Civic Participation in Sub-national Budgeting in South Africa
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This study is part of a larger project on Civic Participation in Sub-national Budgeting: Comparative International Practices directed by Anwar Shah, World Bank. Further correspondence regarding this paper can be addressed to Theresa Thompson at Tthompson@worldbank.org.
1. Introduction

Local government in South Africa has undergone a complete transformation in the last decade. Prior to 1994 there was no specific legislation governing the local sphere which fell under the jurisdiction of the provinces. In anticipation of the transition to democracy the Local Government Transition Act (LGTA) was promulgated in 1993 in order to begin the transformation of the old apartheid structures into democratic, inclusive municipalities.

The LGTA defined three phases of transition. Firstly, the pre-interim phase (1993 – 1995) amalgamated racially based councils, former white suburbs, and black townships into common local councils; and established Local Government Negotiating Forums, consisting of existing councils and non-statutory bodies such as civic organisations, in order to prepare for the first democratic local government elections to be held in 1995. Secondly, the interim-phase (1995 – 2000) saw the establishment of national policy and a legislative framework for local government. The 1995 elections created two types of transitional municipalities: metropolitan areas which had a two-tier system made up of Transitional Metropolitan Councils and Transitional Metropolitan Substructures or Metropolitan Local Councils; and non-metropolitan areas which were governed by a combination of District Councils, Transitional Local Councils, Transitional Rural Councils and Transitional Representative Councils. During this phase major progress was made in terms of deracialising administrations and democratising systems and process. The final phase (December 2000 onwards) began with the second local government elections. This phase introduced the new local government structures within the newly demarcated municipal boundaries (incorporating urban and rural areas) which consolidated the number of municipalities from 843 to 284.¹

The new local government structure consists of three categories of municipalities in South Africa². These are:

- **Category A municipalities:** which are known as metropolitan (metro) municipalities and are characterised by large urban settlements with high population densities, complex and diversified economies and a high degree of functional integration. These municipalities have exclusive executive and legislative authority and are governed by single councils. There are six Category A municipalities in South Africa.

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² As defined in section 155(1) of the Constitution of South Africa and further defined in Part 1 of the Municipal Structures Act 117 of 1998
• **Category B municipalities**: which are known as local municipalities and incorporate secondary cities, large towns, small towns and large tracts of surrounding rural and informal areas. Local municipalities share executive and legislative authority with Category C municipalities within whose jurisdiction they lie. There are a total of 231 local municipalities.

• **Category C municipalities**: which are known as district municipalities and usually consist of a collection of local Category B municipalities and largely uninhabited rural areas. There are 47 district municipalities.

The legal framework taking effect from December 2000 in the newly demarcated local authorities demands that municipalities consult the public and do this in a meaningful manner. However, local government in South Africa is diverse ranging from urban, peri-urban to rural. Each of the 284 municipalities has its own unique context in terms of settlement patterns, service needs, revenue access, and capacities to perform effectively. In addition, many municipalities have had to amalgamate administrations from various cultural backgrounds that had differing capacities and served a wide-ranging constituency. As a result civic participation in planning, policy making and budgeting varies widely across municipalities. It is also only recently that formal mechanisms for participation, that have been set up sometimes as early as 2001, have begun to function effectively.

This paper examines civic participation in policy making and budgetary processes in local government in South Africa and focuses on two municipalities as case studies. The paper is presented in six sections. The second section outlines participation approaches as defined by the legal framework. It discusses the participatory mechanisms that are available to municipalities as well as how civic participation in the budget process is envisaged. Section three and four present the case studies of Mangaung Local Municipality and Ekurhuleni Metropolitan Municipality respectively. These sections explore the participatory mechanisms that have been established in each municipality as well as the impact of participation and challenges that the municipalities face. The fifth section describes the national framework within which local government is situated. It discusses the level of autonomy at the local level and financing sources. Section six concludes the paper.

### 2. Participation approaches

The legislation governing the local level sets out the framework for community participation in the decision-making processes of a municipality. This section describes each of the relevant pieces of legislation outlining their particular reference to community participation. It also discusses the mechanisms available to the public to allow for their involvement as well as how civic participation is accommodated in the budget process.

#### 2.1 The legislative framework

Local government in South Africa is to a large extent governed by the Constitution of South Africa and a suite of four national acts specifically related to local government. The four acts include the

### 2.1 Constitution of the Republic of South Africa

The adoption of the Constitution of South Africa in 1996 confirmed the status of local government by establishing three spheres of government (national, provincial and local) which are “distinctive, interdependent and inter-related” (S.40.1). Thus local government is a sphere in its own right and is not just an implementing agent of national and provincial government. The Constitution delegates specific powers and functions to each of the spheres but emphasises the co-operative nature in which the country should be governed within a unitary state. Therefore all spheres of government should co-operate with each other in terms of decision-making, co-ordination of policies, budgets and activities especially in areas which cut across the different spheres. The Constitution defines the sphere of local government as consisting of municipalities of which the executive and legislative authority is vested in the Municipal Council.

The Constitution promotes the idea of developmental local government with each municipality giving priority to the basic needs of the community and promoting socio-economic development of the community. In particular section 152(1) specifies the objects of local government as follows:

(a) to provide democratic and accountable local government for local communities;
(b) to ensure the provision of services to communities in a sustainable manner;
(c) to promote social and economic development;
(d) to promote a safe and healthy environment; and
(e) to encourage the involvement of communities and community organisations in the matters of local government.

Provision (e) above provides the basis for the inclusion of sections on community participation within local government processes in all of the subsequent legislation that has been promulgated pertaining to local government.

### 2.1. Municipal Structures Act

The Municipal Structures Act (MStA) of 1998 provides the framework for the establishment of municipalities. It further develops the categories of municipalities, as defined by the Constitution, and identifies the various types of municipalities that may be established within each category. The MStA also provides guidelines for the form and functioning of various local political structures, the internal systems and structures including electoral systems, and the division of powers and functions between district councils and local municipalities.
The MStA entrenches community participation by stating in the duties of the executive committee (S44(3)) that the executive committee must report on the involvement of communities in municipal affairs and must ensure public participation and consultation and report the effects thereof on decisions taken by council. It also encourages a system of participatory democracy by setting out the framework for the establishment and functioning of a ward committee system (ss72-78). The primary function of the ward committee is to be a formal communication channel between the community and the council. According to the MSTA a ward committee may make recommendations on any matter affecting the ward to the ward councillor or through the councillor to the council. Ward committees may not have more than ten members and should be elected by the community they serve. The ward councillor representing that ward in the council should act as the chairperson of that particular ward committee. The Act also states that women should be equitably represented in the ward committee as well as representation from a diversity of interests.

### 2.1.3 Municipal Systems Act

The Municipal Systems Act (MsyA) of 2000 provides the core principles, mechanisms and processes that are necessary for the functioning of municipalities in order to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all. The Act deals with the following issues:

- planning and decision-making models (including processes for public participation);
- approaches to infrastructure investment, service delivery and economic development;
- performance management systems; and
- administrative restructuring and human resource development.

The MSyA defines the legal nature of a municipality as the political structures and administration of the municipality and the community of the municipality, thus enshrining the community as an integral part of the municipality.

Chapter four of the MSyA is dedicated to community participation. Section 16(1) states that a municipality must develop ‘a culture of municipal governance that complements formal representative government with a system of participatory governance’. The chapter emphasis three main elements:

(a) The municipality must foster participation in:

- the integrated development planning (IDP) process;
- the evaluation of its performance through performance management;
- the budget process; and
- strategic decisions around service delivery.

(b) The municipality must enable participation through capacity building in the community and of staff and councillors.

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(c) Funds must be allocated and used for the above purposes.

According to section 17(1) of the MSyA, participation must take place through ward committees; councillors; mechanisms, processes and procedures defined in the Act itself; or that have been established by the council. In order to enable participation the municipality must provide for:

- procedures to receive and deal with petitions and complaints of the public;
- procedures to notify the community about important decisions (such as by-laws, IDP service delivery choices, etc.) and allowing public comment when that is appropriate;
- public hearings;
- consultative meetings with recognised community organisations and, when appropriate, traditional authorities; and
- report back to the community.

The Act also specifies that municipalities must take into account the special needs of women, illiterate people, the disabled, and other disadvantaged groups.

The municipal manager must notify the public of the time, date and venue of every council meeting and council meetings must be open to the public if discussion or voting is held on a by-law, the budget, the IDP, the performance management system or a service delivery agreement. Communication must happen by means of a local newspaper, another newspaper that has been designated as a newspaper of record, or via radio broadcasts.

### 2.1.4 Municipal Finance Management Act

The Municipal Finance Management Act (MFMA) of 2003 aims to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities. Its purpose is to:

- regulate municipal fiscal and financial management;
- set requirements for the efficient and effective management of the revenue, expenditure, assets and liabilities of municipalities and municipal entities;
- define clear responsibilities for political office bearers (mayor and councillors), officials (municipal manager as accounting officer, the chief financial officer), and the province and national government, with regard to municipal financial management and reporting, in order to ensure greater accountability for performance;
- determine a financial management governance framework for municipal entities;
- put in place a municipal borrowing framework; and
- put in place a framework for the resolution of financial problems in municipalities.

