

PUBLIC PARTICIPATION IN THE BUDGET PROCESS OF THE CITY OF CAPE TOWN (2004–2006)

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DECLARATION

I, the undersigned hereby declare that the work contained in this dissertation is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Nontsikelelo Elizabeth Mfundisi

Signed:.....

Date:.....

SUMMARY

The South African system of local government has been significantly altered since the democratic local government elections held in November 1995 and July 1996. Soon after taking office in the newly established democratic local authorities, councillors came face to face with the reality of community demands, needs and expectations on the one hand and the limited resources to fulfil these needs on the other hand. Within this challenging context, councillors and officials had to ensure sustainable service delivery and the promotion of good local governance in general.

In the South African context, the delivery of sustainable municipal services and good local governance within the constraints of limited financial resources is even more challenging given the constitutional and legal requirement that communities must participate in municipal affairs – including planning and budgeting processes.

The research for this study was carried out using a literature review, individual interviews with senior City of Cape Town officials and the personal experience of the researcher. This study examines public participation in the budget process of the City of Cape Town during the period 2004–2006.

The Western Cape did not previously have a ward participatory (committee) system like that used in the rest of the country. In contrast, the City of Cape Town set up a metro participation forum called subcouncils with area co-ordinators and ward forums. At the time of the study, the main vehicle for public participation in the city had been the Mayoral Listening Campaign that was embarked upon in 2003. The key focus of this campaign was to invite comments from residents and other stakeholders on governance and development issues facing the city. Comments were submitted via fax, e-mail, workshops and telephone.

This study concludes with a number of recommendations on capacity building, the development of ward committees, improving communication systems as well as the implementation of effective monitoring and evaluation mechanisms. These recommendations should be implemented to enhance public participation in the budget process of the City of Cape Town.

OPSOMMING

Die Suid-Afrikaanse stelsel van plaaslike regering het beduidend verander sedert die plaaslike demokratiese regeringsverkiesings in November 1995 en Julie 1996. Raadslede het kort ná die vestiging van die nuut gestigte plaaslike owerhede bewus geword van die gemeenskap se nood en die beperkte hulpbronne om daardie nood te verlig.

In Suid-Afrika is die lewering van volhoubare munisipale dienste en goeie plaaslike regering binne die konteks van beperkte finansiële hulpbronne selfs meer uitdagend gegewe die grondwetlike en wetlike vereiste dat gemeenskappe aan munisipale bedrywighede moet deelneem; insluitend munisipale beplanning- en begrotingsprosesse.

Hierdie studie kyk na openbare deelname aan die begrotingsproses van die Stad Kaapstad vanaf 2004 tot 2006. Die Wes-Kaap het nie voorheen 'n wykskomiteestelsel in plek gehad soos die res van die land nie. Die Stad Kaapstad het wel 'n Metro deelnameforum (sub-rade) met areakoördineerders en wyksforums gehad. In die studietydperk was die hoofmeganisme vir openbare deelname in die Stad Kaapstad die “Mayoral Listening Campaign” wat in 2003 begin het. Die hoofdoel van die veldtog was om terugvoering van die gemeenskap en rolspelers te kry aangaande die ontwikkeling van die Stad Kaapstad. Terugvoering is hoofsaaklik deur middel van e-pos, faks, telefoon en werksessies ontvang.

Die studie sluit af met 'n aantal voorstelle vir kapasiteitsontwikkeling, die ontwikkeling van wykskomitees en die verbetering van kommunikasiestelsels sowel as die implementering van doeltreffende monitering- en evalueringmeganismes. Hierdie voorstelle behoort aangewend te word om openbare deelname in die Stad Kaapstad se begrotingsproses te verbeter.

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TABLE OF CONTENTS

DECLARATION.....	I
SUMMARY	II
OPSOMMING.....	III
ACKNOWLEDGEMENTS.....	IV
LIST OF TABLES	IX
LIST OF FIGURES	X
ACRONYMS	XI
1 GENERAL INTRODUCTION	1
1.1 INTRODUCTION	1
1.2 RESEARCH PROBLEM	2
1.3 RESEARCH HYPOTHESIS.....	3
1.4 RESEARCH METHODOLOGY	3
1.5 SIGNIFICANCE OF STUDY	4
1.6 DEFINITION OF TERMS	4
1.6.1 <i>Participatory budgeting</i>	4
1.6.2 <i>Local government</i>	4
1.6.3 <i>Municipal council</i>	4
1.6.4 <i>Municipal budget</i>	5
1.6.5 <i>Local government finance</i>	5
1.6.6 <i>Public (community) participation</i>	5
1.7 ORGANISATION OF STUDY	6
2 HISTORY OF LOCAL GOVERNMENT IN SOUTH AFRICA.....	7
2.1 INTRODUCTION	7
2.2 LOCAL GOVERNMENT BEFORE 1994.....	7
2.2.1 <i>Separate development in action: black local authorities</i>	8
2.2.2 <i>Local government negotiation process</i>	9
2.2.3 <i>Local government reforms</i>	10
2.2.4 <i>Local Government Negotiation Forum 1993</i>	12
2.2.5 <i>The Local Government Transition Act of 1993</i>	13
2.3 LOCAL GOVERNMENT AFTER 1994	13
2.4 STATUS AND OBJECTIVES OF LOCAL GOVERNMENT	14

2.5	POWERS AND FUNCTIONS OF LOCAL GOVERNMENT	15
2.6	VALUES AND PRINCIPLES OF LOCAL GOVERNMENT	16
2.7	CATEGORIES OF LOCAL GOVERNMENT	18
2.7.1	<i>Metropolitan government</i>	19
2.7.1.1	City-wide spatial integration and social inclusive development	19
2.7.1.2	The promotion of equity, social justice and economic prosperity	20
2.7.1.3	The promotion of local democracy	20
2.7.1.4	The provision of affordable and efficient service	21
2.7.2	<i>Metropolitan government system</i>	21
2.7.2.1	Metropolitan government with ward committees	21
2.7.2.2	Metropolitan government with metropolitan substructures	22
2.8	THE LEGISLATIVE FRAMEWORK FOR LOCAL GOVERNMENT AFTER 1994	23
2.8.1	<i>Constitution of the Republic of South Africa (1996)</i>	23
2.8.2	<i>The Municipal Structures Act of 1998</i>	23
2.8.3	<i>Municipal Demarcation Act of 1998</i>	24
2.8.4	<i>Municipal Systems Act of 2000</i>	24
2.8.5	<i>Municipal Finance Management Act of 2003</i>	26
2.8.6	<i>Municipal Property Rates Act of 2004</i>	27
2.9	CONCLUSION	28
3	PUBLIC PARTICIPATION THEORY	30
3.1	INTRODUCTION	30
3.2	THE PUBLIC PARTICIPATION THEORY	30
3.3	PARTICIPATORY BUDGETING THEORY	33
3.4	BASIC REQUIREMENTS OF A PARTICIPATION STRATEGY	35
3.4.1	<i>Accountability</i>	35
3.4.2	<i>Effectiveness</i>	35
3.4.3	<i>Fairness</i>	35
3.4.4	<i>Inclusiveness</i>	35
3.4.5	<i>Power sharing</i>	35
3.4.6	<i>Publicity</i>	35
3.4.7	<i>Transparency</i>	36
3.4.8	<i>Voluntariness</i>	36
3.5	PUBLIC PARTICIPATION STRATEGIES	36
3.5.1	<i>Participation strategies aimed at informing the public</i>	36
3.5.2	<i>Participation strategies aimed at consulting with the public</i>	37
3.5.3	<i>Participation strategies aimed at empowering the public</i>	38
3.6	PUBLIC PARTICIPATION IN LOCAL GOVERNMENT PROCESSES (1994–2004)	39

3.6.1	<i>Local government elections 1995</i>	39
3.6.2	<i>Local government elections 2000</i>	40
3.6.3	<i>Integrated development planning</i>	41
3.6.4	<i>Ward committees</i>	42
3.7	CONCLUSION.....	43
4	LOCAL GOVERNMENT FINANCES	44
4.1	INTRODUCTION.....	44
4.2	LOCAL GOVERNMENT FINANCES.....	44
4.3	EXTERNAL SOURCES OF REVENUE.....	45
4.4	NATIONAL TRANSFERS.....	45
4.4.1	<i>Capacity-building equitable shares</i>	47
4.4.2	<i>Infrastructure transfers to municipalities</i>	49
4.4.3	<i>Capacity building and restructuring</i>	50
4.5	INTERNAL SOURCES OF REVENUE.....	52
4.5.1	<i>Taxes</i>	52
4.5.2	<i>Borrowing</i>	53
4.6	THE BUDGETING PROCESS AND PUBLIC PARTICIPATION.....	53
4.7	CONCLUSION.....	55
5	A CASE STUDY OF THE CITY OF CAPE TOWN	57
5.1	INTRODUCTION.....	57
5.2	BACKGROUND OF THE CITY OF CAPE TOWN.....	57
5.3	THE CITY COUNCIL OF THE CITY OF CAPE TOWN.....	58
5.4	VISION AND MISSION STATEMENT.....	59
5.4.1	<i>Introductory vision and mission</i>	59
5.4.2	<i>Reviewed vision</i>	60
5.4.3	<i>Values</i>	60
5.5	THE CITY OF CAPE TOWN'S BUDGET.....	60
5.5.1	<i>Budget income and expenditure</i>	61
5.5.2	<i>Public participation in the budget process of the City of Cape Town</i>	63
5.5.3	<i>The budget process</i>	64
5.6	MECHANISMS FOR PARTICIPATION.....	65
5.7	THE MAYORAL LISTENING CAMPAIGN.....	67
5.7.1	<i>The role players in the MLC</i>	68
5.7.2	<i>Objectives of the MLC</i>	68
5.7.3	<i>Successes and failures of the MLC</i>	68
5.8	CONCLUSION.....	69

6	RESEARCH FINDINGS AND RECOMMENDATIONS	71
6.1	INTRODUCTION	71
6.2	DISCUSSION OF FINDINGS.....	71
6.3	RECOMMENDATIONS	73
6.3.1	<i>Development and resourcing of ward committees</i>	<i>74</i>
6.3.2	<i>Diversity of the community.....</i>	<i>75</i>
6.3.3	<i>Communication</i>	<i>75</i>
6.3.4	<i>Monitoring and evaluation.....</i>	<i>76</i>
6.4	CONCLUSION.....	76
	REFERENCES.....	78

LIST OF TABLES

Table 4.1: Division of revenue between spheres of government, 2004/05–2007/08	46
Table 4.2: National transfers to local government, 2004/05–2007/08	51
Table 5.1: The Composition of the City Council as of January 2003–30 February 2006	58
Table 5.2: Capital budget	61
Table 5.3: Operating budget revenue	61
Table 5.4: Operating budget expenditure	62

LIST OF FIGURES

Figure 5.1: The budget process cycle towards 1 July 2005	65
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ACRONYMS

AFF: Asset Financing Fund
AIDS: Acquired Immune Deficiency Virus
ANC: African National Congress
BAABs: Bantu Affairs Administration Boards
CAHAC: Cape Housing Action Committee
CBO: Community-based Organisation
CODESA: Convention for a Democratic South Africa
DA: Democratic Alliance
DMAs: District Management Areas
DPLG: Department of Provincial and Local Government
EFF: External Financing Fund
FFC: Financial and Fiscal Commission
GNU: Government of National Unity
HIV: Human Immunodeficiency Virus
IAP: International Association for Public Participation
IDP: Integrated Development Plan
ILO: International Labour Organisation
LGNF: Local Government National Forum
MDB: Municipal Demarcation Board
MEC: Member of the Executive Committee
MFMA: Municipal Finance Management Act
MLC: Mayor's Listening Campaign
MIG: Municipal Infrastructure Conditional Grant
MPRA: Municipal Property Rates Act
MSTA: Municipal Structures Act
MSYA: Municipal Systems Act
MTEF: Medium-Term Expenditure Framework
NGO: Non-governmental Organisation
NP: National Party

NNPNew: National Party

PIMSPlanning: and Implementation Management Support Centres

RSCRegional: Service Council

RSARepublic: of South Africa

SALGASouth: African Local Government Association

SANCOSouth: African National Civic Organisation

SAQASouth: African Qualification Authority

TB: Tuberculosis

UDFUnited: Democratic Front

UNUnited: Nations

UBCs: Urban Bantu Councils

1 GENERAL INTRODUCTION

1.1 INTRODUCTION

Local governments in several countries around the world such as Porto Alegre in Brazil have implemented participatory budgeting. Section 152 of the 1996 South African Constitution states: “Municipalities involve communities in the development of municipal plans, policies and budgets.” National legislation further offers new opportunities for communities to constructively engage and participate in municipal affairs (Constitution of the Republic of South Africa, 1996).

According to the Municipal Systems Act of 2000, a municipality is made up of three parts: the political structure, the administration and the community. The Constitution of South Africa also defines one of the objects of local government as encouraging the involvement of communities and community organisations in the matters of local government. The community, therefore, has a duty to play a significant role in the decision-making processes of the municipality. The legal framework governing the local level recognises the importance of community participation and each of the individual pieces of legislation provides for participation in some way. The most recent in the suite of legislation governing the local level is the Municipal Finance Management Act of 2003 and the Municipal Property Rates Act of 2004. Both of these pieces of legislation aim to promote community participation in the municipal budget process and the determination of municipal rates.

Although public participation has been legislated, how it is to be implemented is left largely to the discretion of individual municipalities and its implementation therefore varies across the country. Local government in South Africa is diverse, ranging from urban to peri-urban to rural. Each of the 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 different capacities and served a wide-ranging constituency. Therefore, each municipality has to cater for community participation in its own way.

Since the implementation of the Municipal Systems Act in 2000, communities have been participating in the integrated development planning process in some way, but this has not always

been linked to the budget process. With the implementation of the Municipal Finance Management Act (MFMA) in 2003, it is expected that communities will play a more rigorous role in the determination of resource allocation and income generation. However, there are many challenges associated with community participation especially when dealing with budgetary issues. For example, a large number of South African have not had the opportunity to develop financial literacy skills and therefore do not clearly understand municipal budget processes. A large proportion of the community has not had the opportunity to develop financial literacy skills and therefore does not clearly understand municipal budget processes.

This study examines community participation in the budget processes with reference to the City of Cape Town.

