

**The Centre for Development and
Enterprise**

**RESPONSE TO THE
WHITE PAPER ON LOCAL GOVERNMENT**

**Prepared by the Centre for Development and Enterprise
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Brief Summary

The publication of the White Paper on Local Government is an indication of the welcome attention being given to this tier of government by the Cabinet. While CDE has sympathy with many of the objectives expressed in the White Paper we find the document overall to be a great disappointment.

The White Paper fails to resolve the tension between the 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 an 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 come to grips with the crisis in local government and therefore fails to extract the lessons of this for future policies. It reflects no summary of conclusions drawn from international experience or other research; 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 to 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

South Africa's cities and towns are the location of some 80% of the country's GDP. If government policies for inclusive economic and social development are to be successful they have to succeed in the cities above all. This will require a multi-class and multi-race coalition for growth, development and redistribution of services and opportunities in those cities. Just as in the country as a whole, success will require far-sighted and long-term thinking on the part of all concerned. Solutions have to be sought that provide something for all the components of the coalitions that must be formed if we are to achieve the confidence necessary for growth and sustainable development in urban South Africa.

Investment and economic competitiveness for the cities is the only way to generate resources so that the poor will have access to services on a sustainable basis. In this context the proposals for metropolitan government are particularly worrying. The two options put forward in the White Paper 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, nor enhance democratic accountability.

CDE's disappointment with the White Paper notwithstanding, its publication does provide an opportunity for open debate about the future of South Africa's cities and towns. CDE therefore puts forward a series of positive proposals for consideration by government. These include guiding principles for local government legislation; proposals on metropolitan government; a cities forum; a competitive urban development fund; and finally two important recommendations on the way forward in the light of the White Paper's inadequacies.

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1. INTRODUCTION

The publication of the White Paper on Local Government is an important and long-awaited event. The government is to be congratulated on the effort, energy and laudable intentions that have gone into the production of this White Paper.

CDE welcomes the opportunity to comment on this document and the critical issues that affect the future of local government in South Africa. For the past three years CDE has concentrated attention on the future of South Africa's cities with four publications already in print (*'Cities and the global economy: New challenges for South Africa'*, October 1996; *'Durban: South Africa's global competitor?'*, October 1996; *'The East Rand: Can South Africa's workshop be revived?'*, June 1997; and the forthcoming *'Pretoria: From apartheid model city to Africa's rising star?'*) Four more publications are still to come (*Johannesburg; Cape Town; Gauteng; and a national strategy for South Africa's cities*). In the course of this work we have had extensive contact with politicians and officials in the country's leading cities and undertaken considerable local and international research. In addition to this focus on the big cities CDE has also produced a major report on small towns (*South Africa's small towns: New strategies for growth and development*, May 1996) and had considerable interaction with many of the country's hundreds of small towns in the process. And finally CDE will shortly complete a very extensive research project in partnership with the Department of Transport on the some four million South Africans living in displaced urban areas like Winterveld, Bushbuckridge, Botshabelo and many others around the country.

All of this work has significant implications for the priorities and focus of local government in South Africa. It is therefore on the foundation of this substantial body of work that CDE's comments on the White Paper are based.

2. OVERALL RESPONSE

While the CDE has sympathy with many of the objectives expressed in the White Paper, we find the document overall to be a great disappointment at the strategic level. The document states - correctly - that "governing is about making choices" (p 81) but then fails to grasp the nettle and come down decisively in favour of the hard choices that the past four years of experience at local level, fiscal constraints and the reality of local government in crisis must impose on local government in South Africa. Nonetheless, the White Paper's publication provides an opportunity for constructive debate and CDE makes some positive recommendations for consideration by government in the concluding section of this document. (See p 35 onwards)

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 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.

In most rural areas, local government is largely in its infancy. The first task is to establish "wall-to-wall" local authorities and to provide the resources necessary to permit democratic functioning and the provision of the most urgently needed services to largely very poor communities. Recent government initiatives channelling capital and recurrent funds to local authorities most in need of them are to be welcomed as an important first fiscal step, which should be followed by the introduction of a land tax as a rural local authority "rates base." More sophisticated rural development efforts can follow these basic institutional and fiscal measures.

In urban areas, the situation is more complicated. There is a long and complex tradition of urban local government in South Africa. 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 were either administratively or fiscally viable. A lengthy period of amalgamations and interim local governments followed, which is only now coming to an end. The current picture is one of incomplete administrative rationalisation, with many local authorities in a fiscally precarious position. The central challenge is to determine the basis for moving forward from this point.

In doing so, some hard realities have to be confronted:

- * there are enormous needs to be met by local government. The White Paper's concern with developmental local government is appropriate. However the strategic problem is how to encourage development and manage the provision of services and amenities so that they can be expanded as quickly as possible while creating and maintaining fiscal sustainability.
- * state capacity at all levels, and particularly at local government level, is limited. An unrealistic overestimation of state capacity will result in diffuse and unworkable policy. It must be realised that a limited amount of real policy development is possible each year, and initiatives must be fitted into this constraint. The best policy to meet a given goal is that which minimises demands on state capacity.
- * South Africa's minorities are disproportionately concentrated in the cities and towns, and, by and large, they see their future there. Given the concentration of financial and human capital among minorities, it is important that they do not feel helpless and pessimistic about their future. If they do, their potential contribution will be vitiated, and the cities will suffer the loss.

* 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.

At heart, the White Paper fails to resolve the tension between the desire for strong local government as an engine for growth and development, and choices about priorities and political balance. The document hovers uneasily between a development wish list and an acknowledgement that some gratification has to be deferred for sustained medium and long term benefits. It ends up in a confusing mixture. The consequences of its sound intentions with respect to financial issues are not carried through into the rest of the document. It does not deal adequately with the enormous problems that confront local authorities as administrative and financial entities. There is also a disturbing suspicion about the private sector, exhibited for example in an extremely half-hearted endorsement of public/private sector partnerships (except in the finance section).

Although the White Paper mentions decentralisation and diversity at the beginning of the document, the centralist and single model inclinations of the authors are evident in the discussion on co-operative governance where the possibility of different approaches being tested and applied in different parts of the country seems to be precluded (p 37/38). The advantage of diversity and experimentation is its capacity for showing what will and will not work, and the room it creates for innovation.

Similarly, the White Paper exhibits an approach to metropolitan government which favours control and imposition of majoritarian views over pragmatism. Improvements in the living conditions of the poor, primarily through economic growth and the expansion of employment must be the focus of metropolitan government. However this will require a multi-class 'growth coalition' in each city in order to be effective. A great strength of South Africa's cities and towns is that they are not only composed of poorer citizens but also contain (now within a democratic framework) large pockets of professional, middle class and rate-paying citizens whose needs and views must be taken into account if local government is to result in economically and developmentally successful communities.

In respect of partnerships with the private sector, the White Paper is concerned that privatisation of core services could lead to increased tariffs. This possible danger can be countered by the equally frequent response of private providers to increase their market penetration by developing less-expensive packages. It is important to note that there are a range of options for involving the private sector, all of which need to be considered and debated. What is required is an open debate on the options, with local authorities willing to jettison old prejudices and to participate in world-wide trends towards greater efficiency in service provision.

The CDE's response to the White Paper has to be selective. We will not, for example, comment

on the proposals for rural areas, not because they are unimportant, but because our primary expertise lies elsewhere. We will therefore focus on the following issues:

- * the unsatisfactory aspects of the White Paper
- * the positive elements in the White Paper
- * the real challenge facing local government in South Africa
- * the overestimation of local government capacity
- * the necessity to choose priorities for local government
- * the relationship between competition, redistribution and economic growth
- * the importance of the big cities
- * metropolitan government
- * local government finance
- * missed opportunities for implementation
- * boundary demarcation: needs and dangers
- * recommendations

3. UNSATISFACTORY ASPECTS OF THE WHITE PAPER

The White Paper has certain unexpected omissions, and lacks clarity on some critical issues.

No research is reflected: Although the process of drafting this White Paper has taken well over a year and although we are told of the considerable research that has gone into this important process, the reader is given no access to this research. The many research papers commissioned as a part of the development of the White Paper are not referenced, nor summarized at relevant points in the text. CDE is not arguing for a lengthy academic treatise. What we are saying is that the White Paper should have included crisp summaries in relevant sections of the document of the research that public money has paid for, so that readers can benefit from the insights derived.

International Experience not included: It would have been useful to have a section of the Paper summarizing relevant international experience but this is not done. Areas in which this would have been particularly important include: metropolitan government structures in

different cities in the developed and developing worlds; city leadership options as seen in different cities - eg directly-elected mayors, council-elected mayors, different kinds of executive structures and relationships with voters; local economic development strategies in successful international cities and so on.

This is not to suggest that South Africa should simply adopt a model from another country, but it is surely incontrovertible that in our search for new ways to meet the enormous challenges that face local governments around the country, international experiences would be of use to consider, debate and explore.

Conclusions not justified: It would have been helpful if conclusions on important and controversial areas in the document were not just stated but the arguments explored. Surely readers deserve an understanding of why government has chosen a particular policy direction or why it has rejected another route. Examples of issues where positions are merely stated and in no way justified or explained include:

(p 100-101) "In current South African circumstances, the transfer of ownership is not an option for core municipal services, particularly water, electricity and solid waste collection and disposal. Given the central role that these services play in meeting the material, social and economic needs of communities, it is undesirable that ownership of associated infrastructure and assets is removed from the public sphere." WHY is it undesirable to privatize these services? What are the costs or benefits of them remaining with the local government?

(p 12) "The transition process has resulted in a local government system consisting of 843 municipalities and over 11,000 democratically elected councillors. Approximately one-third of municipalities are facing serious financial difficulties or administrative problems. Serious consideration needs to be given to reducing the number of municipalities and councillors to enhance the viability of the local sphere." WHY reduce the number of councillors or municipalities? Another option could be to have part-time or major-time councillors and pay them less, which is a long-standing tradition in local government in certain countries. Why reduce democratic representation as opposed to other ways of saving money? Again no explanation is provided for this view.

