

LOCAL GOVERNMENT INFORMATION SERIES



DEPARTMENT OF
CONSTITUTIONAL
DEVELOPMENT



the WHITE PAPER on LOCAL GOVERNMENT

issued by
the Ministry for Provincial Affairs
and Constitutional Development

MARCH 1998

A SHORT GUIDE TO THE WHITE PAPER ON LOCAL GOVERNMENT

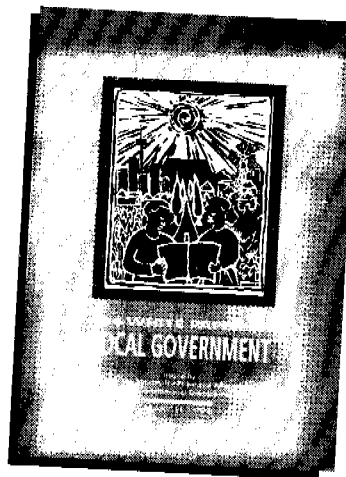
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Introduction

About this guide

This guide is a short introduction to the White Paper on Local Government, first published in March 1998. The White Paper contains the government's vision of a new local government system for South Africa and how to achieve this vision.

This guide does not cover everything that is in the White Paper. It only summarises the most important matters – the key issues. For more details, the reader should get a copy of the White Paper. It is available at the following places:



**Department of Constitutional
Development**
P Bag X802
Pretoria

**87 Hamilton Street
(corner of Hamilton and Proes)
Arcadia
Pretoria**

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Explanations of key words



Some of the words in this guide are **bold** and marked with an asterisk *. You can find explanations of these words where you see the **key**.

What is the White Paper on local government?

The present local government system is a **temporary** (transitional) system. It is intended to take us from the old apartheid system to a new, democratic system. It is the government's task to ensure that a new system is in place by the time the next local government elections take place in 1999.

The White Paper is the plan for the new system of local government. It was developed by the Ministry for Provincial Affairs and Constitutional Development after months of research and discussions with everyone concerned. It says what kind of local government system we want, and how we can achieve it.

Of course, it is not enough just to have a plan. Further steps will have to be taken to put the plan into action. Laws will have to be passed, new boundaries will have to be demarcated, new programmes will have to be developed, and people will have to be trained in new approaches to local government.

The White Paper provides us with a map which we can follow to make sure we reach our destination - a new, democratic system of local government which will take us into the twenty-first century.

What is local government?

Local government is the level of government which closes to the people. The area of local government is **the municipality**. The residents of the municipality elect a **municipal Council** to represent their interests. The municipal council is responsible for ensuring the delivery of affordable basic services to everyone and for promoting economic and social development in the area.

SECTION A

The current reality

Section A of the White Paper looks at where we are today – the problems and challenges we face. Many of these problems come from our history. Apartheid separated everyone into racial areas. Most of the wealth remained in the white areas



while the majority of people lived in areas with few opportunities, few services or facilities and no way of raising money to improve the quality of life. In the 1980s, people resisted this unjust system and their struggle helped to bring about the end of apartheid.

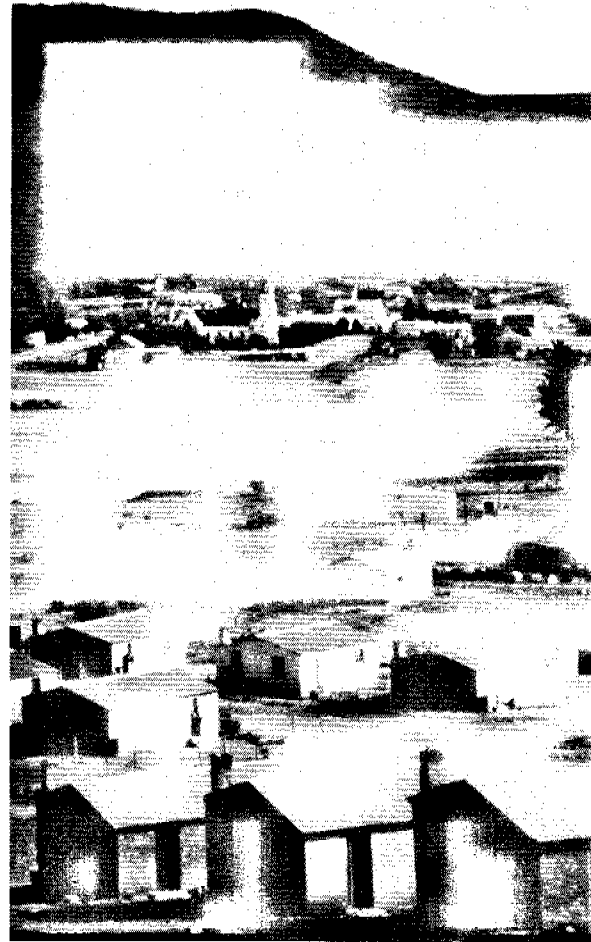
Our present transitional system of local government is based on agreements reached during the negotiations. The transitional system has removed the old racial barriers - we now have single municipalities, not divided along racial lines. However, some problems remain. For example:

- The old problem of inequality remains: some areas are wealthy while many still do not have basic services
- There are equal quotas for ward seats from previously white and black municipal areas. This is not fair because the previously black areas have much larger populations
- There are fixed majorities required for voting on budgets and planning decisions
- Some Councils are working well, but many are struggling and are not able to deliver services to their communities. The new system must revise the types and number of Councils to ensure that they are fully able to perform the functions of local government.

Apartheid settlements

We are left also with the problem of **apartheid settlements** which were designed not for development, but for separation and control. There is a big divide between rural and urban settlements. Our cities and towns are badly designed - the poorest people live furthest from work, and from services and facilities. In our rural areas, millions of people living in former homelands have little or no access to economic opportunity or to basic services. Small rural towns do not serve the needs of the majority of people living on the land around them.

The new system of local government will have to address these apartheid settlement problems. It will have to ensure that all areas are brought into the mainstream of development – especially those areas which were historically disadvantaged.



In short...

The new local government system must address the inequalities and backlogs of the past and ensure that everyone has access to basic services, to opportunities and an improved quality of life. Our people demand this, and our Constitution repeats this demand. We must have **developmental local government**.

SECTION B

Developmental local government

Section B of the White Paper looks at what development means. It describes the kind of leadership which Councils must provide and the kind of relationships which municipalities need to build with communities, organisations, business and others who can contribute to the development of the area. It also describes integrated development planning – the new approach to planning which will assist municipalities to fulfil their developmental role.

What is developmental local government?

Our Constitution spells out the role of local government in democratic South Africa. Local government must be **developmental***. This is a big new challenge for local government.

In the past, local government was mainly concerned with providing services to white communities and with such things as traffic regulation, issuing licences and looking after parks and recreational facilities.

Now local government must ensure that all communities have access to basic services, that everyone can participate in decision-making and planning, that the local economy grows, that job opportunities increase, and that local resources are used wisely to improve the quality of life for everyone, now and in the future.



*Development —
Improving the quality of life of everyone*



Developmental government is government whose main aim is to promote the economic and social development of the community. This includes things such as ensuring that everyone has access to basic services and that steps are taken to promote sustainable job creation.

The key development roles of a municipality

Developmental local government is government which works with the community and all those who have a role to play to promote **sustainable*** economic and social development. This means that local government must:

Provide community leadership

The municipality must work with all sections of the community to build a shared vision and to set goals for development. Once there is a shared vision and goals, the municipality needs to work hand-in-hand with the community to achieve the vision and goals.

