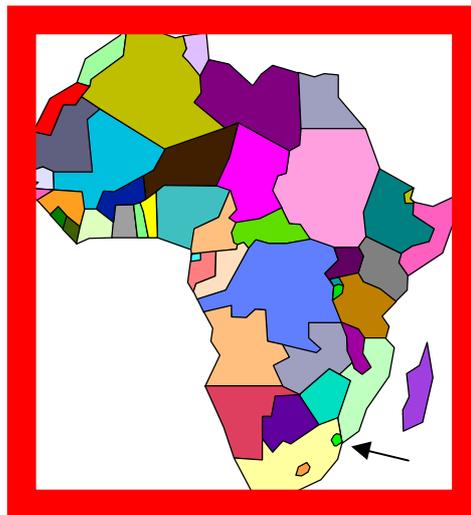


SWAZILAND: Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision



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MAIN REPORT

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CHAPTER ONE

FISCAL DECENTRALISATION AND SUB-NATIONAL FINANCE IN SUB-SAHARAN AFRICA

1.0 Introduction and Objectives

This report describes and analyses decentralisation from the central to the sub-national level of government¹ in Swaziland. The analysis investigates the structure of local governments, the strategy and objectives of decentralisation, the experiences of fiscal decentralisation, infrastructure and service provision, the regulatory and legal framework for local governments and their institutional environment. The report has been prepared for the World Bank as a part of a regional study of local governments and fiscal decentralisation in six countries of Sub-Saharan Africa: Zambia, Senegal, Ghana, Uganda, Swaziland and Zimbabwe.²

Decentralisation and effective devolution of responsibilities from central to strong sub-national governments can be an effective way to address service provision, economic development and the involvement of citizens and private investors in the provision of common goods. Decentralisation of responsibilities has been shown to improve the level and quality of public services and lead to a more efficient use of scarce resources.³ As a result, many countries are now seeking to increase the extent of government decentralization through a variety of strategies. Many African countries are introducing new systems of local government finance and methods of infrastructure and service provision. They are also reforming their regulatory and institutional frameworks. This Study investigates, by measuring specific decentralisation indicators, these experiences in six Sub-Saharan African countries. The study also examines recent international experiences in this field.

The **long-term objective** of the project "Fiscal decentralisation and sub-national finance in Sub-Saharan Africa" is to strengthen the process of decentralisation within the region by bringing local governments closer to financial markets, strengthen the system of financing public infrastructure and services and establish effective and stable administrative and legal environments for local government. The strengthening of human resource capabilities is viewed as part of this process.

The **immediate objective** of this study is to undertake an analytical and consultative approach to this subject in a limited number of Sub-Saharan countries. The results of this work will provide useful new information and bring a greater degree of clarity and consistency to regional understanding of the requirements of decentralisation. This, in turn, will lead to more efficient mobilisation of donor, public and private sector resources.

More specifically, the main objectives of the research are to:

¹ In this report, both the terms: "local government" and "sub-national government" are used to describe the level of governments below the central government. The type of sub-national governments varies from country to country; however, in all cases, emphasis was placed on selecting authorities that to some extent were directly accountable to local populations through some kind of an electoral process.

² The countries have been listed in the order in which the research was undertaken.

³ Chapter 2 examines the rationale for decentralisation and details the experiences of a number of countries.

- Facilitate the *identification of priorities* within each of the case study countries regarding the appropriate systems, procedures and processes of decentralisation. The findings (e.g. challenges and problems in the field of local governments) and the identification of decentralisation indicators will also allow future monitoring of the extent and nature of decentralisation in the research countries. The data should make it possible to measure progress towards achieving the decentralisation objectives in the participating countries.
- Foster *cross-national learning on best practises* within the field of decentralisation, particularly for the finance and provision of important infrastructure. The study examines various models for decentralisation and alternative ways of providing and financing infrastructure and other local government services.
- Support private and public sector investors as well as the donor community in the *identification of future needs and possibilities for investment* in infrastructure and service provision at the local level and in the identification of future projects for administrative and human resource capacity building. This research, with its database of decentralisation indicators, provides a valuable guide for potential investors and IDBs (international development banks) in promoting the emergence of a regional market. It is hoped that by using this data base and resultant private and IDB infrastructure investment plans, bilateral donors will be able to plan programmes more effectively for capacity building assistance. In this way, the research can be seen as the first step in a more comprehensive strategy to link the findings to future assistance (programmes and investments) that will allow participants to build the consensus necessary for decentralisation to proceed in each country.

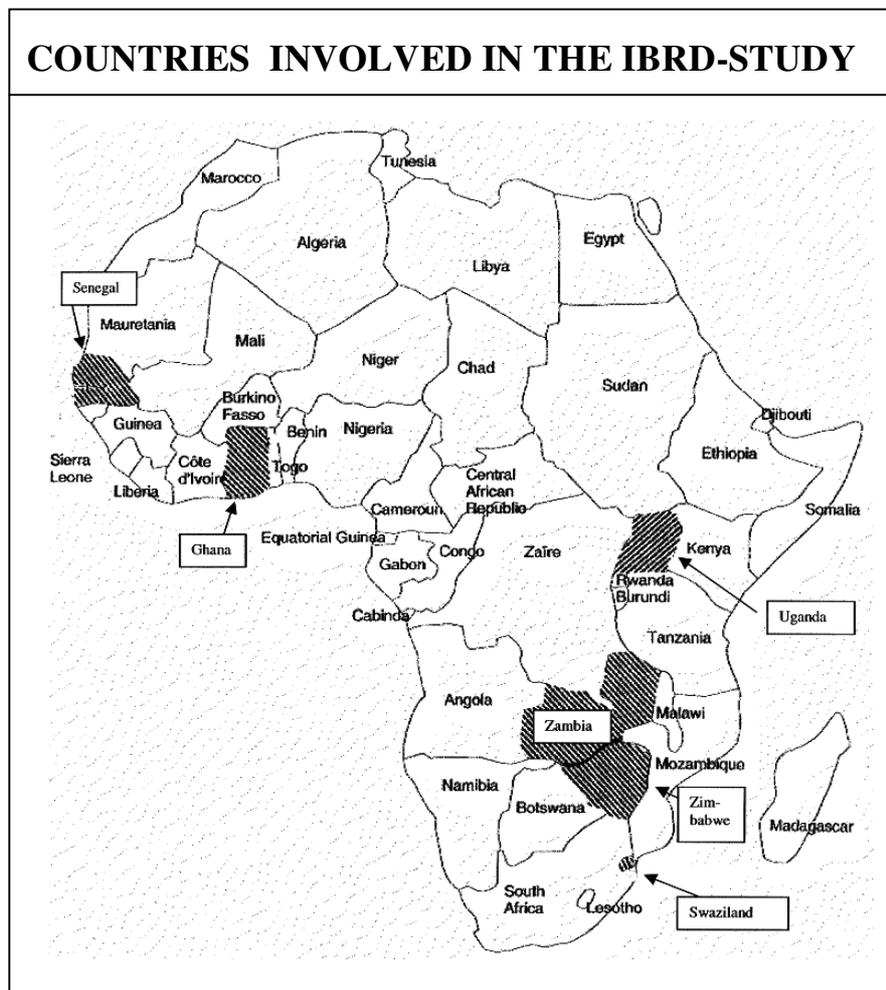
The study focuses on “*decentralisation*”. The definition of “decentralisation” varies across countries and between actors within various countries. In the present study, “decentralisation” is defined as “*devolution*”⁴ of power to independent sub-national governments that are given responsibilities for determining the level and the quality of service to be provided, the manner in which those services are to be provided, and the sources and types of funding for the delivery of those service. Decentralisation is seen as a gradual process where no countries are either fully decentralised or centralised. The study concentrates on the relationship between the central and the sub-national governments and not on the deconcentration or delegation of power within the central government system to regional or local agencies/offices.

