

PS - LOCAL AUTH. - GENERAL

1998

New law could rescue debt (262) ridden councils

Sowetan 8/1/98.

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 financing of local government

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 unviable, 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 R839 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.



Provincial Affairs Minister Mohammed Valli Moosa

The golden city's financial crisis became so serious last year that Gauteng MEC for development planning and local government Sicelo Shiceka 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 Olver, 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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Banks warn they will not support provinces' unfettered spending

Jacob Dlamini

BANKS would have to redefine their relationship with provinces if they continued to overspend on their budget allocations, Council of SA Banks (Cosab) GM Nico van Loggerenberg said at the weekend.

Van Loggerenberg said banks could not continue lending money to provinces if there was no indication that provinces would be able to pay it back. There was also no guarantee that central government would bale out

provinces in financial trouble

Van Loggerenberg's warning came in the wake of a deepening financial crisis in the Eastern Cape, which last week saw thousands of pensioners turned away from paypoints as the province had run out of money.

The welfare ministry said provinces were likely to overspend by R1,5bn in the current financial year, with the Eastern Cape accounting for the bulk of that with R689m.

There was an urgent need for provinces to reduce their overdrafts

and keep within their limits as they could not continue borrowing money to survive, Van Loggerenberg said.

He said while Cosab's member banks had considerable exposure in the provinces, none had expressed concern over the financial crisis facing some of the provinces. Members had all so not asked the council to ask central government to commit itself to helping provinces in serious financial trouble.

Van Loggerenberg's warning came amid growing speculation that government would intervene in the provinces

After discussions with Finance Minister Trevor Manuel, Welfare Minister Geraldine Fraser-Moleketi is expected to announce plans today which could include a possible cash injection to the Eastern Cape as part of government efforts to help the province meet its social security responsibilities.

Welfare ministry spokesman Brian Sokutu said today's announcement followed a series of high-level talks between the welfare and finance departments aimed at securing a financial aid package for the Eastern Cape.

Sokutu said the Eastern Cape could look forward to a bit of "good news" after today's announcement. Fraser-Moleketi's announcement would complement plans announced by Eastern Cape welfare MEC Mandisa Marasha last week to restructure her department to make it more efficient.

Marasha faces possible legal action by the SA Human Rights Commission over her department's failure to pay out this month's pensions while there have been growing calls for her dismissal from opposition parties.

'FORMULA FOR DEBT AND DECAY'

Megacities 'create the ills they seek to cure'

CT 13/1/98

(262)

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 dis-

economies of scale and bloated administrations. The implementation of decisions becomes unwieldy"

Local authorities should have maximum autonomy and should not be subservient 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.

Our cartoonist Zapiro is on leave. This July 1997 cartoon is from Zapiro's second book *The Hole Truth*.

Curing SA budget ills

THE GOVERNMENT IS putting preventive measures in place to avoid a repetition of last week's Eastern Cape pensions fiasco

Pensioners there were not paid their January allowances as the province ran out of funds and central Government had to go to their rescue by providing an R801 million advance for the January, February and March payouts

While the superficial reason for the debacle was that there was simply no money, a special Government team will investigate what exactly went wrong

And even while the welfare department was being bailed out, education authorities in that province were waiting to hear if they would be blessed with a similar rescue package

But while some provinces are worse off than others - Welfare Minister Geraldine Fraser-Moleketi has said steps were being taken to prevent similar problems in KwaZulu-Natal and Northern Province - all the provincial governments have financial crises

At least seven provinces have accumulated overdrafts totalling about R2,3 billion with First National Bank, which means that tens of millions of rands are being spent every month just paying interest

To avoid Government having to step in to rescue the provinces, measures to aid them to generate more income and practise fiscal discipline are being looked at, says chairman of the Finance and Fiscal Commission (FFC) Murphy Morobe

The FFC advises Government on its allocations to provinces and local government and it is obliged to look at the FFC's recommendations

While Morobe concedes that overspending is 'normal' in any budget, whether it is in the home, a factory or government, he says the "key" is to understand how and why it happens, who takes responsibility and where accountability lies

There are complex reasons why the provinces are in a financial spot, says Morobe, but he maintains that last week's fiasco in the Eastern Cape should have been expected

The provincial government there inherited the ills of two former homeland administrations, Ciskei and Transkei, and fraud in the system, like that of "ghost" workers being paid, was constantly being uncovered

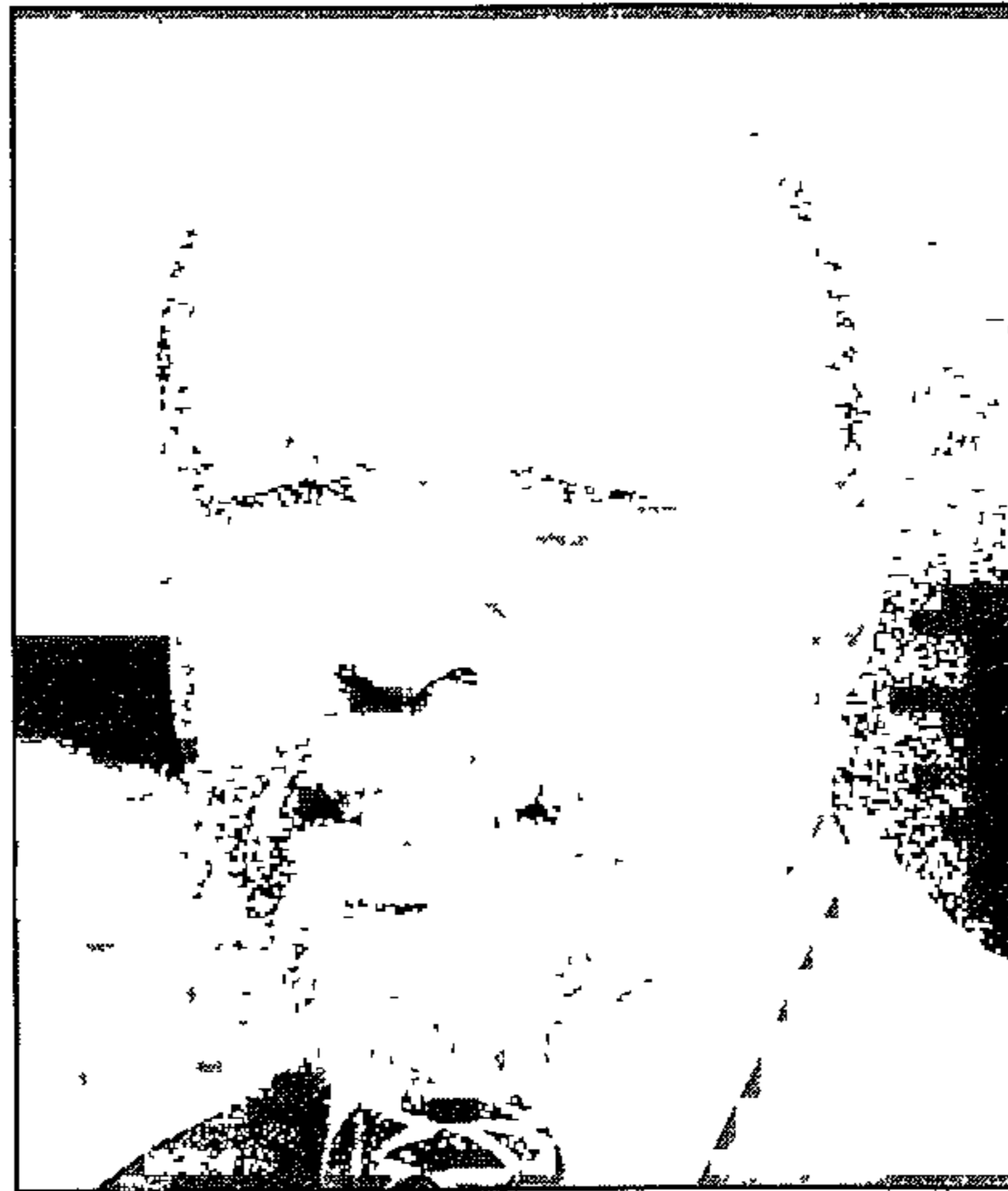
Morobe says "systems were being put into place to deal with the problems", but the money for social welfare ran out sooner than expected

Generally, the problems are a result of a 'significant misalignment' of budgets since 1994 when the system changed from four to nine provinces and the new Government set itself ambitious targets for social development

"Many of us only got to grips with

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

Sowetan 16/1/98
Sharon Chetty explains why ..(262)



Murphy Morobe . . provinces can be helped out of their cycle of debt.

Government a year later," admits Morobe

When the new Government got in, it was presented with a budget that was already worked out. The incumbents then had to stretch a budget designed on old patterns of spending to include the new Government's priorities of social redress

Expenditure therefore went up sharply, without a similar rise in revenue

Huge debt

The new Government also had a huge debt and high interest rates to worry about while trying to deal with the backlog in key areas like health, education and housing

The Government has still not had time to align its budget with the "actuals" (the realities it has to deal with), says Morobe

This "misalignment" is at the core of the problems and the cause of the provinces' overspending

Among the major costs of the new Government is a bloated civil service. While many of the old bureaucrats have stayed in place, the new Government has had to employ new people

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 hiring 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 cost is for 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 once-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"

Megacity threat to local governance

(RBR) CT 16/1/98

CITY COUNCILS are preparing to privatise some of their facilities and restructure their administration to redress the skewed distribution of resources. **IAN DAVIDSON** debates the issues around local government transformation and effective city management.

THE long process of local government transformation provides South Africans with an opportunity to build a sustainable, democratic and legitimate system that will enable our communities to thrive well into the next century.

There is little dispute about what good local government should achieve: efficient service delivery, dynamic participation in local politics, accountable government and economic development that will create jobs and prosperity while providing a fair distribution of wealth and opportunities.

To achieve this, we must overcome the legacy of apartheid which has left us with deeply divided cities. In Cape Town, as in Johannesburg, wealthy municipalities have existed side-by-side with poor ones and infrastructure development is uneven, with some areas enjoying high-quality services while others have none at all.

Most South Africans agree that this unequal situation cannot continue and that some kind of redistribution of resources within cities is required. The debate about how best to achieve this, first in Gauteng and now in the Cape, has focused on the so-called "megacity" model of urban government, which the ANC favours.

In assessing alternative models of urban local government, redistribution must be weighed against the need to reintegrate our cities and the need to develop local democracy.

The green paper on Local Government put forward several alternatives for metropolitan government. The differences between them can usually be reduced to a single question: where does political power reside?

The answer depends on how powers and functions are allocated, how funds are raised and distributed and how administrative capacity is structured. There are three broad models of metropolitan government.

- Political power lies at the metropolitan level (one-tier or megacity government)
- There is a balance of power between the metropolitan and local levels (two-tier government)
- Political power resides exclusively at the local level.

Political power should not reside exclusively at the local level as this would simply perpetuate the lop-sided cities created by apartheid. Nor should it reside exclusively at the metropolitan level. The green paper leans heavily towards this model on the grounds that it will be more efficient and better able to achieve redistribution.

On the contrary, international comparisons indicate that two-tier local governments make redistribution not only easier, but wider and broader. Countries for whom development is not an important item on the national agenda tend to lean towards one-tier local government, countries which have identified community and infrastructure development as priorities tend towards

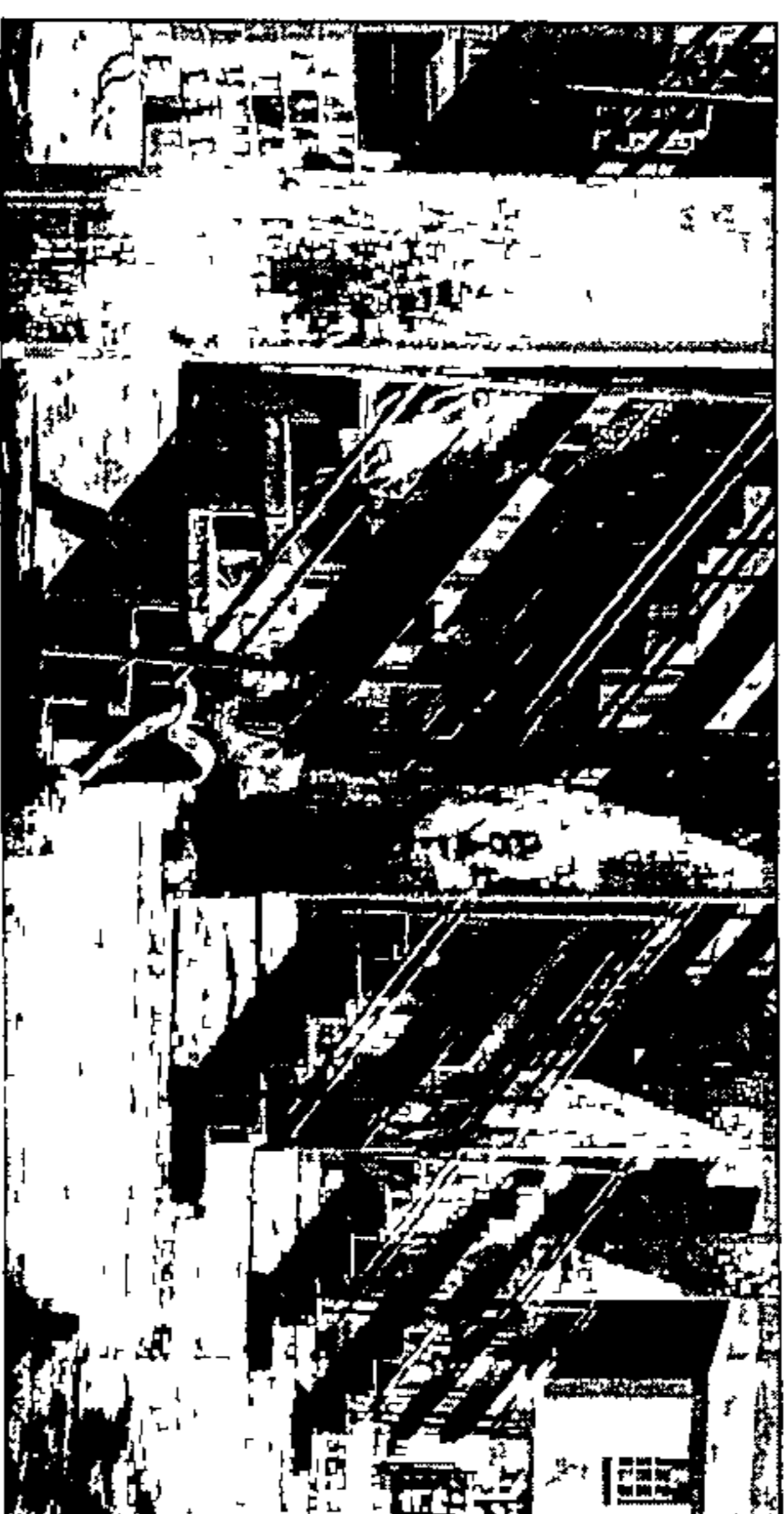
two-tier systems of local government. Efficiency and equity require that metropolitan bodies wield some power, but there needs to be a balance between local and metropolitan bodies.

The megacity option has no such balance: a single, centralised metropolitan government will be supplemented by vaguely defined "ward or neighbourhood-level structures" which, without any real power, will be nothing more than expensive talk-shops.

The two-tier system of metropolitan government — a combination of local councils and a metropolitan council — gives the best mix of democracy and efficiency. Large cities are single economic entities and need some level of metropolitan planning and co-ordination. However, the larger community of every city contains many smaller communities, each with its own needs, desires and requirements. Only local councils can efficiently hear and meet these needs.

What powers should metropolitan and local councils have? The metro should be responsible for all those functions which are essential for the integrated management of the city as a single economic and social entity. These include:

- Integrated development planning.
 - Levies, payments and contributions
 - Grants and transfers
 - Bulk service provisions
 - Passenger transport services
 - Metropolitan libraries, museums and art galleries
 - Regional sports facilities
 - Metropolitan policing.
- Local councils are best able to organise, and should be responsible for, most other functions of local government. Some of



SKEMED RESOURCES: Lavender Hill housing estate, an example of the problems facing local government as it tries to redress the imbalances of the apartheid legacy

these are:

- Local planning
- The collection of rates
- Retail distribution of services including: metering, billing and payment collection.
- Roads and traffic matters.
- Approval of plans
- Health services and fire protection.
- Local libraries
- Parks, recreation and community centres.

Every metro should have a single tax base, but each local council should have the right to set its own budget, manage its own finances and set its own rates and tariffs. Redistribution will be the job of the metropolitan council — perhaps through a system of levies and grants to the local councils.

The green paper pays far too little attention to the ways a two-tier metropolitan government can achieve effective redistribution. The result is that the debate has been dominated by the idea of a megacity, which the ANC claims is the best way to redistribute, but will in fact be nothing but an undemocratic and expensive centralised bureaucracy. A megacity will not give Cape Town better administration and service delivery or more meaningful participation by citizens in their own government. A two-tier metropolitan government is demonstrably the most efficient and the most democratic model for South Africa's cities.

Ian Davidson is a Democratic Party member of the Gauteng legislature.

Lekota keeps his options open

ANC chairman says he would have liked to finish his term as premier

RAY HARTLEY

NATIONAL Council of Provinces chairman Patrick "Terror" Lekota has not ruled out returning to the position of Free State premier, from which he was "redeployed" by the ANC leadership last year following a factional dispute.

Lekota said his position was among others being reconsidered by the ANC's national executive committee ahead of the 1999 election.

Lekota exacted revenge for his redeployment in December, when he defeated the ANC leadership's first choice for the position of party chairman, Steve Tshwete, in an election at the party's Mmabatho conference.

He said of his future this week. "Nothing is precluded. One should never say 'I am a national leader and I cannot go down there and serve'."

"As an individual, I would have liked to finish my term (of office as premier) there, but one must always temper one's ambitions and subject them to the collective agenda of the movement."

Regarding the performance of the provincial government under new premier Ivy Matsepe-Cas-

aburi, Lekota said "Quite often I meet people in the province, black and white, and they say 'Nothing is happening now'."

"People say these things. I cannot sit in judgement of my successor, because every leader placed in a position like that has their own style of work."

Lekota said that while he was premier, he had made an effort to get the people of the Free State to "own the process" of governing.

"I thought we were beginning to do that, and when I left the province, I was saddened by the fact that, to get people into that mode, you really need time.

"People were supporting the government and then, suddenly, the process was stopped."

Speaking for the first time on the decision to redeploy him, Lekota said: "If the leadership had more information, they would probably have taken a different route. I think they acted more out of a lack of information than *male fides*."

Lekota was at pains to deny reports of rivalry between himself and Deputy President Thabo Mbeki. "It has been suggested that (he) was not comfortable with me in the ANC leadership. Anybody who has some understanding of the ANC will not support that view."

He saw his role in the ANC top leadership being "to help build a

(A19) (262)

closer relationship between the leadership and the membership."

In addition to this, he would strive to improve the alliance between the ANC, the SACP and Co-satu to help give voice to what he called "the views of the ANC's allies on governance issues."

On suggestions that he had led a left revival at the ANC conference, Lekota said "I have tried to figure out who this left is and who the right is. I have not been very successful."

However, the ANC was "a left formation, which is why it is leading the process of transformation."

At the same time, he added: "There hasn't emerged a suggestion that we should abandon the free market. It's more a question of prioritising spending."

Pressed on what he saw as spending priorities, Lekota would only say "It doesn't matter what my view may be, I have to be loyal to the decision that conference has taken on the matter."

Lekota said he hoped to bring non-governmental organisations into a more active role in legislation in Parliament to counter the impression that the institution was distant from the people.

"The masses of the people have not yet come to see that, for democracy to work, they must be active participants," he said.



LOYAL CADRE: Patrick Lekota is not stepping out of the collective line Picture: RICHARD SHOREY

New party proposes four 'commercial'

(262) Bd 20/1/98

Kevin O'Grady

A UNITED Democratic Movement policy commission has proposed the "controlled liquidation" of SA's nine provincial governments and their replacement by four "commercial enterprises" run along business lines within the boundaries of the pre-1994 provinces.

The proposal was made yesterday by Bob Robertson, chairman of the party's provincial finance commission

The commission is part of the party's Gauteng provincial policy development

commission, one of several such bodies set up by the party since its launch by former National Party stalwart Roelf Meyer and ousted African National Congress leader Bantu Holomisa last year

A party spokesman said the proposals would not necessarily become UDM policy but were simply Robertson's "personal prescription" for solving problems related to the current system of provincial and local government

Robertson suggested that the nine provincial governments and their administrations be replaced by four "cus-

tomised, private sector, commercial enterprises" and that existing municipalities, substructures, regions and wards be "relegated to the archives of history, together with their respective voters' rolls"

Government influence and participation in the country's affairs should be confined to Parliament, Robertson said.

The ruling party at the time — "ideally the UDM" — should finance the establishment of a "body corporate" of skilled professionals which would compile lists of executives to serve on the boards of directors of each provincial company.

The body corporate should also research and recommend the most appropriate financial instruments by which members of the public, "notably existing ratepayers and other legal residents", would be able to purchase holdings in the companies and receive dividend or interest benefits from their stock

Robertson proposed that voters' rolls be compiled from citizen identity records. Provincial and local government elections should be replaced by conventional shareholder voting procedures for the election of office bearers and for specific issues re-

quiring shareholder consensus.

It was envisaged that the provincial companies would become the "four largest and highly effective state-contracted agencies" and would provide a support base from which nongovernmental organisations would provide their services, "unaffected by disruptive party political considerations and agendas"

Robertson was expected to make other proposals soon, the spokesman said. These would include a "right-sizing" proposal for closing some ministries and creating a consolidated "utility" ministry.

Provinces

Local authorities set to be overhauled

(262)

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 Fihla, 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 KMMT 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 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.

Fihla 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 1998/99 budget was based on new, streamlined operations.

BB 26/11/98

Big shake-up ahead for local government

SAW 27/1/98

(262)

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

By Cecilia 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 Minmec, 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 1993.

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 Valli Moosa, Gauteng Premier Mathole Motshekga and Johannesburg Metro Council deputy executive chairman Kenny Fihla.

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 60:40 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 first of six features on the development of SA's cities and the social, political and economic issues they face, Drew Forrest looks at trends in urbanisation

BD 27/1/98 (262)

CHANGE — but not into something unimaginably different, and not all bad. This is how urban development specialists envisage the future of SA cities.

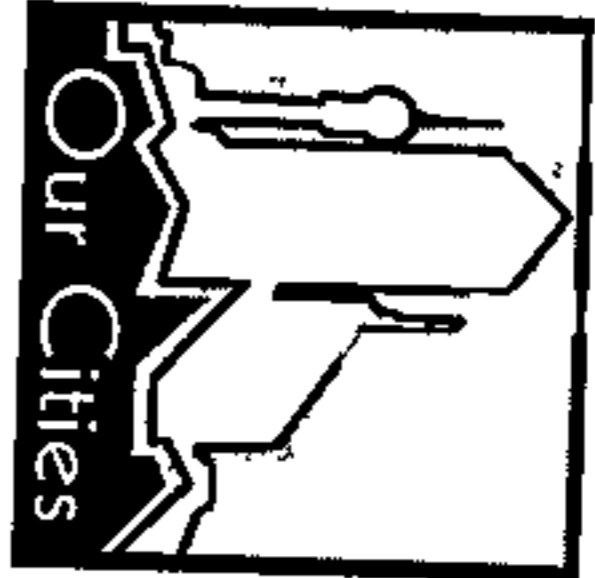
Their measured view contrasts with the apocalyptic fantasies widespread in white suburban apartheid — and its bars on black mobility and enterprise, and its insulation of SA society from world trends — delayed and distorted urban change. But the falling of the dam wall is seen as unlikely to unleash uncontrolled urban migration, residential decay, inner city blight and social turbulence.

The specialists take a surprisingly sanguine view of Johannesburg's future, while cautioning that much depends on whether the economic decline of the Reef can be arrested. Cape Town University urban geographer Sue Parnell in fact suggests that despite its "dark side and complexities", Johannesburg could become a "vibrant celebration of urban culture", in much the same way as New York City.

Durban, they say, has comparative advantages which include a strong manufacturing base, a perennial climate, city government which has weathered transition without succumbing to Johannesburg's "paralysis", and a vision of the city's economic future as a gateway to eastern markets.

Cape Town is another coastal centre which could profit from growing world economic integration. But the specialists are more equivocal about the prospects of the city.

Urban development specialist Udesh Pillay says



the failure of Cape Town's Olympic bid has left a planning vacuum. Parnell points to the city's limited job-creating potential — relying on a weak manufacturing sector, seasonal agriculture and low-wage tourism — and foresees more dangerous extremes of wealth and poverty than anywhere else in SA. Regional "corridor" development could see the rise to new prominence of lesser centres, especially Nelspruit.

The specialists agree that SA's future is overwhelmingly city-based, but stress urbanisation is a gradual trend. Wits University's Alan Mabini makes the point that the mushrooming of shanty towns in the 1980s was largely an outgrowth of existing township overcrowding, rather than the result of urban drift.

With the cities growing at 3% to 5% a year, Pillay says that by 2020 more than three quarters of SA's people will live in urban areas. But he says "There is not going to be a population explosion in the cities". Behind this trend, he suggests, lie slowly growing job options outside major centres, housing possibilities on the per-urban fringe and the growing recognition that today's cities have little to offer the poor.

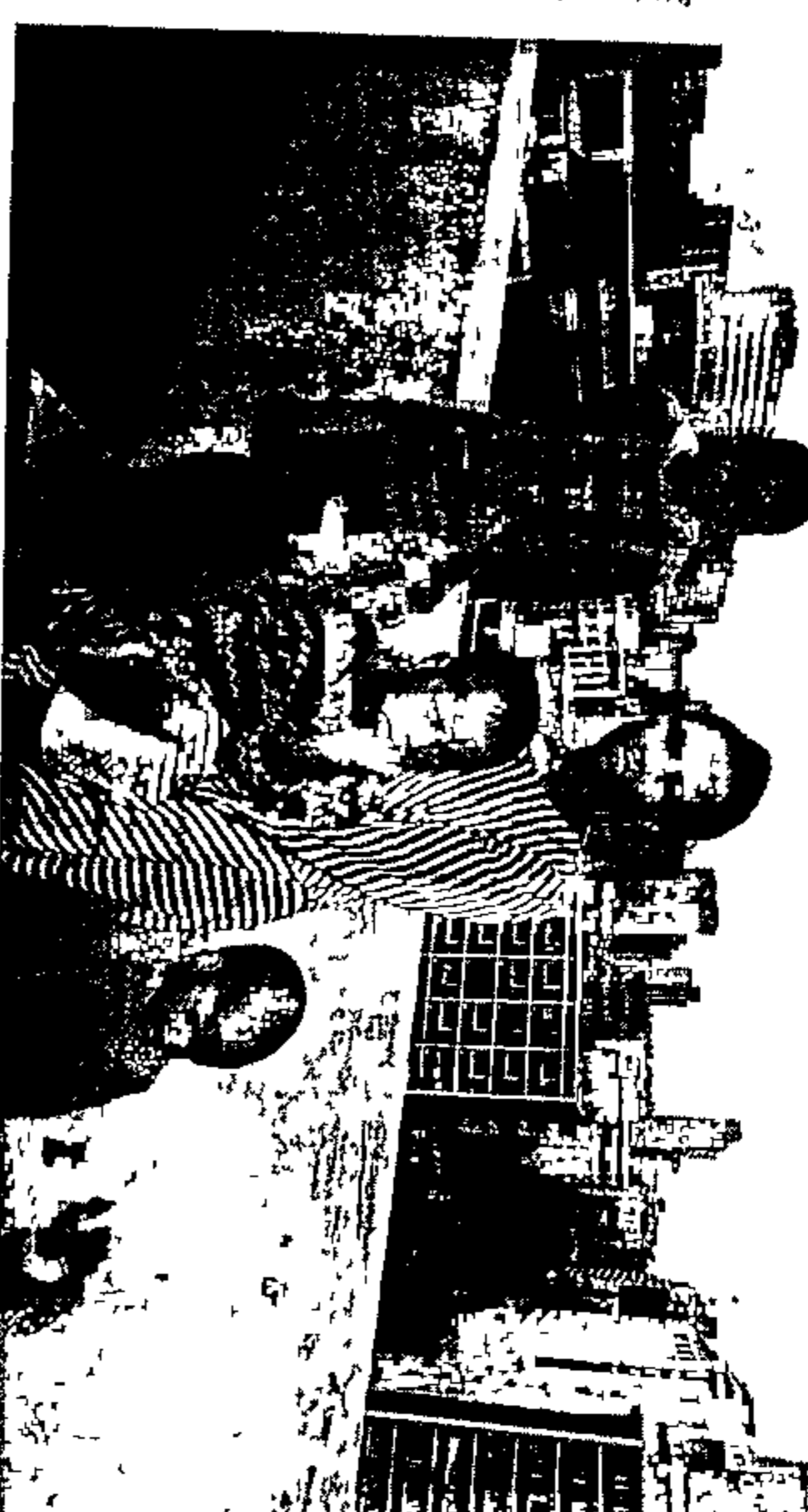
The implication is that the blight afflicting parts of inner Johannesburg and Durban will not spread uncontrollably.

Johannesburg is seen as a pacesetter in the sense that trends there are likely to be mimicked in other big centres. For Mabini the city's main feature has been "an incredibly powerful process of suburbanisation", starting in the 1950s as a residential process in white areas, taking on a commercial and retail dimension in the 1970s and climaxing in the 1980s and 1990s with the increasing suburbanisation of work for the professional middle classes.

Mabini considers this "motor-car and convenience driven" process irreversible. Because of the Group Areas Act, black people have also become accustomed to suburban living, and the rising black elite has tended to settle not in the inner city or older suburbs but in the northern suburban belt of Sandton and beyond. Parnell says it is in far north township complexes that SA's most integrated living is found.

A spinoff has been the steady commercial decline of Johannesburg's city centre. The specialists do not rule out some redevelopment of the central business district, as sinking property prices renew its competitiveness. But Pillay argues that the city's centre of gravity will continue shifting northwards to Midrand — a process which the relocation of national government to the area would fuel.

State policy favours the densification of the cities as a way of overcoming spatial apartheid, cutting



Some families are forced to live on the roofs on blocks in the inner cities

workers' commuting time and rationalising the provision of housing and infrastructure.

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

Mabini 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. "There'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/household complex thrust is sure to gather momentum, not so much as a response to crime, Mabini believes, but because it is an efficient option for developers.

Mabini used to think that under the pressure of urban drift, SA's cities would go the same route as Sao 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.

Mabini stresses the creativity and resilience of ordinary people, and points to research showing the continuous formalisation of the informal economy as hawkers, taxmen 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 unmet expectations' in SA, and that 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 shanty 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," Mabini 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."

Pillay 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 coalitions" — of politicians, business 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."

cars are key to cities' revival

as they face, Drew

(262) B

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Withdraw explosive proposals, IFP tells Moosa

BP 28/1/98 #157 (262)

Farouk Choitha

DURBAN — The Inkatha Freedom Party (IFP) yesterday called on Constitutional Development Minister Vuli Moosa to withdraw "politically explosive" proposals which would confine chiefs to a ceremonial role at local government level and deny them "jurisdiction" over land.

The call by IFP local government spokesman Peter Smith came in the wake of the draft local-government white paper suggesting that there be elected municipal councils at primary level in areas under the

jurisdiction of chiefs.

Each chief would be the "ceremonial head" of a council. He would open the council's first meeting of the year and he could also attend and speak at all council meetings. However, under the proposals, the chief would not have voting rights.

If a chief believed that the council was failing to fulfil its responsibilities, he could ask the provincial government through the house of traditional leaders to "intervene", the white paper said.

The document said that the justice department to draft a white paper on custom-

ary law and that the land-affairs department would draft one on communal tenure and land trusteeship.

Regardless of the policy decisions which will be taken, local government will have jurisdiction over land and development through its established municipal functions, the document said.

Smith said Moosa's white paper was aimed at "totally destroying" the system of traditional authorities. The move to "disassociate" land from such authorities was a "direct attack" on the system, he said.

The IFP believed there should be elected

district councils, with chiefs continuing to have ex-officio representation on them. They should also have some local government powers and functions delegated to them. It believed there should be no elected municipal councils in areas where there were traditional authorities.

Smith said the IFP's position was the same as that of the Council of Traditional Leaders. The views of the council, he claimed, had been ignored by Moosa.

The white paper said that the model which it had proposed sought to combine the "strengths" of various proposals, so that

both elected councils and traditional authorities could make a positive contribution to the development of communities.

Meanwhile, KwaZulu-Natal welfare MEC and IFP member Prince Gideon Zulu said yesterday that the African National Congress should honour its pre-1994 promise to hold international mediation to resolve differences on federalism and the Zulu kingdom.

"We shall never be at peace until such time that the position of our monarch is settled and the demands of the nation are met," Zulu said.

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Local govt a balance of competing needs

THE recent speculation regarding proposals to be contained in the white paper on local government is pertinent, if somewhat premature. Unfortunately comments from political parties have tended to cruddy the debate and reduce it to the supposed conflict between "megacity" and two-tier options. The issues are much more complex than this and warrant some exposition.

Metropolitan areas are critical to this country's economy. They contain more than a third of the country's population, generate 80% of gross domestic product and are crucial instruments for improved international competitiveness of our industry and the social advancement and empowerment of the previously disadvantaged majority.

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

These are not necessarily tradeoffs and the challenge is to develop strategies which link local economic development with improved service delivery and increased access for the poor to urban resources.

SA's six metropolitan authorities created in terms of the Local Government Transition Act have had a difficult transition period.

They have undergone massive administrative reorganisation involving a division of assets and liabilities and the deployment of up to 120 000 municipal staff in accordance with interim boundaries and functional divisions.

The process has been complicated by a lack of clarity on powers and functions of the metropolitan and local councils and differences in conditions of service and job-evaluation systems.

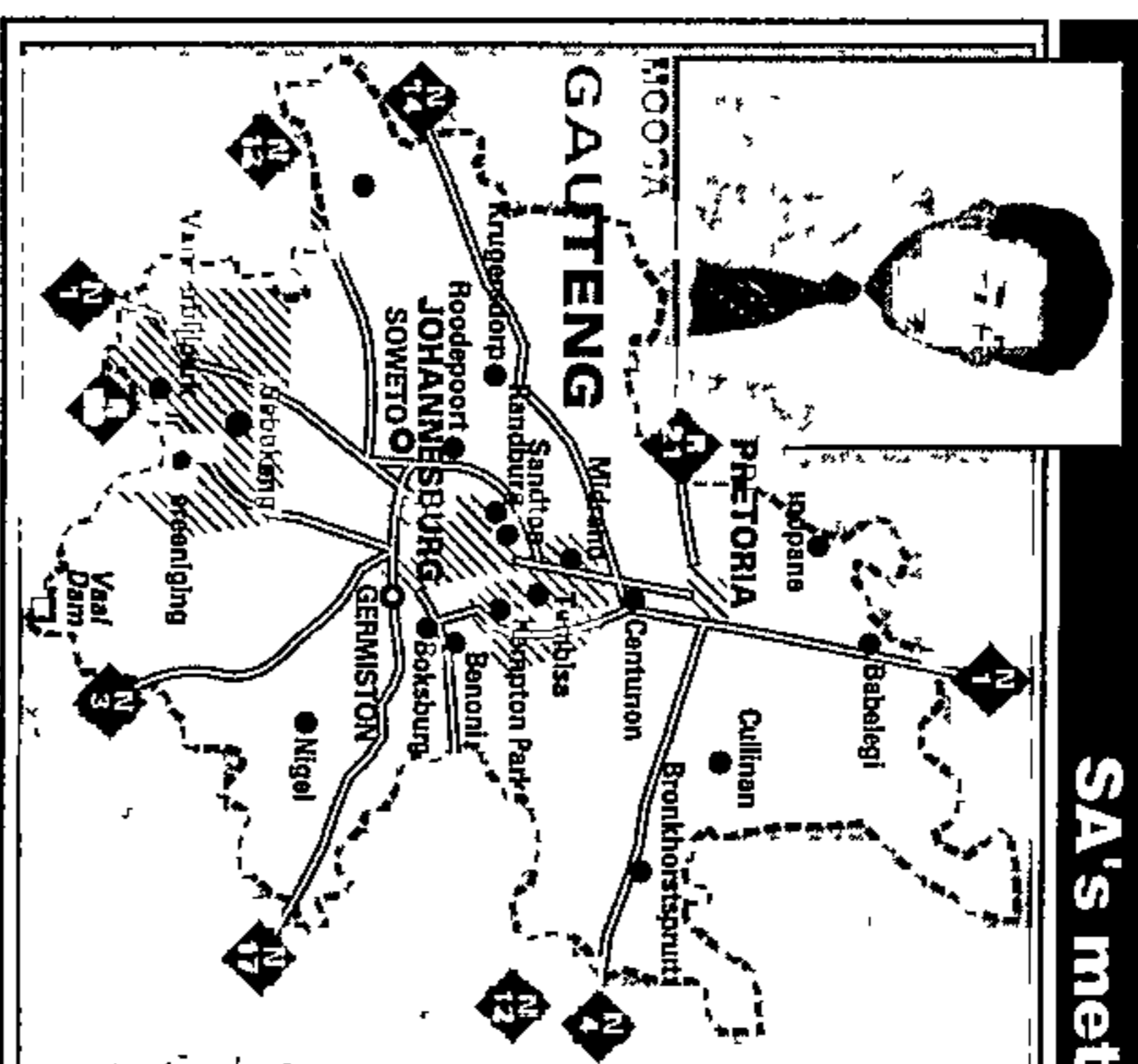
They have inherited spatially distorted and inefficient urban systems. They have, virtually overnight, been required to take on the entire service backlog of apartheid. They are also required to deal with large-scale poverty—and the consequent problems of affordability and sustainability.

In dealing with these problems, inadequacies of the present model become evident. All metropolitan

The results of the debate on the future of SA's metropolitan structures is critical for the future of the country's cities, writes Valli Moosa

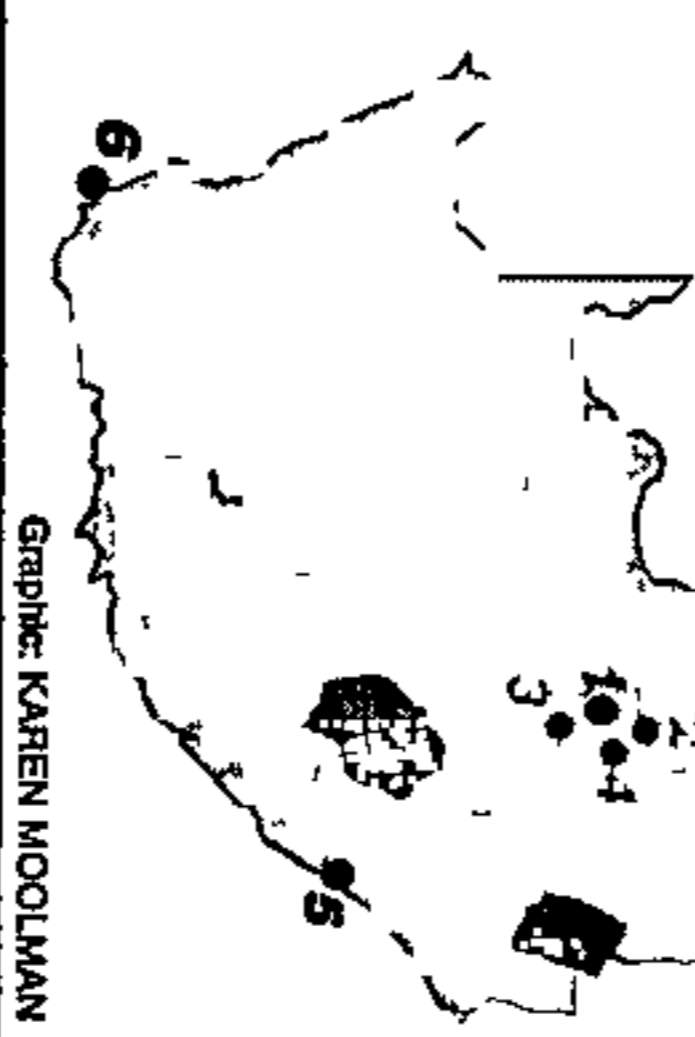
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SA's metropolitan authorities



More than one third of population generate 80% of GDP

1. Johannesburg
2. Pretoria
3. Lekoa Vaal
4. Khayalami (Kempston Park/Tembisa/Midrand/Vooy Park/Lethabong)
5. Durban
6. Cape Town



Graphic: KAREN MOOLMAN

areas have shown certain generic 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 and planning functions and staff are replicated for each local council—in some instances, tension and turf battles between metros and local councils have led to duplication on a massive scale.
- The ability to shift resources to areas of priority, both in terms of poverty alleviation and growth promotion, is hampered. In no metropolitan area is redistributive coherent and sustainable basis.
- In most cases, metropolitan and local councils operate as separate municipalities instead of compo-

nents of a single-city government. Fragmentation of power and functions between competing municipalities has hampered the emergence of strong and effective metropolitan government.

To varying degrees, the vision of integrated metropolitan development has failed and apartheid fragmentation of the city is being perpetuated.

- Political representation on local councils has not advanced local democracy as successfully as was hoped. Perhaps, because of the size of local councils, residents find the councillors as distant and unaccountable as metropolitan councillors.
- Other costs associated with the present two-tier structure include an unnecessarily large number of councillors and polit-

ical office bearers and inbuilt disincentives for fiscal restraint or savings by local councils, and

- Most importantly, residents find the present 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 wide governance functions that were envisaged for it.

Some metropolitan areas have taken decisive steps to overcome the limitations of the system. For example, Durban has chosen to integrate water and electricity provision vertically, rather than fragment these functions between upper and lower tiers. Other metropolitan areas have not achieved these efficiency gains due to turf battles between metropolitan and local councils.

While the obstacles to improved efficiency must be removed, it is clear that for some metropolitan areas, a decentralisation of functions, administration and political representation will be the most effective way to manage the metropole.

Metropolitan government should be given full power to enable the integration and decentralisation of functions as it deems appropriate. This flexibility should be built into the system.

We need to examine whether the levels of flexibility 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 perpetuate existing inefficiencies, it will also limit the ability of metropolitan government to adjust its delivery system over time as circumstances change or better ways of delivering services are developed.

A metropolitan government system which provides for decentralisation may be the way to achieve the flexibility required within and between metropolitan areas.

Whichever system is adopted, we should at the very least avoid entrusting powers in independent local councils which may compromise efficient delivery of services.

Equally, the right of all metropolitan residents to benefit from the tax base to which they are making contributions cannot be compromised.

While these are important considerations, the debate whether metropolitan areas should be governed by one or multiple municipalities has eclipsed other equally profound issues which must be resolved in restructuring metropolitan government.

To find the most appropriate system of metropolitan government, we must take a multifaceted approach and see restructuring as a combination of change 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, the creation of full-time ward councillors and the establishment of performance-reporting systems.

Whether such councillors are on local or metropolitan councils is probably not the most critical issue here.

Similarly, the allocation of functions to metropolitan municipalities simply creates a framework for affordable and efficient municipal-service delivery.

Improvements in delivery ultimately have more to do with management reform, worker empowerment, the introduction of performance-management systems and benchmarking and facilitating new approaches such as corporatisation or the creation of special-purpose bodies.

We should not become trapped in a debate which focuses narrowly on metropolitan structures and assumes that there must be a rigid correspondence between political and administrative structures.

Rather, what is needed is a more heterogeneous conception of metropolitan government, with the flexibility to adopt the best approach to the delivery of functions such as services, revenue collection, planning, economic development and political representation.

At the same time, we must be mindful of the need for rationalisation, both at a political and administrative level, in order to give us cheaper, efficient and a developed metropolitan government.

In the tabling of the local government white paper, government will seek to provide a model that meets the above requirements and gives local citizens a chance to shape their own destinies in ways best suited to them.

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

□ Moosa is the minister for provincial affairs and constitutional development.

SANCO

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 city 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 Kluever. "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, Illima. SIH has investments of about R30m in blue-chip companies. Hlongwane, who is also a non-



Mayekiso in business, not politics

executive director of SIH, asked at an SIH board meeting last Friday how Sanco could be bankrupt "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 redeem 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 Mgidlana, 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 city 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 these "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 Vukani 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"

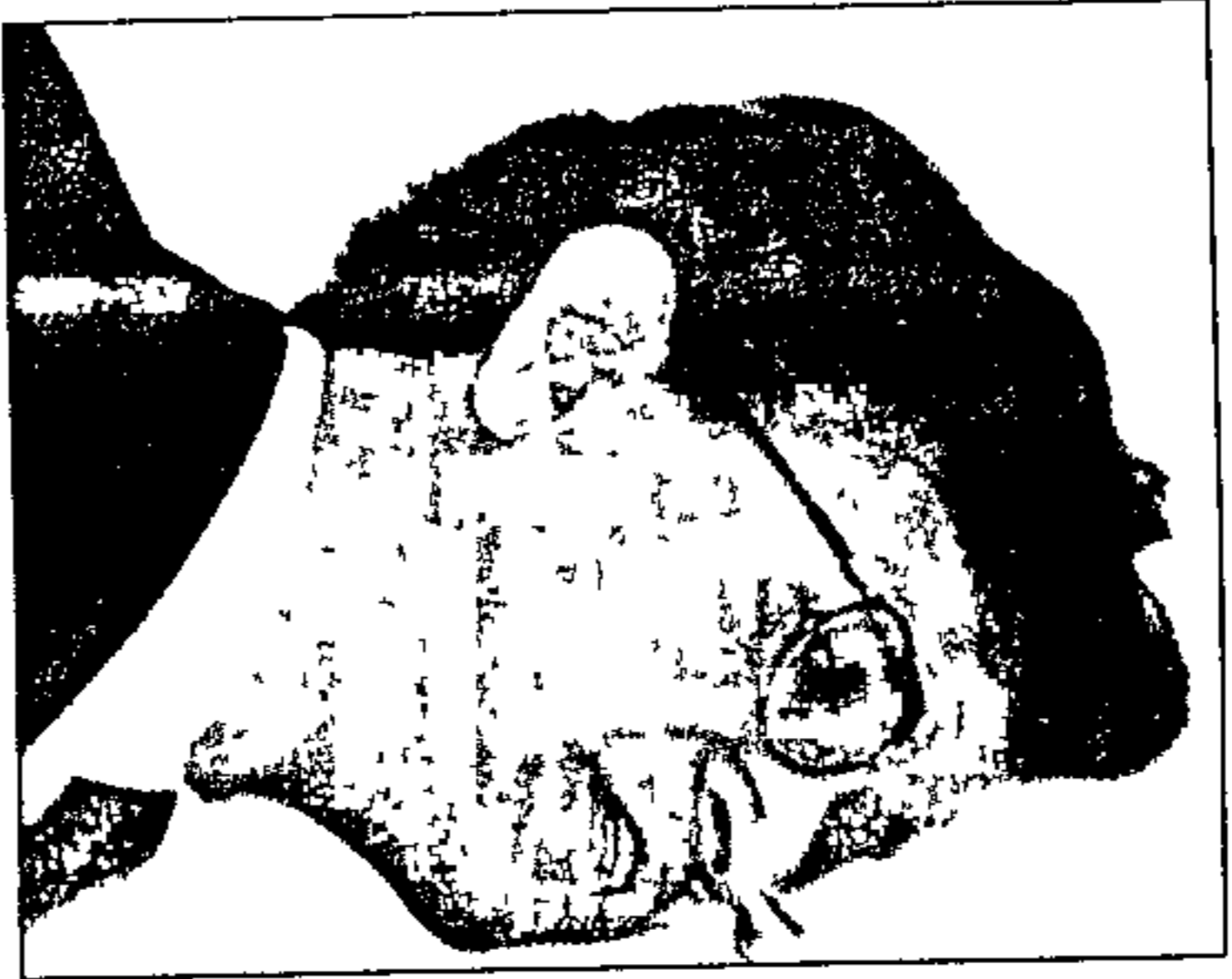
He says Sanco's leadership has "ignored its political responsibility while the Attorney-General has ignored the criminal liability of Sanco's members" *Alison Goldberg*



Local government in balancing act quagmire

Vision of integrated metropolitan development fails

VALLIMOOSA argues that a more flexible approach to metropolitan and local government - providing for better efficiency and accountability - is needed



MOHAMMED VALLIMOOSA tensions and turf battles has led to costly duplication of functions between metropolitan and local government

THE RECENT interest and speculation regarding the proposals in the White Paper on Local Government is pertinent if somewhat premature. Unfortunately comments from political parties have tended to crudely the debate, and reduce it to the supposed conflict between mega city and two tier options. The issues are much more complex and warrant some exposition.

Metropolitan areas are critical to the national economy inhabited by 30 percent of the country's population they generate 80 percent of GDP, and are crucial for international competitiveness and social advancement and empowerment. Metropolitan government has to crucially balance the imperative for equity and poverty alleviation on the one hand, and the creation of an environment for investment and job creation on the other. These are not necessarily trade-offs, and the challenge is to develop strategies which link local economic development with improved delivery and better access for

the poor. South Africa's six metropolitan authorities have had difficult transition periods, complicated by a lack of clarity over the powers and functions of metropolitan and local councils, and differences in conditions of service and job evaluation. They have inherited distortion and inefficiency, poverty, affordability and sustainability. All metropolitan areas have shown deficiencies that will need attention in the future.

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 performance reporting systems. Whether such councillors are local or metropolitan is probably not the most critical issue. Similarly, the allocation of functions to metropolitan municipalities simply creates a framework for affordable and efficient service delivery. Improvements in delivery ultimately have more to do with management reform, worker empowerment, performance management and benchmarking and new approaches such as corporatisation.

Metropolitan areas have shown deficiencies that will need attention in the future. There is costly duplication of functions between metropolitan and local councils - in some instances tension and turf battles have led to duplication on a massive scale. The ability to prioritise resources to alleviate poverty and promote growth is hampered. In no metropolitan area is redistribution sufficiently coherent and sustainable.

An unnecessarily large number of councillors and political office-bearers, and in bulk dismembered for fiscal restraint and Most importantly, residents find the system complicated and inaccessible and out of touch with local political structures. Some have taken steps to overcome the limitations. For example, Durban has chosen to vertically integrate water and electricity provision. Others have not achieved these gains due to turf battles between metropolitan and local councils.

We should not narrowly focus on metropolitan structures. Rather, what is needed is a more heterogeneous conception of metropolitan government, with the requisite flexibility for service delivery, revenue collection planning, economic development and political representation.

At the same time we must be mindful of the need for rationalisation for better efficiency. By tabling the White Paper, government will seek to provide a model that meets the above requirements, and gives local citizens a chance to shape their own destinies. As always, I welcome the public debate and hope that the above points have provided some clarity regarding our options.

(262) CP 1 | 2 | 1998

A shortened version of an article by Minister for Provincial Affairs and Constitutional Development Mohammed Valli Moosa.

Local govt plans 'curb democracy'

Deborah Fine

BO 2/2/98

THE draft plan on local government would not further democracy but was instead an indication that the African National Congress (ANC) wanted "total domination". Democratic Party councillor Miki Moriarty said yesterday

Moriarty, leader of the DP in the greater Johannesburg metropolitan council, said his attack on the draft document centred around proposals to set up single-tier systems of governance in major urban centres, as well as drastically reduce the number of municipal councillors.

At present there are 11 300 councillors sitting on more than

300 councils countrywide

Moriarty said proposals in the paper limiting the number of councillors in any given council to 45 in a one city, one municipality system were "ludicrous".

"Surely Johannesburg with close to 2.5-million voters cannot be represented by just 15 councillors instead of the current 290?"

"With 40% of seats being determined by proportional representation, this would leave 27 ward 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

ARG 4/2/98 (262)


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 Gov-

ernment 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 (262) (215)

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. 005/2/98

At a news conference after the first meeting of the local government "Munmec" — 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 Munmec meeting. Former leader of the ANC in the Western Cape, Chris Nissen, had been appointed national Masakhane co-ordinator.

ANALYSIS

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

Government needs a holistic approach to unravel decades of apartheid planning in SA's cities, says specialist writer Robyn Chalmers

(262)

615/2/98

36

Junaid Ahmad of the World Bank says the stakes of restructuring urban governance in SA are high. The urban sector accounts for about 65% of the population at more than 80% of the nation's gross domestic product. "The urban sector represents the political fulcrum on which rests the success of SA's democratic experiment. If metropolitan areas will address the financing and delivery of services well, they can influence the economic and political condition of the country," he says.

THE face of SA's cities and towns is set to change in the new millennium as government grapples with rapid urbanisation and attempts to house and provide services to millions of homeless.

SA's cities have in the past been shaped by racial segregation, divided into separate white and black local authorities whose fiscal positions differed dramatically. The right to own property was denied to blacks.

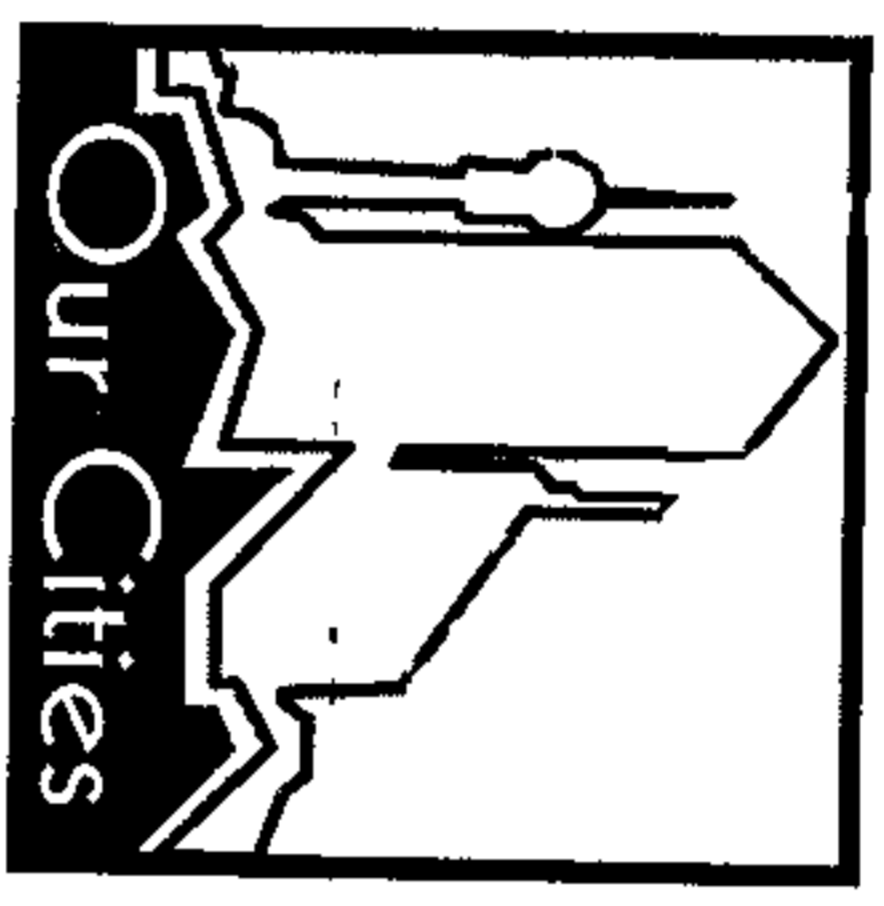
The result has been that most black people today live in small, drab housing units which are generally located in comparative-ly inaccessible or poorly located areas. Informal settlements with their cardboard-box homes, often with no infrastructure, dot the landscape.

This situation was exacerbated to an extent in the early days of the new government. It inherited close to 92 000 serviced sites based on apartheid planning. Due to the enormous housing need, government was forced to facilitate construction on these sites before it could move into large-scale spatial integration programmes.

A further problem was the high cost of land near or in city centres. In its bid to reintegrate cities and make them into dynamic, living centres, government will have to dismantle past ideologies and the fragmentation of cities by means of a holistic approach.

Centre for Development and Enterprise executive director Ann Bernstein argues that cities can no longer be seen only as places where people live and governments deliver services, but rather as arenas for economic, social and cultural development. This is backed up by a United Nations report on human settlements. It says cities and towns are "engines of growth and incubators of civilisation".

The first step towards achieving better planned, integrated and safer cities is the housing ministry's urban development framework.



Housing Minister Sanku Mhembu-Mahanyele said recently it encapsulated the vision of how SA's urban areas ought to develop.

Essentially, government believes cities must become spatially, socially and economically integrated urban areas managed by accountable metropolitan and local governments.

One of the key shifts in the urban environment will be away from predominantly single dwelling units to denser housing developments. But Mhembu-Mahanyele stresses denser developments should not translate into large scale, high rise flats which are so characteristic of low-income housing projects of the past.

Interesting urban designs and structures are needed as well as variety to give privacy and choice to residents.

"However, government accepts that cities and towns are shaped by a variety of socio-economic forces and that government at all levels can only guide the transformation process," she says.

There will be a far greater focus on the development of rental housing under the institutional subsidy scheme. As with much of the housing programme, the scheme has taken a long time to get off the ground for a variety of reasons — not least due to concerns about cost implications in the current environment of rent boycotts.

On the plus side, rental housing will allow for far greater movement among communities, job mobility, increased flexibility

and will remove the burden of long-term mortgages. It will also help to cater for the influx of people to cities.

Housing department director-general Mphum Nxumalo-Nhlalpo says a greater assessment of people's housing needs is needed.

Many in informal settlements, for example, do not wish to own homes in cities which are often viewed as transitory places of work, preferring to invest in outlying or rural areas where their families are based.

Domestic worker Sarah Syonga, who was born and grew up in Mhanga village near the Kruger National Park, is one of those whom now work in one of other of SA's cities but who still have strong roots in their home town. Syonga's three children live with her mother in Mhanga.

"I live with my sister in a shack in Orange Farm, but we do not want a government subsidy to buy a house there. I have bought a piece of land in Mhanga and am hoping to build a house near to my mother's, so my children can come and live with me," she says. But there are millions of people who have made their homes in or near cities, often being forced to live in informal settlements due to the chronic low-cost housing shortage.

Nationally, the shortage is estimated at 3-million houses. While the low-cost housing programme is gaining momentum, it has been hampered by a number of factors,

including a long lead time from conception to delivery. Provincial governments — and particularly Gauteng, into which 20 000 people are moving each month — are looking at interim interventions in a bid to alleviate the problem in the short term while planning longer-term initiatives.

Existing townships and informal settlements are being upgraded and new ones developed. In terms of Gauteng's Mayibuye programme, more than 4 000 sites have been released to date and it is expected that

36 000 sites will be released for settlement this year.

Perhaps the most serious issue facing the integration of cities and the development of residential zones within city centres is the financial pressure on municipalities. The amalgamation of former white and black authorities has, in certain cases, meant increasing deficits in municipalities operating budgets due to nonpayment of services. This exacerbates their diminished credit-worthiness and limited ability to levy

property taxes and user fees.

Junaid Ahmad of the World Bank says the stakes of restructuring urban governance in SA are high. The urban sector accounts for about 65% of the population at more than 80% of the nation's gross domestic product. "The urban sector represents the political fulcrum on which rests the success of SA's democratic experiment. If metropolitan areas will address the financing and delivery of services well, they can influence the economic and political condition of the country," he says.

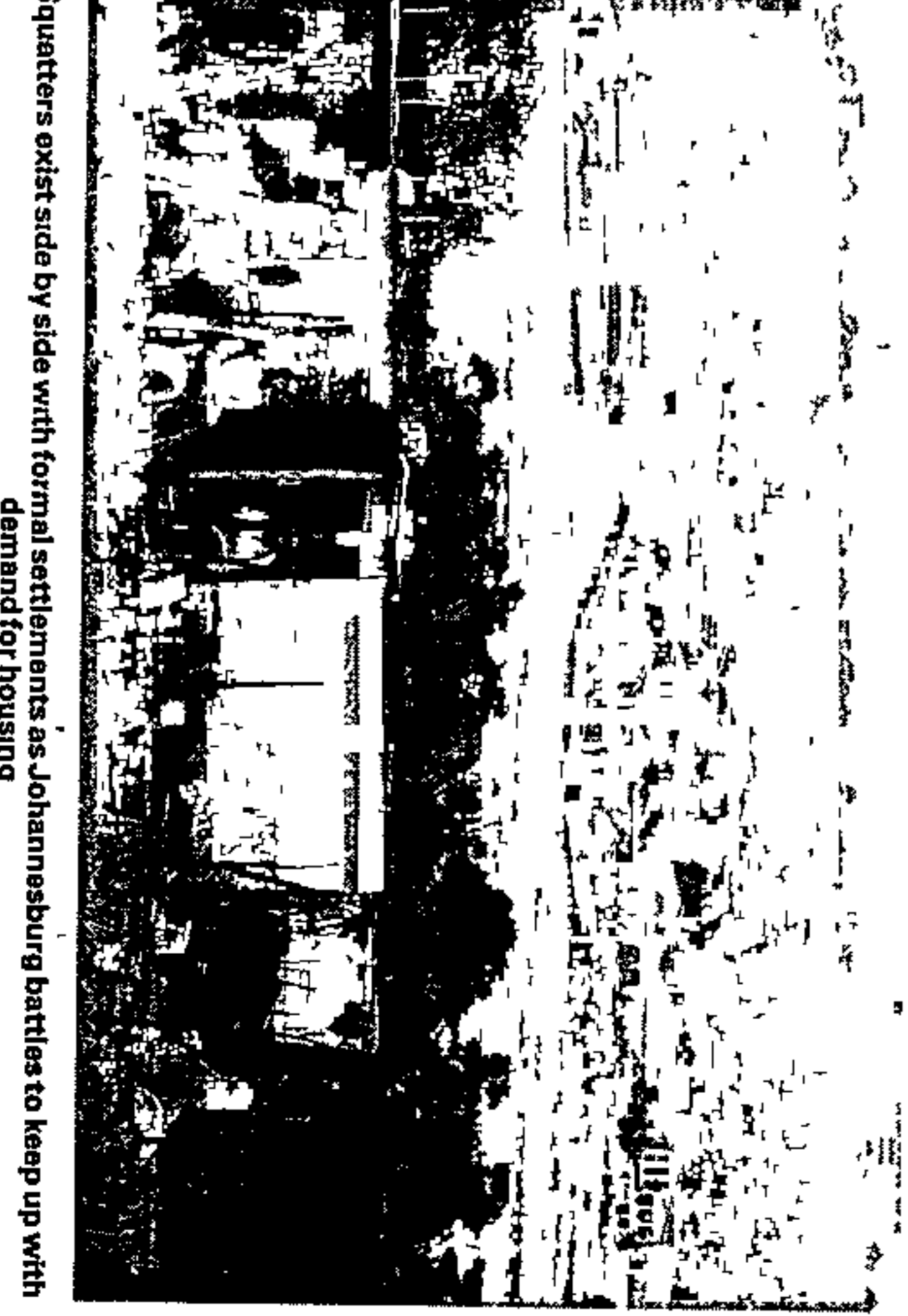
A key consideration for government will be transforming and building capacity at levels of local and provincial government. Plans to boost capacity for housing delivery at these levels are already in place, although it will take time for these to make tangible impact.

The urban development framework also paves the way for increased public and private sector partnerships in the management, financing and delivery of services. This should be accompanied by the promotion of business and investment in surrounding cities and townships. Government will have to outline concrete methods of attracting such investment in order to begin the process of "knitting" towns and cities with townships, be it through tax breaks or other incentives.

Housing can and should play an integral role in shaping the way in which SA's cities and towns evolve. Housing development can help knit together disparate communities, facilitate job mobility and contribute to the upliftment of the disadvantaged. However, it is necessary to have a holistic plan which caters to SA's education, health and training needs which will ultimately contribute to boosting economic growth.

□ This is the fourth in the series *Our Cities*. The previous articles appeared on January 27, 29 and February 3.

Squatters exist side by side with formal settlements as Johannesburg battles to keep up with demand for housing



□ This is the fourth in the series *Our Cities*. The previous articles appeared on January 27, 29 and February 3.

LOCAL GOVERNMENT

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 Fihla

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 re-



Valli Moosa management is more important than structure

distribute 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 com-

pared to about 1 8 800 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 miniministers," he claims

Megacities also require additional management tiers that will further increase costs. Craythorne predicts service delivery may worsen as megacities are prone to

Free K'n

Upper Class

Relax with an onboard massage. There's also hand zone therapy and manicures, just to ensure we attend to your

SA-EU FREE TRADE PACT

(74) km 6/2/98

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 Elias Links

After last week's talks in Pretoria, Soubestre said he understands SA's disappointment, but does not "share it entirely"

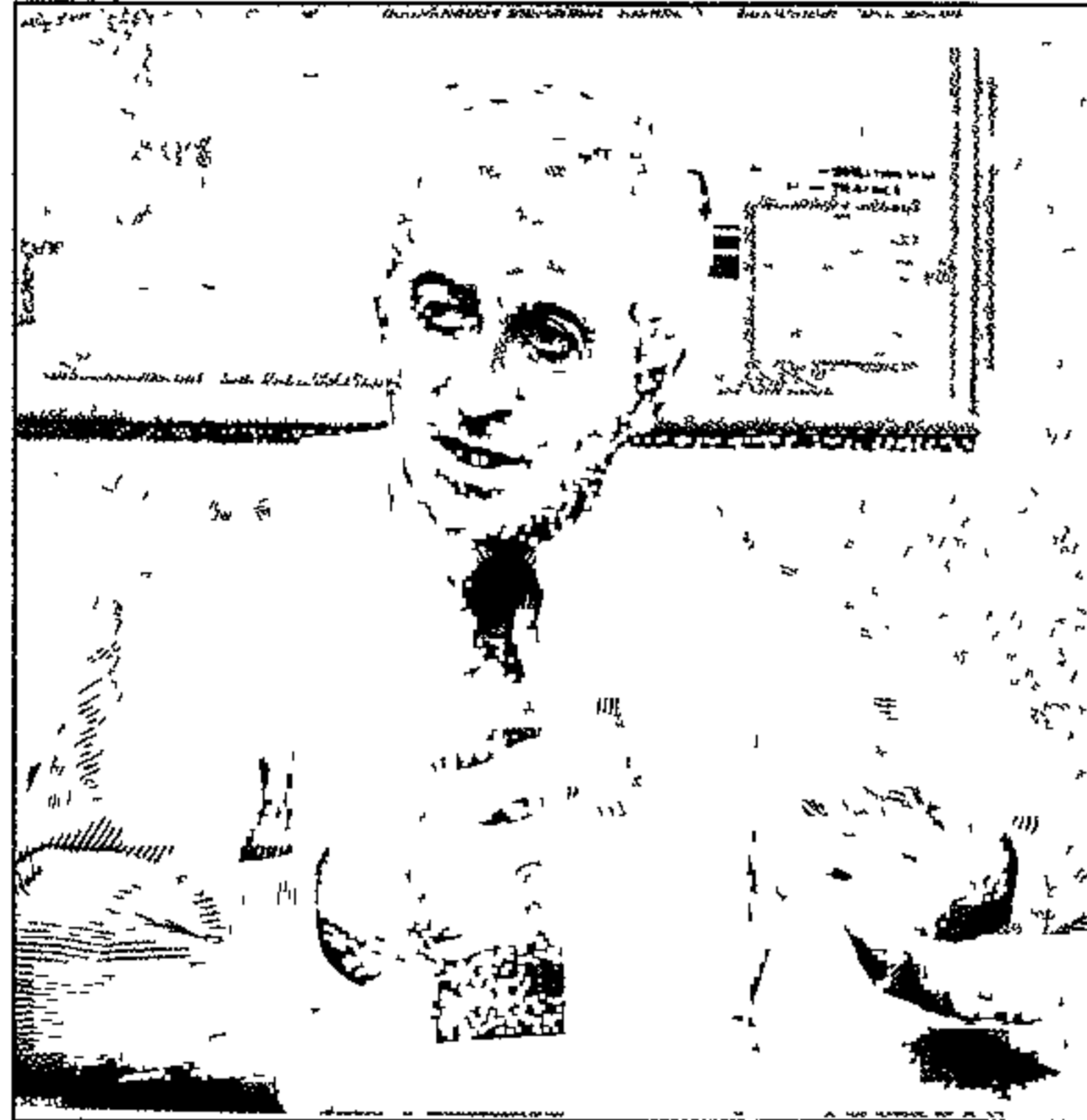
"The proposal we have put on the table covers 90% of SA exports to Europe, with the prospect of full liberalisation over 10 years," he says "And we will soon add specific proposals for something like 4% more, pending discussion at EU level So, 94% will be on the table"

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, "substan-



Soubestre confident of SA-EU trade pact by mid year

tially 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 sensitiveness 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 ammunitions 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

Amarnath Singh

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 Laurinda ■

Chiefs to challenge legislation

By ANDILE NOGANTLA

CONTRALESA looks set to take on the Eastern Cape Local Government department at the Constitutional Court in what is seen as a test case to overturn legislation passed last year.

The showdown, which sees symbols of the modern and the traditional pitted against each other in court, follows the passing of the Regulation of Development in Rural Areas Act by the provincial government last year. The Eastern Cape house of traditional leaders, chaired by Nkosi Mwele Nonkonyana, has written to Constitutional Development Minister Vuli Moosa objecting to the passing of the Act.

Contralesa fears that its powers will be curtailed (262) 304A

Nonkonyana said this week. "The Act takes away the rights of traditional leaders," Cape Local Government MEC Smuts Nkonyama has just over a week to meet the traditional leaders to thrash out different interpretations of the Act before Contralesa takes it to court.

Nonkonyana, who is also chairperson of Contralesa in the Eastern Cape, told City Press that the traditional leader's body decided at a special meeting last Monday that it should give Nkonyama two weeks in which to respond to a request for a meeting. Replying to Contralesa's letter, Moosa's office said that he had a brief discussion with Nkonyama on December 9 and the two had agreed that Nkonyama would meet the traditional leaders to resolve the impasse. City Press has copies of both letters that they had expected to meet Nkonyama in January. However, a spokesperson for the provincial Local Government Department, Litha Thwaku said that no date for a meeting had been finalised, but that the department was aware of a request by Contralesa to meet Nkonyama.

Nonkonyana presents Contralesa's case as one in which its commitment to negotiating a model for rural Local Government is undermined by the passing of the new legislation. Contralesa made a representation to the constitutional court last year, objecting to the election of municipalities throughout the country in accordance with chapter seven of the constitution. But this is the first real tussle over legislation affecting the institution of traditional leadership. "The constitutional court said that their reading of the constitution is not clear on the issue but said it reserved the right to quash any legislation that threatened the institution of traditional leadership," Nonkonyana said.