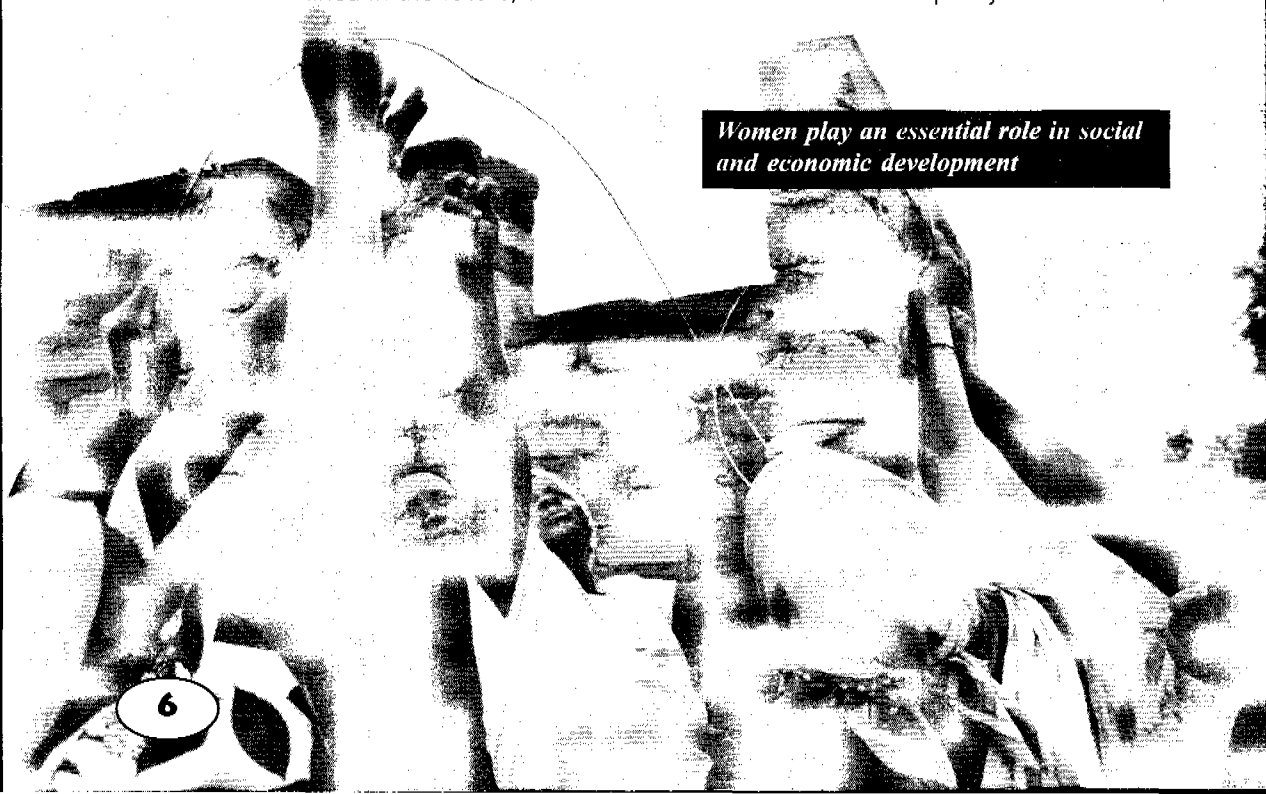
Promote social and economic well-being

A municipality needs to ensure that all of its plans, policies, programmes and actions will lead to economic and social development and a better quality of life for all – particularly those historically disadvantaged.



Sustainable development is development which can be sustained or continued into the future. In order for development to be sustainable, it must be built on solid foundations. Short-term solutions will count for nothing if tomorrow there is nothing to show for them. New projects must be properly operated and maintained in the future, and there must be the funds and capacity to do this.

Women play an essential role in social and economic development



Co-ordinate and integrate* all efforts to develop the area

All available resources – human and material - will be needed to achieve development goals. A developmental municipality must keep open the channels of communication with other spheres of government and build partnerships with civic, private and public organisations. It must ensure that all efforts and contributions work together to achieve the common goal of development.

Promote and build local democracy

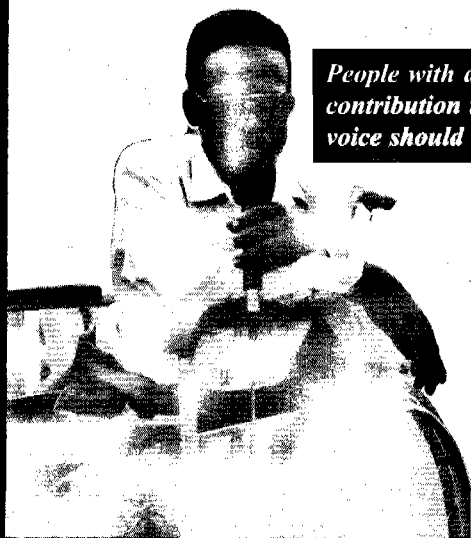
The municipal Council represents the interests of the community. It must involve the local citizens and groups in decisions and processes which affect them. It must take special measures to ensure that those people who are often left on the side-line – like women heads of households, people with disabilities and youth – are able to participate.



Integrate means to bring together all the different plans, efforts and contributions so that they work to achieve the shared vision and goals of the community.



Senior citizens should not be left out



People with disabilities have a contribution to make. Their voice should be heard



Youth involved in community clean-up

What should developmental local government achieve?

Some of the key aims of developmental local government are:

To provide basic household infrastructure and services

Everyone in the area should have basic, affordable services – things such as access to clean water, waste removal and sewerage.

The Consolidated Municipal Infrastructure Programme (CMIP) is a national fund to assist municipalities to build the infrastructure needed for these services – things such as pipes, reservoirs and sewage treatment plants.



To plan for integrated cities, towns and rural areas

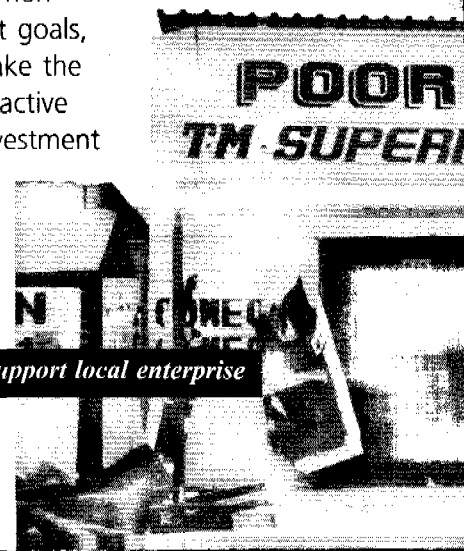
Apartheid divided our settlements along racial lines. Municipalities must plan to remove these divisions. Integrating our areas will bring down the costs of transport and services and improve access to job opportunities and recreational facilities. It will make our cities, towns and rural areas better places to live and will bring our previously divided communities together.

To promote local economic development

Municipalities cannot on their own provide jobs or create wealth. However, they can plan to ensure that the full economic potential of the area is developed. This will help to ensure that there are more jobs, more opportunities and more wealth.

For example, municipalities can ensure that when they buy goods and services, they buy from developing local businesses. When they build infrastructure, they can use people rather than machines where this is possible. They can provide support and information to small businesses or ensure that local businesses have access to organisations and programmes which can assist them. By providing sound leadership and uniting the community around common development goals, they can make the area an attractive place for investment and promote growth.

Municipal planning can support local enterprise



How can municipalities become more developmental?

Two essential tools for developmental local government:

1

Integrated development planning

Good planning is essential to development. Integrated development planning is a planning process specially designed to enable municipalities to plan effectively for development in their area. It involves:

- Working with the community to assess community needs
- Developing a common vision and setting priorities and goals
- Assessing what resources are available
- Designing programmes and projects
- Making sure that municipal programmes work together with other municipalities and provincial and national programmes
- Making sure that plans for different sectors (such as water, housing, waste, transport) work well together
- Proper financial planning and budgeting
- Plans for implementation
- On-going monitoring and evaluation of programmes to ensure that they are on track.