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4 ibid
The MFMA continues the theme of community participation with the requirement that immediately after the annual budget is tabled in a municipal council, the accounting officer of the municipality must make public the budget and all supporting documentation, and invite the local community to submit comments on what is contained in the budget. The municipal council is obliged to consider any views of the local community regarding the budget. After considering all submissions, the council must give the mayor an opportunity to respond to the submissions received and if necessary revise the budget and table amendments for consideration by the council.

If a municipality intends entering into any contracts which may have future budgetary implications, the draft contract must be made public and the local community must be given an opportunity to make comments or representations in respect of the proposed contract. The municipal council must then take into account any comments or representations made by the community.

Furthermore, the MFMA stipulates that a service delivery and budget implementation plan must be approved within 28 days after the approval of the budget. This plan should be linked to the performance targets and measurable objectives set out in the budget and will provide key benchmarks against which the public may measure the performance of the municipality.

The MFMA requires an annual report to be tabled in the municipal council each year in order to provide a record of the municipality’s activities and report on performance against the budget and the measurable objectives tabled with the budget. The meetings at which this report is to be discussed must be open to the public and a reasonable time must be allowed for the discussion of any written submissions received from the local community and for members of the local community to address the council. The annual report and all budget-related documents and policies must also be placed on the municipality’s website thus making these documents available for public scrutiny.

### 2.1.5 Municipal Property Rates Act

The Municipal Property Rates Act (MPRA) of 2004 is the final piece of legislation governing the local level. The aim of the MPRA is to regulate the power of a municipality to impose rates on property. The Act has a direct impact on communities as property-owners and allows for a process of community participation. Section 4 of the Act states that before a municipality adopts its rates policy, it must follow a process of community participation in accordance with Chapter 4 of the Municipal Systems Act. In addition, the municipal manager must display a copy of the draft rates policy in a place accessible to the public as well as publishing in a newspaper of general circulation the fact that a draft rates policy has been prepared and is available for public inspection. The municipal manager must also invite the local

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5 Sections 22 and 23 of the MFMA  
6 Section 33 of the MFMA  
7 Section 53 of the MFMA  
8 Section 130 of the MFMA  
9 Section 75 of the MFMA
community to submit written comments and representations to the municipality concerned within a period specified in the notice. The municipal council must, in turn, take all comments and submissions made to it or received by it into account when it considers the draft rates policy.

2.2 Participatory mechanisms

The legislation outlined in the previous sub-section defines the framework for community participation in the decision-making process of a municipality. Within this framework there are a number of mechanisms available to the public to allow for their involvement. The two main structures that have been defined are the ward committee system and the sub-council system. Metro councils may choose whether participation happens through ward committees or sub-councils or both. Local municipalities may only have ward committees. District municipalities do not require either system as participation occurs through the local municipalities.

2.2.1 Ward committee system

The Municipal Structures Act (MStA) sets out the basic guidelines for the establishment of ward committees (S72 – 78). These are, however, only broad parameters and it is up to each municipality to formalise the powers and functions of these committees either by means of passing a resolution or a by-law. The aim of the ward committee is to establish a forum which will allow communities to have a voice and participate in the functioning of the municipality, as well as a forum for council to disseminate information to the community. Ward committees, however, remain for the most part advisory committees which make recommendations on any matter affecting their ward. The recommendations can be made directly to the ward councillor who is a directly elected and voting member of the municipal council, or through the ward councillor to the municipal council, the Executive Committee or the Executive Mayor.

The parameters for ward committees set out by the legislation include the following10:

- Only certain types of metropolitan and local municipalities that include the term “ward participatory system” may have ward committees;
- Council has discretion in deciding whether or not it will establish ward committees;
- Ward committees must have equitable gender representation and reflect a diversity of interests;
- Ward committees are comprised of the ward councillor who acts as the chairperson and ten other members;
- Participation is voluntary – no remuneration;
- Before the ward committee is set up, council must rule on: method of nomination, elections, frequency of meetings, and circumstances under which a member must vacate office;
- The ward committee may advise of any matter that affects the ward;

• The ward committee may assume duties and functions delegated by council in terms of section 74(b) of the MStA;
• Council may provide administration support; and
• Council determines the ward committee’s term of office.

The MStA specifies that the elected members of ward committees must represent a diversity of community interest. However, how these elections are organised and who may vote is left up to the discretion of each local authority. Two options for the election of members have been identified by the Department of Provincial and Local Government (DPLG) and the South African Local Government Association (SALGA). These are:

• **Ward level elections:** Under this option interest groups are invited to identify themselves for elections according to the key performance indicators (KPIs) identified in the IDP. Elections are called at a ward level and residents vote for the representatives of the interest groups. The members of the ward committee are elected as individuals who represent a particular interest group such as youth, the disabled, and pensioners.

• **Council level elections:** Under this option interest groups are again invited to identify themselves for elections according to the KPIs identified in the IDP. Elections are then called at the council level with all residents in attendance. Only councillors vote for the representatives of the interest groups.

### 2.2.2 Sub-council participatory system

The MStA states that only metropolitan municipalities may establish sub-councils. The sub-councils are a mechanism through which the council may consult the public on their needs and to inform them of developments. The primary aim of the sub-council participatory system is to decentralise decision-making so that communities in a large metropolitan area can participate in decision-making.

Sub-councils may be set up, after public consultation, by passing a by-law which will determine the number of sub-councils to be established in the metro; the cluster of adjoining wards making up each sub-council; the distinct name for each sub-council; and providing for an equitable financial framework in terms of which the sub-councils must function.

The sub-council consists of councillors representing each ward in that area as well as other councillors appointed by the council to ensure that each political party is represented according to the proportion of votes the party received on the proportional representation lists in the sub-council area. A sub-council may appoint committees, including a management committee, from among its members to assist it in the performance of its duties and the exercise of its powers. The municipal council determines the powers and functions that it will delegate to its sub-councils.

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2.2.3 Other participatory mechanisms

Besides the two major participatory mechanisms described above, there are other mechanisms available to municipalities in order to enhance community participation. These include:

- **Public meetings:** Municipalities invite the public to attend meetings where issues, ranging from development options to reports on progress on projects, may be discussed.

- **Public hearings:** Public hearings give the community an opportunity to comment on and participate in the law-making process. Input at hearings on by-laws is usually through direct communication or written submission.

- **Consultative sessions:** These sessions may be held with communities to consult on matters of development generally. They assist communities to take ownership of development projects and processes in their areas.

- **Report-back meetings:** These meetings are important for informing communities on council activities as well as reporting on the state of affairs and finances of the municipality.

- **Advisory committees:** The Municipal System Act allows a municipality to establish advisory committees consisting of persons who are not councillors to advise the council on any matter within the council’s competence. These committees can be technical or on matters of governance, giving CBOs and NGOs an opportunity to play a meaningful role in local governance.

- **Focus or interest groups:** Concerned community residents who share a common interest such as tourism, crime, or environmental concerns, may form groups to lobby and advise the municipality on those specialist interests.

- **Formal advertising in the press:** Advertising is a way of eliciting and considering views of the community.

- **Market research and opinion polls:** Although relatively new, some of the larger municipalities have conducted market research on community priorities.

- **e-Government:** The larger municipalities which have the infrastructure and skills are beginning to use the internet as a means of communicating with the community.

- **Community radio and community press:** This is a fairly widespread means of communicating issues to the public.

There are also additional ways in which members of the community may raise issues with the council or municipality. These include:

- **Petitions:** Individuals or councillors may submit petitions to a council meeting. Petitions can be used to point out that laws or policies of the municipality are not being applied properly or to call for a change. The petition is usually referred to a management committee that will then report to council. The officials circulate the petition to the relevant departments who will make

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13 Education and Training Unit, Understanding Local Government, www.etu.org.za
recommendations to the relevant portfolio or standing committees who in turn make recommendations to the executive who make recommendations to council. The councillor or group who submits the petition should keep track of the progress of the petition.

- **Questions to council:** Members of the public may approach ward councillors to ask questions on their behalf regarding information about council policies and programmes. Questions may be submitted in writing or may be asked during a meeting. If in writing, questions must be submitted ten days before the council meeting so that the officials can have time to prepare the answers. Answers are often tabled at the meetings themselves. The executive committee (Exco) chairperson can immediately answer a question verbally or can provide a reply in writing. Any councillor may ask a question about Exco’s recommendations or decisions and any Exco member may make immediate verbal replies.

### 2.3 The budgeting process and civic participation

With the promulgation of the Municipal Finance Management Act (MFMA) of 2003, budgeting and financial management at the local level is about to undergo a radical transformation. At the time of writing the implementation process had just begun and will be introduced in a phased approach according to the capacity of individual municipalities. Chapter four of the MFMA describes the format and content of municipal budgets as well as the budget process.

The financial year for South African municipalities runs from 1 July to 30 June of the following year. According to the MFMA, the mayor of a municipality is responsible for co-ordinating the processes for preparing the budget and for reviewing the municipality’s integrated development plan and budget-related policies. This is to ensure that the tabled budget and any revisions are mutually consistent and credible.

At least ten months before the start of the budget year i.e. September, the mayor must table in council a time schedule outlining key deadlines for:

- the preparation, tabling and approval of the annual budget;
- the annual review of the integrated development plan and budget-related policies;
- the tabling and adoption of any amendments to the integrated development plan and budget related policies; and
- any consultative processes forming part of the processes mentioned above.