The study analyses the major elements of decentralisation from central to sub-national governments, e.g. fiscal, administrative (tasks and decision-making power) and personnel management (e.g. competence within the field of hiring and firing) decentralization.

⁴ This is in line with the definition made by Richard M. Bird, Robert D. Ebel and Christine L. Wallace (editors), “Decentralisation of the Socialist State, Intergovernmental Finance in Transition Economies”, International Bank of Reconstruction and Development, Regional and Sectoral Studies, 1995, pp. 11-13. The term “decentralisation” implies the transfer of responsibility and competence to democratically independent lower levels of government. This term is to be viewed as opposed to the term “deconcentration”, which implies transfer of responsibility from central ministries to field officers at the local or regional level, thereby becoming closer to the citizens while remaining part of the central government.

1.1 The African Context

The Study comprises the six African Sub-Saharan countries (indicated below) selected for their expressed commitment to decentralisation of the public sector.



The Africa region is experiencing increased demand for infrastructure. This arises in part from rapid growth of rural and urban populations that require basic infrastructure for well-being and productivity. Well-functioning infrastructure is also a pre-requisite for productive investment and economic growth. In most African countries, fiscal resources are woefully inadequate to meet these demands and/or the fiscal arrangements are not appropriate for this purpose. In addition, the structure of inter-governmental fiscal relations often does not provide adequate resources or incentives for improving infrastructure and services.

Decentralisation efforts in the African region are shifting much of the burden of infrastructure management and finance to sub-national levels of government. Many local governments are newly formed and lack the capacity to fulfil these responsibilities, cf. the key-information in the figure below.⁵

⁵ Financial data are drawn from the present Study on Fiscal Decentralisation (1998-2000). Figures shown for Zambia represent the average of 1994-97. Figures for Uganda date from 1997/98. Figures for Swaziland, Senegal and Ghana are from 1997.

PROFILE OF COUNTRIES INVOLVED IN THE STUDY

ZAMBIA		SENEGAL	
Population: Total: 9.215 mill. (1996) Annual growth rate: 2.8% 15-64 years age: 5 mill. Above 64 years age: 3.7 %	Local Government (LG): Year of recent LG-reform: 1991 No of levels of LG: 1 No. of LG: 72 Average Population : 128,000 Average staff: -	Population: Total: 8.534 mill. (1996) Annual growth rate: 2.5% 15-64 years age: 4 mill Above 64 years age: 4.6%	Local Government (LG): Year of recent LG-reform: 1996 No of levels of LG: 1 No. of LG: 60 urban, 320 rural 10 districts Average staff: -
Geography: Area: 762,000 sq. Km. Density: 12.1 inhab/sq. Km. Vegetation: High Plateau savannah	Public Finance (revenues): Total revenue share of GDP: 21% LG revenue share of GDP: 0.9% Sources of LG revenue: Own taxes: 29.8% Transfers: 3.3% Fees/charges: 37.3%	Geography: Area: 197,000 sq. Km. Density: 43.3 inhab/sq. Km. Vegetation: Savannah Semi- Desert	Public Finance (revenues): Total rev. share of GDP: 24% LG rev. share of GDP: 1.8% Sources of LG revenue: Own taxes : 40% Transfers: 12% Fees/charges: 21%
Climate: Tropical		Climate: Tropical	
GHANA		UGANDA	
Population: Total: 17.522 mill. (1996) Annual growth rate: 2.7% 15-64 years age: 9 mill. Above 64 years age: 4.8%	Local Government (LG): Year of recent LG-reform: No of levels of LG: No. of LG: 110 Districts Average Population: 159,300 Average staff: -	Population: Total: 19.741 mill. (1996) Annual growth rate: 3.2% 15-64 years age: 10 mill. Above 64 years age: 3.6%	Local Government (LG): Year of recent LG-reform: 1997 No of levels of LG: 3 No. of LG: 1050 Average Population: Average staff: -
Geography: Area: 238,000 sq. Km. Density: 73.6 inhab/sq. Km. Vegetation: Rain Forest	Public Finance (revenues): Total rev. share of GDP: -% LG rev. share of GDP: -% Sources of LG revenue: Own taxes: Transfers: Fees/charges: %	Geography: Area: 236,000 sq. Km. Density: 83.6 inhab/sq. Km. Vegetation: Savannah	Public Finance (revenues): Total rev. share of GDP: 16.1% LG rev. share of GDP: 4.5% * Sources of LG revenue: Own taxes: 9.6% Transfers: 65.5% Fees/charges: 4.9%
Climate: Tropical		Climate: Tropical	
SWAZILAND		ZIMBABWE	
Population: Total: 0.926 mill. (1996) Annual growth rate: 3.1% 15-64 years: - Above 64 years age: -	Local Government (LG): Year of recent LG-reform: No of levels of LG: 1 No. of LG: 13 Average Population: Average staff: -	Population: Total: 11.248 mill. (1996) Annual growth rate: 2.4 % 15-64 years age: 6 mill. Above 64 years age: 4.7%	Local Government (LG): Year of recent LG-reform: - No of levels of LG: - No. of LG: - Average Population: - Average staff: -
Geography: Area: 17,000 sq. Km. Density: 47.1 inhab/sq. Km. Vegetation: Savannah	Public Finance (revenues): Total rev. share of GDP: 27.5% LG rev. share of GDP: 0.65% Sources of LG revenue: Own taxes: 73% Transfers: 15.8% Fees/charges: 3.8%	Geography: Area: 390,000 sq. Km. Density: 28.8 inhab/sq. Km. Vegetation: Savannah	Public Finance (revenues): Total revenue share of GDP: -% LG revenue share of GDP: -% Sources of LG revenue: Own taxes: - Transfers: - Fees/charges: -%
Climate: Sub-Tropical		Climate: Tropical	

As part of their decentralisation efforts, many African countries have begun to address *fiscal resource allocation and mobilisation*. This is an absolute necessity, but public resources are clearly not enough. Considerable *private financing* is also needed to meet the demand for infrastructure and services. In general, Africa has yet to attract significant private investment in infrastructure provision (especially electricity, urban water, and solid waste), although some successes are starting to be registered.

To promote private sector participation, much more work needs to be done to ensure sound macro-economic fundamentals and good governance. Effort also needs to be made to develop

capital markets and enhance the regulatory framework, institutional capacity and creditworthiness of utilities and local governments. In addition, the right mix of public financing (taxes, grants and user charges) is crucial for an efficient public sector.

Capital markets in African countries remain underdeveloped, and macro-economic stability, an essential requirement, is often lacking. Banking systems are weak and lack an effective regulatory framework. An enabling environment does not exist in most cases for long-term investments by social security agencies, pension funds and insurance companies.

