

On 26 July 2000, Minister Mufamadi established a Special Task Team for the Establishment of Municipalities (STT) to assist provinces in dealing with problem areas pertaining to the establishment process. The STT consists of Johann Mettler (co-ordinator), Fanie Louw (DPLG), Jan Conradie (Auditor-General), Judy Sibisi (City of Cape Town), Johan Leibbrandt and Ben Dorfling (Kempton Park/Tembisa TLC), and Derrick Mnisi (SALGA).

This document sets out the activities of the SST and the envisaged process of transition.

Problem areas

The following problem areas were identified:

Currently various deficiencies exist and there is no standardisation with regard to notices in terms of section 12 of the Structures Act, 1998 in the different provinces.

Planning processes are not well directed and a lack of vision and co-ordination with regard to the different phases of the transformation process is evident.

Uncertainty exists with regard to the managing and delivery of services in the various municipalities during the period directly after the elections at least up to the end of June 2001 (end of the financial year). The potential for chaos during this period cannot be excluded.

Service delivery is currently not a first priority due to the fact that existing municipalities are not focusing on pre-election issues but are rather dealing with issues that are supposed to be finalised by the newly elected councillors / councils after the elections.

The guidelines and direction provided by the different provincial departments differ to a large extent and no or very little standardisation and co-ordination exists.

During the election process new political office bearers will be elected, existing local authorities will be disestablished, and new municipalities will be established.

December up to mid January is

normally a recess period for municipalities and the majority of councillors, officials, consultants, companies, etc are on annual leave. If the transformation process - immediately after the announcement of election results (effective date) up to 30 June 2000 is not well-managed, co-ordinated and planned for service delivery, credit control, ownership, leadership, accountability regarding service delivery / the 2000 / 2001 budgets, discipline, etc it may fail. A vacuum with regard to powers and functions may develop.

Chaos may erupt if existing functional structures are summarily eradicated and not phased out in an efficient and effective manner and replaced by the new structure.

Uncertainty also exists with regard to

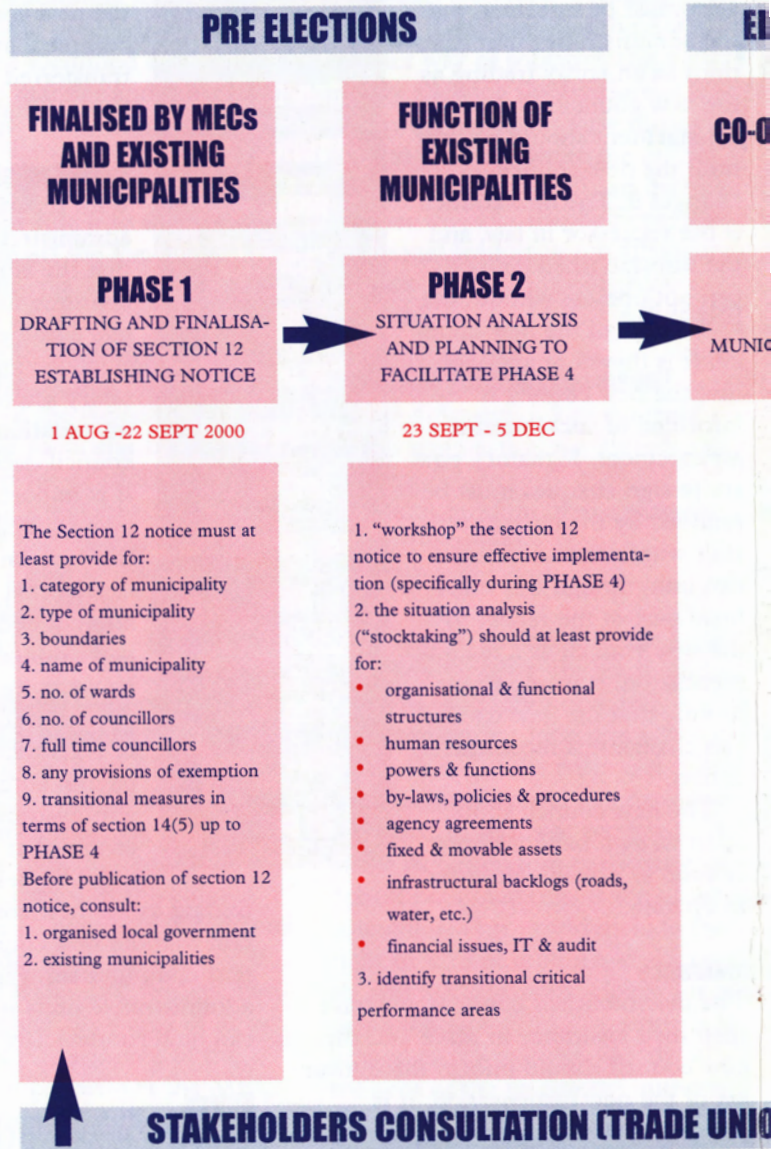
- tariffs and budgets approved for existing municipalities;
- decision-making processes;
- area of jurisdiction due to the demarcation process; and
- intergovernmental management and interrelationships.

Inadequate consultation or communi-

cation with the different internal and external stakeholders such as unions, officials, staff, residents and the business community exist.