1.2 RESEARCH PROBLEM

- There is a shortage of local government budget analysts within civil society organisations. Those with skills in analysis and advocacy are usually highly educated middle-class elites who can easily monopolise the process to their own advantage. In contrast, poorly educated citizens feel powerless and completely excluded from budget-related decision-making processes (see for example Participatory Budget, July 2001:4).
- There is a problem of access to information at municipal level. Local government budgeting and spending information contained in the public domain is more limited and fragmented compared to national and provincial level (see for example Smith, 2005). According to Smith,
 - Currently one of the major barriers to public participation in municipal fiscal processes is the lack of sufficient information on the budget made available to the public. Municipalities need to provide budget information in ways that ordinary people can understand and relate to their experience and that allow them to understand and analyse what trade-offs between expenditure and revenue options are and where capital and operational funds are going to be spent (Smith, 2005:15).
- There is also a lack of resources for effective community participation in the budget decision-making process. According to Fair Share (2001:4), “There is a commitment and enthusiasm from municipalities to operationalise public participation which is encouraging. However,

despite this commitment, the realisation is that public participation is inhibited as no resources are available - this is of great concern.”

1.3 RESEARCH HYPOTHESIS

It is hypothesised that community participation in municipal budget processes will contribute to the following:

- Enhanced democracy through citizens learning citizenship skills such as debating, negotiating and compromise.
- Citizen empowerment through the gaining of increased confidence and self-esteem.
- Greater opportunities for dialogue between citizens and governments.
- Strengthened state capacity. The participation of specialised civil society groups in municipal budgeting can strengthen the capacity of local government. Some civil society organisations have competent individuals with analytical and political management skills that can be put to greater use. In addition, participatory budgeting can provide governments with valuable information on where resources ought to be spent and the impact of financial investments.

1.4 RESEARCH METHODOLOGY

This study aims to formulate appropriate mechanisms, processes and procedures to enable communities, residents and ratepayers in the municipality to participate in the local affairs of the municipality. In order to achieve this, the researcher will use a qualitative as well as a quantitative research design. Individual interviews with two key informants will be conducted: Mr Themrani Gutas, who is a manager of the City of Cape Town’s Community Relations and Participation Department, and Mr Lindelani Mtshilita, who is a service coordinator in the city. They will be interviewed, making sense out of what the researcher observed, getting a clear feel for the situation the researcher is studying and finding out what the researcher should pay more attention to during further observation.

A review of literature based on secondary data will be accessed. Secondary data include information on the Internet, text books, academic journals, newspaper articles and unpublished research papers.

1.5 SIGNIFICANCE OF STUDY

This study could play an important role in assisting the City of Cape Town to monitor public participation in its budget process. It could assist the city to assess whether its policies are in line with the requirements of the South African Constitution and other relevant legislation. It will also assist the public in being equipped with the law that entitles them to participate in municipal decision making.

1.6 DEFINITION OF TERMS

1.6.1 Participatory budgeting

On a local government level participatory budgeting could be defined as a process whereby the public work together with elected representatives, for example councillors and officials, to develop policies and budgets in order to meet the needs of the public. In the process, discussion and debate can take place on what the needs are, prioritising the greater needs and deciding how funds should be allocated. An important part of this process is looking at where the municipality gets its income from, which, in turn, highlights the important issue of payment for services.

1.6.2 Local government

Local government is the sphere of government closest to the public. It is compelled by policy and legislation to perform specific governmental functions within specifically demarcated areas in consultation with the local community and other stakeholders such as provincial government (Foundation for Contemporary Research, 2003:7). Local government comprises local community management and administration. It encompasses the political and bureaucratic structures and processes that regulate and promote community activities.

1.6.3 Municipal council

Municipal councils govern municipalities. The job of municipal councils is to make decisions about municipal financing and services. Municipalities consist of elected councillors (the municipal council) and officials (the municipal administration). The term of office of municipal councils is five years.

1.6.4 Municipal budget

The budget is the municipality's most important economic policy tool and provides for a comprehensive statement of the community priorities. Municipalities use it to strengthen their service delivery. The budget represents the political choices that have been made about which projects and programmes are to be implemented and how to allocate available resources to these. Since the municipal budget is the communication of policy and planning process, this means broadening the meaning of participation to incorporate all the prior processes that go before the actual and physical allocation of monetary resources that make up the budget.

1.6.5 Local government finance

Municipalities need financial resources to function effectively. Without finances, municipalities are unable to realise their legislative, executive and administrative obligations. A municipality's inability to meet its obligations due to lack of financial resources reflects poor local governance. Local government finances may be regarded as the sound planning and application of all the financial resources of a local authority with a view to ensuring that all possible income is collected and all expenditure is aimed at securing the greatest value for money.

1.6.6 Public (community) participation

Public or community participation is a concept that can be defined as a "process through which stakeholders influence and share control over development initiatives and the decisions about resources which affect them" (World Bank, 2000:8). According to Davids (2005:18), in the South African context, participation in local government takes place in terms of two objectives. The first relates to upholding the principles and systems of participatory democracy and ensuring the legitimacy of the state at local level through citizens (as voters) being encouraged to participate in the formal political process such as elections and referendums. The second objective relates to local government's development mandate to alleviate poverty through service delivery and localised socioeconomic development initiatives. These two objectives enable one to define participation as an inclusive process aimed at deepening democracy through formal participatory mechanisms and alleviating poverty through localised socioeconomic development initiatives and improved basic service delivery (Davids, 2005:19). Public participation is the process by which

public concerns, needs and values are incorporated into governmental and corporate decision making. It is a two-way communication and interaction with the overall goal of making decisions that are accepted and supported by the public.

1.7 ORGANISATION OF STUDY

In order to achieve the above-mentioned objectives of the study, the research is organised in the following way:

Chapter 1: Consists of the introduction, research problem, research hypothesis, methodology, significance of the study, definitions and organisation of the study.

Chapter 2: Deals with the history of local government in South Africa.

Chapter 3: Outlines the public participation theories and definitions.

Chapter 4: Presents a discussion of local government finances.

Chapter 5: Presents a case study of the City of Cape Town.

Chapter 6: Presents research findings and recommendations.

2 HISTORY OF LOCAL GOVERNMENT IN SOUTH AFRICA

2.1 INTRODUCTION

Apartheid was a system characterised by ethnic separation in South Africa from 1948 and was dismantled through a series of negotiations from 1990 to 1993, culminating in democratic elections in 1994. The rules of apartheid meant that people were legally classified into racial groups, the main ones being black, white, coloured and Indian, and were separated from each other on the basis of the legal classification. Blacks legally became citizens of one of 10 Bantustans (homelands) that were nominally sovereign nations. These homelands were created out of the territory of black reserves founded during the British Empire period. This prevented black people from having a vote in white South Africa, their voting rights being restricted to the black homelands. Education, medical care, and other public services were segregated, and those available to black people were generally inferior.

2.2 LOCAL GOVERNMENT BEFORE 1994

The system of local government during the apartheid era had no constitutional safeguards. Local government was viewed as an agent of the state and local authorities therefore had to manage their affairs in terms of the apartheid framework. According to Van Rooyen (1991:2), local government was characterised by the following:

- A continuation of the system of local government representative of the white population group, under control of the four provincial authorities.
- The development of separate local government institutions for the black, coloured and Indian population groups.

As already mentioned, local government development during the apartheid era was characterised by differentiation and fragmentation of structures and processes. Local authorities were created along racial lines in terms of acts of Parliament. Additionally, they were a function of provincial governments. Thus, the development patterns of local authorities differed from one race group to the other and also from one province to another.

2.2.1 Separate development in action: black local authorities

Until 1972, the administration of African areas was in the hands of the local white municipalities and councils. Later on, 22 Bantu Affairs Administration Boards (BAABs) were established to take over the functions that some 450 white councils have performed. These BAABs were directly responsible to the Minister of Co-operation and Development. Alongside the BAABs were the Urban Bantu Councils (UBCs). They were nominated bodies with purely advisory functions. In 1982, the apartheid government introduced the Black Local Authorities Act to control the development of the black townships by establishing community councils in these areas. The majority of black people showed their rejection of the act through violent protests in the townships (Foundation for Contemporary Research, 2003:3).

Civic organisations and resident associations, which emerged after the student uprising of 1996, were at the forefront of township protest and the struggle for a nonracial democracy. Initially these civic organisations were organised around specific issues such as municipal rent increases, housing, water service and waste removal in black areas. A good example of such organisations was the Cape Housing Action Committee (CAHAC), which emerged in the late seventies to organise and mobilise people around municipal rent and eviction issues. The CAHAC challenged the local state through mass meetings, mass protest marches and memoranda reflecting the people's dissatisfaction with the status quo. Similar struggles took place throughout the country. These struggles were, however, disjointed and uncoordinated at the national level (Foundation for Contemporary Research, 2003:3).

The formation of the United Democratic Front (UDF) in 1993 saw civic organisations and a range of other organisations from different regions throughout the country unite under its banner. Civic organisations comprised the majority of the 600 organisations that joined the UDF. As part of the UDF, civic organisations became an integral part of the anti-Tri-cameral Parliament campaign against community councils set up under the Black Local Authorities Act. Numerous other campaigns were embarked upon with different demands such as calling for the resignation of the community councillors, affordable housing and the provision of recreation facilities, improved services and the release of Nelson Mandela and other political prisoners. Through consumer boycotts and stay-aways, civic organisations were able to win major concessions from

apartheid local government structures. In essence civics became vehicles to advance the democratic movement's overall strategy to gain political power and secure a democratic society (Foundation for Contemporary Research, 2003:4).

During 1984 the apartheid government responded to protests and boycotts by instituting a tri-cameral parliament system based on a three-tiered structure for coloured, Indian and black local authorities consisting of national government-appointed community councillors. The majority of South Africans rejected this system. Communities isolated the appointed councillors, branding them as enemies of the people (sell-outs), and the struggle for a nonracial democratic state based on the will of the majority was intensified. Black local authorities were challenged at every level and soon suffered a major economic and legitimacy crisis as communities embarked on a campaign not to pay for services. This ultimately bankrupted black local authorities, making them financially unviable institutions (Foundation for Contemporary Research, 2003:4).

2.2.2 Local government negotiation process

By the early nineties, the apartheid government expressed a need to negotiate with the broad mass democratic movement. This change in strategy, which led to the unbanning of the liberation movements and a negotiated settlement, may therefore be said to have derived not so much from a change in political ideology but rather arose from the prevailing economic and political crisis. By releasing political prisoners such as Nelson Mandela, unbanning the liberation movements (11 February 1990) and agreeing that there was a need for negotiation, the apartheid regime conceded that it was unable to continue ruling in the way that it was doing (Foundation for Contemporary Research, 2003:5).

The struggle for a democracy gained new impetus as negotiations got underway at Kempton Park. The negotiations had two phases: an all-party Convention for a Democratic South Africa (CODESA) and after that the establishment of five working groups to put together the various constitutional and other issues that would result in an interim Constitution and take the country to its first democratic election.

2.2.3 Local government reforms

The National Party government acknowledged the need for reforms. In this regard, it introduced the Free Settlement Areas Act of 1988, which allowed for the infiltration of blacks into towns and cities. In terms of this act, provision was made for a mixed or nonracial local government. However, the majority of South Africans rejected these reforms, and the legislation was subsequently repealed (Bayat, Ismail & Meyer, 1999:59).

In 1986 a committee was established under the chairmanship of Dr Thornhill to investigate and recommend a new system of local government for South Africa. On the 28th of May, the committee released its report, which served as the basis for the National Party's framework for local-level negotiations among leaders of all groups in the various municipal areas. The five models proposed by this committee were the following:

- Racially separated local authorities for the different population groups.
- Local services councils, where autonomous local authorities would constitute a joint administration.
- Community government, which entailed a joint local authority for a town or city with the option of establishing neighbourhood management committees on a nonracial geographic basis, with a nonracial voters' roll according to a ward system.
- A single, nonracial municipality elected on a common voters' roll.
- Any other system that resulted from negotiations among the residents themselves (Council for the Co-ordinating of Local Government Affairs, in Reddy, 1996).

The Mass Democratic Movement, which argued that the above proposals were inadequate attempts at genuine reforms, however, rejected these proposed models arguing that they were an endeavour to perpetuate apartheid through co-optation.

Another piece of legislative reform, the Interim Measures for Local Government Act of 1991, was also rejected by the African National Congress (ANC), which at that time enjoyed widespread support among disenfranchised communities. The organisation claimed this act would fail to establish nonracial, democratic, nonsexist and transparent local authorities in South Africa (Reddy, 1996). It was at this time that the Mass Democratic Movement put forward some

of its own recommendations for restructuring local government, among which were the following:

- The creation of a definite, legitimate and fully constituted system of local government, which can only be done in the context of a unitary and democratic South Africa in which the powers of local government are conferred on it by a constituent assembly or any other democratically delegated legislative body.
- The creation of a national and democratic tradition of local government as a priority as well as interim structures of local government which will lay the basis for a smooth transition to a definitive future system.
- Local authorities should be delimited, taking into account the principles of nonracism and the redistribution of resources.
- These interim structures should strive to overcome some of the limitations imposed by apartheid and homeland systems. They should reflect as closely as possible the structure of a future democratic system. These structures will be subject to review at a later stage.
- Affirmative action programmes must be introduced and implemented to address the historical, racial and gender imbalances resulting from the apartheid era.
- Metropolitan government structures must be created for cities and big towns and unified local authorities for small towns and other areas (Olver in Reddy, 1996).

Towards the end of 1992, the two major political parties, the ANC and NP, agreed to settle their policy differences through negotiations. From April 1993 to January 1994, these parties forged a settlement as to the future of the local government. The principles underlying this agreement are contained in the following three historical documents:

- The Local Government Transition Act (No. 209 of 1993).
- The 1994 World Trade Centre Agreement, arrived at in Kempton Park, which deals with the provision and financing of local services.
- The interim Constitution, 1993 (No. 200 of 1993).

2.2.4 Local Government Negotiation Forum 1993

The national government was under increasing pressure to come up with a solution for the local government crisis that had arisen from the slow but sure collapse of local government in black communities. This collapse was the result of boycotts on the payment of rent and service levies and the continual resignation of remaining local councillors under the initiative of mainly ANC-oriented civic leadership.

By the end of 1991 the ANC-oriented civics had formed the South African National Civic Organisation (SANCO). During 1992 they commenced discussions with the Minister of Local Government regarding the restructuring of the local government arena. By this time most of the important political role players in the national negotiations had a clear view of the future. The shortfall on the budgets of black local authorities had already risen to an estimated R2 000 000 000 and this astronomical figure was escalating rapidly (Cloete, 1995:4). Early in 1993 the SANCO had persuaded the Minister of Local Government to establish a formal national Local Government Negotiating Forum (LGNF). This body served as the main negotiating forum on local government. On 22 March 1993 the LGNF was established as a bilateral forum between a statutory delegation consisting of representatives of the central, provincial and organised local government on the one hand and the SANCO (the statutory delegation) on the other hand. The terms of reference of the LGNF were to try to compile and analyse the necessary data and, in close co-operation with and within the framework of the national negotiation process, to seek agreement between the two delegations on the procedure for and substance of the restructuring of local government (LGNF (a), 1993:7).