Very few facts reported: This White Paper should have become the key government resource document on local government into the next century. It seems reasonable to have expected a full factual report in this document of the disturbing trends discovered in Project Viability with respect to the number of local governments in the country which are not financially viable, what government has done since that report appeared and how these measures are working to deal with the problems highlighted in that important report. Other than one passing reference to Project Viability, no mention is made along these lines.

A similar factual base is necessary with the Masakhane campaign directed at amongst other things promoting payment for services delivered and a range of associated problems with

councils' accounting and other capacities. Again, other than a passing mention of the Masakhane Campaign, progress with respect to this absolutely critical component of local government viability is not documented. How is the campaign going? What exactly are the measures it encompasses? What impact is it having and in which spheres of a multi-faceted campaign? Most importantly for both these issues - Viability and Masakhane, neither of which are unrelated to each other - what are the lessons for local government policy and direction for the future that can be gleaned from a proper analysis of these two important government initiatives? What does it tell us about government capacity to implement major initiatives? What does it tell us about local government capacity which in turn will affect what it is realistic to ask local government to do in the White Paper?

National government policy and its implications for local government are not discussed: Local government is one of the critical cogs in national government's plans for growth, redistribution and delivery. National government has taken some important and far reaching decisions concerning how it is going to achieve its objectives, for example, the GEAR strategy, export-led growth, sustainable service delivery or the down-sizing of the civil service. These national decisions provide the context within which local government choices need to be made. At no stage is there discussion in the White Paper concerning the implications and ramifications of national government decisions for local government policy and strategy. This leads to some significant and important omissions in the document:

- * a strategy for reducing the size of the local government civil service is a critical component in creating fiscally viable local authorities. This is not mentioned at all in the White Paper
- * the philosophy that informs GEAR is one based on fiscal limits, the primacy of getting the environment right to encourage investment and job creation, and the deferring of many needs in the country until we have the resources to deal with them. The implications for local government are clear - managing cities for growth is essential if we are to accumulate the resources for development. This is not mentioned and in fact the opposite strategy is promoted throughout this White Paper, i.e. the primary focus is on the delivery of household basic needs rather than the hard trade-offs required to promote an infrastructural and policy climate for increased economic activity.
- * the only national policy issue firmly picked up in the White Paper is affirmative action in a range of areas and especially with respect to tendering and sub-contracting by municipalities. These policies are advocated without regard to their financial implications. Municipalities will incur increased costs by sub-contracting to firms on the basis of affirmative action rather than cost efficiency - the strain on local councils' budgets will increase and consumers will end up paying more. How this relates to local government viability or to the circumstances of the poor is not discussed or justified at all. While the empowerment of formerly disadvantaged contractors is absolutely essential, one would expect measures to be proposed which will limit the impact of

higher costs. At very least there should be recognition of the trade-offs involved and the impact of this policy prescription on other goals in the White Paper.

Lack of clarity on critical terms: Is government policy to subsidise the provision of services to 'the poor' or 'the indigent' or 'those who cannot afford to pay for services'? At no time in the document are these critical terms ever defined. They seem to be used interchangeably. Exactly who is being referred to here? How large is this group? How will they be identified and then targeted? How will we know when they are no longer eligible for these subsidies?

No concluding chapter pulling together a programme of action: What one would have expected at the end of the White Paper is a concluding chapter pulling together the recommendations and proposed legislative and other actions by national, provincial and local government. Instead we have a rather weak section on 'transformation' that summarises some of the actions discussed in the rest of the report but not others; that introduces new proposals not discussed in the body of the text, and that leaves a number of issues hanging. What exactly will government do now? What specific legislation will be forthcoming to parliament? What other actions will national government take? What exactly must provinces do? What must local governments do? What is the government's programme of action following on from the statements of policy contained in the White Paper? All this is left unclear or only partially stated.

In CDE's view the White Paper is a most unsatisfactory assessment of the current state of local government and an inadequate basis for government policy or programmes for local government.

4. SOME POSITIVE ELEMENTS IN THE WHITE PAPER

The White Paper contains some positive elements, that CDE would particularly like to highlight. We would strongly support the following:-

- * The recognition that "no municipality can ignore the economic changes taking place in its locality, in the surrounding region, in the nation and globally. The rise or decline of industries can have a marked impact on local income, employment and tax revenue." (p 11)
- * The understanding that "large cities become the nodes or points of contact which connect economies across the globe." (p 11)
- * The acknowledgement that "costly and complex administrative reorganisation has tended to focus municipalities' capacity inwards, rather than towards their constituencies and delivery." (p 11)
- * The proposal that "Performance management is critical to ensure that plans are being

implemented, that they are having the desired development impact and that resources are being used efficiently.....and that it is critical that indicators focus on outcomes and not only inputs and outputs.” (p 31-32) Also the “introduction of performance-based contracts for senior staff.” (p 95)

- * The support for municipalities to “...seek private investment to supplement the public funds available for capital expenditure.” (p 30)
- * The call for “a review and simplification of municipal procedures and regulations”(p 25) which hamper economic growth and a commitment to a “review of existing legislation which impedes LED (local economic development) such as planning and rating ordinances” (p 26) which need to be undertaken by both national and provincial government.
- * The strong commitments in the municipal finance section to: financial sustainability which requires that municipalities ensure that their budgets are balanced; leveraging private sector investment at the local level; cost recovery for services delivered; credit control; the importance of public sector financial intermediaries not “crowding out” or discouraging private sector investment. (p 109-127)
- * The recognition that effective municipalities will need “to be guided by strong political leadership, able to make difficult policy judgements, work with a range of players and guide the actions of the administration to promote the social and economic well-being of local communities.” (p 81)

The critical questions for CDE are whether the White Paper goes far enough or deep enough in thinking through the implications of these laudable ideas and policies; whether sufficient attention has been paid to how to achieve these objectives; and whether or not other parts of the White Paper contradict some of these ideas.

5. LOCAL GOVERNMENT CRISIS NOT DEFINED OR IMPLICATIONS ANALYSED

The White Paper fails to clearly and accurately identify the core challenges that face local government in South Africa in 1998. CDE welcomes the fact that the White Paper acknowledges the problems facing local government, but the description of these at the end of Section A (p 15-16) is totally inadequate.

There is no attempt, despite periodic efforts to highlight the challenges, to present a factual account detailing the precise dimensions of these problems, nor assess the follow-through implications of this situation. In other words, there is no clear statement of how government perceives what is, without doubt, a crisis in local government, consensus around which is now widespread. There is furthermore no attempt in the document to look at the relationship and

interaction between elements that have been defined as constituting the key challenges and what the consequences may be. Rather, each challenge is dealt with as a separate element, completely in abstraction from the others and not as symptoms of an interconnected whole. The danger in viewing this situation in this way is that there is a tendency then to deal with each challenge on its own. This often results in disparate and competing sets of strategies to deal with particular situations or challenges, and in the end makes a mockery of the notion of integration and co-ordination which the section on developmental local government in the White Paper so enthusiastically embraces.

It is widely acknowledged that local government - generally speaking - is a tier of government in crisis. What is this crisis? An assessment of the scope and nature of the problems is the most essential basis for effective policy, yet the White Paper skims over the issue. Why? It is CDE's view that unless we fully understand the nature, scope and causes of the current crisis in local government in South Africa we will be unable to draw out the implications of the crisis for future policy. Until that has been done systematically and very honestly we will keep on repeating the same errors, making the same false assumptions over and over again.

We would have expected the White Paper to deal systematically with the following questions:

- * *What proportion of municipalities are not financially viable, to what extent and in what ways?* There is a general perception that two-thirds of municipalities are financially highly stressed and that one-third are financially non-viable, with no hope of generating income to cover their service commitments. It has been reported that 135 local authorities are in current crisis (Business Day, 12/3/1998). It has also been reported that 92 local authorities have insufficient cash resources to cover one-month's salaries, and that 20 cannot pay their next month's electricity accounts (Business Day, 19/3/1998). To what extent is all this true? Are the measures that are proposed taking account of the fact that local government debt stood at a figure of R8,3 billion in September 1997 compared to cash and investments of R6,5 billion (Financial Mail, 1/5/98). To what extent is this a "debt trap", which could long delay the return to financial viability? We are not given this crucial analysis in the White Paper.
- * It is also generally perceived that *more than half of the local authorities are administratively not up to standard*. It has been reported that 80 local authorities actually need immediate help in terms of financial controls and management (Business Day, 19/3/1998). To what extent do the personnel lack the skills to perform their tasks, in what ways and why? How adequate are current plans and programmes to correct the problem? The White paper is silent on this point.
- * *How many billions of rand are required to meet the basic infrastructure needs of urban South Africa?* How are these needs defined, what are the most critical priorities and how far do current provisions fall short of the critical needs? It has been estimated that the Municipal Infrastructure Investment Framework, developed to address backlogs in

infrastructure delivery over the next ten years, will cost between R60 and R80 billion, an amount that local government will not be able to meet without private sector co-operation (SAIRR Survey, 1996/7: 729). These amounts appear to be enormous and to set an unrealistic challenge. Are they valid and how is the challenge to be approached?