Many governments are choosing to pursue decentralisation/municipal strengthening programmes for a variety of reasons. The transfer of responsibility for local services to local authorities can help to limit demands on over-stretched central government budgets. Decentralisation can also allow a more efficient response to the needs of rapidly growing populations dispersed across extensive hinterlands. Broader government objectives to foster local democracy and accountability may also be supported through decentralisation processes, e.g. by bringing a closer relationship between the assignment of tasks and the financing of these tasks.

Multilateral and bilateral donors have also been broadly supportive of decentralisation initiatives in Africa and throughout the developing world in recent years. Many donors share the common objectives of linking enhanced service and infrastructure provision to the promotion of democratic processes and improved governance. Donors have naturally tended to focus their support on aspects of the decentralisation process that match their institutional strengths. Many bilateral donors have focused, for instance, on capacity building at the local level, legal and legislative reform and municipal administrative systems. IDBs have followed their comparative advantages by focusing on finance provision for key infrastructure and, increasingly, addressing market reforms required to mobilise private participation in provision of local services. In an increasing number of cases, donor support has been co-ordinated to assist government reform programmes more effectively.

The existing and proposed World Bank-assisted municipal infrastructure and strengthening projects in Sub-Saharan Africa encompass hundreds of millions of dollars in financing and include tens of millions of dollars required for complementary capacity building activities. To date, co-ordination among donors has been achieved by supporting country-specific projects. However, this approach has limited the scope of reform efforts, particularly in terms of promoting capital flow within the region into municipal infrastructure.

Among the diverse motivations and strategies of both governments and donors, the factors common to all decentralisation initiatives are the need for co-ordinated access *to finance* for critical infrastructure and services in tandem with *capacity building* at the local level. Some regional studies in Europe and Latin America show that the transfer of responsibilities for tasks to the local level without a parallel transfer of financial responsibilities (or the opposite) may lead to inappropriate results.⁶

⁶ One example of this is the World Bank Policy Research Working Paper, No. 1387, "Fiscal Decentralisation and the Size of Government", Jaber Ehdai, December 1994.

1.2 The Regional Approach and the Methods of Work

Sufficient experience around the world has now been gained to allow development of a more systematic definition of the types of reforms and modes of assistance required to support government decentralisation initiatives.

The countries in which the World Bank is active in the Sub-Saharan region are at various stages in the decentralisation process. Indeed, taken as a group, these countries comprise a virtual continuum of the steps necessary to build strong municipal governance and infrastructure delivery systems. Given the rapidly emerging regional economy, the common goals of each of these countries in terms of delivering infrastructure through strong local governments, and the successful country-specific co-operation of the Bank and other donors, it would appear that a *regional approach* to building local government capacity and developing municipal finance markets would achieve a number of key efficiency gains.

Primary among these potential efficiencies, the research should improve *information flow* and assistance to participating countries in the region. By drawing participating countries into a regional effort, individual reform efforts should be greatly strengthened by the sharing of information on specific activities being undertaken in different countries. In addition, a regional programme should provide a *focal point* for private investors seeking to invest and participate in infrastructure and service provision. Finally, a regional approach should allow more efficient programming of donor resources over longer time horizons.

A key element in organising a successful regional programme of municipal capacity building and financial market development is a definition of a reform framework that builds on regional examples, systematizes the key areas of reform and emphasises the interdependence of these reforms, leading to the desired ends. The first step of such a *framework* has been developed and is discussed in the following chapters. The framework contains indicators on the following five subjects:

- The division of tasks and responsibilities between various governmental levels and the general context for local governments, including the central government's commitment to decentralisation (Chapter 3)
- Municipal finance systems, including indicators on local government revenues, expenditures and inter-governmental fiscal relations (Chapter 4)
- Elements of well-functioning municipal infrastructure delivery systems and infrastructure investment inventories (Chapter 5)
- The regulatory and legislative environment (Chapter 6)
- The institutional framework and basic capacity building requirements, including civil service reforms (Chapter 7)

Chapter 2 also contains an overview of international experience in the field of decentralisation, particularly as it relates to fiscal concerns. The elements of importance regarding local government infrastructure and service provision are dealt with separately, but are linked in the conclusions and recommendations presented in Chapter 8.

1.3 Indicators of Decentralisation⁷

As mentioned above, the analysis examines not only fiscal elements of decentralisation (e.g. revenue and credit possibilities), but also the institutional and regulatory environment for local governments and its interface with the financing of services and infrastructure. A large range of indicators covers different elements of decentralisation, although they are only partial measures of a complex system. Many of the indicators of decentralisation are interdependent and are assumed to have an impact upon each other. It is, for instance, not sufficient to have a large local government sector ratio in public expenses without a certain degree of influence and autonomy on the revenue and expenditure side. On the other hand, there is no value in having a high level of own expenditure decision-making power without some degree of control over the finance for services and infrastructure and access to stable revenue sources. The type and number of controls operating across levels of government are also key factors for measuring the level of decentralisation. Analysing the finance of infrastructure and services is necessary, but not sufficient. The regulatory and institutional framework must also be considered. It is, for instance, not appropriate to transfer all responsibility for service and infrastructure provision to local authorities that lack the human resource capacity to carry out their functions and to manage their financial autonomy.

There is no standard model for decentralisation applicable to all countries in the world or in the region. Appropriate decentralisation approaches have been initiated with different speed, form, content, and procedure in various countries. Nevertheless, some major characteristics must be in place for decentralisation of government power actually to take place. Analysis of similarities and differences between country-specific decentralisation experience should help identify practical solutions for making central/local government relations more efficient, effective and accountable to citizens. The indicators for decentralisation will be systematised in a final synthesis report for the six countries.

A regional framework for municipal strengthening and infrastructure investment aims at being useful as both an analytical and an organisational tool. At the analytical level, compilation of data on infrastructure investment requirements, municipal finance systems, and relevant reforms inform each of the participating countries of the *tasks ahead*, while, at the same time, allowing quantification of country-specific and overall regional *needs for assistance*. On an organisational level, compilation of this framework should allow governments and donors to share information and programme assistance more efficiently over a longer time frame corresponding to each country's anticipated needs. It is also our hope that programming assistance on a multi-country or regional basis will provide greater flexibility to deploy resources in response to the rate at which key reforms are achieved in specific countries.

1.4 Finance and Organisation

A programme of the type described above is very ambitious. Therefore, the World Bank has identified a manageable *first step* as embodied in its "*Fiscal Decentralisation and Sub-National Finance*" programme which has been approved for funding under the Danish Trust

⁷ The problem of available data should be mentioned here. No common system of compiling statistics in the field of local government exists worldwide. There are several systems, each with its own logic, but none of them currently approaches the issue of finance from the sub-national government viewpoint. Therefore, the data should be evaluated with great caution. Despite these problems, the inevitable imperfections of this project should not hinder a first step in development of measures for comparisons and evaluation of progress.