Nonkonyana said that their reading of the constitution is not clear on the issue but said it reserved the right to quash any legislation that threatened the institution of traditional leadership," Nonkonyana said.

Amendment planned to merge authorities

Linda Ensor

CAPE TOWN — A constitutional amendment would be introduced this year to allow single local authorities to be formed in towns straddling provincial boundaries, Provincial Affairs and Constitutional Development Minister Valli Moosa said yesterday.

This would address the problems of towns like Bushbuckridge, Groblersdal and Kuruman where the provincial boundary divided a town in two, separating the more affluent, formerly white section, which provided the tax base, from

the poorer part. This arrangement was economically unfeasible.

The constitution stipulated that a local government had to be within a provincial boundary. Once the amendment was promulgated, the two neighbouring provinces would have to agree to set up one local authority and for one of them to administer it.

Moosa said he would release a green paper on disaster management today to bring SA practices into line with international norms. Internationally SA was regarded as prone to disasters such as floods, drought and veld fires,

but in the past disaster management had been closely linked to civil protection. Other legislation would establish a demarcation authority to determine local government boundaries ahead of next year's elections.

He said there was no possibility of holding local, provincial and national elections on the same day. Government did not want to rush into local elections without first putting in place the structures arising out of the white paper on local government. Local government elections would probably be held towards the end of 1999.

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 the civil remedy would take the profit out of crime and reimburse 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. It would conduct civil prosecutions and refer criminal cases to the attorney-general. The board would be able to sue for profit, a penalty of not more than three times the profit made from the trade, interest and costs of the suit. Victims would be paid a proportional amount of the pooled 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 inside 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 African 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 pieced 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

(2b2)

Linda Ensor

BD 12/2/98
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

(262)

ART 13/2/98

ALIDE DASHOIS
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 R186,7-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 garage vehicles

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 R235,8-million by the SABC, nearly R2,4-million for legal assistance to former president P 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.

PROVINCES vs LOCAL GOVERNMENT

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 feel 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 sup-

ported 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 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 gov-

ernments 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 Sicele 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.

Justice Mala a

(262)
FM 13/2/98

All nine regions expected to seek a share of Manuel's R1,5bn extra cash

Provinces extend begging bowls

CHRISTO VOLSCHENK

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 R189,4 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



Finance minister Trevor Manuel

provinces this week to divide the R1,5 billion.

Another R580 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 R580 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 cell-phones and cars.

Manuel said that the nine provinces had borrowed a combined amount of R1,6 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 5 100 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.

ET(MR) 16/2/98 (262)

SA's cities 'must change focus'

BD 16/2/98 (262)

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 "lopsided" 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.

Sasco plans talks with universities' attorneys

BD 16/2/98
Jonathan Davis

THE SA Students' Congress (Sasco) plans to meet attorneys representing 21 tertiary education institutions this week to discuss its threat to take them to court over their alleged breach of students' constitutional right to fair administrative action.

Sasco's legal representative, Brian Curren, said on Friday that he had been contacted by attorneys appointed by the SA Council of Vice-

Barnard stands behind blanket denial

BD 16/2/98

Stephané 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 Coetzee, 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, Coetzee 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," Coetzee 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 Evadne 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 Chappies Klopper will tell the court about Barnard's alleged criminal activities.

Refusal of salvage plan 'has forced baleouts'

David Greybe

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CAPE TOWN — The cabinet's refusal six months ago to adopt a salvage plan for beleaguered provinces had contributed to the need for central government to bale 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 60 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 bale 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 Thozamile 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 bloated 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".

31/11/98
20/17/2/98
(262)



'Critical' metropole debate

(262) ET 18/2/98

**MOHAMMED
VALLI MOOSA**

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

THE recent interest and speculation regarding the metropolitan 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 sully the debate and reduce it to the supposed conflict between "megacity" and two-tier options. The issues are much more complex than this and warrant some illumination in order to enrich the public debate.

Metropolitan areas are critical to this country's economy. They contain 30% of the country's population, generate 80% 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. Metropolitan 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.

These 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 resources.

SA's six metropolitan authorities, created in terms of the Local Government Transition Act, have had a difficult transition period.

They have undergone extensive administrative reorganisation involving the division of assets and liabilities and the deployment of up to 120 000 municipal staff in accordance with interim boundary and functional divisions. This process has been complicated by a lack of clarity over the powers and functions of the metropolitan and local councils and differences in conditions of service and job evaluation systems.

They have inherited spatially distorted and inefficient urban systems. They have, virtually overnight, been required to take on the entire service delivery backlog of apartheid. They are also required to deal with large-scale poverty — and the consequent problems of affordability and sustainability.

In dealing with these problems the inadequacies of the present model have been revealed. All metropolitan areas have shown certain generic 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 and planning functions and staff are replicated for each local council — in some instances, tension and turf battles between metros and local councils have led to duplication on a huge scale.

- The ability to shift resources to areas of priority, both in terms of poverty alleviation and growth promotion, is hampered — in no metropolitan area is redistribution happening on a sufficiently coherent and sustainable basis.

- In most cases metropolitan and local councils operate as separate municipalities instead of components of a single city government. Fragmentation of power and functions between competing municipalities has hampered the emergence of strong and effective metropolitan government — to varying degrees, the



Cape Town, one of SA's six metropolitan areas which have undergone massive transformation. The process, however, has been complicated by a lack of clarity over the powers and functions of the metropolitan and local councils.



There is a costly duplication of functions between metropolitan and local councils — and staff are replicated for each local council

vision of integrated metropolitan development has failed and apartheid fragmentation of the city is being perpetuated.

- Political representation on local councils has not advanced local democracy as successfully as hoped. Perhaps because of the size of local councils, residents find local councillors as distant and unaccountable as metropolitan councillors.

- Other costs associated with current two tier structures include an unnecessarily large number of councillors and political office bearers and in-built disincentives for fiscal 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 func-

tions envisaged for it.

Some metropolitan 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 metropolitan 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 metropolitan areas a 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 it deems appropriate. This flexibility should be built in to the system of metropolitan government.

We need to examine whether the levels of flexibility 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 perpetuate existing inefficiencies, but also limit the ability of metropolitan 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 metropolitan areas. Whichever system is adopted, we should at the very least avoid entrenching powers in independent local councils which may compromise efficient service delivery. Equally, the right of all metropolitan residents to benefit from the tax base to which they contribute cannot be compromised.

While these are important considerations, the debate on whether metropolitan areas should be governed by one or multiple municipalities has eclipsed other equally important issues which must be resolved in restructuring metropolitan government. To find the most appropriate system of metropolitan 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 metropolitan councils is not a particularly critical issue.

Similarly, the allocation of functions to metropolitan municipalities simply creates a framework for affordable and efficient municipal service delivery. Improvements in delivery ultimately have more to do with management reform, worker empowerment, the introduction of performance management systems and bench marking and facilitating new approaches such as corporatisation or the creation of special purpose bodies.

We should not become trapped in a debate which focuses narrowly on metropolitan structures and assumes that there must be a rigid correspondence between political and administrative structures. Rather, what is needed is a more heterogeneous conception of metropolitan government, with the flexibility to adopt the best approach to delivering functions such as service delivery, revenue collection, planning, 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 cheaper, 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 local citizens a chance to shape their own destinies in ways best suited to them.

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

● Mohammed Valli Moosa is Minister for Provincial Affairs and Constitutional Development.

That monkey still clings to our back

(2/6/98)
SA lost nearly R1,47bn 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

FM 20/12/98
The White Commission is scheduled to complete its work in July, only then will the full extent of the loss 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, R462m in Venda and R301m 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 R1,5bn 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"

Justice Malala

PROVINCIAL GOVERNMENT

Sidelining by stealth?

(2/20)

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 45)

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. Scrapping it would require a two-thirds parliamentary majority, which the ANC does not possess

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

With general elections 15 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, a lack of vision and grossly inadequate management of financial and human resources"

The compiler of the report, Public Services director-general Paseka Ncholo, 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 Markinor 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 centrists in the ANC are exploiting the provinces' mishaps to promote the single-tier, megacity 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, spelt out in Section 3 of the Constitution, "is being abused by the central government in order to co-opt the provinces"

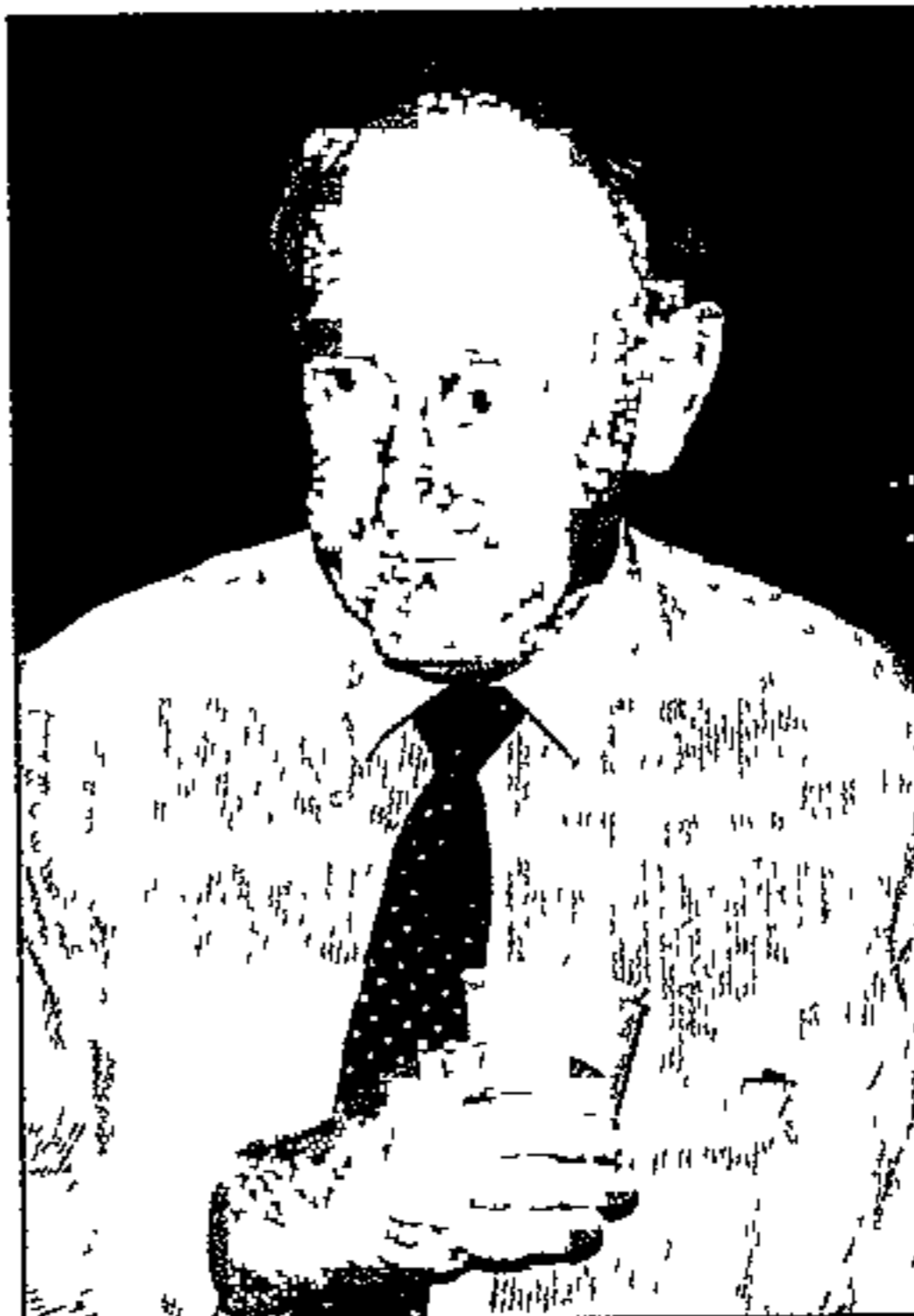
Co-operative governance, Miller says, presupposes a relationship in which both parties are willing co-operators. "But what is happening is that this section is being used to say to the provinces 'we will decide policy and make the laws and you will carry it out whether you like it or not'"

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, Dirk Brand, however, says it is difficult to assess whether the centre wants to take over. One way of



Peter Miller terms of co-operative governance being used to co-opt



Jabu Moleketi no plans to do away with provinces

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

Pinpointing 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



VAN HEERDEN

that payment had been stopped.

It is understood that the finance department's financial management systems picked up the nonpayment 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 R1,5bn in additional finance to provinces with extreme financial problems. He also mentioned that provin-

cial overdrafts had declined to R1,6bn at the end of January.

The Eastern Cape and KwaZulu-Natal have 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 budgeted 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 the next fiscal year's budget.

Opposition alleges government acted too slowly to stop mismanagement

Provincial inefficiency under fire

(262) CT (PR) 24/2/98

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 Adjustments 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 Andrew, 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 him (Andrew) 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 co-operative governance and a lot of support from the national fiscus

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

He cited the Northern Cape, Northern Province and the Free State, whose MECs 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 bud-

get deficit was actually 4,6 percent of GDP instead of the 4,3 percent claimed by Manuel because it had been funded by the strategic oil fund and the proceeds from privatisation

Manuel said the deficit calculation had not included the proceeds of privatisation 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



TREVOR MANUEL: The situation is nowhere near as calamitous as suggested, says the Minister.

Manuel cuts provincial 'calamity' to size

JOYAL RANTAO

MINISTER of Finance Mr Trevor Manuel has dismissed claims that provincial finances are in calamity and accused the main opposition parties of questioning provincial financial autonomy while professing strong federalist policies.

Opposition parties, in criticising the government, have said the provinces are incapable of managing their finances and that the central government has delayed intervening in their problems.

Speaking during the National Assembly's debate on the Adjustments Appropriation Bill, which would set aside R1,5 billion to help

provinces in financial difficulty, Manuel announced that seven of the nine provinces would manage with their available resources.

Only the Eastern Cape and KwaZulu-Natal had applied for assistance, he said.

Speaking during the debate, the Democratic Party's spokesperson on finance, Mr Ken Andrew, said it was worrying that fiscal discipline was slipping.

This was threatening to derail the government's macro-economic strategy.

"Most Gear targets are being missed and, in some cases, such as revenue as a proportion of the gross domestic product, the gov-

ernment is going backwards," Andrew said.

The main Budget in two weeks and final figures would show how far fiscal discipline had slipped.

The government should accept responsibility for certain of the financial problems experienced by some provinces, Andrew said.

"You were repeatedly warned about the financial chaos in some provinces, but you were either too complacent, too arrogant or too incompetent to take the decisive action needed to salvage the situation.

"I know that you inherited an awful mess of fragmented administrations riddled with corruption

The issue is: how effective has this government been in the past four years in cleaning up that mess?"

Manuel replied that Andrew should stop "crying wolf because the situation is nowhere near as calamitous as is suggested."

The focus now would be on strengthening fiscal capacity in the provinces, Manuel said.

Mr Gavin Woods (Inkatha Freedom Party) and Dr Theo Alant (National Party) said one of the main reasons for the provinces' over-spending was that they had inherited huge staff complements but had not been able to whittle these down because of the moratorium on retrenchments.

ET 24/2/98 (262)

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Penalties for local govt needed — DP

Deborah Fine

(262) BD 24/2/98

obtain orders compelling local councils to correct their behaviour

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

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

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

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".

The court ruled that ratepayers should rather approach the courts to

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"

Extra funds a fleeting balm for provinces

National government is grappling with the thorny problem of the provinces' financial crisis. Murphy Morobe, the chairman of the Financial and Fiscal Commission, looks at the challenges facing provincial government budgeting

In January this year, Finance Minister Trevor Manuel identified a cash flow crisis as one of the causes for provinces being cash-strapped.

On February 13, he tabled the Adjustments Appropriation Bill in Parliament, which would provide relief for some provinces' budgets.

The matters raised by the minister and the provision of some financial respite for the provinces are seen as unrelated issues.

While the Financial and Fiscal Commission agrees with the minister's sentiments, there are additional factors causing provincial budgeting problems, and there needs to be clarity as to what these are so effective and sustainable solutions can be found.

As the intergovernmental fiscal relations system is beginning to reach a critical stage in its development, there are apparent strains and problems arising. These are manifest in such matters as those highlighted by Manuel "provincial overspending", a lack of provincial funds for social security pay-outs and the laying off of teachers.

The commission supports much of what the minister has stated, including that one of the causes for the overspending problem is the lack of "cash-flow management". It is important that the intergovernmental fiscal relations system is not seen as the cause of the problems.

It is clear the developing system is infinitely superior to the approach of the former government. What we are seeing are issues arising from the transition between the former and new governmental system and the process of devolving expenditure responsibilities to provincial governments.

On the problem of effective cash flow management, for the 1997/98 fiscal year provinces were given block grants, based on the commissioner's formula which recognised that provinces were accountable political entities and should budget accordingly, determining priorities within a national policy framework.

Thus, provinces were aware in advance what their equitable allocations would be for 1997/98 and should have planned their cash flows accordingly. However, if provinces were inherently underfunded then the best cash flow management would not prevent this happening.

Another factor affecting provincial budgets is the macro-economic framework. A tighter fiscal policy effectively decreases the level of government spending. This can be a cause of provincial budgeting problems, especially if managed poorly, since it requires restructuring, restructuring and efficiency improvements to provide the same services with decreasing resources.

The commission has consistently said that the relationship between the macroprogramme and the public finance system requires careful consideration if certain key delivery objectives are to be met. The alternative is of course to make it clear that the delivery objectives have been revised downwards, and thus deepen the integrity of the new system.

A third cause of the "overspend" relates to the "base" from which the initial amount was determined. The formula had to start from a particular point, largely using historical spending patterns for estimating what provinces were receiving.

There was not much clarity in this regard in 1995 and 1996 due to the lack of data and historical expenditure patterns. The commissioner's formula then determined what provinces should receive if funds were allocated in an equitable manner, rather than the way they were in the past.

What has persistently occurred during the past three fiscal years is that the budgeted spending patterns have been different to actual expenditures, thus ensuring that the dynamics of the 1997/98 provincial budgets are no different to previous years.

Share of revenue

Province	1997/98	2002/03	% change
Western Cape	10,0%	9,6%	-3,8
Eastern Cape	17,9%	16,9%	-5,7
Northern Cape	2,0%	2,3	-11,8
KwaZulu-Natal	19,2%	20,3%	5,9
Free State	6,9%	6,6%	-4,9
North West	8,9%	8,2%	-7,3
Gauteng	14,6%	16,2%	10,4
Mpumalanga	6,3%	7,6%	20,0
Northern Province	13,7%	12,5%	-8,9

Graphic: KAREN MOOLMAN Source: MEDIUM TERM BUDGET POLICY STATEMENT

The solution to this is that the base has to be sorted out more accurately by assessing what provinces' real expenditure responsibilities are. Thus, where the original base did not include all social security beneficiaries and the "ghost" claimants in the system, this would be reviewed.

The correct base issue, in a way, leads to a fourth cause for the "overspend", namely, budgeting games played by the provinces.

Although budget gaming is a universal phenomenon, SA has a history of "regional" governments being part of a system of incentives, where "blowing" budgets was "rewarded" with central government bale outs. The leverage of provincial governments is particularly powerful if either or all three key social sector functions — education, health or welfare — are allowed to be underbudgeted by provinces, in the hope that national government will not allow

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to manage their budgets better, it should increase their accountability to their electorate.

For example, if the Western Cape government wanted to deliver a higher quality education service to its electorate, then it would be able to do so. Providing provinces with own revenue sources as a complement to the already devolved expenditure responsibilities they have, would ensure greater symmetry in the developing fiscal system.

The sixth factor contributing to the problem is the much discussed lack of capacity in the provincial governments. This problem is particularly acute in the areas of financial control and management and has the potential to undermine all attempts to solve the aforementioned factors. It is important that solutions to all of these are found in parallel, sorting out the base, improvements in cash flow management, developing alternatives to budget gaming, assigning own revenues, revisiting macrotargets and lastly, building capacity, especially financial management capacity.

Building capacity is a long term process and needs to get underway immediately if the other solutions are to be effective. It is obvious that national government should take greater responsibility in this and team of financial experts need to be sent into the worst provinces to manage the crisis and develop systems.

It is clear that the financial relief offered to provinces in the Adjustments Appropriation Bill does not fully address the six aforementioned factors, nor is it perhaps intended to do so. Firstly, cash flow management problems are not addressed by simply allocating additional funds to provinces. This problem would continue to exist even if the provinces had access to more revenue.

The budgeting problems caused by parameters and goals of the macroeconomic framework are also not necessarily addressed. Providing additional revenue can change some of the targets if it is not a zero-sum game of shifting funds among existing votes. If the macroeconomic framework results in provinces not being allocated sufficient revenues for proper delivery, the nature and role of provinces would have to be re-examined.

The "base problem" is of course also not addressed in the finance ministry's approach. The commission is involved in discussions with stakeholders about how this problem can be addressed for the 1999/2000 fiscal year.

The problem of "budget gaming" is addressed to an extent, as provinces are not being given additional revenues equivalent to what they have overspent. Even if they are not being explicitly penalised, there is still the danger of reinforcing the incentives for budget gaming and overspending. However, some provinces, especially those which have tried to stay within their budgets, are likely to feel hard done by as there is an implicit bailout benefiting those who have significantly exceeded their budgets.

The second component of the finance department's offering to the provinces, namely making R1,5bn available through a bridging finance mechanism, does ensure that provinces who have played budget games pay a cost for this. Provinces which make use of this scheme will be required to pay national government's borrowing costs for the R1,5bn. However, this is unsustainable. It seems that one of the key sustainable solutions to the provincial budgeting problems is providing provinces with access to some significant own revenues.

Lastly, to deal with the inherent capacity problems in provinces would require a specific nationally designed programme to ensure that sooner, rather than later, provinces have the human resource capacity to prepare proper budgets, manage such budgets and control their expenditures to ensure effective use of resources.

LOCAL GOVERNMENT

(a62)

A benchmark court ruling

No justification for service boycotts

FM 27/2/98

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. That conduct carries with it the potential for chaos and can therefore not be appropriate"

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

The judgment — which overturns an earlier verdict of the High Court — relates to the refusal of Pretoria resident Johan Walker, a member of the *Besorgde Bestaungbetalersgroep*, to pay for water and electricity provided by the Pretoria City Council from July 1995 to April 1996

His refusal to do so relates to alleged unfair and thus unconstitutional discrimination by the city council against the residents of Pretoria (most of them white) and in favour of residents of the historically black Atteridgeville and Mamelodi

While Pretoria residents had to pay a consumption rate measured by meter, their counterparts in the townships — where meters were still being installed — paid a flat rate

Walker's case contains another important element the contention that payment of consumption rates by Pretoria residents meant they were subsidising ratepayers in Atteridgeville and Mamelodi

In his judgment — with which seven judges, including Constitutional Court president Judge Arthur Chaskalson, concurred — Langa takes account of the history of poor services to, and neglect of, the two townships during the apartheid era

He concludes that the differential policies applied by the city council to Pretoria and township residents did not amount to unfair discrimination, especially since it was seen as a temporary measure pending the installation of meters in the townships

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 householders in arrears in the townships amounted to unfair discrimination

Langa prefaces 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

□ 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

□ 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 Laurence



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Struggle veteran leads megacity and subsidies-for-poor debate

ESTELLE RANDALL

What will South Africa's cities, towns and villages look like after 1999?

This is the question which the Ministry for Provincial Affairs and Constitutional Development will be considering on March 9 when it releases a policy document, or white paper, on local government.

The key areas to be considered include whether or not the controversial idea of a megacity should be adopted, to what extent the rich will have to subsidise the poor and the powers and functions of local government.

Finalising this policy is one of the first responsibilities of the new chairman of Parliament's constitutional affairs portfolio committee, Yunus Carrim.

"Ordinary South Africans engage more readily with local government issues because they affect people more directly," says Mr Carrim.

Mr Carrim is no stranger to mass struggle - on local government or broader regional and national issues. He has worked in local civic,

sports and educational organisations in his hometown Pietermaritzburg and continues to be an active member of local ANC and South African Communist Party (SACP) structures. Recently he was also elected to the SACP's central committee.

The policy document on local government will look at what our new local government system should be. New laws - on demarcation, the local

'Recently Mr Carrim was elected onto the SACP's central committee'

government electoral system and institutions to support local government - which this white paper is designed to produce, must be in place before November 1999, the date set for the next local government elections.

It is Mr Carrim's committee which will play a key role in shaping that legislation.

Mr Carrim, who replaces respected constitutional negotiator Pravin Gordhan, realises the enormity of the task but is confident that the challenge will be met.

"In a sense our work at local government level is mass struggle in a new form," he reflects.

The 1993 Local Government Tran-

sition Act aimed to deracialise and democratise existing local government and establish democratically elected structures.

The 1996 constitution, however, envisages the complete transformation of local government, incorporating it as an integrated component of the South African state with an expanded developmental role.

"We are now in the process of drafting content for our new local government system, using the constitution which outlines the broad parameters and also our practical experience over the past three to four years," Mr Carrim says.

Problems which have emerged from this experience are a lack of capacity and the duplication of services, as well as the need for the better management of municipal financing.

Says Mr Carrim "The portfolio committee visited all the provinces about 18 months ago. What struck us was how there was a core of remarkable councillors who were able to sustain local government, despite limited resources and limited practical experience of governing. The potential that is there is very inspiring."

"Local government isn't only about service delivery," he says. "It's also about local economic development and democracy and increasing

capacity is emerging through people having to address daily challenges."

"In Pietermaritzburg, where I come from, local government officials were surprised about the high turnout at meetings held in all the suburbs. People got involved in the reality of governance at local level - the limits and possibilities. They realised that you can't get everything you want overnight and could identify with the difficulties."

The Government is looking at local government as a distinct but interrelated sphere of government - not a third tier. "Local government has to work with provincial and national government to ensure resources are spread equitably, especially in our context where there are huge material and social inequalities," Mr Carrim says.

Besides the structure of local government, the white paper will also provide policy direction on the provincial system and on traditional leaders.

Provincial powers and functions did not need reviewing but the

(262) ARC 28/2/98

'Local government is also about economic development and democracy'

teething problems of implementation have to be addressed.

The debate on the role of traditional leaders will also reach some finality this year. This is really an issue of balancing modernity with tradition, Mr Carrim notes. The ministry was also examining moral claims from first nation communities such as the Khoisan, who demand that their traditional leaders should also be recognised.

He describes our constitution-making exercise as probably the "most phenomenal this century".

South Africa's constitution, a hybrid which has taken elements from both federal and unitary state concepts, is admired by constitutional experts worldwide.

"When I was in Sweden people asked me 'Your constitution, how did you people get it right?' he recalls.

For Mr Carrim the constitution is a tribute to the sacrifices people made.

"Hector Petersen, Ahmed Tjmol and thousands of others who died for a better life would be proud of this constitution," he says.

Fury as ministers 'bunk' national council sitting

Provincial head Lekota orders written explanations from Cabinet nine

CLIVE SAWYER
POLITICAL CORRESPONDENT

The National Council of Provinces (NCOP) held its first sitting of the year today with question time to cabinet ministers - but not a single minister or deputy minister turned up.

NCOP chairman Patrick Lekota has ordered the absentee ministers to provide written explanations for their absence. Eleven questions were tabled by opposition parties

Ministers who were meant to reply were Health Minister Nkosazana Zuma, Home Affairs Minister Mangosuthu Buthelezi, Minister of Energy Affairs Minister Penull Maduna, Environmental Affairs and Tourism Minister Pello Jordan, Housing Minister Sankie Mthembi Mahanyele, Correctional Services Minister Sipo Mzimela, Welfare and Population Development Minister Geraldine Fraser-Moleketi, Justice Minister Dullah Omar and Arts, Culture, Science and Technol-

ogy Minister Lionel Mtshali. Dr Jordan provided a written reply.

The empty Cabinet benches prompted an indignant response among opposition parties, who had tabled the 11 questions ministers were meant to answer. James Selfe (Democratic Party, Western Cape) said it was "unacceptable" that not a single minister had come to the House.

"If this was the National Assembly and not a single minister came to question time, the assembly would probably pass a motion of no confidence in the Cabinet".

Rosier de Ville (Freedom Front, Mpumalanga) said his party was dissatisfied and the matter should be taken up urgently and seriously. Gert Koorhof (National Party, Gauteng) said the provisional parliamentary programme produced last year had indicated today would be set aside for questions in the National Council of Provinces.

Musa Zondi (Inkatha Freedom Party, KwaZulu Natal) said the media tended to regard the National Assembly as Parliament and to ignore the existence of the NCOP.

The ministers' absence was cause for concern, and could seriously undermine the stature of the house. African National Congress chief whip in the NCOP Henry Makgobin said he had been told a meeting of the Inter Governmental Forum (IGF), a discussion body involving national and provincial government, had been held yesterday and was to have been extended into today.

However, it apparently had not continued today. Dr Zuma and other ministers had contacted him to ask that their replies to questions stand over.

Dr Mzimela had told him the replies to questions about a new training system for prison warders and the inmate-to-warden ratio were "very sensitive" and he would have preferred to give them in person.

Mr Lekota said the NCOP drew up its programme in consultation with the National Assembly and provin-

cial legislatures to avoid clashes. No one could claim ignorance that the NCOP would sit today to deal with questions.

If the IGF had finished its business, ministers should have appeared in the House, said Mr Lekota.

"I may make the observation that it is not the first time that members of this house express deep concern at the apparent lack of seriousness when it comes to business in this house from the executive," Mr Lekota said.

Truant ministers in for the high jump

Tshwete angry over absence

(262) ARG 4/3/98

CLIVE SAWYER
POLITICAL CORRESPONDENT

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.

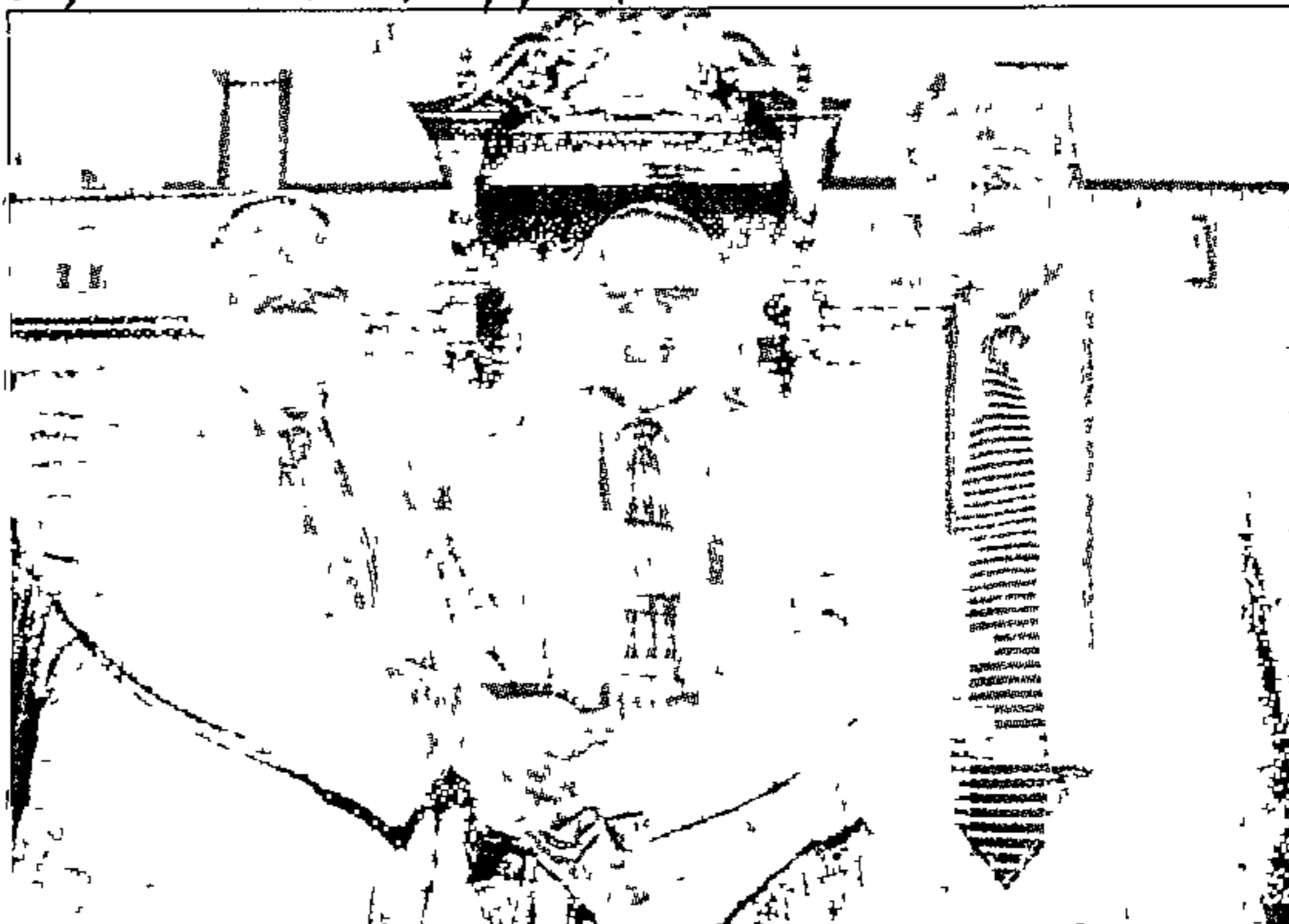
None sent their deputies, meaning that with no other Cabinet members having turned up to observe proceedings, government benches were completely empty.

NCOP chairman Patrick Lekota told chief whip Henry Makgothi 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 to 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



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

Minister Nkosazana Zuma, Home Affairs Minister Mangosuthu Buthelezi, Minerals and Energy Minister Penuell Maduna, Environmental Affairs and Tourism Minister Pallo Jordan, Housing Minister Sankie Mthembu-Mahanyele, Correctional Services Minister Sipo Mzimela, Welfare and Population Development Minister Geraldine Fraser-Moleketi, Justice Minister Dullah Omar and Arts, Culture, Science and Technology Minister Lionel Mtshali.

Dr Jordan gave a written reply

Mr Makgothi 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-ANN ALFREDS
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 borders

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

The board - which will be composed of between 11 and 15 members - is expected to be operational by next year, Chippy Olver, local government deputy director-general of the Constitutional Affairs Department, said yesterday

South Africa's municipal boundaries were last amended before the 1995 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

Star 4/3/98 (262)

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

By Jovial 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 stepsister 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 level is coordinated) in Pretoria, but failed to send apologies to the NCOP, were Health Minister Nkosazana Zuma, Home Affairs Minister Mangosuthu Buthelezi, Minerals and Energy Minister Penuell Maduna, Environmental Affairs and Tourism Minister Pallo Jordan (who provided a written reply to questions), Housing Minister Sankie Mthembu-Mahanyele, Correctional Services Minister

Sipo Mzimela, Welfare and Population Development Minister Geraldine Fraser-Moleketi, Justice Minister Dullah Omar and Arts, Culture, Science and Technology Minister Lionel Mtshali.

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 Makgothi, 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

ARG 5/31/98

(262)

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.

Lekota tackles ministers' absent-minded approach to

(262)

The National Council of Provinces this week began to flex its muscles by demanding apologies from cabinet ministers. Political correspondent Wyndham Hartley reports on the looming row over executive accountability

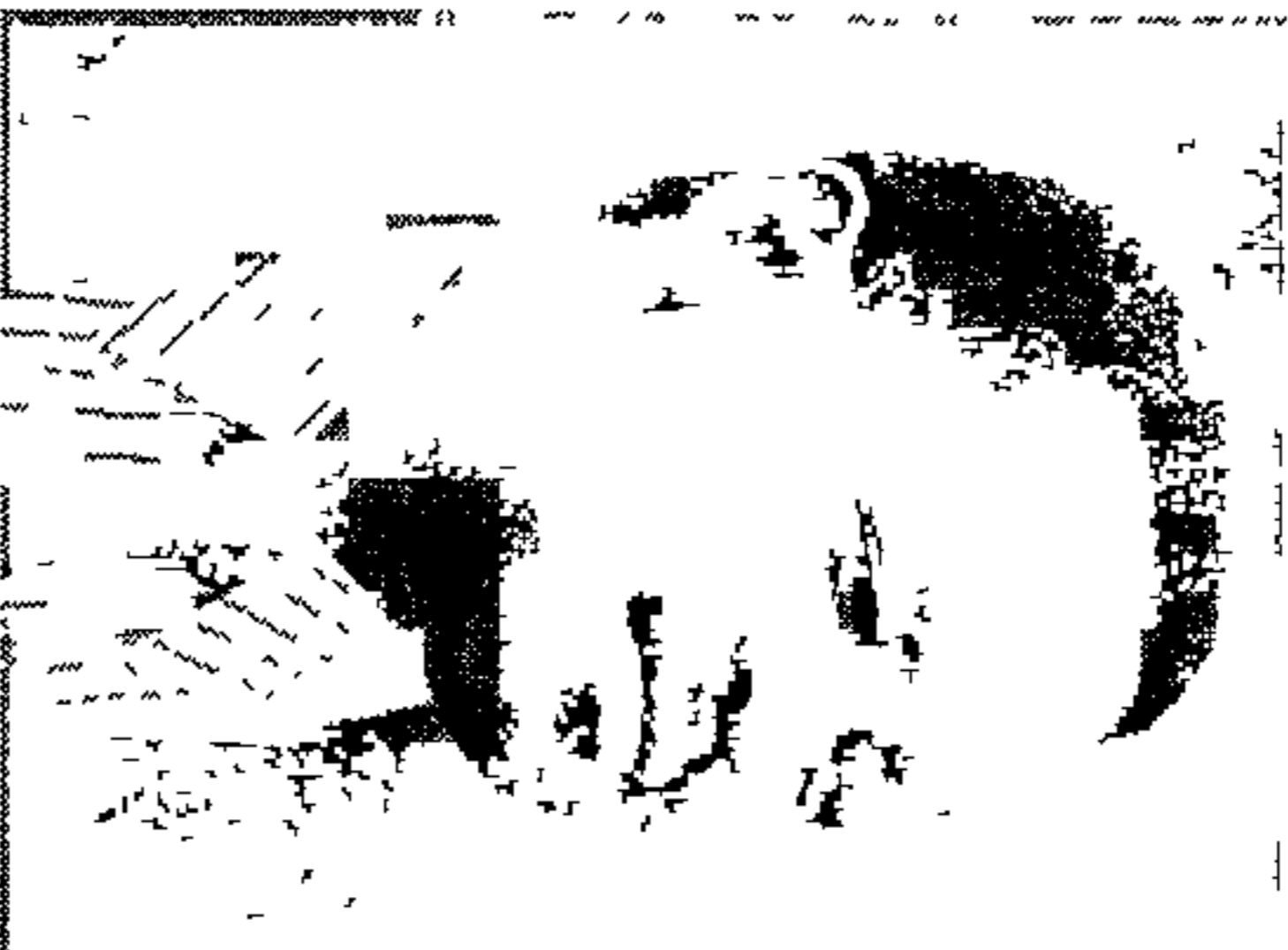
BD 6/3/98

WAILING from opposition parties that cabinet ministers are not treating Parliament with respect by failing to attend question time has been a feature of parliamentary activity for some time.

At irregular intervals over the months there have been complaints that a minister failed to present him or herself either in the National Assembly, Senate or National Council of Provinces to account to the opposition. There have also been many complaints that their answers were not good enough.

The main feature of these occasions has been a closing of African National Congress (ANC) ranks behind the ministers. Until this week, that is. Question time in the council on Tuesday saw not one of the nine ministers to whom questions were directed appear to answer them.

Playing truant were Health Minister Nkosazana Zuma, Home Affairs Minister Mangosuthu Buthelezi, Minerals and Energy Minister Penuell Maduna, Environment Minister Pallo Jordan, as well as Sanku Mthembu-Mahanyele from housing, Sipo Mzimela from correctional services,



LEKOTA

Welfare Minister Geraldine Fraser-Moleketi, Justice Minister Dullah Omar and Arts and Culture Minister Lionel Mtshali.

Enraged council chairman Patrick Lekota demanded written explanations from the nine ministers and that they present themselves yesterday to answer the

questions which council members had placed on the question paper.

Lekota's tough stand comes against the background of mounting concern among members of the council that it is not taken seriously by the executive and is effectively nothing more than a rubber stamp.

Worse was to come. While the ministers, apparently with the exception of Buthelezi, all sent letters of apology for their failure to attend, when question time again came up yesterday morning there was one minister and two deputy ministers in the house. Finance Minister Trevor Manuel, who was attending the meeting to shepherd his additional appropriation through the council, answered most questions on behalf of the still absent ministers. Ironically, he was the one minister who was not required to answer a question.

Council members again complained. They said that because

Manuel was not the line function minister they were unable to ask follow-up questions.

Freedom Front member Rosier de Ville was particularly heated. He said it was impossible to hold question time when the members were unable to put further questions in order to gain clarity on behalf of SA's electorate.

Lekota did not back down. He gave the council the assurance that he would take the matter as far as Teyateyaneni and promised that he would seek a meeting with President Nelson Mandela to discuss the absence of ministers from the council.

He declared that there was a constitutional obligation for the ministers to present themselves to answer questions in the spirit of co-operative governance.

Question time is of vital importance to at least two fundamental democratic principles — accountability and the separation of power.

The two houses of Parliament vote money to the various ministers and their departments.

The time for questions is therefore an opportunity for information to be gathered by members in what they perceive to be the interests of their constituencies. In other words, for ministers to account for the money they were voted — taxpayers' money.

The demonstration of separation of powers, ideally, would require that the legislatures of the nation, regardless of the political majority enjoyed by the governing party, were not simply highly expensive mechanisms to endorse the leadership elite in the cabinet and the presidency.

Certainly, in the old order, there were few occasions over many decades when members of the legislature would call a minister to account. Until now, the new order has not demonstrated itself to be much different.

Ministers argue that many of the questions are either foolish or are simply petty party politicking and that it is a waste of their time to answer them. While, on occasion, this position has some validity, particularly with some of the loaded questions asked in emotional areas such as education and crime, it is not the prerogative of the executive to make that decision. It is the function of the legislature and the voters who elect them. If the questions, or the members who ask them, are stupid or playing petty politics, it is up to the electorate to sanction this at the polls. Lekota's actions deserve the highest praise. Acting in the best traditions of an impartial presiding officer he has stuck his neck out in the interests of accountability and the separation of powers. Thankfully, he is the third most powerful elected official in the ANC after being elected chairman of the party and national executive committee in December. That he has placed his stature behind the principles under threat in the council of provinces this week is a watershed moment in our young democracy.

Finance impasse as Lekota cracks down

BD 6/3/98

(262)

Linda Ensor

CAPE TOWN — Government finances became embroiled in a "constitutional impasse" yesterday following National Council of Provinces chairman Patrick Lekota's refusal to allow a debate on the Adjustments 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 wanted 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 remain-



MANUEL

ing 26 days of the fiscal 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

and council chairman Patrick Lekota discussed the matter afterwards and Lekota undertook to arrange a special sitting of the council this month.

This was essential to prevent a "breakdown in government", Lekota said. Manuel said the finance ministry "wanted to avoid a situation where the budget for fiscal years 1997/98 and 1998/99 are simultaneously debated. However, in the light of the present circumstances, we will have to proceed with the matter as it stands."

During the sitting Lekota overrode a proposal by ANC chief whip Henry Makgothi that the house vote on the matter. This would have allowed the ANC to assert its numerical dominance. Instead Lekota made a ruling from the chair, arguing that it was the responsibility of the presiding officer to decide whether the conditions existed for a well-informed debate to take place to produce a competent decision.

Lekota denied his decisions were confrontational with the executive. He emphasised that his role as council chairman was to ensure the proper functioning of the institution in the in-

Continued on Page 2

Finance

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Continued from Page 1

terests of voters and as such his decisions could not be bound by political party positions.

The ministers of education, justice, correctional services (minister Sipo Mzimela has been hospitalised), constitutional affairs and housing knew well in advance that they had an obligation to attend this week's plenary session, Lekota said.

Responding to accusations that he was frustrating the process of government, he said the problems were not new and he had to make sure things were done correctly.

Later Manuel said he believed Lekota's ruling to postpone the sitting was not in accordance with parliamentary convention as last year the council did not discuss line by line appropriations in the national budget. Instead

it 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 issue 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 which 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

Is set to fix the

Urban strategy 'needs balance'

Deborah Fine

BD 6/3/98

(262)

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 Olver 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 effect local authorities' future economic prospects, it said.

Olver 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

(262) BD 6/3/98
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 system in a responsible and scientific manner," Uys said. — Sapa.

Lekota slams missing ministers for snub

JOVIAL RANTAO

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 Valli 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 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 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

(262) CT 6/3/98

National Council of Provinces refuses to approve minister's adjustments appropriations

Manuel runs into Budget crisis

(263) CT(BR)6/3/98

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — A week before delivering his 1998-99 Budget, Trevor Manuel, the finance minister, ran into a constitutional crisis yesterday reflecting growing tensions over finances and policy between national and provincial governments and the executive

But Manuel, who stormed out of the National Council of Provinces (NCOP) yesterday after the council refused to approve his adjustments appropriations for the 1997-98 Budget, said this would not affect next week's Budget

But he said he would have to take "serious counsel" as to how to ensure that the NCOP passed the appropriations before the end of March, the end of this financial year

Patrick Lekota, the chairman, had ruled that the council would not vote on the appropriations until the five Cabinet ministers invited (constitutional development, correctional services, education, housing and justice) were present to answer questions on the additional sums being requested in 1997-98

Manuel tried to object on the grounds that "there is no convention in the National Council of Provinces in respect of appropriations at national level" and it

need not debate the national Budget on a line-by-line basis

But NCOP delegates of all parties were firm about the fact that, in terms of the constitution and the rules of parliament, it was their right to summon the ministers to answer questions about their particular votes

The appropriations include an additional R1,5 billion for cash-strapped provinces Manuel said that while most provinces were managing to live within their means, some were struggling because of deeply rooted structural problems The Eastern Cape and Kwazulu Natal were the only provinces to have applied for additional funds for 1997-98

The impasse brought to a head growing dissatisfaction in the NCOP about "being regarded as a rubber stamp" and the fact that ministers had not attended question time twice this week Manuel's office later issued a statement saying that "the turn of events this morning was most unfortunate, since he was in a position to answer questions on behalf of his Cabinet colleagues in respect of the adjustments estimate"

Manuel had discussed the issue with Lekota, who had given an undertaking to arrange a further sitting of the council before the end of March, despite the fact that none was scheduled Lekota

is to take up the issue with President Mandela

"The ministry would have wanted to avoid a situation where the Budget for fiscal years 1997-98 and 1998-99 are simultaneously debated," the finance department's statement said "However, in light of present circumstances we must proceed with the matter as it stands"

Lekota later told a press conference that Manuel had been "extremely and understandably disturbed" that the bill had not been passed, "but the constitution and the rules of parliament had been violated I felt the need to insist that this does not happen again"

He said he would try to schedule another sitting of the NCOP before the end of the month as failure to do so "could lead to the breakdown of government"

Lawrence Schlemmer, a political analyst, said the incident reflected a convention in parliament that was "midway to becoming a crisis" Although it was clear that ministers were busy and could not spend long periods of time sitting in parliament just in case they were asked a question, parliament was increasingly concerned that it was being used as a rubber stamp by the executive.

□ Business Watch, Page 14



ADAMANT Patrick 'Terror' Lekota blocked the furious finance minister
PHOTO ANDREW BROWN

'Terror' stalks the Cabinet (262)

Star 6/3/98

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

By JOVIAL RANTAO
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 Zuma, Education Minister Sibusiso Bengu, Telecommunications and Broadcasting Minister Jay Naidoo, Provincial Affairs and Constitutional Development Minister Mohammed Valli Moosa, Environmental Affairs and Tourism Minister Pallo Jordan, Housing Minister Sankie Mthembu-Maharyele and Welfare Minister C. A. Udine Fraser Moleketi, all of the ANC, and Correctional Services Minister Sipo Mzimela and Arts, Culture, Science and Technology Minister Lionel Mtshali, 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.

I can't give it

provinces a louder voice

ARG 7/8/98

Move comes after 'slap in face'

ELINE SAWYER
POLITICAL CORRESPONDENT

A year and a month into its existence, the National Council of Provinces (NCOP) is still struggling for recognition and a meaningful role.

Now, a new initiative is underway to ensure the NCOP does its job giving provinces a direct say in law-making at national level.

Attempts to prove the worth of Parliament's second house come not a moment too soon.

This week, the NCOP received a resounding slap in the face when it held its first session this year of questions to ministers, and not a single member of the executive turned up.

James Selfe, Democratic Party delegate from the Western Cape, described the ministers' absence as "appalling", particularly because at least two of the absentees had attended instead an African National Congress national working committee meeting in Gauteng.

Mr Selfe's annoyance echoed the anger and disappointment of other opposition parties.

NCOP chairperson Patrick Lekota told chief whip Henry Makgohi to ensure that the nine absent ministers offered written explanations for their absence.

But this was not the only hiccup in the chamber this week.

A decision by the NCOP's committee on agriculture, on the first levy requested in terms of the new Marketing of Agricultural Products Act, had to be postponed because several provinces failed to submit mandates. So, why do the troubles of a cham-

ber of Parliament which has failed to get out of the shadow of its larger, louder sibling, the National Assembly, matter?

Keeping a second house of Parliament was a hard sell in the 1994/96 constitutional negotiations, reflecting a widespread feeling that the senate was a redundant echo chamber of the National Assembly, with no clear mechanism to protect the interests of the provinces.

The NCOP and its elaborate procedures of referring draft laws to provinces was crafted precisely to make up for the perceived shortcomings of the senate.

Ironically, one suggestion for making the NCOP more effective will mean reviving one of the now-defunct senate's special committees.

The select committee on liaison with provinces (Scolp) was widely seen as a senate success story for its role in touring the provinces and producing reports on issues from education to welfare.

A meeting of NCOP whips from all parties recently agreed to revive Scolp, but the move has run into controversy, with some provinces querying the need for the return of the committee.

In a debate on Tuesday, Ray Radue, a National Party delegate from the Eastern Cape, urged the NCOP to press ahead with plans to restart the committee.

Among other things, bringing back the committee would ensure that permanent members of the NCOP remained well briefed on challenges facing provincial legislatures. An important objective of a new Scolp would be to gather and impart

(26a)

information about provincial administrations, without infringing on the constitutional integrity of provinces.

Mr Radue's urgings were not universally welcomed, however.

Mohamed Surty, an ANC delegate from North West province, said Mr Radue's motion should be referred to the provinces for discussion.

Mr Radue said any attempt to query the existence of the reborn Scolp would contravene the NCOP's constitutional right to establish its own committees.

Just such a query came from the Speaker of the legislature in Mr Radue's own province, who sent him a letter advising that the Eastern Cape legislature was against the revival of Scolp and warning him that he should "consider the consequences of acting against the will of your principal."

It was not the first such clash, and a committee visit to the province two weeks ago was cancelled because of a lack of communication.

Mr Surty said it was "ironic" that Mr Radue's motion, tabled in the name of the NP, dealt with communication with the provinces, but had not been circulated to those very same provinces.

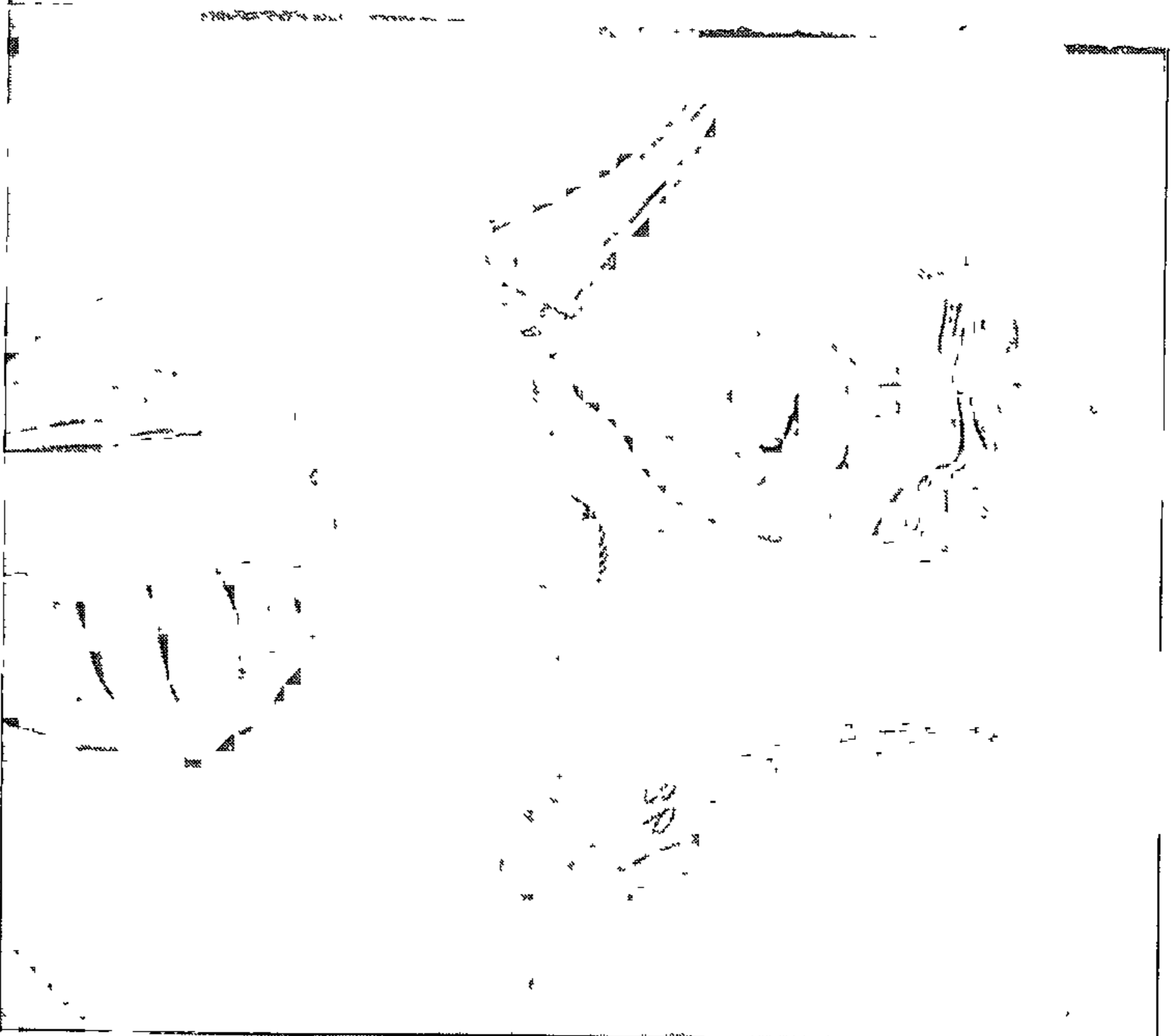
A proper debate was needed on the future of Scolp, said Mr Surty, who argued its composition should not be the same as in the past.

Mr Selfe said the relationship between the provinces and the Government was a complicated one in which provinces resented interference in their affairs.

A revived Scolp would not work unless provinces supported the concept, said Mr Selfe.



Leader National Council of Provinces' chairperson Patrick Lekota. More than a year into its existence, the NCOP is struggling for recognition



Trick 'Terror' Lekota intends asking President Nelson Mandela to intervene

Non-attenders

Come Under fire

BY CHIARA CARTER

OPPOSITION parties joined National Council of Provinces (NCOP) chairman Patrick "Terror" Lekota in sharp criticism of non-attendance of cabinet ministers at the NCOP plenary twice this week.

They said members of the executive did not have a good attitude towards the NCOP as a fully-fledged House in Parliament.

The Freedom Front even suggested absentee ministers be fined to ensure compliance.

No-show ministers got Lekota in a froth this week when they failed to turn up for questions on Tuesday and then did not attend when questions were to be answered and the NCOP intended discussing voting additional money to their departments earlier this week.

Lekota turned down an offer from Finance Minister Trevor Manuel to answer questions about the Adjustment Appropriation Bill on five colleagues' behalf and postponed the debate.

Lekota later said he intended asking President Nelson Mandela to intervene.

The missing ministers had a range of excuses for not attending the NCOP.

Earlier in the week several of the ministers were at an intergovernmental ministers' meeting in Pretoria.

- Health Minister Nkosazana Zuma and Constitutional Affairs Minister Vuli Moolahane were in Umtata meeting with traditional leaders at President Mandela's request
- Correctional Services Minister Sipho Mzimela was

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having medical tests

- Palle Jordan, Minister of Environmental Affairs and Tourism, apologised that he was abroad. However, a spokesperson said on the day in question, Jordan was at a meeting in Pretoria.
- Welfare Minister Geraldine Fraser-Moleketi was abroad.

Justice Minister Dullah Omar was in Pretoria at an intergovernmental ministers' meeting earlier in the week and then went to a Sadec meeting in Durban.

- Arts, Culture, Science and Technology Minister Lionel Mtshali was at the ministerial meeting in Pretoria.
- Home Affairs Minister Mangosuthu Buthelezi had requested a postponement in answering questions because the matters were still under discussion.
- Mineral and Energy Affairs Minister Pennell Maduna sent his deputy, Susan Shabangu to answer on his behalf.

Housing Minister Sankie Mthembu-Mahanyele was at meetings in Pretoria.

Education Minister Sibusiso Bengu was not present in Lekota, who faced a similar no-show during question time earlier in the week, intends asking President Nelson Mandela to intervene.

Meanwhile, Finance Minister Trevor Manuel, whose offer to speak on the missing colleagues' behalf was turned down by Lekota, will have to present the new year's budget in the House of Assembly this week with his appropriation budget which approves additional spending on last year's budget not passed by the NCOP.

Why we need provincial governments

IF CURRENT trends persist, people in provincial government may soon need to appear in public with paper bags over their heads.

Not only do some government officials see the provinces as a problem, the media and public opinion seem to hold an equally dim view.

Some voices have begun questioning whether they should exist.

The evidence against them seems overwhelming. They are the soft underbelly of national government's attempt to reduce the deficit, since they tend to overspend. Many civil servants who believe the public owes them a living seem to abound in some provinces. Their legislatures, whose members were elected by voters who presumably expected them to pass laws, rarely do so.

So why have provinces? Why not, as some in the media and the PAC argue, consign them to the wastebasket as expensive luxuries? The answer depends on why we think we have provinces.

Much of the discussion seems to see them largely as management tools - they are judged on whether they deliver goods to citizens and run the government machine adequately.

If we take that view, we might conclude that they harm more than they help. One analyst claims that, in the Northern Province, the only reasonably effective service is delivered by a national department, Water Affairs.

It may be cheaper and easier to hand over all services to national government. But this is not why elected provincial governments

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

management, writes Steven Friedman

were established they were meant to be vehicles for democracy, not for management.

There are several reasons why democracy may need elected provincial governments. First, provinces are necessary if citizens have regional identities or interests as well as national ones.

If people in part of the country identify with that area and if its problems and circumstances need special attention, voters need to elect regional governments to voice those issues.

In theory, regional differences can be dealt with by MPs in one national parliament. But a single law-making body is far less likely to adopt specific approaches for different regions.

Whether we have provinces or not, we will have regional administrations, responsible for performing government functions in what are now the provinces.

If they are to be held to account, elected government in the region where they work is more likely to do this than ministers and MPs in the national parliament operating by remote control.

Provincial government can provide a useful counter-balance to the national variety. If politicians of the national governing party have a power base in the regions, and they act independently to

pursue the concerns of regional voters, a new check is added to the system which may make it easier for citizens to be heard.

Provinces (and local government) provide parties and minority voters with a stake in the system if they cannot win a majority at the national level but can do so in a province. They are not relegated simply to criticising the governing party; they can try to put some of their ideas into practice in a region.

The last two points hold particular weight in our political system, where one party is likely to win the next few elections.

On the first point in India, where the Congress Party governed for decades after independence, some states controlled by it often provided an important vehicle for citizens since their governments could adopt independent positions on issues of provincial interest and so hold national government to account in a context where the opposition was too weak to do so.

On the second citizens in the Western Cape and KwaZulu-Natal are far more likely to feel committed to the political system if their province is governed by the regional majority party.

None of this means that provinces should not be properly 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

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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, since most decisions are taken elsewhere and their role is largely reduced to deciding how their provinces are 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 lies rather in the political weakness of provincial legislatures and in 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 voter needs.

But what about delivery problems? Surely citizens should not forego pensions or schooling for an experiment in democracy?

There are two answers. The first is that, if provinces do suffer from capacity problems which central government can help sort out, and can be offered in ways which do not undermine the provinces' elected representatives, scope to take decisions.

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 wish to be 'saved', it is not national government's job to 'save' them.

The provinces are vehicles to give us a voice, not conveyor belts in a governance factory.

"If we believe we need that voice, the issue is not whether provinces should survive, but how to make them work."

Steven Friedman is director of the Centre for Policy Studies

Lekota unaware of meeting which 'resolved' NCCOP impasse

Vuyo Mvoko

CAPE TOWN — Conflicting views were sent yesterday on the impasse triggered last week when National Council of Provinces (NCCOP) chairman Terror Lekota refused to allow a debate on the Adjustments Appropriation Bill because of absent cabinet ministers.

Sports Minister Steve Tshwete said that after hours of deliberation a senior level government meeting yesterday

finally "resolved" the issue.

However, Lekota denied any knowledge of the meeting, saying he had been at the Cape Argus Pick'n Pay Cycle Tour all day and then went home.

Tshwete, when asked how the issue had been resolved, said he would release a statement today.

Lekota last week did not allow the debate after the ministers of education, justice, correctional services, constitutional affairs and housing did not

attend an NCCOP session where they were scheduled to answer questions.

Finance minister Trevor Manuel was prepared to answer questions of behalf of the ministers, but Lekota would not budge.

Manuel expressed concern that a delay in passing the bill, which authorises additional government expenditure for the remainder of the fiscal year, would lead to the expenditures being regarded as unauthorised by the

auditor-general.

Tshwete said yesterday's meeting was attended by himself, speaker Frene Ginwala, deputy speaker Baleka Kgositse, NCCOP deputy chairman Bulelani Ngcuka and Constitutional Development Minister Valli Moosa.

Moosa met Lekota on Saturday but, apparently, could not resolve the matter. His spokesman, Onkgopotse J.J. Tshane, who would not confirm such a meeting, said yesterday Moosa found

that although the issue was "sensitive", it did not constitute a "constitutional crisis" and would not affect the budget process as speculated. Moosa, felt the matter had more to do with "scheduling, administration and coordination" than the constitution.

The matter then became Tshwete's responsibility as Parliament's leader of government business.

Comment: Page 11

on bill

'Local govt white paper was consultative'

Deborah Fine

THE extent of the interactive consultation carried out in the development of the local government white paper had made it one of SA's most widely discussed policy documents, Chippy Oliver, the constitutional affairs department's local government deputy director-general said yesterday.

The white paper will be launched in Cape Town this afternoon and is eagerly awaited by opposition parties and local authorities anxious to see whether or not single-tier models of local governance, popularly known as "megacities", will be recommended as the most appropriate form of metropolitan government for large urban areas.

Oliver was responding to remarks by Centre for Development and Enterprise executive director Ann Bernstein, who claimed that the process of consultation leading up to the white paper had been "absurdly rushed and unsatisfactory", leading to questions about the sincerity of the process.

Oliver said preparation of the paper had taken place over an 18-month period. Ten thousand copies of an initial discussion document were distributed for comment to SA's 830 municipalities, as well as to provincial and national government, provincial legislatures and civil society bodies including the business sector, labour, political parties and nongovernmental organisations. In response, 175 submissions were re-

ceived, leading to extensive research, seminars and other interactive processes examining both SA and international local government experiences.

The research culminated in the distribution of more than 30 000 copies of the local government green paper which was, in addition, printed in the Government Gazette, placed on the Internet and advertised to facilitate wide-spread public comment. The green paper stimulated 299 responses from various sectors.

The options contained in the green paper were subjected to public debate through public hearings arranged by Parliament's portfolio committee on constitutional affairs and numerous provincial workshops.

Special workshops were also held with rural municipalities, business, labour and traditional leaders.

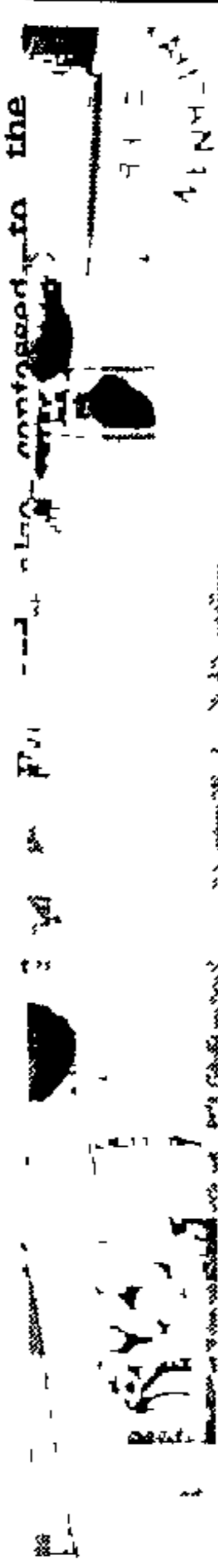
The pinnacle of the consultative process was the national white paper summit in December last year attended by 1 300 delegates from all tiers of government and various sectors of society.

The white paper was then drafted and presented to key ministers from all nine provinces for approval before it was finally submitted to cabinet for consideration.

Cabinet had requested amendments which were effected before the document was finally approved. In light of this lengthy and extensive process, Oliver dismissed Bernstein's criticisms as "nonsense".

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The people's voice in local government

DEEVEY HOLCOMB

Who had a say in the future of local government?

THE White Paper on Local Government, released today by the Department of Constitutional Development, is the culmination of one of the most ambitious of attempts to develop post-apartheid legislation in a truly consultative manner. Whether the DCD succeeded in this mission depends on who one asks: the truth will only be known in a few years' time when the legislation is implemented.

The DCD first issued a discussion document last May. They asked municipalities to complete a SWOT analysis (strengths-weaknesses-opportunities-threats) and other local government stakeholders to comment on its contents. On the basis of these analyses and comments, as well as independent research findings, the department released a green paper in October. This outlined potential options before policy was presented in the white paper.

The components of the white paper

will be drafted into national legislation that will take local government out of the current transition period. Provinces, through their own legislative processes, will then replace old ordinances based on the national framework.

Some of the key (and controversial) issues that emerged throughout the process were the financial viability of local government, particularly in rural areas, the number of councillors and councils, the role of traditional leadership and local government, the representation of women in local government, and the structure of local authorities in the future.

Most notably, it has become apparent that a "single city" form of local government will be proposed for all metropolitan areas as opposed to the current "two-tiered" structure. The white paper also proposes abolishing representative rural councils that have no administrative or executive powers and amalgamating them with stronger town councils.

All of these issues have different stakeholders and the DCD spent R2-million trying to reach them. Yet indications are that the task proved too much. Who did the department reach and whose opin-

ions and needs does the white paper reflect?

It seems that the department only managed to reach those who were already within circles of influence and decision-making. Parliament and its relevant departments and the large NGOs and institutions often located in the metropolitan centres of the country. At provincial and local government level, the process did not get much beyond provincial departments or large municipalities.

The media coverage given to the metropolitan local government debate also deflected debate and attention away from local government issues in rural areas.

The DCD asked for SWOT analyses from every municipality but discussion documents were distributed via district and metropolitan councils — the small rural councils did not see the document. As a result, the department received less than 300 responses.

The public hearings after the green paper was drafted were held in Cape Town within two weeks of it being released. No funds were available to assist those affected to attend the hearings. The

hearing on metropolitan local government had by far the biggest attendance but mainly from NGOs and municipalities in metropolitan areas.

Another question is whether government departments talk to one another while developing legislation? In this case there seemed to be a lack of co-ordination between the DCD and the Department of Finance. The green paper called for discussion on two ways that the amount of money given to local government from national coffers (known as the "equitable share") would be determined. Yet the Intergovernmental Fiscal Relations Act, passed a month later, already decides the procedures by which that share will be determined.

Even more worrying is the lack of access that ordinary citizens — those ultimately affected — had to a process that will affect them into the next millennium. It is they who will ultimately judge the government of the day if this process does not lead to visible improvement in their lives, communities and regions.

● Holcomb writes for Idasa's Local Government Information Centre

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White paper will revamp local government

(262) Star 9/3/98
By HOPEWELL RADEBE
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 Olver 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," Olver said

Since a thorough consultation process was done on the green paper, Olver said it was unlikely the

portfolio committees would repeat the process of conducting public hearings to a similar magnitude

There were at least 290 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," Olver 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 and 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

'No act of defiance by ministers'

Vuyo Mvoko

CAPE TOWN — The standoff between National Council of Provinces 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 Frene Ginwala, deputy speaker Baleka Kgositsile, 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 Sibusiso Bengu, Justice Minister Dullah Omar, Constitutional Affairs Minister Valli Moosa and Housing Minister Sankie 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 Sipo Mzimela 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

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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 co-ordination" 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 bodies are able to fulfil their constitutional obligations and responsibilities."

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

Wheat levy not welcomed by all parties

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

DD 10/3/98
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. Piet Gous, 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.

The suspicion surrounding the principle of levies was 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.

Paper recommends both single and two-tier municipalities for cities

Deborah Fine

THE LOCAL government white paper recommends both single-tier and two-tier municipalities as models for urban areas, putting an end to speculation that a single, uniform "megacity" model will be imposed on major cities.

The paper was launched in Cape Town last night by Provincial Affairs and Constitutional Development Minister Valli Moosa.

The inclusion of the two-tier model is a departure from initial drafts which

recommended a single-tier model, known as a megacity, as the sole and most appropriate model for densely populated urban areas.

The single-tier model consists of a single metropolitan council governing a city and exercising the complete range of legislative, executive and administrative municipal powers.

Ward committees headed by elected ward councillors would act as communication channels between communities and the council. The committees could advise on local policies and could

be consulted on specific issues.

The two-tier model consists of a central, metropolitan council which could decentralise advisory, supervisory and decision-making powers to metropolitan substructures where this would facilitate efficient, equitable governance and service delivery.

