city governments to create powerful “megacity” metropolitan councils.

Douglas Gibson of the Democratic Party has asked the National Assembly to express concern that the megacity proposals, contained in the Government white paper on local government, will damage local democracy rather than advance it.

“Local government level requires accountability by public representatives to voters whose interests are best served in smaller structures rather than large impersonal councils,” he said.

Peter Smith, Inkatha Freedom Party spokesman on local government, said they were shocked by the proposals.

There had been extensive inputs in favour of a choice of models for metropolitan government, including keeping the current two-tier system of metropolitan councils with several substructures.

Mr Smith said these inputs had been ignored by Valli Moosa’s constitutional affairs ministry.

“Instead (he) merely proposed a ‘choice’ between two minor variants of the megacity model.

“His arguments in support of this are facile, contrary to the advice of his own consultants, and at odds with best international practice.”

Mr Smith also expressed misgivings that proposals for rural local government meant a betrayal of traditional leaders.

He said that the consultation process leading up to the white paper had been a sham.

Pieter Groenewald, Freedom Front spokesman on local government, said they rejected proposals for metropolitan councils with weak “ward committees.”

“That ward committees will have no original powers, but only certain delegated powers, is another attempt by the African National Congress to centralise all power and eliminate minority rights”

The FF also rejected proposals for powerful executive mayors, electoral quotas for women and a further levy on fuel to supplement the income of local governments.

Watty Watson, National Party spokesman on local government, said the two-tier local government system was best for South Africa.

“Fencing down a system, which encompasses substructures sub-servient to a metro council, cannot water down the two-tier system.

“If the intention of the minister via the white paper is that substructures should have only delegated powers, this will be rejected as a poorly disguised attempt to create quasi megacity-type ward councils instead of substructures,” said Mr Watson.
Nine provinces heave a sigh of relief over their increases

Wyndham Hartley

CAPE TOWN — The nine cash-strapped provinces breathed a collective sigh of relief yesterday when it emerged that their budget allocations had increased by 8.3% over their actual expenditure in the 1997/98 financial year.

This translates into a real increase of about 2.2%. However, the amounts needed by the provinces to pay for improved conditions of service for their employees have been included in the budgeted amounts, as have a number of conditional grants.

According to projections of the medium-term expenditure framework, the provinces will tread water in 1999/2000 if inflation remains at 6%, and unless the provinces are given additional fund-raising powers in terms of Katz commission recommendations on provincial taxation.

All the framework’s targets depend on reaching economic growth rate targets of 3½% or more over the next three years.

In her budget review, finance director-general Maria Ramos said that despite overexpenditure in the 1997/98 financial year “most provinces made significant progress in controlling expenditure”. She said the growth in provincial spending on health and education had stabilised from “unsustainable levels” and the year’s budgets were far more realistic.

The review predicts provincial budgets, which showed a 2.3% deficit in 1997/98, would stabilise in 1998/99 and break even from 1999/2000. The new budget also signals the beginning of a five-year period during which a new division of funding between the nine provinces is to be phased in: The intention is to ensure the allocations to provinces are fair.

Legislation governing this division, in the form of the Division of Revenue Bill, was tabled in Parliament yesterday by Finance Minister Trevor Manuel. In five areas the finance department deviated from the recommendations of the Finance and Fiscal Commission, while adhering to the commission’s principles for allocation.

The commission based its estimates on development bank and demographic bureau statistics, which were rejected in favour of the results of the 1996 census.

However, the department followed the principle that the relative needs of the provinces in education, health and welfare should be assessed with reference to the numbers of people living in the provinces, their ages and similar data. The department moved away from the commission’s cost-based determination of provincial shares to a formula which included efficiency as a criterion.

This has the qualified endorsement of the commission.

For the first time, provincial allocations include an equitable share for local government. Some of the provincial allocations have been held back in the national budget as “conditional grants”.

The largest of these, called the “central hospital services grant”, is to hospitals across the country. More than R4bn of the provincial allocations are conditional on the money being spent on upgrading hospitals. The commission welcomed the move as “desirable for equity, national development and policy priorities”.

The budget also does not approve the commission’s call for a surcharge on personal income tax as a means of funding the provinces. A commission spokesman said there were no “irreconcilable differences” between the commission and the department.

Differences between commission recommendations and department decisions were instead viewed in the light of “continuing discussions and negotiations on an evolving system”.

\[\text{Transfer to provinces Rbn} \]

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\begin{array}{cccc}
\text{Year} & \text{1997} & \text{1998} & \text{1999} & \text{2000} \\
\text{Allocation} & 73.87 & 84.60 & 94.70 & 102.50 \\
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Demand management needed for water.
Provinces get equitable share

Budget 1995/96

Graph: Multi-Area | Data from...
More powers for local government.
Give provinces more power

By Wilmer Vigneron

FEATUR

NEWS
Tough measures are needed for councilors and ratepayers.
Idasa poll shows ‘brutal’ disregard for local govt

David Greybe 06/13/98

CAPE TOWN — A national survey by the Institute for Democracy in SA (Idasa) has found that a scant 30% of those interviewed approved of the job local government has done over the past year.

The survey also found that 36% approved of the job done by provincial government, while Parliament registered a 46% approval and national government a 47% approval rating. President Nelson Mandela fared best, with a 65% rating.

Idasa CEO Paul Graham said yesterday the survey’s findings, based on 3 500 interviews conducted in June and July last year, were “quite brutal” for local government.

Bob Mattes, the manager of Idasa’s public opinion service, said close to half (44%) of respondents “think that most or almost all officials in their local town council are involved in corruption.”

“Local government may not be as inept as people think it is — but the fact that they think it is, is significant, especially with elections looming,” Graham said.

Idasa found that 41% of respondents thought most MPs were corrupt, while 44% made the same judgment about provincial officials and 50% thought officials in government departments were corrupt.

Mattes said that when compared with respondents’ expectations in a similar survey at the time of the 1996 local elections, perceptions of government responsiveness to citizens had deteriorated sharply.

In the past year, only 36% of the respondents “felt that local government was interested in them and hearing what they think,” Mattes said. “Perceptions of legitimacy are equally disquieting as citizens view local government as the least legitimate in comparison to other levels,” he said.

While better performance and increased trust might increase legitimacy, these perceptions would not decrease people’s willingness to avoid their financial obligations towards local government, Mattes said.

The findings suggested a need to improve linkages between councils, councilors and citizens, to educate people on what local government was constitutionally allowed to do, and to ensure authorities were credited in instances of successful delivery.
Government plans for local rule spark storm

ARG 13/3/98

CLIVE SAWYER
POLITICAL CORRESPONDENT

Controversy swiftly followed the launch this week of Provincial and Constitutional Affairs Minister Valli Moosa of the white paper on local government.

As much as Mr Moosa insisted there had been sufficient consultation, opposition parties claimed there had not.

Much of the initial focus was on the proposals for metropolitan government, which, instead of backing only all-powerful mayor-councils, presented options and signalled there could be flexibility in the models applied to various cities.

Opposition parties, however, saw the options as minor variations on a theme of strongly centralised metropolitan government, heralding the dismantling of the councils elected in 1995 to serve various parts of South Africa's biggest cities.

Provisions for the role of traditional leaders at local level also ran into flak.

While a separate white paper on traditional affairs is still coming, the local government white paper proposed what it termed a "constructive" role for traditional leaders at local level.

It said there should be elected local government in all the areas falling under traditional authorities, and traditional leaders should attend council meetings and advise on the needs and interests of their communities.

Traditional leaders could be represented, but whether they should have voting rights was a constitutional question.

"There is no reason why African customs and traditions should be seen to be in conflict with the demands of modern governance," said the white paper.

Peter Smith, Inkatha Freedom Party spokesman on local government, described the proposals on traditional leaders as "dismal".

The proposals signalled there could be flexibility in the models applied to various cities.

He added: "The betrayal of traditional communities reflected in the constitution is taken one step further, clearly with the intention of destroying the existing system of government in traditional communities altogether.

"Moosa's disdain for African tradition as well as his refusal to countenance compromise on this matter are a recipe for conflict throughout Southern Africa, which a little imagination and humility on his part could have precluded."

Warty Watson, National Party spokesman on local government, said the proposals on traditional leaders were a major diversion from earlier proposals and his party would have to study them further before commenting.

Moving out of the cities, the white paper proposed new district governments which would have responsibility for district-wide development planning, including planning of land use, economic development and transport.

District governments would retain the old regional services council levies. There would be district-level integrated development planning and plans of municipalities next to each other would not be allowed to be contradictory.

District governments also could provide technical support to municipalities, as some were already doing.

The white paper included options for improved urban-style municipalities for country towns, amalgamated urban-rural municipalities and for rural municipalities with a minimum of executive and legislative powers, but being allowed when capable to "draw down" some of the powers of district councils.

Mr Watson said the three-model optional system for district government was in keeping with the constitution and was welcomed, but care should be taken if urban and rural municipalities were to be amalgamated.

"Most rural municipalities are debt-ridden and the added burden of service delivery in the hinterland without inter-governmental funding will have catastrophic effects," he said.
**LOCAL GOVERNMENT**

**Megasplit over metro models**

**DP and IFP reject White Paper**

**Despite an** intensive "consultation process", the White Paper on Local Government has failed to bridge the chasm dividing government and opposition parties over municipal government. The paper proposes two models for local administration — single and two-tier municipalities.

Opposition representatives, however, see the White Paper as a bid to centralise control in ANC dominated megacities.

Also, traditional leaders are unlikely to accept the proposals for (elected) rural government as this would dilute their powers (see page 47).

Provincial Affairs & Constitutional Development Minister Mohammed Valli Moosa, describes the White Paper as a "comprehensive plan to bring better quality services and more accountable local government to all South Africans." He says it takes a hard look at the inefficiencies, fragmentation and financial difficulties of current municipalities.

"The heart of this White Paper is the new developmental vision of local government enshrined in the constitution," says Moosa, adding that it promotes economic growth and redistribution of resources.

SA has six metro councils, 22 substructures, 46 district councils, 440 transitional local councils and 327 transitional rural councils.

Moosa says the two models proposed for urban areas strengthen metro-wide planning, financing and service delivery, uniform conditions of service and an integrated tax base. He maintains that maximum flexibility is built into the system "by allowing metro councils to decentralise functions or create special-purpose bodies according to the most efficient way of delivering services."

Echoing Moosa's words, the Deputy Director General of Local Government, Crispian Oliver, says the White Paper gives metros the flexibility to arrange service delivery according to what is efficient. "The essence of the proposal is to create strong metros, but at the same time answer our critics on flexibility. We are not plonking a single metro model on councils. It is up to them to decide what works," says Oliver.

The Democratic Party (DP)'s Gauteng spokesman on local government, Ian Davidson disagrees. He insists that powers are being centralised under the guise of metro government. "The proposals refer to a single-tier metro government, which is a contradiction in terms and a red herring intended to throw those opposed to mega-cities off track."

He dismisses the notion that equity, social justice and growth cannot be achieved if fiscal powers in the single city system are split.

Davidson says that two-tiered metro government not only provides for development, but also allows for redistribution to less advantaged communities through cross-subsidisation.

DP councillor in the Greater Johannesburg Metro Council Mike Monaray says the White Paper is unacceptable because no real powers are given to metro substructures in the so-called two-tier model.

KwaZulu-Natal Local Government and Housing MEC Peter Miller, says the consultative process leading to the White Paper was a charade.

The megacity concept, which he charges was decided on at the ANC's Mangaung congress, "purports to allow for either a single city metro with ward committees or a metro with substructures. The latter is, however, nothing but a single-city metro in drag.

Miller notes that whereas government claims both versions are A category municipalities, which the Constitution defines as having "exclusive municipal executive and legislative authority in its area," substructures will not qualify as municipalities "At best they can be described as sub-committees of the metro council."

Amaranth Singh
The government does enough to ensure proper debate takes place on the complex issues surrounding local government, and the leaders of the local governments work together to achieve this.
Government delays leave businesses in the cold.
SA's small towns 'overlooked during national policy debates'

Deborah Fine  [ED 17/3/98]

SA's 500 small towns were mainly overlooked during national policy debates, even though they had the potential to play an important role in national growth and development, a research document compiled by the Centre for Development and Enterprise found.

The paper, SA's small towns — new strategies for growth and development, defined a small town as a centre having less than 50,000 people. It included small towns in commercial farming areas, former homeland small towns and dense homeland settlements. Small towns were home to about 3.3 million people, or 8% of the population.

The centre said government had committed itself to alleviating poverty and unemployment, eliminating historical service backlogs in disadvantaged areas and providing a better quality of life for all citizens.

In the context of SA's limited financial resources, however, success depended mainly on the maximum use of existing "sunk investments" in the form of facilities, amenities, social and physical infrastructure.

"No one is currently thinking about small towns in these terms, despite the fact that these towns, with all their sunk investments, are often located in the very midst of the greatest concentrations of poverty and unemployment — the rural areas," the centre said.

Small towns were capable of promoting their own local development initiatives and acting as nodes and conduits for the distribution of welfare to the most destitute rural areas. In addition, the development of small-town capacity could create an alternative focus to urban growth in large cities and partially limit unemployment and inadequate service provision crises.

National and provincial governments needed to recognise this potential and to assist small towns to enhance their existing capacity through local development strategies such as tourism, small-scale agricultural ventures and small, medium and micro enterprises of a commercial and industrial nature.

Government should also set up a small town development trust to assist development initiatives, as well as establish a national small town network to promote interaction between them and the exchange of ideas, the centre said.
New law ‘will enhance financial management’

Linda Ensor

CAPE TOWN — The introduction of a single law this year to replace the 10 exchequer acts at national and provincial level would enhance the system of financial management in the country, state expenditure director-general Gaseed Gaseese said yesterday.

Gaseese was speaking after his appearance at Parliament’s portfolio committee on finance to discuss the 1998/99 budget.

The bill, being drafted, called the Treasury Control Bill, would allow the national treasury to have greater influence over provincial treasuries in regard to their performance. There would also be a greater sharing of information, Gaseese said.

The proposed legislation would implement section 216 of the Constitution, which authorises the national treasury to lay down standards, rules and regulations on accounting and financial reporting for provincial treasuries. In terms of the interim constitution, each province was independent and the power of the national treasury to perform an oversight function was constrained, Gaseese said.

Drastic changes were envisaged, including the reduction of Draconian penalties if budgets were exceeded, he told the finance committee.

Cape DP councillor Belinda Walker

BUSINESS Day incorrectly referred to Cape Town Democratic Party councillor as Malane Walker in yesterday’s newspaper. She is in fact Belinda Walker. We apologise for the error.
Fiscus bodies downplay debate on provincial allocations

Tension is just part of the process, says Ramos

LYNDA Loxton
PARLIAMENTARY CORRESPONDENT

Cape Town — The Financial and Fiscal Commission (FFC) and the finance department yesterday downplayed reports of growing differences between them on the allocation of funds to the provinces.

Gavin Woods, the Inkatha Freedom Party finance spokesman, said during the parliamentary budget hearings that there were fears in some provinces that allocations were made arbitrarily by the executive.

"Do the provinces overspend or were they short-changed in the first place?" he asked, adding that he had heard that the differences between the FFC and the department were "betrayed" than publicly acknowledged.

Maria Ramos, the finance department director-general, said that although there was "constructive tension" between the two, they had a close working relationship and she valued the fact that the commission tried to be independent.

Murphy Morobe, the FFC chairman, said the Constitution established a "necessary tension" between the two but the relationship was constantly being reviewed.

Ramos said it was not correct to say the provinces were underfunded and every effort was made to ensure each province received an equitable share of revenue. The problem in some provinces was that there was no so much funding as the ability to deliver efficient services, and funds had been set aside for capacity-building in the provinces.

Morobe said the budget council had created a forum through which various levels of government could discuss the issues involved, but a great deal of refining was needed in allocating funds.

That the national government was responsible for revenue projections did provide a strong incentive for the government to be overly conservative in its predictions at the expense of provincial governments, Morobe said.

"This creates inefficient incentives for provincial own-revenue collection and for provincial support for collection of national revenue," he said. "One is not suggesting any motives that are less than noble, but if one is looking at the systemic development of the process, one also has to be quite careful about the incentives that get built into the system."
Provinces in bid to avert overspending

Kevin O'Grady

AN ACCEPTANCE that provincial overspending can not be tolerated — and that provinces can expect no bailouts from central government — was the common thread in seven provincial budgets tabled in their respective legislatures yesterday.

Social spending allocations ran high, a possible indication that finance MECs were trying to steer away from overspending that accompanied under-budgeting last year, and there were widespread measures to cut costs and improve cash-flow management.

All seven MECs — in the Eastern Cape, Free State, Mpumalanga, Northern Cape, Northern Province, North West and Western Cape — presented balanced budgets.

Last year the Western Cape defied Finance Minister Trevor Manuel and budgeted for a deficit.

Another salient feature of the budgets was the large proportion of total spending devoted to personnel costs and an absence — with the exception of the Western Cape — of measures to reduce this.

In all but the Northern Cape, the staff bill will devour more than 50% of total spending. In the Northern Province it will run to 65.4% during 1998/99. North West plans to spend 58% on salaries. Mpumalanga 60%, Northern Cape 49.8%, Eastern Cape 55.5% and Western Cape 55%.

Free State's salary spending figures were not made available.

Eastern Cape MEC Enoch Godongwana acknowledged that in his province "excessive amounts spent on personnel clearly limits spending on other items". But, he said, the situation was unavoidable because the province was burdened "with a legacy of large inherited staff complements" from previous administrations.

Western Cape MEC Lampie Rick's budget review and that while personnel expenditure had grown over the past three years from about 52% of gross expenditure to 58%, the ultimate aim was to bring this down to 53%.

Health MEC Peter Marais said his department would shed 3 800 jobs, while education MEC Nick Koorhof said 2 000 teachers would leave the service this year to bring salary spending into line.

Outlays for social spending — mainly education, health and welfare — in all the provinces ranged from 70% of total expenditure in the North West to 87% in the Western Cape.

These were accompanied by strict control measures and warnings, such as from Mpumalanga MEC Jacques Modipane, that overspending on departmental allocations was "breaking the law".

Spending on capital projects took a back seat to salaries, with no province coming close to the R1.1bn capital expenditure provision announced in the Gauteng budget earlier this week.

KwaZulu-Natal's budget will be tabled on Friday.

More reports: Page 4
Comment: Page 15
Social boosts or wages is dilemma

Provinces ‘trapped between a rock and a hard place’

BY Hopewell Radem
Political Reporter

Provincial governments presenting annual budgets this week are torn between boosting social services and paying spiralling wage bills that consume up to 80% of expenditure in some cases.

Their balancing act has been made all the more precarious by elections due next year.

Gauteng MEC Jabu Moloketi said this week the province wanted to reduce expenditure on salaries from 60% of the province’s R15,06-billion budget to 50%.

The provinces as a whole will spend about R68-billion of funds allocated to them by Finance Minister Trevor Manuel last week.

In the Eastern Cape yesterday, Finance MEC Enoch Godongwana tabled a R14-billion budget and said R9-billion of this would go towards salaries. He said this was too far above the national finance department’s expectation of 35% of expenditure going to salaries.

Eastern Cape Democratic Party leader Eddie Trent commented: “The provinces have nowhere to go and are trapped between a rock and a hard place. They are not making provision for economic growth and development projects, which are very crucial in stimulating investment.”

He said the Eastern Cape was deemed to overspend once again because it had “cut to the bone” all other departments responsible for provincial growth and failed to cater for the interest it would incur in its estimated R1.5-billion overdraft.

According to Godongwana, this left little to develop infrastructure in a province where only 28% of households have running water; many rural families have no sanitation, and 60% of the population must travel more than 5km to find a public phone.

In the Northern Cape, Finance MEC Goolam Akharwaray, presenting a R2,3-billion budget yesterday, said he had slashed the allocation to departments such as transport, housing, economic affairs, tourism and agriculture. This was “unavoidable due to pressures being placed on the provincial fiscus by the need to provide for social services functions”.

Akharwaray said the province had hard choices to make because it “was disadvantaged in almost every sphere of activity.” Its population was small, and sparsely spread, resulting in the unit cost of delivery being higher than elsewhere in the country.

Northern Province Finance MEC Thaba Mufamadi said just more than 65% of the budget would go to salaries – 6.9% down on last year.

His 82% spending on social services amounts to R8.3-billion, with education taking R3.6-billion, representing 49.6% of the total budget.

Western Cape Finance MEC Lampie Fick said the province still had to repay its R627-million deficit incurred last year. The province would spend about R9-billion, or about 53% of total expenditure, on health, education and welfare.

In North West, 79% of the budget will go to social services amounting to about R6-billion.
Role of political and administrative department heads, needs clarification.
Efficiency of Provincial Governments is Questioned
"No cash bailouts for provinces"

Cape Town — The government would not bail out provincial or local governments that lived beyond their means or failed to collect revenue due to them, Trevor Manuel, the finance minister, told the national council of provinces (NCOP) yesterday.

During the resumed debate on the Adjustment Appropriations Bill, Manuel said the R1.5 billion extra set aside for the provinces in the bill would cover "irredeemable" revenue gaps, caused mainly by unexpected growth in education spending and the three-year wage deal with civil service unions.

The bill, which was delayed earlier this month when Cabinet ministers failed to attend, was passed yesterday after 10 ministers and two deputy ministers turned up to answer questions, even though not all were grilled on why they needed extra funds.

Manuel said the extra funds "can't be described as over-expenditure There was under-resource because of an inadequate allocation in the previous year and because of changed circumstances".

He said the figure could have been R6 billion if early warning signs in May last year of financial difficulties, especially in the Eastern Cape and KwaZulu Natal, had been taken at face value.

A sense that there is money available always leads people to find need where it does not exist," he said.

The budget council whittled down to R1.5 billion the amount that could simply not be funded from available allocations. There would be some carry forward in some instances, "but I think that we are clear about the way in which we deal with this issue. This year will be exceedingly critical in placing the provinces on an even keel so that we do not have this kind of issue arising again."

As part of its new approach to managing its assets and liabilities, the government had become very aware of the huge overhang of debt it had inherited from the past because previous governments had guaranteed debt on an ad hoc basis, Manuel said.

"Departments and parastatals are finding now that if they want a government guarantee, they have to pay for that, and because they have to pay they tend to turn the penny over twice. We are trying to establish a much firmer hand over the treasury more generally," he said.
Financial rescue bill is passed
Adjustment of appropriation legislation approved by NCOP after delay

By Clive Sawyer
Cape Town

The Adjustments Appropriation Bill, which takes care of unexpected spending by government departments and provides a R1.5-billion lifeline to provinces with cash-flow problems, has been passed by the National Council of Provinces, after its passage was delayed earlier by the absence of cabinet ministers.

Only the National Party and Freedom Front voted against the bill, opposing a range of ministerial budget votes.

The bill was passed yesterday at a two-hour sitting called especially to replace the one which had to be postponed when only one cabinet minister, Trevor Manuel, turned up.

At the time, NCOP chairman Patrick Lekota stood firm that the normal practice of all ministers having to be present to answer questions had to be adhered to, spurning Manuel’s offer to answer questions on behalf of his colleagues.

In an ironic twist yesterday, one minister who was specifically asked to turn up, Housing Minister Sankie Mthemba-Mahanyele, sat through proceedings without being asked any questions.

Home Affairs Minister Mangosuthu Buthelezi was passed a note from the whips advising him he would not be needed, and left the chamber.

Some time later, a delegate rose to ask Buthelezi a question, prompting KwaZulu-Natal Premier Ben Ngubane to explain why he was absent.

The incident prompted Lekota to chide party whips for the slip-ups.

The following responses to questions were received:

- Correctional Services Minister Sipho Mzimela denied there was a morale problem among warders, and confirmed that overtime payments were being made.
- Education Minister Sibusiso Bengu said youth colleges, along the lines of a pilot project in Gauteng, were to be built to educate “out-of-school youth you see on the streets.”
- Bengu said implementa-
MEGACITY DEBATE

Shifting deckchairs on the Titanic

Alternative proposal looks for a compromise (26A)

The megacity debate has taken a new twist with the introduction of a fresh proposal by Cape Town city manager Andrew Boraine which advocates combining the best elements of the existing system with the single-city model.

It is clear from public hearings on the local government White Paper that neither government’s megacity proposal nor the existing local government structure provides adequate solutions to the financial crises in local governments.

The megacity proposal envisages a centralised, single-tier metropolitan council. Local councils are replaced by management committees with no legislated powers and functions.

The existing two-tier system involves a metropolitan council — which plays a co-ordinating role and provides bulk services to the metropole — and several autonomous local councils which have their own administrations and budgets and render basic services to their local areas funded out of property rates.

Last September local government’s outstanding debt was R8,3bn, compared to cash and investments of R6,5bn. The debt mountain is climbing, forcing municipalities to expend their reserves and investments at a rapid rate.

Government’s plan to strip local councils of their legislated powers and functions and to replace them with highly centralised, single-tier bureaucracies is unlikely to remove the root cause of the financial crisis — poor management and the non-payment of services. And yet even Cape Town and Durban, which vehemently oppose the megacity concept, concede that the existing two-tier system is not working well.

“There is a distinct lack of accountability in the existing system and it has inherent political conflict built into it. It’s not sustainable and needs to be changed,” says Boraine, speaking in his private capacity.

Under Boraine’s proposal, municipalities would retain 80% of their existing functions — mainly basic service delivery like rubbish collection — while a smaller metro council would handle the remaining 20% of local government business, mostly macro issues like financial and transport planning which affect the whole metropole.

Boraine’s solution is to devolve authority for day-to-day affairs away from the metro council, which would have a small administration. Tariff-funded services like electricity, water and sanitation would be run by autonomous public companies.

Problems of integration and co-ordination would be solved by having a small group of elected councilors serve their local councils and the metro council simultaneously. Councilors would contribute a percentage of their revenues into a common pool for redistribution.

“It’s a single-tier model which can achieve the positive effects of a megacity without taking away local accountability,” Boraine says.

He says the existing system is characterised in the Cape by the severe fragmentation of service delivery and arbitrary, inequitable and unpredictable financial flows from the Cape Metropolitan Council (CMC) to the local councils.

Even though the CMC has redistributed R920m, Boraine says the poorest councils are receiving the lowest transfers. “Redistribution is occurring, but not on an equitable basis and it is not benefiting the poorest in the city.”

Boraine’s proposal is a personal view which Provincial Affairs & Constitutional Development Minister Valli Moosa says is broadly accommodated by the White Paper. However, neither the NP nor the DP in the CMC supports it.

DP councillor Pat Hill opposes Boraine’s

PERSONAL VIEW

Professor Jürgen von Hagen

The countdown begins

Europe’s final steps to monetary union

When the European Heads of State meet this weekend they will declare that Europe is ready to form the European Monetary Union (EMU) and that 11 of the European Union’s member states will participate in it. Only Britain, Denmark, Greece and Sweden remain outside. Britain is expected to join within five years.

The start of EMU on January 1, 1999 will mark the culmination of a political process that began after World War II and the end of the convergence process that began with the Maastricht Treaty in 1991. The treaty specified entry criteria regarding inflation, interest rates, exchange rate and budgetary policies and has produced historically low levels of inflation (between 1 and 2 percent in 1997).

EMU will start with the conversion of the national currencies into the Euro, the new currency. Payments among banks and monetary policy operations will immediately be executed in Euro. As Euro cash will not be immediately available, the old coins and bills will continue to circulate until 2002. Thence of them as old denominations of the Euro (a DM10 bill being 5,16 Euro bill). EMU citizens will be able to choose between their old currency denominations or the Euro for transactions. Large businesses are expected to set prices in Euro from then on some governments have announced they will accept tax declarations in Euro as of 1999. Others, like Germany, will take longer.

The choice of conversion rates of the national currencies into the Euro is complicated by the Maastricht Treaty’s mandate to use the last day’s market exchange rates. To meet this requirement and yet provide some planning certainty,
Local governments to have more say in councillors' salaries
Bid to close books on looted homeland millions

Linda Ensor

CAPE TOWN — The books of four former homeland governments, from which hundreds of millions in taxpayers' money was stolen, may finally be closed if the National Council of Provinces agrees.

The council's select committee on public accounts resolved yesterday to seek council endorsement of its decision to probe the three limited audit reviews compiled by the auditor-general's office on the outstanding financial affairs of Transkei, Ciskei, Venda and Bophuthatswana for the year ending March 1995.

The reports directly concerned the Eastern Cape, North West and Northern Province but had not yet been dealt with at national level.

"State funds have been misappropriated, and these people should be brought to book to prevent such things happening again later," committee chairman Piet Gous said. It was unacceptable that nothing had been done to finalise the matter.

Clarence Benjamin of the auditor-general's office, warned that the problem could fall between institutional "stools" and remaining unresolved.

The committee proposed identifying feasible actions to recover funds and bogus salaries and deal with R170m in foreign assets, transfers of funds offshore and tax issues. Another suggestion was "redlining" the books so that the provinces concerned could devote all their attention to record keeping in new structures.
The right way to rule

It is now four years since we achieved democracy in South Africa and the new Constitution was introduced to regulate the relationship between the various levels of government and with the citizens of this country. We are still feeling our way around the system, exploring possibilities, improvising and searching for alternative ways to deliver good and effective governance.

When I took on these responsibilities four years ago, I was under no illusions that we as the first generation of provincial leadership were in effect to be used as "guinea pigs" to carve out an entire level of governance. We were sent out into a forest of uncertainty, with no map, no compass and very little in the form of provisions.

Let us consider the facts. The imminent demise of Henris Kriel, it means that five of the original elected nine premiers have already relinquished their positions.

The remaining four have not escaped internal turmoil, arising from political opportunism and expediency. Not a single province escaped a major reshuffle of its legislative assembly.

These are indications that our Constitution, in particular those sections dealing with the powers and functions of provinces, has not yet settled into a final fixed pattern.

The time has come for a fundamental re-evaluation of the powers and functions of provinces within the current political and administrative context.

There is a need for a national dialogue where politicians, administrators, academics and administrators from civil society can evaluate the experiences of the past four years and consider workable solutions for the divisions of power and functions between the various tiers of government.

There appears to be at least four schools of thought about the future of the provincial system in South Africa.

1. The first advocates an even greater devolution of powers from central government to the provinces. In a sophisticated and settled democracy, this would indeed be the preferred system.

2. But this means a far greater latitude for provinces on financial issues and the need to have access to an own, independent revenue base. That may be ideal, but also unrealistic.

3. The second model sees provinces primarily as a vehicle for democracy rather than delivery. Provincial government is there to allow ordinary citizens easier access to elected leaders and to make their voices heard.

According to this, one should not be too concerned about the current problems affecting governance because these will be rectified over time as provincial administrations grow in experience and confidence.

4. The contrary view is that the power of provinces should be significantly reduced through a concurrent process of drastic centralisation in decision-making and the devolution of policy execution to lower levels of government.

In this model a provincial government is only a thin administrative level sandwiched between a strong active central Government and very active local structures.