Fund and USAID. This programme, which covers analysis of decentralisation in six countries (Zambia, Senegal, Ghana, Uganda, Swaziland and Zimbabwe), has been carried out in co-operation between the World Bank, the National Association of Local Authorities in Denmark (NALAD), USAID and local consultants in each of the six countries.⁸

The programme has emphasised the involvement of local experts in all phases of the country analyses and close contacts with the central and local government levels. The system in each country is examined both at the aggregate level and by use of sample local authorities representing different types of sub-national governments. These sample local authorities have been analysed in-depth and compared with the aggregate data at the central level.⁹

The *second step* is a discussion of the results of a national workshop held in each country and involving stakeholders from all levels of government, donors and experts within the field. The major findings of the national workshop are summarised in Chapter 9. A Sub-Saharan regional seminar will be held in mid-2000. There, research findings for the six countries will be compared, and regional lessons drawn.

The *third step* will entail the preparation of a regional synthesis report. The regional synthesis report will include broader benchmarks and indicators of progress in implementing decentralisation programmes on a regional basis.

1.5 Executive Summary (Main Findings and Recommendations)

This Report has been funded by the World Bank and Danida and is based on a collaborative effort of the National Association of Local Authorities in Denmark (NALAD) and the Faculty of Social Science (FOSS) of the University of Swaziland. The Study is a part of a larger Sub-Saharan initiative, covering six countries (Swaziland, Zambia, Senegal, Uganda, Ghana, and Zimbabwe), and has the following main objectives:

- ◆ Identify priorities in each of the six countries regarding systems, procedures and processes of decentralisation;
- ◆ Foster cross-national learning on best practises; and
- ◆ Support private and public investors (national as well as international) in the identification of future needs for investment in infrastructure and service provision at the local level, as well as the need for investment in capacity building in the field of administration and human resources.

The focal point of the Project is the sub-national governments and their environments in each of the countries.

The system of sub-national governments in Swaziland has been investigated using data and material available from the central and local government levels. The findings are based both

⁸ The World Bank and NALAD have co-ordinated the work in all six countries. The Danish Trust Fund has financed the majority of the costs in four of the research countries and a part of the costs in the two other countries. USAID has financed the majority of research costs in the two of the countries (Ghana and Zimbabwe) and supported the study within the Zambia and Senegal.

⁹ Official statistics (IMF, OECD, national statistics etc.) combined with information from the sub-national and central governments has been used in the analysis. No single, unanimously accepted source of statistics for all countries in the world exists for finance, infrastructure and service provision of sub-national governments. Therefore, it has been necessary to adopt a pragmatic approach, where the official data have been combined with information available in the country and through experts at the central and local levels.

on available aggregate data, such as figures for all local authorities, and on more detailed analyses of seven selected sample local authorities. These authorities represent more than 90% of subnational government revenue and expenditure in Swaziland and include a range of urban area types and sizes. The sample local authorities are: Manzini City Council, Mbabane City Council, Nhlanguano Town Council, Siteki Town Council, Piggs Peak Town Council, Matsapha Town Board and Lavumisa Town Board. The Report also contains a short description of the Tinkhundla system and its impact on infrastructure and service provision (ISP) in urban and peri-urban areas.

The overall conclusion drawn from the research is that sub-national governments in Swaziland provide relatively few services to their residents and, except in the two bigger cities of Mbabane and Manzini, inadequate coverage of infrastructure and services (less than 50% are provided with water supply, sewerage, health facilities and electricity).

There are many reasons for this. Some of the key factors have been the lack of a clear mechanism for revenue sharing between the levels of government, constraints on the local governments' ability to adjust revenues in relation to needed service costs, budgetary procedural problems, the lack of coherent legislation and delays in implementation of the Urban Government Policy (UGP).

The analysis has also identified a number of positive signs. These include improvements in the SNG's relative economic importance, expansion of their own revenue sources, their increased share of general grants and a number of worthy initiatives within some of the key local authorities on human resource capacity building and strategic planning.

The dual political system enables urban local government and the traditional system in rural areas to run in parallel. This dualism has posed challenges for policy decision-makers, especially at the borderline between urban and rural areas. These challenges have been addressed by the Urban Development Project and other initiatives (inter alia, focusing on the large informal settlements). Services in some areas consequently have been improved, but new tools and strategies for the devolution of power are still to be developed. Both the central and local governments are aware of these problems; hence, policies and strategies have been designed to address the future need for reforms. A clear implementation plan for these initiatives should be the first step in this direction, coupled with a revision of the system of SNG finance (particularly for cost and revenue sharing). A gradual convergence of the dualistic system of governance within local authority areas would promote efficiency and good governance and thus be advantageous.

The main findings, conclusions and recommendations of this Study are outlined below.

International Experiences from Decentralisation (Chapter Two)

Chapter Two highlights some of the international experiences from decentralisation. The analysis shows that there are many ways to obtain the most efficient level of decentralisation and the right mix between local autonomy, local capacity and the central government's need for co-ordination, especially in the field of finance. However, certain principles for revenues/expenditures and budgetary autonomy are generally accepted.

The Context of Decentralisation (Chapter Three)

Chapter Three examines the structure of government in Swaziland and analyses the political, socio-economic, and legal context for decentralisation.

This Study's findings must be appreciated in the context of three important issues: 1) the decline in economic growth in 1990s, 2) the high population growth rate (3.5%/annum) and 3) the fact that traditionalism is the cornerstone of the Swazi Nation. These basic conditions have a strong impact on the SNG possibilities for infrastructure and service provision (ISP).

The legal framework for local governments was laid down by enactment of the Urban Government Act of 1969. More recently, three major initiatives have had an impact on local governments in Swaziland: 1) the approval by the Cabinet of the Urban Government Policy (UGP), 2) The Urban Government Bill (whose enactment is still pending) and 3) the Urban Development Project (UDP). The aim of the central government policy for SNGs has been to strengthen *decentralisation*, and the Urban Government Policy should be a working tool in this regard. The objective of the Policy is to support sub-national governments (SNGs) in ISP through the introduction of clearly defined rules regarding their functions, responsibilities and finance.

The figure below summarises the major findings, conclusions and recommendations of Chapter Three.

Chapter 3:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Strengthen decentralisation by measures such as subsidiarity, community participation and increased SNG autonomy. 	<ul style="list-style-type: none"> Failure, to date, to implement the Urban Government Policy and adopt the Urban Government Bill represent major constraints to the development of SNGs 	<ul style="list-style-type: none"> It is expected that the Urban Government Policy and Urban Government Bill will be addressed in discussion of this report. 	<p><u>Short term (ST):</u></p> <ul style="list-style-type: none"> Enact the Urban Government Bill and pass it into law, after a careful review. <p><u>Medium term/Long term (MT/LT)</u></p> <ul style="list-style-type: none"> Formulate a strategy and associated implementation plan for harmonisation of the dual system of government to establish a more comprehensive approach covering the whole country. <u>ST:</u> Implement the Urban Government Policy on an incremental basis, with the first step being the development of a clear strategy and implementation plan, including time-plan and plan for division of tasks and responsibilities between central and local governments. <u>ST:</u> Provide stronger support to the Urban Development Project. <u>ST/MT:</u> Strengthen the institutional capacity at the local level to carry out current tasks more effectively. Strengthen co-ordination of the decentralisation policy at central government level.

SNG: Sub-national governments, CG= Central government, ISP= Infrastructure and service provision, ST= Short term, MT= Medium Term, LT = Long Term.