The composition of the LGNF was as follows:

Statutory members (50%):

- Department of Local Government
- Four provinces (local government)
- United Municipal Executive
- Transvaal Municipal Association
- Major Cities Association

- Association of Management Committee

Nonstatutory members (50%):

- SANCO
- ANC, NP and DP (Cloete, 1995:4)

2.2.5 The Local Government Transition Act of 1993

This act provided for the following:

- The pre-interim and interim phase for the restructuring of local government.
- The establishment, by the Transition Executive Council, of provincial committees for local government.
- The establishment of local forums for negotiating the restructuring of local government in each area for the pre-interim period and provincial demarcation board to set the boundaries of local authorities and delimit the electoral ward within them.
- The powers of the administrator to ensure and control the transitional process and the repeal of certain local government laws that will become redundant when the transitional system comes into force. It also leaves scope for some local initiative.

The local negotiating forum for each area, set up at the commencement of the pre-interim phase, can negotiate the form of local government that will apply for the pre-interim period. Several options are allowed by the act. It is only where the local negotiating forum is unable to reach agreement after a specified period that the administrator will be entitled and compelled to make a decision. Once established, each local authority can determine its priorities, set up its own policies and pass its own bylaws, within the framework set by higher authorities (Heymans, 1994:2).

2.3 LOCAL GOVERNMENT AFTER 1994

South Africa's first national democratic election on 27 and 28 April 1994 signalled the transformation from a country characterised by white minority rule and domination to a nonracial democracy. Key to the success of the 1994 elections was the ability of South Africans to participate confidently in the electoral process. Voters' education was fundamental to this

process, as this was the time in the history of South Africa that every citizen had the opportunity to vote for the government of his/her choice. Understandably, the newly elected government faced a number of challenges of which the facilitation of citizen participation in the governance processes was perhaps one of the most crucial.

Local government is now part of the democratic system of government in South Africa. Its existence and protection is firmly entrenched in the 1996 Constitution, co-existing mutually with other national and provincial spheres of government. The Constitution of 1996 has significantly enhanced the status of local government as an instrument of delivery. As a sphere of government, municipalities are assigned the responsibility to act as catalyst for poverty alleviation and service delivery.

2.4 STATUS AND OBJECTIVES OF LOCAL GOVERNMENT

The Constitution provides for the establishment of municipalities throughout the country. Their legislative and executive spheres of authority are vested in councils. Municipalities have the right, on their own initiative, to manage the affairs of their constituents, subject to national and provincial legislation. In this connection, the ability or right to exercise their powers or to perform their functions shall neither be impeded nor compromised by national and provincial government. In essence, municipalities are now creations of the Constitution, unlike in the past when they could be established or disbanded by a competent authority, which in this case could be the national government (Ismail and Mphaisha, 1997). Municipalities should, therefore, strive to achieve, within their financial and administrative capacity, the following objectives:

- The promotion of democratic and accountable government for local communities.
- The provision of services to citizens in a sustainable manner.
- The promotion of social and economic development.
- The promotion of a safe and healthy environment.
- The encouragement of citizen participation in local government matters.

In terms of the Constitution, municipalities have been given developmental tasks in two senses:

- They are expected to organise and manage their administrations and to adopt budgeting and planning strategies that will give priority to the basic need of citizens and promote their socioeconomic development.
- Municipalities are obliged to participate in both national and provincial development programmes in the spirit of co-operative governance. In turn, national and provincial governments should support and develop the capacities of municipalities so that they can manage their own affairs. Any draft legislation affecting local authorities, which has been proposed by either Parliament or a provincial legislature, must allow “organised local government, local authorities and other interested persons an opportunity to make representation” (Ismail and Mpaisha, 1997). Such public inputs are intended to protect the status, powers and functions of local government as well as to ensure effective functioning of democratic institutions. In addition, the new Constitution highlights the manner in which different categories of municipalities may be established. In this regard, each provincial government must enact legislation only to accomplish the following:
 - Provide for monitoring and support of municipalities.
 - Promote the development of local government capacity to enable municipalities to perform their function and manage their own affairs.

2.5 POWERS AND FUNCTIONS OF LOCAL GOVERNMENT

The Constitution stipulates a number of direct delivery and regulatory functions. Schedule 4, Part B lists the following as local government matters: air pollution, building regulation, child-care facilities, electricity and gas reticulation, fire-fighting services, municipal public transport, municipal public works, pontoons, ferries, jetties, piers and harbours, storm water management systems in built-up areas, trade regulations and water and sanitation services (Constitution of Republic of South Africa, 1996).

Schedule 5, Part B lists the following as further local government matters: beaches and amusement facilities, billboards and 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 (Constitution of the Republic of South Africa, 1996).

2.6 VALUES AND PRINCIPLES OF LOCAL GOVERNMENT

Chapter 10 of the South African Constitution of 1996 deals with the system and values of public administration:

- Local government must promote a high standard of professional ethics in its overall system of government and management. In practice, this means that officials and councillors must not be guilty of corruption, unethical behaviour, favouritism or anything that enriches one person at the expense of another. Local authorities are bound by the code of conduct as contained in Schedule 7 of the Local Government Transition Act (No. 209 of 1993).
- Local government must use its resources efficiently and effectively. Effectiveness has to do with the degree of success in the completion of a task, whereas efficiency is concerned with minimum inputs to achieve maximum outputs. Local authorities work with public funds and must therefore utilise these effectively and efficiently. Misuse of public monies by local authorities should not be tolerated and should be reported immediately to the Office of the Public Protector or the Auditor-General. These two functionaries will investigate any complaints about financial or other irregularities on the part of local authorities and make recommendations for corrective steps to be taken.
- Local government must be development oriented. What it means is that local authorities must be concerned with the business of development and not merely regulate the lives of the people. They should be involved in physical development as well as facilitating human development.
- Local government must promote fairness, reasonableness and impartiality and have no bias. All citizens should be treated equally and with respect. The actions of the local authorities must also be reasonable. No person, no matter what his or her status is in the community, should be given preferential treatment.

- Local government must respond to the needs of its local people. They will indicate their needs to the local authority either in writing or verbally. The local authorities will then investigate these needs, prioritise them within the overall policy framework and decide on a plan of action.
- Local government must promote public participation in the management of its affairs. Creating avenues and opportunities for the public to participate in local policy-making structures can do this. The fact that there are regular elections for public participation is not enough.
- Local government must be accountable to its electorate and, where necessary, to other stakeholders. This means providing the public with an explanation of its actions or lack of actions or any other matter that demands public explanation.
- Local government must promote transparency and supply the public with timely and sufficient information. This is one of the greatest challenges for local authorities in South Africa because of its history, exclusiveness and secrecy. Local authorities should not only provide information; this information must also be released timeously.
- Local government must promote good human resource development practices. This principle makes it clear that local authorities must promote fair and reasonable labour practices in the spirit of the Labour Relations Act (No. 66 of 1995) as amended.
- Local government must be broadly representative of the population it serves. It is only fair that a representative of their specific area should serve citizens.

The following can be added to the above principles:

- Local authorities must provide reasons for the decisions taken and communicate these to the public. Members of the public have a constitutional right to be given reasons for public decisions that may affect them either directly or indirectly. Local government must administer its daily affairs within the framework of the laws of the country and do nothing that will purposefully harm the rights of any individual. The Bill of Rights as contained in the Constitution must be respected and given meaning by action taken at local level.
- Local authorities must become income and not expenditure driven and thereby avoid budgeting for deficits (Constitution of the Republic of South Africa, 1996).

2.7 CATEGORIES OF LOCAL GOVERNMENT

The structure of local government is dealt with in terms of the Municipal Structures Act (No 117 of 1998) that sets out the categories and types of municipality and provides for elections and other matters. Municipalities may be established in certain categories:

CATEGORY A

There are six metropolitan municipalities in the biggest cities in South Africa: Johannesburg, Cape Town, Durban, Pretoria, Port Elizabeth and the East Rand. They have more than 500 000 voters and the metropolitan municipality co-ordinates the delivery of services to the whole area. They are divided into wards. There can also be subcouncils of a metropolitan council. For example, the Cape Town metropolitan council has six subcouncils, such as Helderberg, Tygerberg and South Peninsula, and these are divided into wards.

CATEGORY B

These are the areas that fall outside the six metropolitan municipalities. There are 231 local municipalities and each municipality is broken up into wards. A ward councillor represents the people of that specific area. Local municipalities also form part of the district municipality in their area.

CATEGORY C

District municipalities are made up of a number of local municipalities that fall in one district. District municipalities administer and make rules for a district that includes more than one local municipality. There are 46 district councils in South Africa. There are usually between four to six local municipalities that fall under one district council.

The purpose of district municipalities and local municipalities sharing the responsibility for local government in their areas is to ensure that all communities, particularly disadvantaged communities, have equal access to resources and services. This will help some local municipalities that do not have the capacity (finances, facilities, staff or knowledge) to provide services to their communities. It will also help to cut the costs of running a municipality by sharing resources with other councils. The 'richer' areas will help the 'poorer' areas.

Some district municipalities include nature reserves and the areas where few people live (district management areas or DMAs). These DMAs fall directly under the district council and have no local council. The district municipality has to co-ordinate development and delivery in the whole district. It has its own administration and staff. DMAs are conservation areas or rural areas with very few people who do not fall under a local municipality. They fall under district municipalities.

2.7.1 Metropolitan government

Metropolitan areas are large urban settlements with high population density, complex and diversified economies and a high degree of functional integration across a larger geographic area than the normal jurisdiction of a municipality. Economic and social activities transcend municipal boundaries, and metropolitan residents may live in one locality, work in another and utilise recreational facilities across the metropolitan area (White Paper on Local Government, 1998).

In any system of metropolitan government, it is envisaged that it will fulfil the following roles:

2.7.1.1 City-wide spatial integration and social inclusive development

The concentration of the commercial and industrial tax base combined with the extreme spatial and social segregation along class and race divides within metropolitan areas demand that particular attention be given to promoting spatial integration and socially inclusive forms of development.

Metropolitan government should utilise its land-use planning and regulation functions to promote integrated spatial and socioeconomic development. Land-use planning and regulation is not simply a technical instrument for ordering physical space. If combined with other functions such as transport planning and bulk infrastructure, planning may facilitate the development of a particular kind of urban living environment. Metropolitan governments should use their integrated development plans (IDPs) to articulate a vision of the kind of urban environment in which citizens wish to live and translate that vision into reality through the combined exercise of land-use planning and other powers. In this sense land-use planning can become an instrument of

social equity that challenges the existing spatial location of poverty and directs market dynamics in line with the aspiration of metropolitan residents.

2.7.1.2 The promotion of equity, social justice and economic prosperity

The economic and social viability of metropolitan areas is closely linked to addressing existing inequalities and creating a stable environment for the attraction of capital investment. The former requires redistribution across the metropolitan area, whereas the latter requires a clear, transparent and predictable framework in which redistribution can occur.

2.7.1.3 The promotion of local democracy

The promotion of local democracy should be seen as a central role for any municipal government. It is given particular attention here because the scale and complexity of metropolitan areas require specific mechanisms to promote local participation and democracy.

The local sphere is an arena where citizens can participate in decision making to shape their own living environments and exercise and extend their democratic (social, economic and political) rights.

It is often seen as critical for enhancing participative democracy because citizens may have greater incentives to participate at the local level and fewer disincentives. An individual is more likely to exercise some influence over a policy decision in a smaller, local institution, close to home (White Paper for Local Government, 1998:62).

Metropolitan residents should have a voice in decisions that affect them at work, at home and at places of recreation. As all in the democratic system, there is a need in a metropolitan system to ensure that the exercise of the democratic rights of some group does not infringe on the economic, social or political rights of other groups. This requires a metropolitan system where no constituent council, which represents only part of the metropolitan community, has the autonomy to act in ways that limit the rights and opportunities of other metropolitan residents.

At the same time, a metropolitan government with a large jurisdiction may be perceived by residents as a distant form of government and discourage their active participation. Metropolitan areas include diverse communities with different responses to these diverse needs and ensure that

all citizens are able to contribute effectively to the governance of their communities. This requires smaller forums that effectively represent the diversity of interests within the metropolitan area (White Paper for Local Government, 1998:62).

2.7.1.4 The provision of affordable and efficient service

Efficient delivery mechanisms require the decentralisation of certain functions and the vertical integration of others. Not only is flexibility required with respect to the degree to which specific functions are decentralised within any metropolitan government; it is also required among metropolitan governments. Factors such as the location of existing centres of municipal administrative capacity and infrastructure, population distribution patterns and the existence of public utilities in some metropolitan areas imply that an effective delivery system will require different degrees of administrative centralisation and decentralisation among metropolitan areas (White Paper for Local Government, 1998:63).

2.7.2 Metropolitan government system

2.7.2.1 Metropolitan government with ward committees

The metropolitan council should exercise the complete range of legislative, executive and administrative municipal powers and duties. Ward committees are area-based committees whose boundaries coincide with ward boundaries. Ward committees have no original powers and duties. They are established as committees of the metropolitan council, and their powers and functions must be delegated from the metropolitan council. They may have advisory powers and the right to be consulted on specific issues prior to council approval. They may also correspond to decentralised service centres, which brings the administration closer to residents.

The metropolitan council will establish a ward committee for each ward falling within its area of jurisdiction. Ward committees should be chaired and convened by the councillor elected to the ward. The metropolitan council must develop procedures and rules to govern the membership and proceedings of ward committees, provided that membership rules are applied consistently across the metropolitan area and do not unfairly discriminate against any individual or institution. The central role of ward committees is the facilitation of local community participation in decisions

that affect the local community, the articulation of local community interests and the representation of these interests within the metropolitan government system.

Ward committees provide a structured channel of communication among geographic communities within the metropolitan area and their political representatives at the ward and metropolitan level. Well-functioning ward committees will provide every metropolitan resident with a local point of access to municipal government and strengthen the accountability of ward councillors to the residents. The establishment of ward committees should go hand in hand with strengthening support to ward councillors and building accountable and effective local political leadership.

2.7.2.2 Metropolitan government with metropolitan substructures

The metropolitan government with metropolitan substructure is a municipality that consists of the following:

- The metropolitan council with original (legislative, executive and administrative) powers for all municipal functions.
- Metropolitan substructures, powers and functions must be developed from the metropolitan council. They will have advisory, supervisory and decision-making powers.