In theory this may be a workable model, but it has to take into account that local government bodies - particularly in provinces such as ours - suffer even more from an absence of capacity and a lack of resources to deliver.

5. The fourth model would be that of asymmetry, where individual provinces are granted powers according to their particular circumstances and their capacity to fulfill certain functions and deliver specific services.

Managerial skills

Central Government plays an activist role in certain areas, while reducing their involvement in others.

In the case of Northern Province, for instance, there may be a need for a visible presence from national level in the areas of financial management and managerial skills.

At the same time, it may be argued that, given our unique location at the epicentre of the subcontinent, we should be allowed greater latitude in conducting our own cross-border trade relations and enter into independent agreements on issues of mutual concern such as migration, labour policy and security issues.

I firmly believe that the principles of cooperative governance as enshrined in our Constitution need to be maintained, but that its possibilities have not yet been adequately explored.

There is a clear need to introduce innovative changes to our system to reflect the needs of our unique society. Hence my call for a national dialogue to take a fresh look at alternative options.

6. If we are truly serious about effective second-level government, there is a serious need for a broad national consensus on a variety of issues such as:

- The deployment of personnel and a redistribution of skills and administrative resources. Far too often rural provinces are unable to attract or retain top-level administrators because they are lured away.
- There has to be clarity over the control of the public service wage bill and the powers of provincial governments to take decisions on the size and utilisation of its civil service.
- It is ludicrous that Northern Province has a bureaucracy one third larger than that of Gauteng, serving a smaller population.
- Wage agreements and conditions of employment are negotiated at a central bargaining level, leaving provinces with very little room to manoeuvre in the implementation of these decisions.
- The question of unfunded mandates should be closely scrutinised with a far greater degree of coordination and communication between national and provincial government. We can never deviate from the key principle that finance should follow the function.

In the allocation of resources, the historical context of provinces cannot be disregarded. Northern Province is predominantly rural without any solid industrial or manufacturing base. More than any other province, we bear the scars of the apartheid system and the homelands fiasco.

The problems encountered by rural provinces are of national importance and should remain on the national agenda.

Northern Province is not an island, isolated from the rest of the country. What is happening here will, sooner or later, have an impact on the rest of the country.

If we fail to arrest poverty, if we fail to create employment opportunities, if we fail to look after the interests of the weak and the indigent, we might soon add another product to our export list - the migration of poverty to urban areas.

It is therefore in the self-interest of other provinces not to disregard the problems experienced by the rural provinces.

(End)

(Ngoako Ramatlhodi's address to a conference organised by the Konrad Adenauer Foundation in Magosabola recently)
‘No constitutional basis to Ncholo audit claims’

David Greybe

CAPE TOWN — The Presidential Review Commission questioned the constitutionality of the Ncholo audits into the provinces.

The audits, conducted by Public Service Director-General Pasela Nkomo, found that the Northern Province, Eastern Cape and KwaZulu-Natal were on the verge of collapse.

Provincial public services were depicted as being crippled by grossly inadequate financial information and human resource management systems.

The audits reported a chronic shortage of appropriate skilled staff.

“We could not find any constitutional basis for the intervention by the department of Public Service and Administration into the province,” the commission reported.

However, Public Service Minister Zola Skweyiya yesterday challenged the commission’s findings and said the commission “did not understand the state of the Ncholo audits.”

Skweyiya said problems would have arisen if his department had not acted as it did.

“We would have been in trouble today,” he said.

Because of the Ncholo audits, provinces had done a lot to rectify the weaknesses in their administration, Skweyiya said.

The commission said that although the matter was now “water under the bridge,” it nevertheless recommended that such task teams become necessary in future, be constituted in a manner different from the way the Ncholo audits were set up.

Any such audits should be conducted by an independent auditor, advised by a relevant public service commission, it recommended.
7 regional directors axed

The Department of Home Affairs has fired seven of its 10 regional directors after they failed an internal evaluation process, an official has said.

This was done as part of the department's restructuring process to increase efficiency.

Jerry Vilakazi, chief director for strategic services and service delivery said all posts for regional directors were re-advertised and the three directors who were retained were from KwaZulu Natal, Western Cape and Gauteng West.

Acting regional directors have been appointed in the place of those who lost their jobs.

Mr Vilakazi said the fact that seven out of 10 regional directors failed the evaluation process indicated that there were "definite problems" with management.

He said the department had committed itself to providing ID books within two months as at July 1. Over the last 10 weeks, the department's efficiency improved after staff reassignments.

The department was running a pilot project in Johannesburg where a person who applied for an ID book should be able to know how far the process of the application was. At the moment, there was no process to check.
Municipal bill proposes six metro areas get ‘megacity’ status

Deborah Fine

ALL six of SA’s major urban centres would become united, single-administration cities in terms of new draft local government legislation released today for public comment.

The proposed law, the Municipal Structures Bill, stipulates that metropolitan areas must have “Category A” municipalities, popularly known as “megacities”.

The areas are Greater Johannesburg, Greater Pretoria, Cape Town, Durban, Khayelitsha and Lekosa-Va’al.

The bill, if enacted, will dissolve the current regional metropolitan councils and their local substructures and replace them with a single municipality with legislative, executive and administrative powers over the entire metropolitan area.

The bill musts that areas other than metropolitan regions must have both regional umbrella councils (Category C) and local councils (Category B), except in sparsely populated areas which should be governed by a regional council only.

Municipal councils may have between three and 150 councillors.

Provincial governments are empowered to decide on the type of municipal structure that will operate within each category.
Klever sounds the alarm

Concern over provincial finance controls

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Yearly revenue and expenditure for the provincial government.
Bill gets tough with truant councillors

Deborah Fine

THE proposed Municipal Structures Bill released for public comment last week has set out a new code of conduct for municipal councillors.

Included are clauses to allow local authorities to expel councillors who are absent from three or more successive council meetings without proper leave of absence — also councillors who are found to have directly or indirectly interfered with the management and administration of a council.

Councillors will have to attend all council meetings except where leave of absence is necessary and granted in advance in terms of rules and orders.

They will be prohibited from giving instructions to council employees or obstructing employees in the implementation of council decisions. This is seen as a move to prevent political interference by councillors in management decisions.

Councillors are also prohibited from using or personally benefiting from any council property, or influencing a council for personal gain or the benefit of relatives or business associates.

The new law will empower councils to set up special committees to investigate contraventions of the code of conduct and either reprimand, suspend or expel councillors guilty of offences.

Provincial local government MECs will be able to regulate participation of traditional leaders in the proceedings of district and local councils, and prescribe their ceremonial roles. However, the number of traditional leaders participating in meetings will be limited to 10% of the total number of councillors.

Stakeholders have until June 19 to submit comment on the bill, before it goes to Parliament.
Financial chaos hampering delivery of services, warns auditor-general in review of R1,1-bn overexpenditure

BY JOYCE RANTAO
Political Correspondent

Financial chaos was seriously affecting the delivery of services to millions of people, Auditor-General Henk Kruweer has warned Parliament.

An outflow of financial expertise and the lack of proper training at national, provincial and municipal levels had had a detrimental effect on the Government's finance-management abilities and led to overexpenditure of R1.1-billion.

He said in his annual report on the Government's accounts for 1996/97, delivered to Parliament's standing committee on public accounts yesterday, that the financial position of municipalities was poor.

"The future functioning of local government and the maintenance of adequate service levels could be seriously affected (by) the continuing deterioration," Kruweer warned MPs.

He also criticised the track record of the nine provincial administrations, saying the provinces received huge amounts of money - 54% of the national Budget - "which are not being well spent, to put it bluntly" He recommended that Parliament re-examine its financial relationship with provinces.

His findings, coupled with recent results of opinion polls on political parties that showed widespread disapproval with service delivery at local government level, is likely to trigger a major overhaul of this process.

He said the Department of Constitutional Development had assured him that mentoring and training programmes for financial staff and councillors were being developed.

The department had undertaken management audits at 202 municipalities. It had reported that no direct financial support had so far been given to any municipality.

Kruweer said there was a serious lack of internal checking and control over a wide spectrum of activities in certain provinces, creating opportunities for irregularities.

Major problems in the provinces included inadequate financial and budget control; inadequate control over assets, and the non-compliance with treasury instructions.

Control over pension payments was deficient and adequate procedures did not exist.

Kruweer said although he was reluctant to identify the best and worst departments, the departments of health and education had improved remarkably in the year under review.

However, there were departments where financial management had deteriorated. He queried more expenditure items of the SAPS than of any other department. The SAPS had spent R16.7-million without authorisation.

An unauthorised R135-million was spent on promoting policemen from the former homelands; R54.8-million on fuel and communications. In addition R185 000 was paid to a consultant without having obtained Tender Board approval, and more than R76-million earmarked for an RDP project was used by the police for other purposes.

The bulk of the secret services' unauthorised expenditure R931-million, had been declared unauthorised due to a technicality, Kruweer added.
Banks wary of redemption
Cities to be denied right to decide how big they will get

Minister says it will be up to provincial governments to decide on megacity model

BY CLIVE SAWYER
Cape Town

City governments will have no say about whether they adopt the megacity model of government, Provincial and Constitutional Affairs Minister Valli Moosa said yesterday.

Constitutionally, it would be up to provincial governments to decide the issue, Moosa told the National Council of Provinces.

Replying to questions by Tienie Groenewald of the Freedom Front, he said the constitution provided for national legislation to be passed setting out categories and types of municipalities.

Provincial governments would decide which type of municipal structure was most suitable for each of their cities and towns.

Metropolitan councils would not be left out of the process because they would determine administrative and decentralisation arrangements.

Asked whether the proposed new megacity system would improve service delivery, Moosa said it would because it would mean a more co-ordinated and rational approach to service delivery.

He could not say what the impact would be on staff numbers. This would be determined only after metropolitan councils had decided their administrative arrangements.

Parliament has announced that hearings are to be held from April 20 to 24 on the White Paper on Local Government.

Themes to be covered during the hearings, organised by the National Assembly's and National Council of Provinces' constitutional committees, include local government as an expression of democracy, growth and co-operative governance, municipal finance, systems for district and metropolitan councils, and a programme for transformation.

Major legislation on local government is expected to flow from the white paper.

Interested parties have been invited to submit comments and requests to appear before the committees to Edgar de Koker, Parliament, Box 15, Cape Town 8000.
Sanco to picket newspaper’s offices

By Joshua Raboroko

THE South African National Civic Organisation (Sanco) is to picket the offices of The Sunday Independent newspaper, which they have accused of “malicious reports” that Sanco was splitting and was R1.3 million in the red.

The decision to demonstrate against the newspaper was announced by Sanco’s national executive and endorsed by the organisation’s Gauteng branches at a news conference yesterday. It has planned the picket for next Wednesday.

Sanco national president Mr Mlungisi Hlongwane said the action was aimed at expressing their “disatisfaction, disgust, concern and contempt” at the newspaper’s “malicious, unfair and incorrect reporting.”

He accused the newspaper of waging a vendetta against Sanco to discredit it in order to promote a hidden agenda.

He said several attempts by the organisation asking the newspaper to refrain from being biased had been ignored.

The report in question in The Sunday Independent stated in part “the troubled Sanco was R1.3 million in the red and had been given one month to repay its debts or face liquidation by the auditor-general and criminal charges from the attorney general.”

Another report alleged that the Soweto branch of Sanco had split from the national body to form a separate rival organisation to be led by Mr Maynard Mens, who had resigned.

According to the report, Mens said other branches were expected to split from Sanco.

Hlongwane said they wrote letters to the newspaper’s political correspondent William Mervin Gumede and editor John Battersby denying that the organisation was in a financial crisis.

Subsequently the organisation denied reports that there was a split.

It said Mens was bitter and wanted to form a rival movement with Sanco’s sacked executive Mr Mzwanele Mayekiso.

Battersby told Sowetan yesterday he had received a letter from SABC concerning Gumede’s report.

Gumede also told Sowetan yesterday that as a journalist he had reported the truth.
Provinces let off hook for homeland debt

Kevin O'Grady

EAST LONDON — Government is set to forgive crippling debts, totalling about R1bn, inherited by provinces from the former homelands.

Legislation being prepared by the state expenditure department eradicates provincial responsibility for the debt, freeing up resources and slashing overdrafts run up by some provinces in fiscal 1997/98.

The deal will include refunding “cash debts” run up by independent homelands before 1994 and serviced by the provinces since then.

Although the final figures need cabinet approval, it is envisaged that the Eastern Cape will receive R397m, North West R188m, Northern Province R292m and Mpumalanga R58m.

State expenditure deputy director-general Flp Redeman said it was likely that the legislation would be tabled in Parliament within three months.

Eastern Cape premier Makhenke Stofile said the refund, as well as the R500m in conditional funds made available by Finance Minister Trevor Manuel, would enable the province to cut its 1997/98 overdraft debt to about R200m from the expected R1.4bn.

However, if it were not for central government’s tardiness in approving the refunds, the deficits “could have been wiped out long ago”, Stofile said.

“If we had received that amount when we asked for it, we would have saved R5m a month in interest (on the debt). There is no question about whether we were owed (the money) or not. . . . the question is why it took so long.”

Redeman said the legislation was the final step in freeing provinces from responsibility for inherited debts which were “one of the reasons why they are overdrawn”.

Loans to the former homelands, such as those from the Development Bank of Southern Africa for infrastructure development, were taken over as national debts about two years ago but provinces continued to foot the bill for “cash debts”. These debts, which were largely in the form of overdrafts, had to be serviced to enable the provinces to open new bank accounts after their creation in 1994.

Although a decision was taken in 1995 to close the former independent homeland states’ books and refund the provinces, it had taken some time to audit the financial statements, Redeman said. The legislation would make the funds available as “a direct charge against revenue”. The amount was not provided for in the 1998/99 budget.

Stofile said the agreement on Manuel’s additional funding, which he would sign this week, had also been the source of some conflict between the province and national government.

Stofile said the province regarded some of Manuel’s conditions as “severe”. One of these was the requirement that the provincial government rationalise its departments “We do not have a fundamental problem with that but we don’t think it is in the prerogative of finance to tell provinces to do that.”

Another condition, that the province freeze promotions, could not be complied with without violating the Labour Relations Act and agreements negotiated with unions at national level, Stofile said.
Providing for poor central to new transfer
Money would be better spent on relief for the poor.

Local government revenue costs
A new system using set formulas to give local councils a share of national revenue will help councils in poor areas deliver basic services.

But Finance Minister Trevor Manuel has cautioned that the system will not solve all the financial problems facing local governments.

The system will be phased in over the next four to seven years.

In a joint statement, Mr Manuel and Provincial and Constitutional Affairs Minister Valli Moosa said the system would replace the ad hoc and inequitable system of inter-governmental transfers.

The Constitution sets out that national government must give local government an "equitable" share of national revenue.

The new system uses a series of different types of transfers designed to build social and economic equity, and building basic administrative infrastructure. Local governments will continue to raise most of their own money.

About 90% of municipal finance comes from rates and user charges.

The new system will contribute towards the remaining 10%, and is designed to benefit in particular local authorities which have poorer populations.

Mr Manuel said the system would not solve all the problems of local government, and at the same time was not a crisis response mechanism.
MAJORITY OF MUNICIPALITIES WILL BENEFIT

Boost for local authorities

The government is to revamp the way it funds troubled local authorities with the aim of enabling them to deliver effectively and to remain sustainable. A new funding system, unveiled at a media briefing in Cape Town yesterday by Finance Minister Trevor Manuel, provides for money to be allocated to municipalities on a formula basis, which is to be phased in over the next seven years.

It would replace the ad hoc and inequitable transfers which had taken place in the past, and would provide local authorities with the resources they needed to deliver affordable basic services to low-income households, Manuel said.

Local authorities, unlike the provinces, raise over 90% of their own revenue, mainly from taxes and user charges. The new system will only apply to money they receive from other spheres of government. Total budgeted intergovernmental transfers to the 843 local authorities for the current financial year, excluding roll-overs, amounted to about R5.2 billion in 1998/99.

Poorer local authorities would have the most to gain from the new system, Manuel said.

Details of the system, which is already being implemented, are set out in a document titled "The Introduction of an Equitable Share of Nationally Raised Revenue for Local Government."

Mr Roland White, the finance department’s manager in charge of the project, said actual allocations to local authorities for 1998/99 would only be published at the beginning of their financial year. In future years it was intended that the allocations would be published as part of the national budget.

The system proposes four types of transfer to local authorities:

1. A municipal basic services transfer, aimed at ensuring that poorer residents in all local government jurisdictions had access to basic municipal services.
2. A tax base “equalisation transfer”, which would provide for transfers between structures of metropolitan councils. This would aim at addressing tax base distortions and offsetting past imbalances in development, and bring greater regularity and predictability to the system of metropolitan public finance. If proposals to replace the existing two-tier metropolitan government system with a mega-city were accepted, this transfer would fall away.
3. A municipal institutions transfer. This would be given to jurisdictions which lacked the administrative capacity to raise their own revenue, or did not have the basic infrastructure necessary to function as local authorities.
4. A “matching” transfer which would assist communities to provide essential infrastructure for services which would benefit residents of other communities.

The document sets out in detail how the transfers are to be calculated, based on factors such as the local authority’s population, income, and level of development.

In the current financial year, basic services transfers to municipalities would amount to R2.575 billion, and municipal institutions transfers to R233 million.

Phasing in the system would only be completed in the 2004/5 financial year, prior to which local authorities would still receive diminishing historical allocations.

For the next three financial years, local authorities would also receive allocations from the water affairs department.

The document says that 257 rural and 381 urban municipalities would benefit from the new system. Two rural and 124 urban municipalities would be worse off. Six metropolitan councils would be worse off, while one would benefit. — Sapa
SA Industry could benefit from greenhouse accords

Secondary cities suffer from squeezed feeling?
Negota commission wants premiers appointed

BY HOPEWELL RADERE
Political Reporter

An ANC internal commission of inquiry has called for the president to appoint provincial premiers in future in order to eliminate damaging tensions between national leadership and the provinces.

The recommendation is contained in a report on an inquiry into Gauteng premier Mathole Motshekga. Although the ANC has not accepted the recommendation, it will be tabled at the party's "inner cabinet", the national working committee.

The report was released by the ANC's secretary general Kgalema Motlanthe yesterday.

It cleared Motshekga of allegations that he misappropriated donor funds, practised nepotism and spied for the apartheid government. But it criticised his style of management, his handling of money and his lack of punctuality.

The commission was headed by lawyer George Negota and included ANC MP Gertrude Shope and Umkhonto we-Sizwe Veterans' Association chairman Isaac Makopo.

While it cleared Motshekga on the basis of the evidence placed before it, the commission pinpointed last year's "bloody battle" for the premiership as the catalyst for the allegations being aired in public.

The report said "elements within the ANC opposed to Motshekga's views" were proactively leaking information and misinformation to the press.

"The nature of the leadership race has not done the ANC proud at the amount of political bloodletting, be it in public, on the pages of the press, or behind closed doors; has not only been damaging to the internal fibre of the ANC, it has been most embarrassing," the commissioners said.

Motshekga late last year fought a bruising battle for the premiership, which pitted his grassroots support in the province against the will of the national leadership.

The Gauteng battle was the third in which provincial politicians have resisted attempts by the national leadership to impose its own candidates. Similar battles were in Free State and Northern Province.

The commissioners said the leadership battle was evidence of a "creeping provincialism", and echoed President Nelson Mandela's warning, at the party's conference last year, on the emergence of careerism in the ANC.

"The commission has no qualms in stating that, unless the ANC promptly and decisive-
Confused response to mounting urban crisis

The recent local government white paper is inadequate and does little to address the concerns, writes Ann Bernstein.

There is a growing crisis facing local government in SA. The indicators of that are many and common. Newspapers and other sources report that two-thirds of municipalities are financially highly indebted, one-third has no hope of generating enough income to cover their service commitments, local government debt stood at R3.0bn last September compared with cash and investments of R5.0bn, there is a general overall deficit of R17m and, in the levels of satisfaction and trust in local government among citizens. An Institute for Democracy in SA poll late last year rated local government lowest of all three terms of government in terms of trust (31%) and job approval rating (30%).

In the context of growing crisis, the white paper on local government was eagerly awaited. It is a great disappointment, a confused and inadequate document on which to base future government action.

The white paper fails to deal with the tension between a desire for strong local government, as an engine for growth and development, and the reality of a sector in crisis. The document lowers uniquely between a development with but acknowledged that globalization has to be supported for sustained economic growth.

It fails to grasp the notion of high cholera, or the need for a holistic policy. It seeks to define it to deal directly with the crisis in local government and the need to fail to extract the lessons of this for future policies.

It reflects no internal experience or other research (on which considerable money was spent), its conclusions are not explained or clarified, very few facts are reported, the implications of national economic policy for local government are addressed, there is a lack of clarity on critical terms, and there is no concluding chapter bringing together a practical programme of action.

Local government in SA has to find a financial model for the tension between two imperatives: one is the need to support the delivery of services to most urban dwellers and the other is to support current industry and attract new investment to cities and towns in a context of fierce competition for investment. In the short term the needs of the poor and the demands for an investment-friendly environment with world class infrastructure are different.

Local authorities and city management will need to recognize and understand these differences and choose the best combinations of measures for their city. To defy the trade-offs involved in the absorption terms is to avoid the choice or be disintegrated with the electorate.

If the quality of life of poor communities is to improve, economic growth is essential. The white paper's declaration that "premises of basic household infrastructure as the central contribution made by local government to social and economic development" is worrying.

This neglects economic development as a priority, and potentially commits local government to a non-sustainable, needs-driven approach. The white paper ignores the enormous and expensive infrastructure demands required to sustain and build a competitive urban environment for economic growth.

Not fiscally viable

No mention is made of transport communications or any other major infrastructure challenges that faces large urban areas. Basic household infrastructure cannot be the central contribution made by local government to social and economic development and has to be complement by attention and resources devoted to the social and economic requirements for dynamic economic growth, which can only be built on a well maintained base of public infrastructure and economic growth.

At the end of the apartheid era, urban local government was divided into two categories: core municipalities, generally in a fiscally sound position, and black local authorities, virtually none of which was either administratively or fiscally viable. A lengthy period of amalgamations and veteran local governments followed, only now coming to an end.

The current picture is one of complete administrative restructuring, with many local authorities in a fiscally precarious position and little delivery output. The central challenge is to determine the basis for moving forward.

In doing so, hard realities have to be confronted. The enormous needs are a fact. The strategic challenge is how to encourage development and manage provision of services so they can be expanded as quickly as possible while creating and maintaining fiscal sustainability.

Overstating state capacity will result in unworkable policy. The best policy to meet a given goal is that which maximizes demands on the state's capacity.

SA's municipalities are disproportionately concentrated in cities and towns. Given the concentration of financial and human capital among communities, it is important that they do not fold helplessly and fruitlessly about the future if they see their potential contributions lost.

There is substantial unused capacity in the private sector for local infrastructure development. Some banks have established infrastructure funds, only to find that present institutional arrangements make it difficult or impossible to respond to these funds. New arrangements, such as privatization or long-term concessions, need to be introduced quickly, to break local authority's financial constraints.

Leveraging private investment and ensuring economic competitiveness for the cities is the only way the poor will ever have a sustainable future. Yet this white paper is ambiguous about economic competition and rules out privatization (water, electricity, solid waste).

The only way to service the poor in a sustainable base is the Centre for Development and Enterprise had hoped that the past four years of government would have made that is clear to the white paper's drafter to the financial manager. This kind of inconsistency in government policy is without doubt a critical factor in hindring economic growth.
Proposals threaten services

PRIVATE investment and economic competitiveness for the cities is the only way that the poor will ever have access to services and a sustainable basis. In this context the local government white paper's proposals for metropolitan government are part of the wronging.

The two options put forward presuppose that in the name of efficiency and an undefined notion of redistribution it is necessary and justifiable to move away from effective powers for established local areas within the metropolis.

The Centre for Development and Enterprise (CDE) is convinced that neither proposed option will secure the reassurance and environment that investors require before undertaking large risk ventures in the cities.

The proposals will also undermine democratic accountability. The white paper makes two alternate provisions for the constitution of local government in metropolitan areas. One is for citywide, inclusive metropolitan government, with ward committees. The other is for citywide, inclusive metropolitan government, with decentralisation of functions and powers to substructures.

In both options, only the metropolitan level has original power, hence in both the degree of decentralisation and the smaller structures is wholly at the discretion of the centralised elected authority.

In non-metropolitan urban local government, the centralised model is prescribed without provision for any devolution or decentralisation.

The proposal for a centralised and overarching local government in metropolitan areas, the CDE is convinced, and indeed, the constitutional provisions for all levels of local government — may provide the basis of the power required for the redistribution of local fiscal resources to promote greater equity, but they also create four major problems.

The large metropolitan government will be remote from local communities, undermine commitment to the democratic process and reduce the sense of effective participation by communities with a sense of local identity. Recommended provisions to address this need fail far short of the requirements of effective participation,

- Inadequate protection of the rights of ratepayers and citizens as regards quality and maintenance of services which their rates and local levies are intended to finance,
- The sheer size of metropolitan local government, although it may introduce economies of scale in the design of local administration and infrastructure provision, will at the same time lead to counterbalancing inefficiencies, because of the complexity and administration required in very large centralised systems.

- The entire package of local government will not be able to provide the reassurance that businesses and investors require before undertaking risk ventures in a city or town.

The CDE is therefore opposed to both options for metropolitan government put forward in the white paper.

We are convinced that too many expectations and vagueness are being loaded onto this form of government. It is essential to separate out the issues involved in this heated debate.

- Local government is the most direct and immediate form of government. It must therefore be as close to citizens as possible.

In large, interconnected urban regions it can be very useful, sometimes essential, to have a metropolitan level of government that provides regional services (for instance, water, sewerage, electricity) and performs region-wide functions (land, transport planning). This level of government can be directly elected by the metropolitan electorate or indirectly through local committees.

In South African circumstances we have to recognise and deal with four realities.

- The legacy of decades of urban segregation and discriminatory provision of services often at discriminatory prices to the people forced to live in certain parts of the metropolitan region.
- If delivery is to occur at all or at any meaningful scale, it will have to be perceived or corporatised by local or metropolitan wide services.
- The consequence of integrating previously segregated local authorities at the metropolitan and sometimes local level has often led to overstaffing, inefficiency, lack of clarity in roles and job descriptions and as a consequence, enormously wasteful use of resources.

Successful SA cities will require multiclass and multistakeholder coalitions for growth, development and redistribution (of services and opportunities).

The CDE would therefore be in favour of the following:

- Strong democratically elected (as small as possible) local authorities in the cities with legislatively protected powers and functions (as many as possible for this level) very clearly differentiated from powers and functions at the metropolitan level of government. They should have taxing powers and should be legislatively constrained with respect to tight financial discipline.

- A small democratically elected metropolitan level of government with clearly defined and limited powers. Metropolitan councils should be directly elected.

- Metropolitan-wide service provision could either be provided by the metropolitan level of government or by private sector utilities or independently governed public entities.

- In general, local authorities must live according to their means — what their citizens can afford. However, because of our history local authorities should also receive infrastructure and service subsidies from central government. In other words, the large redistribution will happen at the central level of government and be allocated to the local level.

These subsidies from the national fiscus can be used by a local authority to buy additional services from the metropolitan level, provide a higher quality of service, or subsidise or corporatised the prices of such services.

The CDE would support two mechanisms for redistribution of grants from local government in support of democratic institutions and the recurrent cost of basic service provision to the poor. In the case of two-tier systems within metropolitan areas, fiscal equalisation programmes are appropriate to compensate for variations in the rates base between substructures. The aim of such programmes is equal provision of public goods for which there is no charge (for instance, traffic lights, libraries) across the metropolis.

Provision should be made in the legislation for the rights of ratepayers and local citizens applicable to the maintenance and quality of service provision and infrastructure on which public resources have been spent or are being spent.

Provision should also be made for citizens to petition for an issue vote if they are able to mobilise 10% of the relevant vote at the metropolitan or substructure level in support of such a referendum.

If South African cities are to be successful, they will need to be driven by enthusiastic and committed leaders who represent all the core interests present in those cities.

The proposals must be honest about our weaknesses and must build on our available strengths. Multiclass and multistakeholder coalitions are essential if we are to achieve the urban growth and development that we all want.

The options that are current by the white paper are unsound, but the proposal for the table precludes economic and political success.

Bernstein is executive director of the Centre for Development and Enterprise. The article is based in its response to the white paper on local government.
Local government in deep crisis

By Ann Reesbein

A presidential commission for our cities and towns should be established urgently to gather vital information about the causes of the current crisis in local government, and to make proposals to prevent it from worsening.

This is the major recommendation put forward by the Centre for Development and Enterprise in its response to the Government's White Paper on Local Government.

CDE argues that the white paper is a great disappointment, and concludes that the document is neither a blueprint for a new vision for growth and development, nor a reality of a sector in fundamental crisis.

The document, it is feared, will serve as a blueprint for the fall of local government and failure to extract lessons from the future.

In this context, the proposals for metropolitan government are particularly worrying. The two options proposed are that in the interest of efficiency and an undefined notion of redistribution in the city, local authorities must move away from effective powers for established local areas within the metropolitan areas.

CDE is convinced that neither proposed option will provide the reassurance that the current crisis and the effects of the crisis can be alleviated. The white paper CDE argues that government should proceed cautiously and cautiously.

It should therefore only introduce legislation that is absolutely necessary for the 1999 elections and to renew local government.

There is much local information which is still required on the effects of the current crisis in local government and such uncertainty on how to proceed to ensure the success of local development, that CDE is convinced will lead to great calamity and must be deferred pending the results of a very special inquiry. This inquiry should not be rushed and should be formed of a specially appointed commission for cities and towns which will be given the necessary powers to cite its work.

In terms of reference should include the following:

- Establishment of the fundamental information required for understanding the development needs and the overall objectives of local government.
- Identification of current and potential interventions of local government.
- Needs for urban development to identify the needs of the communities and their councils.
- Such a review should precede any major decisions by already established democratisation authorities.
- Fiscal and revenue needs of local government, and the extent to which they are to be met. The extent to which powers of government may have to be devolved or decentralised to local government and under what conditions.
- Study of international best practices in local government and the local government in South Africa's urban development.
- Overview of settlement types in South Africa, with particular emphasis on the relationship between local and national government and implications as regards capacity and power of local authorities.

It should also include other forms of development and proposals for partnerships between local government, the private sector and communities in achieving economic development.

Analysis of financial capacity of the local government and the adequacy of local revenue base and proposals for partnerships between local government and the private sector.