Sub-National Finances in Swaziland (Chapter Four)

The Urban Government Policy suggests that sub-national government finance should reflect the services assigned to the SNGs and should be based on the following sources: own revenues (taxes and user charges), subsidies from central governments (based on revenue sharing) and borrowings. It is also the objective gradually to increase SNGs' autonomy in revenue generation and SNG finances. The following outlines the main findings and recommendations of this chapter:

Chapter 4 Sub-National Finance:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> The SNG should be an important and equal partner of the central government in infrastructure and service provision 	<ul style="list-style-type: none"> In 1995, the sub-national governments' expenditures only constituted 0.45% and 1.52% of GDP and of public expenditures, respectively. These figures increased to 0.62% and 2.09%, respectively, in 1998. On average for the period, SNG expenditure has constituted 1.8% of total public expenditures. The analysis of the composition of expenses shows that recurrent costs account, by far, for the lion's share of SNG expenditure (more than 90% in the period from 1995-98 and 96% in 1998). The recurrent share has been increasing during the sample period 1995-98 and the capital share has been decreasing. The City Councils of Mbabane and Manzini account for the bulk of SNG revenues and expenditures. The other sample local authorities account for a very small share of total SNG finance. 	<ul style="list-style-type: none"> Compared to other countries in the Sub-Saharan Region the SNG share of the public expenditure and the GDP is rather limited The most significant expenditure area is general administration followed by health and sanitation. Even in the two big cities, most of the expenditures are incurred on general administration, such that the key areas of ISP account for a very low share of the SNGs expenses. 	<ul style="list-style-type: none"> ST: The right of SNGs to <i>participate</i>, in an appropriate manner, in establishing the rules governing the general transfer of resources should be expressly recognised. The <i>information flow</i> on local government finance between the levels should be strengthened. MT: The possibilities for the establishment of a formal budget co-operation (or grant commission) forum where the central and SNGs negotiate the future economy and seek consensus should be investigated.
<p><i>The following objectives are contained in the UGP concerning the composition of SNG revenues:</i></p> <ul style="list-style-type: none"> Public services oriented to the protection and benefit of property should be financed primarily from property related sources. Public services oriented to the protection and benefit of people should be primarily financed from people (income and customs) related sources. Public services that can be supported from directly related user fees (transportation and utilities) should be financed from such fees. 	<ul style="list-style-type: none"> One of the key problems for the SNGs in Swaziland currently is the relationship between taxpayers and the users of SNG infrastructure and services, particularly in the peri-urban areas. Transfers from central government accounted for between 15 and 21% of SNG revenues during the period, with a tendency to decline in importance. The SNGs received both general and specific grants during the period, at approximately the same level. This should be compared to the fact that more and more people from the peri-urban areas are using facilities within the urban areas. Own taxes derive mainly from property tax (more than 70%) and payment in lieu of rates from central government (only Mbabane and Manzini). This 	<ul style="list-style-type: none"> Although extensive discussions have taken place on the question of cost and revenue sharing, there is still lack of an agreed formulae for revenue-sharing, which deals with the facts that users of services within the jurisdiction of an urban authority come from other areas of the country and that the tax payers (especially the payers of property tax) cover a disproportional share of the costs. The urban authorities have stated that they finance a disproportional large share of the costs of the infrastructure and service provision by providing non-resident people with considerable benefits. The benefits from these non-resident citizens accounts for estimated more than 30% of the total costs of ISP 	<ul style="list-style-type: none"> ST: Development of a <u>cost sharing formulae</u> should receive top priority. The process should contain the following steps: 1) A closer examination of the present cost-sharing arrangement should be undertaken, based on calculations made by experts from central and local governments, 2) the tasks should be evaluated and compared to the present distribution of revenues, 3) a formulae should be agreed to between central and local government and 4) adopted by special legislation. The formulae should be guided by the following principles: transparency, fairness, based on objective criteria for expenditure needs, stable, clearly defined and predictable and should be based on the share of citizens using the various types of services within each SNG.

<ul style="list-style-type: none"> • Certain essential public services should be provided to all citizens regardless of their ability to pay for such services; such services should be proportionally subsidised from general revenues. • One-time capital improvements, such as buildings, should be paid for over the lifetime of the facility through long-term debt, if finance from central government grants is unavailable. • In addition, UGP allows for the provision of subvention formulae to facilitate relevant, justifiable transfers from central to local governments (such as in the form of revenue sharing). 	<p>payment has increased in recent years. SNGs rely heavily on this single revenue source, which is largely dependent on the approval of the adjustment from the central government.</p> <ul style="list-style-type: none"> • The relative importance of user charges has declined during the period and constitutes less than 10% of total revenues. The types of user charge revenues vary greatly across the local authorities. Generally, revenue from solid waste, health and sanitation are among the most important sources. • Only Mbabane and Manzini City Councils are involved in borrowing. However, these councils account for a small, but increasing share of the total public borrowing, which is less than 3%. 	<p>in the urban areas.</p> <ul style="list-style-type: none"> • The scale of the problem has increased the most recent years as more and more people are living in the peri-urban areas. Swaziland has no shared taxes, as many other countries. 	<p>The expenditure needs of each SNG should be calculated and the national average used as a comparison. The provision of grants should not justify any undue intervention in the policies pursued by local authorities within their own jurisdiction.</p> <ul style="list-style-type: none"> • <u>ST</u>: Regulations on SNG borrowing should be adopted in order to avoid uncertainty and time delays in the approval procedures.
<p><i>Increase SNG autonomy regarding finance and enlarge the possibilities for own revenue generation:</i></p> <ul style="list-style-type: none"> • It is expected by the UGP that local governments will become increasingly independent and assume greater responsibility for revenue generation and that cities and municipalities should be empowered to determine and retain all fees generated from the services they provide and maintain. 	<ul style="list-style-type: none"> • Local government expenses and revenues have increased in nominal and real values (when inflation is taken into account) from 1995 to 1998. In nominal figures, the increase has, on average, been approx. 30% and 19%, respectively • Sub-national revenues have increased in nominal values, on average, by 9.4% from 1994 to 1997. The analysis of the sample local authorities shows that revenue trends vary greatly from year to year among the sample local authorities, especially with regard to periods of property sales. Some of the sample local authorities have succeeded in increasing income on other types of revenue sources as well. • The analysis of revenues shows that <i>local taxes</i> account for an average of 70% of total SNG revenues. This varies considerably from sample to sample: from 88% in Matsapha to 0% in Lavumisa (this Town Board is financed nearly 100% from central government). The larger SNGs are heavily reliant on property tax, whereas the smaller ones are nearly 100% financed by transfers from central government. • Revenues from own taxes have increased over the period, both nominally (more than 30% per 	<ul style="list-style-type: none"> • Compared to the other countries in the region the larger SNGs have a high share of own revenue sources of the total revenues. This is not the case for the smaller SNGs. The control on the revenue levels (approval procedures) is comparable comprehensive. • Too many investments and tasks are carried out in the second half of the SNG budget year. Currently, the transfers and the approved budgets are made too late for proper SNG budgeting and budget follow-up. 	<ul style="list-style-type: none"> • <u>LT</u>: In the long term, the introduction of new SNG taxes and the strengthening of the local revenue base may lead to a reduction of the state transfers/changes in revenue composition. <u>MT</u>: Taxes which SNGs should be entitled to levy, or of which they received a guaranteed share, should be of sufficiently general, buoyant and flexible nature to enable them to keep pace with their responsibilities. • <u>ST</u>: The control procedures of the SNG revenue side should be eased and streamlined. Clear guidelines for conditions and timing of approval of the budget, including ceilings on the SNGs revenue increases (rates and user charges), etc. should be clearly defined and published, cf. Chapter 6. <u>ST/MT</u>: The autonomy in adjusting rates/charges to the needed local service level should be increased • <u>ST</u>: The present timing of the budget procedures should take the SNGs' needs for timely information on the revenue side more into consideration, for instance, by advancing the decision-making on the SNG subsidies.