The substructures would consist of ward councillors elected in wards falling under the substructure and metropolitan council members allocated to serve on each substructure. While opposition parties are expected

to welcome the two-tier option, they could criticise proposals that the approval of budgets, passing of by-laws, imposition of rates, taxes and levies, the raising of loans and land-use planning should not be decentralised.

The white paper stipulates that in-depth studies of SA's six metropolitan areas be conducted this year to determine which model is most suitable for each. It proposes limiting the number of councillors per council to 45 full-time members outside metropolitan areas, and to about 60 in urban areas.

An independent, national demarcation board would slash the present 843 local authorities to about 500 by re-drawing municipal boundaries.

Provision was made for executive mayors to appoint council members to a mayoral cabinet accountable to the council.

The paper opted for the retention of the 40% proportional representation and 60% ward candidature electoral system.

Changes for rural areas: Page 4



White Paper on Local Government

Urban municipalities outside of metropolitan areas may be amalgamated with their rural counterparts, according to proposals in a local government white paper launched by Constitutional Development Minister Valli Moosa in Johannesburg yesterday

Picture ROBERT BOTHA

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
POLITICAL CORRESPONDENT

(262)
AKU 10/3/98

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 out 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'**

NCABA HLOPHE

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, corporatising departments, public-private partnerships and mobilising 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



PROVINCIAL PLAN Mohammed Valli Moosa seeks to redraw the boundaries

The redrawn boundaries would also result in fewer but more dedicated ward councillors 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

principles

"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

CT 10/3/98

(262)

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 let-down — 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 Pierre Uys, says he's "extremely disappointed" at the limited choices apparently contained in the document.

"Don't be bluffed, it's 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 Dhlali, 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 ser-

vices and lower the morale of 31 000 council employees already suffering from "transition fatigue".

At the moment, around 300 councillors represent ratepayers in the CMC, the city of Cape Town, and the Helderberg, Oostenberg, 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 Valli 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

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Municipal employees are not being paid as 100 towns face bankruptcy

By Lee-Ann Alfreds
City Desk

More than 100 municipalities around the country have been forced to suspend paying their employees.

Of the country's 843 local authorities, 135 are facing bankruptcy and many others are in financial trouble. The Star has found

In the Eastern Cape, 84 of

the 94 municipalities are heading for bankruptcy in the Northern Cape, 28 out of 64 are in dire straits, while in Mpumalanga, 10 of the 64 local authorities face bankruptcy.

Thirteen of the Free State's 100 local authorities are in financial crisis, and in the North West, six of the 53 are in trouble. In the Western Cape, 11 of the 136 councils are struggling, while in KwaZulu Natal a "handful" are facing a cash cri-

sis. In Northern Province at least four municipalities are in financial trouble.

Gauteng Development Planning and Local Government MEC Sicelo Shiceka will reveal the financial position of the province's 51 councils today, but Premier Mathole Motsheka has said that about 37% were in a bad state.

All the provinces blamed mismanagement, lack of financial and administration exper-

tise, high levels of non-payment, and people being unable to pay for services as the main causes of the problem.

The cash squeeze has been exacerbated by the Government's stance that it will not bail out local authorities, leaving them to fend for themselves. Instead they have been ordered by national and provincial government to bring in financial controls and intensify credit control procedures (collection

of bankruptcy).

About 400 municipal workers in three Northern Cape councils went unpaid last month because the councils did not have money.

Municipal workers in Warrenton and Port Nolloth were not paid last month, while employees in Ritchie received half their pay. The Deneysville municipality in the Free State also faces the prospect of not being able to pay its 78 employees.

Star 10/3/98 (262)



Local govt moves out of transition

(262)

White paper charts the way, but

Deevy Holcomb asks: Were

smaller stakeholders consulted?

Star 10/3/98

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 R2-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 and needs 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,

who were contracted to produce research for both the green and white papers.) At provincial and local level, it is unclear if information about the white paper process got much beyond provincial departments. For example, The DCD asked for Swot analyses from every municipality. Yet discussion documents were distributed mainly via district councils and metropolitan councils – the smallest rural councils often did not see the document. The department received fewer than 300 responses.

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 Idasa's Local Government Information Centre.*

NEWS NATIONAL

Local govt plan tabled

source: 10/3/98 (2/62)
 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 a 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 multi-party 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".

ANALYSIS

Passing the buck and blaming the provinces

THE assumption behind the worldwide trend of decentralising certain key governmental functions is that subnational (provincial and local) governments can perform certain functions more effectively than central government. However, where these governments do not succeed in doing more with less, given "non-negotiable" fiscal targets, the net effect often is of knocking on budget deficits from central government.

The practice of "passing on" a deficit has some legitimacy if strong subnational governments are already in place and efficiency gains can be made. But we must look at the social consequences if this is not the case. The recent pension crisis in the Eastern Cape is a case in point.

In January the Eastern Cape province failed to pay the social security grants of 632 000 of its pensioners, leaving many without money to buy food, plus a large number of dependants. It was also feared that welfare organisations would have to halt their operations since they depended on the provincial government for up to 60% of their wages.

By the end of January the central government had provided the province with a R801m stay of execution to facilitate social security payments until the beginning of the new financial year in April.

It was disclosed in the same month that the provinces held R2,3bn in overdrafts with First National Bank, the main clients being the Eastern Cape and KwaZulu-Natal. The national Welfare Ministry also reported that KwaZulu-Natal (R411m) and Northern Province (R436m) faced large welfare deficits. What happened?

The popular treatment of provincial overspending is to blame the provinces. The high profile given to provincial mismanagement and lack of capacity makes this a very attractive explanation.

The minister of finance has blamed KwaZulu-Natal and the Eastern Cape's problems on cash flow which would be largely resolved before the end of the financial year.

An investigation of welfare budgeting and actual expenditure in the Eastern Cape clearly shows that the pension crisis was anything but a cash flow crisis and furthermore that it is erroneous to lay the blame for overspending at the door of the Eastern Cape government. Why did it happen?

HIGHLIGHTS

TURNOVER UP
66%

ATTRIBUTABLE PROFITS UP
87%

ADDCORP
HOLDINGS LIMITED
("Adcorp")

AUDITED RESULTS
for the year ended 31 December 1997

Consolidated income statement

Consolidated abridged balance sheet

The 1997/98 fiscal year was the first in which provinces received a lump sum to divide according to their own priorities. In the Eastern Cape 24% of the budget was set aside for welfare services — a shared competence with national government — but this amount has been swallowed up by social security grants, determined nationally. Social security payments made up 88% of the Eastern Cape's 1997/98 welfare budget.

The problems experienced by the Eastern Cape welfare department did not come into being in this financial year (1997/98). For the previous year, when the welfare budget was the domain of the national welfare department, the provincial department submitted an estimate of R3,2bn based on the number of beneficiaries (630 000) at that stage. However, the department only received an allocation of R2,2bn (less than 1995/96). The rise in the number of beneficiaries due to backlogs of the past was also not sufficiently taken into account and an additional amount of only R142m on the original allocation of R2,06bn was allocated for this. The severe underfunding for 1996/97 was thus effected by the national welfare department.

By the end of that financial year the scene was set for a crisis. The increase of 1,7% in provincial spending on welfare in the 1997/98 provincial budget — an adjustment effected by the province — was not sufficient to offset the existing gap between resource allocation and expenditure.

The problems in the current financial year leading up to the November crisis become clearer when we examine transfers to the welfare department from the provincial treasury. Only 58,3% (R1,66bn) of the departmental budget should have been spent by October, but in fact 69,32% (R1,97bn) was spent. The overspending on social security payments alone is almost R396m (14% of the total departmental budget).

Overspending of this scale could be explained in two ways. Either the province did not allocate sufficient funds to the welfare department, or central government's allocation to the

provinces was too low. Variations in the welfare budgets of all the provinces over the past three financial years show that the first hypothesis is probably not valid.

There has not been a decline in the welfare department's share of the total Eastern Cape budget. It actually went up. Its allocation for the current financial year as a proportion of its total budget is the same as in 1996/97, after a steep decline in 1996/97.

The only remaining explanation is that the allocation to the province did not allow it to meet growing social security commitments (in August there was already a backlog of 25 000 new applicants). In the Eastern Cape underfunding also meant the welfare department spent very little on developmental programmes.

The committee report does mention a lack of capacity in financial control, reconciliation procedure, administration and management, but in the light of the massive underfunding of this department, this must be seen as a secondary cause of the pension crisis.

To argue that the province should have planned better for the increased take-up on the national welfare entitlements and increased the welfare budget by even more, also does not hold water.

Furthermore, if the national department (Business Day, March 3 1998) still is clearing up the welfare lists, how can the national sphere expect any province to know how many social security payments it will be making?

Surely if national co-ordination rests with the national department it takes responsibility to see that nationally there is enough money to cover what the department commits the fiscus to?

In SA the reduction of government spending is a central pillar of macroeconomic policy. Given government's hard stance on the growth employment and redistribution (Gear) strategy targets, one could conclude that the creation of viable subnational governments as a long-term strategy has become secondary. But it is exactly because of the way in which the deficit issue has been tackled that the provinces have run into difficulties.

The formulation of Gear should have been accompanied by an extensive programme of provincial capacity-building and public sector reform. On the other hand one can argue that the decentralisation should have taken into account the current macroeconomic environment and apartheid's institutional legacies.

Instead, Gear has become a mere deficit reduction strategy and provincial capacity-building, a prerequisite for doing more with less, is being tackled in an ad hoc manner. Hence the apparent contradiction between Gear and the project of building viable provinces.

The story was compiled by researchers at Iasco's Budget Information Service.

Opposition parties reject 'megacity' local governments

Two-tier system 'best for SA'
(262)
ARG 11/3/98

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

"Forcing down a system, which encompasses substructures subservient 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

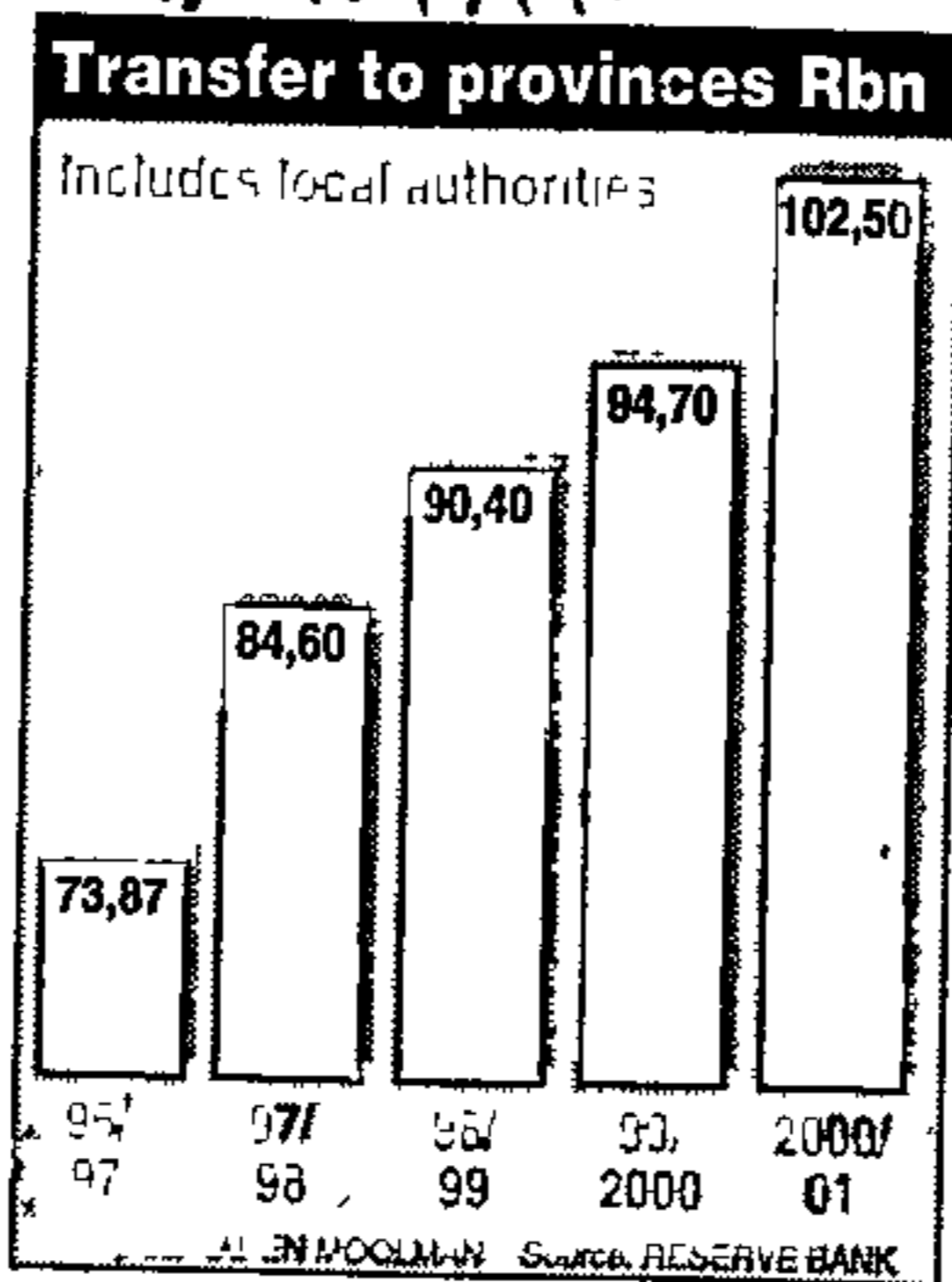
This translates into a real increase of about 2,2%. However, the amounts needed by the provinces to pay for improved conditions of service for their employees have been included in the budgeted amount, as have a number of conditional grants.

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 3% 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 this 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".

Local authorities acknowledged as equal

BUDGET

Deborah Fine

LOCAL government was acknowledged as a government sphere in its own right when it was allocated R1bn as part of its equitable share of nationally raised revenues in yesterday's national budget.

This formed part of the R5,1bn to be transferred to local government in the 1998/99 financial year, excluding agency payments.

It was the first time local government received an allocation in line with the constitution which establishes national, provincial and local

government spheres as equal but interdependent partners, each entitled to a fair share of national revenues to carry out their functions and duties.

The R1bn will be used to fund the operating costs of providing municipal services — especially to the poor, unemployed and indigent — and will be distributed among the 830 local authorities when the 1998/99 municipal financial year begins in July.

The equitable share was expected to increase over the medium term framework to R2,3bn in the 1999/2000 financial year, and to R2,5bn in 2000/01. Local govern-

ment's equitable share was far lower than that awarded to national government and the provinces because local authorities could generate up to 95% of their incomes through property taxes and services charges.

This year's total local government allocation comprises R2,8bn for operating expenditure including R1,1bn in bus subsidies, R130m for settlement of outstanding debts, R419m for urban renewal and R79m in other subsidies from various national government departments.

Capital transfers of R1,3bn including R585m from the constitu-

tional development department for bulk infrastructure, and R716m from the water affairs and forestry ministry for bulk water projects.

The department's local government deputy director-general, Chippy Oliver said the R1,3bn represented a R504m decrease in capital spending compared to 1997/98. But this was primarily because of high rollovers from 1996/97 which had distorted the 1997/98 figure.

Operating transfers increased by about R164m this year. However, this meant that in aggregate, local authorities had received a similar al-

location for last year. He described the equitable share as a "major breakthrough" and a positive move towards "more rational" local government transfers.

Make Madlala, chairman of the Gauteng Association of Local Authorities welcomed the equitable share, but said he was "not 100% happy because it is still not enough".

He said national government had taken other intergovernmental grants into account in their formulations and that this had reduced municipalities' share in the national pie. Local authorities, would contin-

ue to lobby for more money.

Ian Davidson, Democratic Party spokesman in Gauteng, said he was concerned by the decrease in capital spending.

Johan Killian, National Party local government spokesman, warned that local authorities should not view their equitable share as a "bale-out" if they failed to collect revenues owed to them for municipal services.

The finance department said municipal debt amounted to R24,6bn for the quarter ended June last year, a R1,6bn or 7% increase compared to the quarter ending March last year.

GOVERNMENT SPHERE
00 12/12/98 (1997)

Department to assist in AIDS play probe

Dustin Chick

THE health department said yesterday it had contacted the Health special investigations unit, called in to probe a contract between the department and playwright Mbongeni Ngema, to help in finalising the probe into the AIDS play Sarafina 2.

Health department spokesman Vincent Hlongwane said the department had offered to provide any documentation or other information the unit needed to complete its investigation.

The department did not know what the unit expected to uncover and wanted to help in whatever way it could, Hlongwane said.

In April 1996 the health department approached the police to investigate the use of funds by Ngema's production company, Committed Artists.

In late February, President Nelson Mandela officially endorsed the investigating unit, giving it sanction to probe Ngema's contract.

Health department director-general Olive Shisana said her department eagerly awaited the results of the investigation so that a report could be submitted to Parliament.

The department commissioned the play, which cost R14m, to boost AIDS awareness.

Support teams to aid municipalities

Pule Molebeledi

GAUTENG local government MEC Sicele Shiceka yesterday announced the creation of management support teams to aid provincial municipalities lacking in managerial skills and the financial resources to handle their own affairs.

The teams are to be made up of the mayor, the executive committee chairman and one councillor from the affected municipality. They will be supported by management technical support teams headed by independent experts on local government finance. The experts are to be drawn from the private sector.

The provincial government's intervention comes amid reports that of the country's 843 local authorities, 135 were in financial difficulty, with some forced to suspend payment of their employees.

At a press briefing in Johannesburg, Shiceka said he expected a preliminary report at the end of the month, though the team would have six months in which to finish its work.

He said an in-depth investigation

conducted by the provincial government within a national framework, called Project Viability, had found the financial status of many local authorities to be on a proper footing and under control.

The study categorised the status of the authorities under four levels:

- Thirteen local councils were found to have the managerial capacity and financial resources to handle their own affairs and needed only minor instructions from the provincial government;
- Four councils were able to handle their financial resources and their affairs to an acceptable standard, but they required specific, high level instructions from the provincial government;
- Five municipalities were found to be lacking, to a major degree, either the managerial skills or financial resources to handle their own affairs to an acceptable standard; and
- Four municipalities lacked both the managerial skills and the financial resources to handle their own affairs, and would need provincial government or outside assistance.

'Demand management' needed for water

Josey Ballenger

WATER demand management needs to come into greater play to use the scarce resource efficiently and save on capital expenditure, water experts say.

"There is no question we are still being driven by supply-side management. It is a circular argument that we do not know how much we can conserve, so we build more dams and manage supply," said Guy Preston, special adviser to Water Affairs Minister Kader Asmal. "We need to break that cycle."

George Constantinides, Rand Water's demand manager, said at a Sandton conference yesterday that demand management should be seen as an alternative investment. Spending R1bn on retrofitting less efficient appliances and fixing leaky pipes, for example, would

save R3bn in consumption.

Rand Water figures show domestic and network leaks account for 10% and 14% of consumption respectively, and a survey the utility conducted three years ago showed 50% of Sowetan households had plumbing problems, leaking an average 36kl a month.

"We can get significant savings from delaying schemes. We can put that money into other, more important social things," Preston said.

Constantinides said the nation's largest water supplier "definitely believes that we could even drop supply by 40%" and therefore delay Vaal River system projects "by years". Between March 1997 and April this year, the price of water for Rand Water consumers almost doubled to R1,08/kl because of capital investments, including the Lesotho

Sapa reports Shiceka said "proactive measures" had been taken to prevent collapse of the latter four municipalities. They were Brakpan, Bronkhorstspuit, Cullinan and the Vereeniging/Kopanong metropolitan local council.

Shiceka said he had set up management support teams in those councils. There would also be technical support for the teams, headed by experts in local government finance.

Shiceka said all local councils would make it for the financial year ending in June. "We are convinced that all local authorities will be sufficiently liquid to meet basic bills such as essential services and payment of staff."

He called for the establishment of a national transitional fund for local government as some local authorities were dealing with inherited debt not of their own making.

Shiceka allocated R12m last year to bale out struggling local authorities and has indicated he would be providing more money this year to assist those facing a grave situation.

Highlands water project

He said the value of delaying capital investment, particularly in an environment of declining real interest rates, translated into savings. Delaying the next phase of the Lesotho project — the Mohale dam — would mean a "conservative" annual R800m savings, including operating costs, at 6% interest.

However, Preston said the Lesotho project was "water under the bridge" as political considerations had to be taken into account.

The two experts emphasised the need for a "block rate" tariff system that would allow poor consumers to have a "lifeline" supply, normal users to pay marginally more, and upper "luxury" users to swing the cost of future dams.

"You cannot have social justice with a flat rate tariff," Preston said.

SOUND' DISTRIBUTION OF FUNDS

BUDGET '98



Less is more for W Cape

CT 12/3/98

(262) (25)

THE TWO 'rich' provinces are content to subsidise the rest of the country to avert massive immigration from their poorer neighbours. Political Writer **KARIN SCHIMKE** reports

THE Western Cape, like Gauteng, is once again getting less money than it contributes to the national treasury, but provincial Finance and Agriculture MEC Mr Lample Fick said it remained a necessary part of the budgeting process until all provinces were more or less on an equal footing.

According to figures from Fick's office, the province contributed R81,8 billion to the national gross domestic product (GDP), which amounted to 13,2% in 1997/98.

"If we argue that we should get 13,2% of the national revenue, then we should have got R21,4bn. But since it is based on an equality formula, this was of course not possible."

The national treasury is giving the Western Cape a total of R9,492bn to run the province for the 1998/99 financial year.

Of this, R270m comes in the form of a supplementary allocation the province was granted for having a certified and credible budget

Also included in this is a conditional grant for health services of R1,2m which Fick said yesterday was to be used for academic hospitals.

Another R30m is a conditional grant for local government and is money the province will dish out to municipalities. Other smaller conditional grants come to R26m of the total.

Last year's allocation for the Western Cape was R8,779bn, R330m less than this year's.

"It is more than last year, but it is never enough," said Fick.

He praised Finance Minister Mr Trevor Manuel's Budget, saying "As a policy statement one should give him good marks, in excess of 80%. But my major concern is implementation and for that I can give him no more than four out of 10"

'The wisdom behind equitable sharing is sound because it works towards equal opportunity'

The reason for this was that the objectives of jobs, economic growth and redistribution had not been achieved "because of circumstances not created by the Budget, but outside of the Budget as a result of crime and the labour legislation", Fick said.

"We won't get investment if crime continues and the question is 'Is it in the interest of the country to spend money on social issues while you are eroding social surroundings which will inevitably lead to further social uncertainty?'"

Commenting on the fact that the Western Cape and Gauteng keep having to pull their belts tighter in an attempt to give more money to poorer provinces, Fick said "The wisdom behind equitable sharing is quite sound because it works towards equal economic opportunity and it will therefore eliminate the enormous migration of people from poorer provinces."

In the past, Gauteng has also supported this attitude when it has come to budgeting, because of the enormous strain put on the two "rich" provinces by people traversing provincial borders in an attempt to find better health care, education and job opportunities.

The revenue-sharing formula this year represents a break from historical funding patterns. Resources from central government are distributed to ensure the equitable provision of provincial services.

The Western Cape's budget will be delivered by Fick next week. He did not want to pre-empt it by giving away some of the spending possibilities yet, but promised the people of the province that the money would be spent wisely.

Manuel said yesterday in his speech that each province had to determine its own priorities and draw up a budget in accordance with the resources available.

"With these powers come responsibility and accountability. Each province must make sure that it budgets adequately for each of the services that it provides."

In line with this statement, the ANC's provincial spokesperson on

Division of provincial allocations BUDGET 1998

	1997/98	1998/99	Increase	Increase %
Total provincial allocation	R80,805bn	R88,14bn	R7,335bn	9,07%
Western Cape	R8,779bn	R9,492bn (10,7%)	R71,3m	8,12%
Eastern Cape	R13,802bn	R15,016bn (17,1%)	R1,214bn	8,79%
Northern Cape	R1,979bn	R2,064bn (2,3%)	R8,5m	4,29%
Gauteng	R12,932bn	R14,095bn (16,0%)	R1,163bn	8,99%
Mpumalanga	R4,811bn	R5,507bn (6,3%)	R69,6m	14,46%
North West	R6,797bn	R7,216bn (8,2%)	R41,9m	6,16%
Free State	R5,556bn	R6,003bn (6,8%)	R44,7bn	8,04%
KZN	R15,759bn	R17,628bn (20%)	R1,869bn	11,85%
Northern Province	R10,386bn	R11,066bn (11,1%)	R68m	6,54%

Graphic: Matthys Moss • Cape Times

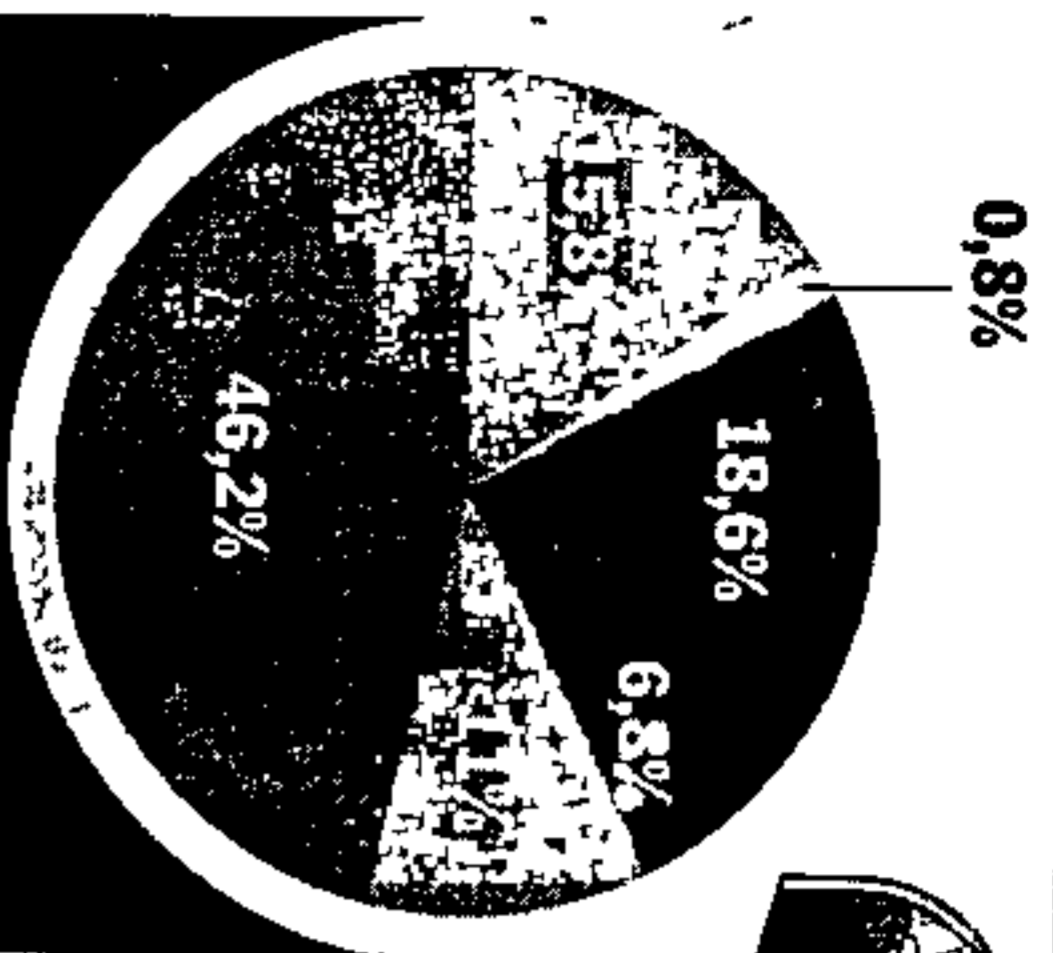
finance Ms Tasneem Essop yesterday said she welcomed the increase in allocation from the national government. However, the chal-

lenge was the province's, to see whether it could reprioritise its spending to put more accent on education.

"It was proposed that R3,2bn be spent on education in the province this year, but we are calling on Fick to increase that to R3,8bn or more,

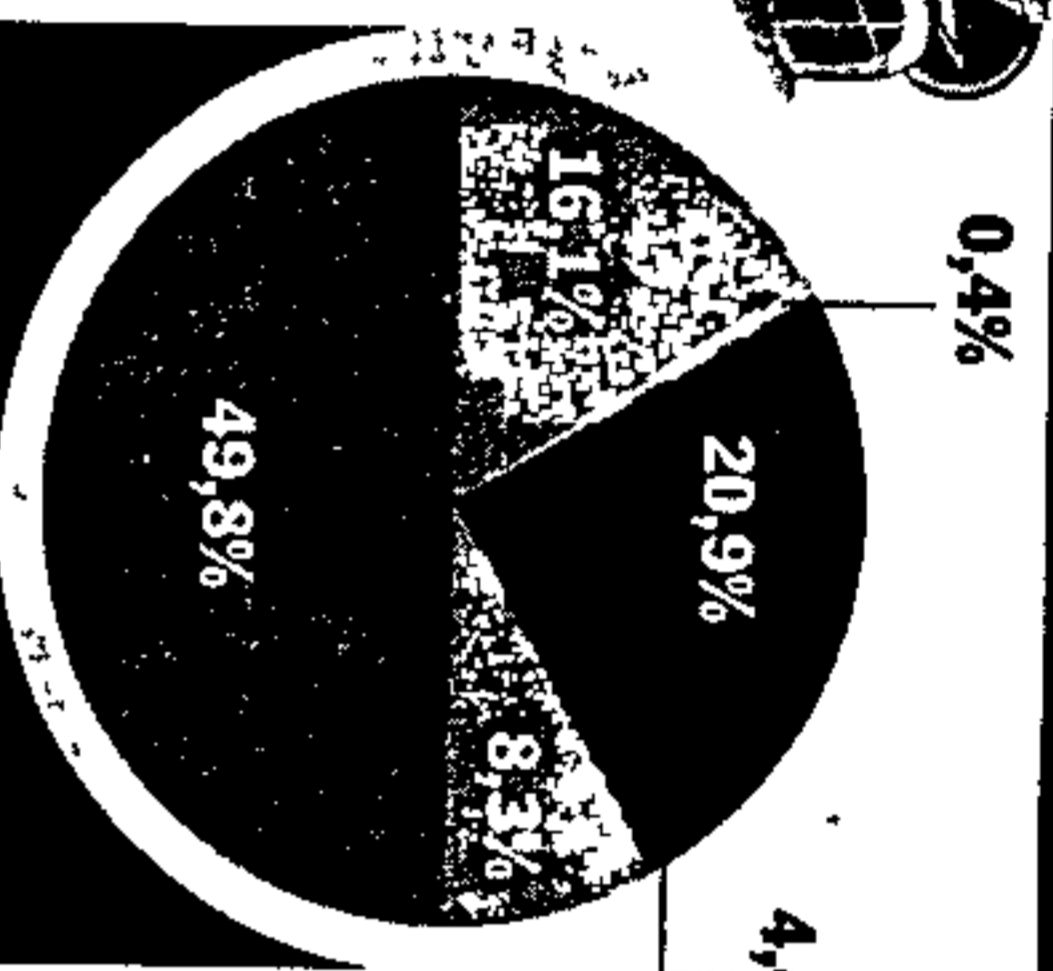
if possible," she said. "R3,8bn is just enough to cover personnel expenditure. We look forward to Fick's budget next week."

BUDGET 1995/96



- Protection services (R 25,1 billion)
- Social services (R 73,9 billion)
- Economic services (R 17,5 billion)
- General admin, other (R 10,8 billion)
- Interest (R 29,5 billion)
- Reserve (R 1,3 billion)

BUDGET 1998/99



- Protection services (R 33,0 billion)
- Social services (R 102,1 billion)
- Economic services (R 17,1 billion)
- General admin, other (R 9,0 billion)
- Interest (R 43,0 billion)
- Reserve (R 1,0 billion)

Provinces get 'equitable share'

ANDRE KOOPMAN
AND KARIN SCHIMKE

WHEN it comes to handing out money, each of the provinces receives what is called a "provincial equitable share", to make sure that money from the national treasury is distributed in a fair way.

This figure is worked out based on the provinces' demographic and economic profiles.

This year, the provinces get R86,14 billion between the nine of them, an increase of about 9% over last year's allocation of R80,805 billion.

On top of that, each receives supplementary allocations for health services, local government and other conditional grants.

The total budgets for each of the provinces — including the additional grants — are

- Eastern Cape R15,616 billion
- Gauteng R14,095 billion
- KwaZulu-Natal R17,628 billion
- Northern Province R11,066 billion
- Western Cape R9,492 billion
- North West R7,216 billion
- Free State R6,003 billion
- Mpumalanga R5,507 billion
- Northern Cape R2,064 billion



TOTAL tax payable by 4 typical households			
TOTAL tax paid	TOTAL tax paid	TOTAL tax paid	TOTAL tax paid
R2 102 (11,7%)	R5 417 (18,1%)	R24 483 (32,6%)	R56 102 (40,1%)
R18 000 p/a	R30 000 p/a	R75 000 p/a	R140 000 p/a

The revenue-sharing formula this year represents a break from historical funding patterns. Resources from the central government are being distributed to ensure the equitable provision of provincial services.

The formula includes specific components to take into account the demand for services such as education, health and welfare. The education component, for instance, reflects the number of school-age children and the number of those actually enrolled.

The welfare component is based on the proportion of the population eligible for social security benefits. Included are elderly people who qualify for a pension or children six years and younger who qualify for the new welfare grant.

Factors considered in determining money allocated to the provinces include

- An increased share of the total population in the Western Cape and Gauteng
- A poverty-related weighting in the social security and basic components of the formula.
- A bias in favour of the school-going population in the education component
- A bias in favour of people without private medical insurance in the health component.
- A weighting in favour of women, children and the elderly in the health and social welfare areas



More powers for local government

Review 12/13/98 (26a)

White paper envisages far-reaching changes

By Ido Lekota and Joshua Raboroko

LOCAL government is the key area of delivery — that is, where the people are, that is where their needs are most urgent and that is the level at which vital services are provided.

At least, that is the theory about the role of local government. But until now this has just been talk. With the new local government structures and national Government policies, it should do much more.

The new structures of local government will be a radical departure from the old system. It will be a new system of local government, one that will be more effective and more efficient.

All the powers that were previously held by the local government will be transferred to the new structures. This will ensure that the local government is able to deliver services more effectively.

The new structures will be more accountable to the people. This will ensure that the local government is able to deliver services more effectively.

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The new structures will be more accountable, efficient, and effective. This will ensure that the local government is able to deliver services more effectively.

In the first system ward committees may have advisory powers, provide a structured channel of communication between local residents and ward councillors, and encourage greater accountability on the part of councillors.

This option means the local government will be more accountable to the people. This will ensure that the local government is able to deliver services more effectively.

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Metropolitan councils are allowed to decentralise functions or create special-purpose bodies according to the needs of the area.

The white paper also proposes to give local government more powers to manage their own affairs. This will ensure that the local government is able to deliver services more effectively.

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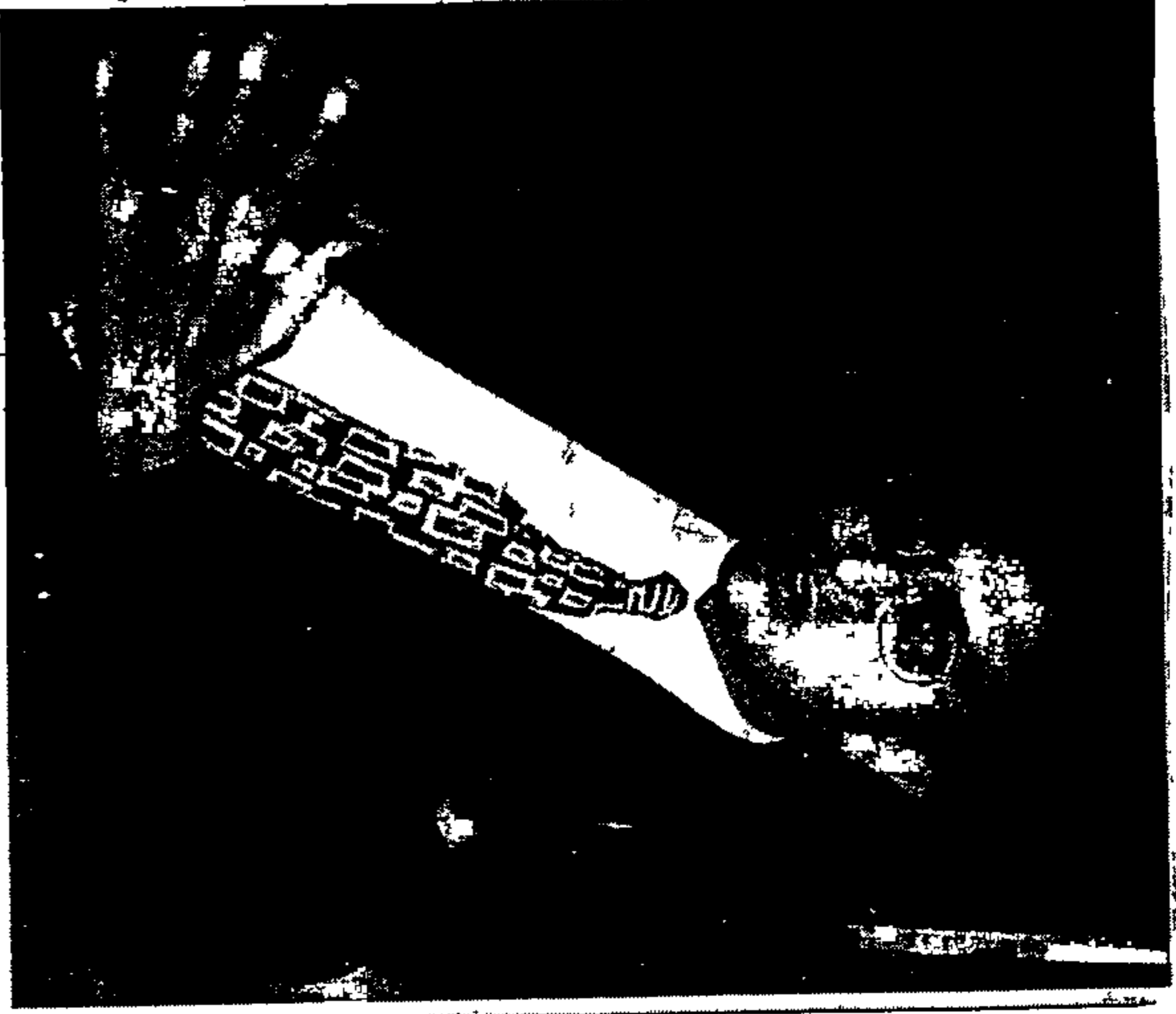
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Minister Vally Moosa

It is a new era for the local government. The white paper envisages a situation where communities outside towns should be linked to the nearest towns in such a way that the provision of services is extended to all communities.

Another feature of the white paper is the provision of services to all communities. This will ensure that the local government is able to deliver services more effectively.

The white paper also takes a hard look at the inefficiencies, fragmented

services, and the need for a more integrated approach to service delivery. This will ensure that the local government is able to deliver services more effectively.

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(262) *Bowman* 12/3/98

'Give provinces more power'

By **Kalzer Nyatumba**

SOUTH AFRICA's experimentation with federalism appears to be in trouble, as those who were opposed in the first place to our limited devolution of power to centres closer to the people began to ask more and more loudly if the country actually needs nine provinces and whether we can afford them.

These are legitimate questions that should be taken seriously. After all, some of the provinces have not exactly distinguished themselves as shining examples of efficiency.

There are those which have provided sheltered employment to people to whom, as President Nelson Mandela said when he opened the fourth session of Parliament last month, the meaning of the words "public service" is foreign.

There are those who have seen themselves as bosses of the very public they are employed to serve rather than as its servants.

You know the kind they arrive at work at 8.15am rather than at 8am, spend their first 30 minutes or so at work sipping tea and coffee and sharing gossip, routinely extend their lunch hour by a few minutes and, although supposed to knock off at 4.30pm, by 4.10pm they are already getting ready to leave and no longer answer the telephone.

And then there are those who belong in prison rather than in the public service, those who are so corrupt they have done a good job of giving the African National Congress-led Government a bad name both at home and abroad.

The truth, however, is that such individuals are to be found not only in the provincial governments, but also in Pretoria and Cape Town where they work for the national Government.

The other truth is that although there may be more such individuals in the civil service, some of them are to be found in the private sector, which often self-righteously points an accusing finger at the Government.

The other even more important truth, of course, is that by far the majority of those employed in the public service at provincial and national levels are probably decent, hard-working and law-abiding people, some of whom are underpaid.

A unitary system fails to acknowledge differences

But these are not things that those who have their knives out for the provinces are interested in. Instead, they argue that these provinces are a huge drain on the country's lean resources, that they spawn unnecessary bureaucracies and they are difficult to maintain.

With attitudes hardening against provinces in some political quarters almost by the day, it is perhaps not surprising that the National Council of Provinces (NCOP), which represents provinces' interests, appears to be treated with such disdain by some in the ruling party.

Ministers failed

Not for the first time, for instance, a number of ministers simply failed to turn up at the NCOP last week for debates affecting their ministries.

It is not surprising, therefore, that there have been some well-meaning voices which have argued that the country does not, in fact, need the provinces, and that these should be scrapped as a matter of urgency.

They argue that a country as poor as ours (just take a look at the state of our education and health systems today if you don't believe we are indeed an indig-

ent country) cannot afford an executive president, a deputy president, nine premiers and 10 ministers of just about everything, ranging from education, health, safety and security through to finance, transport and housing.

Again, these are valid concerns not to be dismissed lightly. Were the country ruled only directly from Pretoria, for instance, the huge provincial bureaucracies we have now would probably exist on a much smaller scale as administrative entities, and there would certainly not be so many ministers.

However, these arguments conveniently ignore the fact that there is, in fact, much to be said for devolution of power to the level of government closest to the people.

A federal system offers a better opportunity of acknowledging the country's regional diversity. The truth may not be palatable to some, but it is a fact that almost each of our provinces has its own individual character.

KwaZulu-Natal, for instance, is different from Western Cape, which is different from Gauteng, which is different from Northern Province, which is different from Northern Cape, which is different from Eastern Cape.

Our provincial governments offer an opportunity to manage these differences positively, taking regional variations into consideration. Perhaps, more importantly, the provinces create legitimate alternative sources of power in addition to the national Government.

The possibility exists, therefore, for a largely provincial party which might never win a national election to call the shots in its province, as is the case in KwaZulu-Natal and Western Cape at the moment.

It follows that such a system is more democratic than a unitarian, winner-takes-all system such as that which existed in white politics under the National Party.

The problem, therefore, is not with the provinces *per se*. Instead, the problem is that our provinces do not enjoy sufficient powers to rule effectively and give effect to their citizens' wishes.

Otherwise, we find ourselves in the odd situation where we have highly paid ministers who are no more than glorified prefects, and an NCOP that is slowly being turned into a toy telephone.

(The writer is the Editor of *The Saturday Paper, Durban.*)



Tough measures are needed for councils and ratepayers

(26a)

The current system of local government is failing ordinary South Africans, writes Crispian Olver, deputy director-general of the constitutional affairs department. He looks at what the white paper on local government, released this week, offers the future system

BD 13/2/98

THROUGH the consultative process, we have had the privilege to meet and interact with people from all walks of life in SA. What interests them is not grandiose schemes, from government, or complicated institutional models that appeal to politicians and officials, but real improvements in their local services and development in their areas that benefits the quality of their lives.

Our analysis of the current system of local government has revealed some stark realities. Local democracy is not a reality for most South Africans. Many councillors are not accessible. People feel distant from their municipalities, and very few understand the choices made in their municipal budgets. Apartheid and the absence of democracy broke the crucial link that makes residents feel part of local governance and, on the whole, we have not been able to repair it.

That is why one of the central themes of the white paper is the rebuilding of local democracy.

Politically, the white paper sets out to bring councillors closer to the people. We propose ward committees, which are subcommittees

of councils involving community representatives. The committees will bring local stakeholders closer to the business of local government, and assist the ward councillor to deal with community issues more effectively.

Similarly metropolitan areas with substructures would have ward councillors that represent the interests of ward residents at substructure and metropolitan level. Residents will not have to deal with different councillors in addressing ward issues. They can rely on their ward councillor to fight for their rightful budget allocations at metro level, while securing proper administration of services or amenities at substructure level.

We propose more dedicated, and even fulltime, councillors. We propose, too, giving local residents ways of measuring the performance of their councils. Local government will develop a set of performance indicators, measuring different aspects of the functioning of a municipality, and allowing residents to compare their area with other parts of the country on a yearly basis.

Through local integrated devel-

opment plans residents can interact directly with the strategies their councils are developing, and make input into key decisions affecting their local areas.

People want better services and responsive government that listens to them and deals with their complaints. They want the massive inequities of the past systematically addressed, and they want to see their communities progressively develop into decent environments able to meet their educational, occupational and recreational needs.

The concept of developmental local government — a logical extension of the constitution's imperative for broadening the social and economic development functions of municipalities — is path breaking.

It means that municipalities are much more than mere buyers and sellers of services such as water, sanitation, refuse collection and electricity. Indeed many of these engineering services are better provided by special purpose bodies or public/private partnerships. Thus would free municipalities to focus on integrating the activities of different service

providers, including other government departments, to ensure a sustainable and holistic package of development for local residents.

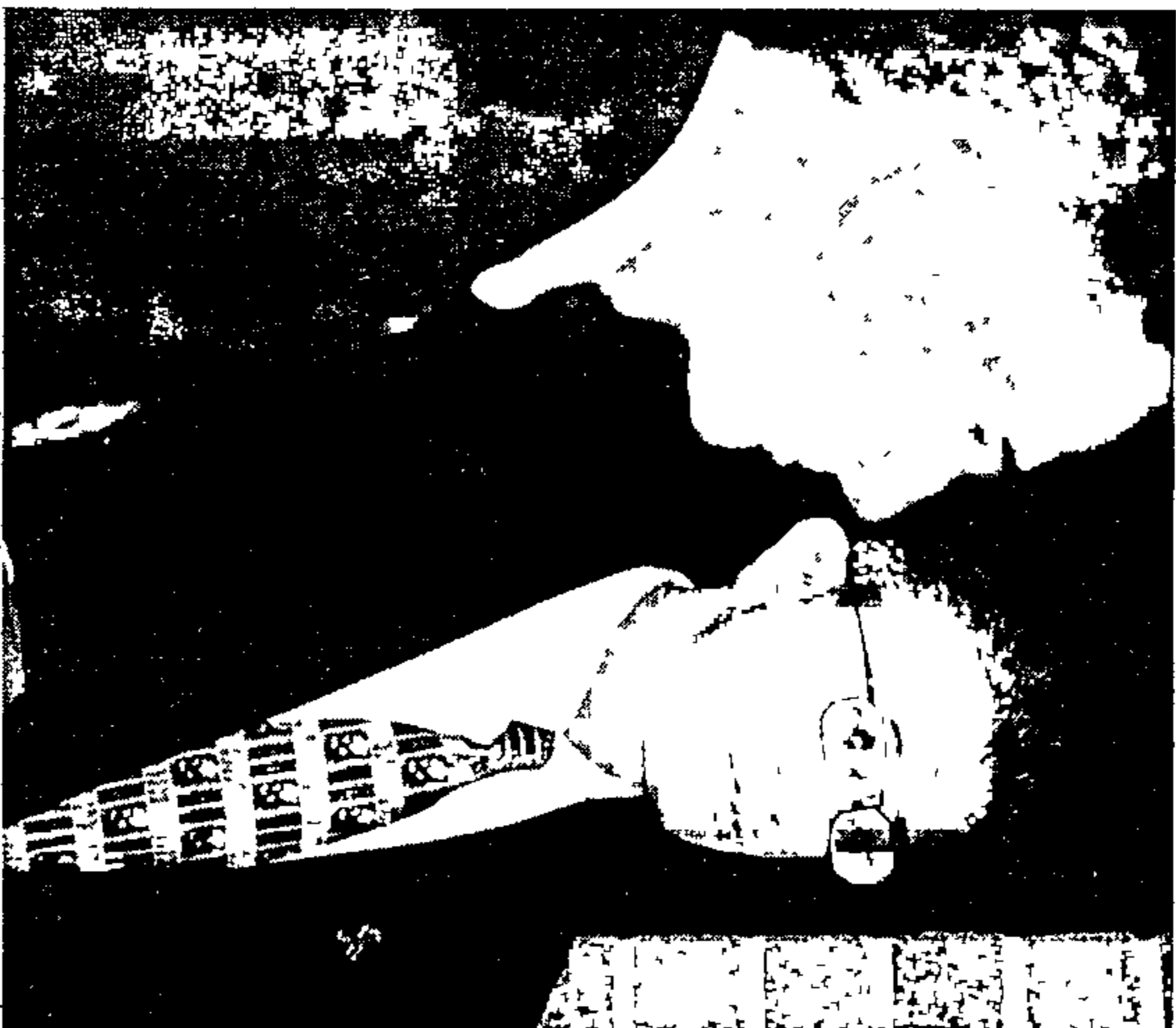
To do this we need simple and effective government structures that are customer oriented, responsive and accountable, and which give ratepayers value for their money.

We have also proposed measures to make municipal finances more transparent. These include better accounting practices, proper reporting on municipal finances, more people-friendly budgets.

The object is not only to give residents a better insight into what their money is spent on, but to enable investors to more easily appraise risk, and hence lend money to municipalities.

These changes are linked to some tough measures. Where municipalities fail to improve service efficiency, they will be forced to bring greater competition into the service delivery process. Where corruption and financial mismanagement occur they will be dealt with swiftly, with full liability placed on the individuals concerned.

Where residents fail to meet their obligations in terms of service payments and rates, they will be cut off and prosecuted. Only in this way can we build a local democracy that works, and will continue working for the benefit of future generations.



Crispian Olver, left, deputy director-general of the constitutional affairs department, and minister Valli Moosa at the launch of the white paper

Idasa poll shows 'brutal' disregard for local govt

David Greybe

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 pub-

lic 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 1995 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, councillors 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 (262) spark storm

ARG 13/3/98

CLIVE SAWYER
POLITICAL CORRESPONDENT

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

As much as Mr Moosa asserted 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 megacity 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."

Watty 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

(262)

Megasplit over metro models

DP and IFP reject White Paper

FM 13/3/98

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 Olver, 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 Olver.

The Democratic Party (DP)'s Gauteng spokesman on local government, Ian Davidson disagrees. He insists that power is 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 Moriarty 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 Mafikeng 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."

Amarnath Singh

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Creative vision for local government

Mark Swilling

The irony was not lost on Minister of Provincial Affairs and Constitutional Development Valli Moosa when he unveiled the new White Paper on Local Government at a ceremony at the Castle in Cape Town this week.

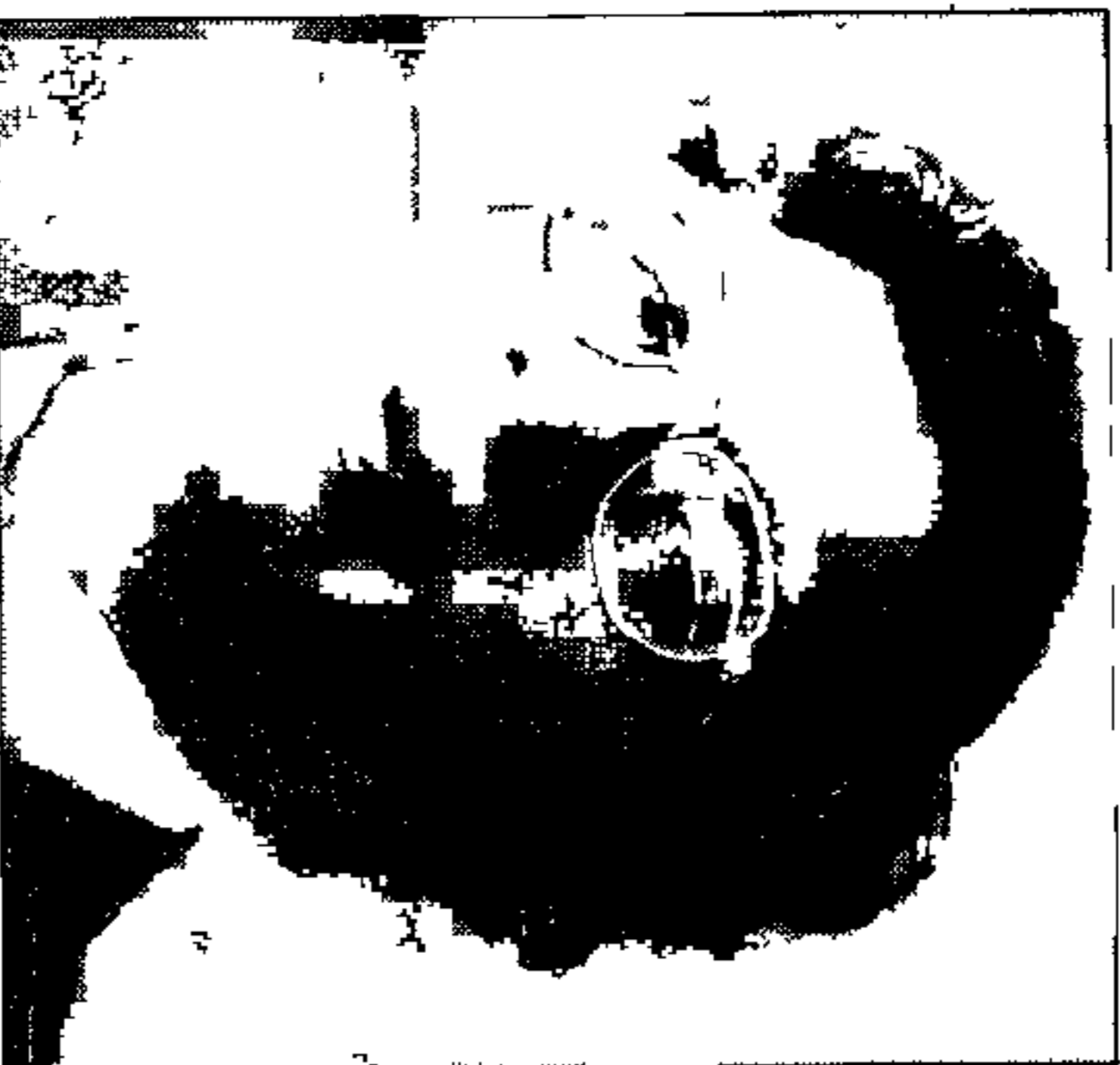
As the fortress that housed South Africa's first colonial local government, it was a fitting venue to announce a policy framework that, if implemented, will lead to the end of our long violent history of race-based local governance.

The alternative proposed in his White Paper combines a vision of strong, decentralised local governance with sophisticated service-delivery mechanisms, a redistributive conception of economic growth, clear planning and performance management tools, conservative financial provisions and a range of capacity-building suggestions. But, as Moosa pointed out, there is still a long road ahead and he insists that real implementation will only be possible after next year's national and local government elections.

Not many South Africans realise that we have nearly 800 local governments. During the 1996/97 financial year they budgeted for a total expenditure of at least R48-billion, just more than 20% of the country's Budget, or 7,5% of the gross domestic product.

But most remarkable of all is the fact that more than 90% of this revenue is collected from local tax bases. This attests to the high level of fiscal autonomy enjoyed by our local governments compared to those in most parts of the world, where nearly two decades of neo-liberal economic policies have resulted in the virtual decimation of democratic local governance.

It is common cause that our local government tax bases remain racially structured in favour of the developed areas of our towns and cities, mainly because local governments have not found a way of redirecting existing resources to meet the dire needs of the historically marginalised urban poor.



Valli Moosa: Minister of provincial affairs and constitutional development

The drafters of the White Paper had to marry three things: improved democratic accountability, a role for local government in meeting the needs of the urban poor — who are the majority of voters — and the severe fiscal constraints imposed by the government's growth, employment and redistribution strategy (Gear).

The widening inequities that plague the urban system seem to be the primary concern of the White Paper. Hence the attempt at the outset to define what is referred to as "developmental local government".

The four characteristics of a developmental local government are seen as maximising social and economic growth, integrating and coordinating government/business non-profit sector activities, democratising development through empowerment and redistribution, and fostering "social capital" at the local level via a leadership approach committed to learning.

At the service delivery level, the White Paper proposes a wide range of options that

thankfully go beyond the limited imagination of the privatisation missionaries.

In addition to strengthening existing public sector capacities to deliver, it is proposed that local governments explore options such as corporatisation of existing utilities, public-public partnerships, partnerships with non-profits, contracting out, leases and concessions, and responsible privatisation (what the White Paper coyly refers to as "transfer of ownership").

In essence, the White Paper is telling local governments they must no longer assume that old-style bureaucratic delivery, or new-style simplistic privatisation, will do. Instead, it calls for strategic analysis of the costs and benefits to the fiscus and the citizen of each option given the unique conditions in each sector. This is not surprising given the severe fiscal constraints within which local governments must operate.

The chapter on municipal finance makes this very clear. No radical changes to the existing system are envisaged, other than what amounts to improvements to the way finances are managed. The local tax bases will remain intact and there is a healthy warning against what are referred to as "unfunded mandates" — functions given to local government without corresponding funds to do the job.

The debate about metropolitan government is far from over. Moosa needs to be congratulated for doing what very few developing countries have dared to do: saying that our big cities are important and they must be governed as coherent urban systems.

The White Paper says metropolitan areas must have metropolitan governments and all powers and functions must be lodged at that level. They can be decentralised to ward committees, special purpose committees or even substructures, but the metropolitan level is the point of departure.

This, however, is not what key actors in the Cape Town context have argued for. They argued for a single "integrated tier" which must not be a metropolitan government.

M+G 13-19/3/98

In other words, like quite a few North and South American cities, the city is governed by a multiplicity of smaller local governments who either agree (or are required) to co-operate with respect to matters such as land-use planning, bulk infrastructure, finance and transport. This amounts to voluntary metropolitan governance without the risk of power becoming centralised in a large, distant metropolitan government.

The problem with the debate, however, is that it is about structures. And it is a debate that is heavily influenced by the cataclysmic governance disaster that has beset Johannesburg.

As this author argued in the *Mail & Guardian* at the time, incompetent boundary decisions by the Gauteng provincial government and fudged decisions about the allocation of powers and functions between Johannesburg's metropolitan and substructure levels resulted in the creation of five unviable megacities in one city.

However, there is no guarantee that collapsing it all into one metropolitan government is going to work. In theory, Johannesburg is one of the most fiscally, developmentally and economically viable cities in the developing world. There is only one reason it went wrong: the 10 most powerful politicians and officials who run it have failed hopelessly to form themselves into a tight strategic team with a shared vision, clear programme and a functional modus operandi. No structure or policy will resolve this problem if they do not put together a process to resolve this problem themselves.

There are repeated references throughout the White Paper to the need for a new kind of leadership at local government level. Given the levels of corruption, tension and paralysis in local governments, this is a timely call. It will, however, not come from communities or political parties. It will need to be rebuilt once again.

But what goes for "councillor training" today is effectively a mass jobotomisation aimed at destroying political imagination in order to ensure party discipline. It's time to build a new generation of critically minded leaders.

Local Govt's second chance jeopardised

A SWE await government's white paper on local government, it is important to reflect on what is at stake.

Local government got the short end of the stick in 1994 when the country's new constitution was negotiated. A hasty deal was put together at the last minute and some of the consequences can be seen in the mess that characterises Johannesburg. We should not make this same mistake again.

The publication of a white paper on local government — if managed correctly — provides another opportunity to focus on this important tier of government and improve it. There are many important issues that the white paper will have to address.

These include the hundreds of local authorities without the ability to live within their means, the need for economic growth and jobs, effective public representation and accountability, basic service needs by millions of citizens, the powers required to respond to urban population growth and migration of mainly poor people, the relationship between the three different tiers of government beyond some mushy notion of "co-operative governance", and the needs and opportunities provided by the country's largest cities.

What is at stake in the debate about this white paper is the future of SA's cities and towns — the sites of about 80% of the country's gross domestic product.

The government's green paper on local government defines the overriding economic challenge for local authorities as "inequality and poverty". While these are vital concerns, the critical economic challenges facing local government in SA surely need to be cast differently: poverty and inequality by the one key challenge, economic growth the other.

A trade-off is required. A choice must be made as to how these two objectives relate to one another. What is essential is for towns and cities to increasingly choose their priorities through an economic lens. It is only if we get the viability and growth component right that we will have the resources to deliver and sustain the infrastructure and development needs of cities and citizens.

Any exercise that attempts to

Has government done enough to ensure proper debate has taken place on the complex issues surrounding local government ahead of the release of the white paper on Monday, asks Ann Bernstein

formulate a new system of local government for SA must be cogitent of the need for a fundamental rethink of the way in which urban areas are governed as both political and economic entities.

Cities are the main arenas for economic activity and increasing global competition. Big cities/urban regions are now the crucial sites of national economic activity and anchors for broader regional economies. Cities and towns should no longer be seen just as places where people live and governments provide services but as dynamic arenas for economic, social and cultural specialisation.

This has enormous implications for governance and management. We will be watching the white paper very carefully to assess if its drafters have taken these issues seriously. The seriousness of the financial circumstances of many local authorities must inform the white paper.

It is worrying that the green paper focuses disproportionately on distributional issues. The challenges facing local government are generally not cast in a manner that suggests that one of the central goals of municipalities is to become economically viable and efficient entities. While the green paper's focus on skewed settlement patterns, huge backlogs in service infrastructure and apartheid-induced concentrations of taxable economic resources present formidable challenges that have to be systematically addressed, we also need to ascertain what our municipalities' technological, transport, telecommunication and formal economic sector needs and demands are.

The latter are increasing in importance and directly affect cities' economic prospects. It is only once a proper and comprehensive needs inventory is compiled and the mechanisms put in place to prioritise the immediate critical issues essential for inclusive growth that we can talk

about potentially sustainable and economically viable local areas. Local government after all is not essentially about redistribution. It is fundamentally about redistribution, delivery and growth.

It is these elements, if they are to find proper expression at the local level, that represent the cornerstones of sustainability and viability. SA's history has imposed a uniformity on how we tend to think about and often deal with large national issues.

Local government is a case in point. It is fashionable to generalise about the problems of local government, to talk of cities/towns as though one is just like another.

By accepting the flat and bland description "local government" as the category for discussion we often ignore the problems of smaller towns and underplay challenges provided by larger places.

A more concerted focus on large cities is required. This is not just a concern for those who concentrate on local government but has implications for other dimensions of national concern.

The economic growth that government's macroeconomic policy is designed to promote will have to happen somewhere. A critical question for the economic ministries then is how suitable are our cities as

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environments for internationally competitive growth to take place. Thus far these concerns have been missing from the debate on local government and on the policy.

Another consequence of our bad habit of generalising too easily can be seen in the case of Johannesburg. Important as this city is to SA's economy and politics, it is not representative of the whole country.

All too frequently policy makers have been unduly influenced by Johannesburg and policies have been devised for the whole country by generalising on its experience. It would be particularly dangerous to do this with respect to local government.

Johannesburg is in trouble. Its structure of government does not work well, its politicians leave

much to be desired in all respects, not just financial. Its economy is undergoing fundamental transformation which in turn has important spatial consequences.

Johannesburg requires sophisticated management, vision and leadership but this has not been evident. Costly mistakes have been made. The speed and magnitude of the debate about boundaries for the city and its substructures illustrated one of the major flaws in current thinking about this city. What was required in 1994/95 was a forward looking assessment of a non-racial Johannesburg and its future. Instead what we got was a backward looking debate about race, entitlement and redistribution.

The result: the most economically vital part of the region —



The publication of a white paper on local government provides another opportunity to focus on and improve this important tier of government

Mtrand — was allowed to secede without a murmur, a hollow political victory was claimed through the linking of a declining CBD to Soweto, and an inordinate amount of energy was wasted in trying to return the CBD to its past — a hopeless endeavour.

Importantly, in the current context of the megacity debate, the political squabbles resulted in a structure of government which did not create a well thought through metropolitan tier with smaller councils closer to citizens. What was created was five "megacities" — a result of an inadequate delineation of powers and functions — all of which are far from the citizens they supposedly represent, unable to deliver and unable to operate properly at either the metropolitan or more local levels of government.

The reasons for this unmitigated disaster are specific to Johannesburg. Reversing this decline will require bold local and national leadership — and rather more thought than the new mantra of "a megacity will solve all". However, to generalise from Johannesburg and its serious problems to all SA metropolitan areas would be a very big mistake.

Durban and Pretoria represent a different set of circumstances and their two-tier model seems to be working well. It is essential to recognise the diversity of SA's largest cities and to devise policies that respond to that diversity. The process of consultation leading up to the white paper has been absurdly rushed and unsatisfactory. Rumours abound that the white paper was already written on the very day that an enormous public consultation was organised to discuss the green paper. If this is true, then suspicions that the white paper process was driven by a small group from the centre, would be justified.

Important issues are at stake. The government should be careful that, in its desire to complete this legislation, it does not confuse marketing and co-option with real public participation and the time required to really listen to the debate and be influenced by it.

□ Bernstein is the executive director of the Centre for Development and Enterprise, a privately funded policy think tank.

Government delays leave business in the

Kevin O'Grady

CASH-strapped provincial governments have delayed millions of rands in payments for goods and services until the start of the 1998/99 financial year on April 1.

According to regional and local chambers of business in a number of towns, many chamber members are "at their wits end" because they are unable to pay salaries and are facing staff protests.

There is also concern that debts carried over into the new financial year will eat into the provincial budgets, worsening

the provinces' fiscal plight in the year ahead.

At the same time, many businesses do not want to take issue with the provincial governments directly, or through the media, for fear of losing lucrative contracts.

In most governments, the provincial public works departments, which rely heavily on private suppliers and contractors, are the main culprits, but the education, health and welfare departments also come in for criticism.

Ies Holbrook, director of the Border-Kei chamber of business, said although it was not known how much the Eastern

Cape government owed businesses in total, the amount "could be staggering", judging from a recent survey of chamber members.

The survey, which elicited a response from only a fraction of members, showed that 12 businesses had R7,2m outstanding for 90 days or longer, Holbrook said. As a result, Eastern Cape businesses found dealing with the provincial government "extremely frustrating".

Getting payment for work done was always "problematic" and this was initially perceived to be an administrative issue. But it is now a case that the province just

doesn't have the money," Holbrook said.

The survey was conducted after a meeting between the chamber and premier Makhenkesi Stofile to discuss the issue, but since then "the problem may not have got any worse but it certainly hasn't got any better", he said.

Business sources in North West said hundreds of companies were owed amounts ranging from hundreds of thousands of rands to more than R5m, mainly by the provincial public works department. Many were told in recent meetings with the department that there was simply no money to pay them.

Some businessmen, who asked not be identified, said they were in danger of closure and staff, who had not been paid, were "threatening to destroy machinery".

Bernice van Vuuren, president of the Pietersburg chamber of business, said "quite a number of people in Pietersburg are owed considerable sums".

"For a while there was quite a good payment rate but as funds became less, payment became less," she said.

Several cash-strapped provinces have bought time by delaying the remittance of civil servants' pay-as-you-earn income tax contributions.

(262) BD 16/3/98

Lurch

SA's small towns 'overlooked during national policy debates'

Deborah Fine

BD 17/3/98

(262)

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 crisis.

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.

hands were rife.

No civil action against Mufamadi yet

SAFETY and Security Minister Sydney Mufamadi had by yesterday not received notice that he was to be sued after two police officers allegedly stole R2,1m from a German businessman.

A police spokesman said the two officers, Louis de Jager and Jan Myburgh, had since been suspended from the police pending the outcome of a theft trial.

They allegedly went on a spending spree with cash belonging to Jurgen Harksen, who is wanted in his home country on tax evasion and fraud charges involving more than R980m.

International news agencies earlier reported that the trustees of Harksen's estate on Monday announced their intention to sue Mufamadi

Council responds to ultimatum

THE Butterworth town council responded to an ultimatum from Eastern Cape local government MEC Smuts Ngonyama to step aside and allow its affairs to be taken over by the province, Ngonyama's spokesman Litha Twaku said yesterday

Twaku said Ngonyama was considering the council's response, which reportedly asked for clarity on the functions to be assumed by government administrators, and would decide soon on the next step.

The ultimatum — the first of its kind in SA — is based on section 139 of the constitution stipulating a province can intervene if a municipality fails to or is unable to fulfil its executive obligations.

Cape DP councillor Belinda Walker

BUSINESS Day incorrectly referred to Cape Town Democratic Party councillor as Melame Walker in yesterday's newspaper. She is in fact Belinda Walker. We apologise for the error

REPORTS: Business Day Reporters, Sapa

New law 'will enhance financial management'

DD 18/3/98

(262)

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 Cassiem Gassiep said yesterday.

Gassiep 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, Gassiep 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, Gassiep said

Drastic changes were envisaged, including the introduction of draconian penalties if budgets were exceeded,

he told the finance committee

Care had to be taken, however, not to discourage people from spending what was necessary. "There is quite a debate going on as to the level of punishment which would be suitable," Gassiep said

There would probably be a range of penalties, from minor to the more serious, depending on the level of overexpenditure and its character, he said

Nols du Plessis, chief director of planning in state expenditure, who is involved in drafting the legislation, said the basic principle was that an appropriation was an act of Parliament and overexpenditure a breach of the law. However, enforcement was a key issue.

"You can add all those penalties, but if you don't enforce them, they are not worth the paper they are written on. Under the current Exchequer Act overexpenditures can be recovered from those responsible. But in fact it is very difficult to do this when the amounts involve total millions of rands," he said

Among the questions being examined by the drafters were what to do if overexpenditure was to the benefit of government, and who would be the judge of what was to government's advantage.

Numsa highlights toll of public service retrenchments

DD 18/3/98

Réneé Grawitzky

The first round of retrenchments in the public service would affect 20 000 people in the Eastern Cape, 15 000 in the Northern Province and a further 20 000 in the other provinces, Peter Dantjie, assistant general secretary of the National Union of Metalworkers of SA (Numsa) said yesterday.