The metropolitan substructure will consist of all ward councillors elected to wards that fall within the metropolitan substructure's area of jurisdiction and additional members of the metropolitan council allocated to serve on each metro substructure. The allocation of additional members maintains the proportionality of votes cast for each party within the metropolitan substructure's area of jurisdiction.

This type of metropolitan government is intended to facilitate a structured correspondence between political and administrative decentralisation. Metropolitan substructures are intended to fulfil the following functions:

- Act as representative forums to enhance local democracy.
- Facilitate the effective oversight, management and co-ordination of municipal functions within part of a metropolitan municipality's area of jurisdiction.

The metropolitan council will decentralise powers and functions to metropolitan substructures, including decision-making powers with respect to specific functions or components thereof. However, the powers listed in Section 160(2) of the Constitution may not be decentralised (White Paper for Local Government, 1998:58-65).

2.8 THE LEGISLATIVE FRAMEWORK FOR LOCAL GOVERNMENT AFTER 1994

Local government is to a large extent governed by the Constitution of South Africa and a suit of four national acts including the Municipal Structures Act of 1998, the Municipal Systems Act of 2000, the Municipal Finance Management Act of 2003 and the Municipal Property Rates Act of 2004.

2.8.1 Constitution of the Republic of South Africa (1996)

The adoption of the Constitution of South Africa in 1996 confirmed the status of local government by establishing three spheres of government, that is national, provincial and local government, that are distinct, interdependent and interrelated. Thus local government is a sphere in its own right and is not just an implementing agent of national and provincial government. 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 the socioeconomic development of the community.

2.8.2 The Municipal Structures Act of 1998

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 municipality that may be established within each category. The MSTA also provides guidelines for the forming and functioning of various local political structures, the internal system and structure including electoral systems and the division of powers and functions between district councils and local municipalities.

The MSTA entrenches community participation by stating the duties of the executive committee (S44 (3)) that the executive committee must report to on the involvement of communities in municipal affairs and must ensure public participation and consultation and report the effects thereof on decisions taken by the council. It also encourages a system of participatory democracy by setting out the framework for the establishment and functioning of a ward committee system. The primary function of the ward committee is that it 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 councillors or through the councillor to the council. Ward committees may not have more than 10 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 and representation should represent a diversity of interest.

2.8.3 Municipal Demarcation Act of 1998

The Municipal Demarcation Act of 1998 made provision for the re-demarcation of municipality boundaries and established a Municipal Demarcation Board (MDB) tasked with demarcating municipal boundaries in accordance with factors listed in Section 25 of the act. The board also determined the ward boundaries within each municipality. Following the demarcation process in terms of the Demarcation Act in 2000, South Africa's 843 municipalities were reduced to 284.

2.8.4 Municipal Systems Act of 2000

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 of public participation.
- Approaches to infrastructure investment, service delivery and economic development.
- Performance management systems.
- Administrative restructuring and human resource development.

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

The MSYA is dedicated to community participation. Section 16(1) of the MSYA states that “a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance”. The MSYA emphasises three main elements:

1. The municipality must foster participation in the following:
 - The integrated development planning process.
 - The evaluation of its performance through performance management.
 - The budget process.
 - Strategic decision making around service delivery.
2. The municipality must enable participation through capacity building in the community and of staff and councillors.
3. 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 and 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 the following:

- Procedures to receive and deal with petitions and complaints of the public.
- Procedures to notify the community about important decisions (such as bylaws, IDP service delivery choices, etc.) and allowing public comment when it is appropriate.
- Public hearings.
- Consultative meetings with recognised community organisations and, when appropriate, traditional authorities.
- Reporting back to the community.

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 takes place on a bylaw, the budget, the IDP, the performance management system or a service delivery agreement. Communication must happen by means of local newspaper, another newspaper that has been designated as a newspaper of record or radio broadcasts.

2.8.5 Municipal Finance Management Act of 2003

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 do the following:

- Regulate municipal and financial management.
- Set requirements for the efficient and effective management of 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.
- Put in place a framework for the resolution of financial problems in municipalities.

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 comment regarding 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 that 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 with respect to the proposed contract. The municipal council must then take into account any comments to 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 community.

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 submission 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.

2.8.6 Municipal Property Rates Act of 2004

The Municipality 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 municipalities 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 MPRA states that before a community adopts its rates policy, it must follow a process of community participation. 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 community to submit written comments and representations to the municipality concerned within the 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 (Constitution of the Republic of South Africa, 1996).

2.9 CONCLUSION

Development of local government represents a dynamic new way in terms of which local councils should work together with local communities to find sustainable ways to meet their needs and to improve the quality of their lives. Development of local government therefore calls for a new paradigm to build effective partnerships between local government and local communities. This implies a change from the old top-down, undemocratic system to a people-centred system within which citizens are engaged as equal partners.

The South African Local Government Association (SALGA) came into being in November 1996 to further the aims of democratic local government. The years 1996, 1997 and 1998, respectively, saw the creation of the Constitution, which sets forth the aims of local government in terms of democratic accountability, provision of sustainable services, social and economic development, environmental care and community involvement; the Green Paper on Local Government, consisting of a number of papers on key topics; and, in 1998, the White Paper on Local Government, the Municipal Demarcation Act and the Municipal Structures Act. The White Paper built on the Green Paper, offering, among other things, a template for legislation and delineating metropolitan, local and district councils as the three species of local government. The Municipal Demarcation Act put into effect the order of the Constitution for the founding of an entity to decide municipal boundaries by establishing the Municipal Demarcation Board (MDB), including as criteria such factors as areas under traditional authority, infrastructure and facilities and patterns of settlement and of land use, extant and foreseen. In the course of determining boundaries for local government, much amalgamating occurred in furtherance of the MDB's additional mandate of reducing the total number of local authorities.

The Municipal Structures Act created the three kinds of council and all the details for their election, design and operation, including the condition that half of the candidates on the party lists should be women.

Meeting infrastructure requirements and achieving service delivery are matters of some urgency for local government in South Africa. Local government policy and legislation are the responsibility of the Minister for Provincial and Local Government, and supervisory duties

belong to him and to the provincial ministers, also known as the members of the Executive Council, who can step in where they see local authorities failing to comply with legislation.

The legal basis for local government in South Africa is Chapter 7 of the 1996 Constitution and also Chapters 3 and 13, which deal, respectively, with principles of co-operation and local government finances. Unitary and binary levels are both employed. Major metropolitan areas are governed by a unitary structure, and district and local council governments represent, respectively, upper and lower levels. The latter two differ from the former in that their approach to delivering services is according to local conditions. Currently there are 231 local councils, 47 district councils and six metropolitan councils, including municipalities that straddle provincial boundaries.

3 PUBLIC PARTICIPATION THEORY

3.1 INTRODUCTION

This chapter will focus on the issues of public participation theory: a definition of public participation and the requirements of public participation strategies.

Public participation is particularly important in the case of South Africa where prior to democratisation black, coloured, and Indian communities were excluded from decision making processes through statutory mechanisms such as the Group Areas Act (No. 41 of 1950) and the Population Registration Act (No. 30 of 1950). Following the historical April 1994 elections, the new Government of National Unity (GNU) had the challenging task of undoing these past injustices by, among other things, bringing previous marginalised groups back into the decision-making processes. Local government, as the sphere of government closest to the community, was tasked with facilitating the process of bringing people back in (Davids, 2005:18).

3.2 THE PUBLIC PARTICIPATION THEORY

Participation occupies a central place in development thinking and practice. Participatory democracy tends to emphasise people's direct involvement in the decision-making process. It is characterised by a number of authors:

Ambert (2000) states that *participation*, a new buzzword, got its popularity from the growing recognition of the need to involve stakeholders in the development interventions. The international rationale for the promotion of public participation and partnership that integrated development planning and local economic development in South Africa rests on the belief that if the public participate in the development programmes they will be seen as legitimate. The reality, however, Ambert argues, is that this positive view on participation also corresponds to a different vision of development and participation. The one sees development as a process in which the public remain the recipients of resources allocated in a top-down blueprint fashion. The alternative vision argues that through participation, the public are enabled to determine and control the allocation of development resources, not merely influence its direction (Ambert, 2000).

Mogale (2003:215-242) explains how public participation should be understood against a larger, holistic picture that includes matters such as globalisation, the practical implication for the difference between the concepts of government and governance, local governance and poverty reduction. The Manila Declaration (1989) formulates four public participation principles as a basis to people-centred development:

- Sovereignty resides with the people, the real actors of positive change.
- The legitimate role of government is to enable the people to set and pursue their own agenda.
- They exercise their sovereignty and assume responsibility for the development of themselves and their communities. The people must control their own resources, have access to relevant information and have the means to hold the officials of government accountable.
- Those who would assist the people with their development must recognise that it is they who are participating in support of the people's agenda, not the reverse. The value of the outsider's contribution will be measured in terms of the enhanced capacity of the people to determine their own future.

These views are echoed in the African Charter for Popular Participation in Development and Transformation (1990). The following is a statement from the Charter:

We believe strongly that popular participation is, in essence, the empowerment of the people to effectively involve themselves in creating the structures and in designing policies and programmes that serve the interest of all as well as to effectively contribute to the development and share equitable in its benefit.

At the international level, the so-called "core values for the practice of public participation", formulated by the International Association for Public Participation (IAP2, 2002), are confined by global declarations and policy statements. The core values read as follows:

- The public should have a say in decisions about actions that affect their lives.
- Public participation includes the promise that the public's contribution will influence the decision
- The public participation process seeks out and facilitates the involvement of those potentially affected.

- The public participation process communicates to participants in defining how they participate.
- The public participation process communicates to participants how their input affected the decision.
- The public participation process provides participants with the information they need to participate in a meaningful way.

Meyer and Theron (2000) indicate that current approaches to public participation tend to be ad hoc, incremental, unstructured, unbalanced and uncoordinated and some even smack of window dressing. Public participation has become a buzzword, adding to a growing family of development jargon. As with similar jargon, the indiscriminate use of the term *public participation* to describe strategies that have little to do with authentic participation by the poor has created misunderstanding and blown-up expectations amongst the public – the so-called beneficiaries or stakeholders in development planning.

Public participation is an elusive concept that acts as an umbrella term for a new style of development planning intervention. It is impossible to suggest a development strategy or intervention that is not in some way participatory. This does not mean that development strategists, policy-makers or the public agree on what public participation is and how it should be implemented (World Bank, 1996a; IAP2, 2000; Johnson, 2003).

Cohen and Uphoff (1977) argue that public participation includes the people's involvement throughout the decision-making process (Kumar, 2002:23 – 24). Rahman (1993:150), in defining public participation, believes it should relate to the experience and exposure of that part of the process or intervention. This is why a definition should not be cast in stone.

The International Labour Organisation (ILO) through the Participatory Organisations of the Rural Poor Programme argues that its assessments of international strategies have shown that the grassroots approach to public participation has generated the following definition of public participation (cited in Rahman, 1993:150):

What gives real meaning to (popular) participation is the collective effort by the people concerned in an organised framework to pool their efforts and whatever other resources they

decide to pool together to attain objectives they set for themselves. In this regard participation is viewed as an active process in which the participants take initiatives and take action that is stimulated by their own thinking and deliberation and over which they can exert effective control.

In the classical definition of community development put forward by the UN Department of Economic and Social Affairs (1963:4), the linkage between public participation and development is clearly stated:

“The process by which the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation, and to enable them to contribute fully to national progress. This complex of processes is, therefore, made up of two essential elements: The participation of the people themselves in efforts to improve their level of living, with as much reliance as possible on their own initiative, and the provision of technical and other services in ways which encourage initiative, self-help, and mutual help and make these more effective”.

3.3 PARTICIPATORY BUDGETING THEORY

Participatory budgeting is emerging as innovative urban management practise with excellent potential to promote principles of good urban governance. Indeed participatory budgeting can yield many benefits to local government and civil society alike. It can improve transparency in municipal expenditure and stimulate citizen involvement in decision making over public resources. It can help in boosting city revenues. It can redirect municipal investment towards basic infrastructure for poorer neighbourhoods. It can strengthen social networks and help to mediate differences between elected leaders and civil society groups.

Local government in several countries around the world such as Porto Alegre in Brazil has implemented participatory budgeting. The use of participatory budgeting in Brazil began in 1989. Participatory budgeting programs confronted Brazilian political legacies of clientelism, social exclusion and corruption by making the budgetary process transparent, open and public.

Participatory budgeting programs act as citizenship schools as engagement empowers citizens to better understand their rights and duties as citizens as well as the responsibilities of government.

Different municipalities and states across Brazil are adapting variations of the participatory budgeting programs. These programs have been successfully implemented in the wealthy Southern region, Porto Alegre, the industrialised São Paulo metropolitan region, Santo Andre, and the Northern Amazon region, Belem (Abers, 2000).

An important characteristics of participatory budgeting is that it is a process regulated by time (usually in annual cycles) and physical territory (normally the city limits) and in which the main actors are local governments and civil society. The contributions of participatory budgeting to enhancing good urban governance in order of importance are the following:

- An expansion and deepening of participation.
- An increase of effectiveness.
- A qualitatively different accountability system.
- Improved equity.
- Enhanced public safety.

Participatory budgeting is not only a process that contributes positively to good urban governance. One of its most important characteristics is linking the democratic process with concrete and perceptible results in a short period of time. These materialise according to the case, with basic services, housing, health centres, education, infrastructure etc. These improvements in life conditions, in particular of the urban poor, are tangible and positive contributions to the millennium development goals at the local level.

In South Africa where many black communities have not had access to the most basic services, participatory budgeting is an important tool that can be used to encourage active citizenship, where people at local level are directly involved in the transformation and development of their community.

3.4 BASIC REQUIREMENTS OF A PARTICIPATION STRATEGY

A participation strategy is the necessary means to achieve a coherent political debate on any particular issue. A public participation strategy requires some characteristics in order to achieve its objectives:

3.4.1 Accountability

The ability of a system to keep track of who or what accessed and/or made changes to the system.

3.4.2 Effectiveness

In order to participate effectively, citizens must have access to information, access to the political process and the opportunities to provide and obtain relevant information on policies, projects and programmes in a timely manner.

3.4.3 Fairness

Fairness means the promotion of equality of opportunity. It includes participation and negotiation in good faith with the best effort applied to reach consensus, considering all interests equitably.

3.4.4 Inclusiveness

It expresses the willingness to involve all interests concerned by the issue that drives the public participation process.

3.4.5 Power sharing

It is a typical characteristic of the participatory democracy theory where the power of the decision is commonly attributed to all social actors so that the final decision results as a product of the process of negotiation and conciliation.

3.4.6 Publicity

The decision-making process has to be open, well publicised and transparent in order to make people aware of the process (all interested stakeholders can participate).