This careful scrutiny of the urban development challenge is necessary in mastering the problems of rapid urbanisation, the lack of integration of urban and rural development and the role of the urban areas in national development.
Those with homes often can’t pay for services so the services are withdrawn, and the sad vicious circle is closed. All part of local not being addressed by the Government White Paper.

as of marginal or (Winterveil, change trips etc), its changes and interactions between local authority areas identifying essential taxation without detriment to local or threatening local communities. 

how should precede by already existing authorities.

and towns, and regions of government to the development which they have to which powers of government may be or decentralised and under what national best practice of local economies and the local important. This should be of delivery mechanisms and regards capacity and powers of local authorities. It should also cover different types of investment incentives and incentives for partnerships between local government, the private sector and communities in achieving economic development.

- Analysis of the fiscal structure and adequacy of the fiscal resource base by type and size of local authority. This must include an assessment of whether or not the standard sources of revenue (rates, license fees etc) have to be augmented by new forms of local revenue.

- It should also include a review of the costs and benefits of the BSC levy, and a detailed examination of how subsidies to assist the poor should actually work – avoiding exploitation by slumlords or the further development of a culture of non-payment.

- Different options with respect to forms of urban government. This would include a detailed investigation of the possibility of executive councils but would also need to examine other issues as well. For example, the demands placed on local representatives and a review of international patterns in search of improving the status and competence of local councillors.

- Review of policy, regulations and legislation (national, provincial, local) which hamper economic development and its facilitation by local authorities. Such a review would include rating systems, taxation, levies and extent to which they are efficient in achieving development objectives.

- Examination of international experience with respect to how best urban issues are dealt with at national and provincial levels of government and the implications of the recommendations of the Presidential Review Commission for urban development.

South Africa’s cities are the engine rooms of the national economy – the future of the country largely depends on their becoming globally competitive.

Macro-economic reforms will have enormous implications for the country’s urban areas particularly its largest cities. These implications need to be thought about, debated and creatively managed. Government and private sector decision-makers need to start taking the urban environment – and the when and where of production, services and trade – very seriously indeed.

A presidential expert commission will provide time out to consider the challenges facing South Africa’s cities and towns thoroughly and provide government and all other decision-makers in the country with far reaching, implementable and well-considered proposals for action.

Bernstein is executive director of the Centre for Development and Enterprise. This article is based on the recently released and comprehensive CDE response to the Government’s White Paper on Local Government.
VITAL FOR INTEGRATION AND TRANSFORMATION

Provincial system 'justified'

CALLS FOR A review of the provincial system were often done all too lightly, says Provincial Affairs and Constitutional Minister Mohammed Valli Moosa.

VUYO MNTUYEDWA reports.

Although provincial governments were replete with overspending, administrative inadequacies and perceived or real corruption, they were vital for decentralisation, national integration and transformation, Moosa said during his budget vote in the National Assembly yesterday.

He said calls for a fundamental review of the provincial system were often done "all too lightly" and that provinces were not merely a product of political compromise between "the so-called federalists and unitarists".

The existence of provinces in a "united South Africa" were motivated by the following:
- The need for development outside the country's major urban areas
- The need to ensure responsive government close to people
- The need to prevent an overbearing bureaucracy through decentralised administration
- The requirements of national integration
- The need for detailed attention to be given to transformation in all corners of the country
- The need to promote the richness of the country's cultures and languages

"While administrative and financial mismanagement in some provinces are a matter of deep concern, let us not forget that provinces have been saddled with the biggest administrative and transformation challenges and backlogs by government since 1994," he said.

Moosa said provinces had inherited huge bureaucracies from the former homelands. Provinces more than national government departments had inherited grossly overstuffed departments, inaccurate records of personnel, resulting in "the phenomena of ghost workers", grossly inaccurate statistical information about the number of school-going children, population size, and the number of old age pensioners.

He said this made accurate planning and budgeting "a virtual impossibility". There is no telling whether national government would have fared any better in coping with apartheid chaos if provinces had not existed at all.

Speaking on other issues during his budget vote, Moosa said:
- The ANC had fought hard for the present Constitution and would not do anything to undermine any of its provisions. The accusation that the ANC aimed to amend fundamental tenets of the Constitution was "a fallacy".
- "I do not see how we could suddenly be enemies of the very Constitution for which we were jailed, tortured and murdered by some who sit in this chamber enjoying the fruits of our toil".
- The core values of the Constitution were rule of law, universal adult suffrage, regular elections, a multi-party system, non-racialism, non-sexiism, human dignity and the achievement of equality.

Cultural, religious and linguistic identities are a "stubborn fact" in South Africa which are recognised and protected by the Constitution.

He said whereas apartheid sought to use cultural, religious and linguistic identities to foster ethnicity and tribalism to prevent a united South African nation, the new Constitution recognises this reality "precisely for the purposes of unity, nation building and the promotion of a new South Africanism".

MOHAMMED VALLI MOOSA

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Govt urges mobilisation of skills to save councils

PROVINCIAL AFFAIRS Minister Mohammed Valli Moosa has called for the national mobilisation of skills and technical assistance to save municipalities who were in grave financial difficulties.

Introducing the debate on his budget vote, Moosa told the National Assembly that almost a third of the 843 municipalities in South Africa were in serious financial trouble. "The financial vulnerability of the local government system needs urgent and collective effort," he said.

Moosa said widespread poverty and the lack of a proper tax base in many municipalities, together with the apartheid backlog, were the major contributing factors to the financial challenges facing the councils.

"In many instances, the situation is exacerbated by a lack of proper financial management and inadequate credit control. This year the government will be implementing a restructured system of inter-governmental grants to local government. The equitable share of national revenues will be the principal mechanism for subsidising municipal services," he said.

Responding to calls for the government to review the provincial system, Moosa said the system should be retained.

He said the existence of provinces within the context of a united South Africa was motivated by the need for development outside of South Africa's major urban areas, the need to ensure responsive government close to the people and the need to prevent an overbearing bureaucracy through decentralised administration.

The minister also announced that R1.3 billion has been spent on 1 060 municipal infrastructural projects, delivering services to over 12 million people.

He also announced that the government has consolidated its previously fragmented channels for subsidising municipal infrastructure into a single programme — the Consolidated Municipal Infrastructure Programme (CMIP).

"For the first time in the history of our country, we have in place a coherent subsidy mechanism which will enable every municipality to progressively extend infrastructure services to every South African. The first year of implementing CMIP has been extremely successful and we're now able to deliver projects for bulk and connector infrastructure not only for all new housing projects, but also for the delivery of services in rural areas."

He also announced yesterday that he would table a policy paper which would spell out the role of traditional leaders in politics.

The White Paper on Traditional Affairs would deal with the principles relating to remuneration, a national audit of traditional leaders, the role of women, the role of traditional leaders in local government and the future roles of the house and council of traditional leaders.
R8-bn debt burden hamstrings municipalities

CHARLES PHABLANE (ABD)
PARLIAMENTARY BUREAU

About a third of South Africa's municipalities are experiencing serious financial difficulties, with a debt burden of about R8-billion, Parliament has been warned.

African National Congress MP Yusuf Carrum, who chairs Parliament's constitutional affairs and public administration subcommittee, was speaking yesterday in a debate on the provincial and constitutional affairs budget.

Mr Carrum said 92 municipalities were struggling to pay salary bills and a further 72 were likely to experience similar difficulties within three months.

He said the Constitutional Affairs Department's Consolidated Municipal Infrastructure Programme (CMIP) had made a significant contribution to municipal development and service delivery.

However, the CMIP allocation of R588-million was about half of what was needed, and would "seriously rule out the possibility of wiping out the historical backlog in services within the 10-year timetable that the Government has committed itself to".

Provincial Affairs and Constitutional Development Minister Vella Moosa said widespread poverty and the lack of a proper tax base in many municipalities, coupled with the apartheid backlog, were key contributing factors to financial problems.

This was exacerbated by a lack of financial management and inadequate control in the municipalities.

A national collective intervention could assist municipalities to function better.

"The financial vulnerability of the local government system needs our urgent and collective attention," this must be linked to a national mobilisation of capacity and technical assistance to make municipalities work, in all parts of the country."

The Constitutional and Provincial Affairs Department would publish a schedule of allocations and transfers for all municipalities in terms of a new system which would take effect on July 1.

Mr Moosa said municipalities would receive an operating subsidy for all poor households in their areas.
Paper was well researched

Crispian Olver defends the of constitutional development department against criticisms of the white paper on local government

THE Centre for Development and Enterprise's critique of the local government white paper (Business Day, June 1 and 2 1998) is misplaced and inaccurate, in addition to its somewhat hysterical tenor.

The centre's views were presented to the Portfolio Committee hearings on the white paper and rejected by MPs. The debate does however raise important issues regarding different approaches to public policy and its formulation.

The white paper is based on very thorough research and analysis with which the centre is clearly out of touch. Research over more than two years on about 80 separate studies have contributed to this policy, including:

- Quantification of municipal service backlogs and detailed modelling of the affordability of different infrastructure investment scenarios;
- Longitudinal studies of municipal financial viability and analysis of the causes and remedies of the local government financial crisis;
- Case studies of local economic development and private sector partnerships, leading to an analysis of the appropriate regulatory framework for public private partnerships;
- Investigations into the institutional structure of metropolitan and rural local government and a detailed analysis of the appropriate institutional framework for the governance and development of these areas;
- Approaches to administrative reorganisation and transformation in local government;
- Performance management, development planning and budgeting systems;
- Mechanisms to enhance private sector credit and investment; and
- Approaches to restructuring intergovernmental fiscal relations.

Many of the earlier research papers were published last year as part of the Local Government Publications Series and have been distributed to every municipality and major stakeholders.

Subsequent research papers are available on request and some are included on the constitutional development department's local government website. Quarterly surveys of local government financial data and infrastructure investment patterns are also released. The centre's supposed ignorance of this body of work is a result of its own poor investigation.

The centre's comments regarding the white paper not being properly referenced, with footnotes and research bibliographies, indicates a lack of understanding of the difference between academic publications and a public policy document. The department has deliberately sought to produce a white paper in a user-friendly, accessible style that is meaningful to a broad range of South Africans, rather than boardroom elites.

This necessitates a style quite different from standard research papers. Moreover white papers in general are not produced according to the format the centre proposes.

The centre is also ignorant of the consultative processes leading up to the publication of the green and white papers. These happened on a wide variety of fronts and included wide consultation with the private sector. Indeed, private investor concerns have been taken on board in a very significant manner, both in the approach to restructuring the local fiscal system and in the variety of mechanisms proposed for gearing in private investment in infrastructure. The policy proposals on public-private partnerships are based on a wide range of practical experiences with investors on pilot projects, which have laid the basis for a major change in the way in which municipal infrastructure is delivered.

The white paper is also based on consultations such as:

- Discussions with at least 60% of all municipalities in the country, as well as each of the nine provincial associations of local government;
- A series of engagements with provinces, including NEDCs for local government, in which a clarification of the roles of all three spheres of government was developed;
- Discussions with organised labour, civic organisations, nongovernmental organisations and university academics, all of whom made significant inputs into the content of the white paper.

The centre's ignorance of these processes is more a sign of its isolation from mainstream debate on local government than a serious critique of the process itself. This is unfortunate, because the centre has a large body of its own research that should have been fed into the process, rather than used as ammunition to snipe at other policy efforts.

The centre may not agree with the conclusions reached in the white paper. Thus it is not surprising as their "trickle down" approach to economic growth and calls for an exclusive focus on urban growth to the exclusion of both urban and rural poor, are completely out of touch with the urban reality. Such policies may have resonance with the centre's constituency in the corporate sector, but offer scant relief for township residents and the urban poor. The danger of the centre's policies is the massive social dislocation and ultimately unrest, that they will perpetuate.

The white paper attempts to strike a careful balance between the needs for growth and the needs for equity and redistribution. This lays the basis for a more thorough-going transformation of the local government system, which offers hope of better governance and service for all South Africans.

The centre's views on the metropolitan system are frankly contradictory. On the one hand it argues for "strong democratically elected local authorities as the cities connected with a small, directly elected metropolitan tier". At the same time it acknowledges that "metropolitan-wide service provision could be provided by the metropolitan tier itself, or by private sector enterprises or independently governed public entities". This supposedly heated debate is limited to a disaffected minority, with five of the country's six metropolitan areas having achieved a strong consensus regarding the future direction of their institutional restructuring. Again the centre seems to be out of touch with this process.

The call for a presidential commission is misplaced. Parliament is in the process of finalising legislation for an independent Demarcation Board which will be charged with the process of redrawing the municipal boundaries for the country. A number of key forums are taking forward debate on the local government system in an inclusive and open manner.

The centre should make an effort to participate constructively in the unfolding transformation process for local government rather than trying to delay it.

Olver is deputy director-general of local government in the constitutional development department.
NCOP 'treated with contempt' by govt

Wyndham Hartley

CAPE TOWN — A rebellious National Council of Provinces justice committee came close yesterday to refusing to deal with vitally needed legislation to extend the life of the truth commission amid claims that it was being treated with contempt.

Parliament's two justice committees have been asked by the justice department to review law amendments to the Promotion of National Unity and Reconciliation Act so that the truth commission "does not grind to a halt at the end of this month". In terms of current legislation, the commission is scheduled to end its life on June 30.

Parliament is going into recess on Friday. If the legislation is not approved by then, the commission and its amnesty committee will have to stop work or be in conflict with the law.

About 1,000 amnesty applications are still outstanding and it is estimated that many more months are needed for the committee to complete its work.

Members of the National Council of Provinces' justice committee, across party lines, said while unresolved negotiations were held with the cabinet and the commission itself in preparing the legislation, they now had to complete it in four days what had taken eight weeks to prepare.

Committee chairman Mohseen Moosa said the council was required to consult the provinces, and asked why the committee should be inconvenienced in this way.

Inkatha Freedom Party member Cehill Pianarr said the committee was being asked to deal with a bill that was not even before it, and that it was being treated "worse than a rubber stamp" and with contempt.

Democratic Party MP Douglas Gibson said the reality was that the commission would "scream to a halt, and we cannot allow that to happen".

Moosa agreed and said he did not want to be head of the structure which brought the truth commission to a halt.

The committee will debate and vote on the bill tomorrow morning, allowing for it to be taken to the plenary of the council before the week's end.
White paper stands on solid ground
Urban growth engines need care — study

SA's metropolitan areas and densely populated urban areas will require special attention to ensure their growth rates are sustained, concludes Michael Sutcliffe in a study on local government released yesterday.

The past three years have seen the development of metropolitan governance on a remarkable scale. Simply in terms of budgets administered by the traditional metropolitan councils and metropolitan substructures, one finds that greater Johannesburg, the Cape metropolitan area and Durban would form the sixth, seventh and ninth provinces if one was interested only in the size of budgets.

The relatively rural provinces of Northwest, Free State, Mpumalanga and the Northern Cape are much smaller than each of these major metropolitan areas. Taken collectively, the metropolitan and large city budgets of municipalities in the "metropolitan provinces" (Gauteng, Western Cape and KwaZulu-Natal) are about 90% of the size of Gauteng, while the Cape and KwaZulu-Natal budgets taken together exceed the fact that metropolitan budgets have grown faster than provincial budgets in the past few years, it is clear that metropolitan areas represent significant and complex economic and financial entities. Any proposed restructuring must take account of this.

In addition, a far greater proportion of metropolitan budgets is devoted to capital expenditure than in provincial budgets. While this is partly because of different functions and powers, it also emphasizes the importance of metropolitan budgets in developing the infrastructural base for growth, employment and redistribution.

When one examines the form of local government, some interesting points emerge, particularly with regard to the degree to which existing metropolitan areas are already characterized. The first point to note is that metro debate over megaструкtures as a little displaced, because most of the metropolitan areas are already characterized by huge differences between substructures in terms of their relative sizes.

These already megastructures in place in the largest metropolitan areas. For example, the following substructures all have more than 1 million inhabitants: the southern substructure of greater Johannesburg, the central substructure of greater Pretoria, the Tygerberg substructure and the Cape Town city substructure in the Cape metropolitan area and Durban's north and south central substructure.

Half the metropolitan regions are already characterized by substructures which control more than half the respective aggregate budgets of the metropolitan regions. Durban's metropolitan council is the most centralised, controlling about two-thirds of the aggregate budgets of all seven councils within that metropolitan region.

It is followed by Lekoa Vaal and greater Johannesburg, where more than half the aggregate budget of the metropolitan region is decided by the metropolitan council. In the case of greater Pretoria, the central substructure is in effect the metropolitan authority and it controls almost two-thirds of the metropolitan budget.

The Johannesburg metro council budget is controlled by the Kemptown Park substructure. The Cape metropolitan area is in many ways the "ideal" substructure, modelled on the London model, in that the metropolitan authority, with its own corporate structure and budget, was formed only after the abolition of the old Cape Town municipality. It is, simply because the old Cape Town's functions still are the functions of the metropolitan authority, have been decentralized to the substructures in the 1997/98 budget, which would result in difficult restructuring if it were to be recentralized.

On a "revenue side", except for Johannesburg, about 20% of the metropolitan budgets are funded out of these levies and rates. In greater Johannesburg, the figure is almost 30%. It should be noted that the argument that the businesses levies should be collected and disbursed nationally would not appear to have much merit, as the amount collected (R1.7bn) is relatively small in national terms but is very important in funding capital expenditure in the metropolitan regions.

A related argument is that redistribution to assist municipalities is to be effective, it should be undertaken at a national level using a formula to provide an equitable share of funds to local governments, as is being proposed by the finance department.

While the proportions of revenue derived from property rates are about equal in the metropolitan regions, there are major differences between substructures within each region in terms of revenue generated from property rates.

These differences between substructures in proportional terms arise out of a complex set of historical, political and geographical realities.

Commercial and industrial property, for example, was historically located in "white" areas, hence substructures with a high proportion of black people would trend to receive proportionately less. Of course, in the hurly-burly of budgeting, this factor is often lost sight of by those who want to spend in their area as many resources as they have received from "their" substructure.

In greater Johannesburg, the southern is different. From the wealthier eastern substructure, in the Cape, the large Cape Town substructure with its large concentration of poor households, has a reasonable share of the rates base, in Durban, the situation between substructures is a question of equity in Pretoria, the Akaasu substructure has a high middle rates base, in Khayalami, the larger Kemptown substructure has an equitable rates base compared with Midrand and in Lekoa Vaal, the base is evenly spread between the two substructures.

Overall, the relative proportions of the rates base in each of the metropolitan areas are unevenly spread across the substructures.

In financial terms, the scale of metropolitan areas and the large council is the most impressive and stresses that such governments should be treated properly as distinct spheres of government. The growth rates of these large urban conglomerates are most impressive, clearly outpacing most provincial governments.

Importantly, also, these governments have shown a degree of stability in their relative proportions of expenditure allocated to capital and recurrent costs on the one hand, and salaries on the other. At the same time, the equitable rates bases, within metropolitan areas point to the fact that they ought to be seen as single functional substructures, not as separate metropolitan council and substructures.

However, the metropolitan areas are not simply financial powerhouses. These major urban areas contain more than 40% of the population. In addition, the public sector is concentrated in government offices and hospitals. It is clear that for such growth to be sustained, special attention will have to be given to the metropolitan areas and major urban conurbations to help them to sustain such rates of growth. To say that such attention should be given to non-metropolitan areas, only that the key issues in those areas might just require different solutions to those of the major urban areas.

Sutcliffe is an African National Congress MP and a former academic who was commissioned by the provincial affairs and constitutional development ministry to co-ordinate the study.
Service under single systems: Study

Linda Ensor

CAPE TOWN — Single administrations with unified staff, budgets and fiscal policies should prevail in metropolitan areas to ensure the efficiency and effectiveness of service delivery, a study has found.

A more targeted approach was required of metropolitan councils if they were to address problems of poverty and development, while the equitable distribution of finances also made a single financial system preferable, it said.

The aim of the study, initiated by Provincial Affairs and Constitutional Development Minister Valli Moosa, was to investigate the feasibility of the proposals for metropolitan government contained in the white paper on local government.

It was undertaken to prevent making mistakes in the restructuring of metropolitan government,

Moosa said at a press conference where he released the findings yesterday.

Project leader Mike Sutchliff, a KwaZulu-Natal member of the provincial legislature, said that at a political level the study showed the need for strong national legislation which allowed for flexibility at the local level.

"The major plea from the administrators interviewed was for flexible mechanisms," he said.

The major metropolitan areas such as Durban, Johannesburg, Cape Town and Pretoria had developed differently and this variety should not be ignored, Moosa said.

Legislation should be flexible to allow creativity by local government within its broad principles.

Sutchliff said there appeared to be a growing consensus, with the possible exception of the Western Cape, that metropolitan areas should have single-tier municipalities.

"There was strong support in Johannesburg, Pretoria and Durban for the creation of both functional committees and area-based (substructure) committees. Since these area committees would be political entities with powers delegated to them by the metropolitan council, they did not have to correspond to administrative boundaries. These area committees could bring much-needed local political debate into the affairs of the city."

Among the white paper proposals found to be unadvisable were that ward committees be regarded as a type of municipal structure.

Also, there was no need for the administrative system to correspond with the form of substructure councils adopted, as the white paper recommended.

Moosa stressed that the administrative transformation of metropolitan government would be phased in over a number of years.
For electoral systems, another challenge is demarcation. This bill will help prevent multiparty deals that favor one side.
CRITICS of the government’s plans for reform of the metropolitan system have argued for the retention of the two-tier model and for minimal organisational change, citing transformation fatigue.

Closer to the heart of the problems experienced in the metropolitan areas is that change has not gone far enough, and that the present system fails to anticipate pressures for changes in metropolitan governance. The government’s approach to the metropolitan system is to anticipate these changes, and to create the flexibility to deal with them.

What are these pressures?

The government’s functions, across the board, are being devolved to local level. District health services, municipal police forces, local housing, child care — you name the department, there is some function on its way down.

Two forces are driving this fiscal squeeze nationally and provincially. Leading to shedding of functions (and “unfunded mandates” being dropped on local government), and a realisation that many functions can be provided more efficiently at a local level.

This decentralisation will lead to a richer and more comprehensive package of functions at municipal level. However, the fiscal squeeze is being felt as harshly at local level, exacerbated by a vastly increased burden of service backlogs, poverty, and redistribution needs. This is leading municipalities to share the burden of service provision with other actors, most importantly the private sector.

At the same time there is a world-wide technological revolution in municipal-service provision. For years the preserve of municipal engineering departments, infrastructure services are increasingly opening up to competition from private sector providers. Modern technologies and operational efficiencies, driven by greater market competition, bring lower unit costs, better quality and more customer-oriented services.

This shift has been made possible by a separation of the notion of the service provider (which can be a range of private or public providers) from the authority (the municipality), which must ensure that the service is up to standard.

Municipal services need to be run like a business, with clear cost centres and management held accountable for performance. Proper economic pricing of services means that they are used in the most efficient way by consumers. This does not preclude the municipality from subsidising services, but such subsidies must be open and transparent, and clearly targeted to those in need.

Over the next decade, most major municipal services will be corporatised into metropolitan utilities, or concessioned out to private operators.

Instead of focusing on managing trading services, municipalities will need a small, professional core skilled at contract management, large-scale tendering, performance management and supervision.

The residual municipal functions will largely be focused on planning and amenities.

For municipal administrations these changes are significant, although substantially different from the amalgamation process under the Local Government Transition Act. Workers will be faced with a more performance-oriented regime, changes in employer bodies and shifts of work location as resources are better distributed.

These changes need a more flexible, skilled municipal labour force. Already unions and employers have established metropolitan-wide bargaining councils.

To see through this change with different metropolitan employer bodies, and different conditions of service, will be well-nigh impossible. There is an inescapable logic behind the creation of a single metropolitan employer body. On this point the government and the unions agree.

Parallel to this is a pressing need for a metropolitan-wide fiscal framework, a uniform property-rating system, and an even sharing of the redistribution burden. Businesses should not be penalised with redistribution taxes for locating closer to poor areas, as this drives away metropolitan investment.

It is clear that all infrastructural and trading services need to fall under a metropolitan-wide jurisdiction, as their future corporate structure will not correspond with local political boundaries. There is also a metropolitan-wide urban and environmental management, and economic development.

The remaining functions, such as planning permission, parks and amenities, can be decentralised to a very local level. There is a huge backlog of planning permissions, which acts as a brake on investment. These decisions could be taken by smaller committees of council overseeing a local area.

This means that, over time, we will probably need a larger, more localised set of structures, rather than the “mega-substructures” of today. This will not be possible if we lock political power into a set of large, political jurisdictions along the present lines.

The council committee system is not extended with local advantages. There is a tradition of delegation of council powers to committees, including executive committees. These are the people the buck of council work is shown. The location of councilors on both council and its committees avoids the inevitable political rivalry with a two-tier structure. The notion of area committees as substructures of council also allows metropolitan areas to replicate their administrative architecture of today but, over time, move to a decentralised system of area committees consisting of ward councilors making decisions on development that affects their area.

Most metropolitan councils have voiced their support for this system. For South Africa’s largest cities to be able to meet the challenges of the 21st century, this is surely the direction in which we must travel.

Moosa is the Minister of Provincial Affairs and Constitutional Development.
ALONE IN THE DARK

As the plane flew into Maputo last week, Robert McBride loomed large in my mind because for me Mozambique and McBride have become as closely linked as pap and vlei.

Somewhere in this lovely city, I thought, McBride is sitting in a cell, wondering what fate — the Mozambican police — has in store for him.

My mind willed in memories of cells, screams, torture, fear and anxiety. This is an area where many South Africans can speak with authority.

You would wait anxiously as you saw your friends and relatives detained without trial. You’d wonder if the security police were playing games, waiting and watching what you’d do as they collected the people around you. Would you try to stop the country? Would you contact other people and thus lead the police to more prey?

And the anxious wait would end at 2 am when you would hear feet running in the yard, then pounding at the doors and the windows “Mask oop Polise!”

You would notice the frightened look from your wife and the children would start crying as you shouted back that you were coming to the door.

Before you knew it, there would be men in every room in your house and they would be shouting bewildering questions at you. They turned the house upside down, scanning every piece of paper, opening drawers and boxes and peeping under furniture.

As it became light, your neighbours would see you pushed into one of the cars. And the convoy would screech out of the township to John Vorster Square.

And so you disappeared into detention without trial — a month, three months, two years, whatever length the police chose.

Your family would be praying that no harm came to you and you would carry the memory of your hysteric son as the cell doors closed behind you.

It was so obvious that the reason for keeping you in this way was to allow your captors to torture you until you confessed to one or other “crime” and thereafter they would keep you until all your injuries healed. When they were satisfied, you’d be charged or be used as a witness against other people.

Claims that you were tortured? It was your word against that of an army of policemen. Besides, there would be no scars to show.

It started as 90 days’ detention, was extended to 180 days’ detention, and then to indefinite detention under Section 6 of the Terrorism Act. The detention order usually said you would be detained until you answered questions satisfactorily.

SA voters at that time complacently accepted that detention without trial was a necessary tool to fight “terrorism” and thus gave licence for murder.

The security police killed so many great Africans who would now be contributing to our prosperity.

McBride’s story followed me through Immigration and Customs to my hotel. At lunch I asked the waiter — the man in the street — if he had heard of Robert McBride.

“Yes,” he nodded with a smile.

“What do you think of his detention?”

There was a puzzled look on his face because I had obviously gone beyond his English capabilities.

I spoke to other people in Maputo.

“He’s been detained in terms of the law. We use this law rarely — only in cases of serious crime.”

But shouldn’t normal detective work be enough to fight crime?

I heard people in Mozambique defend their law and argue that it was the only way to stamp out crime.

It always sounds reasonable, until it is used by the powerful against the weak. By that time it is too late to stop them.

I hope the SA government, many of whose members suffered under detention without trial, are quietly talking to their friends across the border.
THE National Party (NP) resolved at a local government summit meeting in Johannesburg at the weekend that it would continue to oppose a megacity structure for municipalities, or "any centralisation of powers".

Watty Watson, chairman of the party's federal committee on local government, said the NP believed that moves to centralise structures would remove power from the hands of local communities, which was especially important at local government level where power needed to be "as close as possible to the people".

Watson said the summit was also used to test policies, with about 700 of the party's 2,000 local government councillors given the opportunity to discuss their views on the party's official response to the local government white paper.

The councillors had unanimously rejected any form of centralised power because important powers such as taxation at a local level, the passing of by-laws and the acquisition of loans could not be delegated to a single executive mayor, as this would be undemocratic.

Watson said the megacity model would be unconstitutional because the constitution required the use of executive committees for decision-making.

The summit also discussed NP opposition to new laws proposed in the white paper. These included bills on municipal structures and demarcation which were passed by the National Assembly and Council of Provinces earlier this month. The bill on demarcation still needed to be promulgated, Watson said.

The demarcation act could not become operational until the structures bill had also been passed and promulgated, Watson said. He doubted this would happen before Parliament went into recess in September.

Both laws were a confirmation of a megacity concept and centralisation of power, Watson said.
Local government’s era

A n Idaa survey and other indicators have dispelled the assumption that democratically elected local governments would create a responsible and accountable authority. When fully representative local governments were elected more than two years ago, policymakers and others perceived that legitimacy would significantly improve relations between the state and its citizens. However, a national survey conducted by Idaa in June and July 1997 and published in February 1998 has challenged these assumptions. Not only did respondents perceive local government as the least responsive and most distant sphere of government, its legitimacy has also not improved people’s willingness to pay for services.

The survey shows that attitudes towards local government are largely negative, and deteriorating. Only 26% of respondents perceived local government as responsive – the lowest level recorded by any sphere of government, and 52 percentage points lower than the level recorded in a similar survey in 1995.

Levels of trust in local government are also low. Although these figures have fallen only marginally since 1995 – from 34% in 1995 to 31% in 1997 – they are also lower than those for national and provincial governments.

While perceived legitimacy is higher than levels of trust and responsiveness, local government is still low, with 74% of respondents saying they would not accept rules and decisions of local government with which they disagreed.

The report says there is strong evidence that South Africans base the perceived legitimacy of local government on their performance. But, there is virtually no relationship between perceived legitimacy and compliance – or between performance evaluations and a willingness to comply. Therefore, while better performance may translate into greater legitimacy, this will not diminish people’s willingness to evade their duties to local government.

There is a strong relationship between municipalities on the one hand and civic organisations and residential associations on the other as they are rising as municipalities crack down on service payment defaulters and enforce unpopular by-laws (for example, restricting the activities of street hawkers).

Recent manifestations include: threats and violence from councillors and residents of informal settlements in the Cape Town metro council to consider providing security for their members; in some areas of Johannesburg, local government officials have been arrested for the South African National Defence Force and the police when compelling them to pay service charges.

The survey demonstrates that legitimacy alone does not guarantee a satisfactory relationship between citizens and local government.

Democratic elections are one condition for improved interaction between the state and the people. But local democracy needs to be consolidated by introducing mechanisms that provide a durable interface between local government and voters. Establishing effective channels of communication between councillors and their constituents could help build mutual trust and respect, and lay the foundations for a responsible and accountable local government and a responsible citizenry.