At the start of Numsa's national bargaining conference in Johannesburg, Dantjie said the retrenchments were "a possible area" of disagreement with the African National Congress. He also said that 114 345 jobs were lost in the engineering sector since 1990

Delegates from the union's Wits central west region have called for a moratorium on job cuts in the public service between now and the presidential job summit meeting later this year

Eastern Cape delegates have proposed a campaign against retrenchments and are demanding government review its trade policy and tariff

reductions. Numsa general secretary Mbuyiselo Ngwenda said discussions had been held with Trade and Industry Minister Alec Erwin to highlight the effect on local industries of the continued reduction in tariffs. Numsa did not get a sense of the trade ministry's willingness to review the tariff-reduction programme, he said

Delegates are to use the conference to frame an approach to the presidential job summit and to approve labour's employment strategy

In submissions to the conference, all Numsa's regions believed that job creation could not be achieved within the framework of the growth, employment and redistribution strategy

Ngwenda said some controversial issues to be debated included training and wages. Delegates would have to decide whether negotiations would focus on principles underpinning training or whether to continue demanding 200 paid hours for training a year

Unions meet employers

Pearl Sebolao

EMPLOYERS and trade unions participating in a national transport strike were due to meet for talks under the auspices of the Commission for Conciliation, Mediation and Arbitration (CCMA) today, in the hope of ending the dispute

Professional Transport Workers' Union spokesman Emily Fourie said that two senior CCMA commissioners from Durban and Cape Town had already been approached to mediate

The strike is expected to intensify, with about 20 000 bus drivers joining the truckers

The bus drivers are demanding a 10,5% increase while employers are offering 7,5%

DD 18/3/98

Fiscus bodies downplay debate on provincial allocations

Tension is just part of the process, says Ramos

CT (MR) 18/3/99 (262)

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 "hotter" 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

Tough penalties proposed for overspending

LYNDA LOXTON

Cape Town — A treasury bill containing tough new measures against overspending was expected to be tabled in parliament by July to replace the 10 eschequer acts now in place nationally and in the provinces, Cassim Gassip, the director general of state expenditure, said yesterday.

"We see this as a step forward as it will allow the national treasury to implement some of the conditions of the constitution, and we will have a greater influence on the performance of provincial treasuries," he said.

More draconian steps were proposed if more than the appropriated amounts were spent.

"However there is a danger that we can discourage people from spending what they should

not 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

for fear of being imprisoned. The route a debate going on about what level the punishment should be.

It was suggested that the bill should contain a range of penalties, from minor to the draconian. Gassip said this would probably be the route followed.

He said that in preparing departmental budgets, his officials went through them on a line-by-line basis to weed out unnecessary expenditure. For example, the budget of the department of foreign affairs had been slashed because diplomatic staff reflected the image of the country, and "their lifestyles overseas had been too lavish."

He said tenders for a new accounting system for government would go out in July. Attention was being paid to the training of accountants for the state.

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

BD 19/3/98

(262)

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 underbudgeting 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

The provinces' priorities		
	Social spending Rbn and % of total	Wage bill as % of total
Eastern Cape	R13,19bn	85%
		58,5%
Northern Province	R9,20bn	82,2%
		65,4%
Western Cape	R8,80bn	87%
		55%
North West	R5,988bn	79%
		58%
Free State	R5,18bn	81,9%
	No information given	
Mpumalanga	R4,58bn	79,9%
		60%
Northern Cape	R1,728bn	81%
		49,8%

Graphic: KAREN MOOLMAN
Source: PROVINCIAL FINANCE DEPARTMENTS

58% on salaries, Mpumalanga 60%, Northern Cape 49,8%, Eastern Cape 58,5% 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 Fick's budget review said 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 Koornhof 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 79% 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'

(262)
Star 19/3/98

By HOPEWELL RADEBE
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 Moleketi 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 R88-billion of funds allocated to them by Finance Minister Trevor Manuel last week

In the Eastern Cape yester-

day, 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 doomed 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 R2,2-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 R9,3-billion, with education taking R5,6-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 86% 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'

David Greybe

CAPE TOWN — Government was suffering because not enough was being done to clarify the roles of political and administrative heads of departments, Gauteng director-general Vincent Mtambo told Parliament yesterday.

A "fair amount of confusion" still existed regarding the roles of national and provincial ministers and administrative heads of departments, Mtambo told the public service committee during a provincial audit report briefing. "This issue is not being confronted . . . yet it has a major impact on the efficiency and effectiveness of government," during a briefing on the provincial audit report.

The public service regulations had the potential of aggravating the situation because they appeared to be giving managerial authority to political heads of departments, Mtambo said. He was responding to the report's finding that political interference and a lack of clear definition on the roles of political and administrative heads of departments had resulted in confusion regarding accountability.

However, the problem was not unique to SA, Mtambo said. He suggested SA follow the New Zealand example, and implement annual performance contracts between political and administrative heads of departments which clearly spelt out their respective roles. Contracts should be amended if there was any substantial deviation because of, say, a shift in policy. Political heads should only carry out yearly performance checks, as opposed to random checks, on administrative heads.

Jakes Gerwel, director-general in the president's office, met national and provincial directors-general two weeks ago "to develop a set of national protocols to administer the relationship between political and administrative heads of departments", he said.

Gauteng would soon implement its own performance contracts, he said.

On the issue of misconduct, Mtambo said Gauteng had adopted "special measures" to clear a backlog of almost 300 misconduct cases dating back to 1992.

THE Finance Ministry has sent out an unequivocal message over spending will no longer be tolerated. The provinces are heeding the call and none of the nine budgets presented this week tabled a deficit for 1998/99. Whether they can keep to budget remains to be seen.

Kwazulu-Natal

Kwazulu-Natal's R1 9-billion overspend in the past financial year has effectively eliminated the province's safety net and put all provincial capital projects on ice, writes **MICHAEL SCHMIDT**.

Construction will grind to a halt and maintenance slow to a trickle under the R17 9-billion "austerity budget" announced by Premier Ben Ngubane at Ulundi on Friday. Despite Kwazulu Natal getting the biggest of the nine provincial budgets, and an increased central government commitment of 8.5%, the province received 21% less than it asked for.

Ngubane said the province's large population meant that its per-capita budget still lagged behind that of provinces like Gauteng and the Western Cape.

The freeze on capital projects has been dictated by the total elimination of all "roll-over" budgets, the funds usually reserved for long-term construction.

"This overexpenditure has eaten into everything," Ngubane said, adding that the province would "look at every source of revenue to try and finance capital projects and infrastructure."

Ngubane blamed the R1 9-billion "expenditure surge" over the previous financial year's R16 6-billion budget on increases in personnel costs and the payments of social grants.

The situation was exacerbated by an overexpenditure of R2 64-billion by the key education, health and welfare departments, which the national government has insisted get 85% of the budget

Provinces swallow the bitter pill:

cut and save

The provinces spend almost half of SA's Budget. They do so with mixed results. BT looks at the four key provincial budgets released this week

ST (BT) 22/3/98

Ngubane said "it's a very tight budget and it's going to mean cutting every department to the bone — except health, welfare and education, but even those won't be fully funded."

With one in four people in the province infected with HIV, the health department welcomed its budgetary boost of 20% to R4 4-billion.

The troubled education and culture department — which will cut 5 000 temporary teachers' jobs at the end of the month — will get 12.2% more at R6 8-billion.

The welfare department's funding goes up by 18.8% to R3 9-billion.

Gauteng

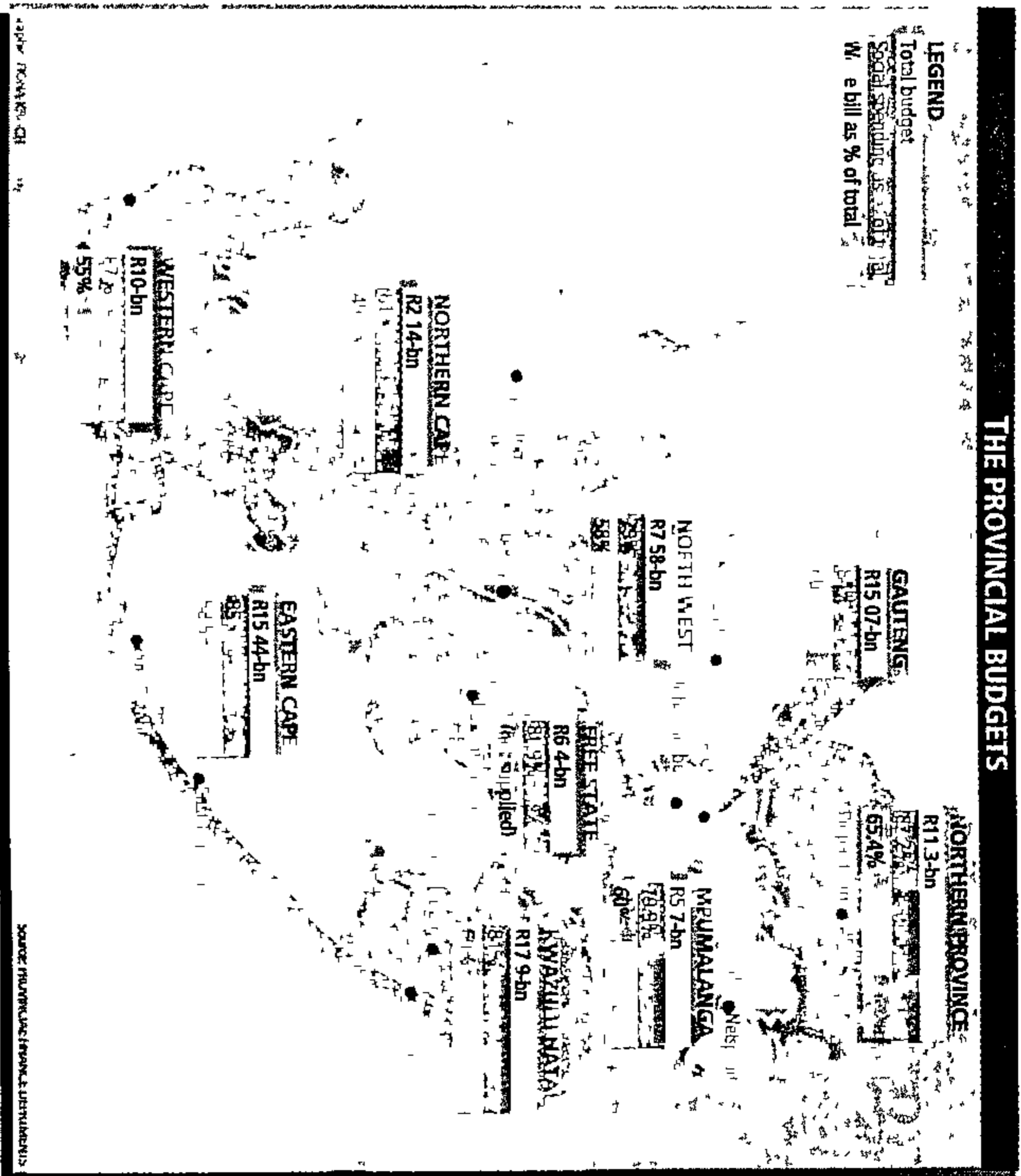
Like the rest of the country, Gauteng experienced poor economic growth in 1997/98, with new jobs proving elusive, writes **SVEN LUNSCHKE**.

In fact, says MEC Jabu Moleketi, job losses amounted to 12 000, many of them in the depressed mining and manufacturing industries.

The R15 07-billion budget for 1998/99 holds out little prospect for public-sector led employment creation. The reason 58% of the budget's total spending is devoted to salaries of the province's 122 000 workers. And, laments Moleketi, "the province has no mechanisms to reduce staffing numbers other than by natural attrition and voluntary severance packages."

The portion of funds dedicated to salaries is particularly high in education (86%) and health (60%) which combined employ 92% of Gauteng's public servants. This leaves only R1 2-billion of the budget to be dedicated to capital spending, which Moleketi estimates will create 13 000 direct and 19 000 indirect jobs, less than 10% of which are sustainable.

He expects casinos to play a significant role in boosting job numbers. The four cas-



nos licensed to date will generate investment worth R4 billion over the next two years, creating 16 500 new jobs during construction and 8 800 long-term jobs.

Western Cape

Taking into account its R9 5-billion allocation from national government and the revenues it raises, the Western Cape will have just over R10-billion to spend, R59-million more than the previous

year. **MARCIA KLEIN** reports that about 86% of the total budget will go to education, health and social services. A budget deficit of R627-million from the past financial year will be repaid to central government in four yearly tranches, the first of which is R114-million.

The Western Cape received R9 5-billion from national government and will collect revenue of R624 7-million from motor and casino licences and hospital fees.

Personnel expenditure currently accounts for 58% of the total, and this will be adjusted to 55% during this year and 53% in three years. The Western Cape is thriving compared with certain other large provinces. Last year its economy grew on average at 1% more than the national economy. There was a net loss of 10 000 jobs, but unemployment rates are the lowest in the country.

The province has budgeted for 3% growth in the current fiscal year, but it expects formal sector jobs to grow by only 2%. Provincial MECs deny that 10 000 jobs will be cut this year. The education allocation of R3 6-billion was higher than expected, and will lead to fewer cutbacks than originally planned. About 2 000 people, and not the 4 500 initially expected, will lose their jobs.

Health, which this year receives R2 9-billion, has already shed 6 000 jobs in three-and-a-half years.

'We don't know how much was stolen'

BUSINESS DAY, Tuesday, March 24 1998

Efficiency of provincial governments is questioned

Farouk Choithia

THE Mpumalanga and Northern Cape legislatures passed only three bills each last year while sitting for 33 and 36 days respectively, raising questions about the efficiency of provincial governments.

The figures were contained in a recent written reply Constitutional Development Minister Vally Moosa gave to questions posed by Democratic Party (DP) leader Tony Leon in Parliament.

The Eastern Cape legislature sat for the highest number of days (60) and passed nine bills.

The Free State and Northern Province legislatures passed seven bills each, after sitting for 32 and 22 days respectively.

DP KwaZulu-Natal leader Roger Burrows said the figures suggested that provinces were generally passing only "necessary" bills — such as those related to finances, tendering and gambling.

One would have expected more legislation to be passed, particularly in a province such as KwaZulu-Natal as it was controlled by a party promoting federalism, Burrows said.

Instead, there was minimal progress in even repealing legislation inherited from the apartheid era.

One problem was a lack of skilled staff to draft legislation.

In many provinces ordinances of the former provincial administrations still existed "side-by-side" with former homeland government legislation, Burrows said.

With provincial governments in office for four years one would have expected consolidated legislation to have emerged by now in areas such as local government, health and agriculture.

This had not even happened in KwaZulu-Natal, Burrows said.

He said that, in some instances, provinces were waiting for national legislation to be passed so that their legislation was compatible with it.

However, the DP believed that provinces could pass legislation and state that its implementation was conditional on what legislation was eventually passed at national level, Burrows said.

Parliamentary constitutional development portfolio committee chairman Yunus Carrim said that the figures did not reflect the "sum total" of work done by provincial MPs.

They were also active in the portfolio committees of their legislatures, the National Council of Provinces, and they also did constituency work.

(262) (137) B02413198

spending golf course where a
academy was proposed.

Teenage music sensation Vanessa Mae rocked Vodaworld in Midrand yesterday during rearsais for her colir-
Picture TYRONE ARTHUR

US management group funds local govt training

Deborah Fine

THE US-based International City Managers' Association is to fund training courses for SA local government managers.

The association, which has its headquarters in Washington and more than 8 000 members worldwide, signed a co-operation agreement with the SA Institute for Local Government Management last September.

In line with this agreement, the association has provided a grant of more than R24 000 to assist in the hosting of a workshop for SA's emerging local government managers, in Bloemfontein next month.

The workshop will be hosted by the SA institute, which will, in turn, promote the association to SA managers.

The conference has already attracted more than 100 local

government managers from previously disadvantaged communities countrywide, and will focus on the challenges they face, including financial management, the stimulation of local economic development and effective service delivery.

Speakers include experienced city managers from the North American cities of Atlanta and Vancouver. Constitutional Development

Minister Valli Moosa said recently that capacity building in local government was a major priority for SA because the local government sphere was the "environment that offers the hardest challenges".

Local authorities had the "mammoth" responsibility of delivering and maintaining essential services and infrastructure central to the country's daily functioning

(,vevB,)



'No cash bailouts for provinces'

ET (PR) 25/3/98 (262)

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

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 Adjustments 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-expen-



FIRM HAND Trevor Manuel, the finance minister

diture. There was under-resourcing 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

Star 25/7/98 (262)

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



Turned up .. Trevor Manuel

of all ministers having to be present to answer questions had 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 Mthembu-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 incidents prompted Lekota to chide party whips for the slip-ups

The following responses to questions were received

■ Correctional Services Minister Sipo 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-



Disciplinarian ... Patrick Lekota

tion of Curriculum 2005 was a resounding success.

■ Deputy Safety and Security Minister Joe Matthews said there had been a vast improvement in the training of police

The NP and FF voted against the budget votes for education, health, housing, agriculture, land affairs and police

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 municipal 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 nonpayment 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 councillors serve their local councils and the metro council simultaneously. Councils 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 2 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, think of them as odd denominations of the Euro (a DM10 bill being a 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 soon while 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

Linda Ensor

~~(262)~~ (262) CAPE TOWN — The wish of local governments to have more say in the determination of the salaries and allowances of town councillors was given consideration yesterday, when it was incorporated as an amendment to the Remuneration of Public Office Bearers Bill by the National Council of Provinces' select committee on constitutional affairs

and public administration.

The bill, already adopted by the National Assembly, will have to be returned to it for the amendments to be approved.

In terms of the amendment, town councils would, in consultation with the MEC of local government, be able to determine the salary levels of councillors within the upper limit established nationally by Provincial Affairs and Constitutional Develop-

ment minister Vally Mopqa in consultation with the MECs.

This replaces a provision empowering the MEC to make the decision alone after taking into account questions of affordability and other factors.

In a legal opinion on behalf of the Cape Metropolitan Council and the Western Cape Local Government Organisation, advocate Eduard Faagan said the bill was unconstitutional

in that it overrode the principle of independent spheres of government which allowed local governments a say over their own budgets and salary levels.

Instead of merely establishing a framework for the determination of upper salary limits as the constitution required, the bill proposed a method for deciding on specific salary levels, he suggested.

Constitutional Affairs director-

general Zam Titus said Parliament had the overriding responsibility for deciding on salaries in terms of enabling legislation.

However, in the interests of consensus and to get the legislation passed he was willing to accept an amendment allowing for consultation, provided that it recognised the principle that officials should not be allowed to determine their own salaries themselves.

Bid to close books on looted homeland millions

Linda Ensor

~~(2011)~~ (262)

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

MD 5/5/98

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 illusion 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 with the imminent demise of Hennis Kriel, it means that five of the originally 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 executive

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 indaba 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

● 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

But this implies 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 idealistic

● 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 afflicting governance because these will be rectified over

There are conflicting ideas about the future provincial system in South Africa. **Ngoako Ramathodi** has some thoughts on the options...



(262) *Sowetan* 7/15/98
time as provincial administrations grow in experience and confidence

● 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

● The fourth model would be that of asymmetry, where individual provinces are granted powers according to their particular circumstances and their capacity to fulfil 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 indaba to take a fresh look at alternative options

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

(This is an edited version of Premier Ramathodi's address to a conference organised by the Konrad Adenauer Foundation in Magoebaskloof recently)

Western Cape and Gauteng shaping up best

PARLIAMENTARY BUREAU

(26/2)

The Eastern Cape and the Northern Province are South Africa's weakest provinces, with serious capacity problems, the Presidential Review Commission has found

In a report released today by Pub-

lic Service and Administration Minister Zola Skweyiya, the commission found that the Western Cape and Gauteng had functioned better than other provinces, although it had some concerns about the Western Cape's progress with representation and transformation.

In findings similar to the Nchoko provincial audits, the commission found there was widespread confusion in the provinces over the roles of the political and administrative leadership. Managers were often not held accountable for service delivery

The commission found there was a lack of skilled staff and capacity, and high vacancy rates. Financial decision-making was found to be over-centralised and funds generally were poorly managed. There was no penalty for over-spending, so managers did not take financial performance seriously

RAIR 14/15 98

'No constitutional basis to Ncholo audit claims'

David Greybe

BD 15/5/98 (262)

CAPE TOWN — The Presidential Review Commission questioned the constitutionality of the Ncholo audits into the provinces.

The audits, conducted by Public Service Director-General Paseka Ncholo, 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 appropriately skilled staff.

"We could not find any constitutional basis for the intervention by the department of Public Service and Administration into the provinces," the commission reported.

However, Public Service Minister Zola Skweyiya yesterday challenged the commission's finding and said the commission "did not understand the nature 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. Some of the provinces would have collapsed."

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 should such task teams become necessary in future, they be constituted in a manner different from the way the Ncholo audits were set up.

Any such audits should be conducted by an inspectorate selected by a reconstituted public service commission, it recommended.

7 regional directors axed

ARG 19/5/98

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

(282)

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 rearrangements

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 procession of the application was. At the moment, there was no process to check - Parliamentary Bureau

Municipal bill proposes six metro areas get 'megacity' status

BO 22/5/98

(262)

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, Khayalami and Lekoa-Vaal

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 insists 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

Political struggle for

platteland hots up

NP supporters fear status quo threatened

The struggle over who's the boss on the platteland is hotting up.

Later this year a High Court judge will make a decision that could alter the balance from "baasskap" politics to those of the workers in rural areas.

The contenders are mostly pro-National Party farmers on one side, and mostly pro-African National Congress rural workers on the other.

At issue in the High Court are amendments to the Local Government Transitional Act, which have changed the basis on which rural and municipal councils are represented on district councils.

The Western Cape provincial government has so far refused to implement the amendments.

The Western Cape platteland is presently governed by seven district councils, which form umbrella authorities over various rural and town councils.

District councils are made up, on a 50-50 basis, of members of rural councils and of transitional local councils or municipalities.

There is a tendency for the municipalities to have a majority of former farm workers who support the ANC, while rural councils tend to consist of farmers who mostly support the NP.

If successful, the government's High Court challenge will change the 50-50 basis of the district councils' make-up.

The government believes the status quo benefits the NP-supporting rural councils, because they have equal representation on these councils, in spite of their relatively small numbers in relation to the number of people who elect municipal councils.

The NP-dominated Western Cape provincial government, and most of

INSIDESTORY



An impending High Court decision could have a profound influence on farmers and their workers reports **BLACKMAN NGORO**

the seven district councils, naturally want the status quo retained.

Says Fanie Booysse, shebeen owner and ANC mayor of Grabouw: "The present system gives an unfair advantage to the farmers, who make up several rural representative councils."

Should the court agree to switch the basis to one of proportional representation, the numerically stronger residents of rural municipalities would achieve the balance of power in the countryside.

Michael Brewes, an official with the provincial government's local government department, said the court case would be heard "any time soon". The case first came on to the roll in March, but was opposed by the provincial government.

Attorneys representing national Provincial Affairs Minister Valli Moosa are petitioning the court for a new date.

Neil Hammon, the chairman of the Breë River District Council which covers the Worcester area, however said his council had no problem with the current system.

"At this stage we have no problem - we have been 50-50 from 1994, and will be in the next election."

If the system were overturned by the court, he said, "we would be happy to stick with the court's decision - but we will react according to how the Western Cape Minister of Local Government instructs us, as we are directly under him."

Gerrit van Rensburg, who chairs the Outeniqua Rural Council, the Southern Cape District Council, which is in George, and Agriculture, Western Cape, which is affiliated to the South African Agricultural Union, said he would abide by any court ruling.

But, he said, the advantage of the current system was that, on his 10-seat rural council, eight elected seats went to political parties, while the remaining two were appointed, one going to a farmer and one to a farm worker.

The main political party on the platteland was the NP.

"I'm worried, however, that, if we get the proportional representation system, farm workers will no longer have unselected representation. All seats will go to political parties."

The regional secretary for the South African Plantation and Agriculture Workers' Union, Mamie Damon, said farmers were intent on keeping to proclamation 152, the proclamation that entrenches the 50-50 ratio of district councils.

"It works better for them (the

farmers) than for us. The appointed worker on the council merely listens to what the landowners say."

Mr Damon is also a councillor in the Grabouw municipality.

"I believe the Western Cape government stance on proclamation 152 was largely influenced by farmers, because farmers believe their majority will be threatened by the proportional representation system," he said.

Fanie Booysse, mayor of Grabouw, said one of the reasons the ANC sought to change the status quo was that farmer-dominated district councils were not addressing the problems of the majority.

For example, ever since the Secularity of Tenure Act had come into being, farmer-councillors with whom he sat on the Overberg District Council had consistently "dumped" workers in the town.

"We are faced with a problem of assisting those people with housing and other amenities from our own budget. In the meantime, the district council doesn't contribute anything to our needs. They are just using the townspersons as a labour reserve, but don't want to contribute to development of the town."

He claimed the Overberg District Council had R15-million he described as "surplus", but that the mainly white councillors had vetoed all proposals made by the African and coloured councillors. "We live in the squatter camp, where fires break out

'We live in the squatter camp, where fires break out. Why can't we build houses with the money?'

occasionally. Why can't we build houses with the money?"

Rural representative councils were also accused of not monitoring evictions of farmworkers from farms.

Said Mr Damon, who works in the same office as Mr Booysse: "How can they monitor evictions when it is the

RURAL REPRESENTATION UNDER FIRE

Provincial government wants

To keep the status quo. At present, this means that the rural councils, and the ANC-dominated Transitional Local

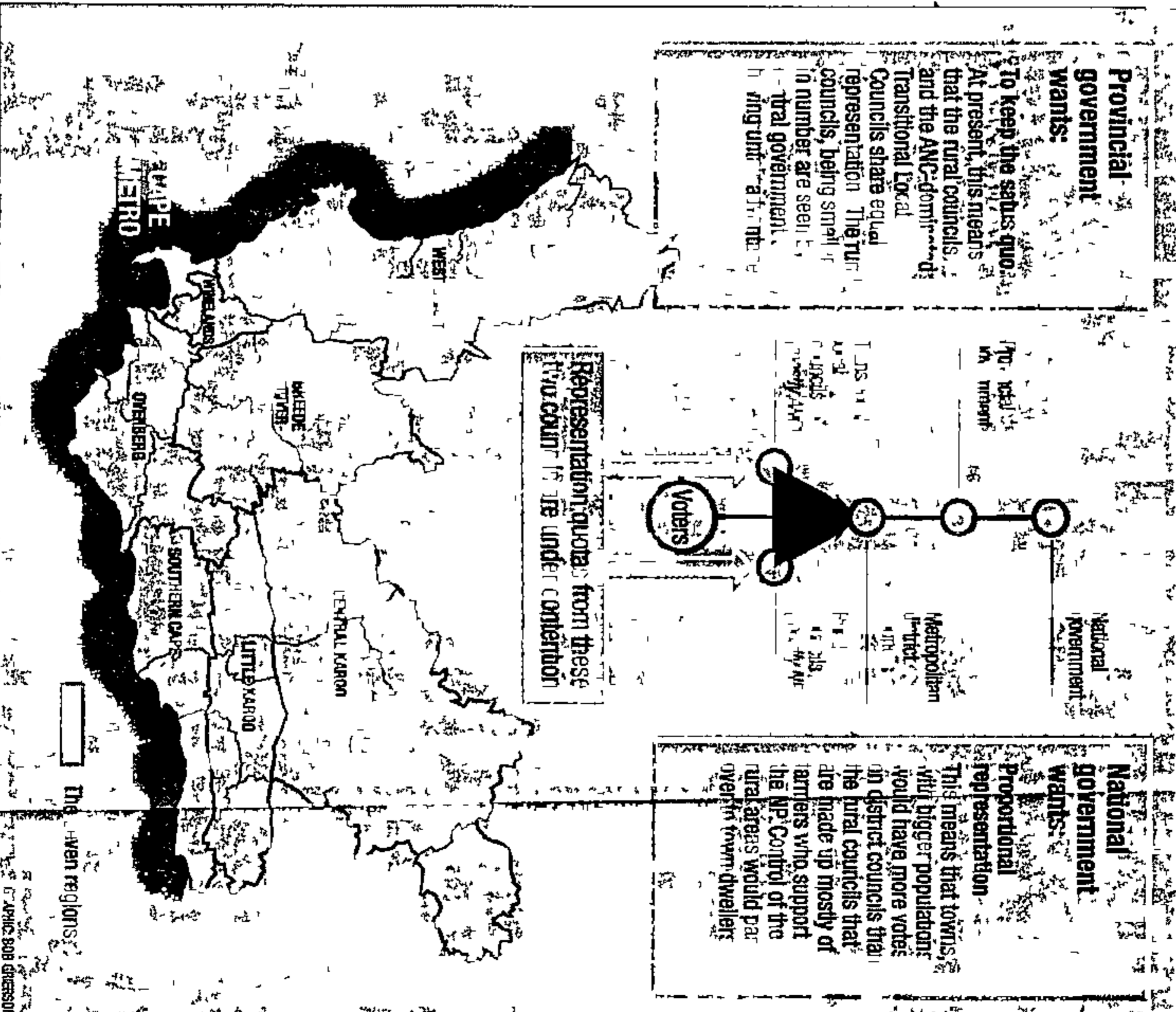
Councils share equal representation. The rural councils, being smaller in number are seen to

dominate the rural government.

Representation quotas from these five councils are under contention.

Metropolitan areas with bigger populations would have more votes in district councils than the rural councils that are made up mostly of farmers who support the NP. Control of the rural areas would pass over to town-dwellers.

Proportional representation means that towns, with bigger populations would have more votes in district councils than the rural councils that are made up mostly of farmers who support the NP. Control of the rural areas would pass over to town-dwellers.



same people, the farmers, who sit on the councils and who are breaking the law?"

Jason Whyte, a labour and human rights lawyer, said district councils should regulate evictions on the farms, but claimed farmers had scant regard for the Extension of Tenure Act.

"They don't give notice to farm workers. They are also evicting people who have been on the farms since their childhood. They are evicting old people. But they will be forced to stop this under the legislation. He said his firm was dealing with 12 eviction cases at any time

Kluever sounds the alarm

Concern over provincial finance controls

(A62) ARG 26/5/98

CHARLES PHAHLANE
POLITICAL CORRESPONDENT

Auditor-General Henri Kluever has urged Parliament to review its financial relationship with the nine provinces, warning that provincial financial management is a source of "grave concern".

About 54% of all money raised in taxes in South Africa is spent by the provinces, which receive virtually all their funds in transfers from the Government.

In a general report on the accounts of the national Government, Mr Kluever said that in many cases provincial appropriation accounts and other financial statements were submitted late and were of "unacceptable" standard.

There was also a serious lack of internal checking and controls in certain provinces, which created opportunities for possible irregularities, and control over pension payments was deficient. Mr Kluever said the most poorly administered provinces were the Northern Province and the Eastern Cape.

The proposal that Parliament review its relationship with the provinces was based on the fact that the provinces were ultimately responsible for spending of taxpayers' money.

Facilities on culprits of unauthorised expenditure as listed in the Attorney-General's report

Constitutional Affairs	R217 215	Office of the Executive Deputy President	R631 760
Correctional Services	R1 096 144	Central Statistical Service	R8 000
Finance	R34 118 701	Constitutional Development	R22 143
Health	R400 326	Correctional Services	R1 842 714
Labour	R2 000 456	Education	R8 626 108
Land Affairs	R1 180 757	Labour	R557 659
Former RDP	R13 643 000	Land Affairs	R39 670
SANDF	R2 083 836	Public Works	R24 167 888
SAPS	R116 737 000	S4 Communication	R2 023 286
SA Revenue Service	R9 169 186	Service	R154 584
State Expenditure	R1 414 350	Sport and Recreation	R58 015
Water Affairs and Forestry	R617 788	Trade and Industry	
Welfare	R414 631		
Secret Services Account	R831 070 923		
TOTAL	R1 014 194 615	TOTAL	R38 131 828

The national Government's own financial management was not spared by Mr Kluever either.

He said there were many shortcomings and although measures were instituted to correct them, there was a need for a holistic approach in their rectification.

There was no regular evaluation of the efficiency and effectiveness of the rendering of services.

Unauthorised expenditure by the Government amounted to R1,04-billion in 1996-97, up from R152-million in 1995-96. But he explained that the figures were not really comparable since the rise could be attributed to technical factors.

Also, he said, unauthorised expenditure did not mean that the expenditure concerned was "fruitless or wasteful or that any other irregularity has occurred".

Unauthorised expenditure referred to a payment made without provision being made by law or where a total authorised amount was exceeded or the accounting officer was unable to produce an appropriate authorisation for a payment.

Mr Kluever said that of the overall figure of R1,04-billion for unauthorised expenditure, more than R38-million was only listed in the report without explanation since the expenditure had not resulted in a loss to the State or was only a technical contravention of the regulations.

"In my opinion this unauthorised expenditure (R38-million) can be authorised without detracting from effective financial control," Mr Kluever said.

Parliament should further investigate the South African Police Service, which spent R116,7-million without authorisation.

It exceeded its budget by promoting policemen from the former homelands and spending more than it planned on fuel and communications.

Bill gets tough with truant councillors

Deborah Fine

26/5/98

(26a)

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

Provinces slammed over cash

waste

Financial chaos hampering delivery of services, warns auditor-general in review of R1,1-bn overexpenditure

Star 26/5/98

By JOVIAL RANTAO
Political Correspondent

Financial chaos was seriously affecting the delivery of services to millions of people, Auditor-General Henri Kluever 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," Kluever 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 the recent results of opinion polls on political parties that showed widespread discontent with service delivery at local-government level, is likely to trigger a major overhaul of this tier of government.

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.

Kluever 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.

Kluever 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 R116,7-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, R831-million, had been declared unauthorised due to a technicality, Kluever added.

► Lack of training skills

(262)

Banks wary of redemarcation

Wyndham Hartley

CAPE TOWN — If the demarcation of local government in the future changed the risk profile of municipalities which owed registered banks money, the banks could be forced to withdraw their loans to local government, the Banking Council of SA told a parliamentary committee yesterday.

The council, commenting on the Municipal Demarcation Bill during hearings by the constitutional committee, said it was vital for the financial sector to be consulted on any rearrangement of municipal boundaries in areas where existing loans could be affected.

The committee was told that if the transfer of assets and liabilities between the old and new municipalities, created financially less viable institutions, the bank's constitutional rights would be affected because the debt held by a bank was a right in property which could be marketed and property was constitutionally protected.

The committee should bear in mind that most financial institutions have 'material adverse clauses' embedded in their loan documentation which allowed them to withdraw loans if the risk profile of a local authority changes adversely," the council submission said.

Lincoln Mali, speaking on behalf of the council's development and public finance forum, said that a big weakness in the bill was that the demarcation board to be created in terms of the legislation would not have unhindered access to the level of financial information it needed to determine the financial situation of the local authorities it was dealing with. He said that the information should be verified by the CEO and that there should be sanctions built into the legislation for those town CEOs or accounting officers failing to give accurate, updated financial information.

Mali said the council also had a problem with clauses in the legislation which, while allowing the demarcation board to make de-

isions in rural areas, gave the power to the minister of provincial affairs in urban areas. He said the council recommended that the legislation provide for the minister to make recommendations to the board on the demarcation of metropolitan areas.

He said the council had not made a choice between the so-called megacity model or a decentralised metropolitan system. Legislation had declared the megacity model for all metropolitan areas regardless of "what expert determination" might conclude. What might be good for Johannesburg was not necessarily right for Cape Town, he said, and that the decision about the establishment of megacities should be left to the board.

"Our members have considerable financial exposure by way of mortgage finance in all metropolitan areas. Their interests will be prejudiced if demarcations are determined by ideological preference rather than what is the most viable in the light of local circumstances," Mali said.

P01 28/5/98

(262)

Megacities a 'blueprint for disaster'

Deborah Fine

THE draft Municipal Structures Bill, intended to transform local authorities into financially viable, democratic and efficient service providers, was a "blueprint for urban disaster", Democratic Party councillor Frances Kendall said yesterday.

The bill, based on policy contained in the local government White Paper, proposes setting up single tier municipalities, popularly known as "megacities", in all six of SA's metropolitan areas, and a two-tier system with both umbrella metropolitan councils and local councils in regions outside metropolitan areas. If enacted, the bill will dissolve ex-

isting local councils in Johannesburg, Pretoria, the Vaal area and Khayalasi, in Gauteng, as well Durban and Cape Town.

They would be replaced with single, centralised municipalities. The bill also empowers national government to declare cities as metropolitan regions with single-tier local authorities.

Megacity proponents argue that centralisation will streamline operations by reducing unnecessary and costly functional duplications.

Opponents, however, claim such structures will mark the end of local democracy and lead to bloated, ineffective bureaucracies. Kendall said the various committee

(26a)

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systems proposed by the bill to enhance community participation and preserve local democracy were, in effect, "toothless" because they had no original powers or financial control. This made them mere "handmaidens of the councils".

"Only committees on whose votes the councils depend will have any chance of favours being granted."

"Communities which do not support the majority party have been entirely marginalised," Kendall said.

She said the structures outlined in the bill were similar to those implemented in Eastern Europe under communist rule — "undemocratic, top-heavy and inflexible". Cape Town DP councillor Brian

Watkins said he believed the bill could have constitutional shortcomings in that the constitution stipulated that national legislation should set out criteria according to which areas should be categorised as either single-tier or two-tier municipalities.

The new bill failed to provide such criteria and simply prescribed categories of municipalities for specific areas, he said.

Cape Metropolitan Council legal services head Ben Kueser said his department had sought advice from senior legal practitioners in this regard.

A legal team would present opinion on the matter to the Parliamentary Constitutional Development committee today.

Cities to be denied right to decide how big they will get

(262) Star 1/4/98

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 Theme 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

(262) Sowetan 1/4/98

By Joshua Raboroko

THE South African National Civics 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 "dissatisfaction, 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 Menu, who had

resigned.

According to the report, Menu 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 Menu 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 Sanco 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

BD 9/4/98

(262)

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 R597m, North West R189m, Northern Province R92m and Mpumalanga R58m.

State expenditure deputy director-general Flip Redeman said it was likely that the legislation would be tabled in Parliament within three months.

Eastern Cape premier Makhenkesi Stofile said the refund, as well as the R600m 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 R9m 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 since then 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 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

Linda Ensor

CAPE TOWN — Providing local authorities with the means to provide poor households with basic municipal services was the central element of the new system of operational transfers from central government to local government announced by Finance Minister Trevor Manuel yesterday.

The system would ultimately shift the entire responsibility for transfers from provincial governments to central government, with local authorities retaining responsibility for targeting the subsidies to qualifying households.

Poorer local authorities, and those with more poor inhabitants, would be the biggest winners in terms of the new system, which would see the 843 existing local governments receiving an equitable share of R2,8bn this fiscal year and total intergovernmental transfers, including agency payments, of R5,2bn

The amounts did not include rollovers. The "losers" over the seven-year period of implementation — mainly metropolitan areas — would not lose by a significant amount in 1998 rand terms, Manuel said.

"The primary virtue of the new system is that it provides the fiscal resources for each municipality to deliver a package of basic services to low-income households at affordable cost."

Households with a monthly income below R800 would qualify, with the annual cost of services per person calculated at R230. With a total poor population of 11,2-million, the total equitable share would be R2,6bn though not all of this would be provided in the first year. Local authorities would receive at least 70% of the funding they received from provincial and national government in the last financial year.

The formula for calculating the equitable share of national revenue for local government was aimed at

achieving social equity, economic efficiency, the spillover effects of large capital projects and to build a basic administrative infrastructure at local government level.

The new system, implementation of which had already begun, was required by the constitution to enable local authorities to perform their constitutional obligations. It would replace the "ad hoc and inequitable intergovernmental transfers of the past", Provincial Affairs and Constitutional Development Minister Valh Moosa said.

The system was more transparent, rational, predictable, non-discretionary and targeted and recognised local authorities as an independent sphere of government.

A document, "The Introduction of an Equitable Share of Nationally Raised Revenue for Local Government", stated that the current system had had a "profoundly negative impact on the financial perfor-

mance of local government"

The new system would be phased in over four years, (for urban municipalities) to seven years (for rural municipalities) until all the transfers, currently allocated by provincial governments, were made by central government. They would only concern the approximately 10% of total revenue which local authorities did not raise themselves.

Manuel stressed the new system did not include subsidies for capital costs of municipal infrastructure which had already been restructured into the Consolidated Municipal Infrastructure Programme.

Time constraints had dictated that for 1998/99 the actual allocations to local authorities would only be published at the beginning of their fiscal year. However, an indicative minimum amount, 70% of the previous year's budget, had been announced to assist their budgeting, with the remainder being allocated at the start of their financial year.

MD 22/4/98
System

Local government revamp costs

Money would be better spent on relief for the poor,

CLIVE SAWYER
POLITICAL CORRESPONDENT

Restructuring local government in Cape Town has cost R500-million, and Cape councils say money would be better spent on benefiting the poor than on further restructuring. Meanwhile, a senior constitutional affairs official has admitted local

councils are suffering from "transformation fatigue".

This emerged during hearings in Parliament on the white paper on local government.

The white paper, soon to be translated into legislation, includes provisions for scrapping existing local government in South Africa's major cities in favour of powerful "megacity" councils.

Cape Metropolitan Council executive chairperson Pierre Uys said local government was in a process of continuous change, and the need for change was accepted.

He outlined successes in remodeling city government in Cape Town, including the redistribution of R920-million from the metropolitan to local councils on the basis of consensus. Work remaining to be done includ-

ed the drafting of a common valuation roll.

Mr Uys said the CMC's concerns about proposals for a megacity included a lack of checks and balances on the workings of redistribution.

The "democratic distance" between voters and councillors would be too wide and the megacity would be less developmental.

This was because it would have to deal with 1 500 developmental organisations in the Cape metropolitan area, Mr Uys said.

There would be a decrease in efficiency because a bigger authority with a bigger span of control would mean having to pay higher salaries to personnel.

In a written submission to the constitutional affairs committee,

say Cape councils

Blaauwberg council chief executive Peter Gerber said "The amount of financial and human resources taken up by restructuring most definitely does not enhance service delivery."

Mr Gerber said the current representative ratio in Blaauwberg was one councillor to 5 600 citizens.

A megacity council would mean a drastic reduction in councillors, Mr Gerber said.

(A67) ART 22/14/98

"Taking 40 councillors as a possible number, the ratio becomes one councillor to 75 000 citizens."

"Surely this cannot be in any way construed as democratic representation. One can just imagine the improvement in service delivery to the benefit of the citizens with a hundred million rands," said Mr Gerber.

Editorial comment:

57 000 million

Budget deal for councils

CLIVE SAWYER
POLITICAL CORRESPONDENT

(262)

ARLT 22/4/98

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

CT 22/4/98 (262)

A NEW system will ensure funds are allocated to municipalities on a formula basis and will provide local authorities with the resources they need to deliver affordable basic services.

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:

- A municipal basic services transfer, aimed at ensuring that poorer residents in all local government jurisdictions had access to basic municipal services.

- 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 megacities were accepted, this transfer would fall away.

- 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.

- A "matching" transfer which would assist communities to pro-

vide 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

Secondary cities suffer from 'squeezed feeling'

Linda Enso (262) PD 28/4/98

CAPE TOWN — Secondary cities like Bloemfontein, Port Elizabeth and Maritzburg feel squeezed between metropolitan and rural government structures and do not think adequate provision has been made for them in the local government white paper.

That was one of conclusions reached during public hearings on the white paper in Parliament last week. More than 70 verbal submissions were made and a similar number of written submissions were received, said Yunus Carrim, chairman of Parliament's constitutional affairs portfolio committee.

The hearings were held to give stakeholders an opportunity to influence pending legislation, and contribute to the manner in which the white paper was implemented. The aim also was to inform com-

mittee members so that they were better able to scrutinise and process the legislation presented to Parliament. The committee urged secondary cities to set up a forum to promote their interests.

"They feel they bear undue responsibility for the needs of the surrounding rural areas while metropolitan cities keep all their resources within their own boundaries," Carrim said. "They feel a disproportionate share of their resources is dedicated to rural areas."

The secondary cities felt dwarfed by metropolitan cities in terms of investment and economic development. Carrim said "We feel more attention should be given to secondary cities, smaller towns and rural government as a whole."

Another key fact to emerge was the substantial consensus on a broad policy and vision for local gov-

ernment, even on the question of metropolitan government. "If you strip out the political posturing, the differences between the different parties are certainly fewer than you would imagine," he said.

"All metropolitan governments, apart from Cape Town, are fairly consistent in that, broadly speaking, they accept that the current two-tier system does not adequately meet the needs of our citizens and that there is a need to move towards a single-tier system. The committee believes it will be possible even to meet the needs of Cape Town within the options of the white paper."

Carrim said the restructuring of local authorities was likely to be phased in over five to 10 years.

The SA Chamber of Business said business, which contributed about two-thirds of municipal revenue, should have a structured voice in local government.

SA industry could benefit from 'greenhouse' accords

Josey Ballenger (262) PD 28/4/98

SA had to face up to the challenge of international environmental conventions, which posed both "benefits and dangers" to industry, a senior environmental affairs official said last week.

SA and other countries classified as "developing" would be pressured to commit to greenhouse gas emissions reductions, even though they were not required to by the climate change protocol adopted in Kyoto, Japan, last December. The protocol set legally binding reduction targets only for developed and former Eastern Bloc countries, which would receive "credits" for helping developing countries reduce emissions.

Greenhouse gases are believed to increase the earth's temperature and thus threaten ecosystems.

"There is likely to be subtle but real trading pressures on countries not seen to be complying to the con-

vention commitments," said Brian Egan, head of the environmental affairs department's international liaison division.

"Trade links may be distorted by potential trading parties which are having to make such cutbacks. There are therefore both economic benefits and dangers in this convention which need to be addressed in many business plans."

Reducing emissions "should have some very positive effects", such as eligibility for funding from the global environment facility for technology transfer and for participation in the programme for "donor" countries to help "host" countries reduce emissions.

Egan said industry was required to provide data on emissions to government. He praised industry for "phasing out ozone-depleting chemicals" through self-regulation and guidance from the environmental affairs department.



Negota commission wants premiers appointed

By HOPEWELL RADEBE
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 manage-

ment, 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 were proactively leaking information and misinformation to the press"

"The nature of the leadership race has not done the ANC proud. 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 in-

ternal 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 decisively

ly deals with the phenomena of careerism and provincialism within its ranks, a heavy price is to be paid

"The commission believes that they (ANC premiers) need to be appointed by national leadership, and in particular the president of the ANC"

The report said the ANC needed to decide whether ANC provincial heads should automatically become premiers - an issue that was on the agenda but was not resolved at the party's conference

Motlanthe said the commissioners' recommendations on premiers went "beyond the mandate and responsibility" of the commission, and that the party's leaders would indicate this when the national working committee considered the report

► Cleared, but drubbed

(267) Mar 20/9/98

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 this are many and ominous

Newspapers and other sources report that two thirds of municipalities are financially highly stressed, one third has no hope of generating income to cover their service commitments, local government debt stood at R3,3bn last September compared with cash and investments of R6,5bn, there is an overall payment default rate (for rates and services) of 29%, and a decline 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 tiers of government in terms of trust (31%) and job approval rating (30%)

In this 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 resolve 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 hovers uneasily between a development wish list and acknowledgement that gratification has to be deferred for sustained medium- and long-term benefits

It fails to grasp the nettle of hard choices about priorities and political balance. It fails to deal properly with the crisis in local government and therefore fails to extract the lessons of this for future policies

It reflects no international experience or other research (on which considerable public money was spent), its conclusions are not explained or justified, very few facts are reported, the implications of national economic policy for local government are not discussed, there is a lack of clarity on critical terms, and there is no concluding chapter pulling together a practical programme of action

Local government in SA has to find a finely crafted balance between two imperatives: one is the need to improve the quality of life of 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 politicians and city managers will need to recognise and understand these differences and choose the best combination of measures for their city. To deny the trade-offs involved in the short-to-medium term is to avoid the choices or be dishonest with the electorate

If the quality of life of poor communities is to improve, economic growth is essential. The white paper's declaration that "provision of basic household infrastructure is 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 infrastructural 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 infrastructural challenge that faces large urban areas. Basic household infrastructure cannot be the central contribution made by local government to social and economic development. It has to be complemented by attention and resources devoted to the most basic requirements for dynamic economic growth which can only be built on a well-maintained base of public infrastructure and economic services

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 interim local governments followed, only now coming to an end

The current picture is one of incomplete administrative rationalisation, 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

Overestimating state capacity will result in unworkable policy. The best policy to meet a given goal is that which minimises demands on the state's capacity

SA's minorities are disproportionately concentrated in cities and towns. Given the concentration of financial and human capital among minorities, it is important they do not feel helpless and pessimistic about the future. If they do, their potential contribution will be vitiated

There is substantial unused capacity in the private sector for local infrastructural development

Some banks have established infrastructure funds, only to find that present institutional arrangements make it difficult or impossible to retail out these funds. New arrangements such as privatisation or long-term concessions need to be introduced rapidly to break local authority financing constraints

Leveraging private investment and encouraging economic competitiveness for the cities is the only way the poor will ever have sustainable access to services. Yet the white paper is ambiguous about economic competition and rules out privatisation for core municipal services (water, electricity, solid waste)

As a result the white paper does not provide an adequate policy framework for local authorities to promote the development needed to sustain the provision of at least basic needs to all inhabitants

Development and provision for basic needs requires clear understanding of economic circumstances and choices as well as astute political balancing acts that encourage all sectors of the community to make the maximum possible contribution. SA's cities and towns are the location of some 80% of the gross domestic product

If government policies for inclusive economic and social development are to be successful, they have to succeed in the cities above all

What this will require is a multiclass and multirace coalition for growth, development and redistribu-



Municipal workers march in Johannesburg last week to protest against working conditions and to demand higher wages, two-thirds of municipalities are financially highly stressed

Picture AP

tion (of services and opportunities) in those cities. Success will require farsighted, long-term thinking on the part of all concerned

SA's weaknesses need to be honestly recognised, and its strengths built upon. Solutions have to be sought that provide something for all the different components of the delivery coalitions that must be formed if we are to achieve growth and sustainable development in the urban areas of SA

Maximising on private sector involvement and promoting economic competitiveness for the cities is the

only way to service the poor on a sustainable basis. The Centre for Development and Enterprise had hoped that the past four years of government would have made this as clear to the white paper's drafters to the finance ministry. This kind of inconsistency in government policy is without doubt a critical factor in holding back economic growth

□ Bernstein is executive director of the Centre for Development and Enterprise. This article is based on the recent response by the centre to the white paper on local government

ANALYSIS

Proposals threaten services

PRIVATE investment and economic competitiveness for the cities is the only way that the poor will ever have access to services on a sustainable basis

In this context the local government white paper's proposals for metropolitan government are particularly worrying

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 provide the reassurances 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 powers, hence in both the degree of influence of the smaller structures is wholly at the discretion of the centralised elected authority

In nonmetropolitan 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 "megacity" option — 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 risks

□ 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

The economic and political success of SA's cities is not likely to become a reality if they follow the local government white paper proposals now on the table, argues Ann Bernstein (267) BD 2/6/98

identity. Recommended provisions to address this need fall 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 of administration required in very large centralised systems, and

□ 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 vague redistributive notions are being loaded onto this form of government. It is essential to separate out the issues involved in this now 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 region-wide 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 councils

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, we will have to privatise or corporatise 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 re roles and job descriptions and as a consequence, enormously wasteful use of resources

□ Successful SA cities will require multiclass and multirace 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 appropriate 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 tier of government with clearly defined and limited powers. Metropolitan councillors should be directly elected,

□ Metropolitan-wide service provision could either be provided by the metropolitan tier itself, where it can demonstrate competence, 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, most redistribution will happen at the central level of government and be allocated to the local level

These subsidies from the na-

tional fiscus can be used by a local authority to buy additional services from the metropolitan level, provide a higher quality of service itself or subsidise the prices of such services,

□ The CDE would support two mechanisms for redistribution — grants from central to 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

Policymakers must be honest about our weaknesses and must build on our available strengths. Multirace and multiclass coalitions are essential if we are to achieve the urban growth and development that we all want

The options that are currently on the table preclude economic and political success

□ Bernstein is executive director of the Centre for Development and Enterprise. The article is based on its response to the white paper on local government



Urgent, workable proposals are r

Local government

IN DEEP CRISIS

Star 3/6/98

(262)

By ANN BERNSTEIN

A presidential commission for our cities and towns should be established urgently to gather vital information still required to determine the causes of the current crisis in local government, and to make proposals to ensure future success.

This is one of the major recommendations 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, a confused and inadequate document on which to base future government policy and action

The white paper fails to resolve the tension between a desire for strong local government as an engine for growth and development, and the reality of a sector in fundamental crisis.

The document hovers uneasily between a development wish list and acknowledgement that some gratification has to be deferred for sustained medium and long term benefits. It fails to grasp the nettle of hard choices about priorities and political balance. It fails to deal properly with the crisis in local government and therefore fails to extract lessons of this for future policies.

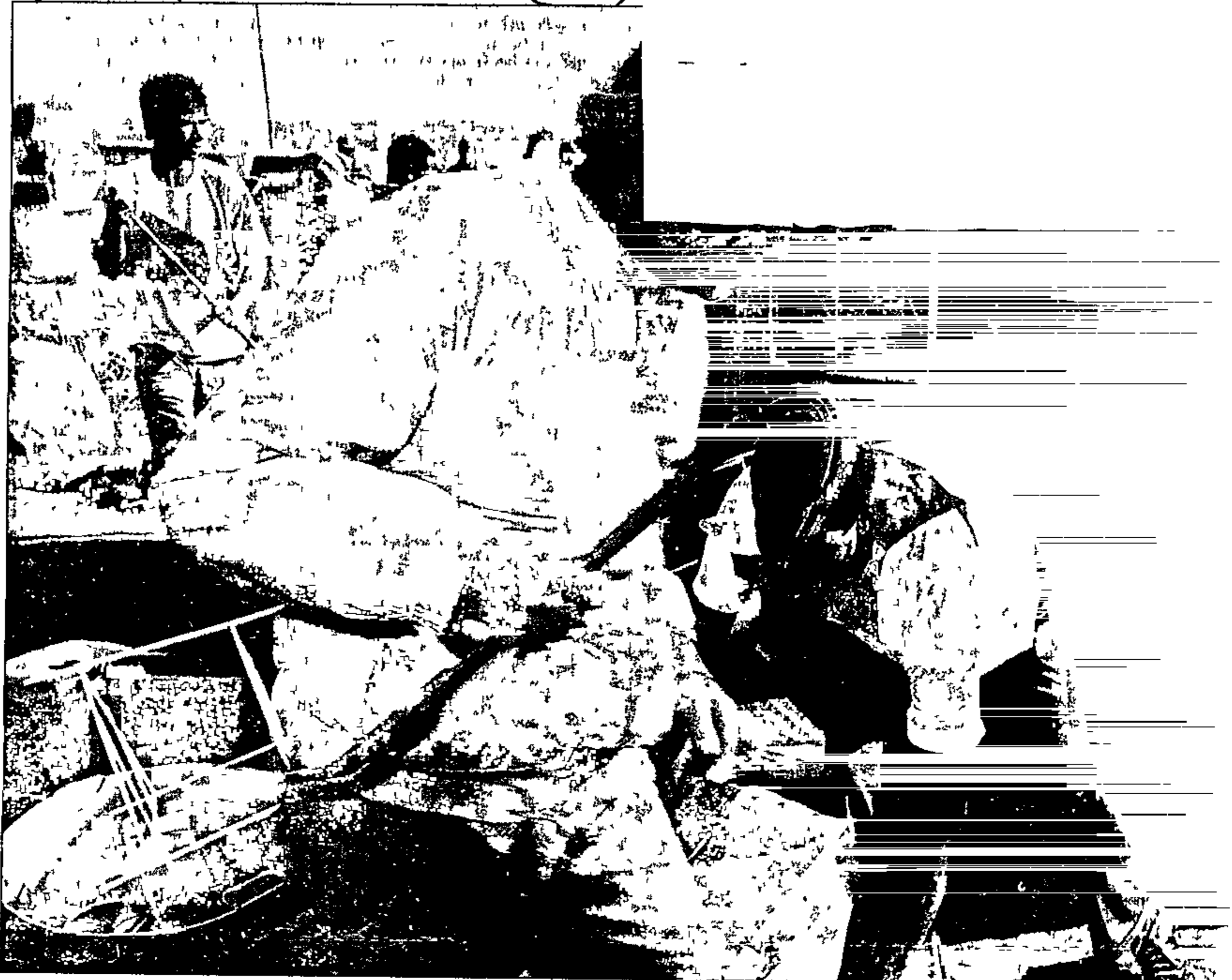
It reflects no international experience or other research (on which considerable public money was spent), its conclusions are not explained or justified, very few facts are reported, the implications of national economic policy for local government are not discussed, there is a lack of clarity on critical terms, and there is no concluding chapter pulling together a practical programme of action

As a result the white paper does not provide an adequate policy framework for local authorities to promote the development needed to sustain the provision of at least basic needs for all their inhabitants. Development and the provision of basic needs will require a clear understanding of economic circumstances and choices as well as an astute political balancing act which encourages all sectors of the community to make the maximum possible contribution

Success in South Africa's cities will require multiclass and multirace coalitions for growth, development and redistribution of services and opportunities. Just as in SA as a whole, success will require far-sighted and long term thinking on the part of all concerned

Our weaknesses need to be honestly recognised and our strengths built upon. Solutions have to be sought that provide something for all the components of the coalitions that must be formed if we are to achieve growth and sustainable development in urban South Africa

Private investment and economic competitiveness for the cities is the only way that the poor will ever have access to services on a sustainable basis



Dead end . no homes, so in desperation they squat and are evicted, often in violent circumstances. Those with homes often can't pay for services so the government woes which, this article contends, have reached lamentable proportions and are not being addressed by the Government White Paper

In this context, the proposals for metropolitan government are particularly worrying. The two options proposed 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.

CDE is convinced that neither proposed option will provide the reassurances and environment that investors require before undertaking large risk ventures in the cities

In the light of the inadequacy of the white paper, CDE would argue that government should proceed cautiously for now.

It should therefore only introduce legislation that is absolutely necessary for the 1999 elections and to ensure fiscal discipline.

There is so much vital information which is still required as a basis for determining the causes of the current crisis in local government and such uncertainty on broad approaches to ensuring the success of local development, that CDE is convinced that much crucial legislation

must be deferred pending the results of a very special inquiry. This inquiry should not be rushed and should take the form of a specially appointed commission for cities and towns which will be given up to 18 months to complete its work.

Its terms of reference should include the following:

■ Establishment of the fundamental information required for understanding the development needs and core objectives of urban government. This information must include urban demographics and socio-economic patterns - the size and growth of population, patterns of migration, extent of poverty exactly defined and the capacity of different categories of citizens to pay for services and property rates

Also, existing levels of service provision, adequacy of local infrastructure as a basis for economic growth and capacity of the private sector and non government and community sectors to contribute to development and service provision

■ Overview of settlement types in South Africa, with particular emphasis

on patterns of marginal or displaced settlement (Winterveld, KwaNdebele, Bushbuckridge etc), its growth, circumstances and interaction with core local authority areas with a view to identifying essential changes in demarcation without disrupting existing local authorities unnecessarily or threatening local identification between communities and their councils.

Such a review should precede any major decisions by already established demarcation authorities.

■ Powers of cities and towns, and relationships between tiers of government, with respect to the development objectives which they have to meet. The extent to which powers of higher tiers of government may have to be devolved or decentralised to local government and under what conditions

■ Study of international best practice in implementation of local economic development and the local investment challenge. This should include a review of delivery mechanisms in economic development and implications as 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 financial structure and adequacy of the local 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, licence fees etc) have to be augmented by new forms of local revenue.

It should also include a review of costs and benefits of the RSC 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 mayors but would also need to examine other issues as well. For example the demands placed on local

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■ Different options with respect to forms of urban government. This would include a detailed investigation of the possibility of executive mayors 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 cabinet level. Should there be a single ministry of urban affairs?

This review should include a careful examination of current South African approaches to these difficult questions at both the 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'

(267) CT 5/6/98

CALLS FOR A review of the provincial system were often done all too lightly, says Provincial Affairs and Constitutional Minister Mohammed Valli Moosa. **VUYO MINTUYEDWA** reports.

ALTHOUGH provincial governments were riddled 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 the 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 overstaffed 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 maimed 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-sexism, 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.



MOHAMMED VALLI MOOSA

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".

Govt urges mobilisation of skills to save councils

CT 5/6/98 (262)

JOVIAL RANTAO
PARLIAMENTARY BUREAU

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 our 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 revealed 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.

*Almost a third
of the 843
municipalities in
SA are in
serious
financial trouble*

R8-bn debt burden hamstrings municipalities

CHARLES PHAHLANE (262)
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 Yunus Carrim, who chairs Parliament's constitutional affairs and public administration subcommittee, was speaking yesterday in a debate on the provincial and constitutional affairs budget

Mr Carrim 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 R583-million was about half of what was needed, and would "seriously rule out the possibility of wiping out the historical backlog in services with-

in the 10-year timetable that the Government has committed itself to"

Provincial Affairs and Constitutional Development Minister Valli 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

PRG 5/6/98

Paper was well researched

Crispian Olver defends the of constitutional development department against criticisms of the white paper on local government

(262)

BD 8/6/98

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 same 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 structures 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 MECs 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 organisation 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. This is not surprising as their "trickle down" approach to economic growth and calls for an exclusive focus on urban growth to the exclusive 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 services 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 in the cities coupled 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 utilities or independently governed public entities". This supposedly heated debate is limited to a disaffected minority, with five of the countries' 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 (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 race into 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 leisurely negotiations were held with the cabinet and the commission itself in preparing the legislation, they now had to complete 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

(aba)
the committee should be inconvenienced in this way

Inkatha Freedom Party member Cehill Pienaar 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 "screech 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

BD 9/6/98

Crispian G Oliver, deputy director-general (local government) of the Department of Constitutional Development, responds to criticism by Ann Bernstein of the Centre for Development and Enterprise, of the White Paper on Local Government

White paper stands on solid ground

CDE's critique of the Local Government White Paper (The Star, June 3) is misplaced and inaccurate. In addition to its somewhat hysterical tenor

The same views were presented to the portfolio committee hearings on the white paper, and widely rejected by members of Parliament. The debate does, however, raise some important issues regarding different approaches to public policy and its formulation.

The white paper is based on an extremely thorough foundation of research and analysis with which CDE is clearly out of touch. More than two years of research and some 80 separate studies have contributed to this policy, including:

- Quantification of municipal service backlogs, and detailed modeling 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 structures 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 re-organisation and transformation

Over 2 years' research and 80 studies contributed to this policy

In local government.

- Performance management, development planning and budgeting systems.
- Mechanisms to enhance private sector credit and investment.
- Approaches to restructuring intergovernmental fiscal relations.

Many of the earlier research pa-

pers were published in 1997 as part of the Local Government Publication Series and have been distributed to every municipality as well as major stakeholders. Subsequent research papers are available on request, and some are included on the DCD local government website.

In addition, quarterly surveys of local government financial data and infrastructure investment patterns are released. CDE's supposed ignorance of this large body of work is a result of their own poor investigation.

CDE'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. DCD has deliberately sought to produce a white paper in an 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 CDE proposes. CDE 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 a substantive set of engagements 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 in fact 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.
- The final white paper was partly written by Salga members, and its content approved by Salga.
- A series of engagements with provinces, including MECs for local government, in which a clarification of the roles of all three spheres of government was developed, and

Discussions with organised labour, civic organisations, NGOs and university academics, all of whom made quite significant inputs into the content of the white paper.

CDE's ignorance of these processes is more a sign of their isolation from mainstream debate on local government than a serious critique of the process itself. This is unfortunate, because CDE 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.

CDE may not agree with the conclusions reached in the white paper. This 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 CDE's constituency in the corporate sector, but offer scant relief for township residents and the urban poor.

The danger of CDE'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 services for all South Africans.

Dangers of CDE's policies are massive dislocation and unrest

CDE's views on the metropolitan system are frankly contradictory. On the one hand they argue for "strong democratically elected local authorities in the cities coupled with a small, directly elected metropolitan tier".

At the same time they acknowledge that "metropolitan-wide ser-

vice provision could either be provided by the metropolitan tier itself, or by private sector utilities or independently governed public entities".

In fact, this supposedly heated debate is limited to a disaffected minority, with five of the countries' six metropolitan areas having achieved a strong consensus regarding the future direction of their institutional restructuring. Again CDE 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, including the parliamentary portfolio committee, the local government MINMEC, and Salga itself.

CDE should make an effort to participate constructively in the unfolding transformation process for local government rather than try to delay it with calls for superfluous commissions.

(262) Ann 9/6/98

Urban growth engines need

care — study

(262) 10/6/98
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 transitional metropolitan councils and metropolitan sub structures, 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, Western Cape and KwaZulu-Natal's budgets taken together

When one adds 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 emphasises 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 centralised. The first point to note is that so-called debate over megacities is a little displaced, because most of the metropolitan areas are already characterised by huge differences between substructures in terms of their relative sizes

There are already mega substructures in place in the largest metropolitan regions. For example, the following substructures all have more than 1-million inhabitants: the southern substructure of greater Johannesburg, the central substructure of greater Pretoria, Tygerberg's substructure and Cape Town city substructure in the Cape metropolitan area and Durban's north and south central substructure

Half the metropolitan regions are already characterised 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 major portion of the Khayalami aggregated budget is controlled by the Kempton Park substructure. The Cape metropolitan area is in many ways the least centralised and most difficult to reorganise, simply because the old Cape Town's functions, as the de facto metropolitan authority, have been decentralised to the substructures in the 1997/98 budgets, which would result in a difficult restructuring if it were to be recentralised

On the revenue side, except for Johannesburg, about 20% of the metropolitan budgets are funded out of these levies and rates. In greater Johannesburg, this figure is almost 30%. It should be noted that arguments which suggest that the business levies should be collected and disbursed nationally would not appear to have much merit, as the amount collected (about R1,7bn) is relatively small in national terms but is very important in funding capital expenditure in the metropolitan regions

Rather, if 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 rates are about equal between 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 tend to receive proportionally less rates. Of course, in the hurly burly of budgeting, this factor is often lost sight of by politicians 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 reasonably equitable, in Pretoria, the Akasia substructure has a very small rates base, in Khayalami, the larger Kempton substructure has an inequitable 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 councils is most impressive and stresses that such governments should be treated properly as distinct spheres of government. The growth rates of these large urban conurbations 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 inequitable rates bases within metropolitan areas point to the fact that they ought to be seen as single functional entities rather than as separate metropolitan councils and substructures

However, the metropolitan areas are not simply financial powerhouses. These major urban areas contain far more than 40% of the population. In addition, they are the engine rooms of economic growth

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. This not to say that special attention should not be given to non-metropolitan areas, only that the key issues in those areas might well 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 better — study

ND 10/6/98
(262)
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 Sutcliffe, 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.

Sutcliffe 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 inadvisable 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.

Demarcation Bill will help municipalities draw the line of ^{their} ₍₂₀₁₆₎ ^{year}

CLIVE SAWYER
POLITICAL CORRESPONDENT

Approval by Parliament this week of the Municipal Demarcation Bill has set the stage for keen contests around South Africa on drawing council boundaries ahead of next year's local government elections.

The bill could also open the way for a large cut in the number of South Africa's more than 800 municipalities, many of which are regarded as unsustainable and inefficient.

The bill was approved by the National Assembly on Tuesday and the National Council of Provinces on Wednesday, with only the National Party dissenting.

It is closely linked to the Municipal Structures Bill, expected to be processed by Parliament by September, which defines categories and types of municipality and provides

for electoral systems, among other things.

The Demarcation Bill sets up an independent demarcation board which will draw the outer boundaries of municipalities.

The bill says board members will have to have qualifications, knowledge or experience in local government generally, or in fields ranging from development economics to municipal administration and finance, traditional leadership to land surveying or transport planning.

The board will be chosen by a selection panel consisting of the Constitutional Court president or nominee, a judge chosen by the chief justice, a member of the Commission for Gender Equality, two experts on boundary demarcation, one chosen by the Minister for Provincial and Constitutional Affairs and the other by the SA Local Government As-

sociation, and the National Council of Provinces constitutional affairs select committee chairperson.

The NIP's opposition to the bill was based on its suspicions that the selection panel would, apart from two judges, be made up of African National Congress supporters.

While the demarcation board will decide outer boundaries, it will be the job of the Independent Electoral Commission to decide the internal, or ward, boundaries.

The demarcation board must take a set of criteria into account in making its decisions, including the interdependence of people, in terms of existing and expected patterns of human settlement and migration, employment, commuting, spending, use of amenities and commercial and industrial links.

Other criteria are the need for unfragmented areas, financial and

administrative viability, provincial and municipal boundaries, areas of traditional rural communities, and magisterial, health, police, transport and census enumerator boundaries.

Also set out as a factor is the need for co-ordinated municipal, provincial and national programmes and services, including the need for the administration of justice and health care. The board will also have to take into account geographical characteristics of the area.

Boundary decisions will have to be assessed in terms of their impacts on municipal creditworthiness, existing municipalities, their councils and staff and "any other relevant matter".

National Assembly constitutional affairs chairperson Yunus Carrim confirmed during a briefing for parliamentary journalists this week that this meant the decisions would have staff implications, but emphasised

these would have to be dealt with in terms of labour legislation.

It did not necessarily mean anyone would lose their jobs, but it could mean redeployment among new municipalities.

A vital factor in the board's decisions, according to the bill, would be the need to rationalise the total number of municipalities in different categories and types to ensure effective and sustainable service delivery, financial viability and macro-economic stability.

Provision is made for public input to the board's decisions, and for people to appeal to the board to review a decision on boundaries.

Mr Carrim said it was expected that the board would be in operation by September, and much of its work would be done by committees it would set up.

He emphasised that by moving

substantial demarcation power away from national and provincial ministers to an independent board, the possibility of gerrymandering boundaries was removed.

Mr Carrim said the criteria to be used by the board were "inextricably linked" to each other, while the thread running through all of them was the need for growth, equity and redistribution in local government.

He noted that, since the 1995 elections, there had not been a significant degree of redistribution at the local level of government, although this was not the sole fault of municipalities.

But, at the same time, the Government did not want to "over-exploit" pockets of wealth in municipalities, having observed the experience of other third world countries where this had been done to the detriment of all.

election

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: a 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 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, efficient

second opinion

MOHAMMED VALLI MOOSA

Blueprint for the business of running efficient cities

(262) ST 14/6/98

cities, driven by greater market competition, bring lower unit costs, better quality and more customer-orientated 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 substantively different from the amalgamation process under the Local Government Transition Act. Workers will be faced with a more performance-orientated regime, changes in employer bodies and shifts of work location as resources are better redistributed.