- * *What are the current service backlogs in local government delivery levels?* In 1996 about 4 million South Africans had access only to untreated and non-reticulated water; 8 million people had access only to minimal sanitation; 8 million people did not have formal road access to their residence or any storm water drainage (SAIRR Survey, 1996/7: 729). While running tap water was available in 74% of dwellings in urban areas, the total in non-urban areas was just 16,8%, and in African non-urban areas was even lower, at 12%. About 17 million people were without access to electricity (SAIRR Survey, 1996/7: 803). Local authorities were responsible for refuse disposal in 90,9% of urban areas, but only 7,7% of rural areas. While only 1,8% of urban areas have no form of refuse disposal, this figure was 29,4% in rural areas (SAIRR Survey, 1996/7: 763). These estimates would suggest a staggering challenge. CDE certainly would not expect local authorities to deepen their financial problems, embark on unsustainable programmes or sacrifice strategies for economic growth or growth in the revenue base in order to meet these challenges, but for this reason one would expect the White Paper to spell out a carefully prioritised basis for dealing with the service backlogs. This is precisely what the White Paper fails to do.
- * It has been reported that *in December 1997 the percentage of regular rate and services payers was at about 71%, stable since March the previous year* (Project Viability, December 1997: 7). It would also seem that outstanding debts for rates and services equalled 32% of the total amount received by municipalities (Project Viability, December 1997). A 29% payment default rate is high -- in fact an intolerable situation in any accountable system of local government. What proportions of people in different types of residential areas are not paying for rates and services every month? Is this increasing or decreasing? To what extent is it due to a culture of non-payment or to inability to pay because of unemployment or poverty? How is poverty defined? What are the forecasts in terms of affordability, given the high and possibly rising rate of unemployment?
- * It has been reported that *approximately 46% of cities and towns have evidence of a restricted ability to apply credit control procedures with regard to rates and service charges* (Project Viability, December 1997: 6). What are the trends with respect to this problem? Is this situation improving or deteriorating and what technical strengthening of the local authorities is needed to rectify the situation?
- * *What is the current rate of urbanisation, and to what extent is this adding to the backlogs as regards services?* What are the latest trends in the increase in informal settlement? What are the characteristics of the in-migrants and what are the implications

for cost recovery of services? What is being done about the lack of reliable statistics on the demography of cities? By the time the 1996 census is fully published and evaluated the results will already be dated.

- * *Is land invasion occurring, on what scale and in which types of areas? What are the factors behind land invasion, and to what extent are opportunism and sheer need for shelter the basic factors? How are the cities and towns coping with this challenge? What is government policy to deal with this?*
- * *What proportion or number of rural communities have no local government or effective local government at all? What are the real prospects of the proposed rural councils being able to extend services to these areas? What is the current situation with regard to co-operation between elected representatives and traditional leaders? What are the prospects of a resolution to the tensions being found?*
- * Some of the largest local authorities, Johannesburg being the premier example, appear to be under financial and other forms of stress, including signs of a breakdown in emergency services. The Johannesburg Metropolitan Council and its four substructures face an accumulated deficit of R574 million, with long term liabilities of R387 million. The council needs to borrow about R1,5 billion from local banks to fund next year's capital budget. In 1997 the council was forced to cut back its capital budget from R1,7 billion to R500 million to avert a financial crisis (Sunday Times, 3/5/1998). The city's projected overexpenditure for the current financial year stands at R200 million (Star, 5/5/1998). *Are there special problems in large metropolitan areas, and if so what are they and how can they be resolved?*
- * Included in the problems of some of the largest areas may be the *problem of declining middle class payment of rates, either because of disaffection or because of emigration or other movement out of the cities*. The rates protest by the Eastern and Northern Substructures in Johannesburg is far from resolved and appears to be affecting the cash-flow of Johannesburg (Business Day, 8/4/1998). How significant is the problem and what forecasts may be made under current conditions?
- * Recent polls indicate a *decline in the levels of satisfaction and trust in local government among citizens*. A poll by the Helen Suzman Foundation and MarkData in late 1996, for example, suggested that only some 36% of citizens of all races were satisfied with their local councils, and that the results were least positive for local government compared with other tiers of government. Furthermore, an Idasa Public Opinion Survey conducted in July 1997, found that in terms of perceived responsiveness to ordinary citizens, local government scored as low as 36%, with levels of trust at 31%. Among the three tiers of government, local government scored the lowest job approval rating, at 30%. This is hardly a promising start by the new local authorities. Are these problems being taken seriously?

What the factual account above attests to is a crisis facing local government in South Africa which fuzzy notions of developmental local government and (in the metro areas) the megacity concept, are insufficient to address. What is urgently required is the compilation of a proper inventory of the precise nature and dimensions of the challenges and problems that beset South African municipalities. At the end of this process an attempt should be made to disaggregate the challenges according to the size and scale of the municipality cluster in question. While Project Viability is a sound first step in this regard, it is necessary that the information gleaned from this exercise, together with the inventory that has been suggested above, should inform government policy and thus should have been a critical component of this White Paper. It is only once this has occurred that it is possible to properly assess the situation and put forward solutions that are truly workable. Invoking the new constitutional mandate to the effect that local government has to "...create and sustain humane, equitable and viable human settlements" (p 16) is simply not enough.

Any assessment of the kind that has been suggested above, if done properly, alerts one to a set of locally-based practices, circumstances and conditions that lead to particular situations or outcomes, whether good or bad. From this, one is able to propose strategies and models to address particular problems that, grounded in local-level reality, are practically implementable and ultimately sustainable. The challenges facing our big cities, after all, are different in form, nature and scope from those of small towns. Imposing a uniform set of solutions is not a desirable approach. Only a nuanced understanding of the precise nature and dimensions of the challenges that afflict South Africa's municipalities will lead government planners and practitioners to adopt more innovative approaches in redressing the seemingly insurmountable problems that beset our local areas. Key choices concerning the priorities for action must be made against a set of locally-based and derived conditions, goals, and ambitions, in combination with a set of nationally-based performance management criteria and indicators, as set out in the White Paper (p 31-32).

Instead, what appears to have happened in the past four years, through the integration of previously segregated municipal structures, is that in many instances we now have bloated and generally rather disorganised local government structures. The capacity previously available within the formerly white municipalities to at least run cities, albeit on a segregated basis, has been undermined in some cases, crippled in others and characterised by large readjustment problems in many others. It is the exceptional city government that has been able to harness resources and really start moving to become the economic and developmental engine we all want.

This is the core reality in the local government sphere that the White Paper must confront and deal with. It is not good enough to describe all the benefits which local government is supposed to provide without coming to terms with the reality that many if not most of South Africa's local authorities today are in very deep stress. While this stress is understandable and very largely due to the legacy of apartheid and the neglect of the formerly marginal areas, this is no excuse for the fact that the White Paper has been written with an almost cavalier disregard for

the depth and scope of the stresses on local government and for the fact that these stresses are likely to increase rather than decrease.

Until government is crystal clear on the nature of the crisis and challenge facing local government (i.e. has made a choice as to its perception of the significant dimensions rather than merely listing all items that are worrying) it cannot make choices concerning the key priorities for action.

6. LOCAL GOVERNMENT CAPACITY VASTLY OVERESTIMATED

One element of the crisis currently afflicting local government in South Africa is the lack of sufficient administrative, managerial and financial capacity in very many local authorities, to enable them to function as viable entities. This stark and worrying reality is hardly mentioned in the White Paper, let alone taken as the essential bedrock upon which any policies or new approaches to local government should be based. On the contrary the White Paper assumes capacity in most respects and then lists and enumerates many new functions for local governments to perform.

A brief listing of these desired functions for local government is instructive. This is not an exhaustive listing but it illustrates our point.

According to the White Paper, local government, *inter alia*, must perform the following functions:

- * represent communities (p 18)
- * protect, promote and educate citizens and communities about their human rights (p 18)
- * meet basic needs (p 18)
- * improve the quality of life of communities, especially those members and groups within communities that are most often marginalised or excluded such as women, disabled people and very poor people (p 18)
- * promote social development through functions such as arts and culture, provision of recreational and community facilities and delivery of aspects of social welfare services, child care facilities (p 19)
- * empower marginalised and disadvantaged groups, create an accessible environment for disabled people so as to facilitate their independence (p 19)
- * be responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities

(p 18)

- * promote vision and leadership for all those who have a role to play in achieving local prosperity (p 19)
- * leverage resources and investment for both public and private sectors to meet development targets (p 19)
- * promote local democracy (p 20)
- * build social capital (p 20)
- * promote involvement of citizens and community groups in the design and delivery of municipal programmes (p 20)
- * develop capacity to understand the diverse needs of women in communities and address these needs (p 21)
- * promote awareness of environmental issues (p 22)
- * promote youth development (p 22)
- * empower the most marginalised groups (p 22)
- * empower ward councillors as community leaders (p 22)
- * provide special economic services to small business and individuals such as:
 - marketing and investment support
 - small business support services
 - research and technology
 - training and placement services (this is one of the few places where limitations are acknowledged and it is stated that if the local authority cannot do this itself it should support NGO's or national departments which can) (p 25-26)
- * undertake integrated development planning with very sophisticated requirements (p 27)
- * negotiate a public investment plan around all government investment in the municipal area (p 30)
- * institute key performance indicators for the municipality as a whole and for individual senior staff (p 31)

- * meet the requirements and assume delegated functions of different national departments such as Water, Forestry, Transport, Housing, Environmental Affairs and Tourism (p 28)
- * develop strategies and mechanisms to continuously engage with citizens, business and community groups (p 33)
- * set up transport authorities which straddle provincial boundaries (p 47)
- * manage community policing forums, soon to be replaced by municipal public safety committees (p 49)
- * be the point of co-ordination and necessary vehicle for implementation of national policies and programmes (p 52)
- * participate in organised local government organizations (p 54)
- * ensure the environmental sustainability of delivery and development strategies (p 24)
- * adopt a holistic strategy for poverty alleviation (p 28)
- * manage the consequences of globalisation - such as the restructuring or relocation of industries (p 11)
- * attract investment (p 11)
- * promote comparative advantage of the area (p 11)
- * support the growth of local enterprises (p 11)

The above seems a daunting list for even the largest and most organised metropolitan government. To try and picture a small town or even medium sized South African city developing an effective management plan to do all of the above is difficult indeed. Although most of the items listed are generally worthy objectives, little or no thought seems to have gone into what might be called the view from 'city hall.' How does any sensible city or town actually deal with the current list of demands being made on their limited resources? On the one hand there is an increasing push for decentralization of implementation functions from the national government; and on the other hand there is a growing pressure for delivery of basic services from the previously ignored and under-serviced part of the population. And both of these demands arrive at the local authority's door in a context of fiscal cut-backs and stagnant or low economic growth. No wonder there is a crisis of capacity!