Cutting to the heart of the matter is the debate that has caused much controversy among policymakers, political parties and civil society organisations: on how South Africa’s metropolitan areas should be governed. The local government white paper provides two options. The first is a metropolitan government underpinned by ward committees. To promote local interests, the ward committees will only have advisory powers; therefore, power will remain at the metro level.

The second alternative is a metropolitan government with substructures, consisting of councillors elected in wards as well as party representatives elected on a proportional representation system. Some executive functions will be devolved to the substructures, but again, real power will vest in the metro.

Although the white paper acknowledges the flaws in current lo-
The endless dilemma

Traumatic time... Nompumelelo Jacobo reads the sheriff's notice while her neighbour Thuphina Khumalo (seated) looks on in Takane on the East Rand.

Jacobs' household goods were removed by the local sheriff after she allegedly failed to pay for services to the Brakpan council.

ANDREAS VELACHAGAS

In both these models, development initiatives face the danger of being top-down processes determined by metro-level planners, or even other, higher levels of government if municipalities fail to implement them. By contrast, it is vitally important for local government to ensure that "community" voices are heard and acted upon.

The proposed system in which substructures and ward committees are given real powers may further disenfranchise the state from its electorate. Furthermore, proposals to cut South Africa's 843 local authorities to about 200 and reduce its 11,300 councillors by half may exacerbate the situation further. It has been argued that, because they are so poorly paid, councillors are taking other jobs or starting their own businesses, leaving them little time to attend to their official duties.

If their numbers are reduced their pay can be improved, which will - it is argued - ensure that councillors pay more attention to their constituencies. This is a logical argument, but cutting down on the number of councillors means more voters for each councillor and will make it even more difficult for them to build up relationships of trust with their constituents.

Moreover, recent CPS research shows that the problem lies elsewhere - where ward residents do not know their councillors because voters elected party rather than community representatives; for councillors, party accountability takes precedence over representing "community", and in many areas councillors no longer live in their wards, making it difficult for voters to hold them accountable.

How can elected representatives be held accountable? Should voters have to wait for the next election in order to express their dissatisfaction with their councillor? If the electorate has to wait for five years, what happens in the interim when non-payment for services hampers the local government's ability to develop the area, and relationships between citizens and their government have deteriorated to a stage where violence is seen as the only solution?

The end result of a system of government which is distant from the citizenry is mutual suspicion and mistrust. This creates a situation where officials' daily work is obstructed by angry constituents, and destroys any prospects for cooperation and partnership between local government and "community".

Improving city management structures - including mechanisms for service and rates collection and channels of communication - are both essential for strong, effective local government.

These are not mutually exclusive goals and should rather be seen as interdependent.

Clearly there is a need for municipalities to assert themselves and improve service and rates collection in order to maintain and develop their areas of jurisdiction.

It is equally clear that service and rates collection (or the enforcement of municipal bylaws) should not degenerate into battles between residents and their councillors or the police/defence force. For local government to succeed, a strong and efficient management system must be created but the need to improve local democracy is just as important.

Caroline Kubato is the Centre for Policy Studies analyst.
Provinces owe banks R4bn

THE PROVINCES are risking social disaster and the collapse of services by borrowing huge amounts at prime rates, economists have warned. TROYE LUND reports.

PROVINCIAL and local governments' overdrafts from commercial banks have almost tripled in the past year from R1,5 billion to R4bn, bringing a warning from economists that attempts to strengthen the economy are being undermined.

In addition to the overdrafts, borrowed at prime interest rates, the provinces have a combined deficit of nearly R10bn that must be repaid to the central government in the next three years.

Among the reasons given by the National Council of Provinces (NCOP) for the high debt is that there is not a single chartered accountant in provincial ranks.

Economists have emphasised that increased provincial borrowing is neutralising any advances made by the central government's macro-economic strategy (Gear), whose goal is to strengthen the economy through such measures as reducing national debt.

"It is passing the borrowing buck downstream," said Econometrix economist Tony Twine.

Finance Minister Trevor Manuel's office said provinces were not allowed to borrow from commercial banks. They were permitted to ask banks only for short-term budgeting finance and this had to be repaid as soon as the funds expected had been received.

The Financial and Fiscal Commission said although it was legal for provinces to borrow from banks, the national budget council had reached "gentleman's agreement" about 18 months ago that the provinces would not do so until Gear had reduced national debt sufficiently.

The commission said provinces had "got around" the agreement by overwriting on bank accounts. Alarm bells should be ringing about the disastrous social consequences implicit in the high borrowing, the Institute for Democracy in South Africa (Idasa) said.

Provincial services in the poorest regions would grind to a halt if central government allowed the situation to persist.

"This is a direct route to bankruptcy," Twine said.

"So many small businesses fall into this debt trap. Without financially skilled people, provinces are likely to go down the same road."

Sentile Fenyane, ANC chairperson of the NCOP finance committee, warned in a recent statement to the media that South Africa risked the equivalent of the Asian market crisis if provincial spending was not contained.

However, in addressing the NCOP, Fenyane gave a watered-down account of this assessment. "I have yet to be named because the issue was extremely sensitive in government ranks."

The Reserve Bank does not have a breakdown of each province's overdraft, but the provinces with the biggest deficits and overdrafts are those, like the Western Cape, whose administrations have had to absorb former homelands.

The Western Cape does not have an overdraft, but its deficit is R627 million. Fenyane declined to give details of the provinces' debts. He emphasised that it was normal for developing countries to have a deficit, but said this should not be more than three percent.

Said another NCOP member: "It is difficult for any developing country to keep within budget, but debt must be within a reasonable and manageable level so money is available for services and development."

In a report examining the provinces' financial problems, Albert van Zyl of Idasa writes that power is being decentralised without taking into account factors like apartheid's institutional legacies.

"Gear should at least have been accompanied by an extensive programme of capacity-building and public sector reform at provincial level," he said.

Several government task teams are analysing provincial spending and budgeting.
Inside Story

That old concept (62)

Single city concept

Aaron Mccrea, the hard-working visionary

CAPRESUS ISSUES

maken economic sense
A city should be run by one municipal structure, not five — the different parts should work as one

It’s impossible to say how many South Africans are paying for services, making the success of Masakhane difficult to measure. The big problem is the pervasive attitude, across race and class, that you should not pay for something if you can get away with it, he says.

“Many people think non-payment is confined to black areas, which is not true. People who don’t pay their TV licences are not just black. Tax evasion, people who buy stolen goods — all are guilty.”

From one meeting he moves to the next, drinking endless cups of black coffee with no sugar and using a Smoke-Enders spray to still the desire for a cigarette.

His bodyguard is on the same spray. “The minister paid for my Smoke-Enders course, I think he wanted someone to be grumpy with,” he laughs.

Mr Moosa lives opposite Emmarentia Dam in Johannesburg which allows him to indulge in his other passion — breeding water fowl. “My birds are in foster care at the moment because there is no one at home often enough to take care of them.”

In his briefcase he has a copy of JM Coetzee’s "Waiting for the Barbarians," a novel about the apartheid era. "I like to stay in Parks Board places when I go away," he says.

Dinner would have been the perfect opportunity for an in-depth interview. No staff, no distractions. But the minister wants to relax: "Put your notebook away," he says. Then he interviews me.

He quotes me about Catholicism. When I ask about his Muslim faith he cuts me short and says it is private.

In April, he went on a hadj, with Justice Minister Dullah Omar, as a guest of the Saudi Government. The two met Hamas leader Sheik Hamas Yassin.

But the conversation over our lamb and chicken is about books, theatre and travel.

When I try to steer it to work-related or controversial subjects he breaks eye contact, uses sallies and then changes the subject. He promises me an interview "tomorrow.

The next day, on the Outeniqua Pass, between Oudtshoorn and George, the minister tells his driver to stop so that we can get out and admire the view.

"This is a beautiful, beautiful country," he says.

Mr Moosa loves mountains. He and his wife, former journalist Elsabe Wessels, have summited Kilimanjaro and his staff say that he drugs them up Table Mountain, on foot, when his schedule allows.

No, Everest is not even a consideration. "You need three months to get used to the altitude I’ll never have that kind of time.

The minister is in his element at the Oudtshoorn celebration, surrounded by singing and dancing children.

But the young activist of the ‘80s seems drowned by the power and privilege of the cabinet minister.

He praises the community for striving so hard to make the new South Africa work.

Where in the world is a country which has undergone such fundamental change and remained economically stable and peaceful, he asks.

"There is no historical parallel and this gives me tremendous hope.

Only when the anthem plays does his mask drop to reveal an essentially shy man, desperately patriotic and so very keen to know his sacrifices have been worthwhile.
Paper a muddled response to critical queries

On file, once upon a government

Charles Shilling

01/1978

(36a)
Municipalities’ R9.7-bn debt burden

By Cecilia Russell
Political Staff

Municipalities may finally be turning the corner of the non-payment of rates and services, which has crippled many of South Africa’s councils, if the trends found in the Project Viability report continue.

According to Project Viability, a quarterly survey of the cash flow of municipalities, more than R9.7-billion was owed to South African municipalities in arrears rates and service accounts – over half of this in Gauteng.

The report on Project Viability was released by the Department of Constitutional Development yesterday.

But local government director Jackie Manche said the project’s results showed that the increase had been marginal at 1.9%. This was a reversal of the trend between 1996 and 1997, when debts rose by more than R2-billion.

“We are not seeing a deterioration like last year,” Manche said.

A study done on a core group of 222 municipalities, which had responded regularly since the project started in 1996, indicated that municipalities were beginning to implement proper credit controls and therefore were able to collect what was owed to them, Manche said.

Of the R9.7-billion owed, about a quarter of the debt was irrecoverable because it was more than two years old, Manche said.

As a result of the project, the department had been able to recommend that management audits be conducted in 237 municipalities in financial or administrative crisis.

“After the management audits, recommendations were made which will be able to help the municipalities take corrective measures,” Manche said.

Other indications that councils were more able to recoup what they owed was the council’s ability to render proper accounts. This had increased in all provinces from 94% in October 1996 to 97% in March this year.

The percentage of regular payments remained static at about 71% since October 1996 but the number of accounts issued rose by nearly 1.4 million, so that nearly 15 million consumers were now billed monthly.

Full credit control measures were currently being applied in 59% of all councils, and restrictive credit control in 40% of councils, Manche added.

Only 1% of councils were not implementing credit control measures in any form. About 65 000 households had their electricity disconnected in March.
Megacities 'the only way' for service

Deborah Fine

SINGLE cities popularly known as megacities were "the only way" to plan for future cost effective and efficient service delivery, local government deputy director-general Chappy Olver said yesterday.

He was speaking ahead of the release of an amended version of the controversial Municipal Structures Bill, which will appear in the Government Gazette today for public comment.

The new version authorises the national minister in charge of local government to decide whether an area should be governed by a single, regional administration, called a "metropolitan municipality" in terms of various criteria listed in the bill and after consultation with provinces.

The bill states that areas must have metropolitan municipalities if they can reasonably be regarded as a functionally integrated, densely populated conurbation.

They must also be national economic centres which have strong social and economic links between their constituent units and in which integrated development planning is desirable.

The criteria are expected to apply to SA's six main metropolitan areas of Cape Town, Durban, Johannesburg, Pretoria, the Lekosa- Vaal region and Khayalum in Gauteng. They could also be applied to other large urban centres.

They are believed to have been included to address criticism that the previous bill was not in line with constitutional provisions.

Certain categories of metropolitan municipalities will be allowed to set up metropolitan local councils — described previously as area committees — within the metropole. The local councils, however, will not have original powers but may have functions and powers delegated to them by the metropolitan municipality.

Olver dismissed criticism that government was using megacities to consolidate the power of the African National Congress in urban centres.

The department of constitutional development favoured single cities because international trends revealed that certain services were often more efficiently delivered on a regional and integrated basis through corporatisation and public/private sector partnerships.

This modern method of service delivery based on functional jurisdiction was better suited to single cities in contrast to the current municipal system which increased both inefficiency and cost by placing services provision around localised, politically-created boundaries.


Criticism based on misunderstanding

Roland White defends the finance chapter of the local government white paper, which has been attacked for failing to identify priorities and not addressing a wide enough range of issues.

The critique of the finance chapter of the local government white paper by Charles Simkins of the Centre for Development and Enterprise contains some useful points. For example, he has concern regarding "how local government is to be positioned to resist heavy taxation, prospective sectors to support an inefficient public sector for which claims to redistribute to the poor without actually achieving this goal," an important and requires serious consideration. However, such suggestions are overshadowed by a number of weaknesses. These weaknesses are fundamental and hold the prospect of undermining the contribution that Simkins claims to want to make to the process of local government reform.

Two areas require particular attention. First, Simkins asserts——but does not substantiate——that the finance chapter "fails to identify priorities and concentrate itself." While this assertion may be appealing to those who have not read the document and who are predisposed to believe the worst, it will make no sense to those who have even a passing familiarity with it.

Having outlined a set of broad objectives and principles to underpin the restructuring of the municipal fiscal system, section 2 of the chapter begins as follows: "In order to achieve the objectives outlined above, the municipal, financial, and fiscal system needs to be restructured in four critical areas:

- Local revenue instruments and polices.
- National-local intergovernmental transfers.
- Budgeting, accounting, and financial reporting systems.

As an indication of general priorities, it is difficult to understand how the document could possibly have been more explicit.

The chapter then proceeds with a discussion of the overall policy directions which government wishes to adopt in each of these areas. Far from being self-defeating, these are mutually reinforcing. For example, the programme of municipal accounting reforms should be designed to facilitate increased private sector investment in municipalities, another key policy aim. The suggested direction for credit enhancement initiatives dovetails neatly with the overall approach to municipal borrowing and is a further example of the central theme of this paper.

Secondly, and more fundamentally, Simkins's overall critique is based on a basic misunderstanding of what the white paper is about. It was neither possible nor appropriate for detailed policy work to be conducted as part of the white paper itself. The issues are too complex and the work required too time-consuming. It is important also to ensure that government does not rush into policy solutions which, while superficially attractive, would exacerbate rather than alleviate the problems the sects to address.

An example of this sort of problem is well represented by Simkins when he suggests that all households which receive "free services" should be exempted from paying user charges. While this might be financially viable—and while it may appear to have certain administrative benefits—the proposal exhibits a poor understanding of the sustainable management of service delivery systems and is substantially out of kilter with international trends.

The experiences of a wide range of developing countries, particularly in Africa and southeast Asia, indicate that total user-charge forgiveness is closely associated with the eventual collapse of water delivery schemes. Consequently, to ensure the viability, the current consensus is that some level of payment should be an integral part of all such schemes, even at the most basic level. Important issues like this need to be addressed thoroughly before one rushes into print.

In sum, and this is explicitly stated in section 2, the finance chapter is meant to provide only a very general framework within which detailed policy work can be undertaken. In fact, this work is well under way. For example, the department has published recently an entire volume on the restructuring of fiscal transfers to local authorities (an exercise Simkins mentions in approval), detailed proposals for the restructuring of the municipal accounting system have recently been finalised, and major projects to formulate regulatory frameworks for municipal borrowing and public-private partnerships are under way.

Shirk attacks

In this context, it is simply silly for Simkins to complain that the white paper does not spell out the role of the Development Bank of SA, or that government policy lacks focus. Where necessary, issues associated with the bank will be addressed as part of the municipal borrowing project. And this project, like the others mentioned above, is a good example of the government focusing tightly on a policy area and producing the necessary outputs at a high level of quality and at the appropriate scale.

Thus far (for example, the document on fiscal transfers) these detailed policy outputs have met with substantial international acclaim.

Simkins writes on behalf of the Centre for Development and Enterprise for those who have been observing the centre's increasingly shrewd — and in some cases unappreciably ad hominem — attacks on the white paper. Its objectives are nothing. As has been stressed by a government official, this institution has conducted work and has skills that would be of value to the development of policy on local government in SA. And, within the parameters of this broad direction sketched by the white paper, this policy work is a great deal more in the process of formulation. In this context, the centre's stance — "an opportunity has been missed" — is both uncouth and, frankly, beginning to sound weary. If the centre wishes to play the constructive role it claims to do, it should perhaps consider that mining unexploited and unexploited criticisms at the white paper in tandem with its moment to hit back at wimpy ideas looks noble, and it may feel good, but it is likely only to further isolate the centre from the impact that it seeks.

White is senior manager, municipal finance policy, with the department.
The CEO of government's National Y2K Decision Support Centre, Mohammed Madhu, says only four of the more than 100 local authorities in Gauteng have "meaningfully" addressed the problem so far. Others are issuing tenders to conduct impact assessments and to determine the scope of the problem.

But they have not yet gone as far as testing, he adds.

Noncompliant IT systems and embedded chips could damage electricity, water, sewage, security and production systems.

Madhu is still cautiously optimistic. "The situation is serious, but we still have time to address it. But pleading poverty now is just not good enough. Solving the problem is top priority for anyone operating an IT budget — even if they have to divert funds." He says the ability of local authorities to provide essential services is a worrying grey area.

"They will just have to knuckle down and do the work. We will give them two months to get their acts together.

"Meanwhile, the centre has identified a 30% domestic IT skills gap and is now supporting a nationally accredited programme to train at least 2,000 'bug busters' by the third and fourth quarters of the year, in conjunction with the private sector."

As an emergency measure, the Department of Communications has reached agreements with Indonesia, Malaysia and India to "share their spare IT skills, to help if there is a domestic skills shortage that cannot be met locally."

"We are looking all over the world for such spare capacity," adds Madhu.

The National Y2K Decision Support Centre has a R42m budget for the three years to 2001, and a core staff of about 35 people.

Arneil van Rensburg
Fight looms for platteland power

ASHLEY SMITH
STAFF REPORTER

The Western Cape Local Government Ministry decides tomorrow whether to appeal against a landmark High Court judgment which effectively tilts the balance of power on the platteland to farmworkers.

Provincial Affairs Minister Valli Moosa won an application last week which dissolves existing councils and forces the province to elect new ones, on the basis of proportional representation, within 60 days.

All decisions taken by these "unconstitutionally elected" councils for the past two years could now be challenged and all their spending could become illegal.

The Western Cape platteland was governed by seven district councils which formed umbrella authorities over various rural and town councils.

The district councils were made up of members of rural councils and of transitional local councils.

The status quo benefited the National Party-supporting rural councils, because they have equal representation on these councils in spite of the relatively small numbers of people who elected them.

Now the seven district councils, West Coast, Breede River, the Winelands, Southern Cape, Little Karoo, Central Karoo and Overberg, are in limbo until elected proportionally.
Left out in the Wilderness
Governing megacities is problematic

Complexities of governance mean legislation must allow for submetropolitan authorities in Cape Town, argues Philip van Rynveld

The previous article on the issue of metropolitan governance in Business Day (July 17) considered some issues requiring a degree of metropolitan-wide authority. This, those relating to redistribution and secondly, those relating to broad spatial issues.

However, some 95% of local government activity relates to more local issues. If single local authorities are established in metropolitan areas, it is obvious that they would be inadequate in all cases.

In Cape Town there have been many hard thinking among local government practitioners in recent months about how to respond successfully to our constraints. To this end, the metropolitan and more local considerations. A solution has emerged which echoes submetropolitan entities which are local authorities in their own right, while being fully consistent with the white paper.

The motivation for these areas out of the need to address the shortcomings of present systems.

The initial focus was around fiscal and the confusion as to the public mood arising from having two tiers of elected politicians.

With the metropolitan tier having almost no direct relationship with the public as customer — and responsible for the income solely on the ratepayer — the Saratoga Services Council (ISC) levels — councillors at this level tend not to be held accountable in the same rigorous manner as councillors at the local level.

The public does not understand the difference between the council of the city of Cape Town and the Cape metropolitan council, despite the fact that they are constituted by different political parities.

The proposed model then as only one tier of elected politicians. These politicians are elected to submetropolitan councils. However, for issues that require a metropolitan approach, the council, or a proportion of councilors from each council, will sit together in a metropolitan-wide plenary.

The metropolitan council would be those that relate in particular to spatial and fiscal issues and the metropolitan plenary would have strong powers.

From a legal perspective, it would be necessary to constitute the metropolitan plenary as a separate council. In technical terms the model would consist of a combination of "D" and "C" councilors rather than a single category "A" council. But this is an issue of detail which the constitution as drawn to accommodate and the problems relating to having two tiers of elected politicians would be addressed.

An important element of the model is separate the tax revenue of metropolitan area. This would be done on a formula basis to compensate these councils with proper residen
tial tax revenue. The distribution formula would be that if all councils levied residential rates at the metropolitan average, they would all end up with the same amount of income per capita to provide services.

The submetropolitan authori
ties could remain as they are — or could be absorbed into the new metropolitan council. This would maintain the governance structure, which would maintain the existing autonomy.

The ISC levels would also be abolished, with transfers from national government and possibly some surplus made on trading services such as electricity.

The metropolitan council could vary their own residential rate, in an area or a rate that reflected the demand for service, which in turn would be placed in a metropolitan pool.

The ISC levels would also be abolished, with transfers from national government and possibly some surplus made on trading services such as electricity.

The metropolitan council could vary their own residential rate, in an area or a rate that reflected the demand for service, which in turn would be placed in a metropolitan pool.

Of importance is the fact that moving to such a structure could be relatively easily done. The Cape metropolitan area has just completed a complex process of administrative restructuring, and the proposed model could be seen as a simpler version of the same.

The structure proposed here would work for Cape Town, and stems from the principle that one should make the most of the principles available in the Municipal Structures Bill. The current focus is on the debate as to whether the current metropolitan boundaries are sufficient to form the basis of the new metropolitan council. However, in terms of the white paper's definition, most land and jurisdiction, which means that the metropolitan area would be the same as the current boundaries of the city.

The arguments put forward by both sides are reasonable and compelling, but the key issue is the relationship between the current boundaries and the new metropolitan area.

The arguments put forward by both sides are reasonable and compelling, but the key issue is the relationship between the current boundaries and the new metropolitan area.

Van Rynveld is Cape Town's corporate finance executive director and local government expert on the Financial and Fiscal Commission. He is writing in his personal capacity.
Proposal on new councils bill

Grassroots voices to be heard on new councils bill

The Greater Adwords Pro

In a letter to the Public Inquiry, the

Commission stated that it had received

a number of submissions in favour of

local government reform. The

Commission recommended that the

proposals should be considered in the

context of the current council funding

system, and that any changes should be

made in a phased approach over a number of

years.

The Commission also expressed its concerns

about the impact of the proposals on

local democracy and the ability of

councils to provide services.

The Commission recommended that

local authorities should be given the

freedom to decide on the most suitable

models for their areas.

The letter also highlighted the

need for better communication and

consultation between local authorities

and the public.
Page opens way for creation of top supplier region.

Magisolate focuses

On Tuli case

Communities, not councils, should be in control.
Proposed municipal bill is ‘inadequate’

CAPE TOWN — The proposed Municipal Structures Bill, which defined the different types of local authorities that were possible, was inadequate as their financial and economic viability had not been given sufficient priority, the Financial and Fiscal Commission said yesterday.

Appropriate municipal boundaries were fundamental to the financial integrity of local authorities, and economic sustainability, measured partly by human settlement patterns and aggregate tax capacity, should be prioritised in establishing them.

Submitting evidence during a hearing on the bill before Parliament’s constitutional affairs portfolio committee, the commission’s Karen Hesse said it was problematic that the boundaries of municipalities would be set by the demarcation act, itself vague.

The commission said it was vital that local government structures have access to capital markets if they were to address infrastructural backlog. To do so they would have to have an acceptable risk profile as well as be able to generate their own revenue. Risk should be spread by amalgamating affluent and disadvantaged local authorities.

The bill envisaged municipalities that lacked capacity but the commission noted that these would probably be red-lined by financial institutions because of their developing status. Provision should be made in the bill for training officials, Hesse argued, as well as for greater community participation.

“The appropriate bundle of public goods for municipalities must be selected with communities and delivered to these communities in as accountable and transparent a fashion as possible. It is here we assume that this will occur without legislation stipulating some form of participatory process.”

Meanwhile, Nicon Nokonyana, acting on behalf of the Council of Traditional Leaders for traditional authorities to be treated as a primary tier of local government to ensure that rural development was not neglected and to take account of the differences between rural and urban administration. Traditional authorities, he said, should exercise the same functions and powers as municipalities.
Mega councils for three largest cities

BY CLIVE SAVER

Cape Town – Provincial and Constitutional Affairs Minister Mohammed Valli Moosa is confident Parliament will give the nod to his megacity legislation, now modified to allow the setting up of several local councils as subcommittees of the new megacity councils.

The Municipal Structures Bill was one of the most important items put to Parliament, with effects almost as far-reaching as the constitution, he said yesterday.

Megacity councils were likely to be introduced in SA’s largest cities – Johannesburg, Cape Town and Durban. Unlike the current arrangement of metropolitan councils and elected local councils, the bill would lead to the creation of megacity councils with “a larger number of smaller substructures”, Moosa said.

The bill would enable the structuring of local government in a way which would enable decisive political leadership – “sorely lacking in local government until now”.

Provisions for councils to elect executive mayors would put in place people with sufficient clout and political backing to implement their visions. These executive mayors would not be directly elected and their powers would be delegated from the council.

“We don’t want to create little dictators,” Moosa said, adding the provision for subcommittee substructures would address concerns that restructuring of city governments to create megacity councils would put distance between voters and councillors.

He emphasised that the reforms brought by the bill would be phased in to prevent “shock effects” of the change. “We will do it in a gradual way which does not disrupt services.”

Responding to concerns raised by lawyers for the Cape Metropolitan Council that the bill was unconstitutional, Moosa said this opinion was “erroneous and weak” and had been challenged by lawyers for the Government.

Other important features of the bill included improving accountability.

The bill would create a range of municipalities which together would accommodate the diversity across the country – Parliamentary Bureau.
Megamayors may be cast in New York-style mould

Municipal Bill claimed to give power a human face

Cleean Jacobson

South Africa’s cities may soon be governed by powerful New York-style mayors. This was among the proposals discussed in Parliament at the public hearings on the Municipal Structures Bill this week.

The Bill would give the green light for the controversial megacity, which would transform local authorities in major urban centres into centralised councils.

The proposed are intended to rectify the system of local government that has weakened and fragmented cities.

Local authorities owe creditors about R16-billion and the Masakhane Campaign has failed to increase significantly the number of residents who pay their municipal accounts.

Because councils have to crack down on defaulters, councillors are becoming alienated from their communities.

The system of metropolitan councils with semi-autonomous substructures has led to unnecessary duplication, large salary bills and crippling bureaucracy.

The draft legislation outlines the political structures to come into effect after the next municipal elections, expected to be held in 2000.

The MEC of Local Government would decide into which of three categories a municipality would fall — metropolitan, local or district.

He would also decide if a municipality was to have an executive committee, an executive mayor or local councils.

A metropolitan structure with local councils could determine the number of councils to be established as well as their powers and functions.

Executive mayors, with powers similar to provincial premiers, would be elected from among councillors and could appoint a mayoral committee.

However, opponents of the megacity concept — among them the National Party and the Democratic Party — claim that by stripping substructures of executive powers, local government would become more undemocratic.

But Crispian Olver, deputy director-general of the Department of Provincial Affairs, said metropolitan councils would be encouraged to create a large number of local councils and devolve as much power as possible.

An executive mayor would be “the face of the council for residents and someone with whom the buck would stop”.

Yunus Carrim, chairman of the parliamentary portfolio committee on constitutional affairs, said the restructuring would allow for greater redistribution of resources and economic growth.

“Cities cannot grow if there are acute inequalities in services,” he said.

The Demarcation Act and new ward system would redress the disproportionate representation of coloured, white and Indian areas.
Govt unit will play role of adviser to municipalities

Deborah Fine

GOVERNMENT’s new municipal infrastructure investment unit is intended to protect unexperienced local authorities and consumers from the potential dangers associated with private sector involvement in service delivery, says the unit’s CE, Monhla Hlahla.

Hlahla was speaking after the unit’s formal launch by Constitutional Development Minister Valli Moosa in Gauteng at the weekend.

The unit is a nonprofit company formed by government to help cash-strapped local authorities to find alternative, innovative ways of financing and managing the provision of essential municipal services, including partnerships with the private sector.

Municipalities are constitutionally obliged to address huge infrastructural backlogs and deliver improved services, particularly in disadvantaged areas, but they have limited financial and human resources. Government has acknowledged that private sector involvement could bring benefits to municipalities by introducing new capital and expertise into delivery of services.

Government has acknowledged also the concerns of trade unions and communities that public-private sector partnerships — known as “triple P’s” in local government circles — could lead to unaffordable tariff increases, retrenchments and a loss of control by municipalities. Government was of the view, however, that these dangers could be managed through water-tight contracts and strict regulatory and control mechanisms.

Hlahla said the unit would provide municipalities with assistance on this front. It would assist municipalities to explore a broad range of service delivery options, including corporatisation, private sector financing of municipal debt, contracting out of services, concessions to operate local government assets, joint ventures and full privatisation through the sale of municipal assets.

She said government had capitalised the unit’s assistance fund with R20m. The US government had promised R20m.
Corruption 'endemic' in local councils

LOCAL authorities around the world were susceptible to corruption that invariably led to burgeoning administrative costs, increased municipal tariffs and a lowering of service delivery," said Murray Stewart, the head of the Durban metropolitan council's legal and forensic unit.

Defining corruption as the "misuse of public power for private profit," he said it was particularly damaging to municipalities and residents because important decisions became distorted by ulterior motives. Corruption often raised service costs as illicit "cuts or kickbacks" were incorporated into the price of commodities or services. It included account padding, bribery, conflict of interest, favouritism, nepotism, patronage, payoffs and kickbacks, phony contracts, "slick" book-keeping, fraud and theft.

Stewart said it was generally accepted tender or procurement processes were the most vulnerable areas.

He suggested strategies including an ethics code; setting operational standards; creating a security policy; risk assessments; establishing an audit committee to scrutinise internal controls; and mechanisms to protect "whistle blowers" from victimisation.

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South African Empowerment Fund
Investment Trust Company Ltd

Acquisition of shares in

Airports Company South Africa Ltd

R50 000 000

Financial Advisors
Portfolio Managers

African Harvest Finance
African Harvest Limited

State lifts debt to R936m to scrap provinces’ debt

Linda Ensor  B&G 3/7/93

CAPE TOWN — Legislation to increase state debt by R936m to relieve provinces of their apartheid debt legacy was tabled in Parliament yesterday.

However the memorandum to the Inherited Debt Relief Bill stressed that debt servicing costs for this fiscal year would not rise as a result of the debt being incorporated into the national debt portfolio.

"Provision has already been made for the additional servicing costs resulting from the national sphere of government having effectively assumed responsibility for the discharge of the inherited debts," the memorandum said.

The debts, as of March 31 1995, consisted mainly of bank overdrafts, outstanding liabilities and amounts owed certain pension funds.

The bill follows a cabinet decision last year to relieve affected provinces of their inherited debt. It would also compensate Mpumalanga and the Northern Province for the debt repayments already made.