The mayor of the municipality must then table the annual budget at a municipal council meeting at least ninety days before the start of the financial year. Immediately after this, the accounting officer (municipal manager) of the municipality must make public the annual budget together with any supporting documentation and invite representations in connection with the budget from the local community.
The municipal council must then consider any views put forward by the local community and any other organs of state that may have made submissions on the budget. The mayor is then given an opportunity to respond to the submissions and, if necessary, revise the budget and table amendments for consideration by council. Council must then approve the annual budget for the municipality before the start of the financial year. The annual budget should be approved together with the adoption of resolutions as may be necessary including:

(i) imposing any municipal tax for the budget year;
(ii) setting any municipal tariffs for the budget year;
(iii) approving measurable performance objectives for each vote in the budget;
(iv) approving any changes to the municipality’s integrated development plan; and
(v) approving any changes to the municipality’s budget-related policies.

The annual budget must generally be divided into a capital and an operating budget in accordance with international best practice. The content of the budget should include:

(i) realistically anticipated revenue from each revenue source;
(ii) appropriated expenditure by vote;
(iii) indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year; and
(iv) estimated expenditure and revenue by vote for the current year, and actual revenue and expenditure by vote for the financial year preceding the current year.

Budgeting by vote is a new concept for municipalities as they have previously tabled budgets by line-item rather than by functional area. This is a challenge to municipalities in the restructuring of their budgets according to the different functional areas. It is also a new requirement to budget for the medium term as previous budgets only considered the current financial year.

Having described the legislative context of community participation the next two sections will focus on how two different municipalities have applied the participation principles in practice.

3. **Mangaung case study**

Mangaung is the second largest local (Category B) municipality in the country and is situated in the Free State province. The municipality serves a population of 645,443 and covers an area of 6,285 km². It is the most densely populated area in the Free State with 104 people per km² and has 24% of the total Free State province’s population. The Mangaung Municipality consists of three urban areas comprising a city and two towns, and a large rural area which is mainly used for livestock grazing. Most of the economy is accounted for by the government sector (38% of GGP), with services such as

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14 A Vote is described in the MFMA as one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality.
finance, real estate, transport and trade adding a further 51%. Unemployment was estimated at 40% of the economically active population in 2001 and poverty levels are high especially in the two towns which are a product of the apartheid era. The population is generally undereducated with only 48% having had secondary education. In addition 29% of the workforce are in unskilled professions.

Mangaung has a municipal council of 86 councillors and is governed by an Executive Mayor assisted by a Mayoral Committee of 10 full-time councillors. Of the 86 councillors 43 are ward councillors and 43 are proportional representation councillors. The administration is run by the City Manager who is assisted by six executive directors each responsible for a particular portfolio.

3.1 Mechanisms for participation

Public participation began in earnest in Mangaung with the formation of the Ward Committees in 2001. The participation process has mainly focused on obtaining inputs from the community for the Integrated Development Plan (IDP) which is a statutory requirement setting out the strategic development plan of the municipality over a five-year period. The IDP identifies the priorities of the municipality which determine its vision, objectives and strategies as well as projects to address these issues. A key component of the IDP is to link the planning framework to the budget, as it is only when a priority has a budget attached to it that it will be able to be adequately addressed. Initially, many IDPs were just a wish list of services for the community. In Mangaung concerted effort has been made to link the IDP with the budget to ensure its implementation. In addition, their aim is to extend public participation to cover input on the budget as linked to the IDP. This section describes the formal and informal mechanisms that exist in Mangaung to allow for civic participation.

3.1.1 Ward Committees\(^{16}\)

The major mechanism for participation in policymaking and budgetary processes is the Ward Committee system. Mangaung has 43 wards each of which is represented by a Ward Councillor and a Ward Committee consisting of ten members. The Ward Committee members are elected by the community to represent particular sectors and interest groups within the community including youth, women, the elderly, the homeless and the disabled. Each Ward Committee member is responsible for a sub-committee relating to the portfolio of the elected member. The Ward Committees are the vehicle to establish the community’s needs and take the community’s perspective back to the municipality. The Ward Committees are obliged to meet once a month, however, some have chosen to meet every fortnight.

The Ward Committees are the institutional structures that manage the participatory process by identifying the relevant role-players and stakeholders. The planning approach adopted in Mangaung is


\(^{16}\) Based on information from the Mangaung IDP 2003/04, the Mangaung Annual Report 2002 – 2003 and personal interviews
that of Community Based Planning (CBP) which is a participatory planning process that aims to empower local communities to enable involvement in the planning process. Mangaung has developed a ward planning process and manual and all 43 Ward Committees have been trained in this approach during 2002 and 2003. Full development plans have been produced a ward identifying the priorities for the ward which are then included in the IDP. A total of 10 000 people have participated in the planning process representing over 1.2% of the population in the area.

In order to overcome problems of marginalized and disadvantaged groups being dominated by others, the CBP approach allows the Ward Committees to identify different social groups and then meet with each group separately. In this way, it is possible to identify their particular priority outcomes as a group and their main vulnerabilities. A facilitator will then collate all the inputs received from the various groups. All the outcomes are then listed at a community meeting and people are given the opportunity to vote as to which are the highest priorities. Table 1 indicates the priorities of the municipality after aggregating the process of the 43 Wards.

<table>
<thead>
<tr>
<th>Priority</th>
<th>% of wards with this in top 10 priorities</th>
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<tbody>
<tr>
<td>Personal income and jobs (Local economic development)</td>
<td>97%</td>
</tr>
<tr>
<td>Security</td>
<td>94%</td>
</tr>
<tr>
<td>Housing</td>
<td>85%</td>
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<tr>
<td>Improved education</td>
<td>85%</td>
</tr>
<tr>
<td>Roads</td>
<td>73%</td>
</tr>
<tr>
<td>HIV</td>
<td>55%</td>
</tr>
<tr>
<td>Clean environment</td>
<td>55%</td>
</tr>
<tr>
<td>Recreational facilities (including parks)</td>
<td>52%</td>
</tr>
<tr>
<td>Health</td>
<td>52%</td>
</tr>
<tr>
<td>Title deeds</td>
<td>27%</td>
</tr>
<tr>
<td>Water</td>
<td>27%</td>
</tr>
<tr>
<td>Improved services/decentralisation</td>
<td>27%</td>
</tr>
<tr>
<td>Improved services for the elderly</td>
<td>27%</td>
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</table>


3.1.2 IDP Representative Forum

Whereas the Ward Committees focus on “on the ground” participation, the IDP representative forum includes participation at a broader level. This structure includes government, civil society, private

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17 Based on information from the Report of the Mangaung IDP Representative Forum, November 2001 and personal interviews
sector, and academic institutions. It gives a wide range of stakeholders the opportunity to give input into the IDP process.

The key tasks for the IDP Representative Form are to:

- Represent the interest of constituents on the IDP process;
- Form a structured link between the municipality and representatives of the public;
- Ensure communication between all the stakeholders representatives including the municipality;
- Provide an organisational mechanism for discussion, negotiation and decision making between the stakeholders including municipal government;
- Integrate and prioritise issues, strategies, projects and programmes and identify budget requirements; and
- Monitor the performance of planning and implementation process.

The IDP Representative Forum is chaired by the Executive Mayor or a Councillor appointed by the Mayoral Executive Committee. Its members include the Municipal Manager and/or IDP Manager; nominated councillors; one representative of each Ward Committee (i.e. all 43 ward councillors, plus potentially another ward committee representative); leaders of political parties in the Municipality plus the Speaker; representatives of the Tribal Authorities in the Mangaung Local Municipal area; representatives of organised stakeholder groups as identified by the Transformation and Steering Committee; persons with a specialised knowledge in a certain field; officials that serve on the Steering Committee; facilitator; provincial and national sector departments representation; and representation by the Motheo District Municipality.

3.1.3 Budget preparation process

Prior to the enactment of the MFMA in 2003 it was not mandatory to engage in public participation in the budget process. The implementation of the MFMA is to be phased in from July 2004 and therefore affects the preparation of the budget for the 2005/06 budget cycle. However, Mangaung attempted to engage the public in the budget preparation process for the 2004/05 budget cycle. The budget process outlined by the Mangaung municipality consisted of three phases including internal and external environment consultation, screening of projects and programmes and approval and reporting. Each phase is discussed in detail below.

**Phase 1: External and internal environment consultation**

1. Assessment of the external environment: This phase began by establishing the budget parameters in order to make projections of available revenue. Members of the Mayoral Committee, the Budget Office and the Executive Management Team were responsible for gathering and

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analysing information from National Government and donors as well as determining salary limits, bulk tariff increases and property rates increases.

2. Divide the Municipality into thirteen clusters: The municipality decided to combine wards that have similar characteristics and needs into clusters as this would be a more manageable way to interact with the budget. Ward Committees were given the dates of the cluster meetings in advance so they would have an opportunity to mobilise their community’s intensively to come up with sustainable programmes and projects for both the capital and operational budget. The dates of the cluster meetings were also made public via the press.