IDPs
All municipalities have to produce integrated development plans (IDPs). The Department of Constitutional Development has produced a manual to help municipalities get started.

2

Performance management

Municipalities need to measure their performance to ensure that they are achieving their goals. In order to do this, they need to set Key Performance Indicators (KPIs). These are targets which they can use to check that programmes are on track and that resources are being used efficiently. Community groups should be involved in setting KPIs – this will help to build commitment throughout the community to common goals.

Over the next few years, a national performance management system will be developed, based on the experiences of municipalities. This will help to identify problems and address them before they become crises.

Community Participation

Municipalities have a duty to involve local citizens in municipal affairs and to build local democracy. Citizens should be involved in planning and policy-making and as partners in development programmes.

**In short...**

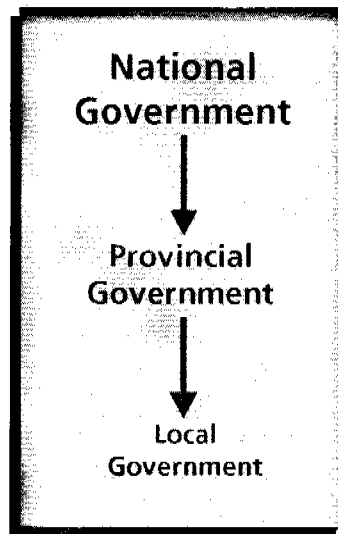
Developmental local government means strong leadership, clear vision, maximum participation by the community, the private sector and all stakeholders to meet the basic needs of all and build solid foundations for growth and lasting prosperity.

SECTION C

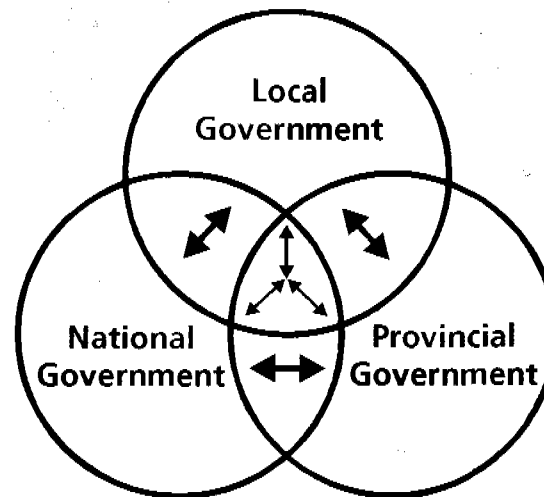
Co-operative government

Section C of the White Paper looks at the relationship between national, provincial and local government. Under our new Constitution, each of these spheres of government must work together in a spirit of co-operation and support each other.

**The previous system..
TOP-DOWN**



**The new system..
CO-OPERATION
BETWEEN SPHERES**




The development challenges facing local government are enormous. But municipalities are not on their own. Local government is just one part of a new, co-operative system of government in South Africa. Municipalities are supported in their task by national and provincial government. And, in their turn, municipalities support provincial and national government. Working together, these three spheres of government can better achieve the aims of development.

Key roles of the three spheres of government

	National	Provincial	Local
Development planning	Responsible for developing the overall framework for social and economic development in the country.	Responsible for developing a development framework for each province – called the Provincial Growth and Development Strategy.	Municipalities are responsible for developing development plans for their areas – called integrated development plans. These IDPs must work together with the Provincial Growth and Development Strategy.
Laws and regulations	Responsible for developing the overall legislative framework (the laws) for local government. The White Paper is part of this law-making process.	Pass laws and regulations for local government – in line with national laws – to meet provincial and local needs.	Make local by-laws and regulate land use, local tariffs, street trading, etc.
Capacity building	Responsibility to build the capacity of municipalities so that they can manage their own affairs and perform their functions effectively.	Provide municipalities with training and capacity building. They will work through provincial training structures and organised local government. They will also offer technical assistance for such things as developing IDPs.	Municipal Councils have a duty to develop their staff through training and other measures.

Finance	Manage the system of intergovernmental fiscal relations* . It will pass laws on matters such as municipal budgets and the 'equitable share'* of national revenue to go to municipalities.	Monitor the financial health of municipalities, and intervene if finances become unsound.	Municipal Councils are responsible for producing five-year financial plans and annual budgets, setting tariffs, metering services, credit control, collecting revenue, targeting the "equitable share" to the poor, etc.
Monitoring	Produce an overall system for monitoring local government to ensure that information is accurate and that there is no duplication in reporting.	Monitor municipalities, according to the national monitoring system. This is to ensure that there are high standards of government and public service.	Set key performance indicators and report regularly on them.
Intervention	May provide guidelines for intervention when municipalities experience difficulties, and may itself intervene as a last resort.	Can intervene if a municipality fails to fulfil its constitutional duties. If a provincial government takes over a municipal function, it must ensure that the Council can resume responsibility for that function as soon as possible.	Take corrective action according to MEC recommendations or instructions.

 **Intergovernmental fiscal relations** - the transfer of money from national to provincial and local government.

'Equitable share' - the Constitution states that municipalities are entitled to receive a share of national revenue. National government will determine what this share will be.

National and provincial programmes

National and provincial departments have programmes which affect municipalities directly. For example, the Department of Water Affairs and Forestry's Community Water and Sanitation Programme, and the Department of Land Affairs' planning grant to assist municipalities to do their land development objectives / integrated development plans.

Municipalities can assist with the delivery of these programmes. At the same time, these programmes can build the capacity of local government and form part of the municipality's own development programme.



Water project - Eastern Cape

Also, some national and provincial departments are **decentralising*** certain functions to local government. This means that municipalities will have additional, new functions.

In order for national, provincial and local government to co-operate effectively in the delivery of programmes:

- National and provincial departments should work directly through and with local government
- National and provincial programmes should be built into municipal IDPs
- **Local Government MINMEC*** should co-ordinate any decentralisation of departmental powers and functions to local government – this will ensure that there is adequate funding for local government to carry out additional functions.



Decentralise – hand over a function to a local body which is better able to perform the functions efficiently and effectively.

Local Government MINMEC is a national committee dealing with all matters affecting local government. Its members are the Minister for Provincial Affairs and Constitutional Development, the nine provincial MECs for local government and SALGA.

Co-operation between municipalities

Municipalities can gain a lot by building relationships with each other.

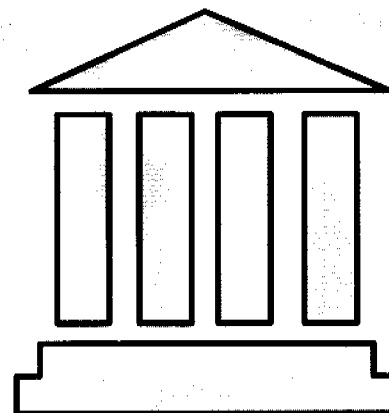
For example, they can:

- Exchange learning experiences
- Share staff and technology
- Undertake joint investment projects
- Collectively purchase things such as equipment, bulk services and advisory services
- Provide services to each other.

ORGANISED LOCAL GOVERNMENT

The South African Local Government Association (SALGA) is the national body representing local government. It has nine provincial associations. These bodies can promote co-operation between municipalities. They can also give a voice to local government through their representation on the National Council of Provinces (NCOP) and Local Government MINMEC.

Also, SALGA is an employers' association which can build constructive relations with municipal unions and contribute to good labour relations.



In short...

Working together, national, provincial and local government can more effectively promote national development, make the best use of available resources and ensure good government and high standards of public service.

Section D Institutional systems

Section D of the White Paper looks at the three different **categories** of municipality and the different **types** of municipality in each category.