In terms of the interim constitution, the Eastern Cape inherited debt of R307m — the bank overdraft of the former Transkei — Mpumalanga R58m, North West R189m and Northern Province R92m.

The bill stipulated that the transfer to the provinces would be subject to the terms and conditions imposed by Finance Minister Trevor Manuel.

The final inherited debt figure was determined with much difficulty because of missing accounting records and an absence of supporting documentation.
"Take note of engineering factors"

Deborah Fine

THE SA Institution of Civil Engineering has appealed to government to take special note of civil engineering factors during forthcoming processes to restructure local authorities.

Institution vice-president Kevin Wall said yesterday the engineering aspect of services delivery should be an important consideration during the re-demarcation of municipal boundaries and the introduction of changes to local authority structures.

Civil engineering services such as water, sanitation, roads and sewage formed a major part of local government expenditure. The way in which municipalities were structured, their size and geographical boundaries were of vital significance for the delivery of services to consumers.

Wall said substantial evidence was available on which engineering services were most cost-effectively delivered at regional level and which were more efficient at local level.

Services such as mass transport, bulk water supply and highways were best delivered on a regional basis and were often associated with economies of scale where valid correlations existed between size, efficiency and cost. In other services, such as reticulation systems to individual suburbs, there were no valid correlations.

Cheapness of service was not the only valid efficiency criterion. Where large organisations were more bureaucratic, slower to respond and less accountable to consumers, local level delivery could be more accessible to community participation.

Cautiously against a "one size fits all" approach to remodelling municipalities, Wall said it was essential to examine each local authority separately to determine whether it was more suited to provision at a metropolitan or local level.

Geographical municipal boundaries were also important. Physical and financial efficiency in the delivery of sewage services, for example, would be assisted if each drainage area fell within one local authority rather than being split up between two or more.

Wall said the institution was assisting the constitutional development department to devise performance criteria against which to measure municipal services delivery.
Kick in teeth for good work

A PARAGRAPHER OF GOVERNANCE AND DEVELOPMENT

MONITOR

M+9 4/11/87-9/8 (262)
Millions lost in provincial bungling

Kevin O'Grady 28 1998

MILLIONS of randS were lost or spent unnecessarily because of management shortcomings in two North West government departments, audits tabled in the provincial legislature show.

The reports by provincial auditor L. van Rooyen, on the administration of buildings by the public works department and vehicle fleet management by the transport department, highlight dozens of shortcomings.

The public works audit found that six government departments rented buildings at a cost of R207 549 a month without first obtaining the necessary approval from public works, and that rent was paid for buildings while they were left unoccupied for several years.

More than R77 000 in rent was paid for a Potchefstroom building while it stood empty for 18 months and, in another case, R41 644 was spent on a Nqutu police information office which was unused for almost five years.

The audits also found that about R1m in potential revenue was lost because 88 government-owned houses were occupied illegally for about two years without any attempts at eviction.

Two auditing firms were paid R1.1m to compile a list of all state-owned properties in the province because staff shortages prevented government from doing this itself.

The audit also found that public works incurred high interest charges — R382 000 on a R2.9m account that went unpaid for 10 months — and that the provision of services came to a standstill in some areas because private firms were reluctant to supply materials because of unpaid debt.

The report also found that the North West tender board awarded tenders “to those with insufficient working capital and little or no experience and/or equipment”.

An R11.6m contract for the Bophelong Hospital was awarded to a contractor despite a recommendation to the contrary by public works. The contractor failed to complete the contract.

In his report on the transport department, Van Rooyen found the department did not identify an “optimal size” for its fleet, resulting in five “back-up” cars for each MEC.

Thirty-four new vehicles bought by the health and welfare department for R2.65m in February 1996 had still not been registered or used by the end of October 1996.

In another case, a 4x4 vehicle was purchased for an MEC to travel on gravel roads but 70% of the 18 417km travelled between June 1996 and February last year was on tarred roads.

More than R2m was also spent on two trucks for the health and welfare department even though they were unsuitable for the work for which they were intended.

Responding to the report, the provincial government said corrective action — including the sacking of the employee responsible for buying the two unsuitable trucks and legal proceedings against illegal occupants of state-owned houses — had been taken.

“The North West government will continue to employ various ways of eliminating inherited inconsistencies and unnecessary expenditure in the public service,” it said.
Money, not from robbery?

Demarcation selection panel named

Public servants face tougher discipline code
ANC to appoint provincial premiers in future

BY CECILIA RUSSELL
Political Staff

The ANC intended to appoint premiers to head provincial governments in which it held a majority, the ANC's head of presidency, Smuts Nkonyama, said at a report-back of the party's national executive committee (NEC) yesterday.

Until now, provincial chairpersons have automatically become premiers. The only exception was Free State Premier Ivy Matsepe-Casaburri, who was appointed by the NEC.

"The meeting unanimously agreed that the ANC would delink the positions of premier and provincial chairperson, so that the one is not a condition for the other," Nkonyama said.

He said the NEC and the ANC president would in future decide who would be "deployed" as premiers.

The resolution will come into effect only after next year's general election.

"The ANC has a responsibility to ensure it creates unity within its ranks," he said.

Nkonyama denied this was because the NEC had reservations about any of the incumbent premiers. It was reported last year in the run-up to the Gauteng provincial chairperson election that the ANC national leadership favoured the Rev Frank Chikane above the current premier, Mathole Motshekga, who won the election with an overwhelming majority.

"The ANC has made it clear it did not have preferential candidates. All (premiers) without exception would have been appointed by the NEC," said Nkonyama.

The NEC had instructed the provincial leadership to convene urgent meetings to discuss the resolution, he added.

The NEC also agreed that all political parties should be eligible for funding. But such funding should be based on the parties' performance in the forthcoming election, Nkonyama said.
Outcry at ANC plan to select premiers

Pule Molebeleli

THE African National Congress's decision for its national executive committee (NEC) to select premiers from next year could create chaos and instability, and would possibly meet resistance, two senior provincial ANC leaders warned yesterday.

They were reacting to the executive committee's weekend decision to delink the position of premier and provincial chairperson. Previously, the person elected as chairperson by provincial general councils was supposed to become premier.

The committee, which met in Johannesburg at the weekend, unanimously agreed to assume the responsibility of selecting all ANC premiers after the 1999 elections.

Smuts Ngonyama, head of presidency within the ANC, said the committee could also delegate authority to its national working committee to carry out the task.

Ngonyama said the decision was taken to foster unity and appoint people on the basis of leadership qualities. An instruction had been issued to all provincial structures to hold urgent meetings to discuss the issue.

The ANC has faced growing problems linked to the selection of provincial chairperson and premier — for example, when branches reject the ANC leadership's preferred candidate and elect their own. Problems have been experienced in Gauteng, Free State and Northern Province.

The move to delink the positions met mixed reaction from some provincial leaders.

Free State provincial secretary-general Sello Dithobe said the position was a welcome surprise which coincided with the view that prevailed in the province. "There would be no harm. We need two equally strong people for the positions and this would help stabilise the situation in the province," he said.

His views were supported by Ace Magashule, who said the system would stop "all the pompous people" from using the organisation to advance their career ambitions. "Anybody who said no to this would be out of order. We were never a federalist organisation."

However, another provincial leader felt such a move was the worst case of democratic centralism and would be a catastrophe for the organisation.

The leader, who said he was shocked by the proposal, argued against the need for two centres of power and said it would be divisive for the party. "This is going to start a big de-

Continued on Page 2
Citizens and councillors need power and
LOCAL GOVERNMENT makes sense as
a partner of the private sector
and a driver of local development. The
time is now to map the full phase of the
local government transition, says Chris

SA is now mapping the full phase of the local government transition, says Chris

...
New-style megacity councils set to be elected in 2000

BY CLIVE SAWYER
Star Parliamentary Bureau

Cape Town — Durban, Cape Town and the major cities of Gauteng will elect new-style megacity metropolitan councils in 2000, but there will be room for local variations on some details of 21st century local government in these cities.

The most significant issue on which there could be some flexibility will be the number of metropolitan local councils, the "substructures" of the new metropolitan councils.

Provincial Affairs and

Some room for local variations

Constitutional Development Minister Mohammed Valli Moosa told a briefing of parliamentary journalists yesterday that the most common complaint about local government was that it was too distant and not accountable.

The current metropolitan local councils were oversized, he said.

The Municipal Structures Bill, which the Government is eager to ensure is approved by Parliament during this year's session, would allow for changes to the number and size of these local councils, he said.

"We should not assume a 'one-size-fits-all' policy is the best," Moosa said.

Ward committees would not be compulsory and the final composition and role of these had yet to be decided.

He mooted the idea that ward committees could be delegated powers over planning issues, such as whether to permit enterprises like fuel stations or adult shops in certain areas.

Constitutional Development Minister Mohammed Valli Moosa. "Don't assume a 'one-size-fits-all' policy is best."

The elections will mean the end of transitional local government set up under 1993 legislation negotiated at the Local Government Negotiating Forum and at Kempton Park, and will spell the end of current metropolitan and city councils.

At an earlier meeting of the constitutional affairs committee, the Municipal Structures Bill came under fire as unconstitutional.

Sapa reports that the DP, IPP and NP expressed strong concerns over the bill's constitutionality.

Colin Eglin (DP) said he was concerned at the bill's constitutionality in its current form, and also at its "intrusiveness" — treating local government like little boys and girls.

Watty Watson (NP) said the committee should return to what those who had written the constitution intended — "the third tier as a distinct sphere of local government."

Peter Smith (IP) said his party believed the process around the bill was merely one of legitimising an earlier ANC decision.

DP slates bill as intrusive
Local govt bill under fire from opposition

Linda Ensor 8DA/9/98

CAPE TOWN — Government was criticised by the three main opposition parties yesterday for ignoring public comment on proposed municipal legislation which they argued was unconstitutional.

The Municipal Structures Bill was so intrusive and prescriptive with regard to the minute details of local government management that its approach to regulation could be regarded as a "kindergarten" one, they said.

The National Party, Inkatha Freedom Party (IFP) and Democratic Party (DP) summed up their opposition to the bill at a meeting of the constitutional affairs portfolio committee.

They argued that the bill eroded the constitutionally enshrined autonomy of local government and expressed disappointment that so few of the views expressed in the preparation of the green and white papers on local government had been embodied in it.

In particular, government remained unmoved by opposition to the concept of the megacity.

IFP constitutional expert Peter Smith believed there were many matters that should not be regulated centrally, but which municipalities should be responsible for themselves. The IFP would be prepared to accept the megacity proposal, but only as one of many options for metropolitan government.

DP MP Cohn Eglin opposed centralisation implicit in the bill and pleaded for the current two-tier system of metropolitan government to be given a chance to prove itself. Smaller government units were more effective and democratic than bigger ones, he argued.

In response, Provincial Affairs and Constitutional Development Minsiter Valbi Moosa referred to the lack of decisive political leadership in local government in the past few years and stressed the need to balance a laisser-faire approach with overregulation.

Committee chairman Yunus Carrim denied public submissions had been ignored, saying because of the latter the department had made amendments.
Policy framework allows for delivery options
Exorcising Verwoerd

The Government has just released guidelines to help local government to become more effective and to get rid of the apartheid past, writes Sharon Chetty.

Minister of Constitutional Development
Mohammed Valli Moosa.

Marran says that to ensure there is genuine change, the department will suggest that in the next local government elections be held in the year 2000, the focus will be on projects and plans and not the political mandate in the wake of next year's election.

Yesterday, Minister of Constitutional Development Mohammed Valli Moosa also launched another publication detailing case studies of local economic development initiatives.

Ten areas around the country were surveyed and it was found that poverty is becoming more prevalent in urban areas because of rapid urbanisation.

According to Nonofo Buthelezi, an assistant director in the municipal planning directorate, the survey found that there was a limited understanding of local economic development initiatives as a concept and therefore poor correlation between the economic initiatives and poverty alleviation.

While local governments in the developing world were found to be able to make a difference in alleviating poverty through local economic development initiatives, none of the municipalities surveyed had made any attempt to link local economic development to reducing poverty.

The assumption appears to be that focusing on local economic development to stimulate job creation and investment would automatically impact on poverty levels, the report says.

Public-private sector partnerships, as in the cases of Midrand, Stutterheim and Harrismith, were vital for the success of local economic development initiatives, it says.

Lack of Information

One of the drawbacks has been that local economic development initiatives continue to be thought of in the context of the formal economy, whereas the informal economy predominates in poorer areas.

The survey also found that there was a lack of access to relevant information and opportunities for learning.

In many cases, municipalities were not aware of the different resources, subsidies and facilities available from national departments to support their initiatives.

Effective communication has been identified as pivotal to the success of IDP and local economic development initiative programmes, and municipalities are being urged to debate and analyse both documents.
Call for councils to adopt new patterns

Deborah Fine

INEFFECTIVE development planning strategies were causing many municipalities to perpetuate apartheid patterns in terms of the physical separation of population groups and the unequal delivery of services.

This was said by Brian Marrian — development planning manager in the Constitutional Development Department — at Monday's launch of three new government publications aimed at assisting municipalities to use development planning strategies as a tool to eradicate past inequalities and to stimulate local economic growth.

At the launch, Agriculture and Land Affairs Minister Derek Hanekom said the Local Government Transitional Act and the Development Facilitation Act required municipalities to transform the "apartheid landscape" by actively influencing the way in which development and service delivery occurred in their areas.

In addition, quite a number of national departments had passed legislation which imposed planning requirements on municipalities.

Hanekom said the successful implementation of the legislation was crucial to transformation.

While the legislation's requirements reflected an intention to promote integrated development planning through the formulation of a co-ordinated strategy to ensure that municipalities' limited financial and human resources were used effectively — the effect was "often exactly the opposite".

Municipalities were becoming "increasingly confused" with each new requirement and thus was manifesting itself as a loss of confidence and momentum, Hanekom said.

Gugu Moloi — the department's infrastructure and planning chief director — said the two local economic development manuals would assist municipalities in exploring ways to boost their local economies and alleviate poverty through a host of programmes on job creation.

The manuals were based on findings gleaned from 10 pilot projects countrywide, Moloi said.

She said local economic development was also needed to create a healthy local tax base and revenue stream which was vital to municipalities' financial sustainability, she said.
Bring us your poor ...

As a result of people asking serious questions about the effectiveness of Sanco, a new civic body is formed, writes Joshua Raboroko.

Civil leader Mzwanele Mayekiso.

Mike Madlala, chairman of the Gauteng Association of Local Authorities, which represents councillors in the province, said many of the new civic movements would have to produce proof of membership support and mandates.

"We have a track record of dealing with Sanco during the days of apartheid," he said.

Tleane said the Government and the private sector were not doing enough to educate and empower communities on important issues including local governance, housing acquisition, municipal services rendered and payment for them. and unemployment.

NARCO intends launching vigorous capacity building programmes around these matters to enhance community understanding, participation and control in developmental work within their areas.

Although appreciating certain organisations' attempts to provide adult basic education to disadvantaged communities, NARCO believes that such programmes are limited.

He said NARCO would therefore be entering the fray to ensure these services were taken to more people in poor communities, particularly in rural areas.

"We hope to form partnerships with other interest groups in order to succeed in our mission," Tleane said.

NARCO has a dim view of the high costs involved in tertiary education, warning that in the main only wealthy families were able to see their children through university, college and technical school. To ensure that education does not become a rich man's domain, NARCO has established a special community body to investigate the matter and formulate practical proposals to alleviate the situation.

NARCO fully supports the principle of communities paying for all services rendered by local authorities.

However, in line with the principles of nation-building, peace and reconciliation, and due to obvious backlogs in infrastructure as well as inferior social amenities in black areas, NARCO believes that special rates must be charged in townships.

Such rates should be negotiated with community bodies or representatives. They should take into account the low salaries earned by the majority of black people, unemployment and poverty.

Tleane said a simplistic analysis of socio-economic conditions in black residential areas by local government has led to the latter applying stringent credit control measures.

In many instances these measures have led to property attachment and the listing of homeowners by the credit bureaux. These measures may not be necessary if local government recognise the need for ongoing discussions of the fundamental issues with communities.

NARCO resents and disapproves of "all draconian and arm-twisting tactics" applied by local authorities in regard to services payment, remarking that even the apartheid structures did not adopt such measures.

But Tleane said: "We remain committed to negotiations, and the education of communities regarding crucial matters.

"If local government bodies continue as they are doing with tough measures in the townships, they will have to take full responsibility for their own actions. The affected communities will decide to disregard the general elections as well as local government elections.

"We also believe that the attitude of the Government is directly or indirectly antagonising blacks, who are starting to question the wisdom of not calling for large-scale repudiation of wealth presently concentrated in white hands."

Tleane said the establishment of South Africa's democracy four years ago did not automatically elevate blacks to the same economic and social levels as whites.

This elevation must happen as a result of processes and could not be an instant event..."
Quiet revolution is taking place in local government

Several bills have either gone through or will soon come before Parliament which are intended to change cities' previously 'racial' nature.

Parliamentary Bureau
Cape Town

Not long ago, white South Africans lived in leafy suburbs. A golf course separated them from less scenic coloured and Indian areas, which kept Africans in rundown townships on the outskirts of towns and cities.

While this pattern persists, the Government has been quietly chipping away at these racial foundations, reshaping municipalities to ensure all citizens get adequate services.

The quiet revolution was marked in Parliament by a pack of local government bills, conceived by Constitutional Affairs Minister Mohammed Vally Moosa, with Yunus Carrim, chair of Parliament’s portfolio committee on constitutional affairs, as midwife.

The first of these, the De-marcation Act, is already in place, and the boundaries of every municipality will be redrawn so by the local elections in 2003, apartheid divides will have been wiped out.

The central bill, called the Municipal Structures Bill, is before Parliament. This bill, says Moosa, will ensure “fewer, but more effective, more responsive, local councils”.

The constitutional affairs committee has been involved in complicated negotiations on what has been dubbed the “megalcity” bill. The negotiations will continue during Parliament’s recess, and the National Assembly is expected to vote on November 2.

“We are effectively drafting a constitution for local government,” says Carrim. “We are defining an entire sphere of government.”

Carrim says the reorganisation of local government is guided by three principles. These are that local government is vital for democracy, it is “a key site of social development” (important for redistribution of resources) and is important for economic growth.

“The structures of municipalities must reflect these principles. The bill proposes three categories of municipalities: metropolitan councils, district councils and local councils in towns and rural areas.”

In metropolitan areas, substructures will make way for single-tier “un-cities.” Government feels this will ensure growth and redistribution are addressed, and save money with centralised resources.

However, opposition parties believe there should be a two-tier system, to ensure greater efficiency and ensure government is accessible to citizens.

Carrim says the “uni-city” could have many local councils made up of clusters of wards. “If you look at a city like Durban or Cape Town, they could have more local councils than the current five or six substructures. They could have 10 or 12 smaller councils and be more effective for grassroots delivery.”

These local councils “will not be elected or have original powers” but will be given “substantive powers” by the metro council, says Carrim.

Carrim says the bill set up a ward committee made up of interest groups in their area to advise them, giving citizens direct influence.

Carrim says the bill “recognises that metropolitan areas are different so it allows for flexibility for each metro to choose how it wants to delegate powers to local councils.”

“The two-tier system there are often conflicts over powers. Residents find it is lazy who is responsible for what.”

Outside the metropolitan areas, the bill proposes two-tier power-sharing arrangements between overarching district councils, and local councils.

The De-marcation Board and the MEC for local government in each province will be able to determine how powers and functions are divided between district and local levels.

“The idea is for district councils to play a greater role in regional development and redistribution, working out economic development plans for the entire area. They will help build local councils which lack skills and resources, and will in turn be supported by strong local councils to extend development to rural areas.”

Aside from different categories of councils, the bill defines three types of local government. These are defined according to how they are run - by an executive mayor; an executive committee or a plenary.

The MEC responsible for local government will decide on the type of council, in consultation with the municipalities concerned. A council run by an executive mayor is essentially a majority-party system.

The council elects the mayor who chooses a mayoral “mini-cabinet.” Opposition parties oppose this system, as they believe smaller parties will be excluded.

An executive committee council is multi-party, with collective decision-making. The executive will have 20% of the council or 10 councillors, whichever is smaller. Small councils will be run by plenary meetings of all councillors.

“The department is convinced the Municipal Structures Bill is constitutional,” says Carrim.

But opposition parties argue in committee meetings the bill goes beyond provoking a broad national framework for local government, as required by the constitution.

They say it is prescriptive, diminishes the autonomy of the councils and gives MECs too many powers. Carrim says “because local government is an entire sphere of government, we would like to secure the support of other parties.”

Carrim says negotiations to transform local government, which began in 1993, were more sensitive than national negotiations. Still coming is a systems bill, defining public involvement in local government, and a bill to set a financial framework for local government.
SA campaign singled out by UN

Deborah Fine

The United Nations (UN) Centre for Human Settlements has singled out SA’s municipal infrastructure delivery programme as an example of international best practice in improving the environment, it was announced at a constitutional development ministry news conference which was held in Pretoria yesterday.

The campaign, to promote the Masakhane (nation-building) focus week from October 11-17, aims to show government’s progress in the delivery of services and infrastructure, as well as emphasise communities’ civic responsibility to rebuild SA’s moral and social fabric by paying for services.

Activities to encourage the payment of services will be held by national, provincial and local government departments countrywide next week and will be funded out of the annual Masakhane budget of R15m.

The UN included SA in a group of 124 projects singled out by an independent jury as examples of international best practice.

The infrastructure delivery programme will be included in the UN’s best practices database for this year, to be shared with the rest of the world.

Services provided under the programme include water, roads and stormwater facilities, sanitation, solid waste disposal sites and community lighting.
NELSPRUIT TURNS ON THE TAPS OF PRIVATISATION

Hour of truth nears as State gets set to call Cosatu's bluff

NELSPRUIT may seem an improbable epicentre for a revolution, water and sanitation its unlikely seeds.

If revolution is too strong a word, there's no doubt that a seismic shift will occur in local government when, as is expected this month, Provincial Affairs & Constitutional Development Minister Valli Moosa gives Nelspruit the nod to proceed in contracting a private company to run its water and sanitation services for the next 30 years.

In doing so, the ANC government will unleash the first of what is likely to become a spate of public-private partnerships and privatisation projects in possibly hundreds of the municipalities across the country.

The variety and extent of these projects — and the fact that many will be accessible to the small entrepreneurs — could encourage black empowerment and stimulate social upliftment.

That the ANC government is pressing ahead in the face of union resistance, within sight of the general election, illustrates its conversion to private enterprise.

Nelspruit's initiative is being closely watched by dozens of other cash- and resource-starved local councils. They regard the concession and regulatory framework for Nelspruit's scheme as a watershed for municipal service provision — a blueprint for their own plans to privatise or part-privatise costly or inefficiently run services such as water, waste management, housing, garbage disposal, revenue collection and even electricity generation.

Already a cluster of small municipalities in and around Ballito, north of Durban (the Dolphin Coast), have drawn up a plan similar to Nelspruit's, in partnership with French water company Saur, which has applied to the Development Bank for loan capital. Johannesburg, Pretoria, Durban, Port Elizabeth and Bloemfontein are among at least 30 other councils considering their own privatisation schemes. At least a dozen European, US and South American water and service companies have opened shop in SA hoping to ride a boom in municipal service partnerships.

Nelspruit and Dolphin Coast have chosen to award concessions, stopping short of full privatisation, but municipalities can choose from at least eight other partnership or privatisation options (see table).

A senior Constitutional Development official says, though, that some basic services, such as water, probably will never be fully privatised,

TOWARDS EFFICIENCY

Business options available to municipals:

- Full privatisation
- Concession
- Build-own-operate-transfer (BOOT)
- Lease
- Delegated management
- Service contract
- Corporatisation
- Debt issuance
- Public-public partnerships

CONCESSION:

A private firm runs a municipal service, financing investments and working capital. The assets revert to the municipality on expiration of the contract.

BUILD-OWN-OPERATE-TRANSFER (BOOT):

A term of concession. A private firm constructs and runs a stand-alone facility, which, revert, to the municipality.

LEASE (AFFIRMANCE):

A private firm rents service facilities from a municipality and is responsible for operation, maintenance and working capital. Fixed assets remain responsibility of municipality.

DELEGATED MANAGEMENT:

A private firm transfers service facilities from a municipality, and is responsible for operation, maintenance and working capital. Fixed assets remain responsibility of municipality.

SERVICE CONTRACT:

A municipality pays a private firm to carry out specific operational services, such as meter reading, billing and collection.

CORPORATISATION:

A municipality forms a separate legal corporation to manage municipal.

DEBT ISSUANCE:

A municipality issues bonds to raise capital directly from private investors for capital costs of building or expanding service infrastructure.

PUBLIC-PUBLIC PARTNERSHIPS:

A non-profit organisation in partnership with a local municipality, by the municipalities.

P.T.O.
Current Affairs

Water is regarded as a national resource. Anticipating a clamour for privatisation from hundreds of local councils, government has, in conjunction with foreign aid donors, set up the Municipal Infrastructure Investment Unit with R20m in grant money to help municipalities develop partnership plans and draw up tender requirements. The Department of Provincial Affairs is formulating a regulatory framework to ensure contracts comply with specified standards. It has already issued an interim framework for the Nelspruit and Delheim Coast deals.

Trade union resistance to the projects began about a year ago, after Nelspruit announced that private British company Biwater was the preferred bidder for the contract ahead of Saur and another French company, Lyonnaise des Eaux.

Since then, the project has been held up by successive union strike threats. The first prompted government to call a six-month moratorium while it tried unsuccessfully to persuade Samwu and Cosatu to accept the principle of privatisation. A subsequent threat by Cosatu to launch sympathy strikes if the project went ahead is still the subject of talks.

Officials involved in the talks say they are close to a deal with Cosatu. But Samwu general secretary Roger Ronne says his union’s leadership hasn’t budged.

“The process was flawed from the start. The whole programme has to be renegotiated,” he says. Initially, Nelspruit-based Samwu representatives supported the scheme, but the union’s national leadership overruled them, saying they were bamboozled into believing it would be beneficial. Samwu argues that municipalities do not need to privatise to make services cost-effective, that by improving government efficiency, services can be self-sustainable. Concessional management, it says, will cherry-pick profitable services, raise tariffs and shed labour. It doesn’t speak publicly of its fear of losing members as municipal services go private.

For its bid, Biwater linked up with a local company, Suvukile, which placed it in partnership with ANC youth and women’s league members, the civics organisation Sanco and various Nelspruit NGOs.

The draft contract makes Suvukile (with Biwater as operator) responsible for managing and developing the water and sanitation infrastructure of Nelspruit town (population 26,000), its two ancillary townships (about 60,000 residents each) and underdeveloped peri-urban settlements (population about 150,000). The contractor also assumes responsibility for a debt of about R60m, with bad debts amounting to about 80% of water revenue.

The estimated 145 municipal staff will be transferred to the employ of Biwater, which has undertaken to retain no-one, retrain where necessary, and ensure that no staff suffer loss of income. Samwu is unconvinced, the protections will hold.

Biwater project development manager Richard Payne says the year-long delay has been costly. But the company will press ahead, as it believes this contract will be followed by others.

“Because of the growth potential in Nelspruit, we would be looking to take on people, not getting rid of them,” he says.

Peter Haney
New law will result in better delivery of services

The new law, adopted by a single vote, is necessary to improve the current system. In their current form, the council delivers goods and services in a way that residents feel they suffer from a culture of non-payment. This led to the adoption of a single-vote law to change the way in which goods and services are delivered. Before the new law, it was not possible to analyse existing services and produce a new system. Under the new law, the council can analyse existing services and produce a new system, which will improve the delivery of goods and services.
SA to spend R170bn on public infrastructure

GOVERNMENT says yesterday it planned to invest between R170bn to R232bn during the next five years in the provision of public infrastructure.

Public works department director-general Sipho Shezi said the planned investment would also help the country's ailing construction industry.

"The prioritisation of physical and social infrastructure by government as a necessary ingredient for the country's overall development indicates that the public sector fixed investment will be dramatically increased over the short to medium term," he said.

"The projected investment of between R170bn and R232bn should see the public sector's proportion of gross domestic fixed investment (GDFI) increase three to five fold, while the total construction GDFI will more than double," Shezi said.

"Since 1994, Government has continued to invest heavily in reconstruction and development through infrastructure projects like road and house building.

Government has also said its infrastructural investment drives are also one way of trying to solve SA's problem of high unemployment. Statistics SA data have shown that 4.7-million of 13.8-million economically active people are unemployed." — Reuters
Report shows progress in infrastructure development. This aims to improve the economic growth and productivity. The report focuses on the role of infrastructure in fostering innovation and competitiveness. It highlights the importance of infrastructure in supporting economic development and social inclusion. The report also includes case studies of successful infrastructure projects in various sectors, illustrating how investment in infrastructure can drive economic growth and generate jobs. It recommends strategies for improving infrastructure governance and financing mechanisms to ensure sustainable development.
Opposition roundly rejects council bill

CAPE TOWN — The Municipal Structures Bill, providing for the establishment of megacities, was roundly rejected by opposition parties during a debate in Parliament yesterday.

African National Congress (ANC) MPs defended the bill, saying the restructuring of local government was vital to achieve social transformation and redistribution.

While opposition parties criticized the ANC for failing to make any concessions on the bill, the ANC countered by accusing the opposition of trying to stop transformation to perpetuate the apartheid structure of SA’s towns and cities.

The opposition said the bill gave central government overly intrusive and prescriptive powers and said it undermined the autonomy of local authorities as an independent sphere of government.

The bill also provided for the creation of the position of a municipal manager which, Constitutional Affairs Minster Valli Moosa said, would create a more empowered political leadership.

Another feature was that provincial government would have the power to vary the allocation of powers where a district or local council lacked the capacity to perform a function.

Yunus Carrim, chairman of the constitutional affairs portfolio committee, said the concerns of the opposition about “unicities” had been addressed.

He said the bill embodied considerable flexibility to allow metropolitan areas to be divided into a range of subcouncils or ward committees or both.
The perception is that the legislation is a direct threat to autonomy, with

Opposition baulks at local govt bill

The committee for legal affairs...
PARTNERSHIPS IN THE PIPELINE

Cosatu and government agree

A stubborn 15-month row between government and unions over municipal privatisation policy is nearing resolution (see Current Affairs October 9). The Department of Constitutional & Provincial Affairs has given quiet nods to the Nelspruit and Dolphin Coast municipalities to sign water-delivery partnerships with two foreign companies — deals that will set the tone of privatisation policy at all levels of government for years to come.

It seems likely, though, that minor contractual issues and the impending Christmas break will delay signings of the pioneering projects until early January.

Two weeks ago, Nelspruit's executive committee formally accepted the bid of the British Biwater company, and recommended full council approval. Town clerk Roelf Kotze said the signing could go ahead if, as expected, the draft concessionary agreement was found to accord with the policy negotiated by the Department of Constitutional Affairs and the umbrella union, Cosatu.