What is required is not an ever-lengthening list of things that local authorities must do, but a more strategic approach to the question of role and function than is evidenced in the White

Paper. A fundamental re-examination of the role that the third tier of government must play in South Africa is needed. This must be coupled with a brutally frank examination of the implications of this new role for the functions and powers of local authorities together with a reassessment of their relationship with other tiers of government.

7. CHOOSING PRIORITIES FOR LOCAL GOVERNMENT IN SOUTH AFRICA

Local government in South Africa has to find a finely crafted balance between the need to improve the quality of life of most urban dwellers and the need to support current industry and attract new investment to cities and towns in a context of national and worldwide competition for private investment. In the short term the needs of the poor and the demands for an investment-friendly environment are different. The poor require basic services in order to survive and contribute at a higher level whereas an environment to encourage growth requires world-class infrastructure, efficient local authority decision-making and a stable, crime free and attractive environment for managers. Local politicians and city managers need to recognise and understand these differences and choose the best *combination* of measures for their city or town. To deny the trade-offs involved in the short-to-medium term is to avoid the choices or be dishonest with the electorate.

In the longer term there can be synergies between the two demands and the two approaches - attracting investment and improving life for the poor - can become mutually reinforcing. Working on only one or the other component of this two-sided challenge, will be self-defeating. Nonetheless it has to be acknowledged that without economic growth, there will be no improvement in the quality of life of South Africa's poorer communities and conditions will decline very quickly. For CDE the choice is clear. The pivot around which a complimentary and sustainable package must be built has to be economic development.

On page 19 of the White Paper we are told that the "provision of basic household infrastructure is **the central contribution** made by local government to social and economic development" (CDE's emphasis). CDE would strongly urge this view to be broadened. This position implies a neglect of economic development as a priority and as such 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. 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 basic requirements for economic growth. Dynamic growth can only be built on a well maintained base of necessary public infrastructure and economic services.

8. COMPETITION, REDISTRIBUTION AND ECONOMIC GROWTH

The White Paper recognises the rise of an increasingly global economy since the mid-1970s and the impact this has on localities, in particular the metropolitan areas. It is acknowledged in the document that in the above context "...large cities become the nodes or points of contact which connect economies across the globe," that "...municipalities need to manage the consequences of globalisation - such as the restructuring and relocation of industries " and that "...local government has an interest in attracting investment based on promoting the comparative advantages of the area for competitive industries, as well as supporting the growth of local enterprises." (p 11)

However, the implications of this sound conclusion are not followed through in the document, with the exception of the finance chapter which intermittently makes reference to the importance for local economies to stimulate economic growth and become internationally competitive. Other parts of the White Paper, particularly the chapter on developmental local government, are conspicuously silent on the issue of economic growth driven by the competitive imperatives of municipalities eager to attract investment. The omissions are often glaring, particularly in the sections on integrated development planning (IDP) (p 27) and those sections that deal with the instruments to maximise social development and economic growth.

As planning and strategic frameworks to help municipalities fulfil their development mandate, one would have expected that the propositions around IDP would have embraced both notions of redistribution and equity on one hand, and economic growth and competitiveness on the other. Yet in all the steps outlined to achieve the new development mandate (p 27), there is no mention of those that have a bearing on the growth/competitive city nexus which the finance chapter acknowledges is critically important in any locally-based development plan. Because of this systematic omission, the IDP concept and indeed the notion of developmental local government as they are treated in the White Paper are really very little more than a needs-driven strategy.

In the White paper there is clearly an uneasiness about the notion of local authorities competing with each other for investment, with the drafters warning local government that "...it is increasingly important to find the right balance between competition and co-operation among themselves" (p 11). It is noted that "while some competition will improve both efficiency and innovation, co-operation between South African municipalities is necessary to enhance the performance of the national economy as whole, and to avoid damaging forms of competition between municipalities" (p 11). There is little evidence in the international literature of how the supposedly over-competitive impulses of municipalities have undermined the national economy, nor led to damaging situations between them. If anything, the literature is replete with examples of how competitive-minded localities have engineered creative and innovative local growth strategies, prompting others to do the same. The net result has been very positive for municipalities, often leading to situations in which local areas in economic decline have had their fortunes completely turned around. And as the new engines of national and local

economic growth, cities which develop strategies to become internationally competitive and create areas of specialisation can only add value to the national economy, and certainly not undermine its performance.

Investment and economic competitiveness for the cities is the only way to generate resources so that the poor can be serviced on a sustainable basis. CDE had hoped that the past four years of government would have made this as clear to the drafters of the White Paper as to the Ministry of Finance. This kind of inconsistency in government policy is simply not good enough and is without doubt a critical factor holding back economic growth.

9. IMPORTANCE OF CITIES, PARTICULARLY BIG CITIES

The Minister in his press release on the White Paper suggests that the White Paper gives particular attention to metropolitan areas as hubs of the nation's economy (media statement by Minister for Provincial Affairs and Constitutional Development, 9 March 1998)

What the White Paper actually does is give attention to the need for metropolitan government in South Africa's large cities and then go on to put forward its two chosen approaches to how to govern metropolitan areas. We will deal with these proposals in a later section; what is important here is to stress the importance of the cities for national social and development objectives and *to underline what is still required if we are truly to take the cities seriously.*

The term 'local government' is an extremely blunt instrument coupling as it does small towns like Stutterheim and big cities like Johannesburg in one breath. The resources, issues, challenges and possibilities of the places at these two ends of the urban spectrum are vastly different. Current policy discussion in South Africa, in accepting the uniform description of local government, often ignores the problems of smaller places and underplays the challenges and possibilities facing larger cities. If policy and programmes are to maximize the potential of cities and towns, then special attention has to be given to the different needs and potential of each. In 1996 CDE produced a comprehensive report entitled "*South Africa's small towns: new strategies for growth and development*" which detailed policy and programmatic proposals for small towns. It would have been useful if the White Paper had involved itself in thinking through some of these specific proposals in order to assist the country's 500 or so small towns. Similar work has been done on South Africa's Secondary Cities (See *Outside the metropolis: The future of South Africa's secondary cities*, Urban Foundation 1994) which also deserve focussed attention and specific consideration. This too is missing from the White Paper.

However, much more important in economic terms and in terms of their importance for a far larger number of people is the future of the larger cities. We would argue that the time has come in South Africa for a special focus on the large cities.

South Africa's future will be decided in the big cities: The country's prospects for growth and development hinge on events, trends, perceptions and dynamics in the country's largest cities.

This reality must determine the priorities of national leaders in both public and private sectors. The government's macro-economic programme depends on a successful approach to the big cities. Government policy must pay far more attention to and develop practical initiatives for the large cities.

Big cities need much more national attention: South Africa's cities are the engine rooms of the national economy - the future of the country depends on them becoming globally competitive. National decision-makers need to understand the urban implications of their policies and actions. Macro-economic reforms will have enormous implications for the country's urban areas and particularly its largest cities and these implications need to be thought about, debated and creatively managed. Government and business policy makers need to start taking the 'where' of production and trade very seriously indeed. At the same time the large cities need to understand their own importance and put concerted effort into persuading national players of the importance of the big cities in national economic and social development.

The Cabinet and urban issues: At present urban issues are dealt with in many central government ministries. Is urban strategy and policy being given sufficient attention by the cabinet? Is urban strategy and policy a top priority for government? What are the objectives, timetables and targets in this sphere?

For example, has the cabinet discussed the fact that the premier international hotel in the centre of South Africa's largest city and the gateway to the global economy -- the Carlton -- has just closed under the impact of falling clientele due to crime, the neglect of the surrounding environment and a metropolitan authority which has aimed to restructure its domain of interests before being able to get the basics of city management right. The Carlton is simply one index of billions of rands of investment in central Johannesburg property which is being devalued and eaten away by lack of action and vision on the part of central, provincial and local government. It is hard to understand the lack of national attention and concern at this massive wasting of national investment while simultaneously enormous effort is devoted to promoting new investment in more remote parts of the country. Wasting existing investment is almost as bad as not attracting new investment. It flies in the face of GEAR. The condition of the centre of the country's largest city is a topic which should warrant a special item in the national budget.

The critical policy issue: the key questions for cities now are not how big they are or how they compare with other cities and regions in the country but whether they are globally competitive and able to find a niche in which they can build and market a comparative advantage, thus attracting investors. We need to look at cities as arenas for economic growth and assess their efficacy in the light of their competition in the regional and global marketplace.

South African cities need new priorities: Cities need to realign their priorities. They must not just add a new focus on economic development to their current activities of integrating the city racially and dealing with historic backlogs. The key lens for any large city must now be economic growth and what the city needs to do to retain current investment and encourage new

growth. This prism will help cities to decide what the priorities are in the two other areas of functional/racial integration and service backlogs. But expanded economic growth has to be the primary determinant - otherwise all else will fail and there will be insufficient resources to meet development objectives and the quality of life for all in the city will actually decline. Local authority and development priorities have to be reassessed and cities need now to focus on five new areas:-

- * infrastructure for economic growth (transport, industrial zoning and servicing, industrial and technology 'parks'/clusters, telecommunications)
- * education and training (skilled labour force, specialised training and centres of educational excellence)
- * health (basic adequate health care for the population and excellent top-level services to attract and keep managers, investors, entrepreneurs)
- * crime and the quality of life -- especially important to mobile professionals, managers and executives
- * city management which understands and interacts with the private investment sector, and which develops a code of responsiveness to the marketplace.

Cities need more powers: If one looks at the experience of cities in different parts of the world it is clear that they use a number of different types of instruments to enhance their competitiveness. A city might decide to offer tax incentives to new investors; that it needs an international airport or an improved junction of different modes of transport; that it needs to sustain and improve the quality of health care or education in the city as a key comparative advantage. The list can go on and on (see for example CDE's publication: *Atlanta, USA - Business, economic growth and racial transition; February 1997*). The point is that South Africa's large cities currently do not have many of the powers or the influence required to compete effectively with other cities in the world. The global economy requires entrepreneurial cities. (The White Paper hints at this issue but never fully comes to grips with the kinds of powers required by big city governments to compete or play the role that in some respects national government is starting to ask of it).