3.4.7 Transparency

Transparency on the part of all concerned parties in a decision-making process facilitates more meaningful participation by ensuring that all motivations and objectives are apparent and that information vital to the decision is presented and is reliable.

3.4.8 Voluntariness

Only the voluntary nature of public participation allows that the results of the process can be based on a common agreement among all parties and that all participants have an equitable chance to defend their interests so that no decision or solution can be imposed on anybody.

3.5 PUBLIC PARTICIPATION STRATEGIES

Participation strategies can range from informing to consulting and empowering the public. According to Davids (2005:24) the following strategies are listed:

3.5.1 Participation strategies aimed at informing the public

- Advertisements: paid advertisements in newspapers to inform the public of a proposal or activity and the opportunity.
- Background information materials: fact sheets, newsletters, brochures or flyers distributed with municipal accounts through main drop and direct mail or left at accessible locations in order to provide feedback and updates on progress.
- Exhibits and displays: information provided in an accessible location to help raise public awareness of community issues, municipal campaigns or projects.
- Expert panels: public meetings where municipal officials/councillors/consultants provide information and the public and other stakeholders are given an opportunity to pose questions.
- Field trips: site tours to inform the public, the media and other stakeholders of a specific issue or project.
- Legal notices: informing the public of a proposal or activity and required by law to be displayed at particular locations for a specified period.
- Magazines: news articles and press releases – stories or articles that provide information about a proposal or activity.

- Press conferences: questions-and-answer sessions for the media and public to obtain and share information about a project, proposal or planned future activity.
- Radio and television talk shows: a presenter of a programme aims to elicit information about a project or proposal on behalf of the public through questions posed to municipal officials or councillors.
- Technical reports: special studies, reports or findings made accessible to the public at libraries or electronically.
- Websites: the Internet websites that contain information, announcements and documents on a specific issue or project.

3.5.2 Participation strategies aimed at consulting with the public

- Briefings: municipal officials attend meetings of social/civic clubs and organisations to inform, educate and consult with stakeholders.
- Central information contacts: designated contact persons are identified as official liaison/spokespersons for the public to obtain information on the public's concerns and preferences and to identify key issues.
- Electronic democracy: this strategy refers to Internet discussion rooms, tele-voting and on-line communication. Records must be kept and feedback given to the public.
- Field officers or information centres: specific officers or multi-purpose centres that disseminate information and respond to enquiries
- Interviews: one-on-one meetings with the public or a selected sample or specific stakeholders, based on semi-structured interviews and open-ended questions. Data are analysed and feedback is given to the community to elicit further inputs.
- Open days and open houses: stakeholders are given the opportunity to tour the site or project and/or information is provided at a public location to make information accessible to stakeholders.
- Public meetings: formal meetings where municipal officials/councillors/consultants meet the public and other stakeholders in a public place, e.g. a community hall. This method entails an open discussion and a question-and-answer session.
- Public hearings: similar to public meetings but more formal and structured.

- Surveys and polls: strategy through which specific stakeholders are gathered and scientifically analysed and presented. This can also be done by phone.
- Telephone hotlines: telephone numbers of officials supplied to the public in printed format by hand or mail. Professional officials who know the municipal context, programmes and projects should verify these hotlines. Calls must be recorded and feedback given to callers.

3.5.3 Participation strategies aimed at empowering the public

- Advisory committees and panels: a group of stakeholders meets to advise the decision maker and debate specific issues. Often composed of community leaders, NGOs, CBOs and professional experts or consultants.
- Citizen juries: small groups of public representatives or stakeholders who are brought together to learn and exchange information regarding an issue, cross-examine witnesses or experts and make recommendations.
- Consensus conferences: meetings or workshops with the purpose of reaching an agreement or resolve a conflict on a particular issue.
- Imbizo: interactive governance aimed at partnership between government and other stakeholders.
- Indaba: forum for open and frequent dialogue between stakeholders to identify and address issues of common concern.
- Participatory rural appraisal/participatory learning and action: appropriate people and issue-centred research methodology through which the concerned people conduct their own research in partnership with the research or official.
- Taskforces: groups of specific stakeholders or professionals that are formed to develop and implement a specific project or proposal.
- Workshops, focus groups and key stakeholder meetings: small group meetings with stakeholders in an interactive forum to share and provide information based on mutual learning about a particular topic/issue. These meetings may be preceded by presentations by the different stakeholders.

3.6 PUBLIC PARTICIPATION IN LOCAL GOVERNMENT PROCESSES (1994–2004)

As stated earlier, in the South African context, participation in local government takes place in terms of two main objectives. The first relates to upholding the principle and system of participatory democracy and ensuring the legitimacy of the state at local level through citizens (as voters) being encouraged to participate in formal political processes such as elections and referendums. The second objective relates to local government's development mandate to alleviate poverty through service delivery and localised socioeconomic development initiatives. These two objectives enable one to define participation cautiously as an inclusive process aimed at deepening democracy through formal participation mechanisms and alleviating poverty through localised socioeconomic development initiatives and improved basic service delivery (Davids, 2005:18).

In South Africa, the first democratic local government election took place in municipal areas that still featured the divides imposed by the apartheid planners. In the Western Cape Province this resulted in the disproportionate distribution of human, material and financial resources for the election, with traditionally white areas having almost no resource problems and African townships being almost completely underresourced. The local government elections that followed and the establishment of structures such as integrated development plans and ward committees were aimed at the enhancement of participatory democracy in local government.

3.6.1 Local government elections 1995

Delays in the process leading to South Africa's first democratic local government elections meant that elections could not take place in October 1994 as envisaged by the Local Government Transition Act. Neither was April 1995 (a year after the first national and provincial election) feasible. After much deliberation between the country's nine provincial MECs for local government and the Minister and Deputy Minister for Provincial Affairs and Constitutional Development, the date for South Africa's first democratic local government election was set for November 1995. However, as a result of continuing disputes over demarcation and other political issues, some parts of KwaZulu-Natal and the Western Cape provinces held their election only in 1996.

South Africa's democratic local government elections were significantly different from the first general election of April 1994 in that the local government elections required a voters' roll. In the April 1994 election there was no voters' roll; voters simply arrived at the polls with appropriate identity documents and they were allowed to vote. But local elections required a registration process and a voters' roll to ensure that people voted where they were ordinarily resident or where they were liable for service charges. The onus rested entirely on the citizen to register. Local government authorities had no duty to go out and register individuals (Davids, 2005:44).

By the end of 1996 all South Africans of voting age could confidently say that they were given the opportunity to participate in South Africa's first democratic local government election.

3.6.2 Local government elections 2000

The 5 December 2000 local government election in South Africa marked an important point in the country's democratic transition. The elections were held in terms of the municipal electoral system prescribed by the Municipal Structures Act (1998). In total, elections took place in 284 newly demarcated municipal areas (6 metro councils and 47 district councils).

The above is indicative of the major legislative and institutional changes that took place in South Africa in the period since its first democratic local government elections in 1995/1996. A further significant change was that the country passed its final Constitution in 1996, establishing local government as a sphere of government in its own right with a specific development mandate. There had been political changes as well: the re-election of the African National Congress (ANC) in the 1999 national elections and the emergence of a new party coalition in June 2000 called the Democratic Alliance (DA) consisting of the New National Party (NNP) and the Democratic Party (DP). Furthermore, the municipal electoral system was changed to provide for a 50:50 split between councillors elected from party lists (proportional representative – PR councillors) and those elected from wards in certain councils (ward councillors). On 5 December 2000 the people of South Africa made their voice heard by voting for the political parties and representatives of their choice.

3.6.3 Integrated development planning

Local government as the sphere of government closest to the public has been tasked with facilitating the process of bringing people back into municipalities. They were legally obliged to ensure the participation of communities and community organisations in the formulation of municipal budgets and plans. This is largely done through the establishment of IDPs at local level.

Essentially an IDP provides a strategic framework for democratic municipal governance in that it sets out the vision, needs, priorities, goals and strategies of a municipal council to develop the municipality during its five-year term of office. Every new council therefore has to draw up its own IDP. According to the Municipal Systems Act of 2000 all municipalities (i.e. metros, district municipalities and local municipalities) have to undertake an integrated development planning process to produce IDPs. The IDP thus has a legal status. It supersedes all other plans that guided development at local level (Foundation of Contemporary Research, 2003).

- **Benefits of the IDP**

The IDP enables the municipality to get access to funds and outside investment. It sets out the development direction that the municipality supports. Through the IDP process the municipality maintains a co-operative relationship with its communities and stakeholders. The municipality can monitor the performance of officials and councillors against the IDP document. The IDP process provides officials with a mechanism to communicate with their constituencies and enables them to make informed decisions. Councillors can measure their performance against the IDP document.

The IDP process provides officials with a mechanism to communicate with councillors. It enables the officials to contribute to the municipality's vision. The IDP process enables officials to be part of the decision-making process and it gives communities and stakeholders an opportunity to inform the council about their development needs and priorities. It is a mechanism through which communities and stakeholders can communicate with their councillors and executive committees. Communities and stakeholders can measure the performance of councillors and officials against the IDP document.

A significant amount of financial resources for the implementation of projects lie with provincial and national departments. The availability of the IDP document provides guidance to the department as to where its services are required and where to allocate its resources (Foundation for Contemporary Research, 2003).

3.6.4 Ward committees

The establishment of ward committees became an option for municipalities with the local government election of December 2000. Chaired by the ward councillor and composed of community members, a ward committee exists to ensure public participation in local government and, as such, is a key mechanism for enhancing participatory democracy in local government. Although ward committees are not the only vehicles for public participation in local government, they currently exist as the most broadly applied and accepted model.

The Municipal Structures Act (1988) gives metropolitan and local municipalities the option to have ward committees as one of the specialised structures to enhance participatory democracy in local government. Municipalities must give effect to the provision of the Structures Act when establishing ward committees. Sections 73 of the Structures Act set out the broad parameters for ward committees. Section 73(2) states that “a ward committee consist of (a) the councillor representing that ward in the council, who must also be the chairperson of the committee and (b) not more than 10 other persons” (Davids, 2005:79).

It is up to each municipality to decide how many members, from one to ten, each ward committee will consists of. Diversity of interests and gender equity are two fundamental principles that are emphasised by the act.

The primary function of a ward committee is for it to be a formal communication channel between the community and the council. In terms of the Structures Act, a ward committee makes recommendations on any matter affecting the ward to the ward councillor and through the councillor to the council. Furthermore, a ward committee represents a channel through which communities can lodge their complaints regarding municipal issues. It should also act as a forum for communication between the ward councillor and the ward community about municipal issues.

The Structures Act provides that metropolitan and local municipalities may delegate duties and powers to the ward committee.

Apart from its primary communication function, a ward committee could also be a mobilising agent for community action. The ward committee cannot prescribe to the ward councillor how to vote in council meetings. However, it may call on the councillor to resign and pass motions of no confidence in him or her, but it may not impede the activities of the councillor of the ward.

3.7 CONCLUSION

South African applications are unfortunately not often focused on authentic public participation. This means that the building blocks of development are not yet accommodated, which calls for an urgent reassessment of public participation principles, strategies and policies in South Africa.

Development cannot become sustainable unless the public participates in the conceptualisation, planning, implementation and monitoring of development programmes and projects. Although the principle of public participation is accepted as part of international decentralised decision-making and democratisation processes, the culture of public participation has not yet been established satisfactorily in South Africa.

The good intentions and foundations laid by the South African Constitution (1996) and numerous acts and white papers regarding public participation will not, per se, create a culture of public participation. Policy guidelines will serve as vehicles for the introduction of public participation, but authentic and empowering public participation will only become a reality if it becomes a “process generated from within”. The public themselves must be the primary actors in establishing the required culture.

Public participation has become a key concept underpinning the development agenda. Three decades ago it was the rallying cry for a dissenting vision of development (Francis, 2002:400–401). Notwithstanding the hazards that public participation poses, one can be sure that it will remain a fundamental element in development rhetoric and practise.

4 LOCAL GOVERNMENT FINANCES

4.1 INTRODUCTION

Local government is now part of a democratic system of government in South Africa. Its existence and protection is firmly entrenched in the 1996 Constitution. The Constitution of 1996 significantly enhanced the status of local government as an instrument of delivery. As a sphere of government, municipalities are assigned the responsibility to act as a catalyst for poverty alleviation and service delivery.

Section 152 of the 1996 Constitution provides that a municipality must strive within its financial and administrative capacity to achieve the following objectives:

- To promote a democratic and accountable government for local communities.
- To ensure the provision of services to communities in a sustainable manner.
- To promote a safe and healthy environment.
- To encourage the involvement of communities and community organisations in the matters of local government.

Section 153 of the Constitution provides for municipalities to structure and manage their resources and in their budgeting and planning give priority to the basic needs of communities and promote the social and economic development of communities (Constitution of the Republic of South Africa, 1996:102).

This chapter attempts to give an overview of the handling of the financial aspects of municipalities.

4.2 LOCAL GOVERNMENT FINANCES

In the period from 1995 to 2004, local government has been transformed to being a distinctive sphere of government, raising almost two-thirds of its total revenue. Municipalities (Category A and C) collectively employed 210 000 staff (Intergovernmental Fiscal Review, 2003:197). The salary bill of municipalities was R19, 8 billion in 2003 (National Treasury Budget Review, 2004).

The current municipalities have emerged from the phased transition period that began in 1993. The transition guided by a constitutional dispensation encompassed a process of demarcation that resulted in the merging of 843 to form 284 new municipalities. Municipalities are responsible for the delivery of service to communities. The mandate to local government includes the provision of service to communities, creating conditions for socioeconomic development initiatives.

The ability of municipalities to carry out their constitutional mandate poses a significant challenge, considering that most municipalities either do not have or lack a sufficient revenue base, thus they rely heavily on national transfers. The fundamental questions therefore is whether the funds allocated to municipalities takes into account the expenditure needs of these municipalities. In this review, the responsiveness of national transfers to local government in the financial year 2004-2005 is assessed.

Different categories of municipalities have different sources of income. Category A municipalities, which are in metropolitan areas, have the advantage of the availability of a wealthy revenue base. Metros generally get their income from local taxes. Category B and C municipalities operate with a limited revenue base to source their income. This is largely because many Category B and C municipalities are based in rural communities that cannot sufficiently source their own funding. This results in these municipalities relying heavily on transfers from others spheres of government called intergovernmental transfers.

4.3 EXTERNAL SOURCES OF REVENUE

The major sources of external financing for municipalities are various grants from national or provincial government, donor funding and partnerships with the private sector.