	<p>annum) and as shares of total SNG revenue.</p> <ul style="list-style-type: none"> All the major revenue sources, property tax and user fees, are subject to approval by central government. There are no clear, official guidelines for this approval. 		
<ul style="list-style-type: none"> The SNG financial administration should be strong and viable 	<ul style="list-style-type: none"> The Study has shown that many of the accounts have not been audited in recent years and that they are often hard to compare and evaluate for outsiders. There is an evident need for a full-scale reform of the SNGs' entire <i>financial budgeting and accounting system</i> and procedures to bring them up to modern standards and to achieve effective internal financial control and accountability. For the period 1995-98, sub-national governments' revenue exceeded total expenditure. The main reasons for this trend are delayed revenues, which cause expenditure cuts and expenses on debt service. The budgetary system, which does not allow the SNGs to set bills until the budgets have been approved by the Minister of Housing and Urban Development, is the main cause for the lack of action in needed budgeted areas, or delayed action. There is considerable potential for additional SNG revenues by strengthening the tax administration, in particular by a stronger focus on "uncollected" revenues. User charge and fee levels are generally not determined according to the cost recovery principle, contrary to the objectives in the UGP. A comparison of approved budgets and accounts shows significant differences. This emerged as problems in making good prognosis, partly explained by the lack of stable and timely information from the central government on the external sources (grants in lieu of rates, property tax revenues, etc.). 	<ul style="list-style-type: none"> The tax administration is stronger than in many other countries in the Sub-Saharan region, but could be further improved. Estimates indicate that more than 30% extra revenues could be collected with an efficient tax administration system, especially by improving the billing system, advancing the approval of the budget and rates and support to follow up on defaulters. 	<ul style="list-style-type: none"> <u>ST/MT</u>: The audit of the local government accounts should also be strengthened. <u>ST/MT</u>: The effectiveness and <i>efficiency of tax collection, user-fees and charges</i> should be enhanced by streamlining procedures, including the establishment of a more efficient billing system, include-ding strategies for coping with defaulters. <u>ST</u>: The significant revenue potential, approximately 30%, (without alteration in the tax and fee rates and tax base) identified in the sub-national governments should be used. <u>ST</u>: The central government should encourage the <i>update-ting of the tax base for property taxation</i> possibly by financial incentives for carrying out a new and realistic valuation of property in order to promote the justification of tax burdens among citizens.

Infrastructure and Service Provision (Chapter Five)

The objectives of the central government for ISP are outlined in the Urban Government Policy. These are to expand the range of SNG services and the autonomy for service supply within urban authorities. The following summarizes key findings and conclusions.

Chapter 5: Infrastructure and Service Provision:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Expand the coverage of ISP within the SNGs and secure a proper division of tasks and responsibilities. 	<ul style="list-style-type: none"> Urban authorities are responsible for solid waste, roads, storm water drainage, pounds, street lightning, landfill sites and public amenities (parks, toilets etc.). The ISP capacity varies greatly from the large cities to the smaller town boards. Investments in ISP are undertaken with very limited involvement of SNGs. The two larger cities – Manzini and Mbabane - have relatively good coverage of the most urgent ISP needs, whereas the smaller SNGs generally cover less than 50% of the needs. 	<ul style="list-style-type: none"> The SNGs in Swaziland are responsible for a comparable limited number of ISP functions; however, the two cities have considerable functions/responsibilities. The two cities provide better coverage of the most urgent ISP needs (within the area of their competence) than most other SNGs in the Sub-Saharan Region, but the smaller SNGs have a much less adequate coverage of the population needs. 	<ul style="list-style-type: none"> ST/MT: The development of competencies concerning ISP to the SNGs should be expanded to cover a full-scale portfolio of community amenities (roads, infrastructure, water, sewerage, public transport etc.) by devolution. ST: Co-ordination among the different levels of government should be strengthened by the creation of a co-ordination framework and by strengthening the leading role of the SNGs in the co-ordination activities concerning ISP-components. ST: The present delegated responsibilities concerning ISP should be readjusted in order to avoid or limit unclear or overlapping responsibilities between CG agencies and institutions (including parastatals). MT: A framework and strategy for systematic involvement of the private sector in ISP will be developed by SNG with support from CG in order to gain experiences concerning possible contribution by the private sector.
<ul style="list-style-type: none"> Expand the coverage of the ISP within the peri-urban areas. 	<ul style="list-style-type: none"> The biggest challenge of ISP is within the peri-urban areas. These areas are growing, and the use of SNG services by peri-urban residents puts stress on the SNG ISP. The present coverage of the ISP needs within these areas is very low, often less than 20%. 		<ul style="list-style-type: none"> MT: For the informal settlements, a strategy and an associated implementation plan should be developed that addresses the improvement of ISP coverage in compliance with the most urgent needs (water supply, sewerage, drainage, garbage collection etc.) building on the experiences from the UDP. As another part of the strategy, a co-ordination and enabling forum for planning and development of land is to be established that involves central authorities of urban and peri-urban areas.
<ul style="list-style-type: none"> Cost recovery 	<ul style="list-style-type: none"> Very few of the service areas are fully financed by user charges; generally, there is a weak connection between the costs of the ISP and the level of the charges. There is a clear lack of an enforcement strategy for user charges and a high level of default in payment. The central government controls the level of the user charges. 	<ul style="list-style-type: none"> User charges constitute a comparably low share of SNG revenues (compared to the region and world wide). 	<ul style="list-style-type: none"> ST/MT: Both central and local government institutions need to develop and implement comprehensive ISP development and maintenance strategies, including a clear policy for tariff setting within the framework of a costs recovery principle. The costs recovery issue should address the following elements: 1) adjustment of inflation, 2) current costs, 3) preventative maintenance and repair costs and 4) depreciation costs in

			order to allow for future re-investments. In order to counteract the non-affordability of the full cost recovery of the poor, systems for fee differentiation or special support to weak income groups needs to be considered.
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The Regulatory Framework (Chapter Six)

The basic legislative framework for the SNGs is provided by the Urban Government Act, 1969 for the urban areas and Swazi Administrative Order 1998 and Regional Councils Order of 1978 for the rural areas under the Tinkhundla system. Much has changed since the adoption of these laws and regulations and there is an urgent need for revision of some of the key elements. A first attempt has been made by the central government in the Urban Government Policy and the Urban Government Bill, 1996, but implementation and adjustment of these initiatives is the major future challenge, cf. below:

Chapter 6: Regulatory Framework:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Develop the SNG autonomy and base the division of tasks on the principle of subsidiarity 	<ul style="list-style-type: none"> The control by the CG and existing ex ante approval procedures within many sector areas are very comprehensive and need clarity and demarcation. Especially within the field of finance, the examples on control and intervention by CG are numerous, e.g. within the fields of: Approval of the budgets, approval of the tax and fee rates, approval of the capital spending, approval of the land use, approval of the borrowing etc. The control is also detailed within various sector areas and concerning the possibilities to formulate by-laws 	<ul style="list-style-type: none"> Some supervision and control by central government is needed, but this has to be reduced and regulated by more clear guidelines and well-known procedures 	<ul style="list-style-type: none"> ST/MT: An enabling regulatory and or organisational environment for the sharing of responsibilities and competencies among various types of local authorities concerning the development of territorial harmonisation of the peri-urban areas should be established. ST: The budget procedure, incl. the requirement of forwarding budgets for approval should be addressed in order to save time and avoid uncertainty. This should follow a previously outlined time schedule. CG's control on the budget approval procedures should be related exclusively to compliance with previously established guidelines and policy principles, such as requirement to forward a balanced budget, comply with borrowing limits etc. The ceilings on revenues should be known beforehand ST: The possibility for the SNGs to have a greater autonomy in the determination of taxes without CG interference as well as user fees within certain ceilings should be introduced. ST: The autonomy concerning the formulation of by-laws should be regulated by clear guidelines and regulations
<ul style="list-style-type: none"> Promote effective, efficient and sustainable SNGs (finance). 	<ul style="list-style-type: none"> A clear law on SNG subsidies, including principles for calculation of the amounts of transfers from CG, the 	<ul style="list-style-type: none"> The first attempts to address this problem have been made, but a clear agreement among the key stakeholders on the 	<ul style="list-style-type: none"> ST/MT: The system of cost sharing and CG transfers should be regulated by law, which should stipulate the

	timing of these, principles for adjustments and distribution of funds is lacking. This law should also define the revenue sharing formulae.	basic principles is very urgent.	main procedures for the calculation, distribution and information of the transfers from CG. A framework legislation, followed up by more detailed regulation should be adopted.
<ul style="list-style-type: none"> Strengthen the relationship between public and private sector 	<ul style="list-style-type: none"> There are no legal constraints for the SNG to enter into various co-operation arrangements with the private sector, but it is anticipated, that CG approval is needed and that this is a major constraint. There is also a lack of experiences within this area at the SNG level 		<ul style="list-style-type: none"> <u>ST</u>: The regulation of the relationship between SNG and the private sector, such as contracting out/privatisation should be regulated by law and not by lengthy approval procedures.
<ul style="list-style-type: none"> Strengthen the relationship between the rural and the urban areas 	<ul style="list-style-type: none"> The legal framework lacks clarity and up dating regarding the relationship between the urban and rural areas (and peri-urban areas). This causes overlapping jurisdictions between the Tinkhundla and urban authorities. 		<ul style="list-style-type: none"> <u>ST</u>: A closer co-ordination and co-operation between the urban and rural authorities should be established <u>ML/LT</u>: The problems identified within the land management area should be addressed in order to create better urban government development of ISP. This is especially urgent within the peri-urban areas.

The Institutional Framework (Chapter 7)

The main findings, conclusions and recommendations from chapter 7 are outlined below:

Chapter 7: Institutional Framework:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Decentralisation of tasks and responsibilities to SNGs 	<ul style="list-style-type: none"> The Study has shown that SNGs have generally a weak administrative capacity to deal with all the functions for which they are formally responsible. This is particularly the case for the Town Boards and Town Councils. The city councils of Mbabane and Manzini have relative developed administrative systems and have capacities in a wide range of fields, but have still many vacancies in the key positions. The Town Boards have no staff of their own to carry out the council decisions and they have only few staff seconded by the CG. The Town councils have all very limited staff as well, and often staff with divided loyalties The co-ordination of tasks and responsibilities between the urban, peri-urban and rural areas are far from optimal All the SNGs lack capacity within territorial development planning 	<ul style="list-style-type: none"> The reforms in this area should be seen in a close relation to the adoption of the Urban Government Bill and the implementation of the Urban Government Policy, cf. chapter 6 and 7. A number of good experiences from development of administrative capacity in Manzini and Mbabane can be utilised in the development of the town councils and the town boards. 	<ul style="list-style-type: none"> <u>MT</u>: Strong budget, accounting and auditing units, manned by high qualified and competent personnel, should be established at local level and financial management improved. The first step should be training and exposure to new technology and financial accounting systems. <u>ST</u>: An investigation of how to develop a more smooth territorial development/land planning and management process with special emphasis on the informal settlements should be initiated based on the experiences gained through the UGP. <u>MT</u>: Competencies of SNGs in the field of land management incl. ownership and tenureship within their territories should be established as well as shared competencies concerning land with other SNGs concerning the peri-urban areas.

<ul style="list-style-type: none"> • Increase efficiency and effectiveness of the public sector 	<ul style="list-style-type: none"> • Some of the SNGs (especially Manzini and Mbabane) have sought to improve their management through strategic planning and there has been an increased focus on supporting the human resource development in the most recent years. • There are serious problems in the relationship between the politicians and the administration in many of the SNGs • There are generally a problematic relationship between the elected and the appointed politicians. • The SNG staff lacks training in a number of areas among them information technology • There is a lack of staff in many key positions within all SNGs, especially within the field of finance 		<ul style="list-style-type: none"> • <u>ST</u>: A more clear identification and definition of main competencies and measures to strengthen the SNG councillors and staff should contribute to the strategic and innovative development of SNG administration by a more clear delineation of the policy making and daily management competencies. • <u>ST/LT</u>: SNG should upgrade their human resource functions in order to improve the recruitment and capacity concerning general managers and key staff drawing upon the experiences from the larger cities • <u>ST/MT</u>: The Town Councils should on an incremental basis, have greater autonomy for the recruitment and dismissal of the staff at the SNG level. <u>MT</u>: The Town Boards should, based on the named experiences of the Town Councils, in the medium perspective have competence to recruit and dismiss their own general managers and key staff. • <u>ST/MT</u>: The possibility for further development of the training centre for SNG councillors and staff to conduct sustainable and ongoing specialist training within all sector areas should be promoted: <u>MT</u>: SNGs should investigate the possibilities of undertaking training as a joint activity • <u>MT</u>: SNG should develop their decision-making and administrative capacity along the lines of the concept of "Good Governance" by a systematic involvement of the citizens within their jurisdiction with the use of user surveys, community participation and by delegation of management functional areas of ISP in accordance with target oriented performance management.
<ul style="list-style-type: none"> • Monitor SNGs in order to secure a system of checks and balance between the central government need for control and the SNGs' need for autonomy 	<ul style="list-style-type: none"> • Except the two city councils, the SNGs have very limited autonomy within staff recruitment (hiring and firing) • Ministerial approval is required for many of the councils action and decisions – this control is the same for all SNGs regardless of the authority bestowed to them and their administrative capacity 	<ul style="list-style-type: none"> • The numerous approval procedures delay the implementation of the SNG policy • There is need for clear and well-known guidelines concerning the most needed approval procedures 	<ul style="list-style-type: none"> • <u>MT/LT</u>: A supportive and effective management information system should be established in all SNGs to provide accurate, reliable, timely and user friendly data that is required, not only for organisational performance monitoring of key ISP indicators, but also for the broader aspects of policy analysis. • <u>ST</u>: Clear guidelines for

	<ul style="list-style-type: none"> • The present Study has shown numerous problems with the availability of audited and up-to-date SNG accounts • There is a problematic financial relationship between SNGs and CG, e.g. concerning approval of budgets and state transfers • The emphasising on control rather than regulation tends to lead to lack of innovation, apathy and inadequate accountability 		<p>approval procedures with a clear definition of decisions in need of approval should be developed, limiting these controls requirements to the most necessary areas.</p> <ul style="list-style-type: none"> • <u>ST</u>: CG guidelines concerning the budget process and budget formats should be revised regularly. Books of accounts in SNGs and Ministries should be brought up-to date.
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CHAPTER TWO

DECENTRALISATION OF THE PUBLIC SECTOR - OBJECTIVES, METHODS, AND EXPERIENCES

2.1 Introduction

The development of democracy and decentralisation at the local level has increasingly captured international interest, especially developing countries and Eastern European countries in transition. The main objective of this development is to improve public sector operations and thus contribute to the quality of life of citizens.