The issue of the powers of cities obviously has large constitutional implications. CDE would strongly suggest that the issue be considered very seriously by the Department of Constitutional Development. (And this is one of the important issues that needs to be considered by the proposed Presidential Commission on Cities and Towns, see later)

There are various options for consideration at this stage. One obvious route to take would be through constitutional amendments allowing for the extension or delegation of a range of powers required by cities on a concurrent basis with central and provincial government. The

nature of the functions which one has in mind, will make it impractical for all but the country's largest cities to be granted such powers. However these powers are most necessary in precisely these cities and this could be accommodated in the legislation.

A less radical option (and certainly one which could be considered immediately) would involve less duplication of functions at the different tiers of government. This would involve the establishment of statutory joint planning committees or small planning commissions to be established for each major city representing the city and the relevant range of central and provincial planning authorities, with the task of assessing the particular needs of the city with a view to the joint implementation of programmes or projects involving national or provincial infrastructure and services within the city. The city should enjoy equal decision-making status with the higher tiers of government on such bodies. The scope of such decision-making should include the widest range of functions, including health, education, safety and security, transport, welfare, tourism and the environment as well as matters relating to national and provincial infrastructure. The statutory bodies so established should also have the responsibility of reviewing the implementation of plans agreed upon jointly.

Not local government but big city government and management: South Africa's large cities control enormous budgets and their actions influence the lives of millions of people. We need to fundamentally rethink the way in which our cities are governed. The status and image of city politicians needs to be raised if high calibre people are to be involved in leading the country's largest cities. This rethink must go further and deeper than only the question of executive mayors, although this is an important idea which we are pleased the White Paper has raised, if only partially. How are other large cities in developing and industrialized countries governed and managed? What could be useful for South Africa from the international experience? What are the options available for rethinking how we govern the cities and what we need in order to do this in the best possible way? How do we make running big city governments the next most important level of political responsibility to the cabinet? For this is what their size, budgets and national economic and development impact warrants.

Competitive interdependence between cities: Although cities do inevitably compete with each other for investment, events and tourists, nonetheless they also share some important common interests and concerns. These include: the need to assert their importance and centrality to the achievement of national goals; gather information, assess new legislative and policy initiatives and lobby collectively to advance their interests with other levels of government; support each other in the inevitable political struggle for the necessary powers and influence they will need to become regionally and globally competitive; share experience and best practice on economic and social initiatives, international marketing and information gathering. We welcome the hint in the White Paper of the necessity for establishing a metropolitan forum and would strongly urge large cities to push for a powerful and independent forum run by the large cities themselves and that has both information gathering and lobbying capacity.

Cities, migration and urbanisation: The country and its cities in particular urgently need

accurate information on migration patterns within South Africa (between provinces, between cities and towns and rural/urban areas) and across its borders. With this information we need an objective examination of the policy implications of these migration trends and patterns. Both these components must then inform a national urban strategy and a set of instruments for urban growth and development that respond to the scale of the challenge.

It is only by developing strategies to become more competitive in the global and regional economy that South African cities will find the resources to cope with the legacy of apartheid and the challenge of increased urban population growth. Local leaders in many regions of the world have learnt how to turn market forces to their advantage and aggressively develop their economies using that knowledge. Economic policy initiatives must therefore be focused on the cities because it is in the major cities that economic growth finds its natural place within the global economy.

Strategies for global competitiveness include cities adopting a new style of action and innovative approaches to development. They also involve far-reaching strategies to create political stability and reduce crime and violence; establish fiscal discipline; invest in training and education. In such strategies, national provincial and city government have important roles to play. As a matter of urgency, national and provincial governments need to create a context within which big city government, urban businesses and urban organisations can work together to create cities that thrive economically, tackle poverty and create environments in which people and firms want to live and invest.

The White Paper provides a few meagre and inadequate hints at how this process could begin. A much more fundamental approach is urgently required.

10. METROPOLITAN GOVERNMENT AND THE PURPOSES OF DEMOCRACY

The White Paper on Local Government makes two alternative provisions for the constitution of local government in metropolitan areas (p64). One is for citywide and inclusive metropolitan government with Ward Committees, and the other is for citywide and inclusive metropolitan government but with the decentralisation of functions and powers to Metropolitan Substructures. In both alternatives, only the Metropolitan level has original powers, hence in both alternatives the degree of influence of the smaller structures is wholly at the discretion of the centralised elected authority. In the case of Non-Metropolitan Urban Local Government, the centralised model is prescribed without provision for devolution or decentralisation of any kind.

Governance in South Africa faces a multiple challenge, at all levels of government. The challenge is to consolidate our nascent democracy, to reduce inequality, to improve the levels of service delivery and quality of life and to strengthen the investor confidence which will raise the level of fixed investment, economic growth and employment generation. The extent to which this challenge is adequately met is arguably as important at the third tier of government as at

any other.

CDE would argue that these objectives are interdependent and that the neglect of any one of them will reduce prospects for the achievement of the others. Government in South Africa requires above all the achievement of a synergy between constitutional provisions, economic and development policy and administration. This interdependence and the need for synergy is explicitly and implicitly recognised not only in the macro-economic policy, GEAR, but in broad RDP policy as well.

However, while it is easy to assert this equivalence in the importance, and interdependence, of the major challenges, it is much more difficult to achieve the synergy in concrete policy and in the practice of government, because the challenges can so easily be addressed in ways which contradict and weaken each other.

CDE congratulates the drafters of the White Paper because the need for this synergy is recognised very prominently. The goals of deepening democracy, accountability, improved service delivery and the attraction of investment and achievement of local economic development are all fully accepted.

Unfortunately, however, the White Paper does not achieve the basis for the necessary balance and synergy in the achievement of these diverse goals. For example, the constitutional proposals for metropolitan government meet some of the diverse needs of governance but carry the risk of other objectives being seriously compromised.

The proposal for a centralised, inclusive and overarching local government in metropolitan areas, which has been referred to as the "megacity" option, and indeed the constitutional provisions for all levels of local government, may provide the basis of the power required for a redistribution of local fiscal resources to promote greater equity, but they create *four major risks*. We will list these risks and return to each for further discussion:

1. The first risk is that the large metropolitan government will be remote from local communities, undermine commitment to the democratic process and reduce the sense of effective participation by communities with a sense of local identity. The provisions to address this need fall far short of the requirements of effective participation.
2. A second risk, which is closely related to the first, is that citizen feedback and response to the quality and maintenance of local services and infrastructure is left to the general political process and provides little by way of provisions for "consumer rights," other than the provisions for local participation referred to above which are uncertain in their likely effectiveness and implications.
3. The third major risk is that 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.

4. The fourth major risk is that 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.

We will discuss each of these issues in turn.

1. **Effective participation, cooperation between classes and communities and their requirements**

It is a well-known feature of democracy that the effectiveness of participation in the political process is associated with a greater degree of co-operation and willingness to compromise between classes and other interest groups which might otherwise adopt destructive and competitive stances. Not only is co-operation between classes important in avoiding the polarising effects of protest, pressure politics and conflict, but in the context of South African towns and cities, INTER-CLASS co-operation is essential in achieving progress towards greater equality. If privileged minorities feel threatened and excluded, they will be less willing to contribute material and skills resources to the challenge of development and equity in the society -- concessions and contributions will have to be imposed on or dragged out of the more privileged minorities, and there will be the ever-present risk of tax and other forms of evasion, which will lower the quantum of fiscal resources available for redistribution.

The White Paper makes some provision for the participation of local communities, which include specific combinations of class interests, through WARD COMMITTEES, or through the decentralisation of certain powers by the Metropolitan authority to LOCAL SUBSTRUCTURES. Is this degree of accommodation of local interests adequate?

In both sets of provisions, the extent to which effective power to influence outcomes is devolved to local interests is controlled by the majority party in the overarching government. In the case of the Ward Committees their role is advisory and their maximum power is the power to be "consulted". In the case of devolution of powers to Substructures, the decision will be based on the interpretation of criteria of readiness to assume power by the overarching authority, and no right of appeal or independent arbitration is provided for.

Hence the provisions for local and minority participation are in both cases of such a nature that the influence which local communities, interests and substructures enjoy will be subject to majority-party discretion. Certainly, some interpretations of democracy are based on the principle of majority prerogatives and the notion that the majority must

have its way. But this type of majoritarian, or "Jacobin", interpretation is exceedingly dangerous in divided societies and divided cities, and is commonly recognised by constitutional theorists as a prescription for conflict.

A more constructive interpretation of democracy is that it is a system which must strive for the greatest possible inclusiveness combined with checks and balances.

The provisions which are made for advisory Ward Committees are of a type which in the old apartheid dispensation used to be dismissed as "toy telephones". Advisory structures with no real power attracted participation by pliable or self-nominated and opportunistic "leaders" with no real legitimacy, and were in the end a prescription for conflict, because the legitimate community leaders refused to participate in powerless structures and took the route of protest and resistance. CDE cannot believe that the new local government dispensation would wish to repeat the mistakes of the past.

2. Local citizens' rights in regard to the quality of service provision

In the constitutional models prescribed, given the merely consultative powers of local structures or the discretionary power of the central authority in decentralising power, the only final and conclusive sanction that citizens will enjoy will be at the time of local elections every five years. Any local democracy which relies only on its periodic electoral sanctions tends to become characterised by over-politicisation of local government and the entrenchment of a highly competitive system of party politics.

Because the models prescribed do not allow for any charter of citizens' rights in the interim, a suburb or ward which, for example, can demonstrate a need for a local park or a library or for the repair of deteriorating roads, but which does not have the power to insist on that particular provision, will either have to wait for the next elections or else have to contemplate extra-constitutional means of obtaining redress, such as protests or boycotts. This is because the provision of services in the White Paper is defined only as a function exercised in the context of electoral power, and not as a service function for which independent and objective criteria for evaluation and redress exist. Consumer rights, whether in the commercial context or that of local citizens as consumers of public services, cannot be made subject only to the leverage which political processes allow. The constitution of the country makes provision for certain socio-economic rights, yet this principle is completely overlooked in the provisions in the White Paper.