The categories of municipality

The Constitution establishes three categories of municipality.

Category (A)	A municipality that has exclusive municipal executive and legislative authority* in its area
Category (B)	A municipality that shares municipal executive and legislative authority in its area with a Category (C) municipality within whose area it falls
Category (C)	A municipality that has municipal executive and legislative authority in an area that includes more than one municipality

National government will set the **criteria*** for when an area should have a category (A) municipality or both (B) and (C) municipalities.

The types of municipality

In each of these categories there can be different types of municipality. National government will decide what these different types will be. Provincial government will decide which types of municipality will apply in the province.



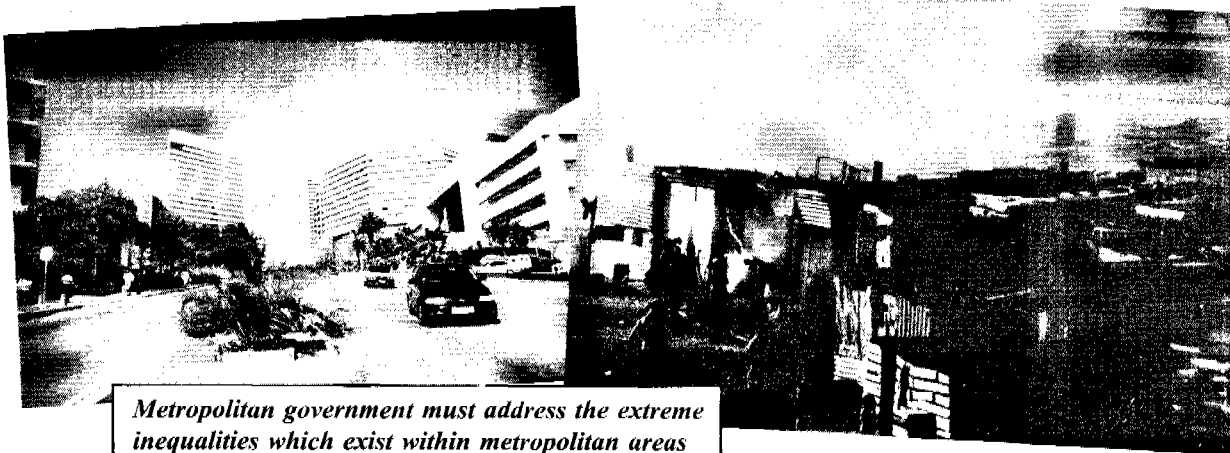
Executive and legislative authority - the powers to make policy and implement national and provincial laws and municipal by-laws

Criteria - the rules or conditions which have to be followed when making choices about different categories of municipality

Metropolitan areas

Metropolitan areas are large urban areas with large populations. There are six metropolitan areas in South Africa: Greater Johannesburg, Greater Pretoria, Cape Town, Durban, Lekoa-Vaal and Kayalami

These areas need special arrangements for government. Metropolitan government can provide the necessary overall management of these large urban areas. This is needed to promote economic and social development for the whole area – separate municipalities tend to be interested only in their own area and not in the metropolitan area as a whole. It can also ensure that the wealth of the whole area is used for everyone's benefit – particularly for those who have been historically disadvantaged.



Metropolitan government must address the extreme inequalities which exist within metropolitan areas

The White Paper proposes two different types of metropolitan government:

- 1. Metropolitan government with Ward Committees.**
- 2. Metropolitan government with Metropolitan Substructures.**

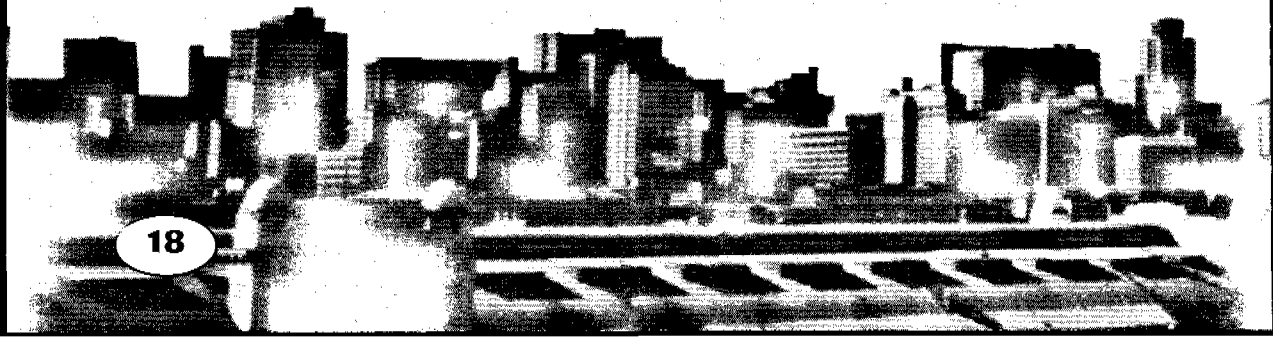
Provincial government will decide which of the two types will apply in the province.

The two types of Metropolitan government

1 Metropolitan government with Ward Committees

In this type of metropolitan government, the Metropolitan Council will have all powers over municipal functions. It can decide to manage all functions itself or it can **decentralise*** (p14) some functions to local units. It can decide how to organise its administrative capacity.

Ward Committees will be established at ward level to ensure that local residents have access to metropolitan government. The Ward Committees must strengthen accountability to local communities. The Metropolitan Council will decide what powers and functions Ward Committees will have. Ward Committees should play a role in determining local needs and priorities – an important part of IDPs. They should be consulted on matters affecting the local area.



2**Metropolitan government with Metropolitan Substructures**

The Metropolitan Council will organise its administrative capacity in a decentralised way through Metropolitan Substructures. Substructures are subcommittees of the Council for a particular area. They are composed of ward and proportional representation Councillors for that area. The Metropolitan Council will decide which powers and functions to decentralise to these Substructures. This can include most direct service delivery functions such as refuse collection and sanitation, and local planning decisions. The Council may decide to keep responsibility for some services such as water supply or electricity – or, it may share these functions with Substructures.

The roles of Metropolitan government

Metropolitan government must:

- **Promote equity and social justice**
- **Ensure that the tax-base benefits everyone in the metropolitan area**
- **Plan for the metropolitan area as a whole so that apartheid fragmentation is reversed, economic efficiency is increased and social integration is promoted**
- **Promote local democracy by facilitating the participation of citizens in the government of their local areas and of the whole city – Ward Committees and Substructures will have a vital role to play in building democracy**
- **Provide efficient and effective services – as a priority, basic services must be provided to those who do not yet enjoy them.**



District government

All areas outside of metropolitan areas will have District government (category (C)) and local municipalities (category (B)). National legislation will decide how powers and functions will be divided between the District Council and the local municipality.

The non-metropolitan areas have a very wide range of settlement types – from large secondary cities to scattered rural areas. District government is necessary to ensure planning and development for the whole district, as well as to assist those local municipalities which do not yet have the capacity or a big enough **tax-base*** to deliver all municipal functions.



Tax-base – the sources of revenue from which a municipality can raise money to perform its functions. This includes shops, businesses, property owners who pay rates, etc.

Bulk infrastructure – the piping, cables and other equipment needed to deliver large quantities of water, electricity or gas to central points in a municipal area. From these points, more infrastructure is needed to deliver the water or electricity directly to the users.

Roles of District government

- Plan integrated development for the whole district – District Councils will have to develop IDPs for the whole district. This will ensure that municipal IDPs work together with national and provincial programmes to develop the whole district.
- Provide bulk infrastructure* - District Councils will be able to raise funds for this through establishment levies (the old RSC levies).
- Provide technical assistance to weaker municipalities
- Provide services in those areas where municipalities are unable to do so because of small tax-bases or low demand for services.

