Eleonor NCMOULLE, Weekend Argus.

Metroplitan governments set to do battle in two-tiered fight for public funds

At present, spending at local government level accounted for more than 43 percent of going concern expenditure but it has a low level of autonomy, he said.

"There is a high level of local government expenditure in metropolitan and regional local governments. It is a level which will worsen if different political parties control different levels of government," institute for Local Governance head Thomas Botha said.

"If there is hostility, provincial government could try to reduce the tax bases of the new Metropolitan Council.

And Mr Botha — who also heads the African National Congress local government department — challenged a National Party proposal to take away electricity income from local authorities.

"Shaking away electricity, a significant contribution to municipal revenue, is a 'mindful and conflict', Mr Botha said.

Options for future metropolitan government were either to increase revenue-sharing, creating unnecessary bureaucracies.

An example of split service provision was the supply of electricity in Cape Town townships.

Some were supplied by East Cape, some by Cape Town City Council.

This caused a huge disparity in tariffs, while white areas had prepaid metering, Mr Botha said.

Mr Botha said the final constitution would settle the relationship between second and third-tier government.

The interim constitution put local government in the direct power of provincial parliaments.

"Given provincial governments will be competing for revenue, they may want to take over sources of revenue traditionally used by metropolitan councils.

In some cases, this has led to cities being richer than provinces.

There was a provision in the interim constitution that all local government functions would have to be channelled through provincial governments, which must be reviewed, Mr Botha said.

It was not necessary that all services be channelled through the same authority.

"There are too many different arrangements which do not correlate well with political boundaries," he said.

Local government debts to be written off

Municipal Reporter

TRANITIONAL city and town councils inherited current local government debts, said Andrew Boraine, a member of the Transitional Executive Council subcommittee on regional and local government.

Mr Boraine was speaking at a seminar on metropolitan government.

But sorting out the pile of debts is expected to take some time.

Mr Boraine said different types of debts were owed to different bodies. Some were government departmental debts, while others were council debts.

And in a move likely to send shock waves in local government circles, Mr Boraine said he doubted ratepayer associations could sustain themselves apart from municipal rates.

Mr Boraine said the purpose of the government forum was to broaden representation in the transition to the future.

He said the Local Government Transition Act is to create integration and representative bodies, but that they would have to be able to get double representation.

Bodies which had taken part in municipal elections in the past would be seen as statutory bodies.

It was crucial to get past constitutional issues out of the way, Mr Boraine said.

These included issues of services, grants, land management and representation on the forum for all members.

The Cape Town metropole and local government were working hard to make progress, Mr Boraine said.

The provincial administration had a strategic management plan to tackle this crisis, but this had to become part of the forum process, Mr Schmidt said.

Metropolitan recovery needs viable cities

Municipal Reporter

A WORLD Bank report on metropolitan finance and national economic recovery would be impossible without properly functioning cities.

Rates increases and new local taxes could be introduced to combat the high levels of services in poor black areas and local authorities could be given access to capital markets to help them fund the split of black areas.

The legacy of apartheid was that white areas had strong fiscal bases and were well managed, while black areas had little infrastructure, the report said.

In black communities there were backlogs in terms of water supply, electricity, sanitation, drainage, roads and solid waste disposal. Financing this backlog would mean significant fiscal shock on revenue and spending of cities.

The size of the stock is too large for the local fiscal base to maintain in a short period and will need to be phased over several years.

Using Regional Services Council levies at present rates could speed ratepayers from property rates increases, the report said.

It warned that any direct borrowing by cities would have to be regulated.

Poverty, poorly defined property rights and problems of enforcement would make it difficult to collect property rates and user charges, the bank said.

A second-best fiscal instrument could be used to generate revenues from black communities. These included a cut of value-added tax and property taxes.

Cities might not be able to absorb a rapid increase in new responsibilities and simulta- neous service backlogs. If fiscal decentralisation were to occur, the best option was for provinces to control financial flows, the report said.

A system of surcharges on the transportation sector was recommended to increase transport receipts.

An assayment of excise and motor vehicle taxes was also recommended. The system should be taken to ensure metropolitan areas remained economically viable in the face of strong investment in education and health.

With the possible outcomes of a permanent underclass in the African cities, large.