While no charter of citizens rights as consumers of services can prescribe expenditure on new infrastructure, for which there might simply be no money available, there is a case to be made for the prescription of an obligation on a local authority to maintain existing infrastructure, perform ongoing service functions with a minimum of efficiency, enforce health regulations and the like.

3. Size of local administration as a factor in the efficiency of local government

The performance of government in meeting its own commitments in terms of policy objectives and service delivery has at least as much to do with the capacity and efficiency of the administrative system as with policy and the constitutional basis of government. Several provinces and a substantial proportion of local authorities, by the admission of central government, have been characterised by lapses in expenditure control systems, in personnel administration and in project management skills.

Given this reality, it is incumbent on policy makers to take account of the existing or potential weakness or brittleness of administrative systems in designing new frameworks for governance at all levels of government. To put it bluntly, policy makers dare not assume that a high level of administrative efficiency exists nor the ready availability of skilled personnel like accountants, information technology professionals or of skilled and experienced project managers.

To the extent that the proposals for metropolitan government recommend an increase in the centralisation and size of units of municipal administration, they are also by definition recommending an increase in the complexity of structures, decision making and supervision patterns. While some economies of scale can no doubt be achieved by centralisation, these can all too easily be outweighed by breakdowns of efficiency due to the increasing size and complexity of local government in large cities.

Although provisions are made for measures to counteract such effects, such as sub-contracting of functions to the private sector or the restructuring of administration into TASK FORCES, both of which CDE would heartily endorse, there are many basic aspects of local administration which do not lend themselves to such correctives. CDE is of the view, therefore, that the recommendations for a centralisation of functions and increased size and complexity of metropolitan government implicit in the thinking in regard to a strengthening of the overarching functions of such government, runs too great a risk of the breakdown of already tenuous efficiency in some centres. There is a case to be made for the continued existence of fully-rounded substructures quite independently of arguments relating to majority versus minority powers and prerogatives.

4. Investor confidence and local economic development

By now it is widely accepted that the steady enhancement of the tax bases of cities and towns depends on the attraction of fixed investment, particularly in sectors such as manufacturing and tourism. Elsewhere in this response, CDE comments at some length on the mechanisms for Local Economic Development made in the White Paper.

Cities and towns as magnets for fixed investment depend on a far more pervasive set of

conditions and circumstances than the specific mechanisms and structures established in pursuit of local economic development. To the extent that local tourism must be a major priority for any local authority, the quality of the environment is an essential first foundation on which more specific tourist attractions can be based. Furthermore, the quality of the residential environment for the managers who run businesses is at least as important. Today, various international ratings of countries in terms of their investment potential frequently take account of factors which have an impact on the quality of life and safety and personal security of expatriate executives.

One of the reasons why the old apartheid policy of decentralised industrial development had such indifferent results was the fact that company executives were loath to settle themselves and their families in environments which offered an inferior quality of life and services.

This imposes a need for critical balance in the way in which upper-middle and middle class residential areas are viewed by policy-makers. They are undoubtedly areas of privilege associated with the old Group Areas dispensation and in that context may not be seen as particularly deserving of any special treatment. At the same time, however, they are the areas on the basis of which potential investors will assess the attractiveness of the city as a home for their senior managers and technicians. (It should be acknowledged that middle class areas would have existed in South Africa anyway without apartheid, as exposure to any Latin American city quickly demonstrates.)

The implications of this fact lie not so much in the levels of rates and service charges, because executive incomes allow some leeway in this regard, but in the quality of service provision, the cleanliness of streets, the safety and cleanliness of parks and recreational areas, the availability of high quality entertainment and the like. Particularly in the context of the very high crime rates in South African cities, there are very specific implications for the design and patrolling of public areas and all residential suburbs to reduce the danger of crime and vagrancy which rightly or wrongly, people perceive to be associated with threats to safety.

Hence, while any local authority in the new dispensation must be concerned about redress of the disadvantages suffered by poor areas as a consequence of Group Areas and other discrimination from the apartheid period, this must not in any way lead to a deterioration in the quality of administration and services as they impact on wealthier neighbourhoods. While this balance cannot be justified on a moral basis, it is a practical imperative and an essential precondition for the investment and employment creation which will eventually benefit the poor much more in the longer run than administratively-driven redistribution in the short run.

This position does not imply that CDE aligns itself with inequality. What is most relevant here is that middle class residents are more likely to be willing to contribute to

the resource needs of the poor if they do not perceive it to be a zero-sum process, if they have some say in how those resources are managed and used to benefit the poor, and if they do not fear the erosion of their own quality of life as a consequence of redress. A reassured middle class is most likely to be willing to make additional contributions through their rates to social upliftment.

More broadly, it is a well-known fact that investors care little about democracy as an intrinsic benefit in society. They are concerned with the stability and predictability of the operating environment of their businesses. That stability and predictability is ensured by what foreign investors have become used to in mature democracies in the post-industrial world, and which most local investors of any sophistication are also concerned to see in the local system, namely checks and balances in the power systems of society. To the extent that the White Paper is concerned with ensuring the prerogatives of majority-based power, it neglects the need for constitutional checks and balances in local government. Therefore, it cannot reassure potential investors that some kind of "populist" deviation in local government, with associated protests from other interest groups, can be ruled out. Investor uncertainty is therefore not adequately addressed in the White Paper.

It is ironic and hopefully not a portent of things to come nationally that in the name of efficiency and an undefined notion of redistribution and equity the White Paper sacrifices democracy and accountability to the electorate in both the White Paper options for metropolitan government.

11. LOCAL GOVERNMENT FINANCE

It goes without saying that local government finance is at the core of successful local authorities. A large part of the current crisis in local government is rooted in the problems surrounding current budgeting and management of the municipal resource base. These problems cannot hope to be corrected without a coherent and penetrating analysis of local government finance followed by creative and implementable recommendations. How does the White Paper shape up?

Section G of the White Paper on municipal finance is unfortunately not very well organised and it does not present a coherent argument. The section aims to provide a framework for a new municipal financial system which supports the developmental role of local government; addressing the root causes of the financial problems which face municipalities, balancing social welfare programmes with strategies to promote growth and development, and empowering municipalities to fulfill their constitutional mandate. This is to be achieved using both changes in policy and capacity-building initiatives. The discussion however fails to maintain a reasonable balance between core issues of principle and matters of detail; it fails to identify priorities; and it contradicts itself from time to time. We provide more specific comment below:

* The description of the current situation is casual and inadequate. This section should be used to present (or re-present) a typology of local government: metropolitan, large urban, small urban and rural, with summary material on the relative financial size, financial viability and current financial stresses within each category. The Paper fails to clarify fundamental differences between the rates and general services accounts, or to detail transfers between them. Only a passing reference is made to the different sources of revenue collected by municipalities. Electricity trading income, (usually by far the biggest single item in urban local authorities) is barely mentioned, and while we are told that alternative income from levies on electricity sales will be generated once restructuring within the electricity sector results in municipalities no longer paying a direct service provision role, further information about how or when this process will take place is not made available.

Above all, analysis is needed of why it is that some local authorities are financially viable and others are not. This could lead on to a discussion of the critical variables which local authorities need to watch and control carefully if they are to do their financial jobs successfully. This analysis should in fact set the scene for the whole section.

* While the Paper notes the major source of local taxation is the property tax, it remains indecisive about the type of system that municipalities should implement to achieve maximum efficiency in this area. The Paper notes the need to bring currently untaxed areas into the tax net, and to determine a system whereby property rates levied are based on the market value of the property. However, it remains undecided as to whether a uniform national system or a locally specific solution is the best means to accrue this important source of revenue. CDE believes that should a uniform national tax be decided on, this should be a tax on the value of unimproved land only. The case for a property tax on sites only is that such a tax creates no economic inefficiency. An increase in such a tax imposes a capital loss on landowners, but does not distort allocation. By contrast, a tax on land plus improvements discourages development. This is actually recognised in the section dealing with financing municipalities in rural areas. It is acknowledged that a change of this kind might involve substantial adjustment in certain municipalities. Cities and towns will have to take account of the burden of adjustment in their implementation and phasing in of this principle. Proper investigation is needed in each case.

One would need confirmation from a constitutional lawyer that the following proposal is legally possible, but CDE believes it would be reasonable for national government to determine:

- that all property taxes (urban and rural) be levied on the value of unimproved land

- that all urban local authorities be required to carry out valuations once every five years or less (Johannesburg does them every three years; Cape Town, until its recent valuation, had not done one since 1979). Valuations of rural land might be done less frequently; virtually all rural local authorities would need special assistance with this task
- that flat rate systems be phased out with the next valuation in each local authority

It would be unconstitutional, and in any event undesirable, for national government to determine the rate in the rand. Nor should it attempt to decide about differential rates on industrial/commercial property and residential property. These must be local decisions.

- * The policy on relief from property taxes should be co-ordinated with the poverty relief objectives of the intergovernmental grant system. The White Paper notes that the criteria for evaluating alternative poverty valuation systems need to be developed, so that municipalities are able to decide on policies regarding relief to those too poor to pay for rates. Local government is thus allowed some latitude in terms of deciding the nature of property tax in its area of jurisdiction, allowing municipalities to take into account their unique circumstances and local economic objectives. CDE believes it would be reasonable for central government to require that urban local authorities exempt all households in areas which receive basic services only (or no services at all) from payment of property taxes. 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): roughly speaking, commercial farms should be taxed and subsistence farms not. The difficulty lies in generating operational criteria for distinguishing between the two and in the possibility of a culture of 'non-payment' developing that is difficult to change even as services improve. This is an important issue that needs to be fully investigated and debated.
- * The RSC levy question is completely fudged. The White paper notes the high administrative costs involved in collecting RSC and JSB levies, as well as the high scope for evasion and the bias imposed by such levies against labour intensive firms, thus curbing job creation. It nonetheless confirms that they remain an important source of municipal revenue, and need to be retained in the short term. While it is acknowledged that rules need to be developed regarding how municipalities may use these funds, these rules are not defined in the Paper, nor is any effort made to seek an alternative to replace this inefficient system. The question of whether central government should collect these revenues and allocate them according to need, instead of local authorities collecting them from local revenue bases, is also neglected.