3. Holding of cluster meetings: In each cluster meeting feedback was given on the implementation progress of IDP projects and programmes of the previous year. Then the development priorities and opinions of citizens within the cluster were discussed as well as programmes and projects that were necessary to achieve these. Finally each cluster was asked to prioritise their development proposals which would then frame the budget in the long run.

4. Stakeholder forum: Once community proposals had been refined these were presented to a broader stakeholder forum in order to solicit further inputs and to ensure alignment with other stakeholder commitments.

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**Phase 2: Screening of projects and programmes**

5. Submission of proposals and compilation of budget bill: All submissions received from the clusters, stakeholder forum and IDP forum were submitted to the Executive Mayor, the Mayoral Committee and the Executive Management Team in order for them to discuss the demands for investment by the community and identify revenue issues and future scenarios on tariffs and charges. From the discussion the budget bill was then compiled.

6. Publication of Budget Bill and reviewed IDP: This was done so that stakeholders and the public could prepare for the forthcoming Budget Conference which was a further opportunity to comment and give input on the budget.

7. Budget Conference: The Budget Conference is a meeting with stakeholders to receive further input on revenue and expenditure criteria in order to finalise the draft budget which would then be submitted to Council. The Budget Conference is discussed in more detail in Section 3.1.4.

8. Submission of draft budget to National Treasury: It is a statutory requirement to inform National Treasury of the contents of the budget and receive comments and input from them.

9. Endorsement by Budget Committee: The Budget Committee then finalised the budget endorsing recommendations from National Treasury.

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**Phase 3: Approval and reporting**

10. Approval and publication of the final budget: The budget was then tabled and approved in Council.

11. Reporting to the Auditor General, National and Provincial Government: Once the budget is approved it is submitted to the aforementioned bodies.
12. IDP Review/Budget preparation for next financial year: The cycle ends by informing stakeholders of the IDP review/Budget Cycle schedule for the forthcoming budget year.

For the 2004/05 budget cycle, communities were only asked to comment and give input on the capital budget and not the operating budget. The City Manager, however, has acknowledged the need to strengthen participation and in the future intends to give more information to the clusters on the backlogs, different service levels in different areas, trends and patterns of expenditure and growth projections, as well as asking for input on the operational budget as well as the capital budget.

From the cluster consultation process the following priorities were identified:

- Tarring of roads;
- Water connections and sanitation;
- Improved security (lighting, fencing, anti-crime);
- Community and shared service centres;
- Housing;
- Focus on rural areas (windmill, animal water, development projects); and
- Areas that are not the competency of the local authority such as schools and clinics.

All of the projects requested, however, far exceeded the available budget ceiling. For example, roads projects exceeded the budget by twenty times more, water and sanitation by eight times more and public lighting by four times more. This had to be explained to the community and the municipality now recognises the need for capacity building within the community on how the budget operates taking into account the available revenue sources and expenditure needs.

3.1.4 Budget Conference

A Budget Conference was held in Mangaung for the first time in March 2004. The aim of the conference was to deepen democracy by involving stakeholders in the process of defining the development priorities, programmes and projects of the municipality and aligning IDP priorities with the budget. Participant included councillors and officials from Mangaung Local Municipality, Members of the Provincial Legislature, Provincial Departments, Motheo District Municipality, a representative from a Tribal Authority, organised labour, private sector, NGOs, CBOs, and communities.

The objectives of the conference were to:\footnote{Mangaung Local Municipality, \textit{Budget Conference 2004-5: Towards Participatory Democracy}, p1.}

- Present community proposals and familiarise stakeholders with community developmental priorities, programmes and projects;
- Elaborate and discuss demands for investment as submitted by community/constituents;
- Solicit further inputs and ensuring alignment with other stakeholders’ commitments;
• Review, validate and strengthen developmental priorities, programmes and projects;
• Clarify the role of external stakeholders in achieving these plans;
• Agree on criteria for resource allocation in each cluster\textsuperscript{20}; and
• Revise and conclude the draft budget.

The conference began with a presentation by the City Manager outlining the overall priorities identified by communities and key stakeholders through the CBP process and adopted in the IDP Representative Forum as well as the progress of the implementation of IDP projects. The Executive Mayor then presented the emerging priorities and proposals for the forthcoming budget as well as for the medium term.

Participants were then divided into smaller groups representing the five functional clusters:
• Economic development and job creation;
• Sustainable infrastructure;
• People development;
• Safety and security; and
• Good governance.

The cluster groups were expected to identify the cluster programmes and projects that the Municipality should consider in the 2004/05 budget and the medium-term; identify which issues presented needed to be taken forward by other stakeholders; identify the resources required from all stakeholders in the cluster; and identify what additional role stakeholders could play in order to achieve municipal objectives. The input received from the cluster working groups was then incorporated into the plans and budgets of the various directorates within the municipality.

3.1.5 Other participation mechanisms

Apart from the organised mechanisms of participation mentioned above there are also other mechanisms available for public participation that are not formally organised. These include:
• Notices in the press, at schools, at churches giving information and inviting comment;
• Publishing details of proposed by-laws in newspapers and in submitting copies to libraries and relevant interest groups;
• Radio talk shows featuring councillors and other members of the municipality;
• Inviting the public to comment via e-mail, letters and by telephone;
• The mayor holds ‘Imbizos’ which are gatherings with the community to hear their concerns; and
• Specific meetings with targeted sectors such as Black Economic Empowerment groups.

\textsuperscript{20} These clusters relate to functional clusters and are different from the ward clusters discussed in Section 3.1.3
In addition, if a by-law is to be tabled, the department (which is responsible for introducing the policy) together with the Head of the Speaker’s Office (who is responsible for facilitating community participation) will organise participation workshops with ward committees and the relevant sectors of the community that the by-law will affect.

In certain communities there is also informal participation whereby councillors visit their neighbours in the community to discuss issues and in this way pick up any dissatisfaction or requests from the community.

3.2 Impact of participation

Despite the formal mechanisms for participation that have been introduced in Mangaung, the community participation process is still a relatively new phenomenon. Participation in the planning process began in 2002 with input into the development of the IDP. Participation in the budget process happened for the first time in 2004. It is therefore difficult to assess the impact of participation on policymaking and budgetary processes. However there are certain observations that can be made.

The use of community-based planning in the Ward Committees has had an impact on the priorities identified in the IDP. Prior to the use of community-based planning, the main focus of the IDP was infrastructure development. However, since the adoption of a more inclusive participatory process, the issue that has been defined as the main priority is local economic development. Funding within the budget has now been directed more towards programmes and projects that can accommodate this new focus.

Members of the Mangaung community perceive the municipality as being more transparent now then ever before and more willing to invite participation and create mechanisms for this. Public participation means that more people are informed about what is happening in the municipality and can now demand accountability and do this by regularly asking questions regarding issues that have been raised in meetings. There is constant participation through the Ward Committees and the municipality receives regular feedback and input from them. A member of the Bloemfontein Chamber of Commerce and Industry stated that the business sector have often been given the opportunity to inform policy proposals and their input is taken seriously by the municipality. They regularly receive copies of proposed by-laws and are invited to attend workshops and give comment.

For the first time this year rates and tariff policies were discussed with all stakeholders at the budget conference. Submissions received from this forum on various budgetary issues were seriously considered and taken into account when finalising the budget. Some requests that were received were unreasonable in terms of the resource constraints of the municipality but the municipality explained to the community why each of these requests was not attainable.
As a result of the participation process, the municipality has initiated the Mangaung Compact which is a forum to harmonise service delivery amongst all service providers, be they from the local or district municipality, national or provincial government, or the private sector. The community often makes requests for services which do not fall within the competence of the local authority such as the building of schools or clinics. Through the compact, the municipality can ensure that these services are brought to the attention of the relevant provider. The compact would also co-ordinate the implementation of services with the other providers such as roads, transport and health which have an intergovernmental jurisdiction.

3.3 Challenges

As indicated previously, the participatory approach to policymaking and budgeting is still new. A number of lessons have been already been learnt but there are still many challenges facing the Mangaung Municipality.

The most urgent challenge is that of capacity building. Although there has been training for Ward Committee members on community-based planning there is still a need for further capacity building among communities especially those that have previously been disadvantaged in terms of education and experience. There are many new concepts discussed in policy documents and the budget which are not understood by all, resulting in participation workshops becoming more of a training session. Language is also an issue that affects participation. There are five languages spoken in Mangaung including South Sotho, Tswana, Xhosa, English and Afrikaans. To overcome language difficulties, Mangaung has a policy stating that the community should be addressed in their particular local language. This is workable when meetings are held within the communities but becomes more difficult in the broader forums.

Specifically, in terms of the budget there is a general lack of knowledge within communities on how they can influence the budget. It would be useful to educate communities and broaden the knowledge base of how municipal budgets operate in order to get more meaningful participation. It is important to explain the link between the capital and operating budget as this is not always clear. It is also very difficult to influence the budget for the forthcoming year as funding is allocated to personnel costs and existing projects and it takes time to change the direction of funding. Therefore it is easier to influence the outer years of the medium-term expenditure framework and this needs to be explained to communities. The priorities identified in the IDP are linked to the budget to a certain extent but the IDP needs to be incorporated more directly into the budget.