4.4 NATIONAL TRANSFERS

National departments, provinces and municipalities receive funds from nationally collected revenue, which is collected by the National Treasury through the Revenue Services on behalf of all spheres of government. Through national transfers, national government wants to encourage the provision of certain services that are considered to be of national interest such as water, electricity, and sanitation. National government policy obligates national government to assist municipalities financially especially when municipalities provide those services. The provision of

free basic service is an example of national policy. National transfer is another way that national government tries to deal with the difference in resources between poor and wealthy municipalities. Transfers are also used to reduce the impact of local taxes. Municipalities are also compensated for restrictions placed on them to collect other sources of revenue.

Table 4.1 sets out the impact of these policy decisions on the division of revenue. Before resources can be divided, provision is made for national commitments such as debt service costs and a contingency reserve. Debt service obligations of R53,1 billion, R56,6 billion and R59,4 billion are projected for the three medium-term expenditure framework (MTEF) years, and a contingency reserve amount of R2 billion, R4 billion and R8 billion is set aside. Once these allocations are deducted, the total to be shared between the three spheres amounts to R362,7 billion, R395,8 billion and R427,5 billion over the three MTEF years.

Table 4.1: Division of revenue between spheres of government, 2004/05–2007/08

R million	2004/05	2005/06	2006/07	2007/08
Revised				
National departments	121 101	136 262	146 800	157 817
Provinces	185 354	209 273	29 282	284 236
Equitable shares	122 426	134 706	146 757	157 678
Conditional grants	62 928	74 567	82 525	90 558
Local government	14 757	17 159	19 708	21 461
Equitable shares	7 678	9 643	10 515	11 371
Conditional grants	7 080	7 516	9 193	10 090
Non-interest allocation	321 212	362 694	395 789	427 513
Percentage increase	13,8%	12,9%	9,1%	8,0%
State debt costs	48 901	53 125	56 603	59 381
Contingency reserves	-	2 000	4 000	8 000
Main budget expend.	370 113	417 819	456 392	494 894
Percentage increase	12,6%	12,9%	9,2%	8,4%
Percentage shares				

National departments	37,7%	37,6%	37,1%	36,9%
Provinces	57,7%	57,7%	57,7%	58,1%
Local government	4,6%	4,7%	5,0%	5,0%

Source: National Treasury Budget Review, 2005

Government determines the division of revenue between national, provincial and local government spheres using the previous year's baseline division as a point of departure and taking account of ongoing commitments, current and new policy priorities and the Financial and Fiscal Commission (FFC) recommendations. The new priorities and expansions of the previous year's programmes are accommodated through reprioritisation and growth in the resource envelope. Both the shares for provincial and local government allocations increased significantly, with the provincial share increasing from 57,7 per cent to 58,1 per cent and the local government allocation from 4,6 per cent in 2004/05 to 5,0 per cent in 2007/08. The share of national government decreased from 37,9 per cent in 2004/05 to 36,9 per cent in 2007/08. Over half of the additional resources are allocated to provinces in recognition of the challenges they face in delivering social services, building and maintaining economic infrastructure, creating employment, promoting rural development and coping with HIV and Aids.

4.4.1 Capacity-building equitable shares

Equitable share grants are allocations to the national, provincial and local spheres of government. These allocations are to be used at the discretion of specific provinces or municipalities to meet their budgetary requirements. At local government level, the equitable share is an unconditional grant that assists municipalities in supplementing their revenue to deliver services to poor households. It is the largest and the most significant national allocation in accordance with Section 214 of the Constitution.

The local government share increased over the next three years by R5,4 billion to R58,3 billion over the 2004 budget baseline of R52,9 billion. National allocations to local government (Table 4.2) grew from a revised allocation of R14,8 billion in 2004/05 to R17,2 billion in 2005/06, R19,7 billion in 2006/07 and R21,5 billion by the end of the MTEF in 2007/08 (National Treasury Budget Review, 2005)

Table 4.1 above indicates that the share of nationally raised revenue for local government rose from 4,6 per cent in 2004/05 to 5,0 per cent in 2007/08. National allocations are an important source of revenue for municipalities, comprising around 14,7 per cent of total local government budgets of over R100 billion in 2004/05, varying between 3 to 6,7 per cent for metros and being as high as 87,3 percent in some districts. Major sources of own revenue for municipalities include property taxes and user charges on electricity, water, refuse removal and other municipal services.

The unconditional equitable share allocation is the largest and most significant national allocation, in accordance with Section 214 of the Constitution, and grew in significance relative to all other grants, rising from 52 per cent in 2004/05 to 56,2 per cent in 2005/06. This amount rises to 61,7 per cent when the water operating grant is included in total national grants. The second-largest allocation to local government is the municipal infrastructure conditional grant (MIG), which was 32 per cent in 2005/06, and the third and smallest category of grants are the capacity and restructuring grants, whose share amounted to 4,4 per cent in 2005/06. The biggest reform to the local government grants system in 2005/06 was the adoption of a new local government equitable share formula, which was phased in over the MTEF. By introducing a revenue-raising component, the new formula addresses concern about the varying fiscal capacities of municipalities (National Treasury Budget Review, 2005).

Government has also announced further supplementary allocations to all three spheres of government but from which many municipalities will benefit, including R1,2 billion for sanitation to eradicate the bucket sanitation system, which is fully incorporated into the MIG, and 3 billion for community infrastructure, which is not allocated, but a significant portion is expected to be allocated to municipalities. Through the MIG; and R3 billion for public transport infrastructure, which is not allocated, but a significant portion will be allocated to those municipalities which have stadiums that will be used for the 2010 World Cup.

All grants to municipalities are published per municipality to enable municipalities to plan fully for their coming 2005/06 budgets and to promote better accountability by ensuring that all national allocations are included in municipal budgets. The allocations are published for both the national and municipal financial years. The municipal financial year commences three months

later than the national and provincial financial year, on 1 July. The allocation in terms of the national financial year serves as the legal appropriation requirement for national and provincial transferring departments. The allocations in terms of the municipal financial year facilitate proper reconciliation for audit purposes. These allocations include the sanitation allocation of R1,2 billion but exclude the R3 billion for community infrastructure and R3 billion for public transport infrastructure to be allocated within six months for publication in a gazette (National Treasury Budget Review, 2005).

4.4.2 Infrastructure transfers to municipalities

Infrastructure transfer is considered an important requirement in expanding the delivery of basic services to poor households. Municipalities are also required to use infrastructure transfers to stimulate job creation and also to ensure skills transfer through labour-based infrastructure funded by a portion of municipal capital budgets.

The MIG complements the equitable share allocations to give effect to government's commitment to access to basic services to all households, including the delivery of free basic services to poor households and other poverty-alleviation objectives. This grant is also aimed at stimulating local economic development and job creation over the medium term. Municipalities are therefore required to dedicate a portion of their capital budgets to labour-based infrastructure methods to meet the objectives of the Expanded Public Works Programme. The total allocation for infrastructure is R5,4 billion, R7,5 billion and R8,3 billion for each of the MTEF years.

The MIG established in 2004 simplifies and rationalises policy and funding mechanisms for municipal infrastructure. The MIG merged the following grants in a phased manner over a three-year period ending by 2005/06:

- Consolidated Municipal Infrastructure Programme, in support of bulk, connector and internal infrastructure and community facilities to poor households.
- Water Service Capital Fund, in support of bulk, connector and internal infrastructure for water services at a basic level.
- Community-based Public Works Programme, in support of the creation of community assets in rural, historically disadvantage communities.

- Local Economic Development Fund, in support of planning and implementation of job creation and poverty alleviation.
- Building for Sport and Recreation Programme, in support of promoting sport and recreation facilities within disadvantaged communities.
- Electrification funding in support of addressing the electrification backlogs of permanently occupied residential dwellings that are situated in historically undersupplied areas (National Treasury Budget Review, 2004).

4.4.3 Capacity building and restructuring

The capacity-building grants were set up to assist municipalities in building management, planning, technical, budgeting and financial management skills. There are two capacity-building grants, the Financial Management Grant and the Municipal Systems Improvement Programme, and a Restructuring Grant. These grants total R749 million each for the 2005 MTEF (see Table 4.2 below). Government intends to phase these grants into the equitable share over the medium term. During the past few years, national and provincial governments have committed significant resources to capacity building. The capacity-building funds have been directed to a number of initiatives. The success of this programme will only be measurable during this MTEF period.

Emphasis has shifted towards building in-house municipal capacity, supporting an internship programme to develop new skills in financial management and improve service delivery and value for money. The primary beneficiaries of these grants are municipalities. The Municipal Systems Improvement Grant (MSIG) under the vote of the Provincial and Local Government Department assists municipalities to build through district and selected local municipal support and focuses on stabilising municipal and governance systems, planning and implementing management support centres (PIMS), reviewing IDPs and implementing the Municipal Systems Act. To date 47 PIMS centres have been established in all districts. Allocations over the 2005 MTEF amount to a further R600 million.

The Financial Management Grant under the National Treasury votes funds for the modernisation of financial management, including building in-house municipal capacity to implement multi-year budgeting, link integrated development plans to budgets and produce quality and timely in-year and annual reports, and generally supports municipalities in the implementation of the

Municipal Finance Management Act (No. 56 of 2003). A portion of the grant is used to leverage international technical assistance support. Over 30 advisors are working in selected municipalities supporting the implementation of the act. Furthermore, to facilitate skills development in financial management, municipalities have utilised the grant to appoint over 250 interns, to qualify in terms of the newly registered Level 6 Financial Management Certification Qualification registered with the South African Qualification Authority (SAQA). This programme funded budget training for over 600 municipal officials from high-, medium- and low-capacity municipalities. Allocations over the 2005 MTEF amount to R596 million.

The Restructuring Grant under the National Treasury vote is a demand-driven grant and is aimed at funding municipal restructuring initiatives of a financial, institutional and developmental nature that are locally designed and supported. Only large municipalities are eligible for this grant. Reviews of implementation plans have been undertaken during 2004 in all the metropolitan municipalities and some other large municipalities. Multi-year contracts will be concluded with several new municipalities, and future efforts will focus on assessing the successful implementation in terms of agreed milestones. The grant has been capped at R350 million from 2006 and will be reviewed thereafter (see Table 4.2).

Table 4.2: National transfers to local government, 2004/05–2007/08

R Million	2004/05	2005/06	2006/07	2007/08
Equitable share and related	8 626	10 578	11 505	12 411
Equitable share				
Water sanitation and operating	76 678	9 643	10 515	11 371
	949	934	991	1 040
Infrastructure	5 363	5 833	7 454	8 301
Water Service Project	217	139	-	-
Community-based Public Works Programme	-	-	-	-
Local Economic Development Fund	-	-	-	-
Sports and recreation facilities	134	-	-	-

Sports and Electrification Programme				
Urban transport fund	251	258	-	-
	-	-	-	-
Municipal Infrastructure Grant	4 481	5 436	7 454	8 301
Disaster relief	280	-	-	-
Current transfers	768	749	749	749
Restructuring Grant	388	350	350	350
Financial Management Grant	198	199	199	199
Municipal systems improvement	182	200	200	200
Total	4 757	17 159	19 708	21 461

Source: National Treasury Budget Review, 2005

4.5 INTERNAL SOURCES OF REVENUE

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

There are forms of taxes available to municipalities: property tax and user charges (surcharges) on local government-run utilities. User charges are raised by municipalities for services rendered predominantly for electricity, water, sanitation and refuse collection. Other income is generated from traffic fines, rental of housing stock, interest on investment and debt recovery. Municipalities may also borrow finances according to guidelines set out in the MFMA.

4.5.1 Taxes

There are 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 by the Local Municipality Property

Rates Act, which was passed by Parliament. Property tax is used to fund the operating costs of general service and governance such as municipal administration planning and development, health, community and social service, public safety, sport and recreation, and environmental protection. Mainly metropolitan and local municipalities use revenue collection in the form of property tax.

- **User charges on local government-run utilities:** Municipalities raise user charges for services rendered predominantly for electricity, water, sanitation and refuse allocation. The Municipal Systems Act 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 the policies. Most importantly, the regulatory framework requires that basic services utilised by the poor be subsidised. User charges are also regulated by sector-specific legislation and policy, for example the Water Service Act of 1997 and its accompanying regulations of 2001.

4.5.2 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 bridging 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) is able to guarantee the debt, as neither its province nor the national government can guarantee the debt of the municipality.

4.6 THE BUDGETING PROCESS AND PUBLIC PARTICIPATION

With the promulgation of the MFMA of 2003, budgeting and financial management at the local level are undergoing a radical transformation. At the time of writing the implementation process

had just begun and is to 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 of 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 process for preparing the budget and for reviewing the municipality's IDP- and budget-related policies. This is to ensure that the tabled budget and any revisions are mutually consistent and credible.

At least 10 months before the start of the budget year, that is September, the mayor must table in Council a time schedule outlining key deadlines for the following:

- The preparation, tabling and approval of the annual budget.
- The annual review of the IDP- and budget-related policies.
- The tabling and adoption of any amendments to the IDP- and budget-related policies.
- Any consultative processes forming part of the process mentioned above.

The mayor of the municipality must then table the annual budget at a municipal council meeting at least 90 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 to 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 council then gives the mayor an opportunity to respond to the submissions and, if necessary, revise the budget and table amendments for consideration by the council. The 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 the following:

- Imposing any municipal tax for the budget year.
- Setting any municipal tariffs for the budget year.
- Approving measurable performance objectives for each vote in the budget.
- Approving any changes to the municipality's IDP.

- Approving any changes to the municipality's budget.

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

- Realistically anticipated revenue from each revenue source.
- Appropriate expenditure by vote.
- Indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year.
- 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.

4.7 CONCLUSION

In conclusion, finance is usually considered to be the overriding factor in local government. Without sound financial management systems, local authorities will be forced to discontinue their operations. All municipal stakeholders and role players should therefore have a sound knowledge of local financial management. Local government finance may be regarded as the sound planning and application of all the financial resources of a local authority with a view to ensuring that all possible income is collected and all expenditure is aimed at securing value-for-money benefits.

While considerable progress has been made with the budgeting process, municipalities are still facing some challenges, particularly with regard to quality and timely in-year reporting information, ability to collect revenue that was billed to consumers for services rendered and their inability to spend capital budgets. This has impacted on service delivery.

Municipalities also need to strengthen their performance management systems by linking the performance of senior managers with revenue collection and spending and monitoring this continuously to improve service delivery.

The MFMA promotes sound financial systems that promote accountability and transparency, with regular reporting, where the roles and responsibilities of mayors and officials are clarified and co-operation between different spheres in realising local governmental objectives is enhanced

through information sharing, communication and co-ordination of activities. The MFMA also promotes synergies with relevant local government legislation through enhanced consultative processes, linking IDPs with budgets and aligning financial management with service delivery. The National Treasury together with the SALGA has undertaken to develop uniform standards and provide information workshops to municipalities.