One way of removing the inefficient tax is to increase VAT by an amount necessary to

generate the same aggregate revenue. But is this level the appropriate level? Recall that the original purpose of the RSC levies was to generate funds for hard services in a region consisting of several local authorities - for hard services that no individual local authority had the incentive to provide, e.g. sewer outfall works. The emergence of metropolitan structures and racially integrated local government may have rendered this purpose less pressing; the externalities may well have been largely internalised. Surely an issue the White Paper should have examined.

Most RSC revenues accrue to cities and large towns; the revenues flowing to all but the largest ten RSC's/JSB's have been small. One might in fact take a radical approach and say that metros and large town local authorities should simply raise their rates and service charges to replace RSC levies, and that the intergovernmental transfer system should replace RSC/JSB levies in other areas. An issue such as this needs to be fully debated.

* The section on leveraging additional investment in the municipal sector is also inadequate. The White paper acknowledges that, in order to meet infrastructure backlogs and secure access to basic services, additional investment in municipal infrastructure from the private sector and public financial intermediaries is required. Local government thus needs to establish credit worthiness through proper budgeting and sound financial management, in view of the fact that the private sector requires clarity with respect to the security of its loan investments. While the White Paper proposes measures along the lines of Project Viability to advance this objective, the general discussion of measures to enhance credit is "short-winded." Brief explanations of technical terms are relegated to an appendix, and no attempt is made to assess the suitability of the various schemes involved with regard to the various categories of local authority or to set out a programme of institutional and market development suited to the system's needs.

There should also be a section on the articulation of the municipal programmes with assistance from the private sector; more than one bank has established municipal finance sections only to find that there is little or no opportunity for disbursement of funds. What has gone wrong? We are not told. The functions of the Development Bank should also be spelt out. 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.

* The concluding comment, related to increased pressure on municipalities' cash flow and a reduction of their financial resources, is astonishing. It refers to crucial issues not raised before, and certainly not analysed. These include:

- increased service responsibilities
- increased administrative costs

- upward pressure on salaries
- cuts in operating subsidies
- reductions in experienced personnel, especially in the financial sector

If there are increased administrative costs and upward pressure on salaries, why is this so? And what can be done about it? And why have there been reductions in experienced personnel, despite increased salaries? It is not enough to tell us that long term solutions are being sought, and that national and provincial governments must assist municipalities in the interim.

- * Finally, nothing is said in the White Paper about how local government is to be positioned to resist heavy taxation of (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 South African local government, would do more than anything else to combat the mounting pessimism about the future of local government in South Africa. In itself, therefore, it would have made a contribution to the future development of our local areas. An important opportunity has been missed.

12. MISSED OPPORTUNITIES FOR FRAMEWORKS FOR IMPLEMENTATION

While it is recognised that a White Paper is concerned with policy rather than implementation, the policies have to be taken to a level which are sensitive to technical issues and practical constraints and which provide an orientating framework for implementation.

In pursuance of this aim, some reference to the possible instruments which can be used to achieve policy are useful in signalling to managers in local government how they should act in accordance with policy. In general the White Paper is very thin on these guidelines.

Two examples may serve to illustrate the need. First, the document notes that local government should "support the growth of local enterprises" (p 11), but then goes on to warn against certain dangers and the "damaging forms of competition between municipalities." How in practice will a local government practitioner know where to make the trade-off or strike the balance? No clue is given as to who or what might adjudicate in the dilemma. Indeed CDE sees no real dilemma -- as we have indicted above there are few examples of where healthy competition has in fact been damaging. In this example we do not have a framework which orientates to action, but rather a prescription for paralysis.

A second example relates to section 3.2 on performance management (p 31-32). This section makes a sensible case for accountability in terms of key performance indicators (KPI's) but then goes on to say that KPI's can fail. It effectively removes the incentives it wishes to create. It

could avoid this by giving examples of international best practice in the area of performance-based administration, with due reference to the need to adapt it to local circumstances. Instead it chooses to equivocate, once again doing more to immobilise local actors than to empower them for effective strategy.

The White Paper is written against a background of local government with a long history during the apartheid years of "control bureaucracy." Onto this legacy a new emphasis on development has been grafted, but it cannot rely on relevant experience on the part of the new officials and local politicians. The White Paper has to be muscular in opening up the awareness of a rich storehouse of successful implementation internationally and should point to some exceptional stories of local success. It fails to do this. *No inexperienced official will have his or her awareness of possibilities for local economic development and the role of local authorities expanded by the document.* It suggests directions without giving them life and inspiration.

13. DEMARCATION OF BOUNDARIES

The White Paper advocates "creating a stable environment to enable good local government" (p 130) -- a principle that CDE would support. However, we are concerned that certain aspects of the local government restructuring envisaged could destabilise local government unnecessarily. We would caution that re-demarcation of local and metropolitan boundaries should only be undertaken where there are compelling "engineering" or other functional reasons for the move. Why complicate the lives of all concerned, and introduce new challenges of integration into already over-stressed systems where the existing boundaries have not raised practical problems.

The authorities should be particularly mindful of the fact that certain communities, whether justified or not, will perceive political agendas behind attempts to extend boundaries or to combine hitherto separate local authorities or to divide them still further. The danger of both over complicating and politicising local government to the point of local resistance should be obvious, and in this situation there are no winners. Resistant and resentful households for example will commute ridiculous distances in order to secure the kind of local environment in which they feel comfortable and fairly treated.

At the same time, however, there are instances where boundaries do require urgent revision because fringe areas are in a situation of isolation and resource starvation to the point of pathology. Where a dormitory area exists which is quite clearly a functional part of an adjacent local authority and has no local government or has no prospect of even minimum viability, a redrawing of boundaries will have to be considered.

CDE's work with the Department of Transport on "displaced urbanisation" has brought to light cases of the latter type (*publication forthcoming, July 1998*). In some instances, like Winterveld near Pretoria or Bushbuckridge near White River/Nelspruit, the areas adjacent to each other lie on different sides of provincial boundaries. Of specific relevance to the White Paper at this

stage is the probable need for a Metro-like, cross-border, two tier structure of local government in such cases. Any legislation as might be contemplated at this stage should not preclude the possibility of the emergence of such problem solving structures.

14. CDE RECOMMENDATIONS

It is impossible for recommendations to be made covering the full range of approaches which are necessary to provide for effective urban governance and local development in South Africa at this stage. This is because the analysis required as a basis for those recommendations is not available in the White Paper and to our knowledge has not been done at all. CDE's recommendations will therefore have to be selective.

Our recommendations are divided into two sections. The first deals with current pressing issues of urban governance. The second section spells out the CDE recommendations for the way forward in the light of the inadequacy of the White Paper.

URBAN GOVERNANCE

1. Guiding principles

CDE would strongly advocate an approach to local government policy and legislation that builds on the following broad principles:

- * national government should see its role as facilitative with respect to local government
- * national government should establish the general framework for local government and then allow cities and towns to decide for themselves what would suit their particular circumstances best.
- * in respect of South Africa's very large cities (metropolitan areas) all of which have diverse populations larger than some provinces, the principles of democratic accountability would dictate a devolution of powers and hence two-tier metropolitan systems of government
- * detailed financial arrangements would in each case be determined by the model adopted in a particular metropolitan area. In all cases implementing authorities within the entire metropolitan system must receive the funds required to carry out their functions. In models that allow for sub-structures to have substantial budgets a programme of redistribution should be handled through a fiscal equalization mechanism
- * this means that national government should recognize the possibility of a plurality of possible models for local government in different circumstances around the country

- * the overall framework should be responsive to and supportive of initiatives and experiments originating in cities and towns
- * wherever possible therefore government must allow for diversity and for different experiments to take place. This will provide the best guide for government and ultimately voters as to what really works in South African circumstances.
- * the national government should determinedly enforce fiscal discipline and civil rights
- * national government should provide a package of service cost subsidies for areas in which the very poor live. (It will of course be essential to define carefully what is meant by 'the poor', and to guard against exploitation of such subsidies, for example by slumlords).
- * one of the components of allowing cities and towns to decide what is best for them involves the avoidance of rigid national norms and standards in respect of salaries and benefits of local authority employees
- * government action should be guided by what is working now. In an imperfect situation some cities and towns are NOT in crisis. There are some places where circumstances seem to be improving. Government must ensure that nothing is done to harm these areas of limited success and that lessons are derived from these successes as quickly as possible.
- * national government should establish a clear and transparent system of 'carrots' and 'sticks' to provide incentives and encourage local governments to support the broad direction and spirit of sustainable growth and development. Criteria can be developed, such as:
 - fiscal discipline
 - a favourable balance in municipal budget towards capital investment and away from unproductive current expenditure
 - public/private partnerships for growth and development
 - stimulating employment creation in the local economy
 - strategies for sustainability in service provision
 - accounting systems and payment levels of households/businesses
 - sustainable economic growth and investment trends

- competitiveness ratings

These criteria should then affect how the government implements:

- the system of fiscal transfers from the central government to local authorities for current expenditure
- the municipal infrastructure capital subsidy grants
- capital expenditure by central and provincial government on social development eg health, roads, education and other facilities
- a proposed competitive development fund for cities and towns (see later in this section)

2. Metropolitan government

In the light of the considerations outlined in previous sections, CDE is firmly of the view that the provisions for metropolitan government in the White Paper imply very real risks in respect of:

- the potential alienation of minorities and the loss of a potential for co-operation between interest groups in meeting the challenges of the future. Measures to increase the viability and capacity to attract serious participation at decentralised levels of local government are essential.
- the protection of the rights of ratepayers and citizens as regards the quality and maintenance of the services which their rates and local levies are intended to finance.
- the efficiency of local administration under conditions of increasing size and complexity associated with centralisation of functions in metropolitan areas, economies of scale notwithstanding.
- ensuring an operating environment of sufficient stability and quality to attract investment.