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 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 substructures, 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 offers a number of advantages. There is a tradition of delegation of council powers to committees, including executive committees. These are where the bulk of council work is done. The location of councillors 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 councillors 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.*

THE BODY POLITIC

Joe Thloloe

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 vleis

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 wallowed in memories of cells, screams, torture, fear and anxiety. This is an area where many South Africans can speak with authority

You would first 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 skip 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 "Maak oop! Polisie!"

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 hysterical son as the cell doors closed behind you

It was so obvious that the reason for



You would carry your son's memory as doors close

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

PROVINCIAL POWERS

LIVING ON A KNIFE-EDGE

Will centralisation curb fraud?

Provincial governments — riddled with corruption, inefficiency and bureaucratic bungling in the past four years — may see their powers diminishing soon

Provincial Affairs & Constitutional Development Minister Valli Moosa called on the National Council of Provinces last week to consider reforming the nine provinces

His call comes only two months after the Presidential Review Commission called on national government to intervene in the affairs of the Northern Province and the Eastern Cape

Moosa said the provincial system was not ideal "Why is it for example that there should be provincial departments of social welfare when all they do is implement national policy? The decentralisation of welfare administration may well be the answer to better management, less wastage, and less corruption and fraud"

The same could be asked about the provincial departments of safety and security

In the Eastern Cape, for example, the Safety & Security MEC's salary takes up 10% of the provincial budget while his department essentially acts as the public relations wing of the SAPS. Education is in the same boat. The National Party said Moosa's remarks showed that the ANC intends robbing the provinces of key functions without giving them new responsibilities

"If the provinces are not safe from ANC rapaciousness, it may well be asked whether any other constitutional safeguards will be," said the NP's Con Botha

That, of course, is a danger. And yet there is no denying that the provinces are a mess, and something will have to be done about the issue at some point

Moosa said the ANC would not change the fundamental tenets of the Constitution. These, he said, were the "holy cow" of founding law.

He also announced that government would table an amendment Bill this year to deal with changing minor, administrative sections of the Constitution, one of which would empower provinces to establish cross-border municipalities that recognise socio-economic linkages between towns and townships on different sides of provincial borders

Justice Malala

Dustin Chick

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

NP will continue its opposition to megacity

(262) BP 2296/98
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 acquiring 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 National 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

to be consolidated with mechanisms

authorities and voters

nt's endless dilemma

Star 22/6/98

(abd)

ANDREAS VLACHAKIS

Traumatic time ... Nomonde Jacobs reads the sheriff's notice while her neighbour Tryphina Khumalo (seated) looks on in Tsakane 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.

ument, but cutting down on the number of councillors means more voters per councillor, which will make it even more difficult for them to build up relationships of trust with their constituents

Also, it seems unlikely that councillors will return to full-time council work without additional measures compelling them to do so.

Moreover, recent CPS research shows that the problem lies elsewhere: ward residents do not know their councillors because voters elected party rather than community representatives; for councillors, party accountability takes precedence over representing "communities", 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 while 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 co-operation and partnership between local government and "communities".

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 collections (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 Kihato is a Centre for Policy Studies analyst.

build mutual trust and respect, lay the foundations for a re- and accountable local government and a responsible citizenry to the heart of the matter debate that has caused much among policymakers, parties and civil society or on how South Africa's areas should be gov- The local government white provides two options. The first by ward committees. to promote local interests, the will only have ad- powers; therefore, power will at the metro level. second alternative is a met- government with sub- consisting of councillors in wards as well as party rep- elected on a propor- esentation system. Some actions will be devolved structures, but again, real vest in the metro the white paper ac- the flaws in current lo-

cal governance, it fails to provide convincing methods for improving local democracy and building trust between local representatives and voters. A balance should be struck between the need to improve city management in terms of issues such as co-ordination, economies of scale, integration and redistribution, and the need to ensure that links with citizens are preserved.

While recognising the need for both, the white paper suggests metropolitan systems that pay more attention to city management issues than local democracy.

Centralised metro governments might manage cities efficiently, but could harm local democracy. There is no guarantee, for instance, that ward committees will adequately represent local residents. And even if they do, they will not have the autonomy to plan or finance programmes best suited to local needs.

Similarly, substructures will operate as surrogates of the metro, acting out functions that have been devolved from the higher level.

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 no real powers may further disengage the state from its electorate. Furthermore, proposals to cut South Africa's 843 local authorities to about 500 and reduce its 11 300 councillors by half may exacerbate the situation further. It has been argued that, because they are so badly 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 ar-

OVERDRAFTS 'UNDERMINING GEAR'

Provinces owe banks R4bn

CT 22/6/98

(262)

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 Econometrics 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 bridging 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 overdrawing 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.

Twine said provinces would find themselves in a debt trap if they were using overdraft money, borrowed at the prime rate or higher, to meet long-term costs like those of roads, machinery and hospitals.

"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."

Sentle 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.

Explaining later, he said a member of his office had mistakenly faxed his research notes to the media.

He emphasised that, contrary to speculation in NCOP and media circles, he had not been instructed to tone down his speech for fear of the negative effect it might have on markets.

In his speech to the NCOP, Fenyane called on central government to place commercial banks' lending practices "under the microscope".

The main reason for the provinces' running short of money was a combination of bad management, lack of capacity, the integration of the former homelands and the cost and magnitude of services required.

According to the NCOP, the provinces, in borrowing from banks, hoped to offset this debt in future budgets.

But in practice, debts are not being offset as the provinces are having to meet the cost of servicing their overdrafts and new costs that arise each year.

This means that the amount, with interest, eventually repaid to the banks could be between R6bn and R8bn.

"This money could be used for services and resources instead of servicing debt," said an NCOP member, who asked not 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 Eastern 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

The debt trap is a direct route to bankruptcy ... provinces are likely to go down the same road

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.

CLIPPING ISSUES

Valli Moosa, the hard-working visionary

Single city concept (2/2)

'makes economic sense'

AR 25/16/98

The formal expression on the politician's face dissolved when the national anthem was played.

He became a freedom fighter again. His eyes softened as he listened to the words of the African hymn, but his body kept the determined stiffness of a soldier. He chose not to sing.

As the last bars played, at the start of the Youth Day celebration in Oudtshoorn, Mohammed Valli Moosa, Minister for Provincial Affairs and Constitutional Development, smiled.

The sacrifices so many had made for this hymn to be sung as the national anthem were not lost on the minister.

The trip to Oudtshoorn was the second day of our interview which started at the minister's office in Pretoria.

For Mr Moosa, the celebration was to be a good show - children everywhere in Masekane T-shirts, a play about the constitution and speeches from community leaders about the responsibilities of being a good citizen.

Everything he had worked to achieve as a major player in the African National Congress's negotiating team since the launch of the Convention for a Democratic South Africa in 1991 seemed to roll in front of him. From the negotiating table to the sports field in Oudtshoorn - South Africa's new constitution had become the red thread in Valli Moosa's political life.

There was just one disappointment. None of Oudtshoorn's whites arrived to sing the anthem or take part in the poetry readings. Only a mother and her two daughters came later for the display by the police dogs.

"The white schools cancelled yesterday," an organiser explained.

In his speech, the minister echoed the words of Deputy President Thabo Mbeki and said there were still "two nations" living in one country. One lived in comfort, the other in poverty and the two had not, as yet, joined hands in unity.

"Let us never forget how bad things can be because, if we forget, the bad times might come back," he said.

Valli Moosa has had his fair share of bad times. His family was forcibly removed from

INSIDE STORY

For two days, Special Writer CAROL CAMPBELL

travelled with Valli Moosa, Minister of Provincial Affairs and Constitutional

Development, to write about the man regarded as one of the brains behind South Africa's new democracy



the centre of Johannesburg to Lenasia when he was in primary school. The home in Market Street was where Valli, the fifth of nine children, was born.

Although he won a bursary to study at the University of the Witwatersrand, the state refused to give him a study permit. For a year he worked to save enough money to pay for residence accommodation at the "Indian" university, Durban Westville.

He graduated with a B Sc in mathematics and physics and, during this time, became well entrenched in struggle politics.

Under severe repression, he helped found the United Democratic Movement and later led the Mass Democratic Movement. He also served on the executive committee of the Transvaal Indian Congress.

During the 80s, he was locked up repeatedly. In 1987, he escaped with Murphy Morobe and Vusi Khanyile and, for five weeks, the three took refuge in the United States' consulate in Johannesburg.

He now serves on the ANC's executive committee and moved from deputy minister to minister in July 1996.

In the middle of the Oudtshoorn rally, he fielded a call from Peter Mokaba, Deputy Minister of Environmental Affairs and Tourism.

Mr Mokaba was attending Youth Day celebrations in Bushbuckridge in Northern Province and had been met by demonstra-



Mountain man, Valli Moosa says he feels at his best in the mountains, in this case the impressive Outeniqua range between George and Oudtshoorn, where he was to attend a Youth Day rally

tors upset over a provincial border dispute and he wanted to know how to respond.

Border disputes are Mr Moosa's responsibility. He will introduce a series of bills into Parliament later this year and next year to implement local government policies.

One is the Demarcation Bill (already approved by Parliament), which allows for the establishment of a board to ensure local government borders are determined by rational criteria and not politics.

Efficient and cost-effective management in local government are his primary goal, making him the man mover behind the

"single city" concept which has been angrily shot down by opposition parties.

"A city should be run by one municipal structure, not five," he says. "At the moment, there is no consistency between municipalities, everybody is pulling in their own direction. We are not managing our cities properly."

And the cities are South Africa's biggest assets. Johannesburg's R7-billion budget is bigger than the provincial budgets of North West, Mpumalanga, Northern Province and the Free State. "Eighty percent of the country's economic activity is generated in a handful of urban centres," says Mr Moosa.

Half the population lives in them. In pointing out local government weak-

nesses, Mr Moosa says he feels at his best in the mountains, in this case the impressive Outeniqua range between George and Oudtshoorn, where he was to attend a Youth Day rally.

ister walks in. The tension in the silent room is palpable. The head of finance has a red flush which disappears when the meeting goes well.

For three hours, the minister picked through the figures. "Why do we need to spend R20 000 here? Surely R10-million is too much?"

"Cut here, give there."

He doesn't miss a line. When one of his staff skips a figure he draws her back. Always asking: "Why?"

When he leaves to make a phone call nobody talks. This is the big budget presentation and months of hard work can be dismissed in a moment.

But the boss is happy at their return. In zee's *Boyhood*, which he hasn't had time to read. He recently finished Pamela Jooste's *Dance With A Poor Man's Daughter* and enjoys South American writer Garcia Marquez. "He writes metaphorically. Like that."

In George, for the June 16 festivities, he stayed at a luxurious golf estate, a venue chosen by his staff.

He confides that the manufactured beauty of the place didn't appeal to him. "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 it in notebook," he says.

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... than the provincial budgets of North West, Mpumalanga, Northern Province and the Free State "Eighty percent of the country's economic activity is generated in a handful of urban centres," says Mr Moosa. Half the population lives in them.

In pointing out local government weaknesses, he uses Cape Town as an example. The city has five different tourism strategies - one for each municipality.

"You can't have Fish Hoek spending huge sums to compete with the Waterfront for tourists. It's one city and the different parts should work as one," says Mr Moosa.

The fear that municipal workers will lose their jobs is unfounded, he says. "This is one area of government that needs to expand, especially to service areas which had nothing in the past. If anything, more jobs are going to be available."

The minister is impressed with the way New York is run. The city has one mayor and one central administration, but is divided into boroughs.

"The boroughs can take smaller decisions directly related to the communities they serve, like whether or not to allow a bottle store to open, that kind of thing."

In the four years since the country was restructured, many problems have emerged in the management of the nine provinces.

They have all inherited big and, in most cases, inefficient public services dogged by mismanagement and corruption.

Scrapping them is not the answer, says Mr Moosa, although there is much room for improvement.

"The provincial system is the most appropriate for South Africa. We are a diverse nation and provinces are a good way of allowing people to govern themselves."

But South Africa is not a federal state and the national Government has to ensure there is consistency in the provision of services across provincial borders.

If fraud and mismanagement threaten provincial governments and local authorities then it is the responsibility of national government to sort things out, he says.

The minister's schedule is gruelling. He rises at 5am (so his day doesn't feel rushed), makes an egg flip (beaten raw eggs, milk, honey and banana) for breakfast because it's quick and filling, and by 6.45am he is sitting in his Toyota working while he is driven to Pretoria from his home in Johannesburg.

He has budgeted for a new car and says he wants to buy a Land Rover to make trips into the rural areas easier.

His bodyguard doesn't like the idea of a Land Rover and wants a BMW. "That's just so you can drive at 200km/h when I'm not around," the boss teases.

On the first day of our interview, he is immaculately dressed (he puts his tie on in the car) and his navy blue suit shows only the smallest hint that it might have just been pulled from a suitcase.

He looks younger than 41. At 9am, his senior team arrives to give their budget presentation for 1999/2000.

It is a confidential meeting but he invites me in - provided I do not write or even talk about what I hear.

Everybody is in their seats when the min-

strat skip a figure he draws her back.

Always asking "Why?"

When he leaves to make a phone call nobody talks. This is the big budget presentation and months of hard work can be dismissed in a moment.

But the boss is happy and the meeting finishes 10 minutes early. The main absentee is Chris Nissen, head of the Masakhane campaign. Masakhane is the Government project to encourage people to pay for services and embrace their civic responsibilities.

A secretary gives the minister a fax saying Mr Nissen is in Cape Town and won't be at the meeting.

Something in the way he shoves it on top of the pile of papers in front of him says he is irritated. "He doesn't get cross, only occasionally sarcastic," his staff tell me.

Mr Nissen is the third head of the project which, the minister emphasises, is still the pride and joy of the Government.

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 Coet-

A city should be run by one municipal structure, not five - the different parts should work as one'

"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 quizzes 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, ums and aahs 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 drags 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.



Meeting the people: Valli Moosa with members of the Oudtshoorn community at a Youth Day rally

CAROL CAMPBELL

Paper a muddled response to critical queries

(262) B0 1/7/98

Charles Simkins looks at the challenges that were not debated in the white paper on local government

ON THE face of it, local government finance seems an intractable mess. Legislation in the early 1980s segregated urban municipalities into affluent cores and bankrupt and chaotic black local authorities.

Political transition has brought reamalgamation and redefinition, but rationalisation is not complete.

Many new urban municipalities are not fiscally viable and are bailed out by ad hoc grants. Rural local authorities are in their infancy and are far from having either the fiscal means or the institutional capacity to take over responsibility for the uneven patchwork of infrastructural services in their jurisdiction.

Yet useful steps are being taken to establish a new and coherent framework. Much of the work has been done by the finance department which has:

□ Transformed an inchoate early reconstruction and development programme set of capital grants programmes into a single channel of capital grants designed to complement the housing subsidy programme by providing money for accompanying bulk and connector infrastructure;

□ Defined the basis for assigning local government an equitable share of national revenue. This will be devoted to financing democratic institutions where the local rates base is insufficient and to supporting the provision of basic services to the poorest third of the population; and

□ Taken steps to "structurally adjust" the fiscal position of Johannesburg, which had, by late last year, developed a propensity to live beyond its means.

It is a pity that the recently published white paper on local government missed opportunities to follow up and consolidate these gains. The finance section of the document is very weak. It fails to identify priorities and contradicts itself. Four issues missing from the document particularly deserve public debate.

First, rationalisation of the property rates system, including a land tax in rural areas, without which the rural infrastructural development can be expected. The most efficient form of property tax is a tax on unimproved land only, as found in Johannesburg.

By contrast a tax on land plus improvements discourages development. Valuations should be carried out once every five years, at which time decisions should be made about which new settlements should be brought into the system. Flat rate systems should be phased out with the next valuation.

Second, regional service council levies. It is widely acknowledged that these are inefficient (imposing an undesirable bias against labour-intensive firms) and costly, administration-wise. The original purpose of the council levies was to generate funds in regions consisting of several local authorities for hard services that no individual local authority had an incentive to provide.

The emergence of metropolitan structures and racially integrated local government may have rendered this purpose less pressing. The revenues flowing to all but the largest 10 regional service councils have been small. One might take a radical approach and say that the metros and large town local authorities should simply raise their rates and service charges to replace levies, and that the intergovernmental transfer system should replace levies in other areas.

Third, reinforcement of Masakhane by a coherent view on poverty relief from property taxes and user charges for basic services. It would be reasonable for local authorities to exempt all households in areas which receive basic services only (or no services at all) from payment of property taxes and user charges. As soon as higher levels of service are

provided, the area should move into the property rates net. The rural rule would be a bit more difficult to define outside villages and dense settlements (where the urban rule can be applied). Only farms with above-subsistence incomes should be taxed. In the light of administrative capacity constraints and collection charges often higher than the possible contribution of the poor, it is surprising that an affordable poverty relief opportunity has not been incorporated into government policy already. The counterpart would be an insistence that services above the basic level should be paid for fully — there should not be a culture of "nonpayment" for these.

Fourth, privatisation. The white paper acknowledges that, in order to meet backlogs and secure access to

bursement of funds. The functions of the Development Bank are not spelled out, which is odd in the light of its aspirations. If the problem is that many local authorities are in no position to take on additional debt (on market or concessional terms) this should be stated, with supporting evidence. Of course, the potential private sector contribution is not limited to financing. International experience reveals many ways of more direct participation, from management contracts to concessions to outright sale of public assets to the private sector.

Everywhere, successful policy reform requires focus — and in middle-income countries such as SA with limited resources and even more limited state capacity, focus on a small number of strategically selected themes is crucial. Property tax reform, intergovernmental grants geared to provision of basic services, and an energetic privatisation programme are the three essential components of the way forward. The white paper provides an inadequate, incomplete and muddled response to these critical questions.

Finally, something needs to be said about how local government is to be positioned to resist heavy taxation (and poor servicing) of productive sectors to support an inefficient public sector which claims to redistribute to the poor without actually achieving this goal.

This last challenge, if seriously taken up in the white paper, and linked to the current problems in local government, would do more than anything else to combat the mounting pessimism about the future of local government in SA. In itself, therefore, it would have made a contribution to the future development of our local areas. An important opportunity has been missed.

□ Simkins is a board member of the Centre for Development and Enterprise.



SA's political transition has brought with it reamalgamation and redefinition. However, many urban municipalities remain in disarray

provided, the area should move into the property rates net. The rural rule would be a bit more difficult to define outside villages and dense settlements (where the urban rule can be applied). Only farms with above-subsistence incomes should be taxed. In the light of administrative capacity constraints and collection charges often higher than the possible contribution of the poor, it is surprising that an affordable poverty relief opportunity has not been incorporated into government policy already. The counterpart would be an insistence that services above the basic level should be paid for fully — there should not be a culture of "nonpayment" for these.

Fourth, privatisation. The white paper acknowledges that, in order to meet backlogs and secure access to

bursement of funds. The functions of the Development Bank are not spelled out, which is odd in the light of its aspirations. If the problem is that many local authorities are in no position to take on additional debt (on market or concessional terms) this should be stated, with supporting evidence. Of course, the potential private sector contribution is not limited to financing. International experience reveals many ways of more direct participation, from management contracts to concessions to outright sale of public assets to the private sector.

Everywhere, successful policy reform requires focus — and in middle-income countries such as SA with limited resources and even more limited state capacity, focus on a small number of strategically selected themes is crucial. Property tax reform, intergovernmental grants geared to provision of basic services, and an energetic privatisation programme are the three essential components of the way forward. The white paper provides an inadequate, incomplete and muddled response to these critical questions.

Finally, something needs to be said about how local government is to be positioned to resist heavy taxation (and poor servicing) of productive sectors to support an inefficient public sector which claims to redistribute to the poor without actually achieving this goal.

This last challenge, if seriously taken up in the white paper, and linked to the current problems in local government, would do more than anything else to combat the mounting pessimism about the future of local government in SA. In itself, therefore, it would have made a contribution to the future development of our local areas. An important opportunity has been missed.

□ Simkins is a board member of the Centre for Development and Enterprise.

Page 2

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 282 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 257 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 now able to recoup what they owed was the councils' 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 payers remained static at about 71% since October 1996 but the number of accounts issued rose by nearly 1,4 million, so that nearly 5 million consumers were now billed monthly.

Full credit control measures were currently being applied in 59% of all councils, and restricted credit control in 40% of councils, Manche added.

Only 1% of councils were not implementing credit control measures in any form. About 85 000 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 Chippy 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 Lekoa-Vaal region and Khayalami 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

(267) 80 3/7/98

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, his concern regarding "how local government is to be positioned to resist heavy taxation of productive sectors to support an inefficient public sector which claims to redistribute to the poor without actually achieving this goal", is 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 contradicts 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 fiscal and financial system needs to be restructured in four critical areas:

- Local revenue instruments and policies,
- National-local intergovernmental transfers,
- Gearing in private investment, and
- 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-contradictory, these are mutually reinforcing. For example, the general reforms proposed in the area of municipal accounting are 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 the role of the central fiscus in this sphere. And so on, and so on.

Secondly, and more fundamentally, Simkins's overall critique is based on a basic misunderstanding of what the white paper is meant to achieve. 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 they seek to address.

An example of this sort of problem is well represented by Simkins when he suggests that all households which receive "basic services" should be exempted from paying user charges. While this might be financially viable — and while it may appear to have cer-

tain 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 sustainability, 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 with 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.

Shrill 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 government focusing tightly on a policy area and producing the necessary outputs at a high level of quality and at the appropriate time. 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 shrill — and in some cases inappropriately ad hominem — attacks on the white paper, its objectives are puzzling. 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 the broad direction sketched by the white paper, this policy is very much in the process of formulation. In this context, the centre's slogan — "an opportunity has been missed" — is untrue and, frankly, beginning to sound weary. If the centre wishes to play the constructive role it claims it does, it should perhaps consider that flinging unsubstantiated and disingenuous criticisms at the white paper is tantamount to tilting at windmills. It may look 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.



Mohammed Madhi essential services in jeopardy

Robert Tshabalala

FM 3/7/98

(262)

WANTED NOW: MILLENNIUM BUG BUSTERS

Gauteng local authorities lag

Communications Minister Jay Naidoo has declared August 19 National Y2K Awareness Day to draw attention to the millennium computer bug — 500 days before the millennium change

New antidumping measures aimed at banning the importation of noncompliant equipment and software will also be introduced, Naidoo says

At government level, 68 mission-critical systems have been identified — systems that government cannot afford to have fail. These include the infrastructure of the Welfare, Education, Housing and Transport Departments and the SA Revenue Service. Other systems of concern include the national population register and the drought disaster system

"A six-phase action plan to ensure total readiness by the year 2000 has been drawn up for each of these mission-critical systems," Naidoo says

But in SA's economic heartland, Gauteng, the preparedness of local authorities leaves much to be desired

The CEO of government's National Y2K Decision Support Centre, Mohammed Madhi, 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, sewerage, security and production systems

Madhi 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 Madhi

The National Y2K Decision Support Centre has a R42m budget for the three years to 2001, and a core staff of about 35 people

Arnold van Huyssteen

Government chaos looms

- 40% of government departments and 53% of local authorities have inadequately skilled projects teams compared to 20% of large organisations,
- 36% of government departments and 40% of local authorities have inadequate action plans compared to 24% of large organisations,
- 42% of government departments and 37% of local authorities have disaster recovery processes in place compared to 78% of large organisations,
- 42% of government departments and 37% of local authorities have contingency plans compared to 60% of large organisations

DEPARTMENT OF POST & TELECOMMUNICATIONS

Fight looms for platteland power

ASHLEY SMITH
STAFF REPORTER

(262)
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

ARG 7/7/98
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 Wine-lands, Southern Cape, Little Karoo, Central Karoo and Overberg, are in limbo until elected proportionally.

C

LOCAL GOVERNMENT VITAL TO ECONOMY

(362) Pd 17/7/98

IMPORTANT decisions on the final form of local government are likely to be made soon. The Demarcation Bill has nearly completed its course through the legislature, and the Municipal Structures Bill has been published for comment. Together these bills will define the essence of the new local government dispensation.

The importance of getting things right cannot be overestimated. The provision of basic services and much of the infrastructure upon which the economy relies depend on it. Metropolitan areas, above all, are critical, if local government in these regions fails, the effect on the economy would be catastrophic.

Unfortunately, despite the variety of metropolitan areas in the country, the options for metropolitan government provided for in the Municipal Structures Bill are very limited. While appropriate in some areas, they are likely to lead to structures which are inefficient, and possibly unworkable, and even contradict key principles of the white paper.

All the options provided for have a highly centralised starting point. Within this, two forms of decentralisation are offered. The single metropolitan council, which must cover the whole metropolitan area, can either have ward committees or area committees.

There can be little opposition to ward committees, so long as these are essentially to advise the ward councillor.

Elected representatives should be obliged to consult the public in their areas, but they must have the power ultimately to take decisions on their own. Otherwise, ward committees could easily become destructive blocking mechanisms for small, non-elected groups. Ward committees should also not result in the establishment of ward-based administrations. This would be very costly and lead to severe fragmentation of delivery.

The idea of area committees seems to have emerged recently as a compromise form of decentralisation after other options were excluded. How these will function is far more difficult to work out.

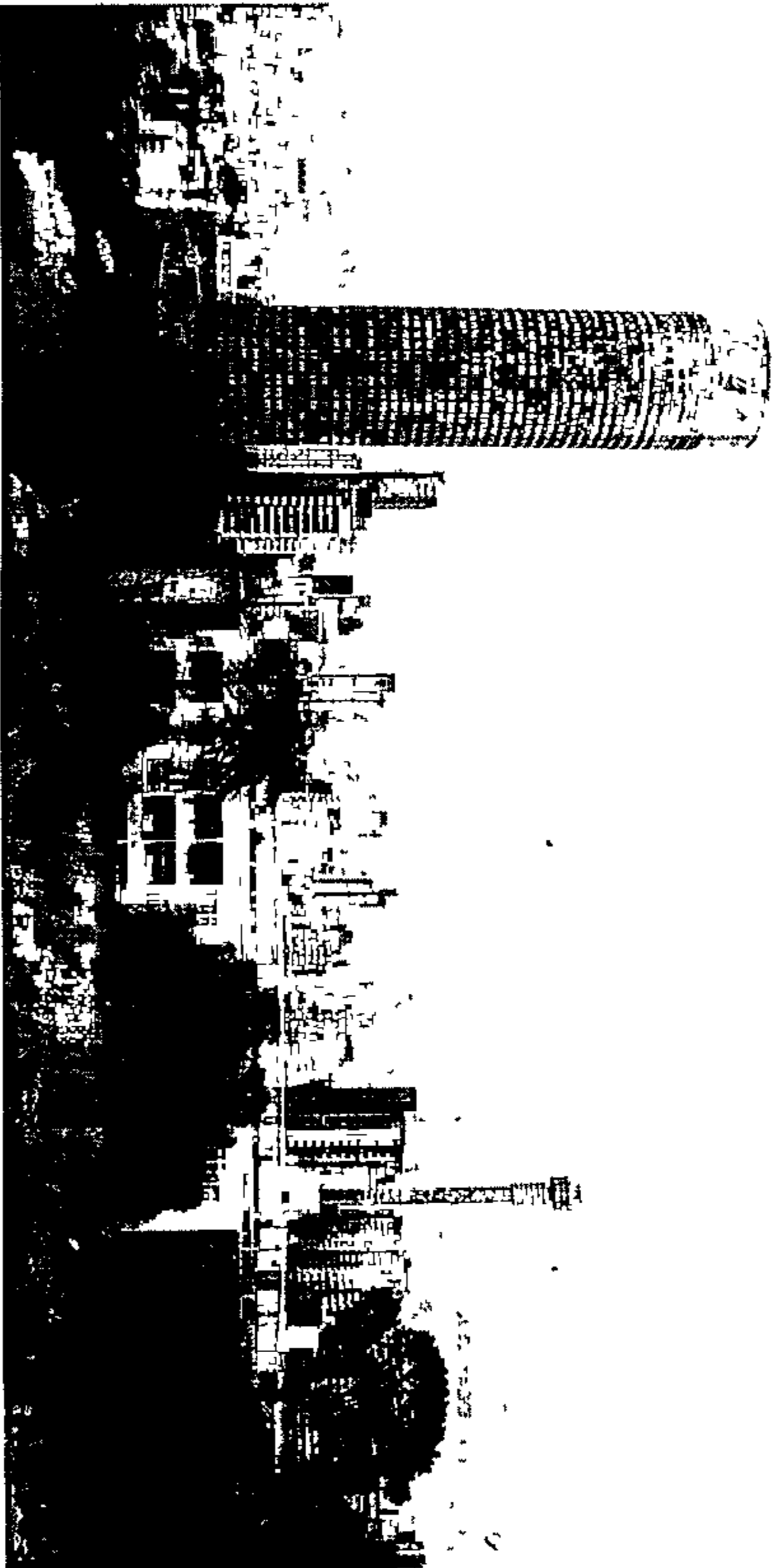
The real problem is that in terms of the constitution they can have no more than delegated authority. They would be made up of those ward councillors elected from the demarcated area together with others elected on a proportional representation basis to the larger metropolitan authority.

However, what if the area committees were to be dominated by a different political party from the metropolitan authority?

The megacity concept may be too unwieldy to address adequately a metropolitan

area that has wide enough boundaries to enable effective governance, writes

Philip van Ryneveld in the first of a two-part series



Johannesburg city planners need to look at the big picture

If the idea is to load the committees with proportional representatives to swing it back in line with the metropolitan majority it will lack all legitimacy. If not, then the scope for political paralysis and destructive second-guessing is enormous.

How can an area committee be expected to operate when the authority by which it does so can be withdrawn at any time by an opposing political party? Would there be an administration based on the same boundaries, and to whom would that administration ultimately be responsible?

Perhaps the most important lesson of the failure of the current dispensation in Johannesburg is that it is crucial that there be clarity about where authority and responsibility lies.

In a structure with more than one locus of power, the worst way of achieving integration is by finding where that power lies.

Given the legal environment as determined by the constitution, it is crucial that legislation provide

for the option of a form of metropolitan governance where there are sub-metropolitan entities which are local authorities in their own right.

This can be structured to fully comply with the essence of the white paper.

To understand how this can be done, it is important to reiterate why metropolitan governance is so important. That requires understanding what a metropolitan area is. The white paper offers a good definition.

"Metropolitan areas," it states, "are large urban settlements with high population densities, complex and diversified economies, and a high degree of functional integration across a larger geographic area than the normal jurisdiction of a municipality. Economic and social activities transcend municipal boundaries, and metropolitan residents may live in one locality, work in another, and use recreational facilities across the metropolitan area."

As is argued in the white paper,

the two critical elements which require that there be a degree of metropolitan authority are those relating to redistribution, including issues around tax competition, and those relating to broad spatial issues.

There is evidence in many parts of the world, especially the US, that tax competition between jurisdictions within a metropolitan area, particularly in relation to commercial property, has led to severe fiscal stress.

In similar vein, where redistribution is an important requirement for effective urban governance, if the responsibility for this lies at a sub-metropolitan level, then there will be little scope for achieving it. If one authority taxes its wealthy residents more to provide better living conditions to the poor, it will attract more poorer people from bordering jurisdictions, and drive away the wealthy.

This is not to argue that all competition between sub-metropolitan jurisdictions is de-

structive, but it needs to be managed in such a way as to focus on better service delivery rather than tax competition.

The spatial issues are self-evident. The patterns of daily movement across a metropolitan area, in essence, its defining feature. It is impossible to govern this effectively without metropolitan-wide power. Public transport planning, metropolitan transport infrastructure, and frameworks for land release for commercial and residential development, are the kinds of issues which need a metropolitan approach.

On the other hand, achieving economies of scale in the large tariff-funded engineering services is not dependent upon metropolitan government.

The country has already resolved to set up regional electricity distributors which do not need to coincide with metropolitan boundaries.

Similarly, integrated water and sewerage utilities, responsible for the full hydrological cycle

could and should be established. The boundaries of these need to be determined by natural watersheds, rather than by political boundaries or social configurations. Politicians can be more effective if they play a regulatory role in respect of such institutions rather than by governing them directly. This approach is supported by the white paper.

But local government entails far more than the effective management of these issues. Probably 80% of local government time is spent managing issues at a much more local level.

For example, managing the relationships between formal and informal traders, pedestrians and motorists is a highly complex task, which, if not done well, can lead to the destruction of the economic viability of commercial areas. Doing it well requires effective integration of a range of services and related interventions such as local planning, traffic management, regulation of trading activities, cleaning services and the maintenance of public infrastructure.

In residential areas, dealing with the poverty and social disintegration which is such a feature of much of our society requires a similarly integrated approach, such as the provision of primary health services, community facilities such as libraries, and sports and cultural programmes.

This involvement in the effective management of competing local interests is the essence of what the white paper refers to as developmental local government.

While there are economies of scale in providing such services, there are also diseconomies of scale. If the metropolitan boundaries are drawn as widely as they should be to enable effective governance, then the sheer volume of issues to be dealt with by the single councils is likely to prove overwhelming in many instances.

Nor will the area committees or ward committees offer adequate alternatives, for reasons spelled out above.

What, then, are we to do? In Cape Town there has been considerable thinking in recent months among local government practitioners, including politicians and officials, about how to respond adequately in our context to both the metropolitan and more local considerations. This is the focus of the next article.

□ Van Ryneveld, Cape Town's city corporate finance executive director and the local government appointee on the Finance and Fiscal Commission, is writing in his personal capacity.

Left out in the Wilderness

Heidi Clark

(262)

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Politically motivated decisions around the prickly issue of municipal boundaries could be a thing of the past when the new National Demarcation Board gets under way early next year.

The national board will be an independent, impartial arbiter of new municipal borders. This could be good news for many marginal communities, including Wilderness Heights in Wilderness in the Southern Cape, where a singing match has arisen over hearings conducted by a controversial Provincial Municipal Demarcation Board.

The six-member board was appointed earlier this year — two members by Minister of Constitu-

tional Development Valli Moosa, two by National Party MEC Patrick McKenzie and two by Organised Government in the Western Cape.

The board heard submissions from local communities to determine the feasibility of a proposed Greater Lakes Municipal Authority. But the Southern Cape Land Committee says the submissions at these hearings were not representative of many of the poorer communities in the area.

For example, Wilderness Heights "squatters" complain that while they have lived on the land since the 1920s, they are still without basic services.

Wilderness ratepayers claim the community is "disruptive" and that properties adjoining the community are practically worthless while

the squatters are there. The local transitional council has proposed that the squatters be relocated and incorporated into another informal settlement in nearby Hoekville.

Kim Andreoli, organisational development officer of the Southern Cape Land Committee, describes the process followed by the demarcation board as "non-consultative, academic and intimidating" to the people of Wilderness Heights.

She also believes the board wasted valuable funds because provincial boards will soon be replaced by the National Municipal Demarcation Board. She says the money could have been better utilised supplying communities with the basic services they so badly need.

"Any decisions the provincial board takes are useless," she says

"They are no longer in a position to trench their decisions."

The National Demarcation Bill seeks to establish a board that is independent and impartial and "performs its function without fear, favour or prejudice", according to the Department of Constitutional Development.

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.

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 Elec-

toral Commission to ensure it will not affect the representation of voters in any council.

The chair of the National Assembly's Constitutional Affairs Portfolio Committee, Yunus Carrim, describes this Bill as "probably the most important piece of legislation dealing with local government since the beginning of the transition."

Meanwhile, the Southern Cape Land Committee responded to the decision of the Wilderness council to relocate the Wilderness Heights squatters by requesting the intervention of Pan Africanist Congress MP Patricia de Lille.

De Lille was not available for comment this week, but her personal assistant, Avril Harding, described the Southern Cape as "a place where the new South Africa must still happen."

He said the local council's decision to move the squatters to Hoekville is "unconstitutional". Forced relocation would be "ineffective" and would "merely compound the problem."

A Wilderness councillor, who preferred not to be named for fear of jeopardising his position, said a questionnaire circulated by the provincial board was "academic and intimidating" for many of the communities expected to formulate their submissions based on it.

Councillor Erick Moll, speaking in his personal capacity, said the hearings had been "non-political", and all role-players had attended the hearings and been given the opportunity to present submissions — DMA

Governing megacities is problematic

Complexities of governance mean legislation must allow for submetropolitan authorities in Cape Town, argues Philip van Ryneveld

THE previous article on the issue of metropolitan governance in Business Day (Friday, July 17) explained that the two key issues requiring a degree of metropolitan-wide authority are firstly, those relating to redistribution and secondly, those relating to broad spatial issues.

However some 80% of local government activities relate to more local issues. If single local authorities are established in metropolitan areas, some of these would be so large that the volume and complexity of issues would be overwhelming.

Alternately, the options for decentralisation offered in the Municipal Structures Bill have serious limitations and are unlikely to be adequate in all cases.

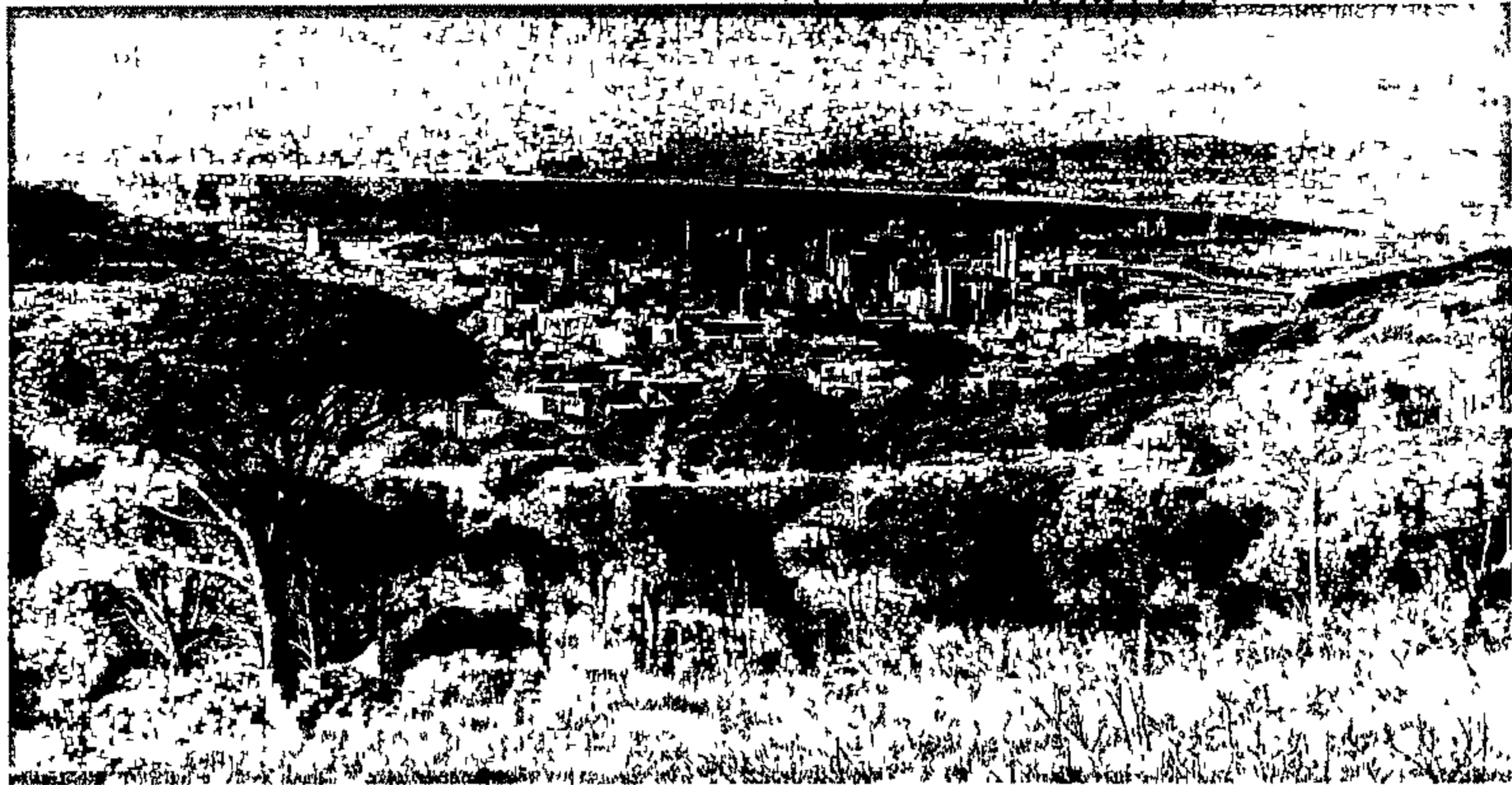
In Cape Town there has been some hard thinking among local government practitioners in recent months about how to respond successfully in our context to both the metropolitan and more local considerations. A solution has emerged which entails submetropolitan entities, which are local authorities in their own right, while being fully consistent with the white paper.

The impetus for this arose out of the need to address the inadequacies of the current system. The initial focus was around fiscal issues and the confusion in the public mind arising from having two tiers of elected politicians.

With the metropolitan tier having almost no direct relationship with the public as customer — and responsible on the income side only for the raising of Regional Services Council (RSC) levies — 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 controlled by different political parties.

In the proposed model there is only one tier of elected politicians. These politicians are elected to



The proposed structure might work for Cape Town

submetropolitan councils. However for issues that require a metropolitan approach, the councils, or a proportion of councillors from each council will sit together in a metropolitan-wide plenary.

The metropolitan issues 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. So in technical terms the model would consist of a combination of "B" and "C" councils rather than a single category "A" council. But this is an issue of detail which the constitution is designed to accommodate and the problems relating to having two tiers of elected politicians would be addressed.

An important element of the

model is to separate the main, tariff-funded, engineering services into focused utilities regulated by the political councils. Apart from setting up the long-awaited regional electricity distributor, the bulk water and sanitation functions currently provided by the Cape metropolitan council would be combined with the reticulation functions currently undertaken by the various metropolitan local councils. It would make sense for the water and sanitation utility to extend at least to the watershed boundary beyond Paarl, which is outside the Cape metropolitan area.

The fiscal structure of this model has been developed through research and interaction with some of the foremost international experts on metropolitan finance, facilitated by the World Bank. This arose from attempts to deal with disputes around fiscal relations within the current structure but led to more radical proposals for reform.

In terms of these proposals the commercial property tax would be set at the same rate across the whole metropolitan area. A proportion of it — probably in the region of 70% — would be returned to the local authority of origin responsible for servicing, while the remainder would be placed in a metropolitan pool.

The RSC levies would also be pooled, with transfers from national government and possibly any surpluses made on trading services such as electricity.

The constituent local councils could vary their own residential rate although, to prevent the commercial areas from being over-exploited, there would need to be limits to the variation between this and the commercial rate.

Part of the pool would be used to pay for metropolitan-wide pro-

grammes and functions and the rest would be redistributed to the local councils. This would be done on a formula basis to compensate those councils with poor residential tax bases. The distribution formula would be such 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 authorities could remain as they are — or could feasibly be reduced from the current six to four — based largely around current boundaries. Given the geography of the Cape metropolitan area these four authorities would make sense in terms of functional linkages and growth corridors and have a good racial and class mix. They would not be small.

The total Cape metropolitan area is not much smaller than the combined four metropolitan authorities of Gauteng. At least two of the four councils would be of similar size to the current Johannesburg and Pretoria metropolitan areas.

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 where more than 30 000 municipal employees were reorganised from 18 to seven administrations. While the political restructuring in the Cape metropolitan area began later than in the rest of the country, the administrative restructuring process has advanced much further — and it would appear — more successfully.

To restructure again into a single megacity would be very costly and likely to seriously undermine service delivery.

While the structure proposed

here would work for Cape Town, Gauteng may yet find it useful to have this option available in the Municipal Structures Bill.

The curious thing about the debates in Gauteng is that the current metropolitan boundaries are assumed to form the basis of the new metropolitan councils. However in terms of the white paper's definition quoted last week and the wording of the Demarcation Bill, this is not correct.

Johannesburg, Pretoria, Kyalami and Lekoa-Vaal are not each distinct metropolitan areas. They are really submetropolitan components of a much bigger metropolitan entity, which also includes areas such as Benoni, Brakpan and Krugersdorp.

The arguments put forward by Erica Emdon and others in your newspaper, to the effect that Johannesburg become a single council, appear from this distance to make sense. The question remains however how the relationships between, for example, Johannesburg, Kyalami and Pretoria will be regulated?

How will destructive tax competition between the three be avoided? What will happen if Johannesburg introduces a scheme such as Cape Town's, to top up the state housing subsidy, and Kyalami does not? How are the broad spatial issues to be dealt with?

These kinds of questions are at the heart of the concerns which the white paper seeks to address in its discussion on metropolitan government yet the Municipal Structures Bill fails to deal with them adequately.

□ Van Ryneveld is Cape Town's corporate finance executive director and local government appointee on the Financial and Fiscal Commission. He is writing in his personal capacity.

Grassroots voices to be heard on new councils bill

Proposal on megacities to come under fire

CLIVE SAWYER
POLITICAL CORRESPONDENT

Voices from the grassroots will be heard in Parliament today when communities from Langa, Nyanga and Elsies River give their views on the controversial Municipal Structures Bill.

The bill, due for debate by Parliament in the final term of this year's session, sets out a wide range of measures for future local government, including categories and types of municipality, and a code of conduct for councillors.

Starting today, the National Assembly committee on constitutional development is to hold hearings on the bill.

As with most legislation, the bill has attracted submissions from sectors accustomed to lobbying about forthcoming laws, including organised business and local government.

To widen the range of voices to be heard in this week's hearings, the Khulelaka Institute for Democracy assisted local submission committees from three communities in preparing submissions.

In a writer's submission, the Langa local submission committee

proposed a series of changes to the bill.

They said there should be provision for the education of traditional leaders in democratic government, with special reference to local government.

Employment conditions for municipal chief executives should be spelt out clearly.

The Langa committee called for limitations on the powers of provincial ministers of local government to decide which municipalities were "developing", warning that this power could be abused.

The Elsies River committee said it had not had enough time to respond to all the bill's provisions, and instead focussed on the code of conduct for councillors.

It proposed toughening up the code to provide for the automatic firing of any councillors absent without leave from three consecutive meetings of a council.

Other proposals from Elsies River were for compulsory declaration by councillors of income, gifts and donations, a regulation which would require councillors to take regular mandates from their communities and put these forward in council

debates, and for councillors to interact with communities regularly through ward meetings and reports.

In its submission, the SA Chamber of Business sharply criticised the "megacity" proposal in the bill, noting that in places like Cape Town considerable financial and human resources had been used to set up councils.

"Hopefully it is not the intention to discard these structures in favour of a centralised system."

Sacob also criticised a provision for a maximum number of 150 councillors for a municipality, saying this limit was too high and would be "virtually unmanageable".

The chamber also opposed proposals for "executive mayors" saying their powers would be too extensive.

The Financial and Fiscal Commission said some types of "developing" municipalities proposed in the bill might not be financially viable because they would not be able to get loans from financial institutions.

The commission urged training of municipal chief executives and other key officials in financial matters, because of the significant responsibilities the bill would give them.

The SA Agricultural Union said it supported the principle of allowing the amalgamation of municipalities in commercial farmland with their surrounding hinterland.

The SAAU said executive powers should belong to the council and not the mayor.

On delimitation of wards, the agricultural union said only areas with similar circumstances and needs should be grouped together.

"Care must be taken to avoid the inclusion of areas with widely different circumstances and needs as this could impact negatively on the effective delivery of services in such wards or specific areas."

Communities would see political agendas in attempts to change municipal boundaries.

The Department of Health criticised the bill's structure as difficult to follow. It said it had a keen interest in the bill because of the impact the restructuring of local government would have on the district health system and primary health care.

The Gender Advocacy Programme said the bill did not address the under-representation of women as ward councillors and in executive positions.

Communities, not councils, should be in control

Linda Ensor

CAPE TOWN — The code of ethics for councillors as proposed by the Municipal Structures Bill needed to be strengthened and greater powers given to communities to control local authorities, Parliament's portfolio committee on constitutional affairs was told yesterday.

Evidence was presented by a range of local authorities and other organisations during a public hearing on the bill.

Nyanga and Langga community representatives called for a provision empowering communities to take action where

councillors contravened the code. Disciplinary procedures and punishments against offending councillors should be included in the bill, they said.

They criticised the bill for making scant provision for community participation and for giving too much power to MECs to close down a council without consultation, leaving the door open for partisanship.

Development and public finance forum official Lincoln Mali called for the code of conduct to be strengthened and argued against councillors being given a three-month period of grace to repay debts. This would

send an incorrect signal to members of the public who were being encouraged by the Masakhane campaign to pay for outstanding rent and services.

Support for a more effective code of conduct was voiced by SA Local Government Research Centre director Clive Keegan, who noted that the government in the UK had produced a white paper on an ethical framework for local government. The proposed code in the bill was inadequate, ambiguous and unenforceable, Keegan suggested.

Public trust in local authorities needed to be restored by creating an ethical framework

BD 22/7/98

(ald)

for local government. Furthermore, more scope should be given to public participation and control, a stand supported by the Urban Sector Network, a national association of non-governmental organisations involved in development and governance issues.

SA Municipal Workers' Union official John Mawby called for the introduction of a recall mechanism, at least at ward level, so that the community could get rid of non-performing councillors.

The Cape metropolitan council questioned the constitutionality of the bill.

Magistrate recuses himself from Tutu case

Pearl Sebolao

THE magistrate presiding in the reckless driving case against Trevor Tutu, the son of truth commission chairman Archbishop Desmond Tutu, yesterday recused himself from the matter after Tutu accused him of being a racist.

Tutu appeared in the Johannesburg Magistrates' Court on charges of reckless and negligent driving following an accident involving several cars near

Pact opens way for creation of top sugar region

A PEACE pact between the SA and Swazi sugar industries had opened the way for development of the region as a top sugar producer, the SA Sugar Association said yesterday.

"Last year saw the SA and Swaziland sugar in-

dustries resolve their differences on market access by way of an industry-to-industry deal which was supported by our governments," said the association's chairman, Don Macleod.

"The reaching of this agreement ... opened a



new chapter of potential regional co-operation."

He said the agreement cleared the way for sugar protocols in the five-member SA Customs Union as well as the 14-nation Southern African Development Community.

BD 22/7/98

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Proposed municipal bill is 'inadequate'

Linda Ensor

(262)

00 23/7/98

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 Heese 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 backlogs. 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, Heese 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 heroic to assume that this will occur without legislation stipulating some form of participatory process."

Meanwhile, Nkosi Nonkonyana appealed 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 (262)

By CLIVE SAWYER

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 sub-structures", 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 exe-

cutive 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

CELEAN 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 au-

thorities in major urban centres into centralised councils. The proposals 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, coun-

cillors 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 and Constitutional Development, 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.

ST (EACM) 26/7/98 (26A)

Govt unit will play role of adviser to municipalities

Deborah Fine

BD 27/7/98
GOVERNMENT's new municipal infrastructure investment unit is intended to protect inexperienced 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

(262)
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

Deborah Fine

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, pay-offs 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.

This announcement appears as a matter of record only

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Financial Advisors

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African Harvest Finance

African Harvest Finance (Pty) Ltd
(Reg. No. 95/07930/07)



African Harvest Limited

African Harvest Asset Managers (Pty) Ltd
(Reg. No. 97/04730/07)

State lifts debt to R936m to scrap provinces' debt

(262)

Linda Ensor

BD 29/7/98

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 cost 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 R597m — 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.

and forestry department, nongovernmental organisations, utility Rand Water, Alexandra and

and suggest the project be delayed at least until detailed demand management studies due late next year have been completed"

'Take note of engineering factors'

Deborah Fine

BB 31/7/98

(262) (1875)

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.

Cautioning 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

M+C 31/7-6/8/98 (262)

The new municipal structures Bill negates municipalities' rights to govern themselves, writes John Sewell

The South African Constitution contains many glowing phrases, and none is as powerful to local politicians as Section 151(3) "A municipality has the right to govern, on its own initiative, the local government affairs of its community."

That section has been picked up as far away as Canada as the kind of statement needed to protect municipalities from the power of provincial and national governments. But they are just words, and the national government in South Africa does not seem to know what they mean.

Even when Section 154 states that "the national government and provincial governments, by legislation and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions", the national government apparently doesn't get it.

Instead, its real intention is found in the municipal structures Bill, introduced in early

July and given hearings in Pretoria last week. The Bill replaces the constitutional right of self-government with the legislated micro-management of municipalities.

For example, it requires each municipality to create the position of speaker, something rarely seen in local government since the mayor usually chairs council meetings. The legislation apparently wants to interfere with one of the traditional functions of the mayor.

It also sets out detailed procedures for the functioning of executive committees and other standing committees. So far it has been the prerogative of local councils to establish these procedures to fit local needs.

And it requires each municipal council to establish ward committees, which must function according to the precise provisions described in the legislation. Most councils don't have ward committees, and in small municipalities they would simply duplicate the work of the council itself.

The South African Local Government Association has strongly objected to these sections of the Bill. It makes it clear that these details should be left to local governments to sort out and agree on, they should not be prescribed by national legislation.

But the association made little headway at last week's hearings, and one fears the final set of hearings scheduled for September won't

see much change either. The government seems anxious to get the Bill passed in its present form, the Constitution be damned.

There's a second problem with the Bill, one with a more targeted impact. East London, Port Elizabeth and Pietermaritzburg, the largest in the second rank of South African cities, will be effectively stripped of their powers and of some revenue by the Bill, and set under the control of local district councils.

The Bill defines different kinds of cities. The metropolitan cities — Cape Town, Durban, Johannesburg, Pretoria — all have a two-tiered system of local government with sub-structures, a system particularly effective at diffusing and confusing decision-making. These cities are given full powers and full access to local revenue sources by the Bill.

East London and Port Elizabeth, big cities by anyone's standards, aren't so lucky. Three years ago each city opted for a single municipal council as this would best serve local needs.

In the case of East London, the wisdom of that decision has never been in dispute. This city has gained a reputation for being the best-run in the country. It is stronger financially, politically and administratively now than it was three years ago, a claim none of the metropolitan-style cities can make.

That there is only one council responsible for local decisions is one reason for the city's success. But that means nothing to the sponsors of the municipal structures Bill. The new legislation says such local councils will be under the control of the district councils, which are mainly controlled by rural appointees.

The Bill gives local councils like East London only a single power: the power to appoint a CEO. Any other powers must be specifically assigned by the district council. East London will be the baby of the Amatola District Council. It's crazy.

If that weren't astounding enough, the lucrative levy on companies (also known as the payroll or profit tax) would go to the district council, not to the city council, even though almost all of it is raised in the city. In the case of East London, this amounts to about R70-million a year.

The reward to East London and similar single-tier cities for providing good government to their citizens is a kick in the teeth.

East London mayor Lulamile Nazo says he thought they would be offered an amended version of the metropolitan model, but it never happened. He says he and the other mayors felt ignored at last week's hearings.

There seems no good reason why large cities such as East London should be denied power and revenue just because they have adopted a more effective, more rational and less expensive form of government than some other large cities. Even the Constitution agrees with that.

John Sewell is a former mayor of Toronto, Canada, and has been an adviser to the East London council for the past four years.

Millions lost in provincial bungling

Kevin O'Grady

BD 3/8/98

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 rent was paid for a Potchefstroom building while it stood empty for 18 months and, in another case, R41 644 was spent on a Mogwase 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

(262) "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 to and from Johannesburg

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

Public servants face tougher discipline code

David Greybe

CAPE TOWN — Stakeholders involved in drawing up a new public service disciplinary code agreed in principle yesterday to allow, for the first time, for public servants to be suspended without pay in certain cases of alleged gross misconduct.

The parliamentary public service committee met unions and the department of public service and finance, to discuss the draft new code. However, implementation of the code is not likely

before next year.

The public service department must redraft the code, incorporating the latest inputs, bring it back to the portfolio committee for endorsement, and then take it to the public service co-ordinating bargaining council, where it must win union approval.

Most stakeholders present yesterday supported a proposal by African National Congress MP Phillip Dexter that a public servant accused of gross misconduct should face suspension without pay if, after a 30-day prelim-

inary investigation by management, it was decided to proceed with criminal proceedings against the employee.

Committee chairman Salie Mame said the code should distinguish between areas of gross misconduct — such as corruption, financial mismanagement and sexual harassment — and other areas. "Special mechanisms" should be introduced to deal with gross misconduct, he said.

Stakeholders agreed the new public service disciplinary code should be based on tight time frames, to reduce

current lengthy and disjointed disciplinary procedures.

Owing to the delays and complexities in existing formal procedures — it can take up to three years to finalise a case — managers seem to be reluctant to initiate disciplinary procedures.

The new code will also do away with lawyers and make more use of counselling and warnings. It is envisaged that in future only a union representative or fellow employee will be allowed to represent an employee at a disciplinary hearing.

Money 'not from robbery'

Nicola Jenvey

DURBAN — Details on how five suspended policemen alleged to have been involved in a R31m robbery said they amassed their wealth were disclosed yesterday in responding affidavits filed in the Durban High Court.

The policemen and some of their relatives, who have had their assets frozen following a civil case instigated by Lloyds of London, have denied that their wealth was acquired via the robbery, saying that had "a proper investigation been carried out, the facts would have spoken for themselves".

SBV Services in Pinetown launched civil claims last month against Capt Balasoorian Naidoo, Insp Jordan Daniel, Capt Goolam Mustapha Dustagir, Capt Manjoo Lutchmenarain and Insp Muduray Reddy, co-accused in the R31m robbery, who were acquitted on a legal technicality.

Claims were also brought against contractor Dallah Appelsamy, former SBV employee Collin Nayerger, Logandheran Naidoo, Diana Ingrid

The civil claims came after pressure from Lloyds' to retrieve about R11m still outstanding.

In his affidavit Balasoorian Naidoo said he had acquired his assets through his salary and by taking part in legitimate business activities. He did not disclose details of his business activities.

Daniel said he had been a member of the SA Police Service since May 1981. He was boarded in October last year and his funds were accrued through pension payouts, a clothing and burglar guard business and loans.

Dustagir said the deposits in his bank account came from a jointly owned business venture, gambling and a soccer club's income held in his account because the club did not have its own account.

Appelsamy said he had purchased his R160 000 home through a bond. His large deposits were as a result of his guaranteeing funds for friends for transactions.

Reddy said he had a zero bank balance and he had purchased his car with

Demarcation selection panel named

Deborah Fine

THE constitutional development department has announced the composition of a selection panel to choose nominees for the new national demarcation board that will redefine the outer boundaries of municipalities in SA.

The recent Municipal Demarcation Act stipulates that board nominees should be chosen by a panel comprising representatives from the Constitutional Court and the Gender Equality Commission; a judge designated by the office of the chief justice; the chairman of the local government select committee in the National Council of Provinces; and two people designated by the constitutional development minister and the SA Local Government Association (Salga).

Local government deputy director-general Chippy Olver said yesterday the panel was made up of included Constitutional Court deputy-president Judge Pius Langa, Gender Commis-

sion acting chairman Ntombela Nzimande, Supreme Court of Appeal Judge Ralph Zulman, constitutional development director-general Zam Tintus, Salga chairman Cohn Matjila and council committee chairman Moshamed Baba.

The panel will compile a list of about 18 nominees which will be submitted to President Nelson Mandela who will then select between seven and fifteen demarcation board members.

Olver said the selection panel was expected to begin its deliberations towards the end of the month following the closing date for applications.

The board, which is protected by law from political interference, is expected to use the redrawing of boundaries to significantly reduce the number of local authorities throughout SA by, among other means, amalgamating non-viable municipalities with more financially sustainable neighbours.

The board will also define the outer boundaries of metropolitan regions.

ANC to appoint provincial premiers in future

Star 17/8/98 (262)

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 Ngonyama, 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," Ngonyama 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 responsi-

bility to ensure it creates unity within its ranks," he said

Ngonyama 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 Ngonyama.

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, Ngonyama said

Outcry at ANC plan to select premiers

BD 17/8/98 (202)

Pule Molebeledi

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 chairman. Previously, the person elected as chairman 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 com-

mittee 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 chairman 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 Dithebe 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 catastrophic for the organisation.

The leader, who said he was shocked by the proposal, argued against the need for two centres of powers and said it would be divisive for the party. "This is going to start a big de-

Continued on Page 2

they had taken back to SA Agricultural Union and the Nation. In a statement farm union presi-
dents stated in the report were too general and the union doubted

Citizens and councillors need power and

(262) 90 1/9 198

SA is now mapping the final phases of the local government transition, says Crispian Oliver

LOCAL government issues were a major focus of the mass mobilisation against apartheid, pre-1994. The collapse of any credible form of governance in black areas as a result of local struggles was a significant contributor to the general collapse of the apartheid system.

Parallel to the national negotiating process, a string of local level negotiations started to carve out a vision for future decentralised local government structures. This locally negotiated transition process was given legal form by the 1993 Local Government Transition Act, and ultimately incorporated as part of the final constitutional settlement.

The Local Government Transition Act was essentially about decentralising the local government system. Despite changes since then, few sunset clauses have remained as part of this interim local government system. These include a specially weighted majority (two thirds) required for budget approval, and a 50-50 division of ward seats between previously white and black residential areas.

However, the more profound problem of the interim local government system is that the financial viability and administrative capacity of the 843 newly created municipalities was not a principle criteria in their establishment. Nor has the legislation ushered in

fundamental administrative transformation. There are particular challenges for the way the final phase of the local government transition is managed.

Firstly, there has to be a radical re-examination of the total number of municipalities, and the way boundaries are demarcated. While some redrawing of boundaries happened under provincial demarcation boards established in terms of the legislation, these were often politically motivated.

The 1996 Municipal Demarcation Act sets in place a politically independent board, reflecting regional diversity, which must re-examine all boundaries and rationalise our fragile local government system into a set of financially viable and developmentally coherent structures.

The independent selection panel to appoint the demarcation board has already begun processing applications and the board will start the demarcation process in the last quarter of the year. This process will be highly consultative, and seek to involve all local interests groups in the decision on new boundaries.

The redemarcation process will create a template on which the actual legal process of establishing new municipalities takes place.

Provincial government is assigned the constitutional power of establishing municipalities, and it is envisaged that this will be done by proclamation after consulting the affected municipalities and organised local government. The established local government will contain the following information:

- The category (A, ie single-tier, for metros; B and C, ie two-system, outside metros);
- Type (the different types of municipality are explained later);
- The name;
- Size of the council;
- Legal title and assets, liabilities and staff inherited from previous municipalities; and
- Applicable by-laws and resolutions inherited by the new council.

In many respects these establishing proclamations will function like a mini-constitution for a municipality, and provinces will need to pay careful attention to their drafting.

One of the key decisions the province must take is the determination of the type of municipality. Included in the Municipal Structures Bill are the following elements:

- Whether the municipality is a plenary type, and has less than nine councillors elected on a straight proportional representation (PR) system, or whether the municipality has a larger council with both wards and a PR component on council;
- The kind of executive structures a municipality is allowed, for instance executive committee, executive mayor, or no executive (in which council as a whole takes all executive decisions);
- Whether a local (category B) municipality has full powers, or is initially classed as a "developing municipality" with only those powers assigned by the MEC; and
- In metropolitan areas, whether committees of council known as metropolitan local councils are established for different areas of the metro.

This typology essentially seeks to recognise the enormous diversity in local capacities and conditions, and allow the province the ability, in consultation with local government, to match an appropriate type to local circumstances.

The enormous advantage of a two-tier system of local government (which will cover all non-metropolitan areas) is that powers and functions can be shifted flexibly between local and district municipalities, allowing an asymmetric system to nevertheless ensure proper local governance for all communities.

The unique situation in massive metropolitan areas is that previous local boundaries have ceased to have local functional value, as the metro-wide movement of people and businesses means new economies of scale for service delivery.

Over the next few years metropolitan areas will increasingly restructure their core municipal services into efficient metro-wide utilities that capture these economies of scale. It is vital, therefore, that we also allow a parallel process of metro-wide governance of this restructuring at the same time as decentralising other residual functions such as planning approval to a more local level. This measures of flexibility can be achieved in metros only through the Category A model.

The legal establishment of municipalities by provinces creates the institutional framework for which the Independent Electoral Commission must then administer local elections.

Currently these are scheduled to take place before November 1 next year in seven of the nine provinces, and approximately six months later in the Western Cape metro and KwaZulu-Natal.

However, a constitutional amendment currently before Parliament, proposes to extend the term of municipal councils to five years. This will allow all municipal elections to take place towards the end of 2000 on a single date or dates. An election in 2000 will allow also the new municipal structures to be properly constituted on the basis of redemarcated boundaries.

Of course this institutional restructuring is only part of the process to improve municipal service delivery to citizens. The agenda for debate needs to shift towards issues of performance management and accountability, and putting greater power in the hands of citizens and councillors to demand certain standards of delivery or performance from the municipality. This clearly must be met by a corresponding commitment from residents to support the authority of the municipality to regulate the municipal area, and, of course, a recognition that the economic cost of services must be met from the local tax base.

These relations of local governance have never developed properly in large parts of the country and this will need to be a core priority for action to give substance to the above programme of institution reform.

Oliver is deputy director-general of local government

New-style megacity councils set to be elected in 2000

Star 2/9/98 (262)

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



Constitutional Development Minister Mohammed Valli Moosa .. "Don't assume a 'one-size-fits-all' policy is best."

'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 plan-

ning issues, such as whether to permit enterprises like fuel stations or adult shops in certain areas.

Asked about plans for local government elections, he said amended legislation would make it possible for South Africa's next munic-

pal elections to take place on the same day, expected to be sometime in 2000.

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, IFP and NP expressed strong

DP slates bill as intrusive

concerns over the bill's constitutionality.

Cohn Eglu (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 (IFP) said his party believed the process around the bill was merely one of legitimising an earlier ANC decision.

Local govt bill under fire from opposition

Linda Ensor *BD 2/9/98*

(262)

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 Colin Eghn 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 Minister Valli Moosa referred to the lack of decisive political leadership in local government in the past few years and stressed the need to balance a laissez-faire approach with overregulation.

Committee chairman Yunus Carrim denied public submissions had been ignored, saying because of the latter the department had made amendments

ANALYSIS

Policy framework allows for delivery options

(162) (162) Pp 2/19/98

Service delivery is part of the broader context of transformation, says Constitutional Development Minister Valli Moosa in response to concerns raised by Cosatu

THE issue of service delivery is critical in government's attempt to improve the quality of life of our people. Government welcomes any opportunity to interact with relevant stakeholders to find long-lasting solutions to matters relating to municipal services, and is committed to finding common ground and arriving at appropriate solutions.

While the white paper on local government sets out general principles on how to deal with the vexing question of efficient service delivery, we would like to continue our search for the most viable options by tabling a basket of mechanisms that government is putting in place to ensure municipal service delivery.

Government has made a commitment in the reconstruction and development programme to provide access to basic services. It specifically mentions the provision of these services to poor and marginalised communities. To give effect to this commitment, government has implemented the municipal infrastructure programme, the extended municipal infrastructure programme and the community water supply and sanitation programme, which provide municipal services in urban and rural environments.

Due to the close correlation between municipal infrastructure and housing, the first two programmes have been collapsed into a substantial municipal infrastructure programme called the "consolidated municipal infrastructure" programme. This is a formidable effort by government to deal with municipal infrastructure issues.

In its budgetary processes, government has to take into account not just municipal infrastructure issues, but must address other back-

logs in health, education and other critical areas. In recognising this limitation, government has made a policy framework that allows for alternative service delivery options.

The local government white paper identifies three primary municipal service partnership categories as flexible and viable options for more effective service delivery. These are, however, not exclusive to the privatisation route as the Congress of SA Trade Unions (Cosatu) seems to suggest. In fact, the white paper proposes a range of partnerships with nongovernmental organisations and communities. It also outlines other options such as public-public partnerships, where two municipalities can jointly provide a better service. Below are just three examples of these partnerships.

□ A public-public partnership is a contract between a municipal council and public service provider to perform management services, assume commercial risks or even provide long-term investments in municipal services. These partnerships are between municipalities and public agencies (e.g. water boards and municipalities) or regional municipalities.

□ A public-private partnership is a contract between a municipal council and private sector service provider to access outside sources of long-term financing for infrastructure investment, as well as management, operation and maintenance expertise. The service provider can assume commercial risks and responsibility for municipal service fee collection.



MOOSA

□ An NGO-community-based organisation partnership is a contract between a municipal council and nonprofit service provider to support delivery of municipal services. They generally assume minimal risk, but their close community linkages make them valuable intermediaries in development initiatives.

Common examples of municipal service partnership arrangements in SA are service contracts, management contracts, lease agreements and concession contracts. These may also be structured through combinations of the above contractual arrangements. Further, they can be structured with a wide variety of service providers, including a corporatised municipal service de-

partment, another municipality, a special service district formed by several municipalities, a parastatal and a joint venture between the municipality and a service provider.

Government has now embarked on providing a "regulatory framework" for service delivery. This will cover a range of issues and is aimed at empowering municipalities to follow a transparent decision-making process to improve the availability, quality and cost-effectiveness of local public services, minimising the risks and uncertainties regarding municipal service partnerships; allocating appropriate institutional arrangements at all spheres of government; providing opportunities for black economic empowerment in this sector and facilitating an efficient and effective delivery system to communities.

This process is driven by a task team including the Independent Municipal and Allied Trade Unions and the SA Municipal Workers Union, which have made valuable contributions to discussions and raised concerns about the need to provide capacity to labour in this sector.

Government's municipal service delivery strategy therefore is looking at how sustainable partnerships can be created to augment government's own limited fiscus so that all South Africans have access to basic services.

There are a number of technical issues raised by Cosatu recently on this matter. We would like to bring to its attention that the rationale for finding alternative solutions for ser-

vice delivery falls squarely within the executive ambit of the local authorities. In terms of the constitution, local authorities are expected to "ensure services are provided within their areas of jurisdiction". This does not necessarily mean they have to provide the service themselves — they could engage with an alternative service provider.

The process of looking for alternative service delivery options is part of the local authority's own strategic planning and management process which should result in informed decisions when municipalities choose a particular service delivery option. We acknowledge that in some instances, decisions to go the privatisation route have been made in the absence of a regulatory framework. It is with this concern in mind that government has embarked on a regulatory framework.