Dolphin Coast, a collection of five resort communities around Ballito, north of Durban, is almost as close to finalising a water delivery agreement with preferred bidder Saur, a French company.

Key to the government-union agreement is a clause that states that the public sector remains the "preferred option" for service delivery — thus allowing private participation in service provision only after all avenues for public-sector delivery have been exhausted.

Though government and union officials are loath to discuss details of the framework agreement, it is understood that Cosatu has accepted the broad terms of the partnership framework.

"A few technical details must be sorted out and then it can be put before the Cabinet for approval early next year," says a source involved in the negotiations.

The Nelspruit deal, in particular, is regarded by government as the pioneering blueprint for a broad privatisation framework which could be applied not only to municipal services, but to partnerships with the private sector at other levels of government.

Scores of other municipalities have already indicated a keenness to join the partnership bandwagon.

Peter Hainy
Local authorities 'lacking support'

Municipalities have been told to get their own houses in order, writes Deborah Fine

CONCERN has been expressed increasingly in recent months that national and provincial governments are not supporting local authorities with funding and training programmes.

Although the constitution has awarded local government the status of an autonomous sphere, national and provincial governments are constitutionally obliged to boost the capacity of municipalities through, for example, legislation, training and grants, so that local councils may adequately perform their functions.

The constitution also entitles local government to an equitable share of national revenue, although the view has been expressed that municipalities should receive a lesser share than provinces because local councils are capable of generating 90% of their own incomes through services charges and property taxes.

A number of local councillors have claimed, however, that municipalities do not have sufficient money, capacity or manpower to carry out the myriad of duties assigned to them by the constitution.

Additional funding and training provided by national and provincial governments was simply not enough to provide relief, they claimed.

Provinces were accused of exacerbating the situation by devolving various provincial functions to municipalities, without the accompanying budgets to cover the extra responsibilities.

Shoos Naadoo, chief executive of the SA Local Government Association (SALGA), has said that the size of local authorities' equitable share of the national fiscus — R1bn this year — was too small.

He has called for an urgent study to quantify the financial implications of the duties assigned to municipalities, including the "hidden costs" of local delivery.

The equitable share is supposed to provide service subsidies for the poor, but local government sources have expressed concern that the funds would be used instead by cash strapped municipalities to cover operating deficits.

SALGA is the organised national voice for the country's 843 municipalities.

Supporting Naadoo's sentiments, Urban Sector Network local government co-ordinator Kevin Allan described as "a fallacy" the belief that municipalities could generate sufficient revenues to cover their expenses by means of services tariffs and property rates.

The network is a non-governmental organisation concentrating largely on poverty alleviation.

Allan said that given the extent of historical services inequalities and poverty levels, municipalities would still not have enough money to carry out all of their functions even if payment levels for services and taxes were optimal.

This was particularly so in the critical areas of poverty relief and socio-economic development.

Acknowledging the positive contribution made to local government by the constitutional development department, he said that municipalities would continue to flounder unless their share of national revenues and other sources of funding were vastly increased, and councils were provided with adequate capacity through more training programmes.

Dismissing the complaints as unjustified, JJ Thabane, spokesman for Constitutional Development Minister Vahi Moosa, said all tiers of government were experiencing difficulties because of financial constraints.

Municipalities could only blame their woes on higher tiers of government up to a point, after which it was their duty as autonomous entities to "get their own houses in order" instead of waiting for a solution from national government.

Many municipalities were still failing to effectively use the resources at their disposal through bad financial management and planning, and poor credit control practices.

Regarding training, the department had hosted many workshops on financial management, integrated development planning and local economic development. Poor attendance by councillors on a number of occasions was not the fault of government.

In addition, the size of the equitable share was expected to increase in coming years, while new municipal taxing legislation was in the pipeline to give local authorities access to a larger tax-base and greater revenue.
Municipal Services Breakthrough

Framework agreement sets stringent conditions for private sector involvement.

Global problems demand local action.
SA body nets R275m
European bank loan

LONDON — SA's Infrastructure Finance Corporation borrowed R275m from the European Investment Bank yesterday to finance municipal infrastructure projects — the fourth largest single loan drawn on the European Union's (EU's) financing arm by an SA institution.

The loan brings the total amount borrowed from the bank by SA institutions to 340 million ecus since drawing rights were first granted by the EU in 1995.

SA institutions have the right to borrow a further 335-million ecus until the end of next year to take advantage of the bank's favourable interest rates, which are set according to the cost of its borrowing on European capital markets.

The loan to the Infrastructure Finance Corporation is the first made this year by a SA institution, indicating a sharp fall-off in the utilisation of the facility which lent SA institutions just less than 200-million ecus last year.

The bank said the line of credit would be used to finance water supply, waste water treatment, local roads, public lighting and solid waste treatment projects, among other schemes. The funds would be used mainly by municipalities.

The aim of the funding would be to eradicate backlogs in providing facilities for poor communities.

The loan agreement was signed in Luxembourg by the bank's vice-president, Rudolf de Korte, and Inca CE Johan Kruger. The Development Bank of Southern Africa, the guarantor of the operation, was also represented.

The Infrastructure Finance Corporation is a private company established in 1996 by SA private sector finance groups and international development finance institutions to fund municipal infrastructure development.
‘Inexperience not lack of skills stymy service delivery’
Deborah Fine 22 8 98

A SHORTAGE of experienced technical personnel rather than a lack of skills was often the reason behind many of the service delivery hiccups experienced by local authorities, according to Rand Water.
The organisation acts as a bulk water supplier to most municipalities in Gauteng and various local authorities in the Free State, Mpuumalanga and North West.
Rand Water managers Maggie Ramasimong, Karl Lubout and Walter Coxon said there had been an exodus of skilled technical staff from municipalities, for among other reasons, more lucrative jobs in the private sector and to set up their own consultancies.
This was particularly prevalent among staff involved in water delivery and sewerage.
Such staff were exceedingly difficult to replace because their skills involved practical, hands-on experience rather than just theoretical knowledge.
"Systems are very complex, particularly in large urban areas," Lubout said.
"What exists is a 'corporate memory' which is not clearly documented, so the loss of practical knowledge about problems peculiar to particular systems is not easy to recover."
Despite the staff shortages and other problems such as capital constraints and nonpayment for municipal services, the managers said many of the local authorities falling within the 18 000km² under Rand Water’s jurisdiction appeared to be holding up and were "capable of making it."
Although the managers could not reveal the names of local authorities which had, in the past, fallen behind on their monthly payments to Rand Water, they said on average no more than three municipalities owed money to the board at any given time.
The managers believed the reduction of the number of municipalities throughout SA and the amalgamation of nonviable local authorities with their more financially successful neighbours would go a long way in addressing capacity problems because precious financial, technical and human resources would no longer be "spread so thinly."
The national demarcation board was expected to begin this rationalisation process early next year.
The board was also keen to participate in partnerships with local authorities to improve water delivery. It had already entered into partnerships with a number of municipalities, particularly in the areas of leak detection, water management and the reduction of unaccounted for or "lost" water.
Morkel challenges new law

CLIVE SAWYER
Political Correspondent

Implementation of a controversial new law which would significantly strip the powers of provincial directors-general has been hailed in its tracks by a Constitutional Court application by Western Cape Premier Gerald Morkel.

The Public Service Laws Amendment Act was approved by Parliament earlier this year after its sponsors said it fulfilled the constitutional provision creating a single public service for the country, and eliminated confusion in the working of the public service at provincial level.

The act strips provincial directors-general of their role in charge of all provincial departments, and reduces their role to that of secretary to the provincial cabinet and head of the office of the premier.

The New National Party-controlled Western Cape government has been a leading opponent of the measure.

The act's official explanatory memorandum said the new law was necessary because, in many cases, there was uncertainty about the role and function of the provincial director-general, members of the provincial cabinet and the heads of provincial departments.

This "inevitably" had a detrimental effect on the managerial and administrative authority of provincial cabinet ministers and department heads.

It also provided for all heads of departments, including heads of provincial departments, to be appointed on contract in terms of the national Public Service Act.

The Western Cape, in hearings in Parliament on the Public Service Laws Amendment Act, also objected to the act giving the power to the president to decide on the creation or abolition of provincial departments.

Announcing the postponement of implementation of the act, Public Service and Administration Minister Zola Skweyana said new public service regulations had been due to come into effect on January 1, but would be delayed because of the court action.

The Constitutional Court had set February 23 as the provisional date for hearing the application.
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Support growing for megacities, says report

Western Cape still strongly divided on the issue of city governance

Pule Molebeleli

DURBAN — There appears to be growing consensus, with the possible exception of the Western Cape, that metropolitan areas should be run by single-tier governments, a research study team into metropolitan government systems has found.

Commissioned by Provincial Affairs and Constitutional Development Minister Valli Moosa, the four-member research team led by Michael Sutchile said government should develop a more integrated approach to monitoring and fact-facilitating the development of metropolitan government in SA.

Another conclusion was that Moosa should direct the national demarcation board to complete the demarcation of metropolitan areas as one of its first tasks. This was because metropolitan regions wanted to finalise their outer boundaries as soon as possible, particularly for administrative reorganisation purposes, and to eliminate any uncertainty brought about by the transition.

The research team was tasked to explore the metropolitan government system, build onto the white paper and fine-tune its administrative, financial, political and legal framework aspects.

Given time constraints, the team limited its research to the country’s four largest metropolitan areas: greater Johannesburg, the Cape metropolitan area, greater Durban and greater Pretoria.

Sutchile found that arguments against single-tier metropolitan systems, popularly known as “megacities”, were not completely convincing. This was particularly so because all metropolitan areas were already either close to being “unicities” or were dominated by one or two very large substructures, he said.

Sutchile said there were very strong forces and tendencies towards a single metropolitan system, particularly for administrative and financial reasons.

Greater Johannesburg, Pretoria and Durban appeared to have moved from debates around whether metropolitan areas should be category-A, single-tier municipalities towards a more detailed discussion on how to ensure the system could become more effective, efficient and responsive to local needs and peculiarities, he said.

He said, however, that there were strong feelings in these three metropolitan regions that single-tier governments required flexibility to develop their own administrative, legal and political mechanisms for “getting the job done”.

Sutchile said the Cape metropolitan area was difficult to assess. There were two groups: those fiercely opposed to change, particularly as a result of national legislation, and those quite happy to accept the conclusions of the white paper and get on with restructuring accordingly.

At a financial level, he said there were strong arguments for the creation of a single financial framework and single budget for metropolitan areas. The needs of the poor often required targeted and complex strategies, which the financial and administrative muscle of a single metropolitan system were best placed to deliver.

An important advantage of a single city was that all councillors became locked into all decisions, which was not the case with the existing two-tier system. Within a single metropolitan system, however, care would have to be taken to ensure that local functions were given due recognition. Structures needed to be developed to ensure that there was proper accountability in all metropolitan substructures.
Authorities to get more aid

Deborah Fine

GOVERNMENT would step up its efforts to stabilise financially and administratively troubled local authorities in preparation for the massive restructuring of local government, which will take place after municipal elections next year, according to constitutional development deputy director-general Chuppy Olver.

Olver said the stabilisation of struggling local authorities was important to ensure the success of restructuring that will see the number of municipalities across SA reduced from the current 846 to around 500.

The reduction would, in part, be achieved through the amalgamation of municipalities with little hope of financial and administrative capacity with their more successful neighbours. About 300 municipalities are estimated to be financially unstable.

Concerns have been expressed that the financial difficulties and debts accumulated by these beleaguered local authorities will serve to weaken the municipalities to which they were joined, jeopardising the wellbeing of viable local councils and negatively affecting their credit ratings.

Olver said the department was “mindful” of these concerns, and was looking at stabilising ailing municipalities before amalgamations took place so that “bad ones do not drag down the good ones”.

Measures to promote stability included downsizing, assisting embattled municipalities to make structural budgetary adjustments and administrative reshuffles, in addition to building capacity through existing training programmes.

Olver said in the current financial year, government had set aside a R1.1bn transition grant which was channelled through provinces to prop up collapsing municipalities with management support programmes. Assistance to local authorities was largely provided on an ad-hoc basis at the provinces’ discretion.

In the coming financial year, this grant would be incorporated into the share of national revenues allocated to the local government sphere and divided among municipalities mainly according to levels of poverty in their area.

The finance department had agreed to earmark an additional allocation specifically for municipal management support programmes. The funding was again likely to be directed through provinces, although the way in which it was used would be more closely monitored by national government, Olver said.
ANC policy formulator to head neutral board

Megacity proponent Michael Sutcliffe will be forced to cut party ties

Deborah Fine

OPPOSITION parties have criticised the appointment of Michael Sutcliffe, African National Congress (ANC) local government policy formulator, as chairman of the politically neutral and independent national Municipal Demarcation Board.

The New National Party, Democratic Party (DP) and the Inkatha Freedom Party said Sutcliffe’s appointment by President Nelson Mandela yesterday had severely compromised the board’s independence and would negatively affect the way the body’s neutrality would be perceived.

Sutcliffe is a member of the ANC’s provincial executive in KwaZulu-Natal and chairman of the local government portfolio committee in the provincial legislature. He is a vocal proponent of unicity government — popularly known as megacities — in metropolitan areas.

He will be obliged by the national Local Government Demarcation Act, however, to resign from the ANC within 30 days or to step down from his position as board chairman.

The 11-member board, which is protected by law from political interference, will redraw the outer boundaries of SA’s local authorities ahead of the next municipal elections in the year 2000.

It has been cited as being crucial to local government transformation in that it will neutrally redefine municipal boundaries in terms of rational economic criteria rather than haphazard political considerations.

Dismissing the concerns of the opposition parties, Constitutional Affairs director-general Zam Tshabalala said it would be extremely difficult for the board to gerrymander municipal boundaries for political purposes because of the strict safeguards and objective demarcation criteria laid down in the act.

Demarcations would also have to be carried out in a highly public and transparent manner, while the president was obliged to remove any board member who compromised the body’s credibility, impartiality and integrity.

Other board members include Nkaro Matata, the board’s deputy chairman, Vuyo Mlokoti, a member of the local government systems task team in the Eastern Cape; Free State Tourism Marketing board member Renee Hartshiel, Gauteng town and regional planner Prunce Dladla, Mpumulanga primary school principal Rosemary Monyamane, former Britstown mayor Abraham Marais, North West land tribunal chairman Kudlisa Mape, town and regional planner Jacqueline Subban, Northern Province traditional leader Khosi Jeffrey Ramovha and Western Cape academic Robert Cameron.

New NP Gauteng leader Johan Killian said yesterday that Sutcliffe was so “part-and-parcel” of the ANC that there would always be “doubts and suspicions” over the impartiality of the board’s decisions.

KwaZulu-Natal local government, housing and finance MEC Peter Miller said even if Sutcliffe resigned from his political positions, he would always be considered “an out-and-out ANC ideologue”.

The board was unlikely to gain trust and confidence in KwaZulu-Natal, where Sutcliffe was viewed, literally, as “the enemy of traditional leaders.”

DP spokesman James Selfe said Sutcliffe’s appointment as chairman was “strange and unfortunate” in that Sutcliffe was not a low-profile “ANC backbencher” but a well-known ANC activist.
R500-m earmarked for regeneration of cities

By Joshua Raboroko

PLANS are under way to rejuvenate Gauteng’s inner cities, starting with the regeneration of Johannesburg, in an attempt to prevent further decay of the “Golden City.”

Gauteng Premier Mathole Motshekga told a media briefing in Johannesburg yesterday that two task teams had been established to handle planning and the financing of the inner city projects.

Motshekga said the projects would cost millions of rand, although he would not say exactly how much the province would spend.

Budgets for the projects will be approved later.

But Government sources disclosed that the province would spend R500 million to develop the cities.

Motshekga said that after consulting with local councils, he convened an “inner-city regeneration workshop” which produced several proposals tabled at cabinet last week.

He was pleased that the proposals were adopted and said the agreements were supported by local councils, big and small business, religious groups and other stakeholders.

A steering committee will meet the two task teams and develop a programme of action on February 19.

The provincial government will then meet with the Gauteng Business Forum on February 24.

Initial plans include regenerating areas around Ellis Park, the Supreme Court, Newtown, the University of the Witwatersrand and Westgate.

The Greater Johannesburg Transitional Metropolitan Council has already embarked on various “clean up” programmes in the inner city.
Independence of demarcation board 'a joke', says MEC

Wyndham Hartley

CAPE TOWN — KwaZulu-Natal local government MEC Peter Miller said yesterday the Municipal Demarcation Board's independence was "the joke of the century".

The board was launched yesterday by Provincial Affairs and Constitutional Development Minister Vahl Moosa at a meeting attended by provincial local government MECs.

The board is chaired by Mike Sutcliffe, an academic and former African National Congress (ANC) member.

There are fears in KwaZulu-Natal that, with Sutcliffe as chairman, the board will interfere with the carefully created balance in the rural areas by incorporating traditional areas into towns and cities. The move is likely to erode the powers of traditional leaders and the Inkatha Freedom Party's (IFP's) rural base.

Over the next two years, Sutcliffe and the demarcation board will make critical decisions which will change the face of local government in SA before the next round of municipal elections in 2000.

The board is expected to decide on issues such as the number of councillors in the country, the number of councillors to serve on those councils and the demarcation of municipal boundaries.

Rumblings among opposition parties are that Sutcliffe is an ANC member of the KwaZulu-Natal legislature and that his obvious political connections mean that the board cannot be independent.

Sutcliffe has resigned from all his positions in the ANC and is expected to also resign from the legislature as soon as he has completed the work he was busy with when he was appointed to the board.

The constitution demands that an independent board be set up to determine new municipal boundaries in SA.

Miller said at yesterday's launch that talk about the board's independence was "the joke of the century".

A member of the IFP, Miller said he had fought with Sutcliffe on demarcation issues in the past and had won.

"These victories in the electoral court and the Constitutional Court can now be overturned," Miller said.

Miller said he awaited the deliberations of the demarcation board with "some trepidation".

However, Western Cape local government MEC Patrick McKenzie welcomed Sutcliffe's assurance that the board would go about its business without fear, favour or prejudice.
DOLPHIN COAST TAKES THE PRIVATISATION PLUNGE

Clustered led by Saur International wins R1bn service contract

Johannesburg a megalopolis managed by a megamunicipality. A mirage, maybe, but not in the mind of Provincial Affairs and Constitutional Development Minister Mohammed Vally Moosa.

There is little on the face of it linking the resort local authority of KwaZulu-Natal's Dolphin Coast (population 66 000) with Johannesburg, but it could provide a blueprint for the future restructuring of our largest city, which is already being mastered by the city's new manager, Ketso Gordhan (Cover Story Jan 8).

Last week, the Dolphin Coast — which prior to 1994 was a highly populated grouping of small, mostly peri-urban villages serviced by the Joint Services Boards — signed an historic agreement which granted a private-sector consortium headed by French multinational, Saur International, the concession, worth an estimated R1bn, to manage the local authority's water and waste services for the next 30 years.

Close on its heels is Nelspruit, which is expected to sign a similar agreement with British company Bawater And, waiting in the wings, according to local government Deputy DG "Chippie" Oliver, are more than 40 other local authorities, including Johannesburg, preparing similar schemes. But most will wait to see how the Dolphin Coast and Nelspruit gumna pgs perform.

They are also, Oliver says, waiting for enabling legislation, which should be passed shortly after the election.

Though nothing legally prevents local authorities from outsourcing services, says Oliver, the Municipal Systems Bill which should go to parliament for approval after the election, provides a specific regulatory framework for municipal service partnerships where services can be better managed by outside agencies.

"Vally Moosa's vision is of local government concentrating on their core business, and that is taking charge of the development strategy of their domains. Local governments should not be in the business of buying and selling. They should not be running a trade in services. That is best left to other actors," he says.

"The primary motivation for this process is not ideological but pragmatic. It is probably no coincidence that Johannesburg is further ahead in the process than Durban or Cape Town. Durban, says Oliver, has been slower because it is more financially stable and is able to continue running along the old bureaucratic lines, while the financial crisis in Johannesburg has forced the pace of restructuring. Cape Town's progress is hindered by divisions between metro and substructures — the very thing Moosa and Oliver believe will be eliminated by the creation of megacities.

"The motivation for smaller local authorities is no different. Oliver says no council is comfortable at present. "They are all being squeezed. All have capacity problems. I cannot name a municipality which isn't lacking key technical skills and they all have huge investment needs. The RDP vision requires them to do a massive roll-out, but they don't have access to the capital markets.

"Capital markets, in turn, are terrified of lending to local government. That in turn makes this partnership route enticing, because Saur's taking out a loan is much more attractive to the markets than the Dolphin Coast trying to do so."

Ideally, municipalities will break away from the classic mould of providing all skills and services in-house. They should become high-powered, aggressive units that are there basically to test the market, manage tendering, squeeze from the market the most favourable deals for residents, and then monitor and ensure contract compliance.

"One can see previously vast municipalities being honed down to small core strategic teams surrounded by contracts with a range of companies," says Oliver.

There is virtually no area of municipal work, he adds, which is not amenable to some form of partnership with business or contracting out. The authorities already looking at the concept are negotiating refuse collection, electricity, reticulation, maintenance, parks and road maintenance.

The principle applies equally to small municipalities and megacities. The only difference is one of scale.

Johannesburg has identified nine services — the market, bus company, emergency services and information technology among them — to be outsourced. Larger services, such as sanitation and water, could follow.

Oliver believes it quite probable that all a town's services could be contracted out to the private sector. Along the lines being negotiated for contracting out prisons, Saur has such a concession covering everything from waste disposal to tending graveyards for the Brighton and Hove council in England.

"We envisage extremely lean municipalities whose function is strategy development as well as the monitoring and review of the concessions. On that basis the entire municipality could be run through a set of contracts from planning, through all trading services, amenities, primary health care, emergency service. Not one of these things cannot be done by private providers."

One aspect that must be of concern to the Minister and local authorities is that, in meeting these contracts, the private providers do not simply "cherry pick" — providing services that bring in the best revenues — but are obliged to service and upgrade facilities in areas inhabited by the poor.

LEADING THE MUNICIPAL WAY

Dolphin Coast population 56,000 provides the blueprint for the restructuring of local government through R1bn, 30-year water and waste services concession

By Bob VIDEO

What the Dolphin Coast and its residents can look forward to is a new, high-powered utility which will market tackling the most favourable deal for residents.

Virtually every area of municipal work is amenable to some form of partnership arrangement.

A municipality could be run from a set of contracts.
Uproar over municipal privatisation

Bastin Cheek

THE SA Municipal Workers' Union national executive committee would re-affirm a decision it made last year to proceed with the implementation of the Municipal Services Partnership, deputy general-secretary Mncedisi Nontsiele said.

Nontsiele said at the weekend the national executive had also resolved to seek urgent legal advice about last week's signing of the Dolphin Coast municipal privatisation contract with French transnational water company Saur International.

"A sectoral forum meeting ten days ago agreed that the privatisation of water in the Dolphin Coast and Nelson Mandela would be discussed at a special meeting in three weeks' time," he said. The union was therefore "shocked to learn that the minister had given the go ahead for the privatisation of the Dolphin Coast municipality."

The matter was also expected to be tabled at the Congress of SA Trade Unions executive committee meeting this week.
Give provinces taxing rights

There’s a school of thought that argues the provinces should have limited taxation powers, writes Charlene Smith

There is a school of thought, endorsed by the Department of Finance and supported by the KwaZulu Natal’s MEC for Finance, that argues provinces should have limited taxation powers. This school of thought is based on the argument that provinces are more accountable to their constituents than the national government is. The argument is that provinces are closer to the people they represent and therefore are better able to understand their needs and concerns. However, proponents of this view acknowledge that provinces do not have the resources to fund all the services that people need. They argue that this gap can be filled by grants from the national government. Proponents of this view also argue that provinces should have the power to raise taxes to fund their services, as this would give them more control over their budgets and make them more accountable to their constituents. Opponents of this view argue that provinces do not have the capacity to raise taxes and that this would lead to an increase in the overall tax burden on people. They argue that the national government should have exclusive control over taxation in order to ensure that taxes are collected in a fair and efficient manner. Despite these opposing views, there is a growing consensus among policymakers that provinces should have more control over their finances in order to better serve their constituents. This has led to the development of a number of models for how this could be achieved, including the introduction of a system of intergovernmental transfers and the creation of a more transparent and accountable system for allocating resources to provinces.
government's credibility has improved but there is still some way to go, with economists and others saying...
How provinces share the cake

MECS praised for 'remarkable recovery' of provinces

Budget 1999
MUNICIPAL OUTSOURCING

UNION TAKES LEGAL ADVICE

State says Dolphin deal kosher

Though the ink is barely dry on a groundbreaking privatisation agreement — involving the award of a 30-year water and waste water management concession to an international consortium (Current Affairs February 5) — government and trade unions are already at loggerheads over the estimated R1bn deal.

The SA Municipal Workers' Union (Samwu) claims Provincial Affairs Minister Valli Moosa jumped the gun by allowing the concession to be signed between the Dolphin Coast Municipality (north of Umhlanga) and French multinational Saur International, before final agreement was reached with Cosatu and Samwu. They claim this happened despite an undertaking that the deal would be held back.

Government is adamant that the contract complies with a Municipal Services Partnership (MSP) framework agreement, signed with Cosatu in December.

Samwu, though committed to making the MSP work, claims, however, the matter was still under discussion at a sectoral forum — a mechanism established to deal with cases falling outside the MSP ambit.

This is denied by local government deputy director general Chicane Oliver, who spearheaded the development of a formula for nsk partnerships between local authorities and the private sector.

Oliver says no such undertaking was given, and he has the relevant tape recording to prove it. "The reality is that the Dolphin Coast deal should have been signed at the beginning of December, but we persuaded Saur to delay until the end of January. A further delay was out of the question. Saur was on the verge of walking away from the contract."

Though government and Samwu met at a sectoral forum on Friday, union deputy general secretary Mncedisi Nontsele says the issue was not on the agenda because Samwu is seeking legal advice on the Saur agreement, and has referred it to Medlac for resolution. Samwu also hopes to pursue a "political" solution.

Rejecting charges that the union is stonewalling, Nontsele says: "We recognise that where service delivery cannot be met through the public sector, there may be a role for private enterprise. It is outrageous to suggest we are deliberately stalling the process."

Herb Payne
Salga fights for megacity law

Deborah Fine

THE SA Local Government Association (Salga) will apply to the Cape High Court this week for leave to be a co-respondent in a case in which the Cape metropolitan council has challenged the constitutionality of the controversial Municipal Structures Act.

Opposition parties came out strongly against the act, which Parliament passed late last year. The act stipulates single city or megacity governance for all metropolitan areas after the next municipal elections, and sets out internal political structures which councils must adopt in consultation with provences.

The New National Party-controlled Cape metropolitan council filed an urgent application in the Cape High Court last week, challenging the act's constitutionality on the grounds that it eroded local government autonomy by giving provincial MECs too much power over the determination of the types of municipalities to be established. The council attacked the act as too prescriptive, saying it dealt exhaustively with matters that should fall within the councils' exclusive powers.

Salga chairman Collin Matjila said yesterday that his organisation asked to be joined as a co-respondent with Constitutional Development Minister Valli Moosa because Salga had co-authored the act and had an interest in the matter.

"We believe the act is not unconstitutional. If we sit idle, it could have a serious impact on the progress of transformation and the implementation of the local government white paper, from which the act flows," he said.

Salga would meet the council in a bid to persuade it to withdraw its application. No date has been set for a pre-hearing to determine whether the council's application will be heard on an urgent basis.
The provinces of Canada are harping on capital expenditure and service provision plans. But laying staff costs are hampering capital expenditure and service provision plans.

The provinces are starting to make headway on debt.
The State's infrastructural maintenance backlog far exceeds R53bn and, unless something is done urgently, many hospitals, schools, roads and other public infrastructure will be damaged beyond repair.

This will make it difficult for government to meet its ambitious targets for providing services and the efficiency of the economy could be seriously impaired.

The Council for Scientific & Industrial Research (CSIR) delivered this hard-hitting message to parliament's finance committee last week in a hearing on the impact of the 1999/2000 Budget.

The CSIR report notes that though politicians and officials generally accept the dire prognosis, fiscal constraints have prevented government from allocating sufficient resources to maintain and rehabilitate existing assets.

In presenting the report, CSIR project leader Andrew Mermfield said it was more glamorous for politicians to cut the ribbon on a new institution than to rehabilitate 20 old ones. This attitude has contributed to the "grave problem" the country now faces.

The report concludes that the maintenance backlog has become so large that government will have to double its current budget for infrastructure spending if it is to be eradicated.

It comes in the same week in which news broke that some municipalities cannot afford to maintain the water, sanitation, housing and electrical installations provided by the new government.

"It serves no purpose to add to the country's infrastructure if funds are not made available to maintain existing infrastructure," said the Public Works Department in a submission to Finance last year. It was responding to the fact that the medium-term expenditure framework gives a higher priority to adding to the State's property portfolio than to maintaining existing buildings.

Over the past three years, the portion of the Public Works budget allocated to maintenance has declined from being on a par with capital expenditure in 1996/1997, to 8% of capital expenditure in 1997/1998 and 5% in 1998/1999.

The department estimates its maintenance backlog is almost R8bn. It is made up as follows: military bases (R5.5bn), prisons (R725m), magistrates' courts (R386m), administration offices (R109m) and police stations (R94m).

"It's a question of getting priorities right," says DP finance spokesman Ken Andrew. "And this is where government has repeatedly failed. The biggest problem here is that the temptation to address visible short-term needs at the expense of longer-term, less conspicuous but more important needs is often irresistible. You can get away with it for a few years, but it's been going on for a decade or more."

Most physical assets can survive for 10-20 years without any maintenance, but such neglect means the fabric of the structure is eventually threatened and then soon needs to be replaced completely.

Recent examples are the replacement of Pretoria's Hendrik Verwoerd and Durban's King George hospitals with new academic hospitals at a cost of R700m.

A 1996 audit of health facilities revealed that at least R8bn is needed to rehabilitate clinics, hospitals and other health facilities, without which a third will be beyond repair in five years. This year, the Department of Health received a R260m maintenance budget, but the department needs at least R1.3bn each year to tackle the maintenance backlog.

In the case of tarred roads, maintenance is 16 times cheaper than reconstruction. Roads in good condition need resurfacing every five years at a cost of R50 000/km. But if none occurs, the entire road will need to be rebuilt at R800 000/km.

Despite repeated appeals from the Department of Transport for a larger maintenance allocation, SA's roads maintenance and rehabilitation backlog has been allowed to accumulate to R11bn.

Provincial roads require the most repairs because many have received no routine maintenance for 17 years, but the CSIR report says most provinces are unlikely to be able to address the backlog.

The Department of Education's schools register of needs estimates that R14.6bn is required for maintenance and rehabilitation, but the CSIR says a figure of R18bn-R20bn is more accurate.

The CSIR report deals with only four departments because it was unable to get information out of the other 21 in time. However, Mermfield says other State infrastructure is in similar disrepair and that the country's water and sanitation systems are in an even worse condition.