5 A CASE STUDY OF THE CITY OF CAPE TOWN

5.1 INTRODUCTION

Effective financial management can help municipalities to transform their local areas into a better place to live and work. Most councillors and members of the community know what municipal services they would like to have in their area. This dream of the ideal community is known as a vision for the municipality. One of a councillor's greatest responsibilities is approving and regularly monitoring a municipality's budget, which provides money to implement the vision. This work should be done in consultation and co-operation with the ward committee. The community should be involved as much as possible in deciding what should be the spending priorities for the area they live in. Ward councillors and ward committees should report to ward meetings about the broad budget plans and consult the residents about programmes and projects that will affect them.

Without funds to implement the policies, councillors will not be able to 'make a difference' or serve their communities well. Effective financial management ensures that there are funds available to implement council policies. This is a great responsibility as municipalities are responsible for managing large amounts of money and delivering services that affect people's lives every day. Councillors, committee members and officials all have a duty to ensure that these monies are managed carefully, transparently and honestly. Good financial management is the key to local delivery – local activists and ward committee members should understand municipal finance and budgets so that they can engage councillors on the bigger debates about spending and development priorities. This chapter deals with public participation in the budget process of the City of Cape Town from 2004–2006.

5.2 BACKGROUND OF THE CITY OF CAPE TOWN

The year 2000 brought about new categories and types of municipality. The number of municipalities was reduced from 843 to 284. As a consequence of this transformation process, the City of Cape Town emerged as a new municipality with the amalgamation of six metropolitan local councils namely the City of Cape Town, Helderberg Municipality, South Peninsula Municipality, Blaauwburg Municipality, the City of Tygerberg and the Cape Metropolitan Council.

The City of Cape Town was under the control of the Democratic Alliance (DA) during the 2000 elections. Subsequent to this, the City of Cape Town experienced numerous problems, which led to the demise of the alliance between the Democratic Party and the New National Party.

The introduction of floor-crossing legislation facilitated a regime change in the City of Cape Town. In November 2002, the governing of the City of Cape Town landed firmly in the hands of a coalition, an alliance between the African National Congress and the New National Party. Under this dispensation, the City of Cape Town underwent major changes including the appointment of the executive mayor, Ms Nomaindia Mfeketho, and in addition, the city made strategic appointments to its key structure.

5.3 THE CITY COUNCIL OF THE CITY OF CAPE TOWN

Table 5.1: The Composition of the City Council as of January 2003–30 February 2006

The 200-member council is made up as follows:

Party	No of seats
African National Congress	80
Democratic Alliance	71
New National Party	32
African Christian Democratic Party	8
United Democratic Front	3
AMP	2
Pan African Congress of Azania	1
Universal Party	1
Middle	1
Independent	1

Source: Fair Share, 2003

5.4 VISION AND MISSION STATEMENT

5.4.1 Introductory vision and mission

The city adopted its first IDP in 2001 under the leadership of the Democratic Alliance. Its **vision** statement reads as follows:

The city government of Cape Town will build a partnership with all its people to make Cape Town a world-class city in which the quality of every citizen's life steadily improves. Mindful of that which gives our city its unique character, we commit ourselves to nurturing Cape Town's spectacular natural beauty, to preserving its rich heritage and enriching its existing mix of dynamic cultures.

In partnership with all our people we commit ourselves to fight crime, combat HIV/AIDS, alleviate poverty and facilitate housing with special focus on tourism and provide every citizen with free basic services.

The **mission** of the City of Cape Town is to establish a safe city that is clean, attractive to investors, welcoming to visitors and underpinned by a vibrant, growing economy. The City of Cape Town envisages a well-run, democratic city that is accountable to the people of Cape Town, corruption-free, transparent in all its activities and prudent in the management of its finances. A city in which no one is left behind, where everyone has access to opportunity and everyone is guaranteed basic lifeline service – an open, tolerant city in which every resident feels at home. A smart city populated by informed people, connected to the world and each other by the technology of the information age. A city filled with concerned citizens, in which every person takes responsibility for the good order, high standards and upkeep of the city and its environment (Integrated Development Plan: City of Cape Town, 2001).

It is our mission to focus on the citizen as a customer, to be responsive to the needs of the people and to efficiently deliver affordable services to all in order to make our city the best place to live, to work, to invest and to visit in all of Africa (Republic of South Africa, National Treasury, Intergovernmental Fiscal Review, 2002).

5.4.2 Reviewed vision

The above vision statement was subsequently revised when the ANC/NP coalition took over leadership of the City of Cape Town. The **vision** statement and the values, as reflected in the reviewed IDP 2003/2004, state the following: “Taking into account the current reality of deepening negative indicators in areas such as HIV/AIDS, TB, infant mortality, crime, homelessness, unemployment and education levels whilst recognising the overwhelming positive attributes of our City”.

The vision of the City of Cape Town is to establish Cape Town as a sustainable city – a city that offers a future to our children and their children; a dignified city – a tolerant, non-racist, non-sexist city; an accessible city – a city that extends the benefits of urban society to all and builds the capacity of its people; a credible city – a well-governed city trusted by its people; a competent city – a city with skills, capacity and a competitive edge; a safe and caring city; a prosperous city committed to the challenges facing South Africa, the Southern African Development Region and the African Continent (City of Cape Town: Integrated Development Plan ,2003/2004).

5.4.3 Values

The City of Cape Town and its administration will be driven by a clear sense of direction and purpose; partnerships at all levels of the city life; openness, accountability and transparency; a belief that city government needs to be close to the people; decisions and actions that will take the needs and abilities of future generations into account; efficiency, effectiveness and responsiveness; and the promotion of multilingualism and cultural diversity.

This shift in political leadership in the City of Cape Town reflects a shift in the vision and mission of the city. This is obviously influenced by the political ideology of the largest party, the ANC, in the new coalition.

5.5 THE CITY OF CAPE TOWN'S BUDGET

There are two types of budget: operating budget and capital budget. Capital budget deals with big costs that one pays once for developments and how one will pay for this, for example laying water pipes for a new township. Operating budget deals with the day-to-day costs and income to

deliver municipal services, for example the meter readers' wages and maintenance work to keep the water flowing.

5.5.1 Budget income and expenditure

Table 5.2: Capital budget

	2004/05	2005/06	2005/07	2005/08
Funding sources	R m	R m	R m	R m
External Financing Fund (EFF)	685	977	900	834
Asset Financing Fund (AFF)	258	629	476	403
Capital grants and donations (CGD)	582	2 473	756	907
Revenue	2	0	0	0
Revenue insurance	7	8	8	8
Total	1 534	4 087	2 140	2 152

Source: City of Cape Town Budget, 2005/6 -2007/8

The outcome of the above scenario indicates that the city can realistically afford and sustain a capital spending in excess of R977 m (2005/06), R900 m (2006/07) and R835 m (2007/08) for EFF-funded projects. This represents a substantial increase from the 2003/04 financial year with a total spending in excess of R8 billion over the three-year period and can be attributed to the prudent financial strategies adopted by the city during 2003/04 (City of Cape Town Budget 2005/6 – 2007/8)

Table 5.3: Operating budget revenue

	2004/05	2005/06	2006/07	2007/08
Revenue sources	R m	R m	R m	R m
Rates	2 299	2 390	2 509	2 635
User charges	4 374	4 798	5 037	5 288
RSC levies	864	928	974	1023

Rent	193	221	232	244
Interest earned	333	300	315	331
Fines	103	112	117	123
Other income	161	131	137	144
Grants and subsidies	1 146	3 154	1 563	1 641
Internal billing	1 793	2 006	2 107	2 212
Total	11 266	14 038	12 991	13 641

Source: City of Cape Town Budget, 2005/6 -2007/8

From an operating budget perspective, the city's operating budget has grown by approximately 5%, which is still below the indicative National Treasury guideline of 5,5%. This increase also ensures that the rates and tariff charges for the basket of services offered by the city remain affordable, depending on the individual consumption patterns.

Table 5.4: Operating budget expenditure

	2004/05	2005/06	2006/07	2007/08
Expenditure category	R m	R m	R m	R m
Salaries, wages and allowances	3 015	3 055	3 207	3 367
General expenses	2 482	2 752	2 890	3 034
Indigent relief	186	214	225	236
Bulk purchases	1 722	1 884	1 978	2 077
Financing costs	1 034	1 118	1 174	1 233
Insurance claims	71	74	77	81
Repairs and maintenance	466	521	547	575
Appropriations	528	2 444	818	859
Activity-based costs and internal billings	1 762	1 976	2 074	2 178
Total	11 266	14 038	12 991	13 640

Source: City of Cape Town Budget, 2005/6-2007/8

Based on realisable income, as set out in the table above, the city envisages the following expenditure management: funds will be distributed and managed at directorate or business plan level to ensure that IDP outcomes are achieved. These outcomes will be captured and measured in the detailed service delivery and budget implementation plan level of the various directorates (City of Cape Town Budget 2005/06–2007/08).

5.5.2 Public participation in the budget process of the City of Cape Town

The IDP 2003/2004 identifies six goals in relation to public participation including the following:

- The development and implementation of a policy on public participation that is developed with key stakeholders.
- Further rolling out of the Mayoral Listening Campaign (MLC).
- A civic education and empowerment programme.
- Implementing programmes to empower and incorporate marginalised sectors of the community.
- Assisting civil society to establish structure to deepen democracy.
- Co-ordination of public participation activities to ensure equitable engagement in structure and professional manner.

The City of Cape Town states: “We intend to be local and accessible. The City has established a network of community based consultative forums to ensure high levels of participation and involvement” (Public Participation Document, City of Cape Town). The Western Cape did not previously have a ward committee system before 2004 like the rest of the country . In contrast, the city set up metro participation forums that were called subcouncils. To date 16 subcouncils with an area co-ordination has been set up. It is stated that the municipality will continue with a subcouncil structure and set up ward committees. It is unclear at this stage as to how the two will relate to each other.

Examination reveals that the focus of public participation in the city has been the MLC, which was embarked upon in 2003. The key focus of this campaign was to invite comments from residents and other stakeholders on issues facing the city. Comments were received by fax, e-mail, workshops and telephone (City of Cape Town: Public Participation Document, 2003/2004).

Workshops were held in poor communities where people did not have access to fax, e-mail and telephone. The minutes of these workshops reflect that several issues were addressed in a relatively short period of time. On average, the workshops/meetings lasted for two and a half hours. In this short period of time, a presentation was made on the budget, the IDP and the indigent policy.

The form was that of a presentation, after which people were encouraged to ask questions. In most cases, the questions raised by people were not relevant to the presentation. It appeared that in general, people from communities were looking for an avenue to vent their frustration regarding the problems facing their communities. This points to the need for an ongoing process of dialogue between the community and the city, as opposed to once-off, big-bask events that took place in the MLC.

5.5.3 The budget process

Section 152 of the Constitution allows and encourages the involvement of communities and community-based organisations (CBOs) in matters of local government. It is the only sphere of government where legislation allows for direct participation in the budget process of municipalities.

In particular, the enacted legislation on municipal finance prescribes the level of participation from communities. The official responsible for the budget should immediately make a copy of the draft budget available to communities and CBOs for comment and scrutiny.

However, the budget process limits public participation in the actual drafting and final approval phase. On the other hand, the participation of CBOs and the public in the budget process will require a general level of skills and knowledge of budgeting. Without municipalities enhancing their capacity to participate in the process, the provisions in the legislation on community participation becomes futile. It should be noted that to a large extent councillors who actually approved the budget do not really understand either the process or what is incorporated in the budget. Active encouragement, capacity building and transparency are critical requirements in the budget process.

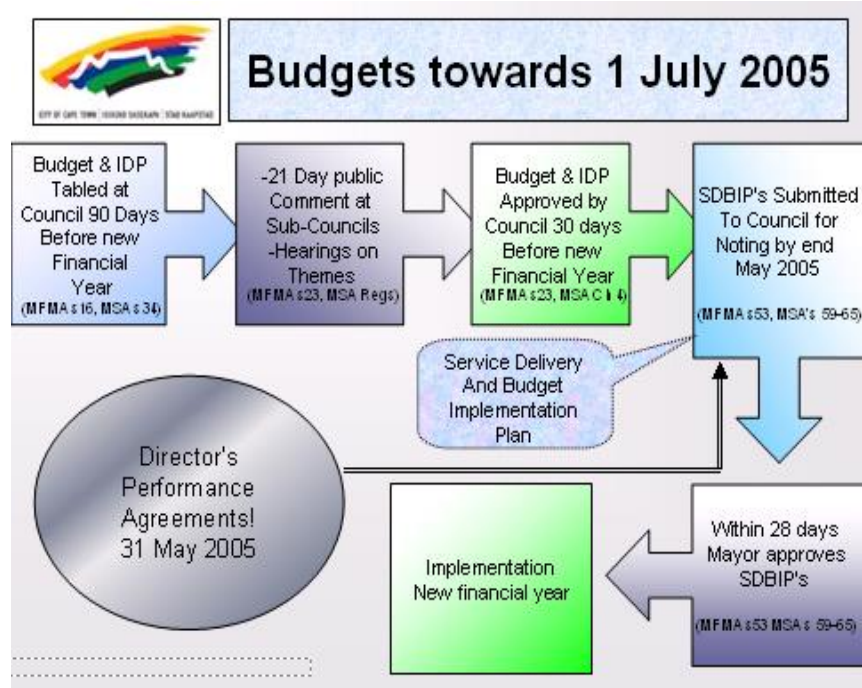


Figure 5.1: The budget process cycle towards 1 July 2005

Source: IDP and Business Planning, 2005

5.6 MECHANISMS FOR PARTICIPATION

The legislation outline in the previous section defines the framework for community participation in the decision-making process of municipalities. Within this framework there are a number of mechanisms in the City of Cape Town available to the public to allow for their involvement.

- **Ward committee system**

The Municipal Structures Act (MSTA) sets out the basic guidelines for the establishment of ward committees (Section 72–78). These are, however, only broad parameters and it is up to each municipality to formalise the powers and functions of these committees by means of passing either a resolution or a bylaw. The aim of the ward committee is to establish a forum that will allow communities to have a voice and participate in the functioning of the municipality as well as a forum for the council to disseminate information to the community. Ward committees, however, remain for the most part advisory committees that make recommendations on any matter affecting their ward. The recommendation can be made directly to the ward councillor

who is directly elected and a 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 following:

- Only certain types of metropolitan and local municipality that include the term *ward participatory system* may have ward committees.
- The council has discretion in deciding whether or not it will establish ward committees.
- Ward committees are comprised of the ward councillor who acts as chairperson and 10 other members.
- Participation is voluntary with no remuneration.
- Before the ward committee is set up, the council must rule on the method of nomination, elections, frequency of meetings and circumstances under which members must vacate office.
- The ward committee may assume duties and functions delegated by the council in terms of Section 74(b) of the MSTA.
- The council may provide administrative support.
- The 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 interests. However, how these elections are organised and who may vote are left up to the discretion of each local authority. The Department of Provincial and Local Government (DPLG) and the SALGA have identified two options for the election of members.