Government is not aware of actual job losses in any of the projects taking the public-private partnership route. This sector is only emerging in SA and with the assistance of the Municipal Infrastructure Investment unit, best practices will be identified to safeguard the public and the service providers. We do believe, however, that the issue of job loss must be given its context within the transformation process at local government level.

The transformation of local government is an ongoing process. This transformation could, in certain instances, lead to job losses and in other cases, lead to increased jobs. The overall transformation of local government service delivery systems cannot be seen in isolation, but must be contextualised with this broad transformation process taking place at the local government level.

Exorcising Verwoerd

(262)

FOUR years into its tenure, the Ministry of Constitutional Development has unveiled guidelines for municipalities on how they can make their planning more integrated and effective

At the core of the grand plan is advice on how municipalities need to be more strategic in their thinking, instead of simply adhering to comprehensive planning

The aim is to "unblock Verwoerd's planning using new tools and methodologies," says Brian Marrian, the ministry's decentralised development planning manager

While much of what the document proposes appears to be obvious – that municipalities need to be strategic in how they use the little resources they have – Marrian says that until now there have been no such guidelines on paper

He says while the Reconstruction and Development Programme (RDP) was meant to inform all levels of government planning, it remains largely a vision of central Government

Now, however, with the proposed Integrated Development Planning (IDP) manual, municipalities for the first time have guidelines in how to carry out the dictates of the RDP

Marrian says that until now, the emphasis has been on deracialising the municipalities and getting them to be more representative

"Now the development mandate is being set out," he says

With 843 municipalities and 11 000 elected councillors in place, the aim is to get them to focus on a new paradigm, that of integrating the former white and black areas, the poor with the rich, areas that are well-serviced with those that are not, and to ensure that the municipalities are well run and cost-effective so as to be able to deal with backlogs

Racially fragmented

At the same time, municipalities are expected to "rightsise" in line with the Government's Growth, Employment and Redistribution macroeconomic strategy

According to the ministry, over half the population lives in urban areas, and that is expected to increase. At the same time, most urban areas are racially fragmented, with huge disparities between the suburbs and the townships

To make the IDP a reality, responsibility should be vested with as high an authority as possible, that is, the town clerk or chief executive officer, suggests the department

While the manual is comprehensive and can provide a ready made guide for local authorities, it can also be amended to suit local conditions

It suggests that there be short, medium and long-term initiatives so that targets can be made for a year or up to 25 years

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.**

Marrian says the big issue would be "strategic versus comprehensive synergies"

"Municipalities would have to find where best to put their resources – not just add 10 per cent to the budget and carry on"

Sustainability is also vital since municipalities would have to balance economic issues with those of social equity. However, Marrian and the other authors of the manual also emphasise that there has to be realism and the municipalities would have to ensure that their plans were feasible as well as sustainable

He maintains that the provincial finance departments would have to be part of the process to ensure its success

The challenge for municipalities is that they now have to take into consideration the provisions in the Constitution which guarantee basic rights like access to services while ensuring that their planning, budgeting and performance monitoring is integrated

At the same time, they have to adhere to the notion of cooperative governance and democratisation

However, they are likely to be constrained by the numerous laws they are forced to comply with, a lack of capacity and skills and resources shortage

Marrian 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 Nozipho 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

Sharon Chetty 19/7/98

Call for councils to adopt new patterns

Deborah Fine

BD 9/9/98

(262)

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 Marrison — 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 this was manifesting itself in a loss of confidence and momentum, Hanekom said.

Gugu Molo — 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, Molo 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 pool ...

FEARS that the South African National Civics Organisation (Sanco) had become "a toothless and compliant apologist" for the Government's failure to meet the needs of the poor has led to the formation of a new civic movement

Political observers monitoring the transformation process after the 1994 elections claim it was inevitable that a new civic movement would emerge before the next elections

The National Association of Residents' and Civic Organisations (Narco) was launched by about 200 disgruntled members of Sanco at Wits University Business School recently

The new movement's general secretary, Ali Tleane, told *Sowetan* that the breakaway was prompted by Sanco's lack of decisive policy formulation and consistency

He said since the democratic Government was elected, leadership had defected or planned to do so in the next elections

The formation of Narco and the establishment of new civic structures at branch and provincial level across the country was the culmination of a series of activities since May this year

He said Narco aimed to ensure that the traditional watchdog role of civic movements was maintained. Its members resigned from Sanco after a misunderstanding on financial matters

Narco's national executive committee consists of Mzwanele Mayekiso as president, Mohale Lekalakala (deputy president), Madoda Mayekiso (deputy general secretary), Maynard Menu (treasurer) and six other members who would head various departments

Mzwanele Mayekiso is former Sanco branch president in Alexandra. Menu is former Sanco Soweto president, and Lekalakala and Madoda Mayekiso formed part of the Sanco regional leadership in North West and the Eastern Cape respectively

However, the birth of this new civic movement has been cautiously welcomed by Sanco and local authorities and other political role players. Sanco spokesman Donovan Williams said his organisation welcomed Narco and did not feel threatened by it

"We in Sanco still believe we are the premier community-based organisation in the country. We hope Narco is based on community support and not on individuals"

Sanco's Alexandra branch - from which most of Narco's members come - has distanced itself from the new movement. "We reject the notion of individuals claiming to represent Alexandra after they have been expelled," they said

Branch secretary Philemon Machitela said they rejected Narco because it was formed by individuals with selfish political ambitions

"The community shall not accept political rejects and left-overs"

As a result of people asking serious questions about the effectiveness of Sanco, a new civic body is formed, writes **Joshua Raboroko**



Civic 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 both 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 had led to property attachment and the listing of homeowners by the credit bureau. These measures may not be necessary if local government recognised 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 repossession 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

(Handwritten signatures and initials)

Sowetan 18/10/98

Quiet revolution is taking place in local government

(262) Stan 5/10/98

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 Valli Moosa, with Yunus Carrim, chair of Parliament's portfolio committee on constitutional affairs, as midwife.

The first of these, the Demarcation Act, is already in place, and the boundaries of every municipality will be redrawn so by the local elections in 2000, 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 "megacity" 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, sub-structures will make way for single-tier "uni-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 sub-structures. 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.

Ward councillors can also 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".

"In the two-tier system there are often conflicts over powers. Residents find it is hazy who is responsible for what."

Outside the metropolitan areas, the bill proposes two-tier, power-sharing arrangements between over-arching district councils, and local councils.

The Demarcation 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 an 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 argued in committee meetings the bill goes beyond providing 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

(262)

BD 7/10/98

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.

MUNICIPAL SERVICES

NELSPRUIT TURNS ON THE TAPS OF PRIVATISATION

Hour of truth nears as State gets set to call Cosatu's bluff

Fm 9/10/98

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 Nel-

spruit'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 rescue municipalities from their service delivery nightmares

FULL PRIVATISATION:

A municipality sells off services (eg garbage disposal) to a private firm

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 form of concession. A private firm constructs and runs new, stand-alone facilities, which revert to the municipality on expiration of contract

LEASE (AFFIRMAGE):

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 rents 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 services

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 municipality enters into an agreement with another public entity to run municipal services

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 Dolphin Coast deals.

Trade union resistance to the projects began about a year ago, after Nelspruit announced that private British company Bewater 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 Ronnie 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. Concessionary 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, Bewater linked up with a local com-

pany, Sivukile, 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 Sivukile (with Bewater as operator) responsible for managing and developing the water and sanitation infrastructure of Nelspruit town (population 25 000), 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 Bewater, which has undertaken to retrench no-one, retrain where necessary, and ensure that no staff suffer loss of income. Samwu is unconvinced the protections will hold.

Bewater 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 Honey

» 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 «

262

New law
'will result in
better delivery
of services'

GOOD municipal ser-
vices could lead to
improved payment of
levies and "services
by residents

Godfrey Tsotetsi,
chairman of the com-
mittee on local gov-
ernment, believes
residents will pay
with a smile if their
lot was improved

"To kick start bet-
ter delivery of ser-
vices, it is necessary
to analyse existing
legislation to see
whether it was ap-
propriate to ensure
council delivers the
goods, instead of de-
manding payment,"
he said

This led to the
adoption of a single
new law which re-
placed 22 old laws
and local govern-
ment ordinances,
some dating as far
back as 1939

The new law
scraps old laws and
ordinances which
prevented the trans-
formation of local
governments and the
delivery of services.

Tsotetsi said by im-
proving deliveries,
the cash-strapped
council could find
themselves smiling
all the way to the
bank instead of being
in their current pre-
dicament in which
they suffer from a
culture of non-pay-
ment of services

"The new law will
result in the delivery
of services giving
residents a reason to
pay with a smile," he
said

Question of judges' pay referred back to Nedlac

Reneé Grawitzky

PARLIAMENT'S labour committee has referred a request to increase the remuneration of labour court judges back to the National Economic Development and Labour Council (Nedlac) for a speedy settlement.

The referral was made this week after the committee approved a number of technical and uncontroversial amendments to the Labour Relations Act.

The majority of the amendments were intended to facilitate the smoother operation of the Commission for Con-

SA to spend R170bn on public infrastructure

BO 22/10/98
(262)

GOVERNMENT said 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 Siphoshezi 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 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 infrastructural 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 has shown that 4,7-million of 13,8-million economically active people are unemployed. — Reuter.

Robyn Chalmers

THE Development Bank of Southern Africa will release a comprehensive assessment of SA's infrastructure programmes on Tuesday, which indicates that progress has been made in many sectors, despite obstacles.

The report, Infrastructure: A Foundation For Development, aims to as-

Report shows progress in infrastructure

sess the impact of infrastructure services on development, as well as their effect on investment and economic growth.

Chris Heymans, the manager of policy at the bank, said yesterday that the report looked at delivery progress in a range of sectors including trans-

port, electricity, telecom-
munications and water.

The report also gave context to delivery issues by relating them to policies developed since 1994.

These included the growth, employment and redistribution (Gear) strategy and the municipal infrastructure invest-

ment programme.

The report dealt with Southern African Development Community-related issues, the progress and problems faced by public-private partnerships and spatial development policies as a mechanism to attract investment.

The decentralisation of

decision making and regulatory frameworks dealing with infrastructure development were other areas of focus.

The impact of infrastructure on poverty and income distribution, the effect of labour-based construction methods, the borrowing powers of local authorities and the role of development finance also came under scrutiny.

RD 30/10/98

Infrastructure is not a tough choice

Infrastructure is one of many areas competing for government's spending priority list. Chris Heymans and Janine Thorne-Erasmus argue that the right infrastructure can provide major returns

(780)

to the right consumers, at the right place and at prices they can afford?

TOUGH economic times demand tough choices. They force governments to reassess their spending priorities, investors to contemplate their options and consumers and producers to take a fresh look at the goods and services they want, need and can afford. SA needs, among other things, the right decisions about spending on and consuming infrastructure services.

The country's policies acknowledge the importance of infrastructure for growth, eradicating poverty and improving quality of life. The reconstruction and development programme (RDP) calls for broader access to services, the growth, employment and redistribution plan sees more infrastructure as integral to growth, the National Infrastructure Investment Framework outlines a wide-ranging infrastructure strategy, spatial development initiatives (SDIs) attempt to draw investors to areas through focused infrastructure development, and policies for infrastructure, such as water energy, attempt to create the conditions for more and targeted delivery.

Nothing suggests that infrastructure services will become less of a priority. But when resources are limited, policy priorities and the instruments for delivery come under scrutiny. Apart from being offset against other priorities, the main question for infrastructure is what incentives will get the right services

to the right consumers, at the right place and at prices they can afford? At stake too are the economic and social returns on investment in infrastructure compared with those of, for instance, health, education and nutrition. And what types of infrastructure will yield the highest economic and social returns?

A Development Bank of Southern Africa (DBSA) report released today shows significant economic and social returns. For every R1bn spent on infrastructure, gross domestic product rises R945m and 20 000 jobs are created.

The report, Infrastructure: A Foundation for Development, shows how infrastructure supports economic growth through lowering the costs of production, consumption and public sectors as well as the economy at all levels.

Trade in southern Africa suffers from inadequate, ill-maintained infrastructure, notably for transport. A lack of reliable electricity has prevented many potential entrepreneurs from starting businesses.

The effect of infrastructure is particularly visible in a spatial context. Producers and consumers look for the "right" infrastructure when deciding where to live or work, what to produce and whether to produce. Regions or cities often attract economic activity because they offer different types of infrastructure to support production, consumption,

trade and recreation

For example, about 71% of all employment in SA's high-tech sector is in Gauteng, with easy access to Johannesburg International Airport. And in Midrand, the municipality has carefully selected and priced infrastructure services to attract offices rather than factories. Many companies have since located their headquarters in the area.

Does infrastructure really improve poor people's quality of life? Naturally, most services bring some degree of convenience. This is why they feature so prominently on the RDP agenda. But infrastructure can contribute to reducing poverty only if it is installed, financed and managed with this goal clearly in mind.

For example, environmental problems often arise from poor services in low-income areas. However, poor people can be involved in efforts to address such concerns. Also, well-designed procurement procedures can support labour-based construction and small contractor involvement. Although this practice is spreading, more reforms are needed.

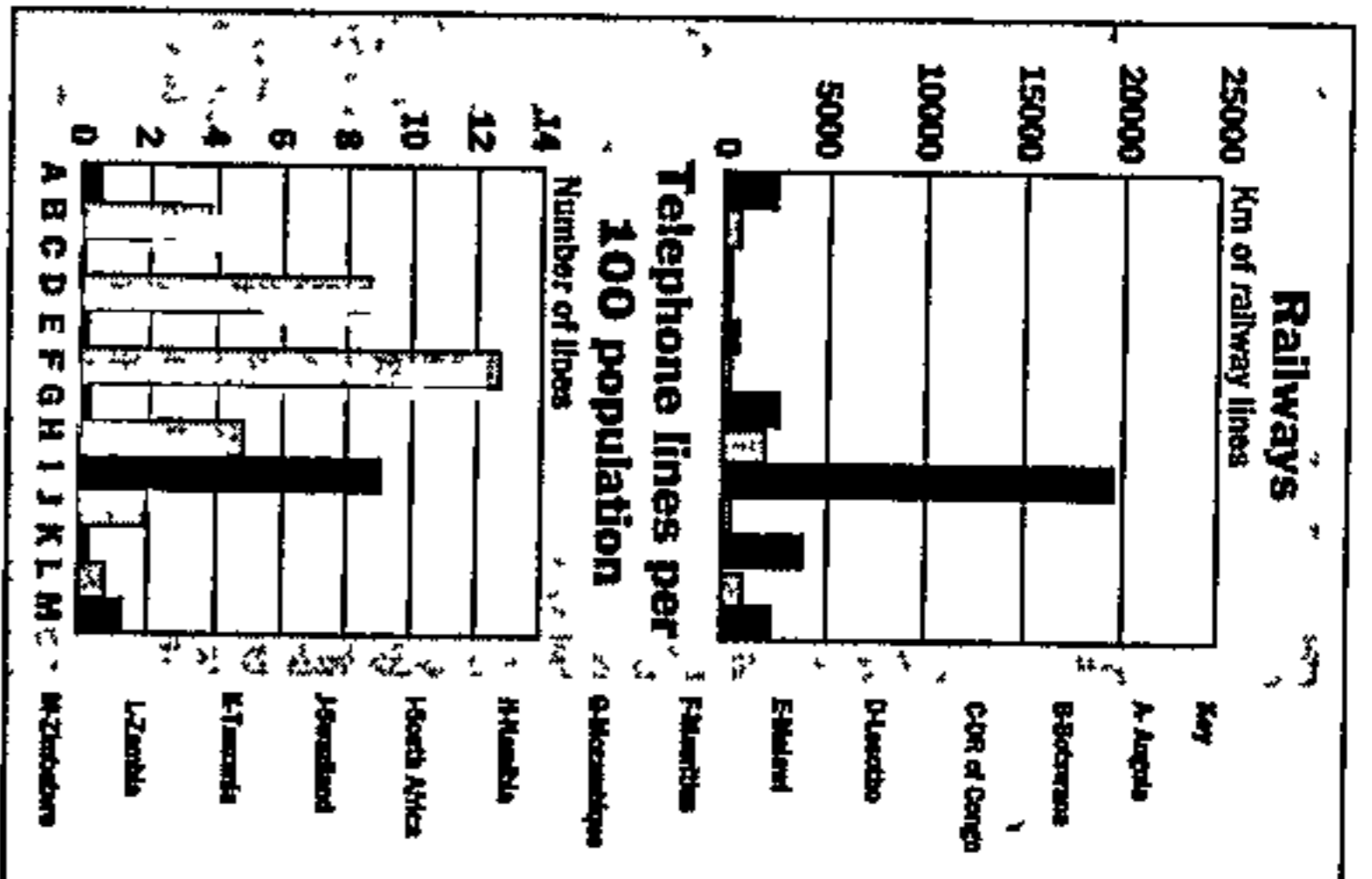
Services are more likely to be sustainable when people are involved in deciding on the types and levels of service they want and can afford. SA has good and bad examples. When the apartheid government decided to upgrade Alexandra outside Johannesburg in the mid-1980s, it proceeded unilaterally, thus heightening strife within that township. In con-

trast, the community of Kanana, in the Vaal Triangle, worked with the authorities to install services that met their requirements, resulting in high levels of service payments.

Poor people have proved themselves willing to pay for services when these have been designed to be affordable and when metering and billing systems are credible.

What approaches will harness the full potential of infrastructure as a force for growth and development? First, we need partnerships in infrastructure facilities serve large numbers of users. This warrants some public-sector involvement in their provision. However, private financiers and service providers supplement public-sector capacity and introduce the discipline of competition. Increasing efficiency. Non-governmental organisations often specialise in supplying services to smaller groups of people, creating opportunities for small contractors.

Second, state agencies and departments should meet consumer demand on a financially viable basis. The global trend is to place these agencies on a more commercial foot-



Infrastructure imbalances

Graphic: Kuba David

ing Also, budgetary planning and resource allocations need to become more output orientated. SA's Medium Term Expenditure Framework is a useful tool for aligning government activities of to policy objectives. And where the state attempts to attract investors through targeted infrastructure development — SDIs for example — it must ensure that it remains sensitive to market signals.

Third, decentralisation promotes administrative efficiency and makes that a particular service lends itself to decentralised management. It could benefit small entrepreneurs. However, decentralisation faces many institutional and fiscal obstacles. Local and provincial governments lack critical capacities and coordination between the spheres of government remains weak.

Fourth, by mitigating some lending risks and exploring best practice, targeted development finance will attract private sector financing of infrastructure. Through development loan conditions and project interventions, development finance institutions such as the DBSA can

enhance the effect of infrastructure, to broadening access to services and stimulating economic activity.

Fifth, regulation, competition and pricing must receive attention. Good regulatory frameworks protect public interests, support essential services, set standards and ensure their sustainability of natural resources. Fair competition and accurate pricing increase efficiency. Best practice shows that the regulatory function should ideally be separated from policy-making and implementation. Finally, the "era of delivery" does not signify an end to policy development. Policies need to adapt to the rapidly changing environment. Monitoring and critical evaluation of policies and delivery programmes remain necessary. Policies and delivery go hand in hand, and must continue to inform each other. This will ensure that infrastructure supports growth and development in line with the demands of our time.

Chris Heymans is DBSA's manager policy and editor of its report Infrastructure: A Foundation for Development. Janine Thorne-Erasmus is its assistant editor.

11

Opposition roundly rejects council bill

(262) 204/11/98
Linda Ensor

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 criticised 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 Minister 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.

Opposition baulks at local govt bill

The perception is that the legislation is a direct threat to autonomy, writes Deborah Fine

(2622) BD 11/11/98

THERE was little doubt that the controversial Municipal Structures Bill, designed to alter the face of local government drastically, would end up the subject of a complicated Constitutional Court debate, opposition parties, have said.

The bill, which was approved by the National Assembly last week, has been vigorously opposed by the Democratic Party (DP), the National Party (NP), the Inkatha Freedom Party (IFP) and the Freedom Front (FF) since its first draft was released early this year, as it offended the constitutional autonomy granted to provinces and municipalities as separate and equal governmental spheres.

Government, with the support of seasoned senior advocate Wim Trengove, remains confident however, that the bill will survive scrutiny by SA's highest court.

However, other legal heavyweights also well-versed in constitutional litigation,

including Jeremy Gauntlet SC and David Unterhalter, have said the bill could fall short in several aspects.

The threat of a constitutional challenge has been welcomed by Chippy Oliver, deputy director-general in the constitutional affairs department's local government unit. Oliver said this week that a legal dissection of the bill would bring greater clarity to the continuing debate.

He believed recent amendments to the bill had ensured it fell within the requirements of Chapter 7 of the constitution, but acknowledged that the local government chapter in the constitution was "difficult to interpret" and involved various "fine legal questions".

NP local government spokesman Wat-ty Watson and DP MP James Selje have attacked the bill, saying it falls foul of the constitution because it prescribed specific internal mechanisms which municipal-

ities were obliged to adopt instead of outlining a broad range of options and combinations from which provinces and local authorities could choose systems best suited to their individual circumstances.

The bill prescribes metropolitan-wide administrations with centralised and original powers for densely populated urban areas. It also prescribes the existing two-tier model, albeit with certain modifications, for other areas.

The bill allows for either executive committee or executive mayor systems according to certain criteria.

Watson has argued that instead of enabling municipalities and provinces to "govern on their own initiative as distinct spheres of government" according to their constitutional entitlement, the bill over-regulated the affairs of local government, leaving local players with "very little space to manoeuvre".

Oliver's response is that while certain provisions in the chapter were not expressly defined, it was clear that the drafters of the constitution envisaged a degree of national legislative control and did not intend to give local authorities "carte blanche" over internal systems.

The bill was approved by the National Council of Provinces yesterday and is expected to be passed today.

Following this, the DP, the NP, the IFP, and possibly the FF and the African Christian Democratic Party, may ask President Nelson Mandela to refer the bill to the Constitutional Court before he signs it into law. They may also jointly petition Parliament to refer the bill to the court because it was rejected by a third of the house's members, or they may approach the court directly for relief if the bill was promulgated.

PARTNERSHIPS IN THE PIPELINE

Cosatu and government agree

FM 4/12/98
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 Bwater 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 Honey

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

Shoots Naidoo, 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 Naidoo'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 nongovernmental 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 Valli 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

Deborah Fine

GOVERNMENT, unions and local authorities have agreed on a framework to regulate the involvement of private companies in the delivery of municipal services.

Described as a "major breakthrough" in municipal services provision, the agreement was signed in Johannesburg on Friday by Constitutional Development Minister Valli Moosa, Congress of SA Trade Unions (Cosatu) deputy general secretary Zwelinzima Vavi and SA Local Government Association (Salga) chairman Colin Matjila.

The agreement follows months of wrangling over moves by cash-strapped

Framework agreement sets stringent conditions for private sector involvement

BD 14/12/98

(262)

municipalities to explore using the private sector to extend services coverage and address huge services backlogs.

The SA Municipal Workers' Union staged protest marches countrywide, while Cosatu threatened action if government did not stop the privatisation of basic services. In particular, this affected Nelspruit in Mpumalanga and the Dolphin Coast in KwaZulu-Natal, where municipal-ities are at an advanced stage of involving private firms in water delivery.

The unions said private sector pursuit

of profits would lead to unaffordable tariffs, retrenchments, poor standards and the neglect of disadvantaged areas.

Moosa said an important principle in the agreement was that the private sector should not take over operations where municipalities had a "realistic chance" of delivering quality services themselves.

The agreement rejected the "Thatcherite approach" of privatisation for the sake of it" and the assumption that the public sector was inherently inefficient, he said.

Private sector partnerships could be established where municipalities were genuinely incapable of service delivery because of financial, technological or capacity constraints.

The private sector would have to adhere to environmental and delivery standards, health and safety standards, and the protection of workers' service conditions. It would also have to monitor contracts at its own expense.

Measures to prevent "exploitation" included the compulsory provision of life-

line tariffs, limits on tariff increases and restrictions on the rates of return companies were able to make. Municipalities would not be allowed to guarantee profits while companies would be obliged to put funds aside as performance guarantees.

The agreement is understood to give Nelspruit and the Dolphin Coast the go-ahead for their private sector partnerships, as long as labour is satisfied that the process is in line with the principles enshrined in the agreement.

The agreement also makes provision for the formation of a sectoral forum consisting of government, labour and Salga to flesh out the basic principles and build further consensus.

SA body nets R275m European bank loan

Tim Cohen

60 18/10/98 (262) (247)

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 (262) BD 22/12/98

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, Mpumalanga 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 skill 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

(262)

Implementation of a controversial new law which would significantly strip the powers of provincial directors-general has been halted 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-generals 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 Skweyiya 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.

REC 24/12/98

PS- LOCAL AUTHORITIES - GENERAL
1999

Support growing for megacities, says report

DD 4/11/99

(262)

Western Cape still strongly divided on the issue of city governance

Pule Molebeledi

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 Sutcliffe said government should develop a more integrated approach to monitoring and 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 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.

Sutcliffe 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.

Sutcliffe 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".

Sutcliffe 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

(262)

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 Chippy 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 his 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 R181m 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

(262)

DD 21/1/99

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 inter-

ference, 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 Titus 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 Mateta, 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 Hartshef, Gauteng

town and regional planner Prince Dlodla, Mpumalanga primary school principal Rosemary Monyamane, former Britstown mayor Abraham Marais, North West land tribunal chairman Kaobitsa Maape, town and regional planner Jacqueline Subban, Northern Province traditional leader Khosi Jeffrey Ramovha and Western Cape academic Robert Cameron

New NP Gauteng leader Johan Kilian 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 ⁽²⁶²⁾

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 con-

sulting 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.

Southern 28/1/99

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 Valh 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 councils in the country, the number of councillors to serve on those councils and the demar-

cation 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

F44/99

MUNICIPAL SERVICES

DOLPHIN COAST TAKES THE PRIVATISATION PLUNGE

Consortium led by Saur International wins R1bn service contract

(262)

fm 1/2/99

Johannesburg a megacity manned by a micromunicipality? A mirage, maybe, but not in the mind of Provincial Affairs and Constitutional Development Minister Mohammed Valli Moosa

There is little on the face of it linking the resort local authority of Kwazulu-Natal's Dolphin Coast (population 56 000) with Johannesburg, but it could provide a blueprint for the future restructuring of our largest city, which is already being masterminded by the city's new manager, Ketso Gordhan (Cover Story January 8)

Last week, the Dolphin Coast — which prior to 1994 was a highly piggedly 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 Biwater. And, waiting in the wings, according to local government Deputy DG "Chippie" Olver, are more than 40 other local authorities, including Johannesburg, preparing similar schemes. But most will wait to see how the Dolphin Coast and Nelspruit guinea pigs perform.

They are also, Olver says, waiting for enabling legislation, which should be passed shortly after the election.

Though nothing legally prevents local authorities from outsourcing services, says Olver, 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.

"Valli 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 Olver, has

cause 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 deal 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 Olver.

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.

Olver 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.

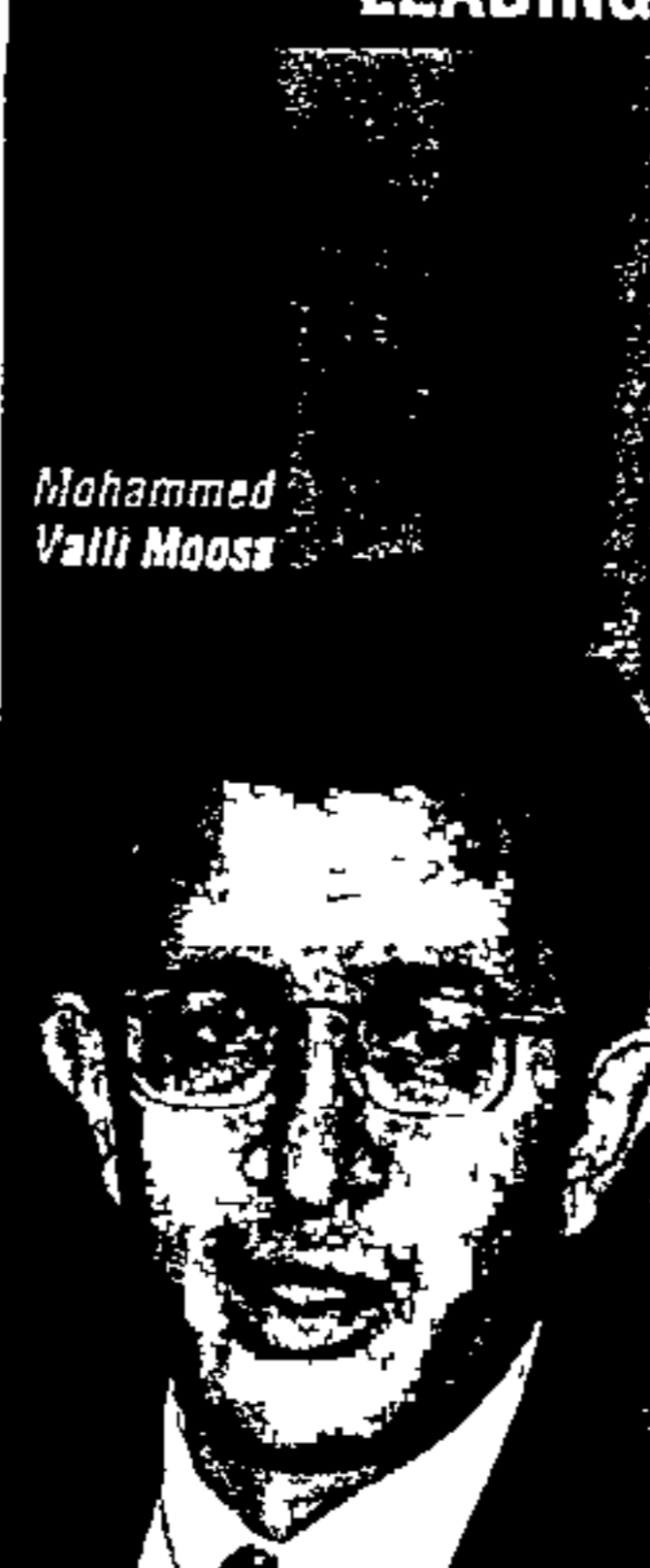
Saur has such a concession covering everything from waste disposal to tending graveyards for the Brighton and Hove council in England.

"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.

Herb Payne

LEADING THE MUNICIPAL WAY



Mohammed Valli Moosa

- Dolphin Coast, population 56 000, provides the blueprint for the restructuring of SA's largest cities through a R1bn, 30-year water and waste services concession.
- More than 40 other local authorities are preparing similar schemes.
- Skills transfer and capital market access is best provided through the private sector.
- Municipalities should become lean high-powered units which test the market, manage tendering and get the most favourable deal for residents.
- Virtually every area of municipal work is amenable to some form of partnership arrangement.
- An entire municipality could be run through the use of contracts.

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 Olver believe will be eliminated by the creation of megacities.

The motivation for smaller local authorities is no different. Olver 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, be-

Uproar over municipal privatisation

(262) (272)
Dustin Chick

THE SA Municipal Workers' Union national executive committee would reaffirm a decision it made last year to proceed with the implementation of the Municipal Services Partnership, deputy general-secretary Mncedisi Nontsele said.

Nontsele 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 Nelspruit 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.

Slow delivery. Provinces like KwaZulu-Natal and the Eastern Cape have cut back on services like education and health because of budgetary constraints. PHOTOGRAPH: RAJESH JANTILAL



Give provinces taxing rights

There's a school of thought that argues that the provinces should have limited taxation powers, writes Charlene Smith

MTG 12-18/2/99

Amid reports of budgetary chaos at provincial level, the Financial and Fiscal Commission is increasing pressure on the government to allow the provinces limited taxation powers

The commission, which advises the minister of finance on provincial budgetary requirements, also wants central government to review the base on which it awards money to provinces

"Provinces have become consumption federations, where their only expenditure responsibilities are to delegate and not to tax. International experience has shown that without accountability, provinces become amorphous," says Colin Donian, acting director of the commission

Its stance is supported by policy analysts from the Centre for Policy Studies and the Institute for a Democratic Alternative for South Africa (Idasa)

"The evidence that there is a problem [with the base on which provinces are allocated funds] is in the difference between budgets and actual expenditure," says Donian. "There has been a significant deviation. Last year there was a difference of between R4 billion and R6 billion

"We need to revisit the base. We started off [in 1994] with a set of questionable data and introduced split budgets. But now provinces believe they can overspend hopelessly because national government will bail them out. The Financial and Fiscal Commission is suggesting that budgetary splits have to be revisited."

The lack of fiscal power is the provinces' greatest single handicap. The Free State was recently shown to have huge budgetary problems, and last year the Eastern Cape had to be bailed out when it could not pay pensions

Some experts on provincial funding say the next province that could begin showing budgetary strain is Gauteng. One expert points out that Gauteng's emphasis on capital expenditure in the past year — which went up 60% — saw it under budgeting on issues like food and medicines for hospitals

Gauteng MEC for Finance Jabu Moleketi denies there have been shortages of medicines in Gauteng hospitals — "overcrowding, yes, queues, yes" However, he says, hospitals have

been tardy in collecting fees from patients and he is considering outsourcing to a collection agency

Moleketi says Gauteng's deficit for the current financial year will be 1,6%, compared to 2% the year before

"In the next financial year we will balance the budget. Health is the only area that overspent — by R340 million. If we can increase the collection of fees and manage hospitals better, we can reduce losses."

Moleketi says although wages account for 64% of the province's R16-billion budget, they do not fall under his department but under a department in the premier's office

Gauteng's challenges are not unique. While provinces want to deliver to constituents, they rely for 95% of their budget on central government and have the capacity to generate only 5% of revenue

Provinces are arguing for an 85% to 15% situation, so they can accelerate delivery of services. But present budgetary allocations and a lack of power to re-trench staff mean that many provinces are crippled with budgets that have wage bills of 94% to 97%, and the remainder for services

Says Donian: "If the government takes provinces seriously, it needs to ensure they are not political administrations but real political entities"

"Now they can pass blame upstairs to central government. But if they had taxation rights, Gauteng (as an example) could say, if you want a better health system, we will increase personal income tax by 2%. They won't be able to blame chaos in hospitals on central government. They would become accountable."

Donian says the key to successful provincial government is "political will and technical capacity." "Gauteng and the Western Cape are the two clear leaders. There is a second group, led by the Northern Cape, who despite enormous general budgeting difficulties and a very small budget to manoeuvre in are still doing financial management quite well"

"Other provinces are trying to improve KwaZulu Natal, which has had an enormous

problem, is trying to dig itself out. Problems in the Free State have been breeding for the past year

There is a school of thought, endorsed by the Department of Finance and supported by the Katz commission's seventh report on taxation, which says the South African Revenue Service could not administer tax collection on behalf of provinces — and the provinces could not do it alone

But Idasa and the Financial and Fiscal Commission counter that administration of taxes would be negligible. They suggest a surcharge on existing personal income tax (say 5%) should go to provincial coffers

Peter Miller, KwaZulu Natal's MEC for finance, disagrees. He says a surcharge on personal income tax would only benefit richer provinces where more people are employed

KwaZulu Natal has seen its budget show a remarkable return in recent months to a sound footing. But, says Miller, "it has not come without a price. We cut education expenditure by R800 million. We cut health expenditure by R600-million

"The biggest financial challenge is to increase money being spent on productive service provision and reduce the amount spent on the civil service. Too much of fixed costs are salaries, wages, pension benefits and medical aid

"Actual personnel costs here run into approximately

R11-billion. Add to that rates and taxes on buildings and transfer costs to pensioners, and R16-billion of the R17,9-billion budget is gone."

Richard Humphreys of the Centre for Policy Studies says a fuel tax to help the provinces has been suggested, but "this would only benefit richer provinces that have heavy traffic flow. Provinces should levy taxes

"I am also sceptical that getting rid of provinces would mean we don't have these problems. They might manifest in many guises — this would generate another set of problems

"If provinces were abolished, the most immediate cost savings would be a couple of hundred million in abolishing the different legislatures and premiers' offices

"Effective provincial governments cannot be built in five years, and I would argue that major crises in only four of the nine during that time is not too bad."

'If the government takes provinces seriously, it needs to ensure they are not political administrations but real political entities'

Mamuel slays SA's provincial beasts

Government's credibility has improved but there is still some way to go, writes economics editor Greta Steyn

(Abz) 00 15/2/99

WHEN the Brazilian state of Minas Gerais defaulted on its debt last month, governor Ilmar Franco said his state was so broke he had to bring his own toilet paper to work. This is a scenario which a year ago, would have been quite conceivable in SA's provinces.

At the time of last year's budget, SA's provinces threatened to become a gaping black hole into which cash disappeared. Even though analysts and bureaucrats tried valiantly to downplay the problem, there was a terrible sense of uneasiness about the fiscal situation, of a monster slowly taking shape in the provinces.

About a year later, Finance Minister Trevor Manuel and his team claim they have slain the monster in the provinces and saved Manuel's credibility.

Credibility is one of the main issues in this week's budget, the overall macroeconomic figures for the new fiscal year have already been released and the real question is whether they are credible.

Another important issue in the budget will be the tax changes, which are not known yet, and how these changes fit in with overall economic policy.

The budget is also a good peg for a discussion about one of SA's biggest economic problems — if not the biggest — the country's low level of savings. The rationale behind cutting the deficit is to free up savings which can be used by the private sector. Is government's claim on the country's savings still too large?

The budget is not only an economic statement its spending decisions are a political statement about government's priorities. Defence spending has been cut in recent years to finance increased social spending. Will these trends continue?

In summary then, the main issues are credibility and sustainability, taxation policy, SA's structural economic problems such as low savings, and government's spending priorities. Some comments can be made about these issues as we prepare for Wednesday's budget.

On credibility, there are mixed signals but on balance Manuel comes off rather well. He scores particularly well when it comes to the provinces, where he has averted a disaster of Brazilian proportions. True, prob-

lems remain, but they have become much more manageable and the sense of crisis has faded.

The provinces' combined bank overdrafts stood at R1,6bn in December last year, according to latest Reserve Bank statistics. This is substantially lower than the figure of R2,8bn in December 1997. The Bank's figures also show that provinces have not run down their bank deposits, as occurred in 1997/98.

In that year, provincial overdrafts and running down of provincial bank deposits added billions of rands to government's deficit, this was not reflected in the official figures but was not a secret like the homeland black hole used to be.

The two trouble provinces of 1997/98 — KwaZulu-Natal and Eastern Cape — are set to end the present fiscal year in surplus.

Granted, there are problems in the Free State, but they are nowhere near as serious as those encountered in the trouble regions in 1997/98.

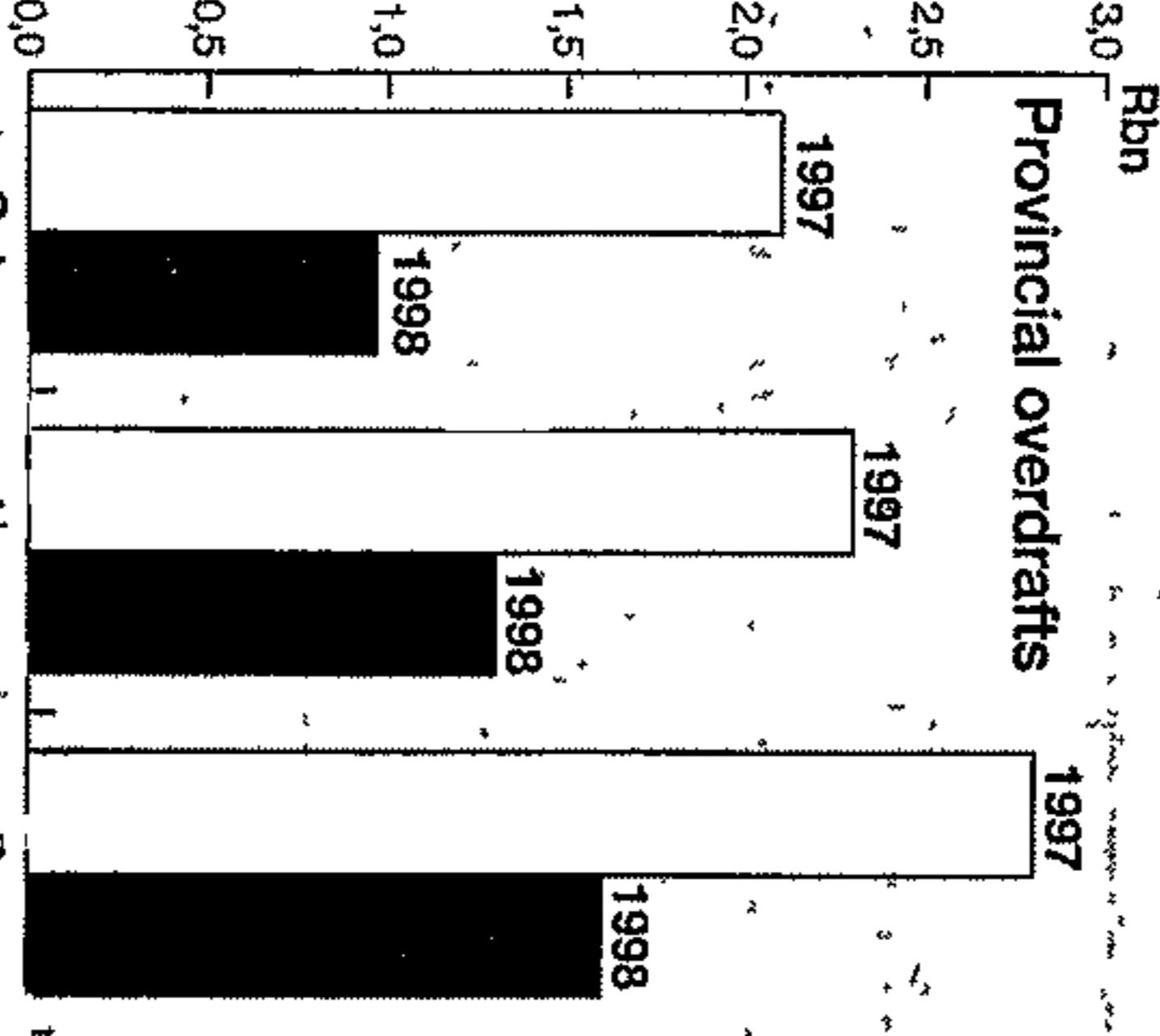
In the present fiscal year, the spending financed by bank credit has been contained and everything points to a lower overall fiscal deficit in the provinces than in 1997/98.

The improvement in the provinces is a big boost for Manuel's credibility, but he has not quite won the credibility battle yet.

The flip side of an improved situation in the provinces has been that the centre has taken more strain, resulting in overspending. True, much of the overspending — R1,2bn — is the result of a surge in interest rates which was outside government control. But overspending on noninterest items is also likely to be sizeable, everything suggests that the adjustment budget was overly optimistic in its R1,4bn estimate for noninterest overspending and that the final number will be higher — much higher, if the monthly exchange numbers are anything to go by.

One of the key figures to watch for in this week's budget review is the final spending number for 1998/99. If it differs much from

Looking better



RUBEN DAVID Source: RESERVE BANK

Manuel will not be playing only to the markets, he also has one eye on the voters. He will use the tax changes, rather than spending increases, to try to impress the electorate.

On the spending side, there is little that he can do — a major shift towards more social spending has already taken place and the huge interest bill limits his room for manoeuvre.

Social spending now accounts for 50% of total spending, compared with 44% in 1995. Spending on interest also rose over that period, from 18% of the budget to 21%. These shifts have seen defence lose out, the question is whether the pattern will be sustained.

According to last year's budget, which gave three-year estimates for spending, defence as a percentage of the overall budget was scheduled to remain virtually stable at 16%. But this should change, depending on the timing and cost of the military packages decided on last year.

Government could allocate money from its reserve to beef up defence, although it might be tempted to use that money to catch votes. The reserve is the unallocated portion of each year's budget in the three-year rolling budget.

On the revenue side there is a little more room to please the electorate. Manuel has thrown out so many hints that any failure to do so will go down like a lead balloon.

Other tax changes will be aimed mainly at balancing the books — the usual hike in the fuel levy and "sin" taxes. The really big question mark hangs over action on life insurers and retirement funds.

However, no major shocks are expected as issues of principle are being negotiated with the pensions industry.

Manuel has been dragging his heels on taking decisions of principle on taxation. Instead, he has tinkered with pensions taxation and other taxes while leaving overall issues of policy indefinitely on the backburner. It is not clear whether current tax trends are policy or just the result of indecision. For

instance, the share of indirect taxation in overall tax has been falling while direct taxation on individuals has been rising. Does Manuel favour that trend, or not? We really do not know the answer to that. Taxation policy objectives need to be spelled out — but the chances are zero that he will do so this week.

The one area in which policy is clearly defined is deficit reduction, with a target of 3% of GDP set for the 2000/01 fiscal year. One of the reasons Manuel wants to cut the deficit is to reduce government's claim on the nation's savings. But some critics would argue that freeing savings in a recessionary environment is not particularly useful, as the private sector is hardly likely to take up the funds to finance fixed investment in a stagnant economy. Manuel has rightly acknowledged this situation by slowing down the pace of deficit reduction in response to the economic downswing.

One should not lose sight of the fact that SA has a major savings shortfall — fixed investment in plant and capacity is on a rising trend, having hit an annualised 17,7% of GDP in the third quarter last year, while saving was considerably lower, at an annualised 13%. That gap has to be plugged by foreign capital, the bigger government's dissaving, the bigger the gap.

Government "dissaves" when it uses savings to finance consumption expenditure. Put differently, the difference between government's capital expenditure and its net borrowing — the deficit — is the amount it dissaves. The amount of dissaving for the current fiscal year runs into billions of rands. Manuel delivers his budget speech this week knowing that his credibility has been, considerably enhanced by getting provincial finances under control. But the credibility battle is not over yet.

Spending pressures remain enormously difficult to contain, while taxaton policy has been implemented in an ad hoc way without any coherent overall philosophy. A start has been made in getting the deficit down, but dissaving remains substantial. Manuel's speech this week will confirm that, though much has been achieved, the task ahead remains huge.

MECs praised for 'remarkable recovery' of provinces

Budget allocation of R84,2bn plus R10,8bn in conditional grants means they will get marginally less in real terms

Wynndham Hartley and Kevin O'Grady

CAPE TOWN — Finance Minister Trevor Manuel gave unstinting praise to the financial performance of SA's nine provinces yesterday, saying they had turned overexpenditure into budget surpluses which could be used to pay off debts.

Last year the Eastern Cape and Kwazulu-Natal ended the budget cycle in deep financial trouble and required central government assistance. Government transfers of R1,5bn were used to bale them out.

Said Manuel: "Both provinces have made a remarkable recovery, improving their financial management and complying fully with the terms and conditions of the agreements (reached with government). Indeed, both these provinces will run in-year surpluses in 1998/99. These surpluses will be used to pay off debts."

He said it was important to recognise the roles played by the finance MECs in the provinces who "brought a difficult situation under control".

All provinces now used an early warning

system to manage their expenditure, while the medium-term expenditure framework had started to bear fruit because provincial governments knew how much money they would have in the years ahead. The collective surplus for all nine provinces was R600m.

The budget allocates the provinces R84,2bn compared to R84,069bn last year. In addition, they are eligible for R10,8bn in conditional grants for specific purposes such as hospitals and education.

The basic increase is slightly less than the working inflation rate of 5,5% used by the finance department, which means that the provinces will get marginally less in real terms this year.

The weighting of the allocations to provinces has also begun to change in line with new demographic information provided by the latest census figures.

Changes to the "equitable share" formula — in terms of which the provincial allocations are made — will be made over five years. Gauteng, for example, enjoys more than 18% of the allocation to provinces, but derives only 15,8%.

The largest allocation goes to Kwazulu-

Natal which received 19,8% of the allocation. This will rise to 20,7% when the population adjustment is complete.

Provincial finance MECs were upbeat yesterday over the prospects for the financial year ahead, despite allocations being slightly lower in real terms.

Eastern Cape finance MEC Enoch Godongwana, who was strongly praised with Kwazulu-Natal's Peter Miller, said his province's R15,181bn allocation was "not bad".

"It is obviously difficult to satisfy all of our needs. But if it was not for massive backlogs that we have in infrastructure and other areas, it would not be a bad budget."

He would not be drawn on how the allocation and the province's surplus from fiscal 1998/99 would be used to eradicate the province's deficit from 1997/98, saying this would be dealt with in his provincial budget.

Free State finance MEC Zingile Dingane said the province's R5,895bn "equitable share" was "quite realistic" taking into consideration the scarce resources of the country.

"We need to rearrange our plans in accordance with the kind of allocation we receive and maximise the effective utilisation of those

funds to enhance service delivery."

North West's Martin Kuscus said it was "significant" that the provinces' three major spending items — education, health and welfare — had been "safeguarded", as this would allow "the transformation process to continue on all those fronts."

Provincial financial management had greatly improved over the last financial year. "The foundation has been laid, and now we will be able to build on that."

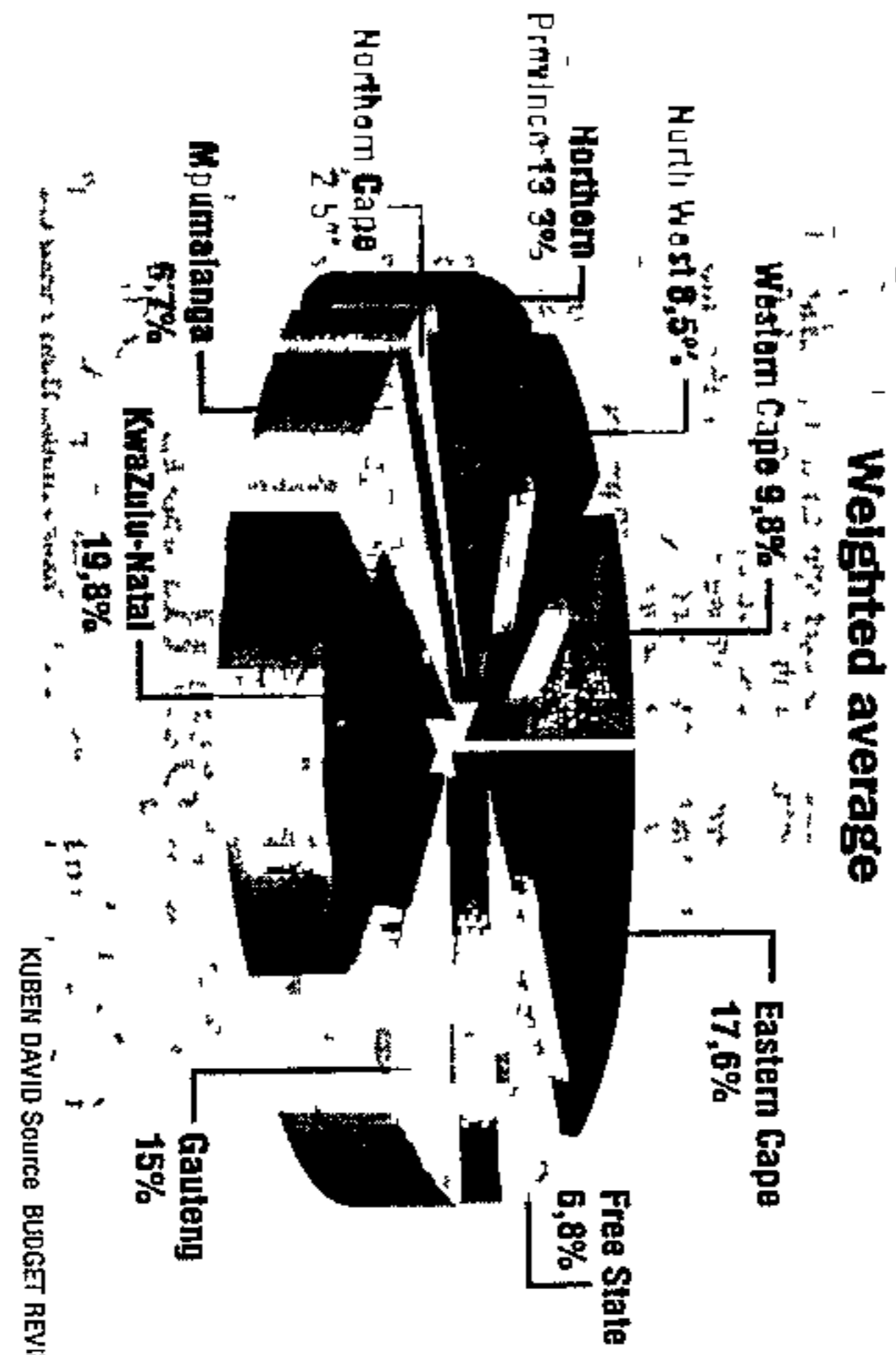
Northern Province finance MEC Thaba Mtshali said the budget showed a "gradual recognition by government that provincial and local governments are pillars of development and delivery."

This was shown by the fact that provinces would receive 52% of the total allocation, compared to government's 47%.

"Government can only spend as much as it has, so in that sense I would say that the allocations to the provinces are sufficient."

"It will mean that the provinces cannot deviate from their budgets and will have to continue, as Finance Minister Trevor Manuel said in his budget speech, to prioritise and re-prioritise," Mtshali said.

How provinces share the cake



MUNICIPAL OUTSOURCING

UNION TAKES LEGAL ADVICE

State says Dolphin deal kosher

Fm 19/2/99
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 Chippie Olver, who spearheaded the development of a formula for risk partnerships between local authorities and the private sector.

Olver 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 Nedlac 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

(262)

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 provinces

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 provin-

cial 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 a urgent basis

BB 22/2/99

Provinces are starting to make headway on debt

(262) PD 25/2/99

But rising staff costs are hampering capital expenditure and service provision plans

Kevin O'Grady

MOST provinces are getting a grip on accumulated debt, with plans in place to reduce deficits over the next three financial years. But rising staff costs continue to plague provincial finance MECs, hampering their ability to increase capital expenditure and achieve desired levels of service provision.

This emerged as seven provincial budgets for fiscal 1999/2000 were tabled yesterday. A number of provinces — the Eastern Cape, Kwazulu-Natal, Free State and the Northern Cape — will still be struggling with debt built up since the uncontrolled spending of fiscal 1995/96 as they enter the new financial year. The Northern Province expects to start the next financial year R400m in the red, compared to the Eastern Cape's R631m, Kwazulu-Natal's R850m and Free State's R504m.

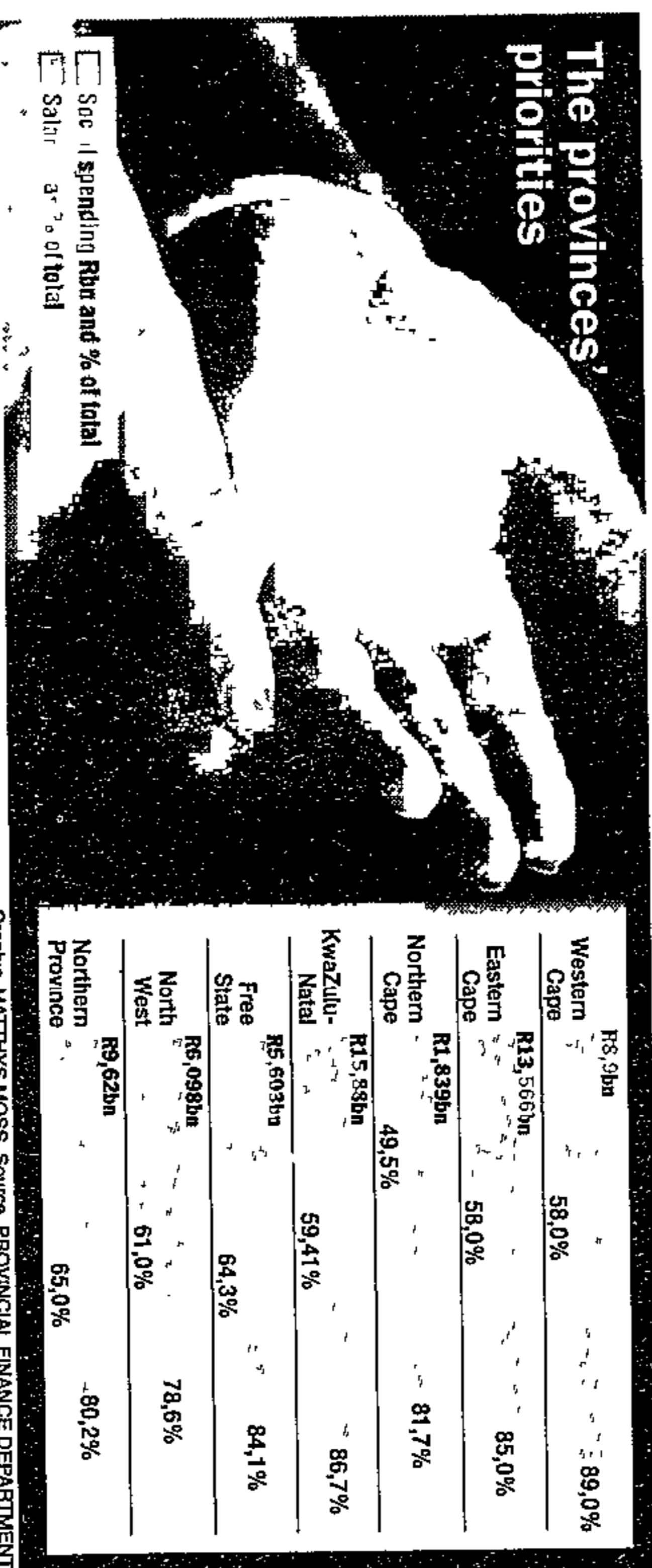
However, most of the MECs concerned said their spending patterns had stabilised and it was expected that the debt would be eradicated, using a minimum of resources, by the end of the three-year medium term expenditure framework period.

Free State finance MEC Zingile Dingane said the province's failure to reach agreement with its bank on how to structure the repayment of the debt left it no option but to hope for central government intervention in terms of the constitution.

Finance MECs from the Western, Eastern, and Northern Cape, Free State, North West, Northern Province and Kwazulu-Natal tabled balanced budgets yesterday. They were dominated by personnel costs and characterised by reduced capital expenditure and high social spending.

Some provinces managed to reduce their salary spending slightly from the current financial year, but most warned that unless ways were found to reduce the wage bill, capital and development expenditure would continue to suffer.

Martin Kuscus, the finance MEC of North West, where personnel costs rose to 61% of total spending from 58% in 1998/99 and 39% in 1995/96, said it was



“obvious that something needs to be done or development expenditure will be crowded out”.

Only in Northern Cape will the staff bill, at 49.5%, consume less than half of spending. In Northern Province it will run to 65%.

Capital expenditure plunged to new lows everywhere, with the Western Cape devoting the largest portion of its budget, at 6.27%, to capex. No other province will spend more than 4% on capital projects, Kwazulu-Natal's Peter Miller has budgeted for no capital projects at all.

The need to increase sources of own revenue was a central theme in many of the budgets, but most MECs shied away from introducing levies similar to the 5% bed levy announced by Gauteng finance MEC Jahu Moleketi on Tuesday. Only Kuscus deviated, introducing a 5% levy on the gross income of bookmakers and totalisators. He also announced a 20% increase in vehicle licence fees.

Western Cape finance MEC Leon Markovitz said: “The paucity of the own revenue of our overall bud-

get should be a cause for concern to all who seek to enhance the capacity of SA's provinces to meet their constitutional obligations and improve the quality of life of all their citizens.”

Eastern Cape finance MEC Enoch Godongwana joined other MECs in suggesting a speedy resolution to the debate surrounding provincial taxation powers which must be regulated by Parliament. The Katz commission and the Financial and Fiscal Commission have made recommendations on the issue, but no decision was forthcoming from national government ahead of the preparation of the budgets.

Most MECs stuck closely to the 85%-15% guideline laid down by national government for the split between social and other spending, with only North West dipping below the 80% mark. The Western Cape's social spending will be highest as a percentage of the total, at 89%, followed by Kwazulu-Natal (86.7%) and the Eastern Cape (85%).

NATIONAL INFRASTRUCTURE

FIX IT NOW OR LOSE IT FOREVER

Report warns of backlog's dire consequences for the economy (262) FM 5/3/99

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 its 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 Merrifield 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 82% of capital expenditure in 1997/1998 and 51% in 1998/1999

The department estimates its maintenance backlog is almost R9bn. It is made up as follows: military bases (R5,5bn), prisons (R725m), magistrates' courts (R386m), administration offices (R109m) and police stations (R944m)

"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 R200m 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 resealing 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, Merrifield 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 Bissek



SA'S INFRASTRUCTURE BACKLOG

Upgrade, maintain and rehabilitate

	Total backlog & estimated years of spending required	Annual amount not currently budgeted for
Public works	R8,8bn over five years	R1,5bn
Health	R13bn over 10 years	R1,3bn (ave) R2,4bn (max)
Education	R14bn-R20bn over nine years	R1,6bn
Road transport	R11bn over 10 years	R1,1bn-R3,4bn
TOTAL	R46,8bn-R52,8bn	R5,5bn-R7,8bn per annum

Norway is to aid local govt

(abl)

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 co-operation between the SA Local Government Association and 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

(262)

By Mzwakhe Hlangani
Labour Reporter

(250)

66/199
17/13
Sowetan

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 retrenchment 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.

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Municipalities in shambles — auditor-general

Star 24/3/99

(262)

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 Nayager 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 Boksburg, 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," Nayager said.

He also disclosed that, between 1996 and 1997, consumer debtors in almost every municipality audited had increased, the most significant being Greater Johannesburg, which showed an increase in debtors of 47,59% 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 councils have also shown 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 R5,2-million.

Nayager also found that in many cases, matters raised in previous audit reports had not been attended to. In 71,43% 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 NNP's 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.

Fresh attempt to make municipalities viable

Mbeki launches Local Government Transformation Programme with R855-m start-up funding (Rba) Star 30/3/99

By PRINCE HANNICA
City Editor

The Government has begun its efforts to transform municipalities' finances, with R855-million being injected into the launch of the Local Government Transformation Programme (LGTP)

The programme, which is aimed at transforming the country's 843 local authorities into viable entities, was officially launched by Deputy President Thabo Mbeki in Midrand yesterday

Mbeki called on donors and the Government to work more closely together in sharing experience and practices

In an attempt to address the deterioration of municipal finances, the Government has so far conducted 299 management audits, and 217 instructions were issued to local authorities

The Government is set to appoint 165 management support teams, which are aimed at stabilising those municipalities that are facing imminent financial failure.

One key programme that is set to be undertaken by the LGTP is the establishment of a "knowledge bank" for local government, which would develop an "information warehouse" of government systems, project management and development programmes.

Provincial Affairs and Constitutional Development Minister Mohammed Valli Moosa said the LGTP would be driven by a transformation board.

Key local government politicians, like North West local government MEC Darlike Africa and Durban mayor Obed Mlaba, were some of the members who would serve on the board

Moosa also announced the appointment of Silas Mbedzi, previously head of the Gauteng local government department, as acting chief executive officer of the LGTP

The programme will be driven mainly by representatives from the Department of Constitutional Development, provincial departments of local government and the SA Local Government Association (Salga)

Foreign donors have thrown their weight behind the programme

About 60 pilot projects will be undertaken this year in metropolitan and rural areas.

Some of the donors include the United States Agency for International Development, the World Bank, the UN Development Programme, the European Union and the Development Bank of South Africa

US Aid has pledged R18-million to assist local government transformation over the next three years

Salga president Collin Matjila said the financial crisis facing local authorities was a serious impediment and challenge to the transformation of local government

He said the LGTP would ensure that equitable and viable local government fiscal systems were established. It was also hoped that access to capital markets would be improved

"This programme must ensure local government has effective financial management systems"

Matjila said councillor training and financial management were high on the LGTP's agenda

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

ED 3/5/99
The matter was postponed for further conciliation on May 13 under Yunis Shaik, 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 ser-

VICES tariffs and rates payments

Communities already footed a national municipal wage bill of nearly R8bn. 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

(26h)
SOWETAN 4/5/99

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 demands 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.

Provinces lost in the legislative act

M+C 14-20/5/99 (262)

Ian Clayton

The National Council of Provinces (NCOP) has released three reports that raise serious doubts about the functioning of the council and the involvement of the provinces in

Parliament's legislative programme. The fact that both the chair of the NCOP, Terror Lekota, and his deputy, Naledi Pandor, have been nominated by the African National Congress for the National Assembly and the regular failure of some Cabinet ministers to turn up for NCOP sittings,

also indicate an increasing marginalisation of the second house of Parliament.

Just three years after the new Constitution was negotiated and then ratified in the Constituent Assembly, the role of the provinces and the NCOP is being reassessed.

In a recent advertisement, the constitutional review committee asked "Do provinces have the right amount of power? Should they have more — or less — power?"

The leadership of both the ANC and Inkatha Freedom Party have already answered those questions, in part, by summarily removing the premiers of the two most populated provinces — Gauteng and Kwazulu-Natal — as well as those of the Free State and Mpumalanga.

Although the NCOP, which was established in February 1977, is provided for in the Constitution and has received the public support of President Nelson Mandela and Deputy President Thabo Mbeki, its own consultants have identified problems.

They have found that provincial legislative committees have not been briefed on new laws and that many provincial departments are simply not involved in the research and public input stage of the legislative process.

They also found that "constantly changing committee schedules and briefings" were the most common complaint by provincial participants in a series of workshops held in the difference provinces.

"Nearly every participant who had served as a special delegate conveyed frustrating stories of incurring two days of travel to arrive in Cape Town for a particular briefing, only to find the briefing had been postponed until later in the week when they were due to report to their own provinces on its outcome," one report says.

"Interviewees also complained of receiving notices of important briefings at the very last minute — too late for them to arrange to have a staff member attend."

The report notes that the NCOP was exploring options — including cable television broadcasting of NCOP meetings and briefings — to enable provinces to participate without having to send delegates to Cape Town. It also calls for the introduction of a standards-based communications system based on the Internet to be introduced to monitor and manage the information flow between the NCOP and the provinces and local government structures.

Another report quotes Lekota lambasting Cabinet ministers for not turning up at the council to answer questions. Lekota complained about the non-participation of ministers in the NCOP again this year.

The report said one of these incidents, during which "a visibly angry [Trevor] Manuel stormed out", received a great deal of press coverage and Lekota received both credit and criticism for his stand.

"On the one hand, he was lauded



Principled: Terror Lekota

for his principled stand and his insistence that ministers attend sittings when required. This was hailed as a sign of the kind of independence legislatures need to display in a healthy democracy.

"Others from within the ANC felt that the matter should have been handled with more diplomacy."

Lekota was quoted as saying that many Cabinet ministers were still not familiar with the role of the NCOP and "they tend to speak of the National Assembly as though that is the whole of Parliament".

The report concludes: "Clearly, a long process of discussion is required before political agreement is reached on the oversight functions on the NCOP. This is not surprising given the newness of the NCOP and the fact that it brings together so many levels of government."

But with these organisational problems and the sidelining of the NCOP process by the leadership of political parties and members of the Cabinet, the very existence of the NCOP and the provinces, at least in their current shape, is at stake.

FTER four years in government the ANC can justifiably claim considerable success in delivering social services to SA's poor masses.

Since 1994 almost 3-million people have received drinkable water for the first time, 2.2-million households have been electrified about 1.3-million households connected to the telephone grid and 5-million more people have access to primary health care than in 1994.

According to estimates, government has spent almost R29-billion directly on the provision of basic services.

However, amid the chase for numbers that make good pre-election reading, development agencies have expressed concern that communities and municipalities are being provided with services which they cannot afford to maintain.

There is concern mainly over projects in poor rural areas and in municipalities with weak local government. The projects include water schemes initiated by the Department of Water Affairs and Forestry provincial housing developments and the bulk of projects undertaken by local governments.

The inability of many poor communities to pay even for the cheapest of services is an exasperating factor, which government has yet to address. Government figures show that up to 30% of services are not being paid for. In its latest quarterly report the Omega Investment Research company warns: "While the government (and its specialised agencies such as Eskom and Telkom) have been making great strides in delivery of potable water, electrification and sanitation, there are indications that not all projects are sustainable."

"The key problem is the inability of rural and poor communities to pay for services. Over the long term, the provision of services to economically unviable areas will serve only to prolong the displacement of the poor that was so central to the previous government's ideology," Omega says.

There is no doubt that the provision of basic services has recently picked up momentum, but given the slow start to the Disappointed Reconstruction and Development Programme, the backlog has increased as delivery cannot keep pace with population growth rates.