In its report on the Budget last week, the finance committee draws attention to the CSIR report and calls on government to begin to address the issue of maintenance and rehabilitation backlogs urgently.

Claire Bosseker
Norway is to aid local govt (bpi)

Deborah Fine:

THE Norwegian government is to invest more than R39m in local government aid programmes to strengthen the capacity of SA's municipalities.

The development co-operation project, which will include both financial and technical assistance, was announced in Pretoria on Friday by Norwegian embassy first secretary Tor Tanum.

The programme will focus on increasing cooperation between the SA Local Government Association, the Norwegian Association of Local and Regional Authorities ( KS), and building ties between the Norwegian capital city of Oslo and the Mpumalanga provincial government and its capital, Nelspruit.

The funding will be used to develop training programmes for municipal councillors and officials involved in finance and administration, development planning, cost-effective service delivery, supervisory and change-management skills, productivity and strategic capacity development.

Technical support will be provided to the constitutional development department in the form of assistance to project implementation agencies, research on possible new projects and the monitoring of projects funded under the aid programme.

Tanum said it was hoped that the programme would facilitate the exchange of local government experience between the two countries.
Speedy settlement sought in wage talks

By Mzwakhe Hlangani
Labour Reporter

The annual wage negotiations between the South African Local Government Association, municipalities across the country and trade unions have begun in earnest, with parties expressing a commitment to reaching a speedy settlement.

Salga deputy chairman Mr Patrick Flusk said yesterday the weekend talks had to be postponed to ensure that more than 850 municipalities' positions were consolidated into one to speed up the entire wage negotiations.

Wage bargaining started with the unions demanding a R350 increase and a minimum wage of R1 335 a month, South African Municipal Workers Union national coordinator Mr Dale Forbes said.

The union has, among others, demanded that higher leave and retirement benefits instituted under apartheid and which still applied to whites alone should be on the same level as those of other races.

Retirement benefits were equally considered in a racial criteria, with employers contributing 18 percent or more to white workers' benefits while black workers were not guaranteed the benefits. The next round of negotiations is scheduled for April 23.

...
Municipalities in shambles — auditor-general

Maladministration and non-payment a threat to functioning of local government

By Anna Cox

The accounting systems of at least 10 municipalities in Gauteng are in such a shambles that the auditor-general has not been able to express an audit opinion.

In a damning report, provincial auditor-general Ratha Neyer said that because of uncertainties arising from unverified records, deficient accounting systems, incomplete records, lack of supporting vouchers and/or failure to submit financial statements, it was not possible to express audit opinions.

The municipalities he named are Boeksborg, Greater Johannesburg, Greater Nigel, Krugersdorp, Pretoria City Council, Vereeniging, Midrand, Northern Pretoria, Randfontein and Western Vaal.

"The financial position of various local governments is extremely poor and their ability to function as public-service institutions is attributable mainly to intergovernmental grants, bank overdrafts, utilisation of investments and assistance from financial institutions," Neyiger said.

He also disclosed that, between 1996 and 1997, consumer debts in almost every municipality audited had increased, the most significant being Greater Johannesburg, which showed an increase in debts of 47.93% to R2.17-billion.

"The future functioning of local governments and maintenance of adequate service levels, which are dependent on the full payment of levies for services, could be seriously affected as a result of the continuing debt," he said.

"Most councillors, however, also showed massive losses on trading services, such as water, transport, markets and airports. Huge losses were also reflected on economic services such as planning, cleansing and sewage.

"Midrand alone showed water losses costing a staggering R3.4 million."

Neyiger also found that in many cases, matters raised in previous audit reports had not been attended to. In 71.45% of audits, 51% of audit reports, the assets register or inventories were not kept up to date and there were no physical controls by stocktaking.

The New National Party expressed shock at the report. MPL Wally Labuschagne said the MEC was misleading people by saying payments had improved from 6% to about 75%.

"This has been refuted by the findings of the auditor-general, and confirms the NNPs worst fears," he said.

Silas Mbedzi, head of Gauteng's local government department, acknowledged that many of the findings were correct.

"We view this report in a very serious light but many corrective steps have been taken to rectify the situation, and results will be evident from July," he said.
Mbeki launches local government transformation programme with R855m start-up funding (Feb 3/09)

"Fresh attempt to make municipality viable"
Salga agrees to have a minimum wage

Deborah Fine

THE SA Local Government Association (Salga) has agreed to a national minimum wage of R1 335 a month for the country’s 230 000 municipal workers.

Dale Forbes, collective bargaining officer for the SA Municipal Workers Union (Samwu), said the understanding was reached at a conciliation session held on Friday after the parties reached a deadlock two weeks ago over wage increases.

Although the parties were able to see eye to eye on the minimum wage, they were again unable to reach a settlement on the question of increases.

This was despite "considerable movement", with Salga increasing a previous offer of R160 or 3.5% to an offer of R200 or 5% and Samwu reducing its demands from R265 or 9.1% to R250 or 7%, Forbes said.

The matter was postponed for further conciliation on May 13 under Yuns Shak, a senior commissioner at the Commission for Conciliation, Mediation and Arbitration.

Salga negotiator Patrick Flusk said the association had agreed to the minimum wage because it acknowledged the need for wages which enabled workers "to survive" under existing economic conditions.

It also felt that a minimum wage would contribute to economic development in specific locations.

Most municipalities already paid workers more than the minimum wage, so it was only a few local authorities that would be affected by the decision.

On the issue of wages, Flusk appealed to Samwu members to consider the fact that their increases would effectively have to be footed by communities which were already "expressing frustration" at rising service tariffs and rates payments.

Communities already footed a national municipal wage bill of nearly R5bn. He said increases greater than Salga’s offer would mean less funding available for municipalities to tackle national services backlogs of about R170bn.
Municipal dispute goes to arbitration

By Mzwakhe Hlangani
Labour Reporter

The SA Local Government Association and trade unions representing 230 000 municipal workers, have agreed on a minimum salary of R1 335 but have failed to break a stalemate on other wage-related demands.

Salga chief negotiator Mr Patrick Flusk said yesterday the association had agreed to the unions' demand for a minimum salary after ensuring that all 800 local authorities could afford it. But they could not reach a settlement on the 7.9 percent wage increase demanded by the unions.

The SA Municipal Workers' Union (Samwu) and the Independent Municipal and Allied Trade Union had originally demanded 11.1 percent, which was later reviewed to 7.9 percent, or an increase of R250.

Salga had improved its offer from "a paltry" 2.5 percent to 5 percent or a R200 increase, Samwu negotiator Mr Dale Forbes said yesterday. The matter has been referred to the Commission for Conciliation, Mediation and Arbitration for a hearing next Thursday.

Forbes said the employers' offer was "insufficient to meet the unions' bottom line." He said it was up to union members to decide whether to accept the offer or refer the matter to arbitration.

Salga has maintained that the unions' demand was "completely unaffordable" since the 7.9 percent increase was an increase of 11 percent "in real terms." Flusk also pointed out that the current municipal wage bill amounted to R8 billion a year, which meant that if the demand were acceded to, it would translate to a national bill of R9 billion.

Twelve public service unions, mostly aligned to the Congress of SA Trade Unions and the Federation of Unions of SA, have declared a wage dispute with government.
Province's lost in the legislative act

Supports President Rehn

M4 14.30/169 (R6)

The National Council of
the Provinces' Legislative bodies

Draft articles of the Constitution

In the establishment of the constitutional
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SA cities battle to survive

By Joshua Raboroko

ABOUT 200 of South Africa’s 852 municipalities, particularly in rural areas, are in a financial crisis, according to the 1998-99 government figures released yesterday.

The hardest hit province is the Free State, with 63 of its municipalities being owed close to R781.5 million as at June 1997, while local creditors and accumulated deficits at June 1997 stood at R458 million and R171 million respectively.

The other cash-strapped local authorities are 36 in Eastern Cape, 27 in Northern and Western Cape, Northern Cape 16, KwaZulu Natal 15, Mpumalanga 7, Gauteng 6 and Northern Province 3.

These municipalities require a major financial boost during the 1999-2000 financial year or they would be forced to fold which might mean a suspension of essential services for poor communities.

The figures were released by the director general of local government, Ms Jackie Mancite, who said the restructuring of local government in South Africa had caused most municipalities to experience a variety of financial challenges to some degree.
Unicity proposal for Durban, Johannesburg, Cape Town

Xolam Xundu

THE municipal demarcation board has recommended that the Johannesburg, Cape Town and Durban metropolitan councils form unicities.

The board's preliminary report on central points for metropolitan and district council areas released in Pretoria yesterday said these cities fulfilled all the requirements of category A municipalities (unicity).

The board will send the recommendations to Provincial and Local Government Minister Sydney Mufamadi, who will make a decision on the cities' status.

Board chairman Mike Sutchlife said existing boundaries in these areas were not used as a yardstick. "We presumed that there were no boundaries in SA and we did not use the existing boundaries to guide us," he said.

Pretoria and its existing councils and East Rand and Kempton Park fulfilled some of the requirements and should "probably" be classified as category A municipalities, said Sutchlife.

In terms of the Municipal Structures Act, areas that can be classified as category A municipalities are those that have a high population density, an intensive movement of people, goods and services, extensive development, multiple business districts and industrial areas.

A category A area must also be a centre of economic activity with a complex and diverse economy, a single area for which integrated development planning is desirable and must have a strong interdependent social and economic linkages between its constituent units. An area that does not comply with these criteria must have both district and local councils as prescribed by the act.

The report proposes the number of district or metropolitan councils be expanded in KwaZulu-Natal from eight to 11, Mpumalanga from three to six, Northern Province from two to eight, Eastern Cape from six to nine, Free State from four to six, Gauteng would stay with six, North West district councils would remain at five, Western Cape dropped from eight to six and Northern Cape from six to four.

Sutchlife said the board wanted to have more district councils and fewer local councils as it was its mandate to rationalise municipalities. The report would be submitted to Mufamadi who has to decide whether certain areas should be classified as category A municipalities in consultation with provincial local government MECs, the demarcation board, the SA Local Government Association and organised local government.

Sutchlife said the board had not yet drawn up boundaries and the report was only a suggestion to Mufamadi.
Congress targets municipal finance and corruption

Xolani Xundu

LOCAL government finance and corruption will top the list of priorities to be addressed by delegates at the SA Local Government Association (Salga) annual general congress in Port Elizabeth tomorrow.

This is as a result of the weak financial position of many municipalities that has had a negative effect on service delivery, the last four years. Most municipalities are unable to meet their financial obligations to creditors.

Salga spokesman Vusi Khosa said yesterday: "The association awaits to make municipalities centres of excellence in terms of service delivery to communities."

"That should send a message to Finance Minister Trevor Manuel about local government budgets. The budget this sector received in the last financial year was not sufficient," Khosa said.

Municipalities had to 'rack up systems and collect money due.'

Local government corruption would be dealt with in detail at the congress. Delegates are expected to recommend it be fought.

"We want to be firm on corruption. The congress will be advised how to detect and deal with corruption," Khosa said.

An anti-corruption strategy was being "painfully beaten" by Salga. "We want to bring a culture of responsibility within the sector," Khosa said.

"We want to be active in government and help restore the moral fabric of our society," Khosa said.

Civil organisations that were at the forefront of promoting non-payment for services in the 1980s would come under the spotlight at the congress to see how they could be renewed.

Municipalities needed to prioritise improving service delivery. "It's time to deliver. The ground work has been laid in terms of legislation as former president Nelson Mandela once said," Khosa said.

"We have capacity to councillors and local government officials would be a core issue of the three-day congress which ends on Saturday.

Salga announced last week that it would launch a good practice awards system at the congress. The awards are set to enhance the performance of local authorities.

Categories for nominations include municipalities that have managed to turn their finances around, that have come up with innovative ways of restructuring their administrations, and have established good community strategies and customer practices.

Other issues to be dealt with at the congress include organisational transformation, local economic development, health, development facilitation and planning, intergovernmental relations, and information technology.

The congress will be attended by Deputy President Jacob Zuma, Provincial and Local Government Minister Sydney Mufamadi, the nine provincial local government MECs, councillors, administrators and representatives from Salga's sister organisations throughout Africa.
SA'S DECAYING CITY CENTRES

CAN THEY STILL BE SAVED?

Out-of-town shift mirrors international experience — and so could a recovery

It's a depressing shift repeated all over SA. City centres are dying as retailers and companies move out of town to modern malls and office parks. The buildings they leave behind are taken over by small traders and the pavements by hawkers. Rents and values fall, and once-vibrant business areas sink into decline.

CITIES LIKE JOHANNESBURG MAY GET THE HEADLINES FOR THEIR INNER-CITY DECAY BUT IT'S HAPPENING EVERYWHERE. DEVELOPERS, WHO SEE BETTER RETURNS ON THEIR INVESTMENTS OUT OF TOWN, ARE RELUCTANT TO HELP UPGRADE.

NOR IS IT JUST AN SA ISSUE. TOWNS AND CITIES ALL OVER THE WORLD ARE FACING THE SAME PROBLEM. IN THE UK THERE IS FIERCE DEBATE ABOUT THE EFFECTS ON ESTABLISHED RETAIL CENTRES OF DECENTRALISED "SUPERSTORES." 

So, are SA's city centres on an unstoppable road to decay? The immediate signs aren't good. Rents in the out-of-town office market rose strongly in the first quarter of this year, while nearly all city-centre investments are reaching new lows. Prime rents in Johannesburg's CBD have dropped to around R200/m²-R250/m² against Sandton's R700/m².

Keith Beavon, an urban geographer and head of Pretoria University's geography department, says most CBD shops are now "convenience" stores — "the sort normally seen only on the fringes of towns in times past." He adds that the "mallifying" of America is happening in SA, though not necessarily for the same reasons.

Hennie Fritz, immediate past president of the Tygerberg Chamber of Commerce in the Western Cape, argues that CBDs aren't dying — just moving. As suburban growth shifts the balance of wealth, business naturally follows. Port Elizabeth marketing manager Andre Crouse says his city's CBD has simply moved out of town to Greenacres. As with other cities, the old centre is a shabby image of its former self.

So, how are cities coping with this city-centre decay? Boksburg's marketing officer, Victor Mudube, says a facelift is underway and at least one furniture chain store is returning but most of the shopping money goes to nearby East Rand Mall.

Kroonstad, in the Free State, has a similar story. Smaller enterprises start up and close down with regularity, says chief administrative officer Andre Kotze. The council hopes the situation won't deteriorate and is offering incentives to companies that move into the centre. But few outside the council think the measures will offer much relief.

Politics also plays a part in city-centre decline in KwaZulu-Natal. The unfinished tug-of-war between Mantisburg and Ulundi over which should be the provincial capital has had a negative effect on Mantisburg's business investment, says Andrew Layman, director of the local chamber of commerce and industries.

Property economist Erwin Rode says planners must undergo a complete change of heart to revitalise smaller CBDs. They should try to create a middle-class, mainly black business centre with accommodation, clinics and schools for an integrated community. But it should not be done haphazardly. The crucial factor is how well it is managed and if standards are maintained.

Banus van der Walt, head of Gensec Property, says if there were political will to address crime and crime, young black professionals would be drawn back to the inner city where rents are low. "We could learn how the authorities in cities abroad addressed the problems of inner city decay, especially in Asia. Law and order was restored in cities like Bangkok."

Maybe old prejudices also have something to do with the blight. In Krugersdorp, a one-time rightwing bastion on the West Rand, local councillor Chris Kruger says whites shop in the city centre from Monday to Thursday, then move out at weekends when tax loads of black shoppers arrive from nearby Kagiso township. Main beneficiary of this "tale of two cities" is the regional Westgate shopping centre, which attracts Krugersdorp's "white" money at weekends.

Some cities are trying actively to reverse the decline. Johannesburg wants to turn empty offices into rented accommodation for people who work in town. Roodepoort, to the west, is also considering this possibility. Geoff O'Connell, CEO of the local economic development council, points to cities like Birmingham in the UK, that have followed this route. Roodepoort plans a joint venture with the Johannesburg Housing Company to convert shops for residential purposes and re-invent the inner city.

Some analysts say it's too late to reverse the decline in many centres. The future lies in making the best of what remains. Rode says, "We can't get things back to what they were — Johannesburg has lost probably 50% of its CBD tax base because of devaluing of property in town — but we should try to salvage what is left in other town centres."
Economic Program unveiled at Sahara Congress
Local authorities' efforts continue to mount as problems remain unsolved

Salga resolves to lobby for investment

The_GOODS would require that nearly all water treatment plants and the majority of critical areas in the city need to be upgraded to meet the needs of the population. The association noted that the existing infrastructure is not able to handle the current demand and that the cost of providing services is too high.

The resolution calls for a comprehensive plan to address the water supply crisis and for the government to allocate sufficient funds for the necessary upgrades. The association also calls for a more transparent and accountable process for the allocation of resources to ensure that the needs of all communities are met.

The resolution was adopted by unanimous consent and was supported by all members present. The association's efforts continue to be focused on securing the necessary investment to address the water supply crisis in the city.

Local government association praises Congress for adopting resolutions that show a positive effect on municipalities

The association praises Congress for adopting resolutions that show a positive effect on municipalities.
Mufamadi disputes crisis claims

By Jimmy Seepe
Political Reporter

PROVINCIAL and Local Government Minister Sydney Mufamadi brushed aside claims yesterday that the country's 1130 local authorities were facing a cash flow crisis and were about to collapse.

Mufamadi, who held a one-day strategic meeting with his nine provincial MECs to chart the way forward, said the municipalities were not facing a crisis but there were small pockets of problems which were not terminal.

Mufamadi and his provincial MECs also disputed claims that the perceived crisis facing municipalities had dealt a serious blow to the MassKhane campaign.

They declared that the campaign, which was not about payment only, was alive and rooted in various communities which were already playing an active role in affairs governing them.

Mufamadi's statements came a few days after delegates attending the South African Local Government Association were informed that almost half of South African municipalities faced financial problems and about 151 are in a full-blown crisis.

He said in those municipalities that were facing a problem, provincial MECs had taken corrective measures and passed instructions to the Local Government Transitional Association to intervene.

"Without seeking to downplay the gravity of the problem, we don't think there is a crisis," said Mufamadi, adding that municipalities needed a renewed push for project viability.

He announced that he had already started with the process towards the next local government elections to be held between November 2000 and January 21, 2001.

The elections would be important as they marked the end of the transitional period for local government.

As a result, a new voters' roll is expected to be opened before the election.

The department, together with its provincial structures, has begun a process of drawing up municipal structures through the Demarcation Board.
Multi centres are serving many purposes.
The unicity: people-friendly government

Carl Sampford takes a closer look at the new concept.

The East Rand, Pretoria and Durban will each be managed by a single local authority.

Provincial and local Government Minister Sydney Mufamadi announced this week that Cape Town, Johannesburg,
end of group areas

"I've cities spell the

new approach}

proposals beyond the

municipal areas

summary or analysis of

The Annual Report of the

South African City and Town Planning Council

ON THE WAVEFRONT

Periodical Articles and Local Council

OF THE WORLD
Board starts work on city borders

Xolani Xandu

The municipal demarcation board has begun a process of determining outer boundaries for metropolitan and district councils, calling for public input into the process. This comes after the declaration of five nodal points — specific points in the centre of the cities — for metropolitan areas by Provincial and Local Government Minister Sydney Mabambo last Friday.

Mabambo identified Johannesburg, Pretoria, the East Rand, Durban and Cape Town as cities that would have single administration after the next local government elections. Board chairman Mike Sutchiffe said, "The board will determine the boundaries of the areas in which people reside, work and play where they receive municipal services."

He said the board hoped to have completed the process of determining metropolitan and district council boundaries by the end of October. Municipal boundaries would have been determined by next January and the delimitation of ward boundaries by May.

There was also continuing consultation with various government departments to align municipal and functional service delivery boundaries, such as magisterial and health districts. Sutchiffe said the deadline for the public's written input would be August 31, followed by a stakeholders' workshop on September 6 to indicate the board's approach to the process.

On September 15 the board would publish its approach to district council boundaries as well as ward delimitation.

The board also hoped to finalise its approach to public hearings and investigations by mid-November, followed by the actual determination of municipal boundaries by the middle of January next year.
Almost a decade after the question was first raised, the South African National Civic Organisation (Sanco) is having to work out whether or not it is still relevant and where exactly it fits into the political scheme of things.

Its role in post-apartheid South Africa has now become a fundamental issue for the organisation, says Sanco president Mlungisi Hlongwane. Last week Sanco made public a discussion document detailing options for its future.

The most significant suggestion members are asked to consider is whether or not the umbrella body should transform itself into a political party to challenge the African National Congress in the next local general election.

Other options include forming itself into a development agency or remaining out of the political establishment to play a watchdog role.

Predictably, the suggestion of forming a political party has elicited the most response. Hlongwane says members of their alliance partners have mostly reacted negatively, while Sanco members have welcomed the chance to thrash out through debate the nature of its relationship with the ANC.

Sanco’s toying with the idea of taking on the ANC at the polls is also significant, since President Thabo Mbeki has said his Government will place more emphasis on strengthening local government.

Hlongwane says their proposal was drawn up even before the elections, and while they welcomed Mbeki’s sentiments, they are still unhappy about the ANC Government’s increasing separation from them and the fact that they are no longer consulted as much as they would like to be.

New Provincial and Local Government Minister Sydney Mufamadi has not yet met with them, says Hlongwane, adding that he announced the plans for five megacities without them being consulted on the details by the demarcation board, which drew up the new boundaries.

“We fully support the concept of megacities, his announcement presupposes that communities were consulted, which is not the case,” he says.

“Re-drawing boundaries and reducing the number of wards impacts on everybody and affects people’s payment for services.”

At the heart of their dilemma is the future relationship between its constituency and the ANC-led Government, because if Sanco chooses to pull out of the alliance, it will impact a relationship between communities and local authorities, he says.

But, at the same time, Sanco does not want to be seen to be slack in representing its constituency and since it boasts members of other political parties among its own, a parallel existence with the ANC is favoured.

Another concern is that Sanco members earn standing in their communities through working with the civic body, but then move over to the ANC when the time is opportune, thus diluting their commitment to the civic.

If Sanco remains a civic society formation, it wants to be able to assess and provide service delivery in future without having to be wary of the local authority being led by its partner, the ANC.

A major indictment against Sanco has been its reluctance to “expose aspects of non-delivery in many parts of the country”, Hlongwane admits.

“We have compromised our independence in several instances over past five years, just because we did not want to be seen to be in opposition to the ANC or a disruptive force.”

On numerous occasions, Sanco has rejected criticism of ANC councillors and MECs because they did not want to find themselves on the side of the Democratic Party against their ally, he says.

In other instances, Sanco office bearers serving in local authorities on an ANC ticket find themselves in a dilemma when the civic movement questions ANC policy and action.

“There was one case where a Sanco person, who is the mayor of a town, led a march against the local authority,” he says.

Then he found himself having to go to the other side to receive the memorandum from Sanco with all the complaints.

In smaller authorities like Badplaas and Piet Retief, Sanco members also say that challenging local problems becomes futile since the ANC and Sanco members are the same.

The major issue of non-payment for services – an estimated R6 billion is owed to Government – has a great deal to do with inefficient administration and unfair billing, points out Hlongwane.

Despite the movement being a key part of the Masakhane campaign to encourage payment, communities are not taking up their message to pay up as easily as they took up the message to start the boycotts.

Sanco has found numerous problems with the new system and has proposed the freezing of accounts and a reassessment of payment patterns in five years as one possible solution.

“We have not been so vocal as we could on the admin problems in the system because we did not want our criticisms to be misinterpreted as support for defaulters,” Hlongwane explained.

However, he points out that if the Government is sincere about service delivery, it has to make local government more viable, and that would include looking at the criticisms of outsiders like Sanco.

He is confident that contrary to fears by some that the decision on its future may cause a split, Sanco members will emerge more united and focused.

“It’s possible there will only be minimal support for the idea of a political party, since changing to that status would effectively mean closing down Sanco. We won’t be able to be a civic society organisation and in government.”

As the body seeks to assert its role in the new South Africa, it is debating its options in its search for a valid political identity, writes Sharon Chetty.

(SANCO) 13/8/99

Sanco president Mlungisi Hlongwane debates the future of the organisation.

PIC: SHARON CHETTY
Provincial govts to take over ailing councils

Xolani Xundu and Pearl Sebolao

AN ABSENCE of basic financial management in the local councils of Tweeling and Noupport has prompted the Free State and Northern Cape legislatures to take over their administrations.

The Free State’s Tweeling council, which has not met since 1997, apparently failed to submit a preliminary budget for the 1999/2000 financial year. Noupport did not submit its own budget in time for a second successive year.

The two councils also had the problem of councillors being unable to must an a quorum for their meetings, with the problem at Noupport exacerbated by bad relations and mismanagement.

A high-powered delegation from the National Council of Provinces will visit Tweeling today to meet stakeholders before approving the Free State legislature’s application to take over the town’s administration.

The intervention, carried out in terms of the constitution, excludes taking over the legislative functions. In supporting documents submitted to Provincial Affairs and Local Government Minister Sydney MabudafHAS, the Free State legislature said it was clear the council could not settle its executive obligations. It was thus necessary for local government and housing MEC Lechosa Tsionel to intervene.

Solly Legodi, local government director in the Northern Cape local government and housing department, told yesterday Noupport was among 25 provincial municipalities which had not submitted financial statements to the auditor-general. The council was also unable to pay creditors from its monthly income of R220 000 as R210 000 of this was spent on personnel.

Legodi said a management support programme had been put in place to help the town’s administration.

The Gauteng local government standing committee, which discussed the issue of provinces intervening in local government yesterday, raised concerns about financial implications of paying salaries to both elected councillors and appointed administrators.

The committee also asked why it took so long for the Free State legislature and provincial council to intervene over the Tweeling council.
Most local authorities’ finances deteriorated

Auditor-general’s office fails to recover audit fees in many cases

Linda Ensor

CAPE TOWN — The serious deterioration in the financial position of almost all local authorities meant that many of them had not paid their audit fees, Auditor-General Henn Kuever said in his annual report for the 1998-99 financial year.

By the end of last month, R11m had been outstanding for more than 90 days by local authorities.

"Despite various initiatives and actions by this office to recover audit fees from defaulting local authorities, the situation is still deteriorating," Kuever said.

He expressed "grave concern" over the time and resources spent by the office on recovering unpaid audit fees and that alternative steps were required. Negotiations on this were under way with various departments.

Kuever, who retires at the end of the year, expressed concern about the cost of Public Protector Selby Baqwa’s inquiry into the affairs of the Strategic Fuel Fund. This amounted to more than R5m for his office alone.

He said audits of the Central Energy Fund and its subsidiaries would no longer be contracted out as in the past, but would be conducted in-house from the end of the 1999-2000 financial year.

Greater use for contract work was being made of small, medium and micro audit firms, which were majority owned by the historically disadvantaged — in local 1998-99, 26.3% in rand value of this work was awarded to these firms. The contracts awarded to the big firms were scaled down and arrangements made for joint audits by smaller and big firms.

"The total number of firms that were appointed to carry out audits on behalf of the auditor-general during the year under review was 99, of which 41 were (small firms) compared with 27 in the previous year. The total cost of contracts awarded was R75.2m, of which R15.7m was awarded to (small firms)."

Commenting on his years of service under a democratic government, Kuever said he had tried to support the democratic principle of accountability. "To this end I have attempted to deal with my task professionally and objectively. Although the honesty and fairness of our reporting is sometimes met with criticism, I am satisfied that it has contributed a great deal to the growth of accountability in public finance in the new SA."

Primarashni Pillay reports that in a separate document the auditor-general’s office found that North West’s education department showed a lack of subject advisors, a loss of teaching hours and no norms regarding the number of lessons taught at schools.

With reference to local government, housing, planning and development, the report said local authorities were financially unsustainable, not all authorities implemented levies and taxes and there were superfluous staff.

Furthermore, there was a low rate of payment by the public for services and capital projects were not effectively planned.
Early warning plan for crisis multiplications

Pandora's mission is to peel up NCP

How the system works:

No rubber stamp for government decisions.
Megacity rumpus in court

JOHANNESBURG The Western Cape and KwaZulu-Natal provincial governments began their opening arguments in the Constitutional Court yesterday over the admissibility of provincial powers and the constitutionality of the Municipal Structures Act.

The act, which was passed last year, makes provision for a thorough revamp of municipal governments, including the creation of majority councils.

Both the Western Cape and KwaZulu-Natal are non-ANC provincial governments, who are challenging the validity of the act.

They want the act to be declared unconstitutional, or alternatively to have certain of its provisions struck off by the Constitutional Court.

The provincial governments believe that certain provisions of the statute constitute an unconstitutional encroachment on the powers guaranteed to local and provincial government in the establishment and running of municipalities.

The government contends that it has the authority to implement the challenged provisions.

Yesterday, the court heard opening arguments from legal heads of the Western Cape and KwaZulu-Natal. The court sits today to hear arguments from national government representatives.

Constitutional Development deputy director-general Choplite Ofen welcomed the court hearing.

"The act was a public debate and the court would provide some clarity. Ultimately we are looking to the decision of the court," he said.

He said the act would explain the process to avoid negative effects to the transformation of local government.

Opposition parties in parliament contended that the act undermines the independence of local government. They said provisions were being made only for a single-tier governing structure in metropolitan areas, and that the choice of a two-tier system was not offered.

Earlier this month, Provincial and Local Government Minister Sydney Mthembu declined Cape Town, Durban, Johannesburg metropolitan areas.
Why so many communications are failing
Board's proposals will remake the map
Demarcation board process ‘is flawed’

Xolani Kunda

THE process leading to the publication of the preliminary boundaries on district and metropolitan areas by the demarcation board was flawed, some stakeholders believe.

The Democratic Party (DP) in KwaZulu-Natal even suggested that a deal was struck between the African National Congress (ANC), the Inkatha Freedom Party and the house of traditional leaders in Umtata to extend the boundaries of the Durban metropolitan council to include tribal authorities.

Ratepayers in Sandton and Randburg say they are not prepared to finance the implementation of the unicity model in Johannesburg because their views were never taken into account by the demarcation board.

Gauteng DP spokesman Manny de Freitas said yesterday that the proposals on outer boundaries were "calculated to optimise ANC power" in local government. "It would appear that the ANC government is yet again getting its way despite what the real need of residents might be," he said.

KwaZulu-Natal DP spokesman Mark Lowe said there had been very little consultation by the demarcation board.

He said it only spoke to chief Nyanga Ngubane, the provincial local government MEC, the house of traditional leaders and the ANC in Durban.

Local councils and other parties were never consulted, Lowe said.

On the other hand, De Freitas said, most of the proposals did not even meet the board's own criteria for municipalities.

"The demarcation board quite rightly wants municipalities to reflect an urban coherence against the background of apartheid divisions."  

