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Municipal imperative

Much, if not most, of our country's problems – particularly poverty and unemployment – stem from our under-resourced and underperforming local government system. So much so, that it is now imperative that municipalities become the focus of government activity.

Given that local municipalities cover all parts of our country, that they are closest to the communities they are meant to serve, and that it is municipalities, rather than the national or provincial spheres of government, which are charged with the delivery of basic services, surely it is municipalities which should receive priority attention in terms of both the human and financial resources available to government.

A leadership vacuum?

Unfortunately, however, the transformation of local government lagged behind the new national and provincial dispensation by some six years. This resulted in a rush of our most dedicated and competent activists and others into politics and the public service in the national and provincial spheres. The cupboard, then, was largely bare when the time came to fill the political and management positions in municipalities. Bearing in mind that there are 283 municipalities (nine of which, the metropolitan areas, contribute 70% of our country's GDP), there was just not enough leadership and competence to go round, which put our municipalities at severe risk of not being able to perform. Consequently, many of our municipalities have been bedevilled by infighting, as mayors, councillors – particularly ward councillors – and managers compete in a scramble to meet community backlogs and needs. Mayors' and municipal managers' heads have rolled regularly in this unstable municipal environment.

Communities protest in the belief that a change of face – or province, for that matter – will suddenly yield delivery – but it hasn't. Compounding the scarcity of political and management expertise, let alone the engineering, accounting and other professional skills required to successfully manage a multifaceted municipality, is the myth that municipalities, if only they were better run, could be self-sufficient.

Something had to give: A recipe for inferior service delivery

This myth has its origins in the old South Africa, in which, of course, the apartheid-based municipalities were self-funding, primarily because they raised their rates income from the already developed areas and spent that income on maintaining those same developed areas. So, naturally, potholes were filled, street lights replaced and grass verges neatly trimmed! But when these small municipalities expanded to include the areas that were home to the majority of our people – areas many times larger, but poorly developed and serviced, if not entirely neglected – scarce municipal rates income had to be stretched. Something had to give, and that something was the maintenance of existing infrastructure. This decay was aided and abetted by the 'retirement' of many highly competent municipal officials.

In the case of Pietermaritzburg, the Msunduzi Municipality has to service and develop an area three times larger than that formerly administered by the apartheid city council, with treble the population. But two-thirds consists of tribal and township areas, so the new municipality has to make do with the rates revenue generated only in the city. This is simply a recipe for spreading inferior service delivery and maintenance through the whole area.

None of this is rocket science, and clearly neither the equitable share, which is meant to cover the full cost of basic services for the poor, nor the municipal infrastructure grant, which funds the development of only rudimentary services – and therefore adds to the maintenance woes – has proved sufficient to enable municipalities to both develop new and maintain existing assets.

As if this overwhelming burden were not enough, we now have a set of Acts which, although technically sound and necessary, place a premium on legislative compliance, rather than addressing the fundamental municipal imperative of how to adequately empower, in both human and financial terms, our severely strained municipalities.

Revenue = investment = employment = revenue …

Substantial additional revenue needs to accrue to municipalities, and directly, if, as we must, we are to address the glaring inequalities in the socio-economic landscape of our scarred country. After all, it is municipalities that have to create an environment which attracts investment, which creates employment, which makes services more affordable and which in turn augments municipal revenue. (See the discussion of local economic development on p 19.) But if municipalities are cash-strapped to begin with, this cycle of development does not roll.

I will not dwell on the dire need to redress the fundamental spatial inequality bequeathed to us by the planners of our apartheid cities: the poorest live furthest from work, and only a sizeable investment in new business areas and far more integrated transport systems will free up household incomes so that citizens can improve their rudimentary housing and services. Given the strain on municipal finances, it is true to say that we have not broken the apartheid mould of our cities.