This is most noticeable in the provision of low-cost homes —

ANC good deeds come to grief at local level

Success in delivering basic services is being undermined by weak local authorities, writes SYEN LIPINSCHIE

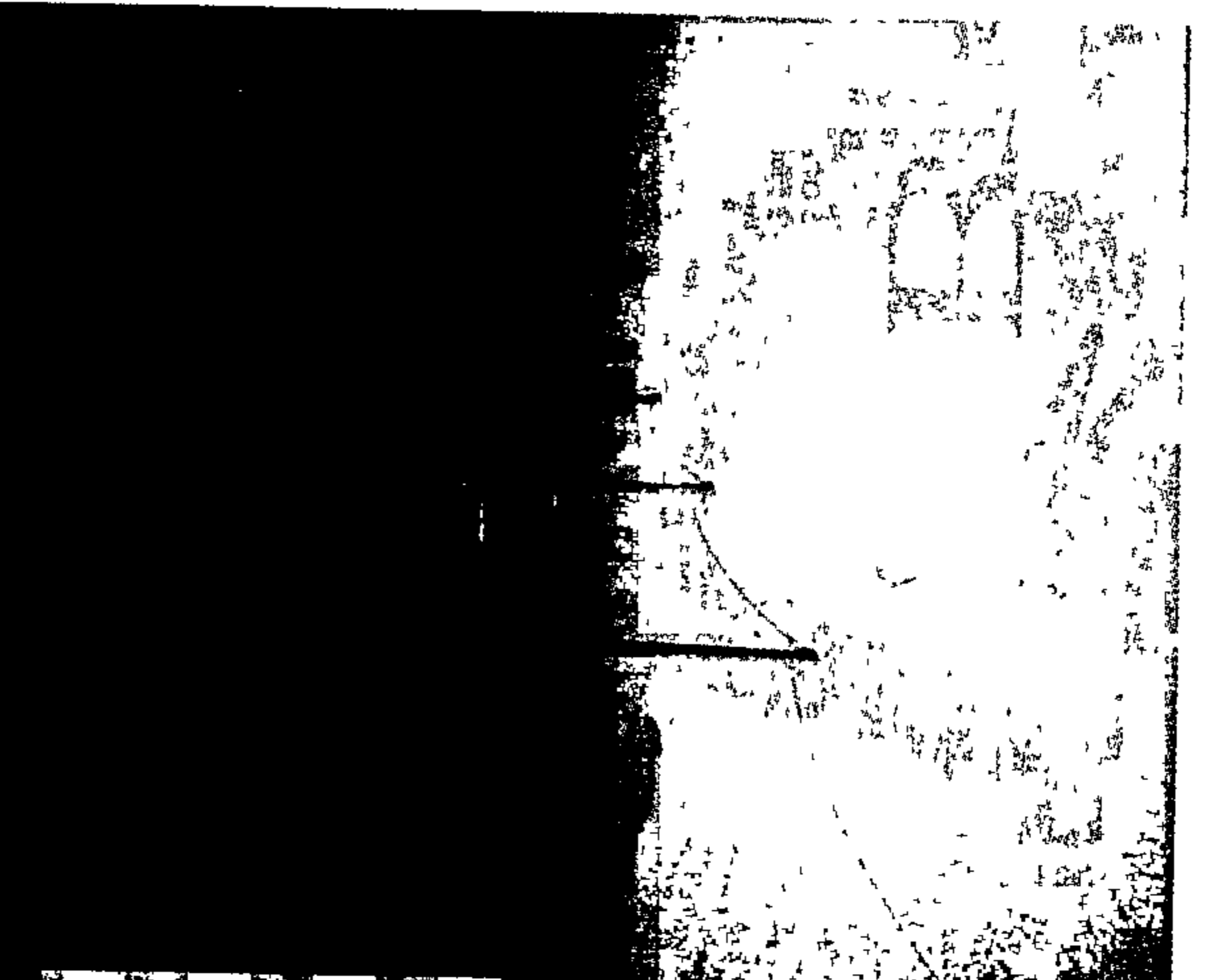
Housing Minister Sankie Mthembu recently announced that government had spent R10-billion on housing programmes since 1994 but only 700 000 houses have been built or are under construction most of them over the past two years.

'Provision of services to unviable areas will only prolong the displacement of the poor'

These homes provide shelter to an estimated 3-million people, but delivery is well short of the original RDP target of 1.5-million units. The backlog has risen to an estimated 3-million.

Another noticeable trend is that the delivery and sustainability of services improve markedly when public-sector corporations, run on commercial lines, are either responsible for, or play a major role in, the programme.

In its recent annual report, Eskom states that a cumulative 1.45-million homes were electrified since January 1994 and that it is well on track to meet its RDP



DELIVERY OF SOCIAL SERVICES: 1994 - 1998

Service	1994	1998	ESTIMATED BACKLOG
Low cost housing	7.1 million	7.1 million	3 million
Water supply (people with access to clean water)	3 million	3 million	8.5 million
Electricity (general supply)	2.3 million	2.3 million	5.7 million
Telephones (lines installed)	1.3 million	1.3 million	65% of SA households
Municipal infrastructure (water supply, refuse removal, roads, sanitation, etc)	R2-billion	R2-billion	R2-billion

cation could slow down considerably in future.

The provision of telephony also picked up after the partial privatisation of Telkom in 1996. Since 1994 a total of 1.3-million new telephone connections have been made, bringing the number of households linked to the telephone system to 35%.

In terms of Telkom's licence agreement this figure has to rise to 75% by 2002 with particular emphasis on rural villages and schools. Despite Jay Naidoo, Minister of Communications Department's criticism for maintaining Telkom's monopoly, the speed of delivery has picked up to almost 400 000 new lines a year from 150 000 a year before 1994. Naidoo's department has also commissioned 1.4-million new postal addresses since 1994.

95% of these in disadvantaged areas.

One of the surprising success stories has been the provision of primary health care. Nico den Ouden, director for health facilities planning, says 5-million additional people now have access to health care.

According to Den Ouden, 495 new clinics have been built, 250 upgraded and 2 300 clinics had minor upgrading since 1994. These figures exclude clinics run by local authorities or private organisations.

The dismal failure of provincial health departments charged with running large urban hospitals stands in contrast to the success of primary healthcare delivery. Anecdotes about hellish conditions at hospitals like Baragwanath abound. Den

Ouden says the department is already receiving the attention of national government under the recently started Hospital Reconstruction and Rehabilitation Programme.

The provision of water to rural communities has received widespread attention. The number of South Africans lacking access to clean water has been reduced from 12-million in 1994 to about 9-million at present, but the sustainability of the programme has depended largely on local government.

the water running. This problem is mirrored in the provision of other basic services by local authorities around the country.

The Development Bank of Southern Africa, a major financier of municipal infrastructure projects recently reported that municipalities were refusing to take over responsibility for running the schemes, claiming that they were not consulted and informed of the operating costs before the schemes were implemented.

In terms of the breakdown of expenditure responsibilities central government is responsible for the provision of basic service levels, while local government should cover the costs of maintaining these services. To date, according to Richard Kruger, municipal infrastruc-

ture director at the Department of Constitutional Development, the government has spent almost R2-billion in supporting municipalities in terms of the consolidated municipal infrastructure programme.

However, Kruger admits that, nationally only 70% of those receiving accounts for services are regular payers. The non-payment of charges affects municipal revenues and cripples local authorities' ability to run and maintain the new services on a long-term basis.

Development specialists argue that future projects should be demand-led rather than supplied, with initial spending followed on basic services levels, followed by upgrades once affordability has been firmly established — *Inet Bridge*

SA cities battle to survive (262)

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 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 Manche, who said the restructuring of local government in South Africa had caused most municipalities to experience a variety of financial challenges to some degree

31/5/99
Sowetan

Unicity proposal for Durban, Johannesburg, Cape Town

Xolani Xundu

THE municipal demarcation board has recommended that the Johannesburg, Cape Town and Durban metropolitan councils form unicity

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 Sutcliffe 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 Sutcliffe

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

MD 11/7/99 (262)
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 this 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 8 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

Sutcliffe 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

Sutcliffe said the board had not yet drawn up boundaries and the report was only a suggestion to Mufamadi

Board gears up for municipal elections

Public has a say on policy, writes Xolani Xundu

THE municipal demarcations board has finished its first round of policy work in preparation for next year's local government elections.

A unitary is a centralised municipal structure in a metropolitan area. It takes away most powers of a metropolitan substructure something opposition parties object to.

Board chairman Mike Suteliffe said in Pretoria yesterday the board felt that instead of looking at metropolitan areas that were urban based it should look at both metros and district councils.

The policy phase has been completed and a report would be submitted to Provincial Affairs and Local Government Minister Sydney Mlamadli for him to declare metropolitan areas. The public would also be allowed to comment.

The board identified Cape Town, Johannesburg and Durban as the three main areas that should definitely be declared metros. Also in contention for metropolitan status are Pretoria, the East Rand and Kempton Park described by the report as Probables. Port Elizabeth, and Vereeniging, Bloemfontein, East London, Maritzburg and Richard's Bay described as aspirants.

The Johannesburg metropolitan council's executive committee chairman Collin Matfha said "There is still a lot of work to do. We will be making a detailed submission to the board and will look at the nodal points in relation to key principles such as equity, viability and others." Mlamadli would have to consider whether any of those areas described as not being definite metro material were eligible to be regarded as such in terms of the Municipal Structures Act of 1998.

The report also proposes increasing the number of district councils in some provinces and envisages rationalising local municipalities.

Suteliffe says the board has suggested to Mlamadli to consider the issue of cross boundary municipalities areas like Mount Aylif Kokstad Maluti and the Kruger National Park. "This has to be initiated by government and it is not our job because it would require legis-

lation and the concurrence of the affected provinces," he said.

After boundaries for all metropolitan district and local municipalities and district management areas have been demarcated the board will develop a policy framework for the allocation of powers and functions between district and local councils.

Guidelines for the type of municipalities to be found in the country will then be established.

Provincial legislation on the types of municipalities to be found within each province is to be finalised and this should be followed by a voter registration process.

Suteliffe says the national voters roll will be divided into municipalities, followed by a formula to be used in determining the number of councillors.

The board also has power to decide on the number of seats to be found in each municipality and to develop a policy framework for fulltime councillors.

Municipal voters rolls are to be divided into wards followed by the nomination of candidates their evaluation election campaigns election administration election day (expected to be November 1 2000) and the demarcation of metropolitan sub-councils.

When the board was established there were fears among political parties that with Suteliffe as chairman it would interfere with the carefully created balance in rural areas by incorporating traditional areas into towns and cities.

It was also thought it might erode the powers of traditional leaders and the Inkatha Freedom Party's rural base. An academic Suteliffe is a former African National Congress (ANC) member and was a known proponent of unitary government in metropolitan areas.

Rumblings among opposition parties were that Suteliffe was an ANC member of the KwaZulu-Natal legislature and that his obvious political connections meant that the board could not be independent. He has since resigned from all his positions in the ANC and from the legislature.

Preliminary report Page 3



Municipal demarcation board chairman Mike Suteliffe presents a preliminary report in Pretoria yesterday on central areas where the board proposes both metropolitan and district councils

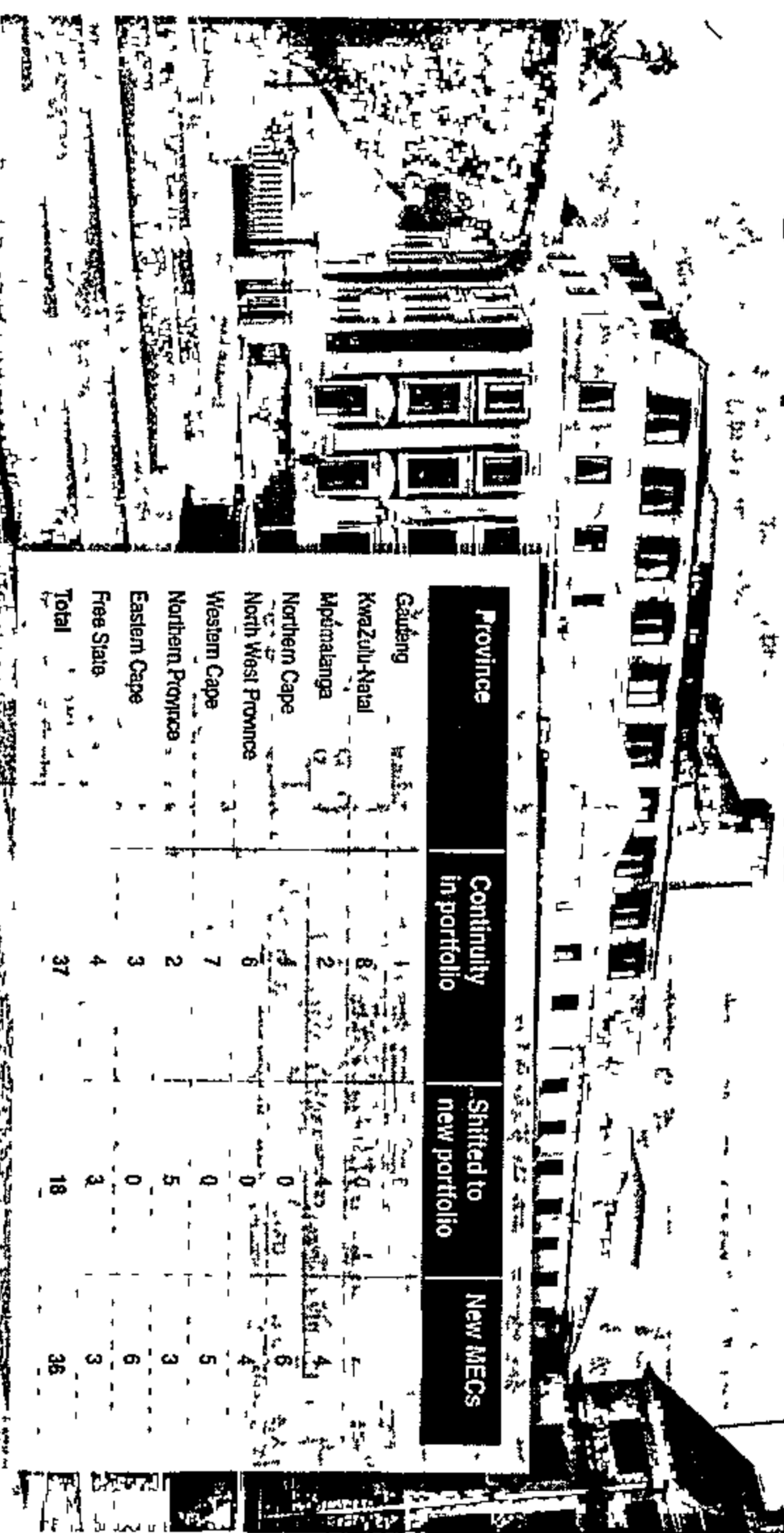
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Picture ROBERT BOTHA

Little continuity in provincial posts

ANC-dominated provincial cabinets have been extensively reshuffled since the elections **Richard Humphries analyses the implications**

Changes in provincial cabinets



Graphic: KUBEN DAVIP

Another is that the national department of finance will remain the dominant force in these debates. However, the composition of two other key Ministries, education and health will change greatly. Only two of the nine health MECs straddle the new cabinets. The other seven are totally new participants to provincial cabinets.

These changes match the elevation of a former deputy minister to the national health portfolio. In education four MECs retain their positions, three served in other portfolios before the election while two are new.

Thus a majority of education MECs must get to grips with the policy technicalities of a complex and key element of transformation.

They must strike up a working relationship with the senior officials in their departments. This suggests that their priorities, in the short to medium term, will be a predominantly inward looking focus within each province.

While minister Kader Asmal must do the same at the national level, he does have the advantage of being able to set the pace of reviewing national policy and its implementation, forcing the provinces to respond to his agenda. The changed composition of these Ministries will probably not allow the provinces to reopen or pursue new policy agendas in an intergovernmental context.

If anything, the newness of so many MECs to these positions indirectly strengthens the hand of the national government.

This is particularly so in an era in which the monitoring of provincial government performance has already been flagged as a key focus area for the new national government. Intriguingly then one is left to ponder the following governance conundrum — that even if the extensive reshuffles meet their goal of improving provincial performance, they might indirectly serve to strengthen the dominance of the national government. Is this trade-off necessarily bad?

Humphries manages the public policy programme in the HSRC's Democracy and Governance Group

As nine provincial premiers might have reshuffled more than their individual cabinets in the wake of the recent election results. The collective effect of the new look provincial cabinets might yet prove to be an influential element shaping the immediate future of our system of inter-governmental relations.

Public and media comment of the new provincial executives has been limited to explaining the generally extensive and sometimes unexpected shifts in cabinet portfolios. In so doing the possible wider implications of the new cabinets have been ignored.

Justification for the reshuffles has generally centred on the need to strengthen provincial governance and service delivery.

The extensive reshuffles might paradoxically, have weakened the role of provincial governments.

After all, if the new method by which the African National Congress (ANC) selected its candidates for provincial premiers will effect governance in SA why should the changes to the new provincial cabinets be any less important for governance trends?

Analysis of the new cabinets reveals a number of extremely interesting points about cabinet turnover and appointments. These broad trends are captured in the accompanying table.

The first is an obvious difference in approach to reshuffling cabinets between the seven ANC controlled provinces and the cabinets of the Western Cape and KwaZulu-Natal.

The difference boils down rather sharply to one of continuity in portfolios for MECs in the two minority party-dominated provinces versus a varying, but generally extensive introduction of new names into the cabinets in the ANC provinces.

While coalition negotiations in KwaZulu-Natal and the Western Cape probably explain much of the rationale for continuity the differences with the ANC provinces, as a group, remain notable.

In KwaZulu-Natal eight of the 10 MECs have been retained in either an identical portfolio or in what might be said to be a general continuity in portfolios. In the latter cases they shed some of the multiple departments for which they were responsible before the election. In the

Western Cape seven of the 11 MECs maintained their portfolios.

The most stable ANC cabinet is Popo Molefe's cabinet in the North West where he retained six of the 10 pre-election incumbents in their previous portfolios or in variations.

Thereafter continuity drops steadily to four in the Free State and the Northern Cape, three in the Eastern Cape, two each in Mpumalanga and the Northern Province and only one (Jabu Molekele) in Gauteng.

Thus out of the total of 91 MECs in the nine provinces, only 37 remain in the same portfolio after the June election.

The second point is the extent to which premiers retained but shifted pre-election incumbents to new portfolios. This has happened to 18 of the 91 MECs.

Here the major point of difference is to be found within the group of ANC provinces. Top of the list was Gauteng

premier Mthazizima Shilowa who shifted six of his predecessor's MECs. Five serving MECs were shifted in the Northern Province, four in Mpumalanga and three in the Free State.

The third crucial point relates to the extent to which the premiers appointed new faces to their cabinets. In total 36 new appointees now serve in the cabinets.

As the table shows, the most extensive recruitment of new office bearers took place in the Eastern and Northern Cape with six new faces in each.

The general implications of these figures can be expressed in two ways. While 55 MECs survived the post-election reshuffles, no less than 54 of the 91 MECs are either new to the cabinet or new to their portfolio having served in other capacities before June 2.

The newness of more than half of SA's MECs is also starkly evident when exam-

ined in functional or departmental terms. These differences are evident in the key portfolios of finance, education and health. No less than eight of the nine finance MECs have retained their portfolio. The partial exception is Mpumalanga's Jacques Mochpane, but even he was a former finance MEC until he became a casualty of the shifting sands of that province's politics.

This total continuity matches President Thabo Mbeki's decision to retain Trevor Manuel in the national finance portfolio, a decision which was said to have pleased the markets. Trevor Manuel was arguably just as pleased to see so much continuity in provincial finance portfolios, given that it is such a delicate area of intergovernmental relations. One implication is that debates within the finance ministerial and provincial executive body, Minister, and the budget council can be expected to continue in a rather predictable fashion.

Congress targets municipal finance and corruption (262)

Xolani Xundu

0014/7/99

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 in the last four years. Most remain unable to meet their financial obligations to creditors.

Salga spokesman Vusi Khoza said yesterday the association wanted 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," Khoza said. Municipalities had to jack up systems and collect money due.

Local government corruption would be dealt with in detail at the congress, to be attended by about 800 delegates. "We want to be firm on corruption. The congress will be advised how to detect and deal with corruption."

An anti-corruption strategy was being "panel beaten" by Salga. "We want to bring a culture of responsibility within the sector. We want to be active in government and help restore the moral fabric of our society," Khoza said.

Civic organisations that were at the forefront of promoting nonpayment for services in the 1980s would come under the spotlight at the congress to see how they could be revived.

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," Khoza said.

Giving 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.

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FM 9/7/99

CAN THEY STILL BE SAVED?

Out-of-town shift mirrors international experience — and so could a recovery

It's a depressing picture 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 "super-stores".

So, are SA's city centres on an unstoppable road to decay? The immediate signs aren't good. Rentals 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 R20/m²-R25/m² against Sandton's R70/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 "mallings" 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 Mdubeki, says a facelift is under way 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 Mantzberg and Ulundi over which should be the provincial capital has had a negative effect on Mantzberg 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

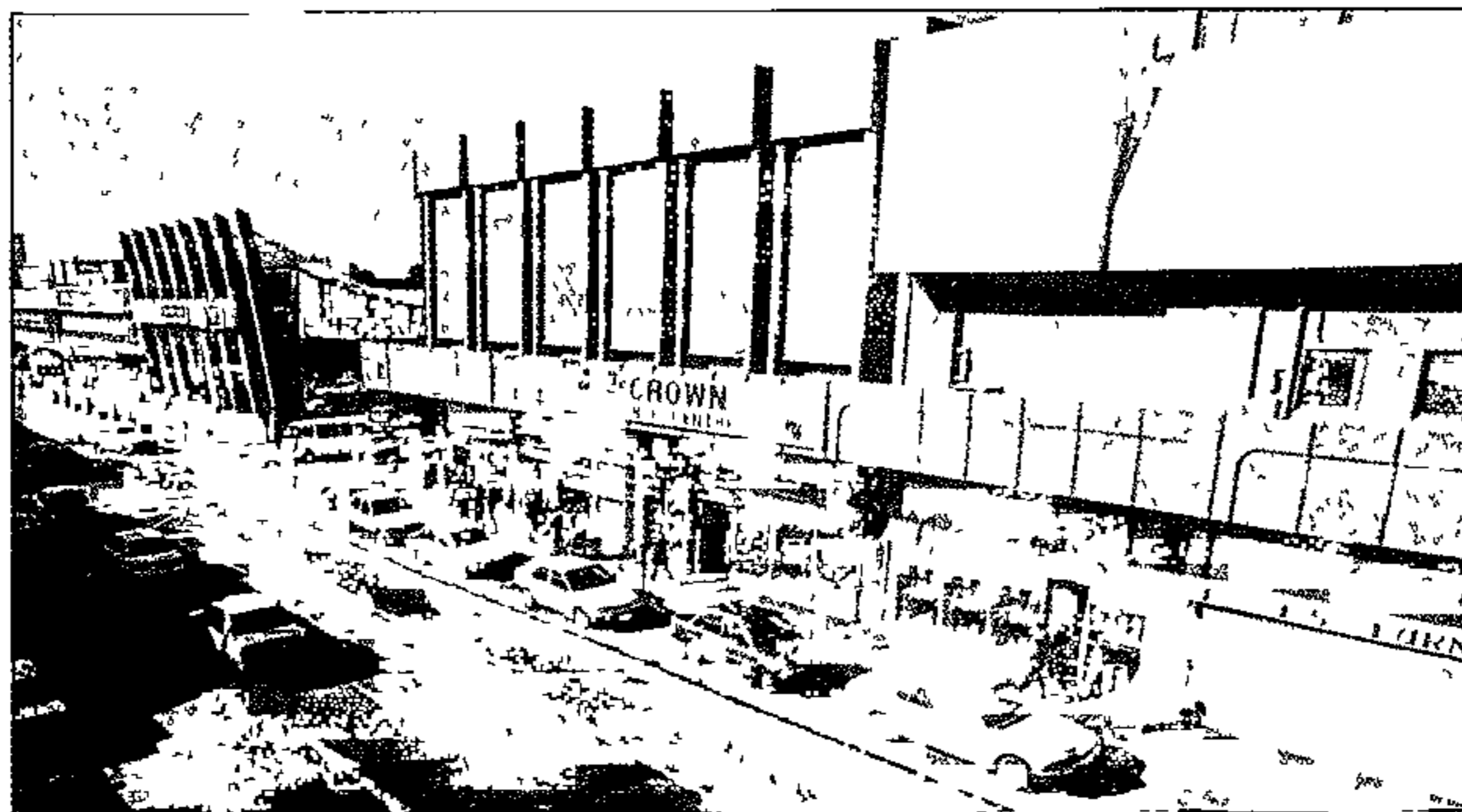
how well it is managed and if standards are maintained.

Banus van der Walt, head of Gensec Properties, says if there were the political will to address grime 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 taxiloads 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 metropolitan 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." Margot Cohen



Roodepoort CBD a once-vibrant business area sinking into decline

Russell Roberts

Economic programme unveiled at Salga congress

Xolani Xundu (The SA Local Government Association) unveiled its local economic development programme during one of its five workshops at its annual congress at Port Elizabeth University yesterday.

The other workshops were on organisational changes and development, health, local government training and development planning and facilitation.

The chairman of the local development committee, **Jqbal Motala**, said the association's vision was to promote developmental and co-operative governance throughout the country in order to deepen democracy and provide services to meet basic human needs. SA municipalities are tasked with the responsibility of promoting social and economic development in their localities, he said.

It is therefore the responsibility of Salga to support municipalities in their endeavour, Motala said.

Salga developed a three-year economic programme guided by a set of economic outcomes that the association hoped would be realised in the next 15 to 20 years.

The programme was based on an analysis of the macroeconomic context, as well as on a clear understanding of the association's economic objectives and role.

The programme has been divided into two categories — the pre-municipal election phase and the post-election or active delivery phase.

A business plan provides more specific details of the projects to be undertaken in the first 18 months. It outlines also institutional and resource requirements the programme would need.

Motala said local economic development in a local authority could not take place in a vacuum. A business plan for the next phase would be produced in January 2001 and be based on a review of the first programme.

There are international and national trends and parameters such as globalisation which affect local choices in a significant manner. Economically, problems facing the developing nations were often the direct results of globalisation such as currency speculation, reliance on short-term capital inflows and declines in world commodity prices.

"Social policy has not only been relegated, but undermined completely by the macroeconomic policy prescriptions," said Motala.

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BB 16/7/99

Salga resolves to lobby for investment

Local government association's congress adopts resolutions that should have a positive effect on municipalities

Xolani Xundu (aba)

PORT ELIZABETH — The SA Local Government Association (Salga) wrapped up its three-day annual congress at the University of Port Elizabeth on Saturday by adopting resolutions that are set to have a positive effect on municipalities if they are implemented.

The realisation that economic development — including job creation and financial empowerment of the poor — relies on investment gave rise to the chief resolution of the congress. Salga should lobby the ministers of finance, trade and industry, and foreign affairs to facilitate foreign investment in the coun-

try's municipalities.

BD 19/7/99

Municipalities needed support in information gathering and dissemination, research, co-ordination, facilitating access to resources, advocacy, training and policy development in order for them to promote local economic development.

A business plan on local economic development was adopted and each provincial local government association and municipality was instructed to establish local economic development committees.

Salga has a critical role in guiding the shaping of policy and lobbying for the adoption of policies in all matters including finance.

The association urged the

congress to be mandated to devise a policy on service rendering with a uniform tariff structure to accommodate the indigent and will draft a framework regarding financial problems in local government.

The congress said there should be no linkage with regard to the provision of equitable share. Salga would lobby for an increase in the equitable share of funds raised from tax, especially with regard to national priorities within local government.

It would urgently address problems related to agencies, subsidies and any form of unfunded mandates, especially with reference to default by other spheres of government.

The organisation was mandated

to draft strategic guidelines for management to implement within local authorities to prevent, detect and deal with corruption.

The challenge is to design organisational structures that will meet the objectives of local government and to develop a management approach that will ensure that these objectives are met through the optimal utilisation of available resources.

The congress said that the objective of organisational transformation should be to ensure the creation of unbureaucratic and efficient organisations. Transformation should be led by elected officials.

The congress would ensure the

development of sound and constructive relationships between employers and employees. Trade unions were important stakeholders with councilors and managers, and their role needed not be limited to bargaining about the share of the cake.

A labour relations framework and culture was crucial in determining the quality of public services and the success or failure of transformation programmes.

On troubled municipalities, the congress resolved that assistance to them should be provided by means of consultancy services on good practices and through the business unit, which is in the process of being established.

Municipalities in crisis

Xolani Xundu

PORT ELIZABETH — Almost half SA's 843 municipalities face financial problems and 151, or about one in six, are in full-blown crisis.

So says chief director in local government finance at the constitutional development and provincial affairs department, Jackie Manche.

She told delegates at the SA Local Government Association's (Salga's) annual general congress in Port Elizabeth that the troubled towns and cities could not meet their current obligations. Most of their operating budgets was spent on salaries. Municipalities owed creditors a total of about R12,4bn,

Local authorities' debts continue to mount as problems remain unsolved

including R800m in taxes owed to the SA revenue service.

The financial crisis may worsen despite government's rescue plan to head it off. Launched in 1996, the plan was supposed to have provided constant monitoring of council finances and provincial crisis intervention.

By February 1997 municipalities were owed R6,5bn, 48 defaulted on their repayments to the local authorities' loan fund and a further 12 failed to service their external debts. Parliament's constitutional affairs committee

was told 1,4-million accounts were not paid on a regular basis. A third of SA's 843 councils were basically sound, a third was regarded as "financially stressed" and rest were totally unviable.

Reasons for the cash crisis varied from massive local authority amalgamation costs to lack of capacity among new councilors, lack of budgetary discipline and unaffordable service levels.

Manche said reasons for the current crisis included lack of information systems, lack of proper working procedures, lack of staff training

BD 19/7/99

and lack of management reporting. "You find a situation where a municipality does not know how much money it has, to whom it owes and how much."

There was no way that a municipality could function when it had no proper records. Government departments, banks and big companies were also at fault for not paying billions of rands that they owed to municipalities.

Manche said some municipalities spent about 94% of their operating budgets on salaries. If retrenchment was the only way for local authorities to sur-

vive, government needed to look at how best it could be done.

Municipalities were also blamed for failing to raise tariffs to balance their books and for having inaccurate consumer data. Property tax was one of the most valuable sources of revenue for local authorities, but it was not being exploited, Manche said.

Government has set aside R75m to recruit people with expertise to local authorities. A fund for "special towns" in financial crisis has also been set up.

Central government has put aside R12m to help the 151 affected 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 11 300 local authorities were facing a cash flow crisis and are 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 Masakhane 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 come 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 issued instructions to the Local Government Transitional Association to intervene.

"Without seeking to down play 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

Barry Streek

The pilot programme of "one-stop centres" for government services in deprived areas — heralded by President Thabo Mbeki in Parliament last month — has begun to take shape

Eight multi-purpose community centres are being built in the Western Cape and similar centres are being initiated in the other provinces. The aim of the programme, says Edwin Hendriks, chief community liaison officer in the department of health and social services in the Western Cape, is to involve the government and all other stakeholders in coordinating development in marginalised areas and to bring services closer to the people.

The one-stop centres will provide a range of services offered by all levels of the government and by NGOs. Hendriks says R20,1-million has

been allocated for the construction of the eight centres; R14,5-million of which has been provided by the Western Cape government, R4-million by the Cape Town city council and R1,6-million by the Bavarian government.

The R3,5-million centre at Zweekhema in Worcester is up and running and some services are being provided at the yet to be completed centres at Plettenberg Bay, George, Nyanga, Langebaan, Bontebouw, Atlantis and Van Rynsdorp. Mbeki said last month that a study conducted by his office had confirmed "what surely all of us have known of the correlation between poverty, crime and race."

"The areas of high crime concentration, including all crimes of violence, are the black and poor areas of our country. We will therefore make multi-disciplinary interventions in these areas, starting with a few pilot areas ..." Hendriks said what was critical in provid-

ing centres was empowering the communities in which they were located: "We must take the communities with us."

Each of the centres has a project management committee in which provincial and local governments have observers, but which are controlled by members of the community, including local councillors

Although it was initially envisaged that national government departments would also use the centres, this has only happened on a limited scale so far — the Department of Arts, Culture, Science and Technology is involved in the Langebaan and Plettenberg Bay centres, and the police are involved in the Bontebouw centre.

Hendriks says his department is directly involved in the centres where pensions and welfare grants are paid and where social development officers look at developmental issues in

the community and provide access to funding. At Zweekhema, where some NGOs have offices, the Worcester council has opened a cash office so that people can pay their rent and electricity accounts at the centre. At Atlantis, women have just completed a course in reproductive health and computer training is currently being given.

At Nyanga, NGOs working with the disabled and the youth are already established, a creche has been opened and St Johns Ambulance hopes to extend its meals-on-wheels service for elderly people.

The Government Communication and Information Service has realised how important these centres are for dissemination of information to these communities and the Universal Service Agency is looking at the establishment of telecentres to give these communities access to telephones, the Internet, e-mail and faxing facilities

What is the next phase?
"That is the big question," Hendriks says. "That will be done by an evaluation of the eight pilot projects to determine the way forward."

(262) MTG 22-29/7/99

Reports of local govt's death greatly exaggerated

Provincial and Local Government Minister Sydney Mufamadi argues that apartheid's legacy is being overcome in the functioning of municipalities

BD 23/7/99

(aba)

THE difficulties surrounding the funding and financial management of local government are rooted in the cancerous legacy of our past — which had no blueprint nor precedence for good governance — to provide sustained services over the past four years should make us all stand in awe and wonder. How, against such odds, do more than two-thirds of our municipalities now enjoy a clean bill of financial health?

It is therefore trite to mention that the gradual deterioration of municipal finances that was characterised by non-payment of services, non-collection of revenue and the lack of administrative and management capacity cannot be divorced from the legacy of apartheid. Huge infrastructure backlogs and a total absence of municipal systems, in many cases, were not simply going to disappear a day after the election of a new government.

The amalgamation of municipalities at the beginning of the transitional era meant some had to make do with a reduced tax base while facing increasing unemployment and poverty. That, combined with the balancing act of compassion for indigent families and the need for viable and sustainable financial entities, added up to a tough challenge.

In the process of addressing these difficulties the tendency towards inertia accounted for practices that were inimical to good governance. Insufficient grasp of

the transformation agenda, corruption and tension were beginning to become all too common.

Local government is the sphere of government closest to the people. This makes it a crucial locus of delivery of services to the nation. We used the partnerships that our constitution created through co-operative governance to combat these difficulties. We joined hands to construct governance where it mattered most instead of allowing the challenges to paralyse us.

Government had to find a way to monitor the cash flow position of municipalities on a quarterly basis. Upon review, it was decided that the programme must be extended to include an intervention programme known as Project Viability in which

- Management audits are carried out in identified municipalities,
- Management support programmes are instituted where necessary, and
- Training and capacity-building programmes are built into municipalities.

Project Viability saw 324 municipalities being subjected to management audits that included thorough investigation into finances and other administrative features. Based on these audits provincial governments have issued more than 200 instructions for intervention. Government as a whole has invested massive resources strengthening this programme. Are these measures enough? Are these the measures that prompt us to find no

alarm in the recent press reports that sought to paint a picture of terminal problems in local government finances? No. There is more.

The question of municipal finances has to be seen in the context of the broader transformation of the way in which local government conducts its business. A firm foundation has been laid in the past four years. The Municipal Structures Act which will put in place structures that give elected representatives adequate power to govern, is now law and will soon be given its full effect when councils are elected in the next local government elections.

The Systems Bill is also about to be piloted through Parliament as well as a policy on municipal partnerships.

All this legislation will equip leaders of local government to face the inevitable difficulties of governance head on and be able to rise to the challenge of accelerated delivery of services to our people.

On this foundation we intend to build and enhance the special role of local government by doing the following:

- Based on the work of the municipal demarcation board, municipal boundaries will take into account the need for municipal entities to be financially viable. Where it is apparent that a municipality cannot be sustained amalgamation and redrawing demarcation will have to be considered.
- We are resourcing the municipal infrastructure programme to deliver a more effective and comprehensive package for



Mufamadi... municipal funding difficulties are a legacy that will be overcome

rural households. Steps will also be taken to leverage greater private-sector investment into service delivery through public/private partnerships, and

- The allocation in this financial year of up to R75m for management support programmes reflects the depth of our commitment to addressing capacity problems.
- We have more than 600 municipalities that are in good shape precisely because they learned from each other's mistakes and from best practices. These pockets of

excellence should rule out sensational and alarmist responses.

It would be foolhardy to pretend that we have no problems. Equally it would be wrong not to put the problems in proper context. All those who want to see our country transformed into a zone of prosperity and social progress have, on current trends, reason to be bullish. We all have a responsibility to ensure that, through our participation, the coming elections mark a turning point for the better.

Provincial and Local Government Minister Sydney Mufamadi announced this week that Cape Town, Johannesburg, the East Rand, Pretoria and Durban will each be managed by a single local authority.

Carol Campbell takes a closer look at the new concept.

The unicity: people-friendly government or a bureaucracy waiting to happen?

A unicity has the potential to become a massive bureaucracy out of touch with the community, argue South Africa's opposition parties. But the African National Congress could at last, have access to resources that will bring real change in their lives.

The debate on how cities should be administered follows the announcement yesterday by Sydney Mufamadi, Minister for Provincial and Local Government, that major cities such as Cape Town, Johannesburg, the East Rand, Pretoria and Durban would be reclassified as "unicities" and managed by single local authorities.

Opposition parties were expecting the news and, although they do not agree that a single administration can do the job currently being done by six bodies in Cape Town, they seem to have accepted, albeit reluctantly, that the new system has to work.

At the heart of the debate about whether Cape Town should be made a unicity or merely a money and how and where it will best be spent.

The combined income of the six local authorities and the Cape Metropolitan Council is R7.4 billion, which will in future go into the coffers of a single local authority. It is money that has to provide and maintain services to Cape Town's 2.5 million residents and the way it is spent could well influence the outcome of next year's local government election.

Salmaan Mowzer, ANC councillor and chairman of the Cape Town city council's executive committee, has welcomed Mr Mufamadi's announcement saying a unicity will be far better placed to alleviate poverty and address the backlog in service delivery. Let's not be fooled. There are still a lot of people who don't have basic services. A slick, well-oiled administration is just what we need to get it right."

Kent Morkel, chairman of the Cape Metropolitan Council and a National Party stalwart, is not convinced that making Cape Town a unicity will improve service delivery. "We want to keep the existing two-tier system of six substructures coordinated by a central administration because it is working," he says.

"Communities are able to give input to their local authorities because they are accessible and officials are in touch with the issues that concern their ratepayers. A unicity will put local government out of reach of ordinary people," he argues.

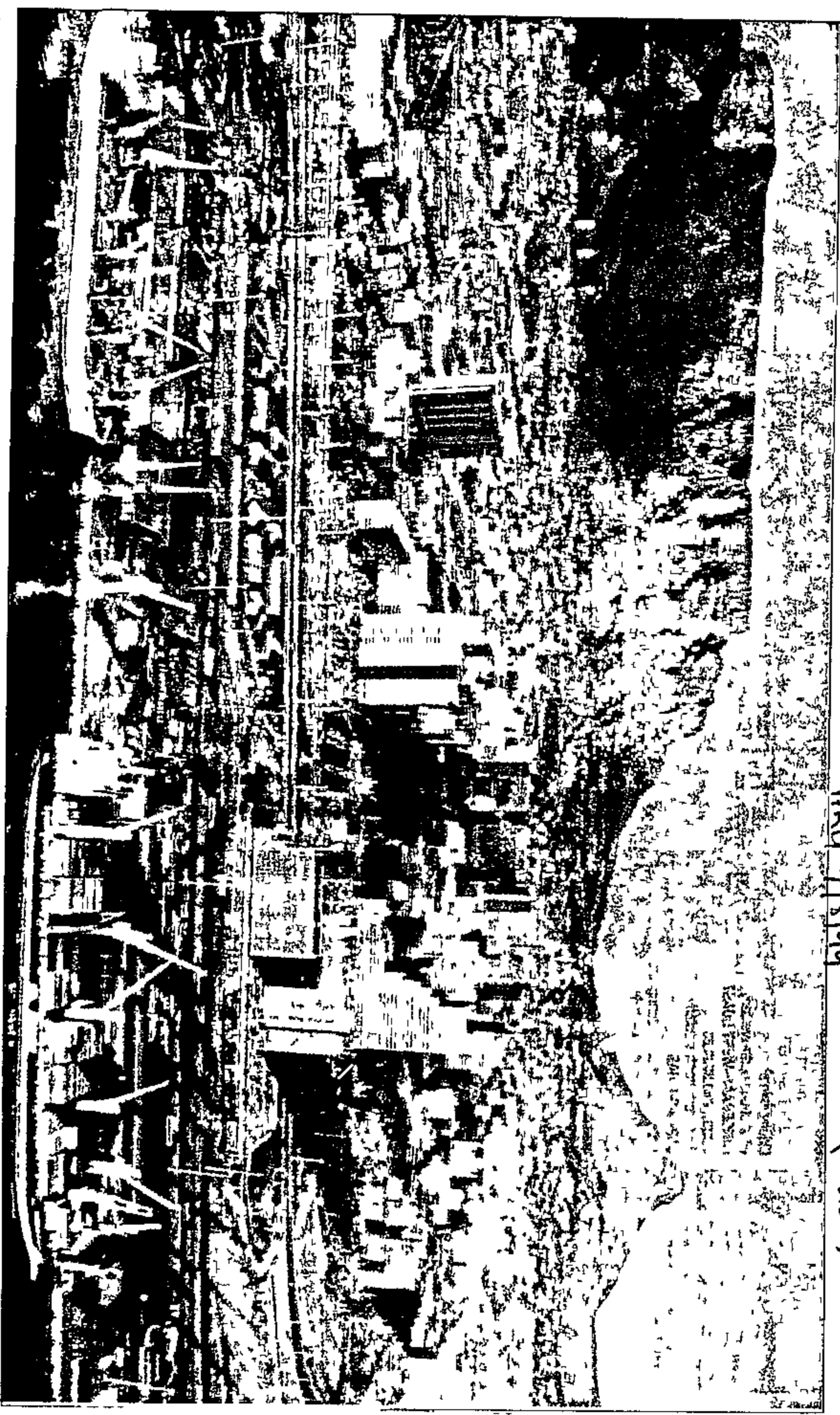
James Selfe, the Democratic Party spokesman on local government, says the real problem with a unicity is that it absolves the national and provincial government of responsibility to provide services.

"Everything gets dumped on the shoulders of government - local authorities. We acknowledge there are huge development needs such as the provision of roads, houses and clinics, but are they municipal functions? Will a unicity solve these problems or is there a more creative way of using resources?"

He says he fears a unicity will become a technocratic, non-responsive government run by officials. "There will be one councilor representing the needs of thousands of people. It can so easily become a huge bureaucracy rather than a people-friendly government."

A court battle to reverse Mr Mufamadi's decision seems inevitable. Yet despite their different views the politicians all agree they want "lean and mean" local government that focuses on delivery.

The real test will come when they have to vote themselves out of jobs - there are 380 councillors in the seven local government structures in the Cape Metropolitan area. The new system allows for only 270 but it is likely to settle on a lot fewer.



PAAG 219100 (aba)

MAJOR CHANGES although Cape Town politicians are divided over the unicity concept, they agree service delivery is a priority. Picture ANDREW INGRAM

Town, Durban, Pretoria and the East Rand were named on Friday as the country's five metropolitan municipal areas. Sydney Mufamadi, minister of provincial affairs and local government, explains the philosophy behind the new approach.

ONE of the cornerstones of the apartheid legacy was the Group Areas Act and the balkanization of South Africa. This manifested itself in many ways and in particular in the manner in which boundaries of municipalities were drawn. The resources of our nation were concentrated in the hands of the few while the majority had to work to build cities where they could never live and whose economic proceeds they would never enjoy.

The White Paper on Local Government has put in place a policy framework that is set to undo all of this. The enactment of the Municipal Structures Act is a death knell to any trace of the erstwhile dummy councils.

While the Demarcation Act will put the final nail in the coffin of apartheid boundaries, the announcement of nodal points for the drawing of municipal boundaries will end a sad era of racially motivated boundaries and add a critical building block in the transformation of local government based on equity and development.

One of the key instruments that distinguishes this process, is the level of consultation with the people. A lot of questions have been asked about this process. I believe that the following questions and answers will go a long way in encouraging community participation in the demarcation process.

■ If it ain't broken, why fix it? Why is there a need to re-demarcate municipalities particularly if they are functioning well?

The Local Government Negotiation Forum in the early 1990s decided that local government would be transformed much slower than national and provincial government. This would involve three phases: the pre-interim phase, the interim phase, where elections for transitional structures which would still be racially based, and the democratic phase.

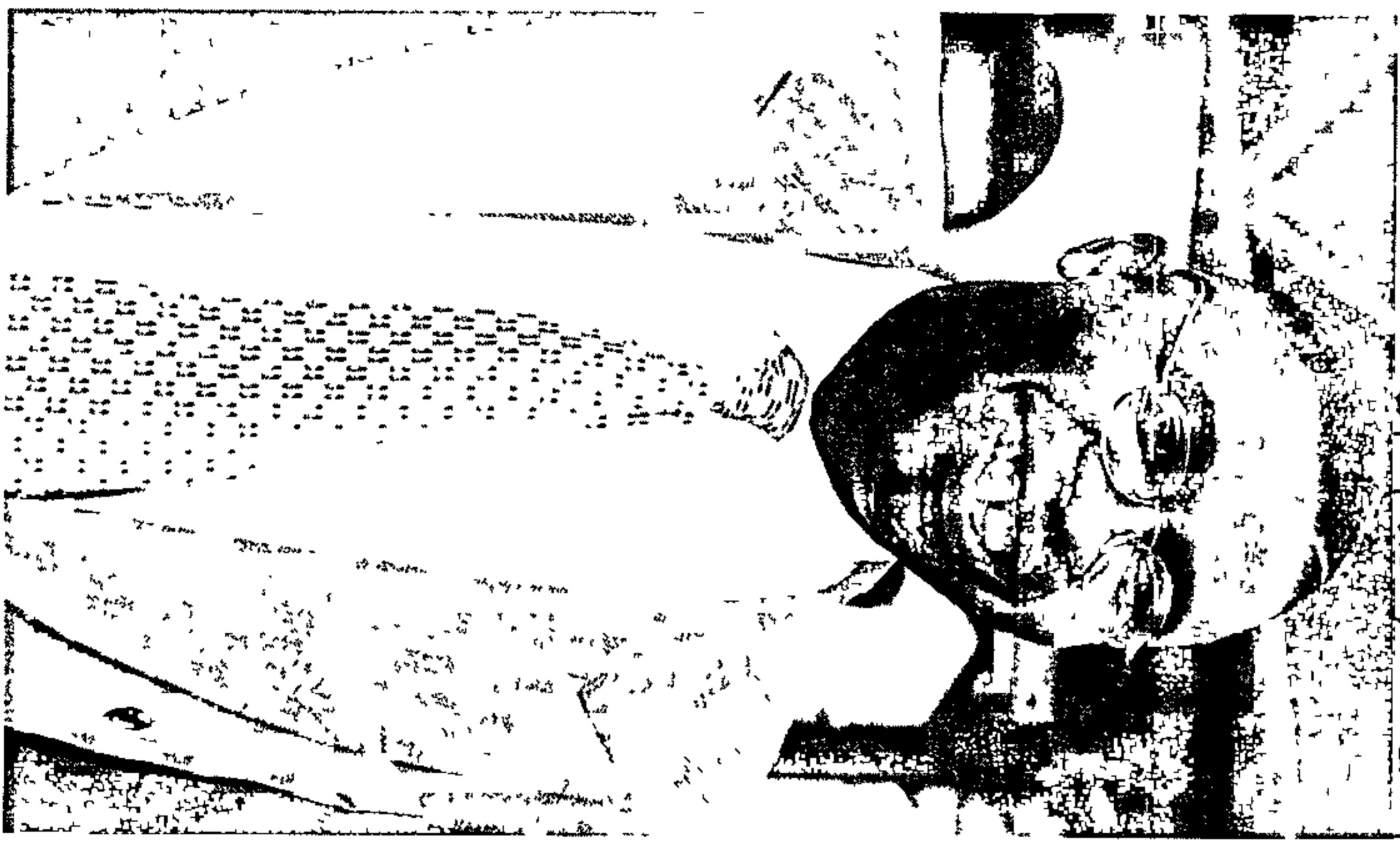
When areas were demarcated in 1994 the main criterion used was the racialisation of communities. Now we need to focus on creating municipalities which are economically functional, have the potential to be financially viable and can deliver services to all our people.

This is what the demarcation process aims to achieve. At last, change can be felt right at our doorsteps.

■ What are nodal points?

Nodal points are simply a means of designating the areas around which there should be metropolitan areas. The actual extent of the metropolitan areas will be determined by the municipal demarcation board, but based on the criteria laid down in the Municipal Demarcation Act and Municipal Structures Act. Some of the criteria would

FIVE CITIES SPELL THE end of group areas



ON THE WORLD STAGE Provincial Affairs and Local Government Minister Sydney Mufamadi says we now have the opportunity before us to define our metropolitan areas in ways that will ensure that they become world class cities.

include taking into account the interdependence of people, communities and economies and will help the municipality to provide quality local democracy and representation for all citizens regardless of their race or social economic status.

■ What is the significance of metropolitan areas?

The major metropolitan areas have significant impact and make a very large contribution to the country's economy and can often be on a par with that of provinces. Over 30 percent of South Africans are found in metropolitan areas where a very high proportion of job opportunities are often found. The budgets of metropolitan areas have a great developmental impact on our people and they therefore warrant special attention.

■ Why the proclamation of only five metropolitan areas?

The research conducted by the municipal demarcation board and the ministry for provincial and local government indicated both a qualitative and quantitative difference between the five major urban centres and the rest of the country.

Most major stakeholders in South Africa believe that there should only be five metropolitan areas and so I believe this decision will find wide support. At the same time I do believe that in time to come the other large urban centres could well become metropolitan areas.

■ What implications does this decision have for the future of the Khayalaan metropolitan area in Gauteng?

Clearly, my determination of nodal points suggests that in Gauteng there should only be three metropolitan areas, centered around Pretoria, Johannesburg and the East Rand. It will be up to the municipal demarcation board to determine the actual boundaries of these metropolitan areas and a number of possibilities (including incorporating the whole Khayalaan into East Rand or dividing it up) will be open to the board.

Regarding the Lekoa/Vaal area, I have been told that particularly when it comes to the issue of municipal creditworthiness there is much more economic potential in having separate municipalities in the Vaal area.

In addition, the board would have to look at commuter patterns quite closely because many people to the south of Johannesburg are working and shopping in Johannesburg.

We now have the opportunity before us to define our metropolitan areas in ways that will ensure they become world class cities. Already, our metro-

politan areas are on the world stage. Johannesburg is known throughout the world as the "City of Gold", Durban as the convention and events city, Cape Town through the Olympic Bid and the legend of Cape to Cairo, Pretoria as an emerging African star and East Rand as a major industrial base. It is now our job to assist them to become even better.

The Municipal Structures Act provides a flexible and stable legal and institutional framework for the governance of our metropolitan areas. However, it is the application of this framework which will determine the success of the new system. Councilors, officials, community groups and residents are urged to take part in defining the future of their cities.

Uncities declared by Mufamadi

The nodal points for each of the five metropolitan uncities that were announced this week, are as follows:

- Johannesburg: the corner of Homson and Market streets
- Cape Town: the corner of Darling and Parade streets
- Durban: the corner of West and Gardiner streets
- East Rand: the corner of Voortrekker and Pretoria roads in Kempton Park
- Pretoria: the corner of Bosman and Viscage streets in Pretoria

Areas which do not fall into the metropolitan municipalities determined by these nodal points, will be governed by a two-tier system of district and local municipalities.

South Africa currently has six metropolitan councils and 42 district councils. Port Elizabeth tops the list of cities which have the potential to develop into metropolitan areas.

Board starts work on city borders

Xolani Xundu (262)

THE municipal demarcation board has begun a process of determining outer boundaries for metropolitan and district councils, calling for public input in the process.

This comes after the declaration of five nodal points — a specific point in the centre of the cities — for metropolitan areas by Provincial and Local Government Minister Sydney Mufamadi last Friday.

Mufamadi identified Johannesburg, Pretoria, the East Rand, Durban and Cape Town as cities that would have single administrations after the next local government elections. Board chairman Mike Sutchiffe said, "The board will determine the boundaries of the areas in which people reside, where they work and play and 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.

Sanco in a dilemma

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 their being consulted on the details by the demarcation board, which drew up the new boundaries.

"While 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 on the 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

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**

(262) *souetan 13/8/99*



Sanco president Mlungisi Hlongwane debates the future of the organisation. PIC SHARON CHETTY

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 civics body, but then move over to the ANC when the time is opportune, thus diluting their commitment to the civics.

If Sanco remains a civil society formation, it wants to be able to assess and criticise 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 the 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 held back 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 civics 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.

"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 as 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 civil society organisation and in government."

Provincial govts to take over ailing councils

RD 17/8/99

(262)

**Xolani Xundu
and Pearl Sebolao**

AN ABSENCE of basic financial management in the local councils of Tweeling and Noupoot 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. Noupoot 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 muster a quorum for their meetings, with the problem at Noupoot exacerbated by bad relations and infighting.

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 of the legislative functions.

In supporting documents submitted to Provincial Affairs and Local Govern-

ment Minister Sydney Mufamadi, the Free State legislature said it was clear the council could not fulfil its executive obligations. It was thus necessary for local government and housing MEC Lechesa Tsenoli to intervene.

Solly Legodi, local government director in the Northern Cape local government and housing department, said yesterday Noupoot 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

(262) PD 18/8/99

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 Henri Kluever 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," Kluever 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.

Kluever, who retires at the end of the year, expressed concern about the cost of Public Protector Selby Bagwa'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 fiscal 1998-99, 26,3% in 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 R18,7m was awarded to (small firms)."

Commenting on his years of service under a democratic govern-

ment Kluever 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 frankness 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 advisers, 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 municipalities

CLIVE SAWYER
PARLIAM. CORRESPONDENT

Steps are under way to prevent a repeat of the debacle which has seen hundreds of municipalities in financial and administrative difficulties and a series of interventions by provinces to keep local services running.

Key to solving the problem will be the setting up of an early warning system so situations can be remedied before they reach crisis point.

Playing a vital role in devising these solutions will be the National Council of Provinces, headed by Naledi Pandor.

The rate at which interventions by provincial governments had become necessary was "worrying", Ms Pandor said.

Last week, a special committee appointed by the NCOOP to visit the crisis-hit municipality of Tsweling in the Free State barely had time to touch base in Cape Town before being dispatched to North West Province to investigate problems in the municipalities of Stillfontein, Wedela and Noupoort.

Ms Pandor said the rate at which interventions had become necessary meant that provinces should strengthen their oversight capacity. She emphasised that this did not

mean a "Big Brother" approach towards local government, but rather an effort towards finding ways to strengthen it.

Provincial and Local Government Minister Sydney Mufamadi last week told MPs about 250 municipalities were in financial trouble.

The problems were caused in part by the restructuring of municipalities not having been specifically funded, and ways were being sought to fund further restructuring scheduled to take place ahead of next year's local elections.

Mr Mufamadi urged Parliament to help ensure that preparations for the polls went smoothly.

Ms Pandor said the council would work with the SA Local Government Association to improve ways of reviewing local government.

With each report tabled in the council to explain why intervention had become necessary, it had emerged that there had been a long history of problems in municipalities. "Why weren't steps taken earlier?" she asked.

A significant part of the problem was that in many municipalities rates of payment for services were "fairly low".

A new system of metropolitan, local and district councils is to be implemented next year.

FACTFILE

Q: The National Council of Provinces

A: The National Council of Provinces is Parliament's second house, established by the 1996 constitution to replace the post-1994 Senate, and has been in operation since 1997. Sitting in Cape Town, the council is designed to ensure that national legislation is scrutinised to protect provincial interests.

Q: Who are its members?

A: Headed by a chairwoman whose constitutional status is equal to that of the Speaker of the National Assembly, the National Council of Provinces has 90 delegates, 10 each from each province. Of these, 54 are permanent delegates and 36 are "special" delegates sent to represent specific topics. Local municipalities are represented but its delegates may not vote.

Q: How are political parties represented?

A: Parties represented in a provincial legislature are entitled to delegates in that province's team according to a formula set out in the constitution. Although delegations are meant to vary issues from a provincial rather than party-political perspective, partnership on most issues has proved intractable.

Q: What is the National Council of Provinces' role in legislation?

A: Bills amending the constitution may not be approved without the consent of an absolute majority of provinces acting through the council. The council has a particular role in the scrutiny of bills affecting provinces and voting on such legislation is by provinces, voting on legislation on national issues not specifically affecting provinces is according to party lines.

Q: Is it the National Council of Provinces merely an echo chamber of the National Assembly?

A: Although the Assembly attracts more attention and appears to be more powerful in the means open to it to approve legislation the council can and has sent back legislation or refused to approve it.

Pandor's mission is to beef up NCOOP

Council 'no rubber stamp for Government decisions'

ADRIAN HADLAND
PARLIAM. EDITOR

The thick south London accent has softened a little, but Naledi Pandor's voice is an unmistakable one in the corridors and chambers of Parliament.

The fact that she is in Parliament at all, where she has recently been appointed as the chairperson of the National Council of Provinces (NCOOP), is something of a surprise - not least to herself.

"I hated politics when I was younger," she says. "I didn't see my dad often. We were moving all the time and it was quite a struggle for my mother to bring up seven children. It was so awful. I decided not to join politics."

Ms Pandor comes from a long and distinguished line of South African anti-apartheid activists. Her grandfather, ZK Matthews, was a founder of the African National Congress.

Her father, Joe Matthews, was tried for treason by the apartheid

HOW YOUR TWO BALLOTS WORKED

Ballot I
The first ballot for the 400-seat National Assembly elects the 27 Members of Parliament (MPs) who will represent the voters in the National Assembly.

Ballot II
The second ballot for the 400-seat National Assembly elects the 27 Members of Parliament (MPs) who will represent the voters in the National Assembly.

Ballot III
The third ballot for the 400-seat National Assembly elects the 27 Members of Parliament (MPs) who will represent the voters in the National Assembly.

Ballot IV
The fourth ballot for the 400-seat National Assembly elects the 27 Members of Parliament (MPs) who will represent the voters in the National Assembly.

state and spent many years in exile working for the movement. He has since shifted to the Inkatha Freedom Party and is deputy minister of safety and security.

But things were never easy in exile for the young Ms Pandor. The family was often based in London, but moved to Lesotho and Zambia.

"Wherever we were was not permanent. Just as I made friends, we would move again because they don't believe we had a hard time. But I believe we lost out, too, though obviously we did not suffer the same rigours as those at home, the dangers of being arrested or shot at."

After doing a degree in Botswana and a post-graduate degree at the University of London, Ms Pandor taught English in the rural areas of what was then Bophuthatswana.

"Once I was in South Africa, I felt I must get involved," she says. "It was really through that, I was not actively involved in politics earlier. In fact, I sincerely hated politics. It had disrupted our family."

But being back in apartheid South Africa, the pull of politics was irresistible.

Despite her rapid rise from an ordinary parliamentarian in the National Assembly, to deputy chief whip, to NCOOP deputy chairwoman and now to the chair, Ms Pandor still finds the demands of politics severe.

She has four children, ranging

in ages from 7 to 16.

"It's tough on the children, especially the youngest one, and we are struggling to hold it together," she says. "But I have a wonderful, supportive partner and we have agreed there are two important things in our lives, work and family. I don't go out and only attend formal functions, but I still have to go away."

The NCOOP was established only two years ago after the final constitution was approved. It is intended to serve as a voice for provincial interests at a national, policy-making level.

Internationally, the NCOOP is unique. Few other places allow provincial government representatives to speak and take part at national level, or vice versa. This flexibility and exchange of personnel and ideas gives the NCOOP its "made-in-South Africa" tag.

The council has 54 permanent delegates from the provinces, and 36 special delegates. The special delegates are members of provincial legislatures who come to Cape Town to represent their provinces on specific matters.

The council has important supervisory duties in terms of national legislation which may affect the provinces. It has already, on several occasions, returned bills to the National Assembly for amendment.

"We're not sexy, we're not exciting, but we do very important work," says Ms Pandor. "Because it is still, relatively new much work remains to be done to bolster not only the role of the council, but the capacity of its members."

It is meant to play a far more important part in monitoring local government, to ensure national policies and laws are implemented on the ground. This is something which Ms Pandor identifies as one of her main priorities in the coming term.

"It's one of my babies," says Ms Pandor. "What I now believe we will see is a really close look at local government and the role of national and provincial government in strengthening social delivery."

Ms Pandor rejects any accusation that the council is merely a "rubber-stamp" for the national Government, but admits the institution has some way to go before it adequately fulfils its task of bringing ministers and policymakers to book when it comes to matters affecting local and provincial government.

Hopes remain high in the provinces, however, that Ms Pandor at the head of the council will have a significant impact on its profile, work and fortunes over the next few years.

Western Cape Premier Gerald Morkel says: "The National Council of Provinces needs to stand up to central government. It hasn't set the world alight yet as the second house. But I've got faith that with Ms Pandor there, it could start to happen. She has to vindicate her position and will go out of her way to make it work."



MONIE DWANIN
Rapid rise. Naledi Pandor now chairs the National Council of Provinces

Megacity

rumpus

• ~~18~~ 25/8/99
in court

OWN CORRESPONDENT (262)

JOHANNESBURG The Western Cape and KwaZulu Natal provincial governments began their opening arguments in the Constitutional Court yesterday over the dilution 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 megacity 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 teams of the Western Cape and KwaZulu Natal. The court sits today to hear arguments from national government representatives

Constitutional Development deputy director general Crispian Oliver welcomed the court hearing

"The act was a public debate and the court would provide some clarity. Ultimately we are subject to the decision of the court," he said. He said government would abide by the court's decision

South African Local Government Association chairperson, Collin Matjila, said the process of formulating the act was open and extensive. "To challenge it now smacks of an agenda that might be to derail the transformation process," he said

He said he hoped the court would expedite the process to avoid negative effects to the transformation of local government

Opposition parties in parliament contend that the act impinges on the independence of local government. They say provision was 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 Mufamadi declared Cape Town, Durban, Johannesburg metropolitan areas

Why so many municipalities are falling

(262) Mt-Cr 80-26/8199

Barry Streek

The situation in two more municipalities — Sullfontein in the North-West and Noupoot in the Northern Cape — has reached such critical proportions that, in terms of the Constitution, the National Council of Provinces (NCOP) will have to intervene next week.

This follows NCOP interventions in Butterworth in the Eastern Cape, Oogies in Mpumalanga, Tweeping in the Free State, Wedela in the North-West and Warrenton in the Northern Cape. The Ministry of Provincial and Local Government has estimated that 250 of the 850 municipalities in South Africa are in financial trouble. But, says Mohammed Bhabha, chair of the NCOP's standing committee on provincial and

local government and public administration, the local authorities are not really to blame and many have succeeded in delivering despite complex arrangements in the Local Government Transitional Act and difficult financial circumstances.

During the pre-1994 negotiations, a common promise agreement resulted in three sunset clauses which will expire on November 1 this year. This meant that all municipal budgets had to be passed by a two-thirds majority, all town planning has to be passed by a two-thirds majority and wards were demarcated on a 50/50 basis, which allocated 50% of the seats on the councils to previous white, coloured and Indian areas and 50% to former bantu administration areas. These restrictions made transformation in the municipal areas very difficult,

particularly if there was no co-operation across political and racial lines.

In Tweeping, for instance, two African National Congress councillors broke ranks and voted for the former mayor to be re-elected. The ANC took disciplinary action, removed them from its proportional representation list and replaced them. The two dissidents then went to court and as a result the two replacements could not take up their seats. This resulted in a situation where every vote was split halfway, no budget could be passed and no mayor could be elected. Yet the municipality, which was responsible for 2 000 residents before 1994, now had to look after an extra 10 000 to 12 000 residents, a figure that was increasing all the time because of evictions from farms.

Bhabha says that in Standerton, which was

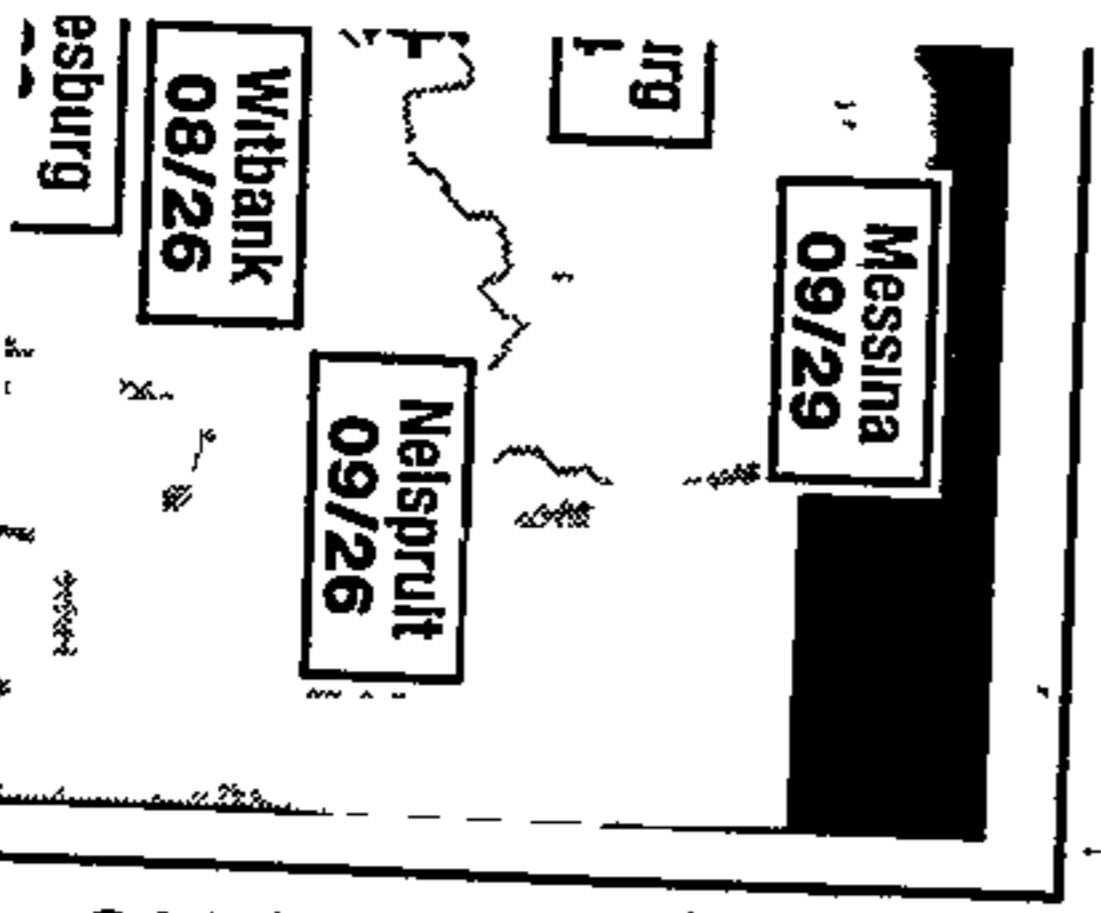
part of his constituency, some land in the centre of the town had been identified and funds secured for new housing, but because it involved a change in town planning, a two-thirds majority could not be secured. Large numbers of people were being evicted from farms in the area.

"Because we don't have land there we have a huge, huge informal settlement problem in Standerton. From the starting line, many of these councils were already handicapped and it would be erroneous, apart from a few examples, to place the blame on councils when from the very inception they were doomed to failure."

The Oogies administration, with 10 employees, used to be responsible for 2 000 people, but despite the addition after 1994 of 40 000 people from neighbouring Phola Park, there are now only seven employees. But because of

Applications

... for murder, attempted robbery, being in possession of an unlicensed firearm and a knife — said the weapons were stored at the house of Khumalo's son, who was the commander of the police (the Khumalo family were not afraid of anything, he said). Some of the weapons were stored at the house of Khumalo," said Zimu. Zimu said he was never an IPR and that Zimu was implementing in order to get a hearing continues today.



Board's proposals will remake the map

Pretoria would get a lot bigger, but not Cape Town, writes Xolani Xundu

GD 7/9/99 (262)

THE municipal demarcation board released its preliminary proposals on the outer boundaries for district and metropolitan councils yesterday. Chairman Mike Sutcliffe said 25 investigation teams would immediately begin looking at the draft boundaries and also consider relevant submissions made to the board by interested parties.

The board has proposed 42 district councils and five municipalities that straddle provincial borders. The latter, however, would be left to national government and the provinces to be finalised because they would require new legislation.

The board proposed that there should be cross-boundary municipalities in the Mt Ayliff, Mt Fletcher and Umzimkulu areas of the Eastern Cape and the Mt Currie district, Underberg, Creighton and Ixopo areas of KwaZulu-Natal.

There would be a cross-boundary municipality in the Kathu, Olifantshoek and Kuruman local councils in the Northern Cape and Mthibata in North West.

There would be another district council between Gauteng and Mpumalanga that would include Bronkhorstspuit, Cullinan/Rayton local councils and Mathanjana, Mibibane, Kwagakhanga and Enkagala local councils. Another cross-boundary local municipality would be between Carletonville in Gauteng and Fochville and Wedela in North West.

Bushbuckridge in Northern Province would be amalgamated with the Kruger National Park in Mpumalanga to make a cross-boundary district council.

Sutcliffe said the latter was subject to discussion with Environmental Affairs and Tourism Minister Valh Moosa as there was an initiative between the government of SA, Mozambique and Zimbabwe to look at the creation of a large park in the area.

Provincial and Local Government Minister Sydney Mufamadi declared five metropolitan councils in July: Johannesburg, Pretoria, the East Rand, Durban and Cape Town.

Sutcliffe said the investigating teams would have to examine whether there was any functional relationship of any area of proximity to a proposed boundary. Its relationship to the prominent urban centre in the proposed district would also be evaluated. Other areas to be looked at by the teams of consultants would be the functionality of the municipality to provide services; existing infrastructure and services; financial implications for infrastructure and service provision; implications for development planning, and administrative consequences.

Sutcliffe said the views of district council officials, transitional local councils and traditional leaders would also be looked at.

A national specialist district and metropolitan team would then evaluate the findings of all the reports and the amended proposed boundaries.

On metropolitan councils, Sutcliffe said the board believed that the current boundaries of the Cape Town council should be left as they were. Durban and Pretoria would have their boundaries extended. Sutcliffe said Durban had many tribal authorities that the board did not want to split up.

"We are going to investigate the exclusion of these tribal authorities from Durban," he said.

Pretoria's boundaries would be extended to the northwest to include, among others, Winterville, Hammanskraal and Ga-Rankuwa, all of which are part of North West. This would, however, be subject to an agreement between Gauteng, North West and national government.

The current boundary between Johannesburg and the East Rand should stay, says the board, with possible technical modifications. The board believed that in general, Midrand should become part of Johannesburg and the Kempton Park/Tembisa area should fall into the East Rand. Sutcliffe said the finer details of how Ivory Park and other small communities fit into the whole scene would have to be investigated.