Category (B) municipal Councils (local Councils)

In District government areas there will be three types of category (B) municipality.

- 1. Urban municipalities**
- 2. Amalgamated urban-rural municipalities**
- 3. Rural municipalities**

1

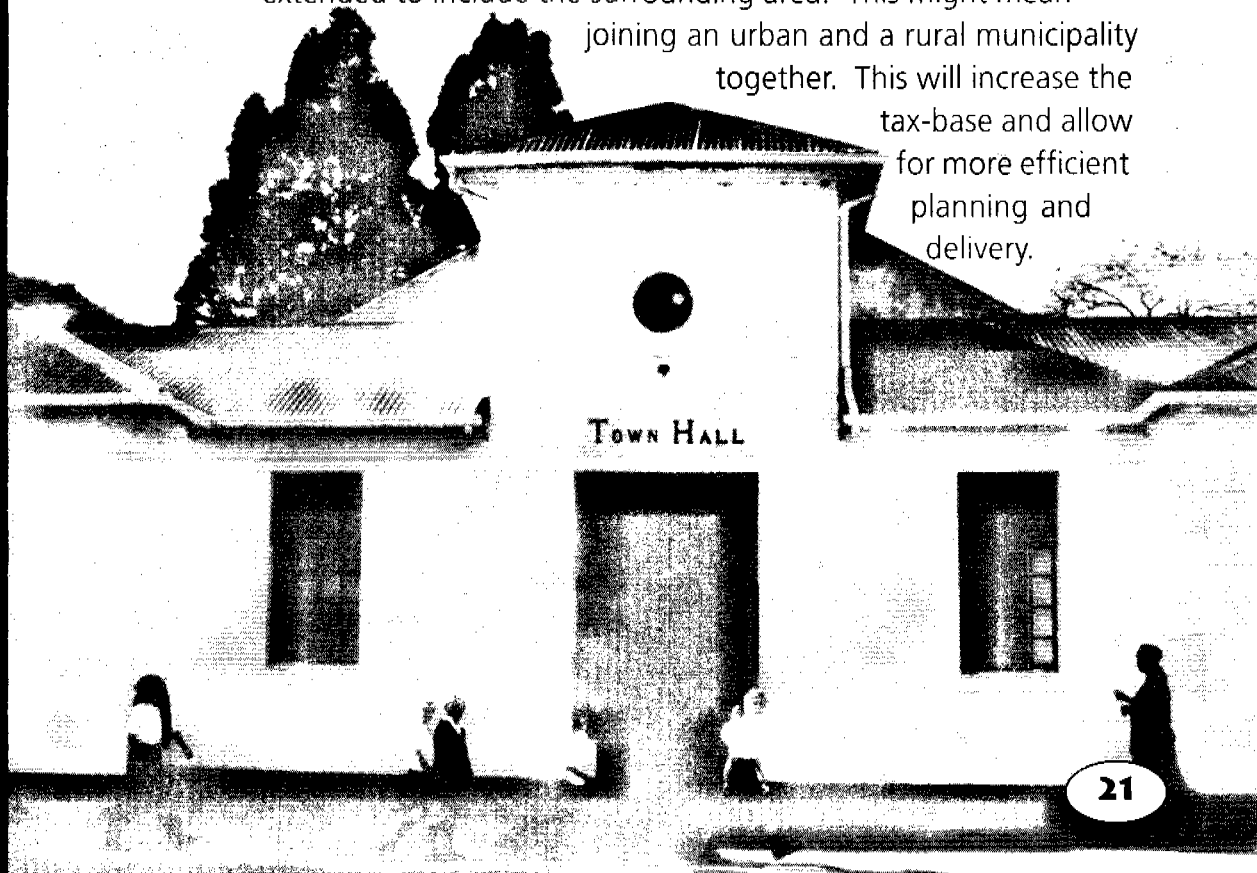
Urban municipalities

Most towns and cities will have urban municipalities with the responsibility to provide all municipal services. Informal settlements and other settlements on the outskirts of these towns will be brought within the municipal area.

2

Amalgamated urban-rural municipalities

In some cases, the boundaries of an existing municipality will be extended to include the surrounding area. This might mean joining an urban and a rural municipality together. This will increase the tax-base and allow for more efficient planning and delivery.



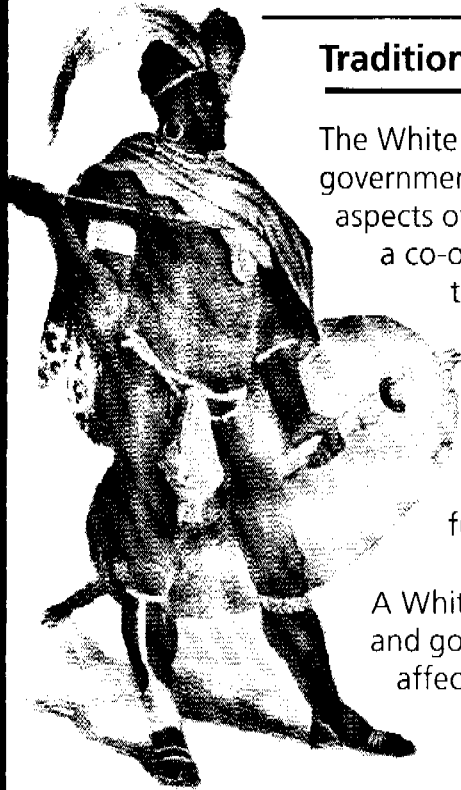
3**Rural municipalities**

There is a large variety of rural settlements in the country. The capacity of municipalities in these areas varies from good to very poor. The White Paper proposes that all rural municipalities will begin with a basic set of powers and functions. The remaining powers and functions will be carried out by District government. When a rural municipality's capacity increases, it

will take on more powers and functions. The stronger rural municipalities might be able to take on a wide range of powers and functions immediately. Others will do so over time, as their capacity develops.

In a very few areas with tiny populations spread out over a wide area, a category (B) municipality might not be possible. In these exceptional cases, special arrangements will be made to ensure that residents are represented through the District Council.





Traditional leadership

The White Paper deals with the relationship between local government and traditional leadership – not with other aspects of traditional leadership. The White Paper proposes a co-operative relationship between municipalities and traditional leadership. Traditional leaders will have representation on local and District Councils, to advise on the needs and aspirations of their people. This role is different from the role of voting by Councillors. Provincial government will play a role in deciding what ceremonial functions should be given to traditional leaders.

A White Paper on Traditional Affairs is being prepared and government departments are addressing issues affecting traditional leadership.

At present there are 843 municipalities and 11 300 Councillors in South Africa. The number of municipalities and Councillors should be reduced so that municipalities can provide better services at a lower cost.

Demarcation* of boundaries

The Municipal Demarcation Board will determine municipal boundaries, in consultation with MECs for local government and municipalities. National government will set the criteria for demarcation. Care will be taken to ensure that municipal boundaries enable municipalities to fulfil their constitutional duties.



Demarcation - Every municipal boundary in the country has to be drawn on a map to show exactly the area which a Council is responsible for. The process of deciding where to draw the boundaries is called demarcation.

Section E

Political systems

Section E of the White paper deals with the powers and functions of Councils. This includes the role of mayors, executive committees and other committees.

How decisions are made

Every municipality has a Council which is responsible for making political decisions, and an administration which must carry out the decisions taken by the Council. The Constitution says that all decisions concerning the exercise of municipal powers and functions must be taken by the Council. However, it is not always efficient – especially in large Councils – for the whole Council to make decisions. For this reason, national laws will allow Councils to **delegate* executive powers*** to an Executive Mayor or to an Executive Committee. The only powers which may not be delegated are:

- Passing by-laws
- Approving budgets
- Imposing rates, taxes, levies and other duties
- Raising loans.