Potential VAT liability will arise when municipalities are disestablished. This will happen for the following reasons:

PROPOSED LOCAL GOVERNMENT



- output tax is payable on the market value of assets on hand when a municipality is de-registered or disestablished;
- the previous registered entity will be canceled and a new VAT vendor will be established;
- the newly established municipality

will have to pay VAT on assets acquired through transfers;

- if administrative entities continue to operate, different VAT applications will exist in respect of the newly established municipality (legal entity).

measures are adequately covered.

A phased transformation model was introduced to give clear direction and to provide for strategic planning guidelines (see model).

Each province / municipality must provide for an effective consultation and communication plan with all

external and internal stakeholders.

Section 12 notices were scrutinised by the STT and the Municipal Demarcation Board for legality, consistency and feasibility.

The STT recommended amendments, where necessary, in respect of the draft section 12 notices of the provinces.

Guideline documents and actions must be drafted by the STT for provinces with regard to phases 2, 4 and 5, (see model) and specifically with regard to-

- strategic planning and IDPs;
- financial matters

- stakeholders participation / consultation (employees, business, residents, etc).

It was proposed that the creation of administrative units (transitional measures - phase 4, see model) also be addressed in the amended Structures Act and in the section 12 notices. This will facilitate the operation of the current budgets of disestablished municipalities, clarify decision-making processes in the new municipality, create certainty in respect of the area of jurisdiction of the new municipalities, and facilitate the operation of existing and new agency agreements.

The Commissioner of Inland Revenue must be requested to promulgate the following concession with regard to value added tax:

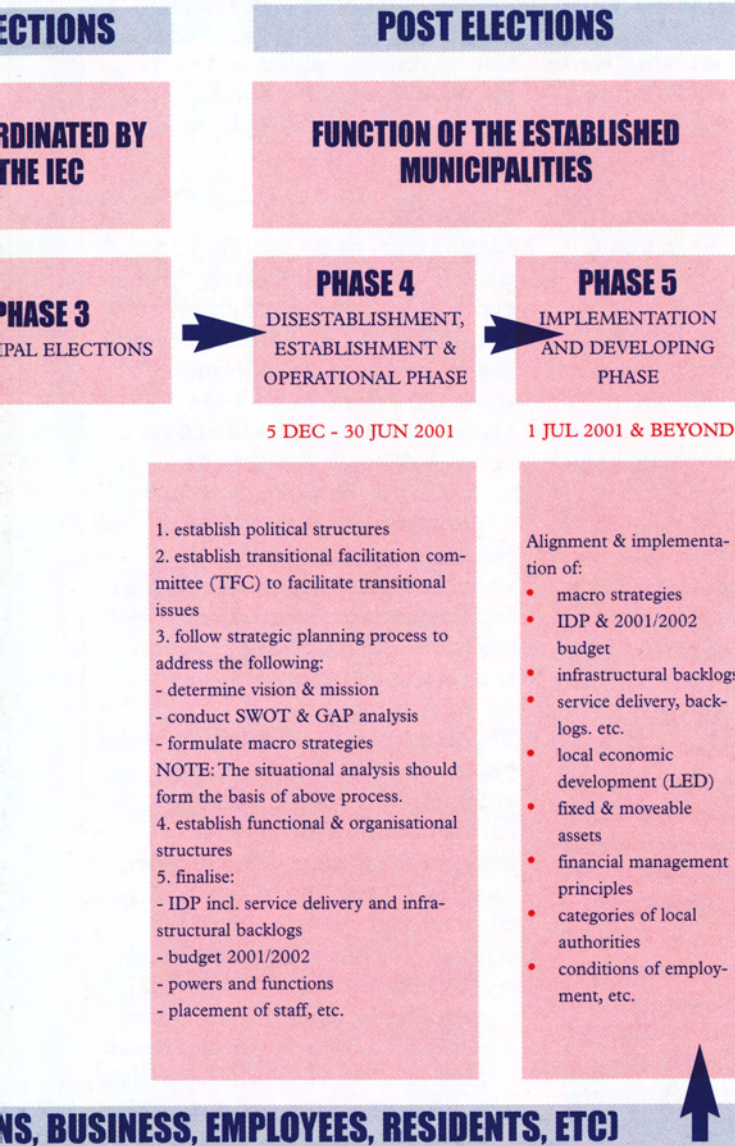
- that the transfer of assets by municipalities be exempted from VAT; and
- that administrative units be allowed to operate until 30 June 2001 under their current VAT registration.

The transformation of local government will not take place overnight and care must be taken to remain focused on the job at hand. Everyone concerned, especially existing municipalities, must resist the temptation to want to rule from the grave. At the end of the day, the test for a successful transformation will lie in continued and sustainable service delivery to all areas of South Africa.

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Note: The guideline documents are available at www.sn.apc.org/users/clc/localgovt

TRANSFORMATION PROCESS



Solutions

The following solutions have been suggested:

A draft notice contemplated in section 12 of the Structures Act was provided to the various provinces by the Municipal Demarcation Board and DPLG to ensure that all transitional

(see p 11-13 of this edition);

- human resource matters;
- legal matters, cross boundary issues, powers and functions, etc;
- transformation and organisation development;
- operational matters; and