CDE is therefore opposed to both options for metropolitan government put forward in the White Paper.

What are we for?

In the light of South Africa's history and the reality of current urban circumstances CDE accepts the desirability of a form of metropolitan government. However we are convinced that

at present too many expectations and vague redistributive notions are being loaded onto this form of government. It is necessary to separate out the issues involved in this now heated debate.

2.1 Local government is the most direct and immediate form of government. It must therefore be as close to the citizens as possible. We are therefore in strong support of local councils/substructures which have clearly defined and legislatively protected powers, in order to provide the reassurance and representation which viable local democracy requires. These councils must be directly elected by voters and thus subject to their ultimate authority.

The size of these local councils in metropolitan areas is obviously a subject for further discussion and debate. The smaller the better is CDE's view, as long as it is affordable by that council - this is in order for the local council to perform its representative function effectively and be as accessible to local people as possible.

2.2 In large metropolitan and inter-connected urban regions it can be very useful, sometimes essential to have a metropolitan level of government that provides region-wide services (e.g. water, sewerage, electricity) and performs region-wide functions (land and transport planning). This level of government can either be directly elected by the metropolitan electorate or indirectly elected through the local councils. There are pros and cons to either route.

2.3 In South African circumstances we have to deal with:

- * 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.
- * the desirability in many cases to privatize or corporatise metropolitan wide service provision if delivery is to occur at all or at the scale required
- * 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 inefficient use of resources.

2.4 South Africa's cities and towns are the location of some 80% of the country's GDP. 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 multi-class and multi-race coalition for growth and development and redistribution (of services and opportunities) in those cities.

Just as in the country as a whole, success will require far-sighted and long term thinking on the part of all concerned. Solutions have to be found that provide something for all the components of the coalitions that must be formed if we are to achieve the confidence necessary for growth and sustainable development in urban South Africa. The choices we make now about the form of metropolitan government will provide a framework which will determine whether it will be possible to establish such multi-class coalitions or not.

2.5 CDE would therefore be in favour of the following:

- * strong democratically elected 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 but effective 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 this responsibility should be provided by private sector utilities; or by independently governed public entities.
- * in general local authorities must live according to their means i.e what their citizens can afford. However because of our history local authorities should in addition be the recipients of the infrastructure and service subsidies to be provided by 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 national fiscus can be used by the local authority to buy additional services from the metropolitan level or to provide a higher quality of service themselves or to subsidise the price of such services.
- * with respect to *redistribution* CDE would support two mechanisms:
 - grants from central to local government to support the viability of local democracy and the recurrent cost of basic service provision to the poor;
 - for two-tier systems within metropolitan areas, fiscal equalisation programmes in terms of a recognised formula are appropriate to compensate for variations in the rates base between substructures.
- * provision should be made in the legislation for a set of rights of ratepayers and local citizens applicable to the maintenance and quality of service provision and infrastructure

on which public resources have already been spent or are being expended.

- * Provision should be made in the legislation for citizens to petition an issue vote if they are able to mobilise 10% of the relevant enfranchised (at the metropolitan or sub-structure level) in support of such a referendum.

Note: The only conditions under which single tier systems, as recommended in both options in the White Paper, will be democratically accountable in large metropolitan areas is if the decentralisation of powers to substructures is automatic if they meet certain criteria scheduled in national legislation; and if devolved, these substructure powers cannot be revoked.

3. Cities Forum

The White Paper hints at the need for a metropolitan forum. CDE would strongly support this idea and would urge government and the cities to take it further.

We see the need for a powerful and independent forum run by the large cities themselves, that has both information gathering and lobbying capacity. The forum should not be restricted to the formal metropolitan areas in the country but should include all large cities with populations of 500 000 or more. The business sector should be represented in the forum; the form of this representation will need to be negotiated between the city governments and business representatives. The funding of such a forum should be provided by the large cities themselves.

The networking and consultation needs of towns (large and small) should also receive consideration. A single forum is probably not appropriate and provincial and other options should be explored.

4. A Competitive Urban Development Fund

CDE would propose the creation of an urban development fund to encourage and provide incentives for cities and towns to develop strategies and projects that could lead to sustainable growth and development.

The money available to cities and towns from this fund should not be allocated equally across the country as of right, but be subject to a competitive process. Local authorities, metropolitan governments and public/private consortia should put forward proposals for projects and programmes that best meet the criteria for development as set out in CDE's 'Guiding Principles for Urban Governance' section of these recommendations. (See p 35-37)

While the basic capital will have to be an item on the national budget, the funds should be managed by an independent team of evaluators chosen by the Cities Forum. The evaluators should include public and private sector representatives and include a representative from the Department of Finance and from the Council of Provinces.

Efforts should be devoted to exploring the prospects for leveraging private sector loan finance into these funds on the basis of risk sharing arrangements. In this way, money available to encourage new types of growth and development projects would be vastly expanded.

5. Executive Mayors

The White Paper makes mention of the possibility of Executive Mayors for metropolitan areas in section E. CDE would support a thorough investigation into this possibility for metropolitan and possibly more general urban governance. Executive mayors could be a very effective mechanism to establish more dynamic, high status and more effective local leadership. CDE is adamant, however, that the appointment to such a powerful position should not be made by councils themselves but that executive mayors should be directly elected and directly accountable to the citizens.

A thorough investigation concerning the possibility of executive mayors in South African cities, should also look at the feasibility of mechanisms to ensure that such directly elected and powerful mayors have a spread of support across the metropolitan area.

THE WAY FORWARD

Proceed - for now - only with minimum necessary legislation

In the light of the inadequacy of the White Paper, CDE would caution government to see this White Paper as only a limited contribution to reassessing South Africa's local government situation. It should therefore at this stage only introduce legislation that is absolutely necessary for the 1999 elections and to ensure fiscal discipline.

Urgently establish a Presidential Commission for Cities and Towns

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 enquiry.

This enquiry cannot be rushed, and should take the form of an expert COMMISSION FOR CITIES AND TOWNS, which will be given up to 18 months to complete its work. The commission should consist of individual experts nominated by local authorities (30%), the business sector (30%) and central government (40%), with the chairperson to be nominated by the President. Its terms of reference should include the following:

- * The establishment of the fundamental information required for understanding the development needs and core objectives of urban government. This information will

have to include urban demographics and socio-economic patterns -- the size and growth of populations, the patterns of migration, the extent of poverty exactly defined, the capacity of different categories of citizens to pay for services and property rates, the existing levels of service provision, the adequacy of local infrastructure as a basis for economic growth and the capacity of the private sector and non-government and community sectors to contribute to development and service provision

- * An overview of settlement types in South Africa, with particular emphasis on the patterns of marginal or displaced settlement, 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.
- * The powers of cities and towns, and the relationships between tiers of government, in relation 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.
- * A study of international best practice in the implementation of local economic development and the local investment challenge. This should include a review of delivery mechanisms in economic development and the implications as regards the capacity and powers of local authorities in South Africa. It should also cover different types of investment incentives and incentives for partnerships between local government and the private sector and communities in achieving economic development.
- * An analysis of financial structure and the adequacy of the local fiscal resource base by type and size of local authority. This will have to 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 the costs and benefits of the RSC levy.
- * The different options with respect to forms of urban government. This would include the 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.
- * A review of policy, regulations and of local, provincial and national legislation which hampers economic development and its facilitation by local authorities. Such a review would include rating systems, taxation and levies and the extent to which they are efficient in achieving development objectives. (Here CDE would endorse the position taken in the White Paper on page 42, that calls for a review of all provincial ordinances).

- * An 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.
- * Any other issues and topics about which there is lack of clarity on the direction to follow.

15. CONCLUDING REMARKS

With these broad recommendations CDE will rest its case for the moment, as it were.

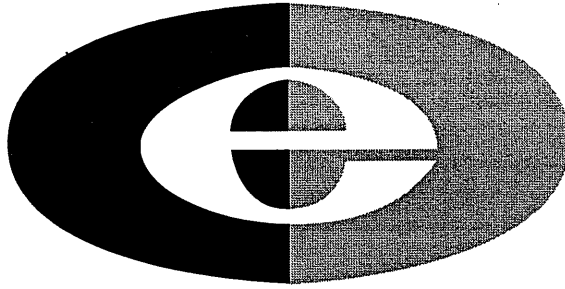
CDE would simply like to add:

- * that, despite some common features, South African local government is different in scope and shape for each kind of local authority
- * first and foremost all local authorities must each represent the views and opinions of all their constituents effectively and find a workable balance between the different views of black and white, middle class and poor in each South African city and town
- * the purpose of the local authority should be clarified in each place. First and foremost it should be to represent the wishes of the constituents and their need for services on a sustainable basis, which means that the development of the resource base is fundamental. What receives top priority or how will differ from place to place
- * in smaller towns, they should adopt a plan to build an appropriate and viable local authority to facilitate the delivery of basic services for citizens, communities and enterprises in that town. In so doing they will have to cut their cloth to suit their purse. They should each decide what councillors in their town will be asked to do and what they will be paid for their contribution. They should decide how to remunerate staff for their council. They should look at what they can do with other neighbouring municipalities or district councils to maximize delivery and minimize costs.
- * in larger places, the task is the same except at a more complex and sophisticated level. Resources are greater but then so are the needs.
- * in the current context of the global economy, and against the background of the stresses

and resource constraints in local government at the moment, none of this is possible if local authorities are not the agents and facilitators of local economic development and the attractors of investment. Local government cannot employ people on the scale needed to combat unemployment as this has implications for cost recovery in service provision. Only a local economy can rise to this challenge. Therefore, the economy is as much a part of the modern local authority as is its administrative, service delivery and representative functions. Local government legislation must reflect this requirement as much as it reflects any other requirement of local democracy.

CDE's disappointment with the White Paper notwithstanding, its publication does provide an opportunity for open debate about the future of South Africa's cities and towns. Our recommendations are put forward as a contribution to what we hope will be a constructive public debate.

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