The City of Cape Town established its ward committees in December 2000. The main aim of the ward committee is to establish a forum that will allow communities to have a voice and participate in the functioning of the municipality as well as a forum for the council to disseminate information to the community. Ward committees, however, remain for the most part advisory committees that make recommendations on any matter affecting their ward. Ward committees are mostly deemed to be a communication channel between the community and the municipality whereby the community provides inputs into the planning process of the council and report back on services. It furthermore seems that municipalities regard ward committees as an important tool in ensuring the participation of the community in the affairs of the municipality and in submitting inputs into important community development projects.

The City of Cape Town also uses a subcouncil participatory system: Subcouncil participatory systems are set up by passing a bylaw and are the mechanism through which the council may consult the public on their needs and to inform them of developments. The primary aim of the subcouncil participatory system is to decentralise decision making so that communities in a large metropolitan area can participate in decision making. The subcouncil consists of the 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 subcouncil area.

Other participatory mechanisms available for the City of Cape Town include public meetings, public hearings, consultative sessions, report-back meetings, advisory committees, focus groups, formal advertising in the press, market research and opinion polls, e-government, community radio and community press. Members of the community may also raise issues with the council through petitions or questions to the council.

5.7 THE MAYORAL LISTENING CAMPAIGN

The city has a legal responsibility to have an IDP. As part of the IDP management process the city has implemented a strategic communication and public participation process around the budget. This has allowed the public the opportunity to be part of decision making on the budget. The process was designed to include the following elements:

- Written communication in three languages.
- Printed and radio advertisements.
- Face-to-face communication.
- A public submission process via telephone, letters, fax and e-mails.

The process kicked off with the distribution of a Special Bulletin called “A Road Map to the City of Cape Town Year Delivery”. Bulletins were distributed to every household in the city and the publication was made available in Afrikaans, English and isiXhosa. This accessible publication is a key mechanism for the city to interact with communities, enabling them to comment on their perception of the delivery programme including service delivery achievements and deliverables for the next period of months leading to the Unicity.

A key aspect of the budget participation process has been to afford people maximum opportunities to respond. Besides the distribution of the Special Bulletin, a number of mechanisms were used to encourage people to attend a series of public hearings as well as to comment on the strategic programme in the Special Bulletin. These mechanisms include sponsored radio slots on local and community radio stations, formal printed adverts and face-to-face interaction with communities and their organisations.

5.7.1 The role players in the MLC

A team was established to plan the meetings to ensure that people were mobilised to attend the meetings. The team comprised the executive mayor, her deputy and the directorates of transformation, social development, IDP, finance and communications. The MLC was driven and championed by the executive mayor. The intention was to expose the new top management team to the public and to demonstrate that the mayor is committed to ensuring that the public air their views and also to ensure that the public participation process is credible.

5.7.2 Objectives of the MLC

The primary objectives of the MLC were the following:

- Introduce the city leadership to the public.
- Establish the key needs and priorities of local communities.
- Affirm the city's commitment to service delivery and measure and monitor its performance.
- Educating the community with regard to services offered by the city.
- Establish partnerships with the community and clarify the budget (City of Cape Town, 2003:6).

5.7.3 Successes and failures of the MLC

The MLC was based on a three-year cycle, which was reviewed annually. The first year was intended to concentrate on identification and revaluation of the public needs. The implication was that the MLC was based on the notion that the budget has to be linked to a three-year plan. The MLC therefore fed into the IDP, thus recognising the legislative mandates as provided in the

Municipal Systems Act (2000). This means that the MLC must observe this three-year cycle because the budget is formed by this planning cycle.

The political leadership through the first phase of the MLC ensured that the concerns raised in this phase were incorporated into the budget. The most positive aspect of the phase approach was that it allowed the city to show that the issues that were raised by the public in the MLC were prioritised and given content in the city's IDP. The budget, which was aligned to the IDP, outlined how these issues were raised in the subcouncil and specific areas where the meetings were held.

The Communication Department of the city was tasked to convey relevant information to the public. It adopted a strategy that was intended to publicise and market the MLC to the public. This strategy included relaying information on public meetings through print and electronic media (especially community radio and local newspapers that made information available in languages people could read and understand).

The communication strategy had failures in marketing the public meetings. The poor attendance at some of the meetings suggests that the information may not have reached the intended target audiences. The city therefore needs to reflect on its communication strategy and consider using existing structures in the community. Central to this is the realisation that not all sectors of the public have access to information and communication technology, for example e-mail and facsimile facilities. This has the potential, as it did in the MLC, to exclude citizens from participation in the decision-making process. Involving the youth was critical in the campaign because it allowed the youth to develop and enhance a sense of civil responsibility and pride through community.

5.8 CONCLUSION

In many municipalities there is no clearly regulated mechanism to involve communities in the budget process. In some instances, the budget is merely presented to the public, usually just before it is to be adopted by council. The People's Budget Campaign should have a national campaign to ensure that municipalities develop mechanisms, procedures and systems to effectively facilitate public participation in the budget process.

The Municipal Systems Act (2000) requires that municipalities draw up an IDP, a strategic plan that all development in a municipal area is based upon. The IDP is the principal planning instrument that guides and informs the municipal budget. It is a plan that not only concentrates on the provision of municipal services but also seeks to alleviate poverty, boost local economic development, eradicate unemployment and promote the process of reconstruction and development. The IDP of the City of Cape Town contains the strategy of the City of Cape Town and gives direction to the myriad needs addressed by the City of Cape Town in a financial year. These in turn influence budget allocation and council expenditure. In compliance with the Municipal Finance Management Act, this requires that the City of Cape Town co-ordinates the processes for preparation of the annual budget and the review of the IDP. This ensures that the IDP and budget are mutually consistent.

6 RESEARCH FINDINGS AND RECOMMENDATIONS

6.1 INTRODUCTION

The participatory approach to budgeting is still new in all municipalities. This chapter outlines the findings and recommendations of the research. It will outline the results based on the individual interviews, the literature review and the personal experience of the researcher. The following questions were asked during the interviewing process with two senior City of Cape Town officials, Mr Thembanani Gutas and Mr Lindelani Mtshilita:

- What opportunities exist for citizen participation in the budget process of the City of Cape Town?
- Has citizen participation had a meaningful impact on budget allocation?
- Are there any gaps in terms of citizen participation in the budget process?
- What steps can the municipality take to encourage and mobilise citizen participation?
- Which municipal area or department is responsible for the process?

6.2 DISCUSSION OF FINDINGS

The main challenge in the City of Cape Town is that of capacity building. Although there has been training for ward committee members there is still a need for further capacity building among communities, especially those that were previously disadvantaged in terms of education and experience. People often get confused with the detail of the budget so they ask questions relating to service delivery issues, such as whether potholes are filled, rather than looking at the bigger picture. Issues such as the difference between a capital and operating budget, the medium-term expenditure framework, the link between a capital and operating budget, the link between the IDP and the budget, the need for prioritisation and the sequencing of the development projects should be explained in the context of the complexity of running a local authority.

A common complaint raised was that the participation process did not start early enough and there was not enough time for people to understand the budget and participate in a meaningful way. The community did not have enough time to make comments and felt under too much

pressure to carry out the process properly. The officials in the finance department recognised that the process needs to begin earlier and intend to do so for the coming budget cycle.

Mr Gutas, who is a manager in the Department of Public Participation, says that the City of Cape Town formally adopted the King II Report on Corporate Governance. Following from that the process of participatory budgeting improves the transparency of public administration and efficiency in public expenditure and encourages citizen participation in decision making and in the allocation and oversight of the use of public funds. It demands an increase in accountability of public leaders and managers and generates an increased trust between the government and the population.

Mr Mtshilita, who is a service coordinator, says that the opportunities for citizen participation are too slim; the process of consultation is not well advertised enough to reach the poor residents in formerly disadvantaged communities.

Mr Gutas says that citizen participation has a meaningful impact on budget allocation. He says it has an important impact of deepening democracy. Citizen participation makes the state accountable to citizens and contributes to the modernisation of public management. By participating actively in the budget process, citizens define their priorities and in doing so have the chance to significantly improve their quality of life in a relatively short time frame. In addition, they have the opportunity to control and monitor the execution of the budget.

According to Mr Mtshilita, citizen participation has no meaningful impact because at this stage citizen participation is a new concept and communities still need to be educated on this.

To encourage the involvement of citizen participation, Mr Gutas says, the City of Cape Town has to provide strategic leadership and vision within the local community. Working together with its diverse community, the City of Cape Town will have to plan, develop and implement strategies for community participation. It requires a systematic ongoing management process of citizen participation in the following:

- Setting development goals and aims.
- Choosing development priorities in conditions of scarce resources.
- Developing programmes and projects to address these priorities.

- Monitoring and evaluating the implementation of these programmes and projects.

He also says that there are gaps in terms of citizen participation in the budget process. He says societies are not homogenous. All individuals and groups do not share the same background socially, economically and ideologically. He says that this is true in a society such as the South African, which has been severely divided along class, gender and race lines and where there are such huge disparities between wealth and poverty. Forces and groups in society compete for power and resources. He says that the City of Cape Town will need to pay attention to two areas in particular:

- Building the capacity of the poor to participate fully in decision making and planning and to make sure that those with the greatest needs have the strongest voice.
- Promoting a shared vision through which the competing interest in the community can work together to achieve developmental goals.

Both Mr Gutas and Mr Mtshilita say that the departments responsible for the budget process are the Finance Department and other departments through the Service Delivery Budget Implementation Plans (SDBIP).

6.3 RECOMMENDATIONS

To this end, that participatory budgeting should occur within the municipal budget, the researcher explores a formal model inspired by the experience of the Brazilian city of Porto Alegre, the most successful example of participatory budgeting. Porto Alegre has been successful because the municipality has been able to involve thousands of ordinary people in decision making on the allocation of resources.

From the analysis of research findings, the researcher will make recommendations on how to improve public participation in the budget process of the City of Cape Town

6.3.1 Inadequacy of capacity building

There is still a need for further capacity building for councillors, ward committee members and the community, particularly regarding the municipal budget process, the relationship between the capital and operating budget, how income is generated and how to influence resource-allocation

decisions and taxation policies. Training should be practical, focusing on these issues. Participation requires that people have the capacity to participate effectively.

The City of Cape Town is legally obligated to contribute to building the capacity of local communities to participate in municipal affairs and councillors and officials to foster public participation. The local communities are to engage with local government around issues that affect their livelihoods, to engage in civic education in order to understand their rights, responsibilities and the way local government works. The municipal officials and councillors will put structures and systems in place that will help them to promote authentic public participation, to understand their mandate duties, to learn how to work in partnership with local communities and to manage human, social and financial capital.

Thus a number of South African NGOs that are focused on promoting good governance practices at the local level have assumed a linking-pin function between local communities and local government processes aimed at deepening democracy and boosting poverty alleviation. On the one hand, these NGOs educate citizens about their roles in local governance in general and participation in local government processes in particular. On the other hand, together with local communities, they perform an advocacy function (Davids, 2005:26).

6.3.1 Development and resourcing of ward committees

Some ward committees are under-resourced in terms of both human and physical resources, which impedes their ability to communicate issues and organise meetings within their community. It is therefore important to ensure that ward committees receive adequate support and are elected for a time period that relates to the election cycle.

Ward committees also need clarification on their role and other government policies in general. Further needs are as follows:

- Workshops/training on legislation and the IDP process and budgeting.
- Training on municipal credit control policies.
- Training in environmental management and disaster management.
- Training on matters such as administrative skills, filling in of forms, presentation skills and minute taking.

- Conflict resolution.
- Basic literacy for some members.
- It is believed that in building the capacity of ward committees the biggest challenges need to be addressed. Ward committees need to be workshopped at all times as matters change all the time.

6.3.2 Diversity of the community

The City of Cape Town is made up of people coming from very diverse backgrounds and cultures. 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 common language spoken on issues, ensuring that everyone understands what is being discussed. In other areas access to meetings is difficult as transport is not always readily available. Safety is also an issue in certain communities especially since meetings are held at night. In order to accommodate this diversity it is necessary to adopt different strategies for the various groupings, thus providing for all eventualities.

6.3.3 Communication

Communication is a crucial component in any participatory system. Improved communication between councillors, ward committee members and the community would enhance the participation process. In general, members of the community felt they did not receive feedback from their representatives. It is important to include the development of a communication strategy in any capacity-building programme.

According to the Municipal Systems Act, 2000 a municipality must communicate to its community information concerning the following:

- The availability mechanisms, processes and procedures to encourage and facilitate community participation.
- The matters with regard to which community participation is encouraged.
- The rights and duties of members of the local community.
- Municipal governance, management and development.

When communicating the information mentioned, municipalities must take into account the language preference and usage in the municipality and the special needs of people who cannot read or write.

Different strategies already mentioned in this document can be used to ensure that the right to public participation is upheld. These strategies should not be seen as blueprints. Each situation calling for public participation will require a context-specific strategy or a combination of strategies to be used. Participatory strategies can range from informing to consulting and finally to empowering.

6.3.4 Monitoring and evaluation

In order for the public to make an informed and educated contribution to policy decisions and budgetary allocations it should be based on information gathered from a monitoring and evaluation processes. Currently, monitoring and evaluation systems have not yet been thoroughly implemented and there is a lack of information on which to base decisions that impact on communities. Both financial and non-financial (service delivery) performance information must be made available to communities well in advance so they have the necessary information to make an informed and meaningful contribution.

In order to build an active constituency for budget monitoring, civil society organisations need to foster a vigorous public debate on community problems and create empowering opportunities for ordinary people to act together with others in order to bring about change in municipalities. Participatory methods and techniques should be used to increase involvement of communities in monitoring revenue, expenditure and service delivery.

6.4 CONCLUSION

The establishment of new South African municipalities since 2000 creates an enhanced opportunity to bring the general public into the process of governance. Authentic public participation is a practice that gives the public a voice and a choice in development and governance. As such, it should not be confused with consultation or involvement practices. It should be understood in the sense of participating in decision making, implementation,

monitoring and evaluation as well as sharing in the benefits of governance and development outputs and outcomes.

Therefore the City of Cape Town need to be more innovative in encouraging participation of people who cannot read and write, people with disabilities and women and, more importantly, incorporating their voices into policies and implementation.

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