Demarcation board process 'is flawed'

Xolani Xundu

(262)

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 Ulundi to extend the boundaries of the Durban metropolitan council to include tribal authorities

Ratepayers in Sandton and Randburg say that 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

Personnel costs take 60% of b

Jonathan Katzenellenbogen
and Linda Ensor

Expenditure on infrastructure is down to between 4% and 5%

(262) PD 15/9/99

THE finance department is pointing to a turnaround in the fiscal position of provinces

However, Finance Minister Trevor Manuel said he was concerned about the growing share of personnel expenditure as well as the low level of spending on infrastructure and maintenance

Current expenditure accounts for about 95% of the total, with capital spending on new infrastructure and facilities only 4% to 5%

The first Intergovernmental Fiscal Review, released yesterday, says the provinces ran a combined surplus of more than R1,1bn in the 1998/99 year in contrast to a R5,8bn deficit the previous year

In the 1997/98 year all provinces ran deficits and the combined shortfall amounted to more than R5,8bn. The review says that for the 1998/99 year the Free State, Kwazulu-Natal, Mpumalanga and

the Northern Cape are again expected to be in deficit

Provincial governments play a critical role in health, education, and welfare delivery and they account for about 60% of government non-interest spending

In terms of government financing, a surplus must be used first to repay debt only after which it is available for financing future expenditure. The entire R1,1bn surplus for the last fiscal year will go towards debt repayment in terms of an agreement with the national government under which provinces were allocated an extra R1bn last year

Rising personnel costs are highlighted as a major problem in the spending pattern of provinces. Manuel said it was not simply a matter of reducing numbers of public servants but a problem of skills and the distribution of staff

The share of personnel costs as a total of spending rose from 56,4% in 1995/96 to 60,8% in 1998/99 due to pay hikes and increased hiring. Over the next few years these are expected to even out at about 61% of spending

Northern Province is spending more than 68% of its budget for this year on personnel compared to the average of 61%. Government attributes this to a 20% employment figure in the province in contrast to an average of less than 10% in the other provinces

The review only gives debt service costs for the years 1995/96 and 1996/97. There are no details on provincial debt outstanding or a schedule of repayments due

However, the latest Reserve Bank figures indicate that in July the nine provinces had net positive positions with the commercial banks. At the end of July the nine

provinces had about R1,5bn in overdrafts and deposits of about R2,9bn in commercial banks

The review comes after increasing concern about the state of the provinces' finances and their capacity to deliver social services

The national government has had to bale out the Eastern Cape, Kwazulu-Natal and the Free State. These financial rescues were in terms of section 100 of the constitution which covers failure by a province to fulfil an obligation

The review says markets often incorrectly view the national government as offering a guarantee for provincial debt

Manuel said the issue of non-user charge related revenue raising by provinces is to be tackled in a forthcoming debate in the National Council of Provinces on the Katz Commission report. The review says as finances improve, the

Zoning plan for rural land surprises chiefs

BD 21/9/99 (262)

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 Ngubane, and 40 traditional leaders yesterday

Board chairman Mike Sutcliffe 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

The council had proposed to the demarcation board that those tribal authorities in which it was already providing services be included in its area of jurisdiction, because people in these areas worked and commuted to Durban daily.

Apparently, these 20-odd tribal authorities have large tracts of unoccupied land that are not being utilised either for agriculture, tourism or settlement

The council had proposed to co-opt only settlement, agriculture and tourism land. However, the board said it did not want to split these areas, the council should instead co-opt the whole area or none of the tribal authorities.

On the demarcation of district and metropolitan boundaries for the whole country, Sutcliffe said the 25 teams of consultants that were appointed to investigate, among others, the viability of the proposals, the financial implications of the proposed boundaries and the ability of the councils to provide services, were doing their job well

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 Junaid 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 Egoi 2002 succeeded it

would have a huge effect on SA and regional economic growth

Egoi 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 Marianne 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 fulfil their basic responsibilities

BD 21/9/99

(262)(49)

Unions want in on investigation

Xolani Xundu (2627)

MO 22/9/99
ga because fraud and corruption
in pension funds affected all parties concerned

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 Sal-

"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.

(aba) PM 24/9/99

UPMARKET HELDERBERG WANTS TO OPT OUT

NNP takes issue with Demarcation Board's 'political' approach

National legislation passed in 1998 decrees 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 "unicity" 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 New 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 it does so is 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 to 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 centralist 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 Demarcation Board 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 investigation. He queries whether business, agricultural and cultural concerns

have been adequately addressed. In a letter to the chairman of the Municipal Demarcation Board (Michael Sutcliffe), Beukman, before the visit, stated "Boundaries cannot, at this stage, be cast in stone. Political and ideological considerations should not be determined by boundaries. Effective and viable local government should form the basis of any demarcation. Economic, de-

mographic, operational, administrative and spatial considerations should be the determining criteria of any decision."

Helderberg — a predominantly Afrikaans-speaking, affluent region known for its mix of seaside beauty, countrified retirement villages, stud farms, golf courses, and the Vergelegen wine farm — is not at ease with the polyglot, intensely urbanised sprawl that greets the visitor as he or she drives from Cape Town airport into the city.

In a submission to the Demarcation Board, the Helderberg NNP caucus expressed this view. "From a Helderberg perspective, patterns of settlement have traditionally seen the area develop as 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 apace and employment opportunities are predicted to be limited.

In this version of the future, Helderberg should more appropriately be linked to a district council that could include Stellenbosch, Paarl, Wellington, Franschhoek and Pniel — 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.

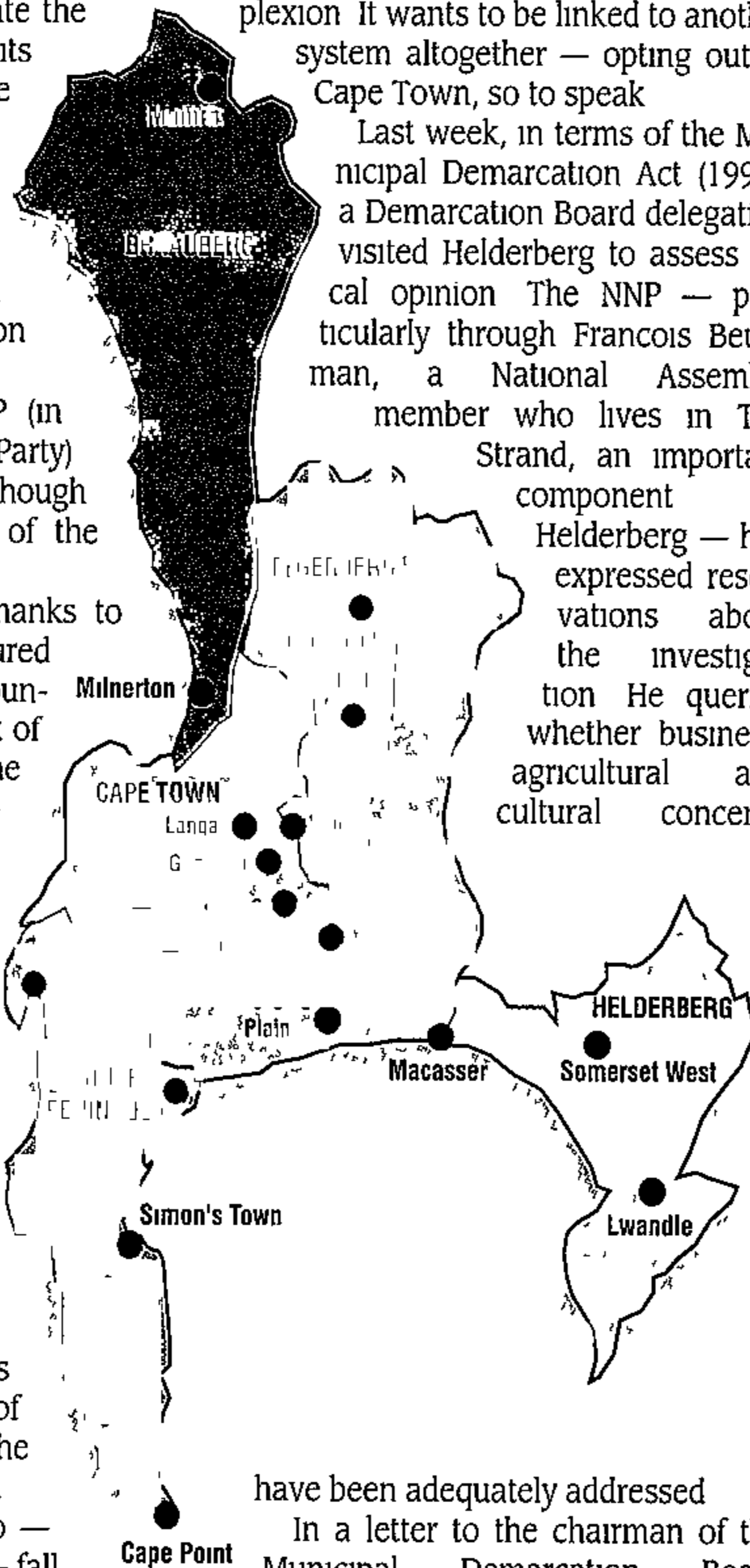
The NNP admits that the rural tinge of Helderberg will be diminished over the next 20 years, when its population (151 000) is projected to double "depending on the availability of land and work". Its heart, however, is set against what it sees as ANC consolidation of centralist power at the expense of local needs.

All of this can be read as a code arguing 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, Lwandle, 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).

Peter Wilhelm



Service delivery in SA goes into top gear

By Geraldine Fraser-Moleketi
6/10/79

Few people doubted President Thabo Mbeki's pledge 100 days ago to speed up delivery. A number of strategies are already in place to ensure that this happens, writes Geraldine Fraser-Moleketi

His speech at the opening of Parliament on June 22, President Thabo Mbeki set the tone for accelerated service delivery to all South Africans.

Mbeki emphasised the Government's commitment to a determination to ensure that the nation's people are not left behind. He pointed out that the Government had set up a Commission of Enquiry into the delivery of public services, which was to report to the President by the end of the year.

The department conducted a study on the review of conditions of service which covered the public sector at provincial level, province, to and a number of indicative plans for reform.

Specifically targeted were elements such as the pay progression system, structure of negotiations and service benefits. The study identified a number of anomalies and developed measures to address these areas.

The department assisted several departments with the implementation of the newly developed job-evaluation system. This is part of the implementation of the new Public Service Management Framework. The system will

increasingly ensure a level of performance costs.

The department played a pivotal role in determining the terms and conditions of service for public sector employees. It also worked on the development of the Public Service Commission's terms and conditions of service for the 2000-2001 financial year.

In addition, the department has been instrumental in the implementation of the Programme of Action for the Public Sector, which was adopted by the Cabinet in 1978.

The department has also been instrumental in the implementation of the new management system in the Eastern Cape, KwaZulu-Natal, and Northern Province. The teams work full-time in the provinces and are working with provincial teams in the development of management plans.

The department will present the first report of the IIP to the Minister of Public Service and Administration shortly and the final report will be presented to Cabinet at the end of November.

The department will present a report on personnel expenditure in the public sector to Cabinet this month.

In order to improve the efficiency of the public sector, the department has initiated a number of projects, including the development of a framework for sectoral reviews to improve the delivery of the public service.

This will contribute towards the development of specific service delivery sectoral plans and add value to the integrated service delivery implementation programme.

A draft policy and the sectoral reports will be ready by next month. The department also concluded a preliminary research report that identifies key occupations strategic to delivering the Government's core public service goals, which are difficult to fill.

and whose vacancy rates are undermining service delivery in national and provincial departments.

It is intended that training programmes be put in place for occupations where the labour market is failing to generate an adequate supply of trained and competent employees.

Two training programmes are being established to address the management capacity building needs identified by the research. These programmes will seek to strengthen middle management abilities and identify and develop management potential at lower levels.

The department has prioritised the establishment of a programme to fast-track skill development for lower-skilled employees through adult basic education and training programmes.

This programme will open the career paths of lower-level employees in order to create career advancement opportunities and to ensure the optimal utilisation of human resource development.

After protracted negotiations, the Government implemented wage increases for all public servants from July 17. Educators received a seven per cent salary increase and most public service workers received a 6.3 per cent increase.

The Government committed itself to the collective bargaining process and has called on unions to work with it on the development of a new wage policy that will look at the review of all conditions of service.

The Public Service Commission has:

- Activated an action plan for the implementation of the resolutions of the Anti-Corruption Summit;
- Commenced drafting an accountability agreement form to monitor asset ownership and potential conflicts of interest;
- Conducted workshops on the code of conduct for public servants;
- Established a cross-sectoral task team to create a national coordinating structure with authority to lead, coordinate, monitor and manage the national anti-corruption programme;

(The writer is the Minister of Public Service and Administration.)



Negative perception drives banks away from local govt

BD 14 110199 (222)

Farouk Chothia

CAPE TOWN — Many financial institutions had withdrawn from the local government sector because of a perception municipal finances were deteriorating, Banking Council GM Lincoln Mali said yesterday.

Briefing Parliament's local government portfolio committee, Mali said municipalities were defaulting "left, right and centre" on payments to bodies such as Eskom and water boards.

Central government's finance department was reluctant to release information on the state of municipal finances, fearing that it would create a systemic risk if "people know the true extent of the problem", he said.

Mali said it was difficult for banks to assess risk in granting loans. The perception was that data collected through Project Viability, set up by the provincial affairs and local government department

to monitor finances, was unreliable. This was because municipal CEOs did not take seriously the responsibility of supplying information. Mali said the perception was that municipal accounting systems were not up to standard and steps were not taken to overcome the problem of non-payment of rates.

"There needs to be political will to overcome shortcomings," Mali said. Statistics released by the provincial affairs and local government department in July showed that almost half of SA's 843 municipalities were in a financial crisis.

Residents owed municipalities in R12,4bn, while municipalities in turn owed Eskom R316m and the attorney-general's office R8m.

Department official Chippy Olver said yesterday that councils had collected R6,5bn in property taxes and R3bn in regional services council levies during the 1997/98 financial year. Government was to take a tougher line against rates de-

faulters and was looking at restructuring "very inefficient" regional services council levies.

Ismael Momoniat, the finance department's chief director of intergovernmental finances, told the committee that the current system of local government budgeting was "absolute rubbish".

Accrued revenue budgets needed to be thrown out in favour of cash revenue budgets.

It was also necessary to introduce three-year budgeting, which was already happening at national and provincial level, so that there could be forward planning.

Momoniat said that while the constitution required that an unconditional grant be allocated for local government, it would be irresponsible to give municipalities money if they could not spend it properly. There would be no bailouts for municipalities.

"A little bit of blood must flow," Momoniat said.

Several provinces are in dire straits, according to a new study which questions whether some of them should even exist. President Mbeki is aware of the problems and wants to ensure that social delivery goes hand-in-hand with better financial controls, possibly with greater intervention from central government. **Zolile Ngqayi** reports

THE national government wants to ensure effective governance in provinces that are experiencing problems and particularly in those where the poorest of the poor live.

President Thabo Mbeki, during his mid-term review address to the National Council of Provinces this week, emphasised that service delivery had to go hand-in-hand with better financial controls.

Mbeki announced that a permanent forum composed of the presidency, the premiers and the minister for provincial affairs and local government had been set up.

The forum will meet at least six times a year to look at strengthening relations between provincial and national government through co-operative governance.

The forum will not replace the meetings ministers have with their provincial counterparts but will complement these by cutting across portfolios.

Mbeki said it was important to make sure that effective handling of resources accompanied delivery of services.

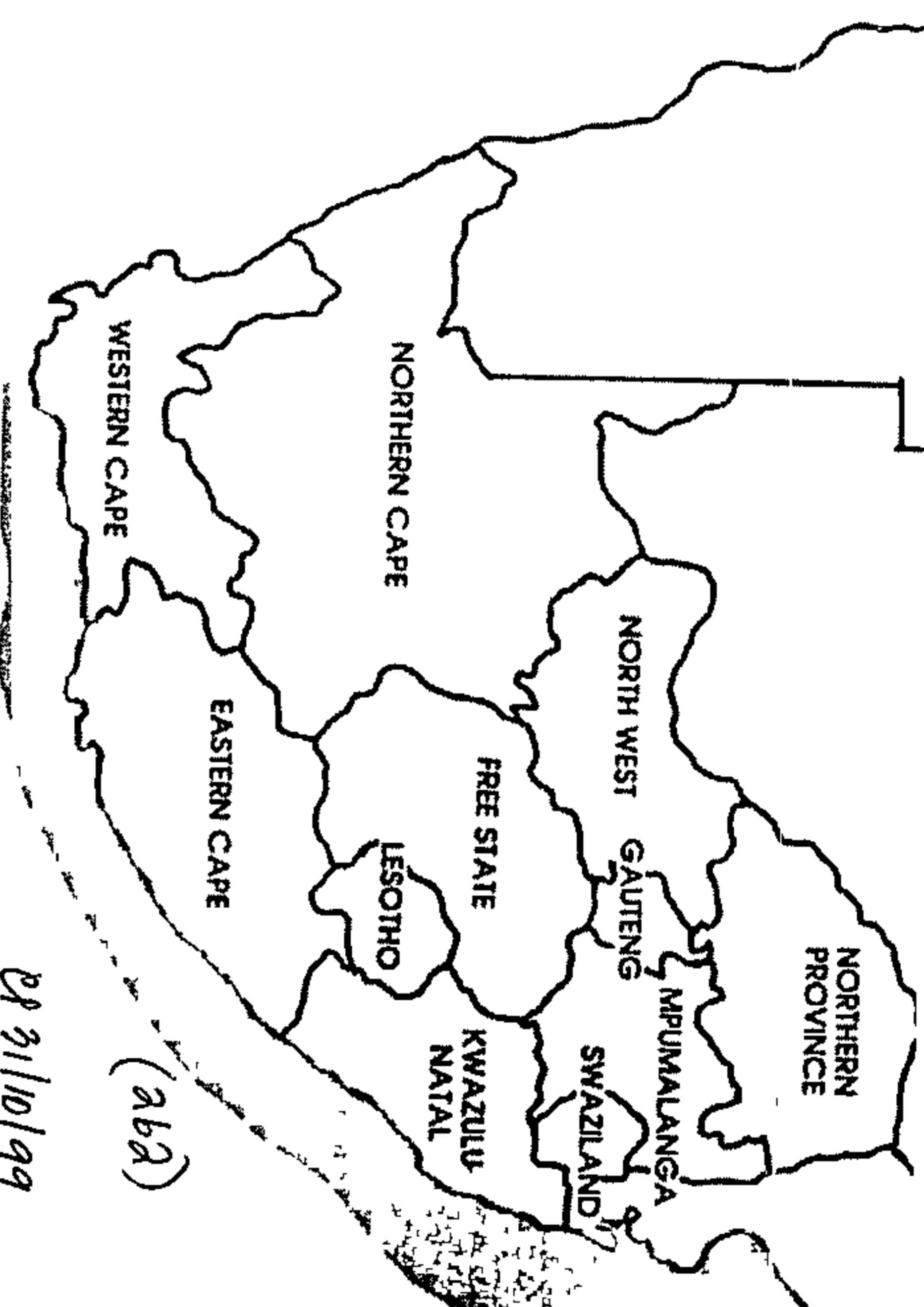
"The necessity cannot be over-emphasised to build capacity for improved all-round service delivery as well as proper control of and accountability for public finances in keeping with the Public Finance Management Act," Mbeki said.

"It is the responsibility of the entire government to ensure the provincial government sphere also has the necessary capacity to fulfil its assigned functions which must include the building of a developmental local government system and integrating the institutions of traditional leadership into the overall system of governance."

The president said "Undoubtedly, the interaction we will have with the heads of the provincial executives will raise many questions about the decisions that both the national legislature and national executive take, especially as regards the efficacy and practicality of these decisions with respect to the objective of transforming action, reconstruction and development."

He said the provinces were supposed to be the primary government of the people. But given the crisis they were ex-

Provinces struggle against great odds



TOO MUCH TO DO, TOO LITTLE MONEY

provide basic services to the poorest of the poor, the very people whose vote got the ANC government into power.

perceiving the central government might have to play an increased role in their governance instead of devolving more powers to them.

Mbeki's comments follow the release of a report which depicts several provinces in dire straits and indeed questions whether certain provinces should exist.

The report by Richard Humphries and Kehla Shubane is based on provincial visits and subsequent discussions.

Some of South Africa's nine provinces are fighting an uphill battle to survive and provide basic services to the poorest of the poor, the very people whose vote got the ANC government into power.

The report, compiled for the department of constitutional development, says provincial leadership, especially in impoverished areas, wants more intervention by national government.

It says that although the provinces recently received a clean bill of health in terms of how they ran their financial affairs they still face enormous difficulties.

This makes it likely that national government which already closely monitors the provincial purses, would become more involved in key issues such as economic development and social delivery in the provinces.

The report shows that provincial governments still rely heavily on the national government and there is a need for increased co-operation and oversight by national government in order to encourage development in the provinces.

This raises questions about the ability of provinces to run their own affairs independently of central government.

ment.

Increasing unemployment and lack of development are some of the serious concerns raised by the North West, Northern Cape, Free State and Northern Province.

The root of the provincial government malaise is that the need to stay within budget means, in effect, that critical areas requiring an injection of capital are being neglected.

Provinces have had to slash capital expenditure.

They are also grappling with the problem of reducing an estimated 80 percent expenditure on staff costs and welfare grants - highest in the social delivery areas of education, welfare and health.

Some problems are unique to certain provinces, especially those that absorbed the former bantustans whose survival had depended entirely on central government.

A submission by the North West government indicates that social delivery and development deteriorated during the past four years.

The province failed to even achieve growth projections of five percent per annum.

"On a per capita basis, this implied, given a 2.8 percent population growth rate since 1990, that the average GDP had dropped in real terms from R6 471 to R6 021," the report says.

The agricultural and mining sectors came under severe pressure during the economic slump, resulting in significant job losses.

With unemployment already rampant, the Northern Province government says "right-sizing" the public service will exacerbate joblessness in a province which the report describes as not being economically viable.

"It has a low provincially generated revenue and an economy that is not diversified. The province's urban nodes have not reached a critical population and economic activity level capable of economic self-generation."

"There is lack of significant capital formation with a limited amount of surplus disposable income preventing the accumulation of savings."

Demarcation problems

Sowetan 23/11/99

THE Municipal Demarcation Board yesterday announced the decisions made at its meeting last Thursday and discussed with the nine local government MECs and their senior staff at a workshop on Friday.

The MECs at the workshop, including those from Western Cape and KwaZulu-Natal, accepted the decisions in good spirit. Legal objections from them seem improbable.

While some present local councils that are absorbed into larger units may take advantage of the objection period, the board's scrupulous attention to its statutory mandates and constraints make success unlikely.

The board decided to make Port Elizabeth the sixth metropolitan (Category A) municipality, along with Johannesburg, Pretoria, East Rand, Durban and Cape Town.

The present transitional local councils (TLCs) of Uitenhage, Despatch, Bethelsdorp and Coega will be absorbed into the new metro.

All six metros will need to think through income and expenses, staffing changes and services, while political parties will need to decide on nominees for the new structures and any potential substructures - both well before the November 2000 local government election.

The board's other focus was the preliminary demarcation of Category B municipalities to replace the present TLCs and transitional regional councils (TRCs).

That batch of 785 councils will be sharply reduced to somewhere between 250 and 280, depending on discussions in 152 community hearings in all nine provinces next week.

The board will make its final determination on December 15, with a 30-day period for objections to be considered. Whatever the final determination, the preliminary decision is radical in important ways.

- Category B municipalities will cover the country "wall to wall" (except for national parks and sparsely populated areas, especially in the Great Karoo, much of Northern Cape and some parts of North West, all of which will be district management areas), including all former homelands and white farming areas.

- The average local municipality will have a much larger area and population than the average TLC.

- Category B municipalities will be expected to provide local services, including primary healthcare, in an equitable way to people throughout their area, although that enlarged area may make access difficult especially for rural poor.

- While the national Government is understandably vague about its contributions to local government revenue, it has made clear that "bailouts" from municipal debts will not occur. The new municipalities will have to draw on

Tensions and political pressures will heighten with the introduction of metros to replace transitional local councils. **John Seiler** explains why

The difficulties are enormous but not insurmountable

their stronger partners to help meet the debt load of their weaker partners, and

- While payment for services is intended to be a crucial part of income, it is inevitable that "urban" (town, village and township) rates will increase and white farmers and homeland residents will be expected to contribute to local rates (legislation on farm taxes is now in Parliament).

Some difficult steps remain, growing out of this phase of demarcation: fewer and larger local municipalities mean fewer mayors and town clerks and some reshaping, reduction and reassignment of administrative staff.

There will probably be a smaller total number of councillors on the grounds of improved effectiveness and reduced cost.

Local Government Minister Sydney Mufamadi will set the total number of councillors, with provincial MECs for local government given some flexibility to determine the numbers for municipalities in their provinces. Both acts may appear technical, but will be taken under political pressure from competitors within parties for council seats.

The board will issue its policy on ward demarcation by late January and complete its determination of wards by May 2000.

In doing this, it must take into account some divergent imperatives: in any given category B municipality, half the council seats will be elected by wards, which must be equitable in population numbers, nonracial in nature yet "avoid community fragmentation" and, at the same time, fit within the overall numbers of councillors.

Competition for elected posts and administrative appointments will bear most heavily on the African National Congress, given its predominant role in the present TLC-TRC structures.

Mufamadi will have to deal with these mounting pressures and, if he fails to mollify local activists, the prospect for dissident coalitions with other parties and the emergence of brand-new locally-focused parties becomes likely.

The absence of bailouts, the obligation to

extend equitable services, the inevitable delays in building staff competence (especially in financial management), and the parlous prospects for anything like substantial socio-economic development in most of the new municipalities put difficult strains on the effectiveness of the new structures.

These strains will probably be exacerbated by the divergent priorities of ward demarcation. Of course, the social geography of the apartheid era makes for great difficulties.

But now Category B demarcation has shifted the focus of local politics to a broader framework in which minority access and representation will become more difficult.

In addition, whatever prospects have developed among minorities for a (perhaps grudging) acknowledgment of black needs will be strained severely by the inevitable demand for greater inputs to rates and service payments.

First steps toward local civil society are bound to suffer.

Minorities may instead show heightened political apathy and even animosity toward government, particularly local government.

White racism and white middle class sentiments often tangled together in particular people, and lumped together by black critics who are often themselves middle class (and who will face similar pressures under the new local government regime), will tend to harden in unattractive ways. But there will also be increased tension involving other groups, with a complex mix of ethnicity and class. Xenophobia takes front row in much of Gauteng, but class and ethnicity will focus conflict over scarce resources such as housing, jobs and political status throughout the country.

In theory, the principles of the pending Municipal Systems Bill should rule out this gloomy prospect. The new local governments must be accessible, efficient and accountable. The difficulties are enormous but not insurmountable.

It would be cruelly ironic if demarcation, in consciously undoing the shortcomings of the apartheid system, built a replacement system formally participatory but in practice inclined to think the worst of whites and other minorities, and to make even grassroots black access and participation difficult.

(The author is an independent political analyst based in Johannesburg)

Cash-strapped councils in SA in danger of collapse

(262) Sowetan 25/11/99

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 Coceko 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 Fish Mahlalela

Speaking in the legislature yesterday, Mahlalela 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 transitional rural councils and 10 transition 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 Stilfontein near Klerksdorp and Wedela in Carletonville, according to government sources The province was owed R3 billion

BD A/12/99

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 Sutcliffe said yesterday.

Sutcliffe said the boundaries of the six metropolitan councils would stand as they were.

There will be 46 district councils, nine municipalities that 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 underserved and unplanned settlements, Sutcliffe 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 Sutcliffe.

Job losses feared as megacity plan takes off

STAFF REPORTER

(267)

ARU 20/11/99

Durban - A major face-lift in the local government system could see massive job losses and fewer municipalities in KwaZulu-Natal and in other provinces in the country.

The proposed changes to the structures were published on the Internet by the demarcation board last week, and described by the board's chairman, Dr Mike Sutcliffe, as a "rationalised municipal system".

They will be published in the Government Gazette today.

When initial drafts of the proposed

changes were published last month, amakhosi in KwaZulu-Natal were concerned about the amalgamation of traditional areas and whether the town councils would not dissolve their authority.

Those in control of rural areas surrounding Durban were concerned about the decision of the board in October to include their areas within the new megacity boundaries.

Yesterday, Inkosi Nyanga Ngunane, the minister for local government and traditional affairs in the province, said he and amakhosi in the province were hoping to meet President Thabo Mbeki about the entire demarcation process

before commenting on the proposals.

The meeting is expected to take place early next year.

Democratic Party spokesman on local government Mark Lowe said the party would remain opposed to an amalgamation of rural and town areas because it would not help economic growth.

"Our belief is that these areas must be separated, and the only way to develop rural areas is to get money from the national treasury rather than expecting urban residents to pay rates to uplift the rural areas," he said.

He said the new Durban metro - enlarged by about 85% - would not work

Mr Lowe said a comprehensive objection will be sent to the board early in the new year, listing alternatives to what the board intended doing.

In terms of the board's proposals, Durban's seven local structures, mayors and executive committees would all be reduced to one after the local government elections in November, with a budget of about R7-billion. Many municipal officials were likely to lose their jobs.

Dr Sutcliffe said the new municipalities were based on the rationale that would ensure the realisation of fiscally sustainable units, with poor areas being paired with stable ones.

By Justice Mohale

DEMOCRATICALLY elected local government in 1995 brought with it the hope of proper basic services and housing delivery. Alas, these hopes have, so far, been dashed.

There is still a serious backlog in housing delivery to the poor. And financial mismanagement and corruption in local governments are still the order of the day.

In a nutshell, as in the past four years, 1999 was a nightmare for local government in the new South Africa.

Many municipalities are facing a serious financial crisis. Some are on the verge of total collapse. In some extreme cases, provincial governments have been forced to intervene in an effort to forestall utter chaos.

A case in point is the Greater Johannesburg Metropolitan Council (GJMC), which was compelled to embark on a large-scale sale of some of its assets to raise much-needed funds.

The so-called "Transformation Lekgotla" was established in a bid to resolve the council's financial crisis. Kenny Fihla, chairman of this body, is confident that privatisation can restore the council's economic viability.

According to him, privatisation will raise funds to sustain the council's activities. Fihla said more than R100 million would be raised when the privatisation programme, known as "Goli 2002", was completed. The council plans to use these funds to develop infrastructure within its jurisdiction.

So far the council has sold Metro Gas, Rand Airport, houses, the Johannesburg Stadium and the fresh produce market.

Those that the GJMC will co-own include the Johannesburg Zoo, Retevlei Farm, the Metropolitan Bus Company, the Civic Theatre, housing and property companies and a research institute.

Fihla said the council was owed more than R2 billion in unpaid rates and services and admitted the council was in a "serious financial crisis", with a R300 million deficit - reduced to R251 million for 1998-99.

The council was forced to "cut its" budget from R1,7 billion to R500 million in the 1999-2000 financial year.

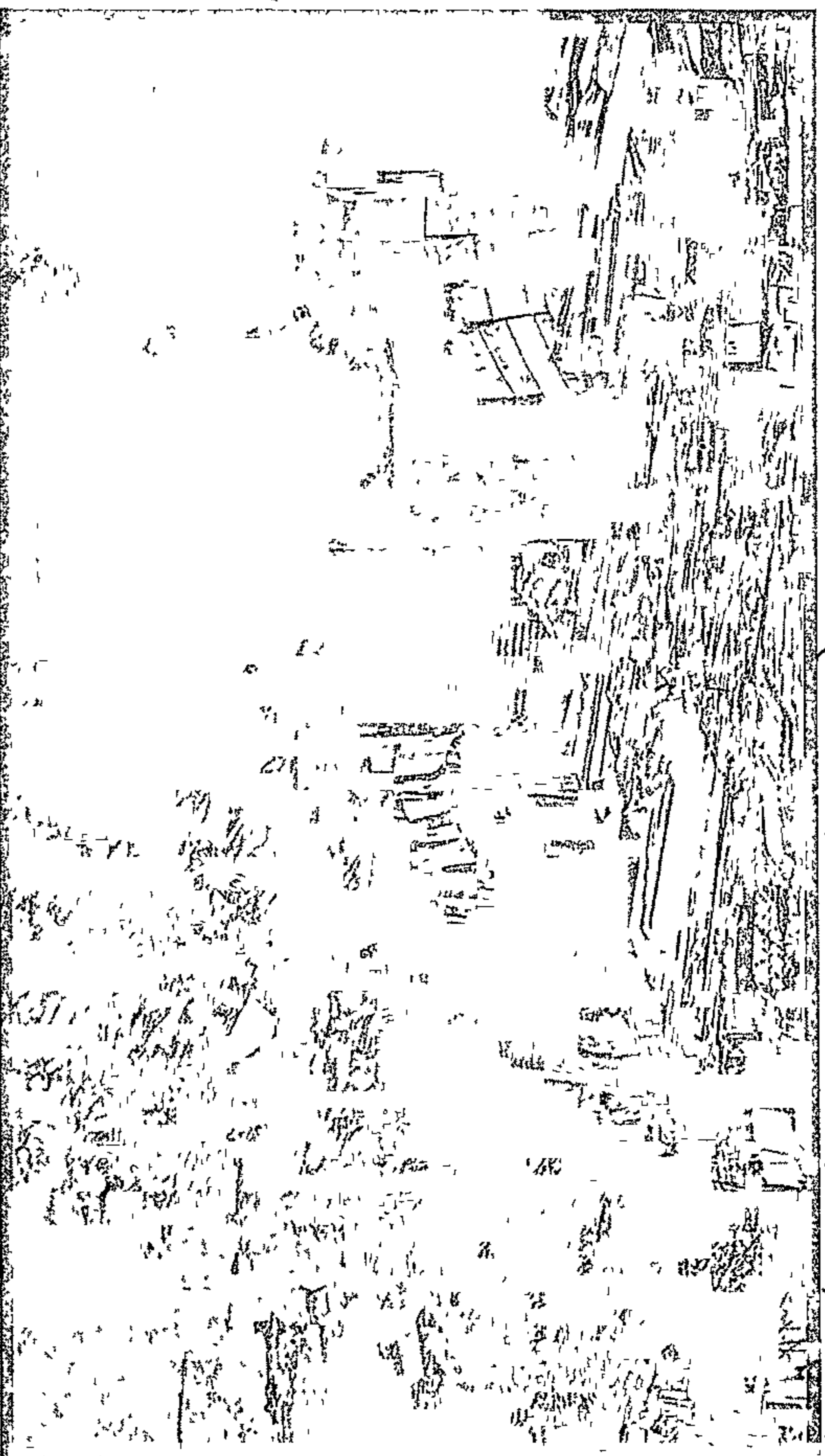
"The GJMC is being forced to raise expensive loans to supplement its current capital budget. At the moment the council owes banks and other financial institutions R2,86 billion," Fihla said.

One of the biggest mistakes of the year in local government was the Eastern Metropolitan Local Council's decision to increase the travel allowances of executive committee members by 90 percent.

This linked the council's annual travel allowance bill from R156 million

DO WE WAIT IN VAAL?

(262) Souwester, 29/12/99



There is still a serious backlog in housing delivery to the poor in South Africa. Some people even live in informal dwellings in Alexandra at the foot of the highly polluted Jukkskei River. PIC PAT SEBOKO

The Krugersdorp Local Council (KLC) has also found itself deeply in debt this year. The daily operations of the council consumed all available cash, leaving no funds for capital projects.

Gauteng auditor Rafter Nayerger said the council's debt increased by R42,6 million, bringing the council's total debt to R141 million.

In a report, Nayerger said part of the KLC's deficit was a result of writing off bad debts (R40,9 million for Kagiso and R2,8 million for Munsieville).

There was also controversy in Boipatong in the Vaal Triangle. About R1,7 million allocated to the Western Vaal in the 1999-2000 financial year

members marched on the homes of their ward councillors to demand their immediate resignation.

Mohau Maloka, spokesman for the residents, told Souwester his group was angered by the council's failure to establish housing development projects. On top of this, Western Vaal is owed more than R180 million in unpaid rates and services.

The upgrading and conversion of public hostels into family units continued this year, but is taking place at a snail's pace.

Of the three hostels in the Western Metropolitan Local Council only those at Mzimhlophe and Dobsorville were upgraded.

Another issue of contention in local government was the

year, all the hostel has received is a new coat of paint.

Western Metro has added a further R3 million to the 1999-2000 budget for the continuation of the project.

The council's executive officer of housing, Daphne Ngosheng, said it spent R7,6 million to upgrade Dobsorville hostel during the 1998-1999 financial year.

"The council also spent R15 million on the upgrading of phase three of Mzimhlophe hostel during the 1998-1999 financial year and added a further R6 million for the current financial year," she said.

Another issue of contention in local government was the

portation of the economically viable areas of the Khayalami Metropolitan Council into the GJMC.

These areas included Midrand, Edenburg and the mostly industrialised Modderfontein. Observers speculated that the move was a political decision to bail the GJMC out of its financial crisis.

After the Constitutional Court ruled that the determination of the metropolitan and district councils was politically influenced, the board redrafted the boundaries. It later made Port Elizabeth the sixth metropolitan area.

The second democratic local government

...

More money for local governments

Ian Clayton

Minister of Provincial Affairs and Constitutional Development Vuli Moosa announced this week that the government's allocation to local authorities would be R2.3 billion during the current financial year an increase from the R2.1 billion allocated in the last financial year.

Moosa added that local authorities with greater need would 'gradually' receive more direct government aid than others.

In the past local governments received central aid through provincial governments but in terms of the national government's "equitable share" programme since 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 needs 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 R2.3 billion this year — "a substantial figure". This includes R1.2 billion to organised local governments and municipalities, apart from the towns which used to be in the home-lands. These towns will receive R447 million during the current financial year but they will gradually lose this classification over five to seven years and be included in the "equitable" share of local government.

Moosa said a further R13.2 million 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, the Free State, Mpumalanga, the Northern Cape, the Northern Province and the North West had received higher allocations, while KwaZulu Natal received in-

creased allocations for rural areas and smaller allocations for the urban and metropolitan areas.

Moosa also said in the past few years local governments had been going through a series of changes aimed at deracialisation and democratisation and meeting the development challenges of the Reconstruction and Development Programme.

This reform process included the restructuring of the intergovernmental transfer system 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 new system assists municipalities with the operating costs of basic services for poor households — the so-called S grant — and enables them to build an administrative infrastructure — through the I grant.

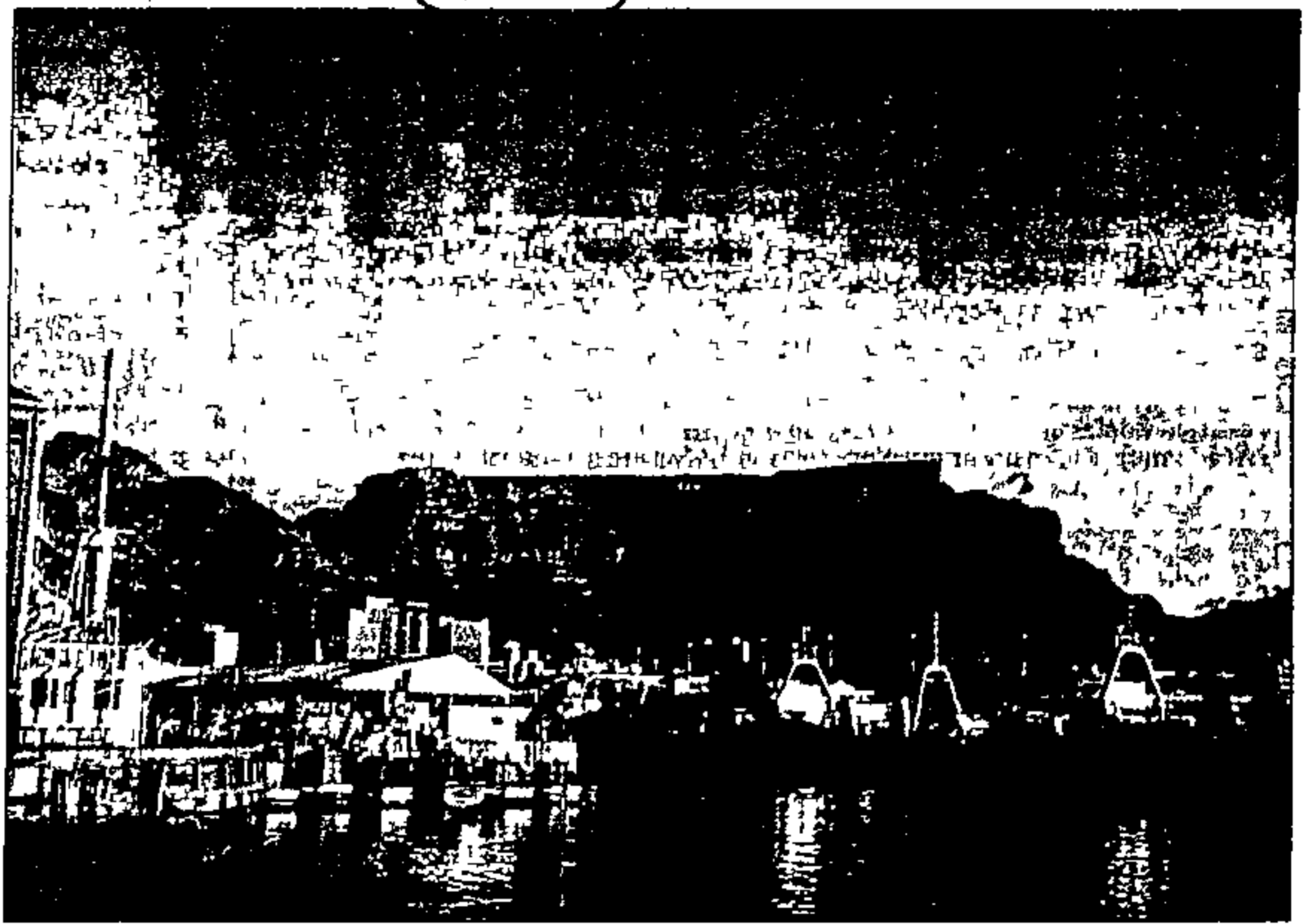
It was not possible to introduce all the changes simultaneously and the phasing in of the new systems would take place over a five-year period for urban municipalities and a seven-year period for rural municipalities.

Moosa said the basic principle was that the "primary" municipality, which delivered the main essential or basic services, should receive the transfer 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 R302.6 million, the Free State R115.04 million, Gauteng R110.6 million, KwaZulu Natal R215.9 million, Mpumalanga R82.6 million, the Northern Cape R71.2 million, the Northern Province R148.9 million, the North West R92.06 million and the Western Cape R140.9 million.

Both Moosa and the chair of the South African Local Government Association, Collin Matjila, said they believed that progress had been made in ensuring that more households paid for services delivered by



Joining up: The mother city plans to be a 'unicity' by the end of 2000. PHOTOGRAPH: DANNY HOFFMAN

One mother of a city

Mariann Merten

Debates around the size and name of the new local government structure in Cape Town are expected to become heated.

The mother city plans to be a "unicity" by the end of 2000. Already the number of councils in the Cape Town metropolitan area has been rationalised from 69 racially segregated

bodies to six councils and the overall Cape Town metropolitan council.

A decision will be made in the next month about the size of the new unicity — whether it will include Stellenbosch, Bellville and Somerset West. By September the demarcation board is expected to have finalised the new boundaries. Then the complicated process gets under way with determining the number of wards,

local authorities. Matjila 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 re-drawing of local government boundaries 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 Boraine said the transformation process will provide an opportunity to re-evaluate the effectiveness of service delivery to the mix of upmarket 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 business as usual for local government."

Matjila praised the allocations as "a welcome and progressive step for ward", but the split in the allocation to national, provincial and local levels of government had to be addressed.

Most people 'do not understand creation of policy'

Study finds that more than three-quarters do not understand how local authorities work, writes Wyncham Hartley

CAPE TOWN — Between 80% and 90% of all South Africans do not know enough about the policy formulation process of government, from green paper to final legislation, according to a study by the Human Sciences Research Council (HSRC).

The Khululekani Institute for Democracy, which commissioned the study, announced at a news briefing yesterday that the results of their "public participation in South Africa" study were "both interesting and somewhat disconcerting", particularly because 90% of the respondents felt they did not know enough about the stages of policy formulation.

The study also found there was not a great deal of understanding of local government either, with 75% of respondents declaring they did not understand the functioning of the local council and 66% saying they were not well informed about decisions taken in Parliament which affected them or their communities.

The study noted there was not a concordance between the two sets of findings, and the

people who felt they were ignorant of the way in which Parliament operated were not the same group who did not know how their local council operated.

Head of the research team Ian Liebenberg of the HSRC said there was also no evidence to prove a purely "deterministic" point of view, which would contend there was a direct correlation between the ignorance and the level of education of the respondent. There was a higher relationship between education and being aware of the process of policy formulation and "understanding of local councils and feelings of being informed about decisions in Parliament are only weakly related to formal education."

He explained that participation in policy making was studied by asking respondents about their intentions to participate in public hearings and also about their past participation in such activities. Only 20% said they presented opinions to politicians at local level, the same number had presented statements at public meetings while 40% had participated in

the activities of an organisation involved in community affairs. Fewer than 10% said they had never made enquiries at a Parliamentary constituency office.

Liebenberg said the study had confirmed that "Participation in the policy making process is generally more likely among South Africans who trust the government than among citizens who do not feel they can trust the government."

It was also shown that the issues raised at public meetings would be the provision of services, the economy and safety and security in that order. This was more or less consistent over the nine provinces except for less concern about safety in the Free State and North West but more concern about safety in the Western Cape and Gauteng.

The more than 200 strong representative sample said it gleaned almost 60% of its information from the media with 25% coming from the community, 7% from political parties and less from local government.

Of the media, many respondents said they got most of their information from the radio (20%) followed closely by TV (18%), and trailed by newspapers (8%).

Liebenberg said that while the study had not yet fully interpreted the data collected, there were a number of recommendations to be made at this stage. The first was that the public needed to be provided with executive summaries of legislation before Parliament and this information should be communicated through the media, civil society organisations should be drawn into the law making process as early as possible, and protocols should be developed to govern the way in which government on any of the three levels should respond to public submissions.

It also suggested that parliamentary constituency offices should be "redefined as vehicles for improving public participation in governance." The functions of these offices needed to be defined and made clear who they were supposed to serve.

AD 8/6/99

(262)

Watchdog gets tough on finance

(Aba)
'Service delivery at risk'

PARLIAMENTARY BUREAU

ARU 25/6/99

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 1997-98 tabled this week in Parliament, Auditor-General Henri Kluever 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 Kluever 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 Kluever 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 1995-96 audit as the most recent statements had not been received in time. The summary included a litany of "more serious issues", including fruitless expenditure where rent was paid for unused accommodation, serious shortcomings in internal checking and control and unauthorised expenditure.

With some of the provinces, including Mpumalanga, Mr Kluever 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 Shilowa said the council faced the challenge of strengthening the role of provinces.

KwaZulu-Natal premier Lionel Mtshali 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 said 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 Mdalala, 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.

Enver Surty was elected the body's chief whip.

(262)

BD 25/6/99

NATIONAL COUNCIL OF PROVINCES OPENS

Call to push provincial interests

of 25/6/99 (262)

THE National Council of Provinces opened yesterday with provincial premiers promising to do their bit to help strengthen the role of the provinces in central government **ROBERT BRAND** and **ANDRE KOOPMAN** report

THE NCOP had not yet reached its full potential as an effective forum to represent provincial interests in Parliament, chairperson Naledi Pandor said yesterday.

Speaking at the opening of the NCOP, Pandor said the council had in its 2 1/2 years of existence improved the provincial input in national legislation. But some "important imperatives" remained to be resolved.

"We'll have to become an important forum for tabling provincial interests," she said.

The 54 permanent members of the NCOP were sworn in by Constitutional Court president Arthur Chaskalson, followed by the election of office-bearers.

Pandor, the ANC's nomination, was elected unanimously as chairperson, with Mabelde Lawrence Mshwana as deputy chairperson and Northern Cape Premier Manne Dipico as second deputy chairperson.

Provincial premiers who addressed the council said they would do their best to strengthen the house's function of giving provinces a role in central government.

The premiers of the nine provinces are "designated members" of the NCOP.

Among spectators in the packed public gallery and VIP boxes were a number of cabinet ministers — including Deputy President Jacob Zuma — and diplomats.

Premiers and delegates from minority parties took turns briefly to address the NCOP,

which is seen as Parliament's second "house".

Gauteng Premier Mhazama Shilowa (ANC) said the NCOP faced the challenge of strengthening the role of provinces in the national government.

KwaZulu-Natal Premier Lionel Mtshali said "provinces should take control of the NCOP and make sure it becomes the property of provinces, as intended by the Constitution."

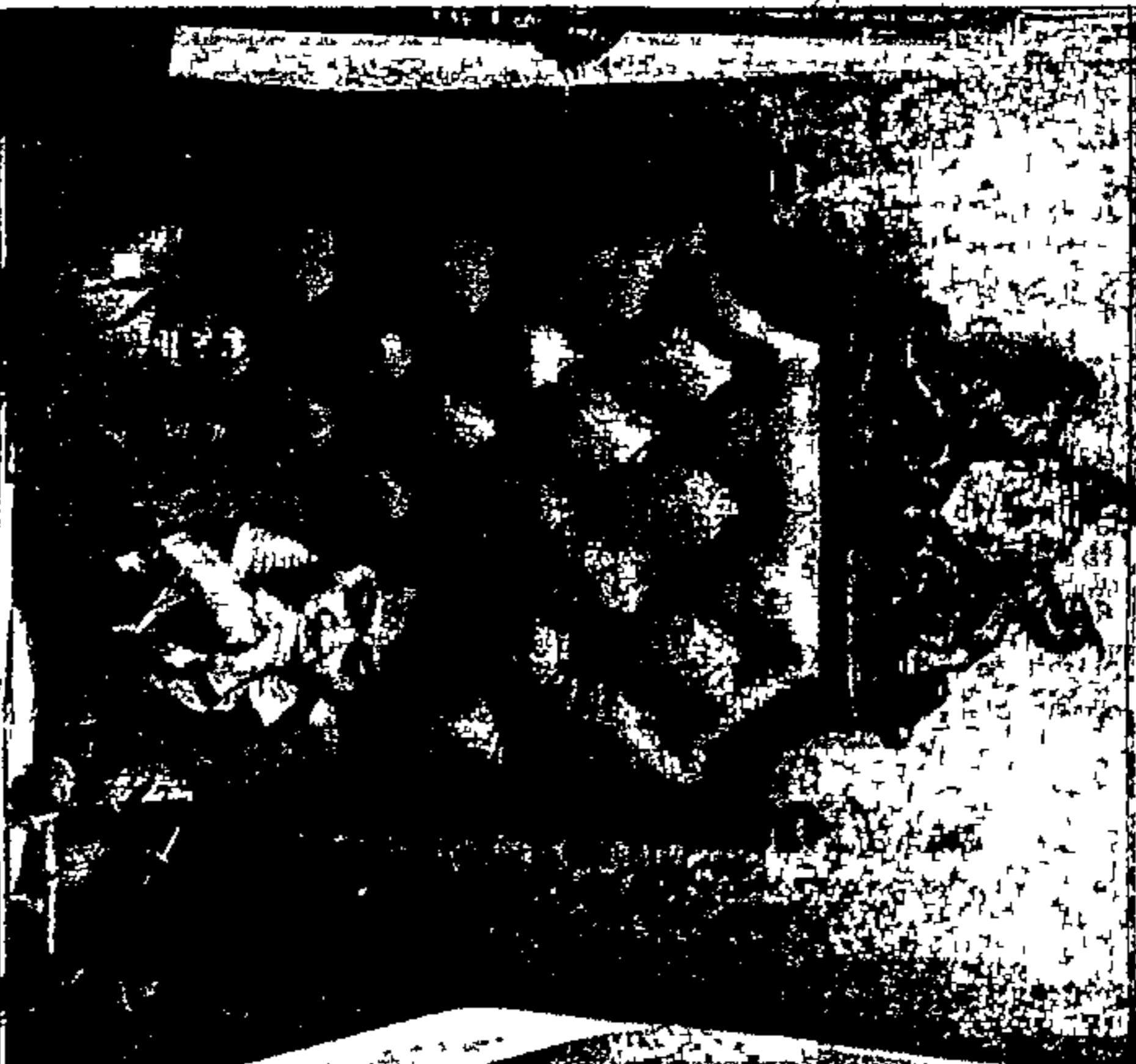
He suggested the NCOP should not just confine its activities to Cape Town, but seriously consider holding plenaries and committees in provinces from time to time.

North West Premier Popo Molote (ANC) said South Africa's second democratic Parliament was required to meet the need for accelerated change and transformation.

Western Cape NCOP member Niels Ackerman (NNP) spoke on behalf of Premier Gerald Moriel, who was not present, and said that as a member of the Western Cape delegation he was "proud" that Pandor had been elected as chairperson. He said she would carry out her role with "dignity and efficiency".

The NCOP should be a watchdog — provincial and local interests should not be sidelined since "overcentralisation often leads to bad government", he said.

Other permanent members of the NCOP from the Western Cape are N Ntwanambi (ANC), former NNP member A M Versteeg (now of the DP), J Witbooi (NNP) and former NP minister Kent Durr (now ACDP).



IN CHARGE: The ANC's Naledi Pandor takes the chair after being elected chairperson of the National Council of Provinces yesterday. **PICTURE: MUSAHIB SAPODIN**

Mahlangu isolated after 'politicians lie' statement

ROBERT BRAND

MPUMALANGA'S controversial premier, Ndaweni Mahlangu, did not attend the opening of the National Council of Provinces in Cape Town yesterday — and just as well, because he would have found little agreement from his colleagues on his views about lying.

Other premiers attending the sitting, and the newly-elected chairperson of the NCOP, Naledi Pandor, made it clear they did not believe politicians had a right to lie.

None of the premiers who addressed the house referred to Mahlangu. Neither did Pandor, but she drew applause when she opened her speech with a promise to perform her duties honourably, and added "Believe politicians can and must be honourable."

Mahlangu is at the centre of a political storm that broke after his remarks earlier this week that politicians who were caught lying to the public should not be axed or disciplined "because the practice is a widespread and accepted political technique".

Asked after the NCOP opening ceremony what he thought of Mahlangu's statement, Gauteng Premier Mhazama Shilowa said: "The ANC's response made it very clear that we are accountable to the people and have to act in an honourable manner. I agree with that response."

Northern Cape Premier Manne Dipico said Mahlangu's statement was "indeed unfortunate".

"I think politicians are expected to conduct themselves honourably. We need to reflect the integrity society has come to expect of us."

Referring to Mahlangu's explanation that US president Bill Clinton was an example of a politician who had lied but kept his job, Dipico said: "We can't use people who have lied as a measure or standard to

determine our own conduct."

The opening of the NCOP was attended by seven of the nine premiers, who are "designated" members of the council.

Mahlangu did not give a reason why he did not attend, NCOP chief whip Erwey Surry said.

"No reasons were given other than (an apology) for the inconvenience and the unavailability," Surry said.

Mpumalanga was represented by the speaker of the provincial legislature, William Lubisi.

Lubisi made no reference during his speech to the NCOP about the controversy surrounding his premier. In his short speech he merely congratulated the newly-elected chairwoman Naledi Pandor, and said he believed that under her leadership the NCOP would fulfil its rightful role.

Mahlangu earlier this week tried to justify his re-appointment of finance MEC Jacques Moodipane, who was previously suspended, pending an investigation into his alleged involvement in a loan scandal.

Mahlangu claimed that Moodipane had admitted to him, Mr. "he had lied about his involvement, but said he did not believe these were sufficient grounds to prevent a politician from holding public office."

When his remarks caused an outcry, he backed down and claimed they were taken out of context, but nevertheless apologised to the ANC for causing embarrassment to the party.

ANC chief spokesperson Simons Nkonyama said it was his party's long-held position that all public representatives and leaders should always uphold the highest standards of morality.

"It must be the hallmark of any leader to be honest and truthful at all times." Although Mahlangu's comments were taken out of context, the ANC acknowledged that the premier's statements were "inappropriate, unfortunate and unacceptable". Nkonyama said

of 25/6/99 (266)

of 25/6/99

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**

(262) (123) BD 24/6/99
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 uncontested land, in particular 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.

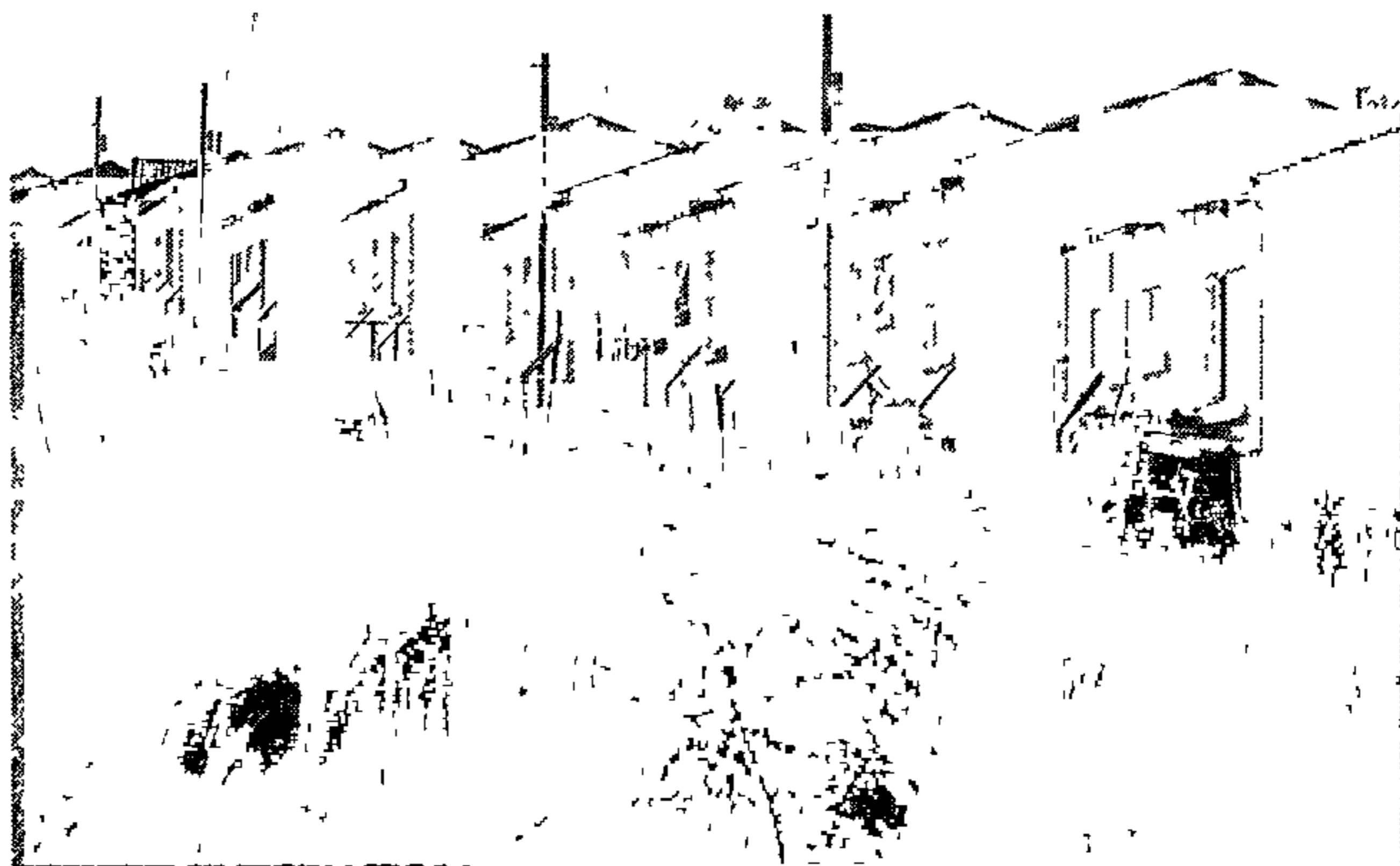
Second, better-off households do not want low-income households with a lesser standard of services as neighbours, as they are worried about defending their property values. Thus they act to drive low-income households away to the urban periphery.

Third, the constitutional development department's infrastructure subsidies are provided without regard to their spatial development implications. 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, but failed to do so.

Provincial housing boards not only do not have an integration policy, due to their



Government's housing programme may serve to undermine low-income communities rather than empower them

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. This 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 in the 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 invasion. 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 fringe 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 exerted 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.

Parties criticise timing of chiefs' salary increases

(262)
Opposition accuses government of bribing SA's traditional leaders

BD. 12/4/99

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, Mpumalanga, 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 1.

"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 Africanist Congress spokesman Mike Muendane 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.

Muendane 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 Musibudi Mangena echoed Holomisa and Muendane'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 IFP, the institution of traditional leadership should be recognised as a different form of government within municipalities.

Contralesa chairman Pathekile Holomisa said traditional leaders were public office bearers and that they should enjoy the privileges that went with their position.

Pathekile 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.

There was also the issue of herdsmen who had not been covered by the salary increase.

Pathekile 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

(262)

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 Ronnie 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 R1 335 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 R1 335 a month. The demand has since been dropped to 11,1 percent.

Ronnie 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.

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and location of the attack.

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(262) PIS REUTERS

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 Valli 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 guaranteed percentage would

be progressively scaled down, he said. He added that most metropolitan and larger urban municipalities received the guaranteed allocations, while most rural towns received larger allocations than in the past

The Government had encouraged municipalities to use "equitable share" in ways that were consistent with the set goals. A sum of R181 million was paid to provinces as a conditional grant to "selectively support those municipalities struggling to adapt"

The 1999-2000 financial year was the second year of "phase-in" of the new intergovernmental transfer system. The "equitable share" allocations to municipalities for the year was

about R1,226 million for organised, as the management support programmes

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 fiscal 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

R30-m to revamp local government

(262)
By PRINCE HAMNCA
City Editor

Shax 20/4/99
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 Silas

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

ARG 22/4/99

(262)

Umtata - A R108,9-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 it was the first time they had heard about it.

The USAID project would give

municipalities grants of between R60 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

RASOOL NOMINATED FOR WESTERN CAPE

ANC axes three premiers

THE AFRICAN NATIONAL CONGRESS axed three of its premiers yesterday when it announced the party's candidates for premiers in the forthcoming election. Political Correspondent ANDRE KOOPMAN reports.

GAUTENG premier Mathole Motshega was ousted in favour of Cosatu chief Mbhazima Siam Shilowa, while Free State premier Ivy Masepe-Casaburri is to be replaced by National Council of Provinces member Winkie Dineko.

Mpumalanga premier Mathews Phosa who, like Motshega is a popular grassroots leader, was axed in favour of the relatively unknown Johannes Mahlangu, ANC member of the National Assembly and former homeland politician. ANC secretary-general Kgalema Motlanthe announced the premier candidates at a media briefing yesterday.

The three have faced serious challenges to their authority within their provinces and have apparently fallen out of favour with the organisation's top leadership, intent on preserving unity before the elections.

Phosa, who put up a tough fight to retain his position in the ANC-safe province until very recently, seemed to be successfully battling his detractors. But yesterday he accepted his defeat gracefully.

ANC Western Cape leader Ebrahim Rasool was nominated as the party's premier candidate in the province, ending weeks of speculation. Rasool said last night he was excited by the news, and appreciative of the national confidence shown in him, after rumours of challenges to his candidacy.

Sibu Ndebele is the candidate in the province governed by the Inkatha Freedom Party. The Northern Province's Ngoako Ramathodi, Manne Dipico of the Northern Cape, Popo Molele of the North West and Mahkenesi Stofile of the Eastern Cape are to retain their posts, if the ANC wins in those provinces.

The ANC changed its rules last year to enable the party president to

appoint provincial premiers, and came under fire from opposition parties last night for exerting centralised control on the provinces.

Rasool's nomination as premier followed about two weeks of speculation about the appointment and rumours that the announcement yesterday was held up because of the Western Cape candidate. He was not at the Gauteng media briefing. The Western Cape leader's reputation as a tireless worker and a solid hands-on leader who managed to quell a factionous province were factors which may have swayed the vote in his favour.

National ANC leaders were concerned about whether a Muslim leader could wrest control from the NNP in a province where the coloured Christian vote will be the deciding factor.

While he is a devout Muslim, the squeaky-clean Rasool has managed to build up a profile which goes way beyond his beliefs.

He has worked hard towards religious unity, at one time serving as chairperson of the multi-faith World Conference on Religion and Peace. He is well respected by the Jewish community and has been brave enough to take unpopular positions in the Muslim community, particularly against vigilante organisations and urban terror.

Rasool also authored the ANC programme of building unity in action, thereby facing the coloured/African question head-on. Consequently the party made massive gains in the coloured community.

While Rasool is not known as a charismatic leader, the ANC national leadership was impressed by the fact that he won nine by-elections in succession with his "Nat-Attack" strategy, taking two seats from the Nats and retaining the others with



DREAM TEAM. The ANC's premier-candidates (back row) Ngoako Ramathodi, Northern Province, Manne Dipico, Northern Cape, Johannes Mahlangu, Mpumalanga, Mbhazima Shilowa, Gauteng, and (seated) Popo Molele, North West, Winkie Dineko, Free State, Sibu Ndebele, Kwazulu-Natal and Mahkenesi Stofile, Eastern Cape. Ebrahim Rasool, Western Cape (inset), was unable to attend yesterday's proceedings.

increased majorities.

He said shortly after the announcement that he was "excited" by the news and that "it puts a little more focus on our main objective, which is to win the election."

"The ANC was the only organisation that could pull all the constructive forces in the Western Cape into a mighty transformation alliance, which will set about the task of uplifting the poor in coloured and African communities."

Asked whether he would be able to win over the large group of undecided voters, Rasool said he believed it was more achievable in this election than it was five years ago, because "fears injected into the coloured com-

munity by the NNP then have not materialised."

Voters were now looking at what parties could deliver. And many NNP supporters had not registered, he added.

In its reaction, the NNP said in a statement: "With the selection of premier — a centralised decision by the Mbeki decision-making elite — the ANC-SACP-Cosatu alliance walked a tightrope between getting rid of some corrupt and incompetent individuals, and appointing individuals with dubious credentials."

Douglas Gibson of the Democratic Party said he was "disgusted at the contempt with which the ANC national executive treats the people

of South Africa."

"It is fundamentally undemocratic that the ANC central executive should be the body which appoints premiers in provinces with no reference to either the people of that province or the members of that province's legislature."

Ebrahim Rasool was acclaimed as one of the most hard-working and effective health MECs when he held the post until last year. He was able to work with his NNP political opponents to get things done, and to deliver services, especially to poverty-stricken areas, with the primary health care plan which he pioneered. Even NNP firebrand Peter Marais, who succeeded Rasool, praised his

tenacity and said he was merely implementing his plans. In putting out corruption in his department, Rasool saved the province more than R50 million.

Rasool, an effective back-room mover, also built up a solid reputation in the province, which started in the early 80s as a UDP organiser who was always in the forefront when the time came to man the barricades.

He was a target of apartheid repression, and was detained for about 16 months, and spent another 18 months in solitary confinement. He was also under house arrest for a long time until he with other UDP leaders like Trevor Manuel, unbranded themselves.

ET 23/4/99

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PICTURE: ANTON HAMMERT

ANC stunned over axed premiers

Wally Mbhele and Makhosini Nkosi

There was stunned silence at an African National Congress national working committee meeting this week when Deputy President Thabo Mbeki announced his decision to axe both the Gauteng and Mpumalanga premiers

Gauteng Premier Mathole Motshelga was summoned to Mbeki's Johannesburg office this week where he was told of his fate. Mpumalanga Premier Mathews Phosa learned of his sacking from colleagues who attended the meeting, and by Thursday had yet to be informed by the ANC.

The ANC has not formulated a strategy to sell its controversial decision to its branches. According to sources, the ANC initially agreed that before a decision would be taken on the premiers, provincial party structures would be informed and afforded an opportunity to debate the suggestions.

The level of hostile demonstrated against Phosa, said sources, surprised many leaders who attended the committee meeting. But they failed to question Mbeki. The only exception, according to insiders, was Minister of Health Nkosazana Zuma. She refused to accept the decision and asked probing questions. Zuma is un-

derstood to have demanded reasons, particularly for Phosa's dismissal.

Sources say Zuma was told that Phosa has been the main source of divisions engulfing the ANC in Mpumalanga. The little-known former KwaNdebele homeland cabinet minister Nomavovo Mahlangu was then identified as the best candidate to heal the divisions.

Sources said when Zuma asked where Phosa would be deployed following his axing, Mbeki indicated that he would deploy him to the National Assembly.

In what some committee members considered a personal attack against Phosa, the meeting was also told that — for the record — it should be stressed that Phosa had never been the ANC's head of legal affairs but had appointed himself to that position. A South African Communist Party member then said Mathole's dismissal will offer "a breath of fresh air".

The dismissal of Motshelga and his replacement by the Congress of South African Trade Unions' leader, Mhazama Shilowa, has angered ANC Gauteng regions. Motshelga recently received the highest number of nominations from ANC branches for the election list.

A source in one of the Gauteng regions said Motshelga's sacking



Sacked: Gauteng Premier Mathole Motshelga's dismissal has angered certain ANC branch members. PHOTOGRAPH: MADINE HUTTON

(262)

MTC 23-29/4/99

could lead to a boycott of the June 2 elections by branches if the ANC did not manage his departure well.

"The comrades at national level did not consult us on the reason why they decided to fire Mathole. We feel completely left out of the process. As far as we are concerned, the man was still trying to stand on his feet. This is outrageous," he said.

However, the East Rand region,

which was Motshelga's stronghold when he was elected premier in 1997, may not support him now.

"It does seem that we made a mistake by supporting him. The man just doesn't have what it takes to be a leader at such level. It is up to Mathole to prove that he is a disciplined cadre of the movement. He must tell his supporters to throw their weight behind the new premier," an

East Rand ANC source said. Before his axing, Phosa's future has been hanging in the balance pending the outcome of an ANC investigation into divisions in Mpumalanga. However, it is not clear whether the outcome of the probe was tabled at Tuesday's meeting. The inquiry — headed by ANC MP Nosiviwe Maphisa-Ngakula — has recommended that Phosa be redeployed.

Mpumalanga is likely to pose problems for the ANC. A week ago the province's ANC structures unanimously affirmed their confidence in Phosa when his principal political rivals were axed from the provincial working committee.

"Something has really gone mad in the ANC," said an Mpumalanga provincial leader on Thursday. "All these years they were quiet and happy when Phosa issued press statements in his capacity as the organisation's legal head. Why was he not called to order, or is it only a matter of political opportunism to say so now?"

It is understood that Phosa told his confidantes he'll survive what happened this week. "He said he does not want to provoke or be provoked. He believes there's life after politics. He said he's going to thank President [Nelson] Mandela for giving him the opportunity to serve the people," a friend said.

Service delivery opened up

CT (BR) 29/4/99 (262)

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 es-



VITAL SERVICE Monhla Hlahla, chief executive officer of the Municipal Infrastructure Investment Unit (MIIU)

ablished

"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 diversity 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 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."