These things must be done by the Council as a whole.

Where the Council delegates powers to a Mayor or an Executive Committee, the Council will be able to monitor the performance of the Mayor or Executive Committee and hold them accountable for their actions.

Delegate – hand over powers and functions to another body or person.



Executive powers – the authority to make policy and decisions concerning the overall operations of the municipality.

An Executive Mayor

An Executive Mayor is elected by and from the municipal Council. The Council decides which powers will be delegated to the Mayor. The Council may also allow the Mayor to appoint a cabinet of a small number of Councillors to assist her/him. However, it is the Mayor who exercises powers, not the cabinet. The advantage of an Executive Mayor is that it gives a human face to local government and allows for strong, decisive leadership. It is easier for the public to identify with an individual than with a committee.

An Executive Committee

An Executive Committee is a group of Councillors elected by the municipal Council. The Mayor is the Chairperson of the Executive Committee. However, the Mayor is not an Executive Mayor – powers lie with the Executive Committee as a whole, not with the Mayor. The Council decides which powers to delegate to the Executive Committee.

Provincial government will decide which type of decision-making systems will apply in the province.

Other Committees

Councils can establish other committees to assist them. These include:

- **Management and supervisory committees** – to oversee functions such as water provision or waste management
- **Area Committees** – to oversee functions in a particular area
- **Policy Committees** – to formulate policy on a particular issue in a given time.

Large municipalities should also establish an **Audit Committee** (to oversee auditing of municipal finances) and a **Tender Committee** (to manage the tendering process).

Dynamic leadership

Dynamic, able and dedicated leadership is required to enable municipalities to facilitate development and ensure high levels of public service. Councillors have to provide community-wide leadership and vision. They must be able to build partnerships with business, community organisations and other groups who can contribute to development. They must be able to take complex policy decisions and increase accountability and transparency.

However, many of the 11 300 Councillors in South Africa are part-time. They struggle to manage both their work and Council commitments. The White paper therefore proposes to reduce the overall number of Councillors and to increase the proportion of full-time Councillors, dedicated to their Council work.

Municipal elections

Municipal Councils will be elected in the following way:

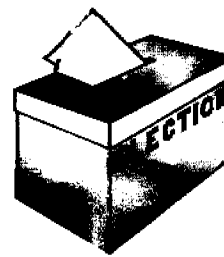
There will be a **party vote** on the basis of **proportional representation***.
There will be a **ward vote** on the basis of **first past the post***.

The party vote decides the overall number of seats a party is entitled to. This total number is made up of both ward seats and party seats. The number of party seats is determined by subtracting the number of ward seats won through the ward vote from the total number of seats won in the party vote.



Proportional representation - Parties are awarded seats according to the percentage of the total votes which they receive

First past the post - Only one candidate wins the seat - the candidate with the most votes



Example of voting

There are 20 seats on the Council.

IN THE PARTY VOTE:

Party Z wins 70% of the party vote
This means Party Z has 14 seats
(70% of 20) = **TOTAL OF 14 seats**

IN THE WARD VOTE:

Party Z wins **6 ward seats**

NUMBER OF PARTY SEATS:

Party Z is entitled to
an additional **8 party seats** to make
the total of 14 (14 – 6 ward seats = 8)
won in the party vote.

PARTY Z therefore has **6 ward seats** and **8 party seats**.

Women candidates

Political parties are encouraged to introduce a gender quota system. This will ensure that more women candidates stand for election to municipal Councils.

In short...

Developmental local government requires strong, capable leadership with vision. The decision-making systems proposed in the White Paper aim to strengthen Councillors and streamline decision-making, for more efficient and effective municipal government.

Section F

Administrative systems

Municipal administrations include the management and workforce of municipal departments responsible for carrying out the policies and programmes of the Council. The administration has the task of delivering quality services to residents. Section E of the White Paper proposes creative approaches to extend basic services to everyone and to improve service delivery generally.

Different approaches to service delivery

Municipalities need to find the most efficient ways to deliver affordable, quality services to residents - and in particular to those who do not yet have basic services. The White Paper proposes a variety of ways to achieve this. Municipalities will have to choose the best combination of approaches to meet their service delivery and development goals.

Capacity building

Most municipalities need to improve their management systems and train and empower their workforce. This could include measures such as:

Management reform	Worker empowerment
Performance contracts for senior staff	Empower front-line workers to provide information and advice to the community
Codes of conduct	Training and development for the workforce
Affirmative action	Decentralising operational management responsibilities
Clear performance measurements	Hands on experience and knowledge of front-line workers should be used to improve service

Corporatisation

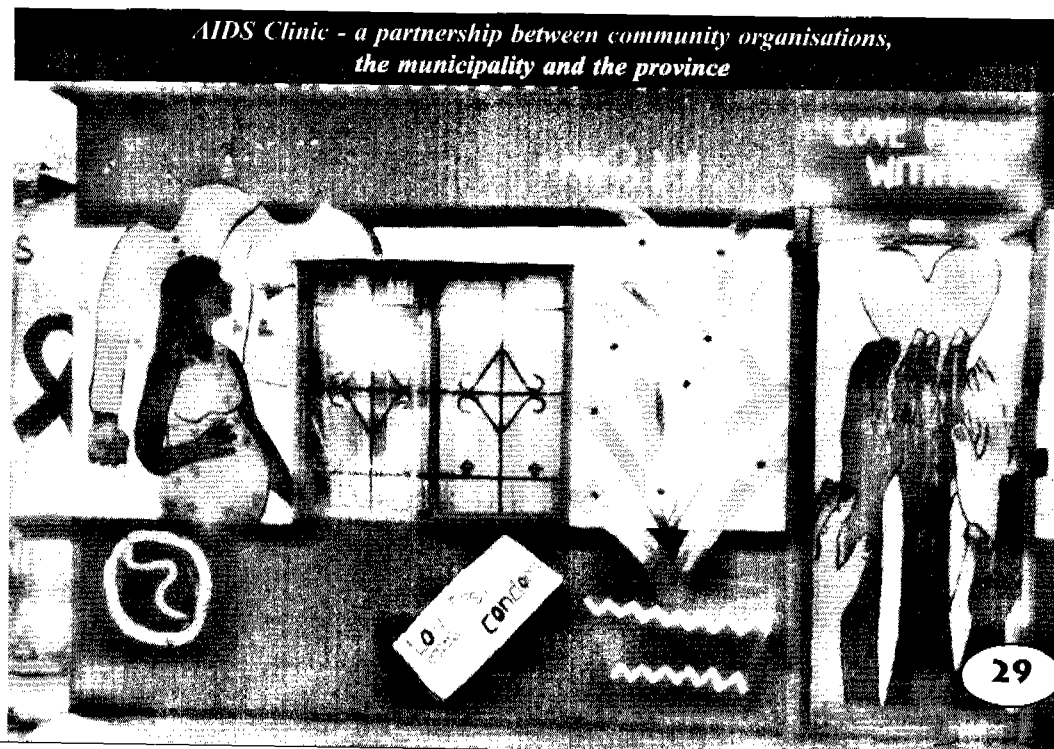
This involves establishing service delivery units, managed along commercial lines, separate from the administration but accountable to the Council.

Public-public partnerships

These are partnerships between the municipality and other public sector bodies. An example is a partnership between a municipality and the Post Office which allows the public to pay their bills at the Post Office. This makes payment convenient for residents and removes the burden of collection from the administration.