In addition, the participation process regarding the budget did not start early enough. The budget office was not available to attend the cluster meetings and could therefore not provide the required input. In future, the aim is to begin the process much earlier and give more attention to the cluster meetings with the finance department giving guidance on how priorities are financed. The clusters also only discussed
the capital budget and for the next year this should be expanded to include a discussion on the operational budget as well as looking at rates and tariffs and other revenue sources.

Another challenge is to have a holistic view of the budget so that synergy between priorities and funding allocations is obtained. If there are competing projects it is important that one project does not receive extra funding to the detriment of another. For example, if two priorities are sewerage and the promotion of tourism then one should not levy an extra tax on sewerage systems for hotels in order to subsidise overall sewerage costs, as this may be detrimental to the tourism industry which is also a priority.

The monitoring and evaluation process could also be improved. This would enhance the accountability of the councillors and the administration to the community. As yet there is no methodology in place to determine the impact of programmes and projects on the livelihoods of people in the community.

A final challenge that was raised by a Ward Councillor is the issue of the functioning of the Ward Committees. Ward Committee members are elected by the community on a voluntary basis and are not remunerated. The functions that they perform are time-consuming and it was felt that in order to motivate them they should be paid a stipend. In addition, some of the members are employed which impacts on their time available for meetings and are only able to work on Ward Committee issues after hours. The Ward Committee offices are also under-resourced. This particular office did not have a photocopier or a computer which makes the distribution of information difficult. There are also vacancies in the Ward Committees and to fill these an election is required which takes a certain amount of organisation and time.

4. **Ekurhuleni case study**

Ekurhuleni is the fourth largest metropolitan (Category A) municipality\(^1\) in the country and is situated in the Gauteng province. The municipality was established after the local government elections in December 2000 and was the result of the disestablishment of 11 former administrations and their amalgamation into a single entity. The municipality serves a population of approximately 2,4-million and covers an area of 1 889 km\(^2\). It is a densely populated area with 946 people per km\(^2\) and has 33% of the total Gauteng province’s population. It has more than 8 000 industries and produces about 23% of the Gross Geographic product of Gauteng, which is Sub-Saharan Africa’s most economically powerful region. The Ekurhuleni Municipality has been divided into three service delivery regions all of which are classified as urban areas. Unemployment is a major challenge with more than two-thirds of Ekurhuleni’s wards having unemployment rates of more than 20%. Of these, three-quarters have an unemployment rate of between 40% and 50%. The other two major issues facing the municipality is

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\(^1\) There are only six Category A municipalities in South Africa

Ekurhuleni has a municipal council of 175 councillors and is governed by an Executive Mayor assisted by a Mayoral Committee of 10 full-time councillors. Of the 175 councillors 88 are ward councillors and 87 are proportional representation councillors. The administration is run by the City Manager who is assisted by thirteen executive directors each responsible for a particular portfolio.

### 4.1 Mechanisms for participation

Mechanisms for public participation in Ekurhuleni Municipality are similar to those of Mangaung Municipality. Ekurhuleni has established Ward Committees which are the community’s first point of contact with the municipality. Besides the Ward Committees the municipality has also established specific sectoral forums which provide a platform for targeted engagement with sector groupings. Once again the participation process has mainly focused on obtaining inputs from the community for the Integrated Development Plan (IDP), however this is increasingly being linked to the budget process. This section describes the formal and informal mechanisms that exist in Ekurhuleni to allow for civic participation.

#### 4.1.1 Ward Committees\footnote{ibid and information from personal interviews}

The Ward Committee system is the major mechanism for participation in policymaking and budgetary processes. Ekurhuleni has 88 wards each of which is represented by a Ward Councillor and a Ward Committee consisting of ten members. The Ward Committee has different sectors which have been approved by Council such as youth, education, and sport. Ward Committee members are nominated and elected by the community to represent these particular sectors. The Ward Committees determine the community’s needs and requirements and provide information to the administrative departments within the municipality. The regular meetings of the Ward Committees give the community an opportunity to interact with their Ward Councillor, as well as to air opinions, ask questions, make suggestions and engage Council in matters of delivery and governance. The Ward Committee system is managed by the Speaker’s Office which has a special division which services the committees.

The Ward Committees were established in 2001 but participation was limited due to a lack of skills and knowledge. The municipality then decided to embark on a training programme to develop the skills of ward committee members, municipal officials and councillors to ensure they would be equipped to fulfil their obligations and responsibilities. Over 400 members of ward committees were trained starting in 2003 and culminating at the beginning of 2004.
All 88 wards in Ekurhuleni participated in a community-based planning process as part of the development of the IDP. This process was carried out in 2001 and 2002. In 2002/2003 an IDP review process was carried out and Ward Committees re-assessed their priorities through discussions with the different constituencies. A new list of priorities was identified and submitted to Council for inclusion in the revised IDP. The most important community needs are indicated in Table 2 below.

Table 2: Priority needs of all 88 wards

<table>
<thead>
<tr>
<th>Need</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads (new and resurfacing)</td>
<td>85%</td>
</tr>
<tr>
<td>Poverty alleviation</td>
<td>78%</td>
</tr>
<tr>
<td>Safety and security</td>
<td>76%</td>
</tr>
<tr>
<td>Economic development projects</td>
<td>73%</td>
</tr>
<tr>
<td>New housing development</td>
<td>65%</td>
</tr>
<tr>
<td>Storm-water management</td>
<td>63%</td>
</tr>
</tbody>
</table>


The administration provides facilitation and administrative support to the Ward Committees. Within the administration, the IDP department works closely with the budget office to consolidate all the information and requests received. Once the wards have discussed their needs for the IDP, the Ward Committee members represent the wards at the IDP Representative Forum where the IDP is discussed with other stakeholders.

As a result of the participation process, the budget and other resources were reallocated to address the priority needs of the community and according to IDP principles.

4.1.2 Consultative structures

Besides the Ward Committees which form the backbone of community participation, several consultative structures have been established to ensure that all stakeholders are actively involved in the policymaking and budgetary processes. The municipality meets regularly with these structures to discuss issues and receive input on policy decisions and the budget.

These structures include:
- Integrated Development Plan Representative Forum;
- Developers Forum;
- Ekurhuleni Business Forum; and
- Economic Development Forums covering the manufacturing, small medium and micro enterprises (smme’s), mining, agriculture, co-operatives, and construction sectors.

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24 Information obtained from Ekurhuleni Metropolitan Municipality, Budget Summary 2004/05 – 2006/07, p18 and personal interviews.
Consultative meetings are also held with different business sectors to focus on how the municipality can work together with the private sector to implement its priorities and resolve issues concerning the business sector. Sectors that are met with regularly include marketing, finance, outdoor advertising, waste management and recycling, telecommunications and information communication technology.

In addition to the priorities raised by the community (depicted in Table 2 above), the business community raised their own core priorities including:

- Safety and security;
- Urban renewal and unregulated street trading;
- Informal settlements;
- Land invasion;
- Infrastructure maintenance;
- Financial assistance to smme’s;
- Need for improved communication; and
- Local procurement.

4.1.3 **Budget preparation process**

Public participation in the budget process in Ekurhuleni was done mainly through workshops with stakeholders, however some information would have been received via the ward committees as part of the IDP process.

The preparation process for the 2004/05 budget was as follows:

**August to December 2003**

- Provided budget instructions to departments;
- Departments submitted capital and operating inputs to the Budget Office based on information gathered from councillors and ward committees as well as own internal research;
- First draft budget compiled;

**January to March 2004**

- Established Budget Assessment Team consisting of selected members of the Mayoral Committee, City manager, Chief Financial Officer, Finance Portfolio Councillors, Budget Office Staff, selected senior management and an international advisor;
- Started the budget assessment process with departments (discussed in more detail below);
- Sent draft allocation of internal funds to clusters for capital budget;

**April to May 2004**

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25 Ekurhuleni Metropolitan Municipality, Budget Summary 2004/05 – 2006/07, p18 and personal interviews
26 Clusters include Infrastructure Services, City Development; Community Services and Corporate Services
• Project prioritisation and allocation within clusters;
• Determination of tariff increases;
• Held workshops with stakeholders;
• Final Council approval.

Budget assessment process
As part of the budget process, a Budget Assessment Team (BAT) was established in order to ensure that the budget was realistic and focused on service delivery. The BAT held meetings with all departments where each department had to present and motivate how their budget addressed the following issues:
  • Ekurhuleni Metropolitan Municipality priorities;
  • Alignment with the IDP;
  • Community needs (based on input from the wards);
  • Visible delivery; and
  • Political involvement (from members of the Mayoral Committee and Portfolio Committees).

The Member of the Mayoral Committee of the relevant portfolio together with up to four portfolio councillors (representing the different political parties) were invited to attend the assessment sessions when the budget of their portfolio was discussed.