The inclusion of Midrand into Johannesburg would rob the East Rand metropolitan council of one of its few opportunities to attain financial viability.

"Bedfordview is one of the only affluent areas to be included in addition, the areas which are still financially viable are all situated to the west of the proposed East Rand metropolitan council. As far as financial viability is concerned, one of the demarcation board's criteria, this makes little sense," he said.

The administrative capacities of Pretoria and the East Rand would be stretched to "breaking point" by having to cater to vastly differing areas.
Personal costs take 60% of P

Jonathan Kastenfeld, participant

Expenditure on infrastructure is down to between 4% and 5%

(2019/20)

Kwazulu-Natal, Johannesburg
Zoning plan for rural land surprises chiefs

Xolani Xundu

SOME traditional leaders were not aware of the proposal by the Municipal Demarcation Board that their rural and tribal land should fall under the Durban metropolitan council.

This emerged at a meeting between the demarcation board, KwaZulu-Natal MEC for traditional, local government and safety and security Nyanga Nkubane, and 40 traditional leaders yesterday.

Board chairman Mike Dutcliffe said most traditional leaders did not understand the work of the board, the Municipal Demarcation Act and the Municipal Structures Act.

The board has asked traditional leaders to submit their views on the issue before October 4.

It will announce its decision on November 18, to be followed by a 30-day period for objections.

The Durban metropolitan council earlier this month expressed concern about the extent of rural and tribal areas that the board had proposed it take responsibility for.

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Importance of urban economies underlined

Samantha Enslin

WITH more than 80% of SA’s gross domestic product generated in the urban sector, the functioning of urban economies will have a direct effect on the country’s economic growth, says Jawad Ahmad, World Bank representative in SA.

Speaking at the presentation of the Bank’s World Development Report for 1999-2000 in Johannesburg yesterday, Ahmad said if Egoli 2002 succeeded it would have a huge effect on SA and regional economic growth.

Egoli 2002 is a three-year plan that aims to address service delivery, the council’s financial planning and business opportunities in greater Johannesburg.

The report identifies two trends that are exerting pressure on nation states and affecting development agendas: globalisation and localisation.

World Bank economist Mariam Fay said these trends were a mixed blessing.

Globalisation brought new opportunities for expanded markets, spreading technology and management expertise, which in turn held out the promise of greater productivity and higher standards of living.

However, globalisation was feared because of the instability and undesired changes it could bring to workers who feared losing their jobs to competition from imports, and entire economies that could be overwhelmed and driven into recession by foreign capital flows.

Localisation was praised for raising levels of participation and for providing people with a greater ability to shape their own lives.

This could result in more responsive and efficient governments.

However, poorly designed decentralisation could result in overburdened local governments without the resources or capacity to fulfils their basic responsibilities.
Unions want in on investigation

Xolani Xundu (2627) 662 221 31 49

The SA local government bargaining council has called on the SA Local Government Association (Salga) to include unions in its fraud investigation into municipal pension funds.

SA Municipal Workers' Union collective bargaining officer, Dale Forbes, said yesterday the council made this appeal to Salga because fraud and corruption in pension funds affected all parties concerned.

"The report would be questionable if it did not incorporate all parties. There is a serious fear that Salga is using the fraud audit to ensure that their favoured consultants, NBC (Negotiated Benefit Consultants), become a more serious player in the local government sector," he said.
UPMARKET HELDERBERG WANTS TO OPT OUT

The National legislature passed in 1998 decree that "Greater Cape Town" is to be consolidated beneath one executive authority, and transformed into a "megacity". The concept is familiar by now and enables any central "uncity" authority to substantially control or reallocate the flow of resources throughout its region, comprising, in the case of Cape Town, six municipalities (see map). Since the city is the focus of the wider struggle between the ANC and the National Party within the Western Cape, this unification is controversial.

At provincial level, the NNP (in coalition with the Democratic Party) continues to dominate — even though the ANC obtained a plurality of the votes in this year's elections. That does so largely thanks to support from conservative coloured voters who, with their white counterparts, fear a continuing influx of black (African) "migrants" to the region, primarily from the impoverished Eastern Cape, and natural population growth in the townships. This growth, coupled with disillusionment with the NNP (always a possibility), would change the balance of power and (some fear) intensify social tensions between the black and coloured communities.

This racial faultline is endemic to the Cape, and has triggered charges by the ANC that its constituents are being starved of social benefits in favour of the ruling white and brown coalition.

Of the six municipalities, two — Cape Town city and Tygerberg — fall under the ANC. This is not surprising, given the conglomeration of black and coloured townships within these areas.

Elsewhere, the NNP holds sway, and Helderberg, on the eastern fringe of the greater metropole, is resisting overall consolidation of ANC control.

There is no guarantee that the megacity would be an ANC entity. But Helderberg, with a smaller white and coloured population than the other municipalities, would have fewer councillors serving on a centralised body, whatever its political complexion. It wants to be linked to another system altogether — opting out of Cape Town, so to speak.

Last week, in terms of the Municipal Demarcation Act (1998), a NNP delegation visited Helderberg to assess local opinion. The NNP, particularly through Francois Beukman, a National Assembly member who lives in The Strand, an important component of Helderberg — has expressed reservations about the idea. He argues whether business, agricultural and cultural concerns.

In a submission to the Demarcation Board, Helderberg NNP caucus expressed this view: "From a Helderberg perspective, patterns of settlement have traditionally been seen as being driven by a combination of an employment area, a retirement area and a residential area for professional people working in other areas. The requirement for lower-skilled working people is not expected to grow in pace and employment opportunities are predicted to be limited."

In this version of the future, Helderberg should more appropriately be linked to a distinct council that could include Stellenbosch, Paarl, Wellington, Franschhoek and Paarl — as well as (in the Overberg on the far side of Sir Lowry's Pass) Grabouw, Caledon and the coastal towns of Rooi Els, Pringle Bay, Hermanus and Kleinmond.

The NNP admits that the rural term of Helderberg will be diminished over the next 20 years, when its population (151,000) is projected to double. "Depending on the availability of land and work," its heart, however, is set against what it sees as ANC consolidation of central power at the expense of local needs.

All of this can be read as a code for a large measure of continued NNP hegemony and associated protection of what is, with some justice, regarded as among the most beautiful environmental vistas in the Western Cape as a whole.

Urban is out.

This may be a rearguard action. Helderberg has an important black township, Lwandile, and informal settlements are proliferating between Somerset West and Gordon's Bay, for example. The N2 highway, which runs through the region to the Eastern Cape and beyond, is, in the vicinity of Somerset West, a light industrial strip with a full complement of urban shopping malls, cinemas and fast food outlets. The rural flavour is marginal here.

Helderberg is inevitably coming more to resemble Durbanville and Bellville than many of the locals would care to admit. But the fight for political autonomy (to safeguard cultural preferences) is far from over (see page 22).
Service delivery in SA goes into top gear
banks away from local gov't

Negative perception drives

Frank Chotina

CPFR TOWN — May functional in

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agreat great odds

Provinces Struggle
Demarcation problems

Tensions and political pressures will heighten with the introduction of metros to replace transitional local councils, John Seller explains why.

The difficulties are enormous but not insurmountable.

Tensions and political pressures will heighten with the introduction of metros to replace transitional local councils, John Seller explains why.

"The difficulties are enormous but not insurmountable."
Cash-strapped councils in SA in danger of collapse

By Joshua Raboroko

As at June this year, 94 of South Africa’s municipalities were R8 billion in the red and facing collapse, unless the government intervened quickly, according to the latest Provincial Local Government report.

Acting Local Government chief director Mr Cokelo Pakadi said in Pretoria yesterday that municipalities in all the provinces had had financial difficulties.

He said 375 of the 843 councils did not respond in time to the government when asked to submit their financial reports.

The report, Project Viability, is a National Intervention Process to monitor and assist municipalities’ ongoing financial support, management audits of local authorities with cash flow difficulties, mentoring and training of officials and councillors.

Pakadi said only 455 submitted their reports and of those 94 were found to be in the red and might collapse.

The government had set aside R75 million towards salvaging all local authorities that experienced financial difficulties through its national intervention programme.

Pakadi added that most of the municipalities had improved their financial position with Gauteng taking the lead, followed by KwaZulu and Northern Province.

Only three of Mpumalanga’s 83 cash-strapped municipalities were functioning properly, according to the province’s local government MEC Fash Mahalela.

Speaking in the legislature yesterday, Mahalela said that the provincial local government was on the verge of collapse and that many local authorities simply did not have viable tax bases, income generation capacity or administrative capacity.

He said 28 traditional rural councils and 10 transitional local councils were not financially viable. They included Komatipoort, White River, Graskop, Hendrina, Leandra and Ogies.

Bailed out

The North West department of local government has also bailed out six of more than 100 cash-strapped municipalities experiencing a financial and administrative crisis as a result of non-payment of services.

So serious was the crisis that the National Council of Provinces visited the towns of Stillfontein near Klerksdorp and Wcede in Carletonville, according to government sources. The province was owed R3 billion.
Local bodies are cut from 843 to 300
(262)
Xolani Xundu

The Municipal Demarcation Board had trimmed SA's 843 local authorities to just under 300, board chairman Mike Sutchie said yesterday.

Sutchie said the boundaries of the six metropolitan councils would stand as they were.

There will be 46 district councils, nine municipalities which straddle provincial borders, and about 240 local municipalities.

Affected provinces have been given a directive by government to begin to look at legislation that will allow for the establishment of cross-boundary municipalities. By June next year the issue should have been finalised.

The board will allow 30 days for objections and will, on February 15, decide whether to change the boundaries.

"The criteria is the same: It's about rationalisation of communities. We are trying to ensure that there is geographic coherence that allows developmental identity," he said.

The board has combined transitional urban and rural councils to make them financially viable, with weaker areas paired with stronger areas so they can share resources.

Unless this was done, weaker councils would collapse and "islands" of development emerge, leading to the rise of underserviced and unplanned settlements, Sutchie said.

"We tried to look for manageable size, but some municipalities are larger than others, like the greater East London and Maritzburg areas."

It is now up to Provincial and Local Government Minister Sydney Mufamadi to determine the number of councillors, and the demarcation board will finalise the task of drawing up ward boundaries close to May.

"From the board's side there is no reason that we should not have local government elections on November 1 next year," said Sutchie.
Job losses feared as megalift plan takes off
More money for local governments

Ian Clayton

Master of Provincial Affairs and Constitutional Development Willem Moosa announced that the government’s allocation to local authorities would be R3.5 billion during the current financial year, an increase of R2.3 billion above the last financial year.

Moosa added that local authorities with greater needs would “gradually” receive more direct government aid than others.

In the past, local governments received central aid through provincial government budgets and in terms of the national government’s “equitable share” programme. The adoption of the new Constitution in 1996, this is no longer the case and the government’s support to local governments is not part of provincial budgets.

These are rational and need-based allocations to each and every municipality. They are no longer left to politicians,” Moosa said.

The direct flows to local governments from the national government total R3.5 billion this year — “a substantial figure,” this includes R3.5 billion to local governments and municipalities, apart from the ten municipalities which used to be in the homelands. These towns will receive R87 million during the current financial year, but they will gradually lose this classification over five to seven years and will be included in the “equitable share” of local government.

Moosa said a further R1.5 billion from the “equitable share” for local governments had been allocated during the current financial year.

Metropolitan and larger urban municipalities had generally received less during the current financial year and rural municipalities generally received more according to the needs-based grant formula.

The Eastern Cape, Free State, Mpumalanga, Northern Cape, and the Northern Province and the North West had received higher allocations, while KwaZulu-Natal received increased allocations for rural areas and smaller allocations for the urban and metropolitan areas.

Moosa also said that in the past few years, local governments had been going through a series of changes aimed at democratisation and decentralisation and meeting the development challenges of the Reconstruction and Development Programme.

This reform process included the restructuring of the intergovernmental transfer to local governments as a result of constitutional requirements and problems with the previous system.

The transfers to local governments were made in terms of an objective formula that embodied the principles of equity, efficiency and democracy. The system ensures municipalities face the operating costs of basic services for poor households — the so-called G grant — and enables them to build an administrative infrastructure, through the G grant.

It was not possible to introduce all the changes simultaneously and the phasing in of the new system would take place over a five-year period for urban municipalities and a seven-year period for rural municipalities.

Moosa said the basic principle was that the “primary” municipality, which delivered the main essential or basic services, should receive the transfers from the government.

Payments to the municipalities would be made on a quarterly basis, within the first two weeks of the quarter, starting in July.

The Eastern Cape will get R828 million, the Free State R1,576 million, Gauteng R1,106 million, KwaZulu-Natal R2,375 million, Mpumalanga R3,6 million, the Northern Cape R935 million, the Northern Province R1,493 million, the North West R609 million and the Western Cape R535 million.

Both Moosa and the chair of the South African Local Government Association, Colin Mehl, said they believed that progress had been made in ensuring that more households paid for services delivered by local authorities, Mehl added: “The situation in local government is not what it used to be, but we have made great strides in turning it around.”

Moosa also said payment would be encouraged by the planned reorganisation of local government structures to make them more financially viable. The Municipal Demarcation Board had already begun its work appointing a CEO and merging different accounting and financial systems.

The next local government elections will be held in November 2000.

Cape Town city manager Andrew Barnard said the transformation process will provide an opportunity to re-evaluate the effectiveness of service delivery to the city of affluent suburbs, townships and Cape Flats communities, which for the first time will be governed by the same structures. “The face of local government as we know it now will change,” he said. “I don’t think it can be brushed as usual for local government.”

Mehl praised the allocations as “a welcome and appropriate step forward,” but the splits in the allocations to national, provincial and local levels of government had to be addressed.

One mother of a city

Marizinga Menten

Districts around the size and shape of the new local government structure in Cape Town are expected to become known.

The mother city plans to be a “mother city” by the end of 2000. Already, the number of councils in the Cape Town metropolitan area has been reduced from 69 to 36, and the provincial government has been instructed to increase the number of local authorities.

The situation in local government is not what it used to be, but we have made great strides in turning it around,” Moosa said. Payment would be encouraged by the planned reorganisation of local government structures to make them more financially viable. The Municipal Demarcation Board had already begun its work appointing a CEO and merging different accounting and financial systems. The next local government elections will be held in November 2000.

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Mehl praised the allocations as “a welcome and appropriate step forward,” but the splits in the allocations to national, provincial and local levels of government had to be addressed.
Most people do not understand creation of policy.
Watchdog gets tough on finance

'Verse delivery at risk'

PARLIAMENTARY SUBEDAR

The auditor-general has issued a stern warning to the provinces and local government alike to tighten their financial controls or face a further deterioration in delivery.

In his general report on the accounts of the national government for 1998-99 tabled this week in Parliament, Auditor-General Henré Kluver once again targeted the lower levels of administration for their poor performance.

He was especially critical of local government where he said the poor financial positions reported last year had not changed. "The future functioning of local government and the maintenance of adequate service levels could be seriously affected by the continuing deterioration," he said.

Regarding the provinces, Mr Kluver said that management of public funds remained "a source of grave concern" Among the critical issues he identified were late rendition of appropriation accounts, weaknesses in internal control systems, shortages of well-trained staff and insufficient control over suspense accounts and bank reconciliations.

No province was spared criticism for its financial management, including Gauteng. Mr Kluver said that while Gauteng's financial statements and returns for 1996-97 were received on time, the majority had to be referred back for corrections due to material errors and discrepancies. He said there had been "extensive warrant voucher fraud".

The summary for most other provinces focused on the 1996-97 audit as the most recent statements had not been received in time. The summary included a litany of "more serious issues", including fruitless expenditure, unexpected expenditure, material error, serious shortcomings in internal checking, and control and unauthorised expenditure.

With some of the provinces, including Mpumalanga, Mr Kluver found numerous deficiencies with regard to overpayment on salaries and said his audit was "seriously hampered by the inability of the provincial administration to submit supporting documentation for audit purposes".

The Eastern Cape, which has come under regular fire for poor financial controls, was again highlighted. However, he did acknowledge that the "extent of unresolved financially related matters inherited from the former Transkei and Ciskei administrations (had) severely affected...efficiency".

The Northern Province audit report included one bank account overdrawn by more than R353 million.
NCOP pledges to enhance provinces

SA's second National Council of Provinces (NCOP) was constituted yesterday amid pledges from provincial premiers and delegates that they would do their best to strengthen its key function of enhancing the role of provinces and local government at national level.

The council's former deputy chairman, Naledi Pandor, pledged after she was elected chairman unanimously that she would do her best to hold the position with honour.

Among spectators in the packed public gallery and VIP bays were several cabinet ministers, headed by Deputy President Jacob Zuma, and foreign diplomats.

Permanent delegates representing the nine provinces were sworn in by Constitutional Court president Judge Arthur Chaskalson after which they elected presiding officers and a chief whip.

Premiers and delegates from across the political spectrum then took turns to speak.

Gauteng premier Mbhazima Shabowa said the council faced the challenge of strengthening the role of provinces.

KwaZulu-Natal premier Noxolo Mntuli suggested the council should not just confine its activities to Cape Town, but to seriously consider holding plenary and committee meetings in other provinces from time to time.

North West premier Popo Molefe and SA's second democratic Parliament was required to meet the need for accelerated change and transformation.

Neels Ackermann, of the New National Party in the Western Cape, said the province's coalition government wanted to play a positive role in propagating the interests of the region's inhabitants in the council.

M Mdala, representing the SA Local Government Association, expressed the hope that all concerned at national and provincial government levels would help ensure next year's local government elections were a resounding success.

Lawrence Mushwana was elected the council's deputy chairman and Northern Cape premier Manne Dipico was made rotating deputy chairman.

Everard Surty was elected the body's chief whip.
Call to push provincial interests
National Council of Provinces opens

PRINN, JUNE 23, 1999

POLITICS
Ten obstacles block way to achievement of target

Government’s aim of developing compact, integrated cities has been thwarted by its own framework and particularly its housing subsidies, argues Richard Tomlinson

The last research project undertaken by the National Housing Forum Trust showed that in a number of instances the location of the housing subsidy accentuates economic disadvantage, social exclusion, institutional isolation and the lack of employment opportunities. These are the essential characteristics of poverty. Rather than economically empowering low-income communities, the housing programme may be undermining them. The choice is between counting the number of housing subsidies versus building compact, integrated cities as specified in the local government white paper and in legislation such as the Development Facilitation Act.

The question is why it should be so. The answer seems to lie in a series of mutually reinforcing decision frameworks.

First, there is the lure of cheap land. Developers initially drove housing delivery, and they were attracted to cheap land that is far from where there are jobs and social services. They were attracted to underdeveloped land, particularly land that does not border on middle- and upper-income groups, for then the projects will probably be delayed by protests and court action.

Now that local governments are acting as developers, the question is whether they will want to and be able to overcome the constraint imposed by a housing subsidy with a value that does not enable development on more expensive land that is closer to job opportunities and social services.

Second, better-off households do not want low-income households with a lesser standard of services as neighbours, as they are worried about defending their property values. Thus they act to drive low-income households away from the urban periphery.

Third, the constitutional development department’s infrastructure subsidies are provided without regard to their spatial development. When the criteria for infrastructure grants under the consolidated municipal infrastructure programme were being drafted, the consultants had in mind the fate of the reconstruction and development programme ministry and its inability to “get the money out.” Any criterion, such as spatial development that might slow spending was disallowed.

The constitutional development department might hold that, ideally, infrastructure grants were to flow through the provincial governments and should have been allocated in terms of their development plans. However, and this is the fourth factor, provincial development plans have failed to provide the necessary spatial prioritisation infrastructure grants. Although mostly serving the housing subsidy (65%), have been allocated in a haphazard fashion. They have been allocated often to local authorities that are good at writing proposals for grants.

Fifth, much the same fate has been true of the provincial housing board housing subsidies, which also could have applied spatial criteria. They have failed to do so.

Provincial housing boards not only do not have an integration policy, due to their concern about ensuring that housing is delivered as rapidly as possible they are motivated to provide subsidies in out of the way places as this lessens the potential for conflict. Indeed, this outcome is built into the criteria that determine the allocation of housing subsidies. Thus, it is because the criteria for the allocation of the housing subsidy include the number of households in various income categories, the ratio between urban and rural housing, and the performance of the provincial government in delivering housing. Gauteng, for example, has done a good job in delivering housing, and the subsidy funds allocated to the province considerably exceed those allocated to other provinces.

How has Gauteng been so successful? With an eye on maximising the number of subsidies allocated and units delivered, the provincial housing board has been led to ignore spatial development criteria.

Sixth, the cash-strapped provincial health and education departments have struggled to remedy backlogs in the existing townships and informal settlements, let alone provide services to new housing developments. Even if the needed capital investments could be undertaken, the operating costs could seldom be afforded. It is not as if the essential services are following hard on the heels of new housing developments, quite the contrary.

Seventh, low-income communities have failed to engage in extensive land invasions. There seem to be two sets of reasons for this: one is that the economy is not producing jobs and there is widespread poverty. The consequence is that newly forming households are dependent on their families for survival. This dependence requires that they do not move far from their families, with the result that informal settlements spring up on the fringes of existing townships. Another reason is that land invasions do not represent spontaneous events. They require organisation. However, since 1994 land invasions have become counterproductive for the new government and anyway many of the prospective organisers joined government as politicians and bureaucrats.

Eighth, local governments exercised pressure on developers to provide a relatively high level of services as this would reduce subsequent maintenance expenditure for those services. The higher service cost implied a trade-off between services and more expensive, closer-in land.

Ninth, for those commuters using bus and tram transport, commuter subsidies reduced the cost of commuting and enhanced their ability to live further out. Finally, the housing department is oriented to meeting its goal of delivering a million housing subsidies in five years. It has not allowed spatial development criteria to slow allocation.

These 10 mutually reinforcing decision frameworks represent a formidable obstacle to government’s objective of compact, integrated cities. It is intriguing that government itself has become an obstacle to achieving its goal of integrated urban development.

Tomlinson is a professor at the Graduate School of Public and Development Management at Wits University.
Opposition accuses government of bribing SA’s traditional leaders

CONSTITUTIONAL Affairs Minister Valli Moosa has drawn sharp criticism from opposition parties following his announcement of a salary increase for traditional leaders at the weekend.

The opposition said the announcement, made on Saturday, was an election ploy.

"Kings and chiefs in the Eastern Cape, the Free State, Mpuualanga, North West, KwaZulu-Natal and the Northern Province will receive R322 800 and R77 472 a year respectively. The increase will be backdated to April."

"I need to say that accusing fingers are already being pointed at government by the opposition that this is an attempt and a ploy by government to win the support of traditional leaders for election purposes," Moosa told a Congress of Traditional Leaders of South Africa (Contralesa) meeting in Johannesburg.

Moosa said the decision to adjust the salaries was taken last year.

However, Pan African Congress spokesman Mike Mwandelane said "If the decision to increase salaries was taken last year, why wasn’t it announced at the time? It is a lie. It is bribery."

He claimed the African National Congress (ANC) had realised that the PAC enjoyed a healthy relationship with traditional leaders.

Mwandelane said the PAC’s policy proposal was that traditional leaders be represented at all levels of government as they were custodians of African culture.

United Democratic Movement leader Gen Bantu Holomisa applauded the government for raising traditional leaders’ salaries, but said announcing this two months before the election made the salary increase look opportunistic.

Holomisa said the ANC was making a big mistake if it assumed the announcement would do away with concerns that traditional leaders were being ill-treated by the government.

"These are not the traditional leaders of old. Some of them are lawyers, advocates and academics; they cannot be fooled," Holomisa said.

Azanian People’s Organisation (Azapo) president Mustapha Mangena echoed Holomisa and Mwandelane’s sentiments on the timing of the announcement.

However, Mangena said he was pleased traditional chiefs would finally be properly remunerated.

"Obviously, the eye is on the elections," he said.

He said Azapo was not happy with the way traditional leaders were being treated by local authorities and the SA National Civics Organisation.

"We would like to go further and fashion local government so that traditional leaders can have a more important role to play," he said.

Inkatha Freedom Party spokesman Musa Zondi said the party had raised the issue of traditional leaders’ remuneration for a long time.

According to the IIP, the institution of traditional leadership should be recognised as a different form of government within municipalities.

Contralesa chairman Pathikelile Holomisa said traditional leaders were public office bearers and that they should enjoy the privileges that went with their position.

Pathikelile Holomisa said he was happy with the increase, but that there were still outstanding issues such as medical aid, retirement packages and allowances for traditional leaders to be dealt with.

This was also the issue of herdsman who had not been covered by the salary increase.

Pathikelile Holomisa said he hoped this would be addressed by a committee to be set up by the government to deal with all outstanding issues related to the remuneration of traditional leaders — Sapa
Crisis in municipal wage talks

By Mzwakhe Hlangani
Labour Reporter

A CRISIS is looming in wage talks involving 230,000 municipal workers in more than 800 municipalities, as several debt-ridden local municipal councils are unable to meet their obligations.

South African Municipal Workers Union general secretary Mr Roger Romsie accused the SA Local Government Association (Salga), which represents municipalities, of undermining collective bargaining. The association offered a paltry 2.5 percent or R120 and rejected a minimum wage demand of R1335 a month.

Salga chairman Mr Patrick Flusk issued a counter-charge, pointing out that their offer was premised on what the municipalities could afford.

He said the priority was to service major debts and deliver service rather than “spend large amounts on officials’ and staff salaries.”

The union, together with its counterpart Independent Municipal and Allied Trade Union (Imatu), originally tabled inflation-related increases plus five percent or R350 and a minimum wage of R1335 a month. The demand has since been dropped to 11.1 percent.

Romsie said the failure to consider minimum wages for municipal workers when preparations were being made to legislate wage determination for domestic and farmworkers was a contravention of the campaign for a living wage for all.

Salga has demonstrated its support for the minimum wage, Flusk said, but indicated that thorough research was proposed to verify the minimum wage implications and its affordability for the poorest local councils.

“We are looking at the total costs involved as these would utilise more than 30 percent of the municipalities’ budget, excluding housing subsidies, allowances and golden handshakes currently awarded to council officials,” Flusk said.
Municipalities to share R2,3 billion

By Joshua Raboroko

SOUTH Africa's 843 municipalities are set to share R2,3 billion in the 1999-2000 financial year in an effort to make them more efficient.

In his annual report on an "equitable share" for local government, Minister of Constitutional Development and Local Government Mr Mohammed Vally Moosa said local authorities had had a series of changes and challenges in the past few years.

He said all municipalities for the 1998-99 financial year received not less than 70 percent of the average amount received for intergovernmental transfers in the previous two years. This guarantee is essential to the development of the local government and municipalities and R447 million for smaller towns.

Moosa said about R13.2 million from the "equitable share" had been allocated to organised local government for the 1999-2000 financial year.

Eastern Cape, Free State, Mpumalanga, Northern Cape, and North West would receive higher allocations in the 1999-2000 financial year.

KwaZulu-Natal would get increased allocations for rural areas and smaller ones in the urban and metropolitan areas, while Gauteng and Western Cape would get smaller allocations.

Moosa said R140 million would be spent to help municipalities and to fund management and support programmes.

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R30mn to revamp local government

BY PRINCE HAMINCA
City Editor

The newly launched Local Government Transformation Programme, which is aimed at transforming the country's 843 municipalities into viable entities, is poised to establish a metropolitan transformation fund.

The fund, which is likely to receive an initial boost of R30 million from foreign donors by next week, is aimed at assisting the country's six metropolitan councils in their transformation efforts, and will be driven by the programme.

Acting chief executive Sibusiso Mbedzi said the fund would play a critical role in assisting local authorities facing imminent financial failure.

He said foreign donors had thrown their weight behind the programme. They had pledged to support metropolitan municipalities in implementing the unicity model. A unicity is a metropolitan area that is governed by one council.

Mbedzi said the programme had received several applications from metropolitan councils that wanted to access the fund.

Smaller councils that required transformation would be given special attention.
US gives R108-m to municipalities

Unidentified reporters

A R108.5-million US aid package to help South African local authorities deepen democratic governance and promote accountability and transparency has been unveiled.

And the unveiling of the USAID programme took local government officials by surprise as this was the first time they had heard about it.

The USAID project would give municipalities grants of between R85 000 and R4-million and would throw a lifeline to embattled transitional local councils and transitional rural councils in Transkei.

While the news first raised a flurry of excitement, officials were later surprised to learn that the closing date for submission of project proposals was the end of this month – Sapa.

Service delivery opened up

The Municipal Infrastructure Investment Unit (MIIU) is a section 21 company established by the South African government. It has been set up to help municipalities find innovative solutions to critical problems, with the financing and management of essential services such as water supply, sanitation, waste, energy and transport.

These solutions include the involvement of new parties in service delivery in various forms of partnership arrangements.

The unit strives to encourage and optimise private sector investment in core local authority services, on a basis that is sustainable for both local authorities and at a national level.

The investments can take any of a broad range of forms, including, but not exclusively:
- Private sector financing of municipal debt,
- Contracting out of the management of ongoing services,
- Concessions to operate the local authority’s assets over a defined period,
- Contracts requiring the private sector to design, build, finance and operate assets to deliver services for the local authority,
- The privatisation of assets and services.

After studying various international models, the privatisation of water and sanitation was not an option being considered in South Africa, said the department.

But leverage of more capital into the areas of water and sanitation was vital to start coping with the demands of the population.

Therefore an institution to structure appropriate partnerships was called for, and the MIIU was established.

“Traditionally, the public sector was responsible for the financing, delivery and maintenance of municipal services,” said Monhla Hlahla, chief executive officer of the MIIU. “Now, with partnership options, we can say local government is the authority and has to ensure that service delivery happens, but it does not have to personally implement all aspects. This allows for those that do the job best, to do the job.

“We have to find solutions which will lead to affordable, good quality services for the population. For this reason partnerships, in all forms, should be encouraged for the benefit of all.

“The landscape of service is changing,” says Hlahla. “Traditionally, customer service has not been one of the strongest features of the public sector. The private sector, by its very nature, is geared towards customer service to ensure high levels of profit. A combination of private and public sector resources will not only turn around the revenue base of local services, but it will bring us closer to appropriate and affordable levels and quality of services.”

Even though some municipal services are essentially monopolistic, Hlahla said that a variety of players would be a good thing. “It is going to be interesting to watch how private utilities influence service delivery,” she said.

On December 11 last year, the national government, unions and local authorities ratified a groundbreaking “framework agreement” that will facilitate the signing of private/public partnerships (PPPs) for municipal service delivery across the country.

The framework should address fears about partnerships in two ways – partnerships may only be considered where local government clearly had no realistic opportunity to deliver adequate levels of service, and the actual contracts will require that private partners meet a variety of basic conditions, all of which are standard features of concessions designed according to international best practice standards.

The MIIU is an interim measure and will be wound up no later than five years after its establishment. Hlahla sees this as both a positive and a vital part of the success of the organisation. “The marketplace needs a kick start. But local authorities must learn to stand on their own feet. It would be wrong to create an illusion that grants are going to be here forever.”