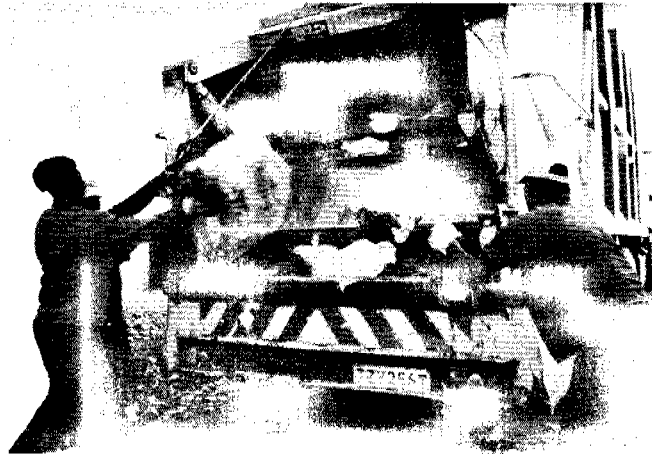
Partnerships with CBOs and NGOs

CBOs and NGOs have skills and experience which can be valuable to the administration – for example, in training, development projects and small business development.



Contracting out

This involves the municipality contracting with a private company to provide a specific service. Such contracts can keep costs down and improve efficiency. The Council must monitor performance and ensure standards and quality are maintained.



Leases and concessions

These are similar to contracting out but involve large-scale capital investment in infrastructure. For this reason, the contract period is longer (often 20 to 30 years) and the contractor is expected to take charge of the infrastructure and invest in it. The contractor usually takes responsibility for revenue collection. At the end of the contract, ownership of the infrastructure returns to the municipality.

Transfer of ownership

Privatisation involves selling municipal assets to a private company which then has responsibility for delivering a service. At this stage, basic services – such as water, waste, electricity and solid waste – should not be sold completely. However, Councils could consider privatising non-essential services. This could boost municipal revenue and allow the Council to concentrate on essential services.

NOTE: National legislation will provide a framework for municipalities entering into partnerships with the private sector.

Focus on customer service

Front-line staff interact with the community on a daily basis. They actually carry out service delivery. They need



to be able to provide information and advice to the public. It is equally important that systems for billing are efficient and convenient for the public to use.

Labour relations

Municipal trade unions and organised local government have a key role to play in ensuring good employer-employee relations and a sound labour relations system. The South African Local Government Bargaining Council (SALGBC) will play a role in developing a partnership between municipal trade unions, management and Councils and a framework for resolving disputes. A priority will be to negotiate common conditions of service for municipal staff and a municipal job evaluation system, improve performance and create a sound basis for transformation.

LOCAL GOVERNMENT TRAINING

Staff training

The existing Training Boards have not been able to meet the challenges facing developmental local government. The training system will be reorganised. A national Local Government Sector Education and Training Authority will regulate local government training and manage an Education and Training fund. Provincial training structures – with representatives from labour and provincial and local government - will determine provincial needs, award tenders to training organisations, and monitor the training. Service providers will include universities, technikons, NGOs, municipal training departments, professional bodies and commercial training providers.

Councillor training

SALGA will play a major role in Councillor training. A Councillor training programme will be developed to co-incide with municipal elections.

In short...

To meet developmental goals, municipal administrations need to improve management, empower the workforce and consider a range of new, creative approaches to service delivery.

Section G

Municipal finance

This section of the White Paper deals with how to restructure the system of municipal finances so that municipalities are able to balance their budgets and provide quality services. It looks at four key areas of municipal finance:

- Revenue
- Intergovernmental transfers
- Private sector investment
- Budgeting, accounting and reporting.

Revenue

Municipalities need reliable sources of revenue. On average municipalities finance 90% of their day-to-day expenditure from their own revenues, not from national government. However, some municipalities – particularly rural municipalities – do not have a large enough tax-base to finance themselves. These municipalities will receive a large part of the share of national revenue reserved for local government. Other ways to increase revenue for poorer municipalities – such as a property tax for rural areas – will be investigated.

Even for those municipalities which are **viable***, there is a need to improve the system of finance to ensure the best use of resources, to address backlogs and inequalities and to promote accountability. The White Paper proposes the following:

Property taxation

There needs to be a uniform property rating system throughout the country. This includes such things as the way property is evaluated, the period of valuation and ways of assisting those who cannot afford to pay full rates.



Viable - having sufficient resources and capacity to deliver municipal services

Levies

Metropolitan and Districts governments impose RSC and JSB levies. These are taxes on businesses based on the number of employees. They are an important source of revenue and should remain. But there is a danger that they discourage employment and that if a municipality's levies are too high, business will move to other areas. National government will take steps to address these problems.

Fuel levy

Part of the national fuel levy may be given to local government for road maintenance.

Service charges

Charges for services – such as water, electricity and sewerage - are the largest source of income for most municipalities. It is therefore important that consumers pay the full cost of these services. A system of subsidies should be introduced to ensure that those who cannot afford to pay the full cost at least have basic services. How the subsidy system works should be very clear to all residents.

To ensure that costs are recovered, municipalities must have efficient metering, regular and accurate billing and stiff penalties for those who can pay but choose not to pay.

Intergovernmental transfers

This is money transferred from national to local government. There are three kinds of transfer:

- Agency payments
- Capital transfers
- Transfers for operating costs

Agency costs

These are payments to municipalities when they deliver services on behalf of provincial government. Municipalities must ensure that they are fully paid for work they carry out on behalf of the province.

Capital transfers

These are funds for building infrastructure. Since 1997, these transfers have been made through the Consolidated Municipal Infrastructure Programme. This has helped to streamline payments to municipalities. Steps will be taken to improve the system of payment to rural municipalities.

Transfers for operating costs

The Constitution (Section 214) states that municipalities are entitled to an "equitable share" of national revenue. This share will be the funds transferred to municipalities for operating costs – the day-to-day running costs of the municipality. A problem at the moment is that municipalities are not sure how much money they will receive, or when they will receive it. This makes it difficult for municipalities to plan ahead.

To overcome these problems, the "equitable share" (the total amount available to local government for operating costs) will be worked out 5 years in advance, through the government's medium-term expenditure framework (a five year budget plan). The equitable share will be distributed to municipalities according to a formula. The formula will be based on equity – ensuring that municipalities can provide a basic level of services to low-income households at an affordable cost. A large part of the "equitable share" will therefore go to those municipalities which have most need of national assistance, particularly rural municipalities.

Funds will be transferred directly to municipalities. Municipalities will have to ensure that the benefits of basic services reach low-income households.

Private sector investment

Municipalities need private sector investment to address backlogs and give everyone access to basic services. The White Paper suggests a number of ways to encourage private sector investment in infrastructure.

Borrowing

National government is looking at ways to make it easier for municipalities to borrow from private financial institutions. This can best be done by reducing the risks involved for lenders and for national and provincial government.

This means:

- Proper budgeting and financial management by municipalities
- Good credit control to make sure that users pay for services
- Clear rules set by national government
- Clear steps to be followed if a municipality fails to repay loans
- A financial monitoring system that clearly shows the state of health of a municipality's finances.

Concessional loan finance

Municipalities should be able to borrow from the private sector on the open market. However, some municipalities are simply not in a position to do this. As a stepping stone to private sector borrowing, specialised public sector institutions can assist municipalities to develop the financial discipline which private sector borrowing demands.

The Development Bank of Southern Africa, and the Municipal Infrastructure Investment Unit can assist municipalities to prepare projects and get access to loans for capital works.

Budgeting, accounting and reporting

Generally accepted accounting practice is being introduced in municipalities and already there are good results. Generally accepted accounting practice involves the following things:

Accounting for internal funds

There should be a simpler system of keeping records of municipal funds and **assets***. This would allow the Council and the public a clearer understanding of the true financial position of the municipality. For example, there should be fewer bank accounts and a simpler way of recording how municipal funds are spent on **fixed assets***. Municipalities need to budget for the fact that not all the money owed to them will be paid. This could mean that they will have less income than they expected.