Municipalities can only fulfil their constitutional and developmental mandate if they receive their due revenue. Why shouldn't the VAT, the fuel sales, the income tax and so on generated in a municipal area accrue to the municipality, rather than to spheres of government and parastatals that may be necessary, but are certainly not critical to the alleviation of poverty and job creation at the all-important local level? We are not arguing for a new tax, but simply for a fair share of existing revenue.

This straitjacket approach to municipal financing inevitably leads to municipalities raising the operating revenue necessary to feed themselves, instead of growing their capital budgets

Straitjacket financing

As it is, municipalities simply annually adjust the rate randages they use to determine rates income necessary to balance their budget. Even though they have little alternative, this has resulted in inflation-related annual increases, and therefore virtually no increase in revenue, in real terms, over the past decade. Thus, even if municipalities collect, by way of stringent credit control and revenue enhancement – a euphemism for cutting off poorer consumers – all that is due to them, they are no better off than they were during the previous year. In fact, they are worse off, because salary and tariff increases, over which they have little control, simply increase their operating budgets, which in turn inhibits their ability to afford to borrow, and pay back, anything like the capital funding needed to both maintain and create infrastructural assets. Therefore our municipalities, try as they might, bear little resemblance to developmental organisations.

This straitjacket approach to municipal financing inevitably leads to municipalities raising the operating revenue necessary to feed themselves, instead of growing their capital budgets – again, in real terms – in order to make a significant impact on infrastructural needs. Put simply, all of our municipalities urgently need to double, if not treble, their capital budgets, and their ability to expend such increased amounts. Currently they can do neither!

Therefore our municipal budgets are bookkeeping exercises rather than financial strategies. They may comply with the law, they may result in an unqualified audit, but they will not result in our municipalities becoming developmental.

Given the parlous state of municipal finances in virtually all of our local and rural municipalities, our small towns and rural areas simply cannot be developed, and the outmigration to our cities will continue unabated, to the detriment of both the cities and the rural areas.

I will refrain from an extensive discourse on the proposed regionalisation of electricity reticulation. Suffice it to say that whatever its merits, if it reduces the revenue accruing to the metros, it will reduce even further their ability to perform. It may even be the straw that breaks the camel's back!

Red herrings and wrong priorities

This is not to excuse poor management or tolerate inefficiency, but merely to point out that the fundamental problem is grossly insufficient revenue to meet the challenges our municipalities face, and the concomitant failure to attract, or to deploy, our best managers to our municipalities.

Another red herring is that municipal politicians and managers are overpaid. In the case of the metro municipalities, their budgets are larger than those of some provinces, and they therefore simply have to be able to attract the necessary skills. Paying the chief executive officers of our parastatals – many of which survive only thanks to massive government grants – millions more than the managers of our metros surely suggests that our priorities are wrong.

Our provinces receive the bulk of their funding from the national government and they therefore have the comparatively easier job of spending their budgets timeously and efficiently, whereas our municipalities have to both raise their own revenue and also expend it judiciously. Why is it, then, that municipalities must have balanced budgets, whereas provinces regularly overspend? All of this clearly indicates that our municipalities deserve far more attention and status than they have received.

Currently, our municipalities still labour under a Big Brother syndrome, and are treated not so much as another sphere, but as the third and lowest tier, of government. Why is it that when Eskom is confronted with massive maintenance and development costs, it receives a massive increase in government grants and is permitted to increase its tariffs way above inflation, whereas municipalities are expected to simply make do, by squeezing more and more from their limited revenue base?

Of course more revenue is not a panacea, as it has to be matched by municipalities concertedly reducing unnecessary operating expenditure, thus enhancing their ability to afford a larger capital budget. Given the current global economic environment, it is clear that the public sector will have to lead the recovery, primarily by investing in infrastructure on an unprecedented scale, and that surely means making the funding and the capacity of our municipalities – particularly the metros – our top priority. This is imperative!

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Mr Haswell writes this article in his personal capacity.