4.1.4 Other participation mechanisms
Other participation mechanisms that have been devised by the Ekurhuleni Municipality include:
  • IDP Campaign: the IDP department within the municipality launched its own campaign targeting the broader community in order to strengthen participation in the IDP process leading into the budget process. The mechanism chosen was to hold mass meetings with industrial theatre performances explaining the IDP process and outlining the role-players and their responsibilities. The medium of theatre was chosen to attract a wider range of the community and overcome any literacy problems. A pocket guide on the IDP was also distributed in four different languages: English, Zulu, Sotho and Afrikaans.
  • The ‘Budget Tips’ campaign: this campaign encourages the public to provide feedback and suggestions on priorities for the budget by means of e-mail, ‘Budget Tips’ boxes at libraries and writing letters to the Executive Mayor. Suggestions received from citizens include upgrading of road infrastructure; more housing; more community facilities and parks; more police stations; health clinics; street lights; and street cleaning.
  • Mayoral Road Show: the Mayor and the members of the Mayoral Committee travel to each of the three regions and invite people to attend meetings where questions from the community are answered. Officials from the municipality are also present at these roadshows.
• Mayoral Business Initiative: through the Business Initiative various stakeholders are invited in separate groups to participate in a meeting where the municipality makes presentations and stakeholders are invited to ask questions and contribute to the discussion. Stakeholders include amongst others labour movements, members of the Afrikaans Business Community, the mining sector, retail sector, and other sectoral business groups.

• Departmental Road Shows: individual departments may call their own community meetings to discuss issues specifically related to their departments and obtain information from the community so that they can align their departmental budgets with priorities.

• Newsletter: the municipality produces a monthly newsletter which is distributed to the community as well as being available on their website.

When road shows and mass meetings are held, the municipality provides transport for community members to attend the meetings as well as providing lunches and teas.

Participation in the policy formulation process is initiated by the specific department within which the policy falls. The department will ensure that the policy is work shopped with relevant stakeholders as well as with the wards that are directly affected by the policy. Participation in this regard could be improved and is affected by levels of understanding and experience with the particular policy being discussed.

3.2 Impact of participation

Participation is still a new process in the Ekurhuleni Metropolitan Municipality and therefore it is difficult to assess the impact that participation has had on the policymaking and budgetary processes. Participation from the community has largely occurred in the integrated development planning process, which is increasingly being aligned to the budget process. The business sector has been more concerned with participating in the actual budget process (the business community were given an opportunity to comment on the draft budget) as well as identifying their needs in the IDP process.

The major impact from the participation process has resulted in the changing of funding for priorities rather than on increasing spending allocations. However, it is acknowledged that it is too late to accommodate most of the comments received from the community in the current budget but the requests could be accommodated in the following year’s budget. In addition most of the budget is spent on salaries and bulk purchases leaving very little room for discretionary spending.

Through the participation process the municipality has also taken a closer look at the lives of pensioners and have increased the concessions given to them. There has also been an influence on the indigent policy and the allocation to free basic services. The social package of the municipality consists of 50kWh electricity free to all consumers; 6kl water free to all consumers; 6kl sewer costs free to all consumers; the first step of refuse removal free to indigents; 100% rebate on rates to indigents where
land values are less than R15 000; a 40% rebate on rates to residential owners; and an additional rebate on rates for pensioners.

### 3.3 Challenges

According to the City Manager of Ekurhuleni, participation is still at an infancy level and people are not yet familiar with participatory approaches. Although the Ward Committees were established in 2001 the training of ward committee members only began in 2003. The training is fairly recent and some of the Ward Committees have not been able produce the level of participation required. There is a definite need for further capacity building initiatives for the community as well as Ward Committee members. In addition, in Ekurhuleni, the term of office for the Ward Committees is only one year, which meant that as soon as members were trained and skilled they might not be re-elected onto the committee. The term of the first Ward Committees was extended twice in order to overcome this problem. Currently, the municipality is undergoing Ward Committee elections and once again may face the same problem of members not having the appropriate skills for and understanding of community participation. In addition, Ward Committee members receive no remuneration and this is seen as a demotivating factor as they have a time consuming and arduous task to perform.

In the past there has been tension in Ekhuruleni between supporters of the African National Congress and the Inkatha Freedom Party. Currently, the political environment appears to have stabilised and political differences are no longer a major issue. However, there are instances where political sensitivity affects participation. In one particular case in Ekurhuleni, political factors became a problem in the Ward Committee and that particular committee had to be dissolved and reconstituted.

As with the experience in Mangaung, issues such as illiteracy and language remain a challenge in community participation. Ekurhuleni uses the services of translators in mass meetings, and in smaller localised meetings, the local language is used. The industrial theatre approach was also used to accommodate those who are illiterate and the idea was to keep it as plain and simple as possible. Securing venues for meetings also remains a challenge in some areas and this results in people having to travel and generally less people will attend a meeting if they have to travel quite a distance.

One of the lessons learned is that the time period allocated for the budget process was too short. The municipality recognises that they need to involve the community at a much earlier stage in order to allow for sufficient time to get formal input on the tabled draft budget as required by the MFMA. The input received for the 2004/05 budget was before the draft budget was tabled. Officials believe that if input is received after the budget is tabled this can be done in a more structured manner.

Another area where improvement is needed is communication. At present the communication between Councillors, Ward Committees and the departments within the administration is not as good as it should be. There is also a lack of communication between the representatives of organisations who attend the major stakeholder meetings and their constituencies. Members of the community often complain that
their representatives do not give feedback from the meetings they have attended. This problem could be overcome by further training for both officials and community leaders and members.

Finally, methods of participation must be able to cater for the diverse community that the municipality serves. The former white areas and the former black areas are represented by two very different cultures and scenarios. In the white areas, where there is not much history of participation, the community is happy to let their Ward Councillor that they have elected represent them and do not feel the necessity to attend meetings to discuss and give input. In the black areas, where there is a stronger history of participation, most community members want to attend meetings and be able to have their say.

5. National Framework

Although local government has its own legislative framework and systems it is important to understand the context within which local government operates. This section describes the powers and functions of local government within a unitary systems consisting of three spheres of government. It also examines the internal and external sources of finance available to the local level for it’s functioning and the delivery of services.

5.1 Level of autonomy

The Constitution of South Africa recognises the institution of local government as one of the three spheres of government which are “distinctive, interdependent and interrelated\(^\text{27}\)”. According to the Department of Provincial and Local Government (DPLG)\(^\text{28}\), the first element of distinctiveness implies that local government has the autonomy to make decisions that fall within its area of competence with regard to legislation, administration and finances. The second element, interdependency, implies that national and provincial government make decisions that affect local government and should supervise the exercise of autonomy of local government. The third element of interrelatedness concerns the fact that all spheres of government are related and should co-operate with one another for the good of the country as a whole.

The Constitution explicitly states\(^\text{29}\) that a municipality has the right to govern, on its own initiative, the local government affairs of its community subject to national and provincial legislation. In addition, national or provincial government may not compromise or impede a municipality’s ability or right to exercise its powers or perform its functions.

Section 156 of the Constitution outlines two sources of power available to local government, namely original powers and assigned powers.

\(^{27}\) Section 40(1)
\(^{28}\) DPLG (2003), A guideline document on provincial-local intergovernmental relations.
\(^{29}\) Section 151
• Original powers: section 156(1)(a) states that a municipality has executive authority over the local government matters listed in Schedules 4B and 5B of the Constitution. National and provincial governments also have powers over Schedule 4B and 5B\textsuperscript{30} matters in terms of regulatory oversight and setting of norms and standards, as set out in sections 155(6)(a) and 155(7) of the Constitution.

• Assigned powers: section 156(1)(b) states that a municipality has executive authority over any other matter assigned to it by national or provincial legislation. The legal requirements for assignment of powers are further elaborated on in the Municipal Systems Act.

Schedule 4B matters include air pollution; building regulations; childcare facilities; electricity and gas reticulation; fire fighting services; local tourism; municipal airports; municipal planning; municipal health services; municipal public transport; municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law; pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto; stormwater management systems in built-up areas; trading regulations; and water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems.

Schedule 5B matters include beaches and amusement facilities; billboards and the display of advertisements in public places; cemeteries, funeral parlours and crematoria; cleansing; control of public nuisances; control of undertakings that sell liquor to the public; facilities for the accommodation, care and burial of animals; fencing and fences, licensing of dogs; licensing and control of undertakings that sell food to the public; local amenities; local sport facilities; markets; municipal abattoirs; municipal parks and recreation; municipal roads; noise pollution; pounds; public places; refuse removal; refuse dumps and solid waste disposal; street trading; street lighting; and traffic and parking.

Section 229 of the Constitutions sets out the fiscal powers and functions of local government. Municipalities have been given substantial revenue generating power in that they may collect property rates and surcharges on fees for services provided by or on behalf of the municipality. A municipality may also raise loans for capital or current expenditure subject to the requirements set out in the MFMA. The responsibility for approving budgets, the imposition of rates and other taxes, levies and duties, and the raising of loans has been delegated to the Municipal Council\textsuperscript{31}.

5.2 Local government finance

Municipalities are responsible for financing the delivery of basic household and suburban services such as electricity, water, sanitation, refuse removal, municipal roads, parks and recreational facilities,

\textsuperscript{30} Schedule 4B lists local government matters over which national and provincial governments have concurrent legislative competence whereas Schedule 5B lists local government matters over which provincial government has exclusive legislative competence.

\textsuperscript{31} Section 160(2) of the Constitution
amongst other functions defined in the Constitution. Generally, municipalities are able to raise between 60 to 95 per cent of their own revenue (depending on the size and type of the municipality) as two-thirds of their activities such as water, electricity, and refuse removal are self-funded\textsuperscript{32}. The remainder of revenue is financed through intergovernmental grants from both the National and Provincial spheres of government. This section will describe the internal and external sources of revenue, explaining the transfers from other spheres of government.