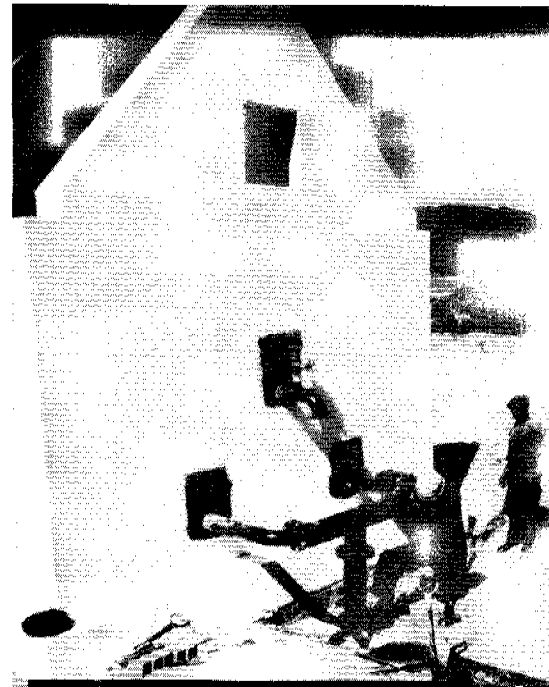
Assets and fixed assets

Assets are everything the municipality owns and which have a money value. For example land, buildings, roads, other service infrastructure, motor vehicles, computer equipment, works of art, etc.

Fixed assets are assets which cannot be moved – for example, land, buildings and infrastructure.

Accounting for fixed assets

Fixed assets – such as pipes for water, sub-stations for electricity – cost a certain amount when they are first bought. But over time they lose value. If municipalities don't take this into account in their budgets, they will not know the real cost of providing services. They will not charge consumers the real cost of the service. More realistic values of fixed assets will enable the Council to improve financial planning and budgeting.



Fixed asset - a water pumping station

Internal reporting

Information needs to be available to Councillors and the administration. Regulations have been introduced for a standard system of financial reporting. This will ensure that essential financial information is regularly presented to Councillors and administrators in a way that is easy to understand.

External reporting

National and provincial government have a responsibility to monitor the financial position of municipalities. This is best achieved through the municipalities' annual financial statements which are submitted to the Auditor-General. Municipalities should also make accurate and understandable financial reports available to the public.

Well managed municipal finances will help to attract investment



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In short...

Municipal finances must be well-managed to provide services, attract private investment and make the best use of available resources. Steps are already being taken to introduce standard best accounting practices to municipalities. These will enable decision-makers to make informed decisions and the public to know how public funds are being managed.

Section H

The transformation process

The last section of the White Paper looks at the steps that will be taken to implement the new system of developmental local government.

Demarcation of boundaries

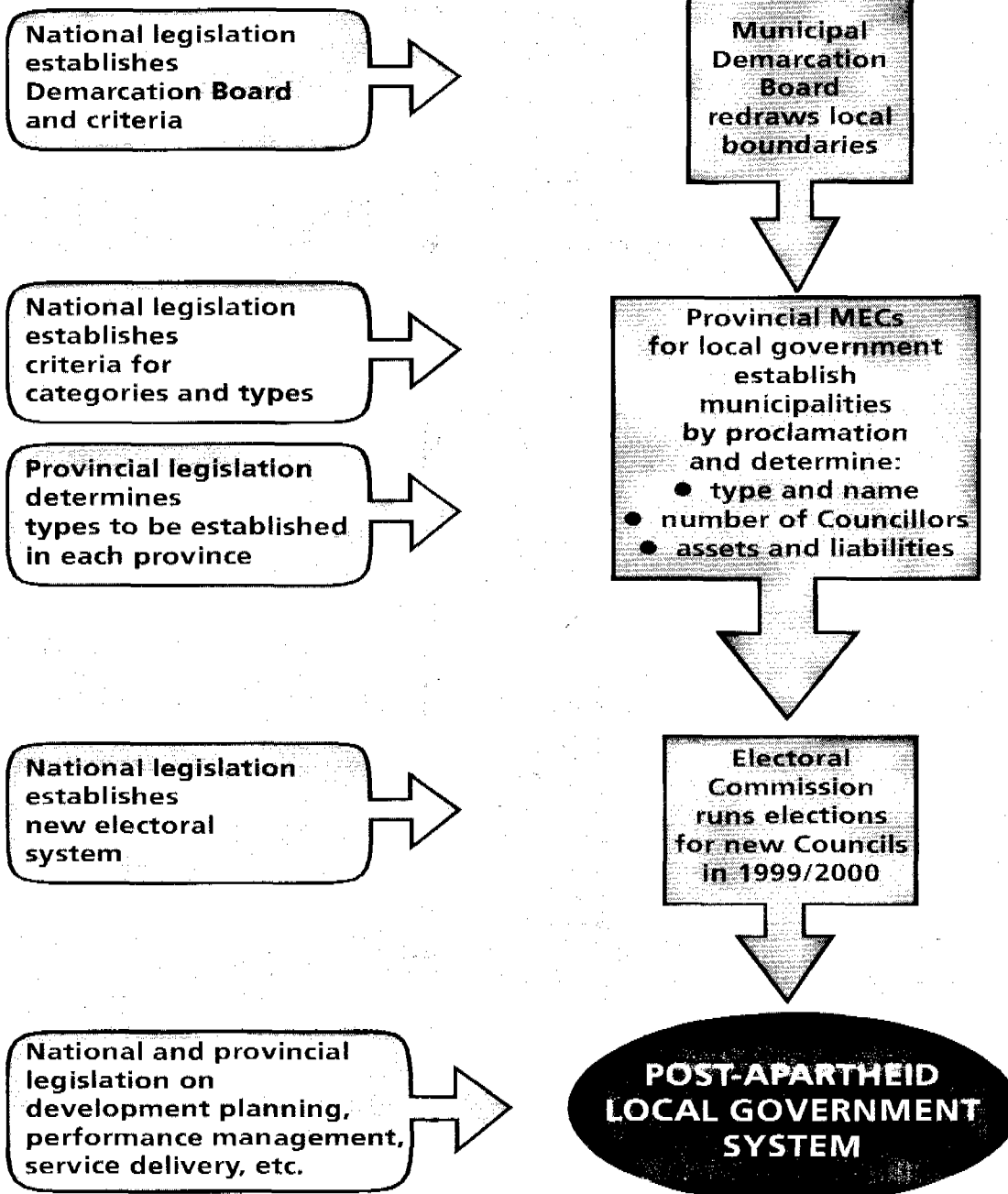
An important step in implementing the new local government system will be nation-wide municipal elections in 1999/2000. National government is preparing for these elections by establishing the Municipal Demarcation Board which will draw up municipal boundaries and ward boundaries within municipalities.

Laws and regulations

Changes to certain laws and regulations, as well as new laws and regulations, are needed to allow the White Paper to be implemented. National and provincial government are also preparing the laws and regulations which will enable the new system to be implemented. These laws and regulations will go through the normal Parliamentary procedures before becoming law.



KEY STEPS TO IMPLEMENTING THE FUTURE LOCAL GOVERNMENT SYSTEM



Support programme for transformation

In addition, national and provincial government are setting up a support programme for local government which includes:

- A co-ordinated capacity-building programme to develop local government personnel and structures
- Training in management and development skills
- Technical assistance for improving service delivery systems
- Support for integrated development planning and local economic development
- Establishment of a performance management system
- Streamlining financial systems so that municipalities know well in advance what funds they will receive from national government
- Funding for certain key aspects of transformation
- Working with SALGA to support Councillors and Council employees in their new roles.

However, the success of transformation really lies with every councillor, official and citizen. Every one of us must make our contribution to development and democracy in the areas where we live.