\textbf{5.2.1 Own local government revenue sources}

Municipalities have the ability to raise their own revenue by means of two major sources i.e. taxes and user charges. The way in which these sources are used differs across municipalities according to their size, location and population base.

\textbf{Taxes}

There are currently three forms of taxes available to municipalities. These are as follows:

- **Property tax:** The taxing of fixed property is reserved solely for local government and it has become the most important source of revenue for the local sphere of government. The powers of municipalities to raise property rates are regulated the Municipal Property Rates Act which has recently been passed by Parliament. Property tax is used to fund the operating costs of general services and governance such as municipal administration planning and development, health, community and social services, public safety, sport & recreation, environmental protection. Revenue collection in the form of property tax is used mainly by Category A and B municipalities.

- **Regional services council (RSC) levy:** The RSC levy is a combination of a payroll and turnover tax levied on all businesses. It is mainly available to Category A and C municipalities. In its current form, the RSC levy is highly flawed as municipalities may not penalise businesses that do not pay or those that under-pay. Research is presently being conducted as to how this levy should be reformed. Generally the RSC levy is used to subsidise health, roads, emergency services and local trading services. It is also increasingly being used for funding interest and redemption payments.

- **Surcharge on local government-run utilities:** This form of tax is not widely in use even though it is defined in the Constitution as a tax available to local government. It is generally only used by the larger municipalities in the form of surcharges on electricity.

\textbf{User charges}

User charges are raised by municipalities for services rendered predominantly for electricity, water, sanitation and refuse collection. The Municipal Systems Act\textsuperscript{33} of 2000 obliges municipalities to adopt and implement a tariff policy on the levying of fees for services and specifies the underlying principles to be incorporated into these policies. Most importantly, the regulatory framework requires that basic

\textsuperscript{32} IGFR, 2003.

\textsuperscript{33} Section 74 of the Municipal Systems Act
services consumed by the poor be subsidised. User charges are also regulated by sector-specific legislation and policy, for example the Water Services Act of 1997 and its accompanying regulations of 2001.

**Borrowing**

Municipalities may also raise debt but within strict guidelines set out in the Municipal Finance Management Act (MFMA) of 2003. The Act limits short-term borrowing to bridging operating cash shortfalls or to bridge capital requirements within the financial year, on the basis of anticipated income streams, grants or long-term debt in waiting. It requires that short-term debt be paid off annually. Long-term borrowing is limited to funding of capital investment.

The Act identifies a number of conditions surrounding the nature of the debt as well as the conditions a municipal manager is required to adhere to in securing debt for the municipality. The essential reasoning of the borrowing policy framework is to ensure that municipalities are able to raise debt on their own and that the municipal council (supported by the Constitution) should be able to guarantee the debt as neither provinces nor the national government can guarantee the debt of the municipality.

At present the municipal borrowing market is largely stagnant and borrowing from the private sector remains largely untapped. In addition, the borrowing market is concentrated among a few lenders to the larger urban municipalities. However, with the finalisation of the MFMA and as such the borrowing framework, it is hoped that the municipal bond market will see major development.

**5.2.2 Grants to Local Government**

Besides being able to raise their own revenue, funds are allocated to local government from both the national and provincial spheres of government. These funds are distributed through three major funding sources:

- **Equitable share allocations**: are made to all primary municipalities and are the only grants without any conditions attached. These allocations are administered by the national Department of Provincial and Local Government.

- **Conditional grants**: are made to those municipalities that apply for or are selected to receive these funds. These grants are operated and disbursed by specific departments targeting specific policy objectives and with conditions attached to their disbursement.

- **Grants-in-kind**: are made to those municipalities that perform certain services on behalf of national or provincial government, or are subsidised indirectly by a national or provincial department through the provision of a service for which a municipality is responsible.

The system of transfers is continuously being refined in order to improve their efficiency, equity, transparency and predictability. Reforms to the system are intended to:

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34 This section is largely drawn from the IGFR (2001 and 2003) and the Budget Review (2003 and 2004)
• Simplify and rationalise transfers to local government, including consolidating capacity building grants into one inter-departmentally co-ordinated mechanism, consolidating capital transfers into CMIP\textsuperscript{35} and consolidating other transfers into the local government equitable share.

• Introduce three-year allocations to individual municipalities for all national transfers to assist municipalities in their budgeting process.

• Require municipalities to show all national and provincial transfers on their budgets and to periodically report on outputs achieved through each conditional grant programme.

5.2.2.1 The Equitable Share

The equitable share for local government was first introduced in 1998 to enable the local sphere to provide basic services and to perform the functions allocated to it, giving effect to sections 214 and 227 of the Constitution. The size of the equitable share allocation takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities. The equitable share grant has undergone a number of changes since its inception in order to re-align it with the transforming needs of municipalities. Changes include the incorporation of R293 town\textsuperscript{36} subsidies, the re-alignment of allocations to the newly demarcated municipalities, and revised allocations to the district municipalities in line with their changing functions.

Currently the equitable share consists of the following six funding windows:

The S-grant

The S-grant is the biggest component within the equitable share and is a basic services grant to support the operating costs of providing a package of basic services to low-income households. The formula of the S-grant is:

\[ S = \alpha \beta L Hi \]

where:

\( \alpha \) = a phase-in parameter between zero and one based on the municipality’s classification as urban or rural;

\( \beta \) = a budget-adjustment parameter, set to adjust the size of the grants to the available budget;

\( L \) = an estimate of the annual cost of providing basic public services\textsuperscript{37}; and

\( Hi \) = number of poor households\textsuperscript{38}.

\[ \text{Consolidated Municipal Infrastructure Programme} \]

\[ \text{R293 towns are towns which fell under the old homeland governments which did not have municipalities and thus provided municipal services directly. In 1994 these towns and their functions were transferred to provinces. The subsidies are for transfer of staff and assets from provinces to municipalities.} \]

\[ \text{L is set as R1032 per year and is assigned the fixed proportions of water 23.3\%, sanitation 11.2\%, electricity 41.9\%, and refuse removal 23.3\%.} \]

\[ \text{Poor households are classified as spending < R1100 per month} \]
The I-grant

The I-grant is an institutional grant to support local authorities with a small rates base in relation to their population. The aim is to provide resources to municipalities to assist in funding the basic institutional and governance arrangements. Metropolitan and large local municipalities which have relatively high fiscal capacity do not qualify for this grant. The first part of the I-grant formula captures how the administrative costs of a municipality increase with population size. It assumes that these costs increase more slowly than population: a larger municipality has more costs, but proportionately more than a smaller one. The second part of the formula is compensating for the inability of a municipality to fund its own administrative overheads. The formula for the I-grant is:

$$ I = I_o P^\alpha - 0.075 \left( y - 250 \right) P $$

where:

- \( I_o \) a per capita I-grant parameter determining in aggregate how much will be distributed through the I-grant;
- \( P \) the population in the municipality;
- \( \alpha \) a scale parameter between zero and one; and
- \( y \) the average monthly per capita expenditure in each municipality. For values of \( y \) below the stated monthly per capita floor of R250, the term \( (y - \text{per capita floor}) \) is set equal to zero.

Free Basic Services (FBS)

This grant was introduced in 2003/04 to fund the operational costs of, and thus accelerate the pace for, the provision of free basic services such as water, sanitation, and refuse to poor households. The FBS grant is calculated as an average of two calculations FBS1 and FBS2:

\[ FBS1 = \theta F H \]

where:

- \( \theta \) an urban-rural weighting factor;
- \( F \) an FBS allocation per poor household; and
- \( H \) the number of poor households in the municipality.

\[ FBS2 = FW*H_1 + FS*H_2 + FR*H_3 \]

where:

- \( FW \) allocation for free water and \( H_1 \) = number of poor households receiving water;
- \( FS \) allocation for sanitation and \( H_2 \) = number of poor households receiving sanitation services;
- \( FR \) allocation for refuse removal and \( H_3 \) = number of poor households receiving refuse removal services.

Free Basic Electricity (FBE)

This grant was also first introduced in 2003/04 and funds the operational costs for the provision of free basic electricity/energy to poor households. The FBE grant is calculated according to the same process.
as the FBS grant, but only taking into account infrastructure for poor households as it relates to electricity/energy.

**Nodal Allocations**

In 2001, the President established 21 development nodes and departments were subsequently requested to prioritise funding to these under-developed areas. In 2002/03, additional equitable share allocations were made to these nodes for non-infrastructure developmental programmes. Funding is linked to the life span of projects and 65 per cent of this grant is allocated to rural nodes, while 35 per cent is allocated to urban nodes.

**R293 allocation**

This allocation was incorporated into the equitable share in the 2000/01 financial year and involved the transfer of personnel and assets of the R293 towns from provinces to municipalities. Based on previous agreements with local government, municipalities are guaranteed their current R293 grant allocations in full until 2003/04, after which the normal formula allocations will apply.

**5.2.2.2 Conditional grants**

Conditional grants to local government form a significant portion of national grants and are used to incorporate national priorities in municipal budgets, promote national norms and standards, address infrastructural backlogs and regional disparities, and effect transition by supporting capacity-building initiatives and the restructuring of municipalities. There are two types of conditional grants, namely infrastructure and capacity-building/restructuring grants.

**Infrastructure Grants**

Infrastructure grants are an important instrument for ensuring the delivery of basic services to poor households and to alleviating poverty. A further objective is to stimulate job creation and ensure skills transfer over the medium-term. In 1994 a Cabinet decision was made to consolidate all infrastructure grants into a single funding mechanism known as the *Municipal Infrastructure Grant (MIG)*. The MIG is geared to making the system of transfers to municipalities simpler, more certain and direct. It will be phased in over a three-year period beginning in 2004/05 and merges the following capital funding programmes:

- **Consolidated Municipal Infrastructure Programme (CMIP):** providing for the construction and upgrading of internal bulk, connector infrastructure and community facilities for poor households.

- **Water Services Capital Fund:** providing for bulk, connector and internal infrastructure for water services at a basic level.

- **Community Based Public Works Programme:** supporting the creation of community assets in rural, historically disadvantaged communities.
• **Local Economic Development Fund**: supporting the planning and implementation of municipal job creation and poverty alleviation projects.

• **Building for Sport and Recreation Programme**: supporting the promotion of sport and recreation facilities within disadvantaged communities.

• **National Electrification Programme**: addressing the electrification backlog of permanently occupied residential dwellings that are situated in historically under-supplied areas.

The MIG conditions are more flexible than the previous conditional grants and are designed to complement the capital budgets of municipalities instead of funding specific projects as well as to facilitate integrated development planning.

The MIG is made up of two components. The first component is a Special Municipal Infrastructure Fund (SMIF) for innovation and region-wide programmes and the second component is the MIG formula. The relative weighting is shown in Table 3.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Weighted Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Infrastructure Grant</td>
<td>100%</td>
</tr>
<tr>
<td>Special Municipal Infrastructure Fund and Management</td>
<td>4%</td>
</tr>
<tr>
<td>Municipal Infrastructure Grant formula</td>
<td>96%</td>
</tr>
<tr>
<td>of which Municipal Infrastructure Grant formula</td>
<td>100%</td>
</tr>
<tr>
<td>Basic residential infrastructure (new and rehabilitated) component</td>
<td>75%</td>
</tr>
<tr>
<td>Water and Sanitation</td>
<td>72%</td>
</tr>
<tr>
<td>Electricity</td>
<td>0%</td>
</tr>
<tr>
<td>Roads</td>
<td>23%</td>
</tr>
<tr>
<td>Other (street lighting and solid waste removal)</td>
<td>5%</td>
</tr>
<tr>
<td>Public municipal service infrastructure (new and rehabilitated) component</td>
<td>15%</td>
</tr>
<tr>
<td>Allocation for social institutions and micro-enterprises infrastructure component</td>
<td>5%</td>
</tr>
<tr>
<td>Allocation to nodal municipalities component</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: National Treasury, 2004: Budget Review

**Capacity-building and restructuring grants**

These grants are intended to build municipalities’ financial management, planning and project management capacity as well as assisting them in their restructuring processes. There are two capacity-building grants and a restructuring grant. These include:

• **Municipal Systems Improvement Grant (MSIG)**: This grant is managed by the National Department of Provincial and Local Government. The grant is to assist municipalities in implementing new systems as provided in the Municipal Systems Act, 2000, including integrated development planning, performance management, spatial planning and local development objectives.
• **Financial Management Grant (FMG):** This grant is managed by the National Treasury and aims to promote and support reforms to municipal financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems in municipalities and the implementation of the Municipal Finance Management Act. The FMG specifically includes a component for capacity building and takes into account the issue of public participation. It also includes a World Bank supported technical assistance loan, the Municipal Financial Management Technical Assistance Project, which aims to support selected municipalities in implementing the new budgeting, and financial management system, and assist the Government to complete selected analytical work on policy reforms.

• **Restructuring Grant (RG):** This grant is demand-driven and is intended to modernise large municipalities to become more effective and efficient service delivery organs by assisting them to restructure their organisations, functions and fiscal positions. This grant is also managed by the National Treasury.

5.2.2.3 Grants-in-kind

The grants-in-kind to local government are in the form of services provided by national departments which receive funding specifically for these services. There are two major in-kind grants which are administered by the Department of Water Affairs and Forestry (DWAF). These are:

• **Implementation of Water Services Project:** This is an initiative to fund bulk, connector and internal infrastructure for the provision of water services at a basic level in mainly rural areas where municipalities lack the required institutional capacity to do so.

• **Water Services Operating Subsidy:** This grant funds the operation of water schemes that are owned by DWAF in order to provide subsidies to users of these schemes.

The Municipal Infrastructure Grant and the Financial Management Grant mentioned above in section 5.2.2.2 also have an in-kind component. These are administered by the Department of Provincial and Local Government and the National Treasury respectively.

6. **Conclusion**

Local government in South Africa is recognised in its own right, by the Constitution, as one of the three spheres of government which are distinctive, interdependent and interrelated. It has its own suite of legislation governing the way it operates and has been given a number of powers and functions relating to the delivery of service to the local community and revenue raising mechanisms.

Within this framework there is an obligation on local government to provide mechanism for public participation in the planning, policymaking and budgetary processes of municipalities. Municipalities recognise the importance of civic participation and have begun to put in place mechanisms to allow for
more inclusiveness in the decision-making processes. However, the actual implementation and impact of participation is still to be fully realised.

From the experience of Mangaung Local Municipality and Ekurhuleni Metropolitan Municipality it is clear both municipalities are taking civic participation seriously and have begun the process of consultation with different sectors of civil society. The participation process has made an impact on the planning process in terms of identifying the needs and priorities of the different groupings. However, the impact of civic participation on resource allocation and tax policies is questionable. A large proportion of a municipality’s budget is spent on salaries, bulk purchases and capital projects in progress, and there is very little left over for discretionary spending.

Furthermore, both municipalities identified challenges to be overcome in order to enhance participation so that the community has an actual impact on what happens in their municipality. These are listed below in no particular order.

**Lack of capacity**

Although there has been training for the Ward Committees in both municipalities there is still a need for further capacity building for councillors, ward committee members, and the community at large. Not all the stakeholders understand their specific roles and responsibilities in terms of how to participate in decision-making processes. There is also a specific lack of knowledge about how municipal budgets operate, the relationship between the capital and operating budget and how to influence resource allocation decisions and taxation policies. To overcome the difficulties experienced in making changes to budgetary allocations it may be useful to start by allocating each ward a small amount of money and allowing each community to decide how to allocate those resources within that particular ward. In this way, the community will start to understand the idea of making trade-offs in using scarce resources to address unlimited needs.

**Diversity of population**

Both municipalities are made up of people coming from very diverse backgrounds and culture. In some cases there is no history of participation and it is difficult to get people to attend meetings. In other cases there is no one common language spoken and this is an issue in ensuring that everyone understands what is being discussed. In the rural areas, access to meetings is difficult as transport is not always readily available and large distances have to be covered to reach meeting venues. In order to accommodate this diversity it is necessary to adopt different strategies for the various groupings.

**Communication**

Communication is a crucial component in any participatory system. Particularly in Ekurhuleni, it was felt that improvement in communication between councillors, officials in departments, and ward committee members would enable the participation process to function more smoothly. Furthermore, communication between representatives of organisations attending meetings and the members of the
organisation should also be improved. Often the municipality received complaints from members of these organisations that they did not receive feedback from their representatives. Therefore it is important to include the development of a communication strategy in any capacity building programme.

**Ward Committees**

Although Ward Committees have been established as early as 2001, they have not all been functioning as well as they should be. Some Ward Committees are under resourced in terms of both human and physical resources. This impedes their ability to communicate issues and organise meetings within their community. The many tasks of the Ward Committee members are time consuming. They are not remunerated for this position and find it difficult to hold a job as well as perform the necessary tasks. The term of office of the members is a council decision and can become a problem if the term is too short. In some instances, members have been trained and then face the requirement for a new term of office to begin. If that member is not re-elected, the time spent on capacity building is lost. It is therefore important to ensure that Ward Committees are elected for a time period that relates to the election cycle. Sometimes, Ward Committee members resign and then elections need to take place to replace them. This requires time and organisation and often does not happen soon enough and Ward Committees are left to function with fewer members making the process more difficult.

**Timing**

It is important that adequate time is made available for meetings with the relevant stakeholders so that input may be made before policies and budgets are finalised. In both Mangaung and Ekurhuleni it was recognised that the participation process for input into the 2004/05 budget did not start early enough. This made it difficult for people to formulate structured inputs for submission to the budget. Both municipalities will begin the process earlier for the forthcoming budget cycle.

**Monitoring and evaluation**

In order for the public to make an informed and educated contribution to policy and budgetary allocations it should be based on information gathered from monitoring and evaluation processes. Currently, monitoring and evaluation systems have not been thoroughly implemented and there is a lack of information on which to base decisions that impact on communities. Performance management systems are a legislative requirement in local government and need to be linked to a continuous monitoring system in order to produce the necessary information to inform decision-making.

The participation process at the local level in South Africa has only recently been put into practice. Although various mechanisms for participation have been instituted it will take time and further effort before participation has a meaningful impact on policymaking and budgetary processes.

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