Decentralisation has been an important method of tackling many of the challenges of the nation states. These include increasing demands on public services, demographic pressure (more elderly and young people) and growing public expectations regarding the quality of services.

Decentralisation is characterised by public accountability, as the local self-government is subject to democratic control. Decentralisation allows citizens to participate in and influence the decisions made by the councils of local authorities. Decentralisation thus forms an important component of the development of democracy, as reflected in the *European Charter of Local Self-Government* adopted by the Council of Europe in 1985. The basis for decentralising public tasks and financing consists of several components, of which the following are of major importance:

- Local self-government denotes the rights and the abilities of local authorities, within the limits of law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population (art. 3.1.)
- Public responsibilities shall generally be exercised, in preference, by the authorities, which are closest to the citizens. Allocation of responsibility to another authority should weight up the extent and nature of the task and the requirements of efficiency and economy (art. 4.3.)
- Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers (art. 9.1)¹⁰
- At least a part of their own resources should be derived from local taxes and charges of which, within the limits of the statute, the local authorities shall have the power to determine the rate¹¹

¹⁰ European Charter of Local Self-Government adopted by the Council of Europe 1985. "Own" resources means the "possibility freely to dispose of".

¹¹ Alain Decamp: Working group on "The European Charter of Local Self-Government, Finances of the Local Authorities" (implementation of Article 9 of the Charter), Strassbourg, Oct. 21, 1997.

Decentralisation to lower levels of government is a complex phenomenon. It involves issues of finance, administration, control, regulation, reporting and accountability – all comprising part of the interrelationship between levels of government and with semi-public and private actors as well. The complex system of intergovernmental relations comprises the term **governance**, where “*good governance*” implies a focus on accountability for performance and results, i.e. the provision of services to the citizens in an efficient, effective and responsive manner. The shift from jurisdictional and procedural concerns to “good governance” marks a shift in paradigm that is of vital importance for the functioning of the public sector.

The importance of decentralisation can further be seen from the development in the democratic perspective of the European Union, where the role of local authorities is being strengthened. Recent amendments to the Treaty of the European Union state that the Union is one “in which decisions are taken as closely as possible to the citizens” – the so-called principle of “**subsidiarity**”. This principle has also been the main strategy in other parts of the world and a guiding principle for many countries in development and transition.

Local and regional authorities in this way play a central role by having a close relationship to citizens and have greater influence on how democracy, efficiency and transparency develop. This ensures that the provision of public services is most responsive to local needs and conditions.

Most public services to households and enterprises are generally most efficiently provided by local government. Efficient decisions must be based on good information, and it can be very difficult at the central level to secure necessary information about local matters. Local government service provision also makes it easier to adjust the service level and quality to meet the expectations and needs of the citizens within a given area.¹²

Fiscal decentralisation is generally accepted as the way to enhance political, institutional and economic development. The economic benefits from decentralisation are difficult to quantify, but evidence in Denmark, Norway and other countries shows that there is a U-shaped relationship between average expenditure for administration and the size of the authority. This suggests that both very small and very large units are costly compared to those of medium size.¹³ Evidence shows that local government in most countries with less than 5,000 inhabitants will generally be too costly to provide services at the local level.¹⁴

Parallel to this development, the international community, especially donors, increasingly demand democratic progress and decentralisation by the recipients of aid, and of applicants wishing to join their clubs. Crucial in the development of a democratic society is the establishment of local authorities with elected councils, functions to perform and financial backing.

This Chapter describes trends in the development of the modern, decentralised public sector and some of the major *indicators* of decentralisation. The presentation primarily focuses on

¹² The argument for more efficient operation of the public sector was mentioned in the debates in the Nordic countries when local governments were legislated in the mid 19th century.

¹³ Cf. e.g. in Kenneth Davey and Gábor Péteri: “Local Government Finance: Options for Reform”, Nagykovácsi, 1998, p. 19 ff.

¹⁴ Kenneth Davey: “Political and Fiscal Decentralisation-Reforms in the Baltic Sea States – Proceedings of the Regional FDI Conference”, Section on: Public Administration in Central and Eastern Europe, November 24-25, 1999 Copenhagen.

and trends in the OECD countries, but also provides a comparison to the situation in some of the Sub-Saharan countries involved in the research. This overview of international decentralisation experience, particularly within the field of local government finance, allows the results of the country research to be seen in a more global context.

Despite common decentralisation objectives among many countries and within international fora, the experiences have shown that the practical implementation of decentralisation and the time span required for it vary greatly from one country to another.¹⁵

In some of the OECD countries, the historic development took the form of federations of states with independent legislative powers. This occurred because people, for historical reasons, were unwilling to accept central authority, or because cultural and other differences made it impossible for them to live together in a unitary state¹⁶. The federal constitutions guarantee the rights of the member states to perform specific functions, and it secures their methods of financing. The federal countries often have strong anti-central attitudes, but decentralisation beyond the intermediate state level is left for the states to decide upon, and decentralisation to the local level is not impressive.

In the unitary countries, decentralisation was historically initiated by a centre and was driven by reasons of democracy and/or of efficiency.

Unitary and federal decentralisation policies are very different issues. Decentralisation in the federal sense is usually very clear and absolute, but this is rarely the case when unitary countries delegate functions.

The parliaments of unitary countries rarely decide to decentralise all of the functions suited for delegation to local authorities. Often, decentralisation has been viewed as being a more effective way to deliver centrally delegated public services than would have been the case with central provision. Countries torn by internal religious, ethnic, linguistic or other tensions often need to apply a federal model with an independent regional tier of government. Countries organised as unitary states may have internal divisions, and they may benefit from including features from the federal model in the organisation of local government. In both cases, to gain the benefits from efficiency and democracy, decentralisation to the lowest level should not be neglected. The present study on decentralisation in African countries focuses on decentralisation to the lowest level, the towns and municipalities (and in some countries districts/regions), and not on federal solutions.

¹⁵ The information about particular countries relates to a recent year. It has not been possible to check if reforms that are more recent have changed the situation.

¹⁶ In the case of Germany, the allied forces imposed the federal solution after the war in order to prevent the re-emergence of a strong German state.

2.2 The Global Trend of Growth of the Public Sector, Financial Constraints and Conditions for Decentralisation

The role of the public sector as supplier of services and welfare benefits has constantly increased since the age of industrialisation, as witnessed by the development of tax ratios over the years. OECD records show that tax ratios (tax revenues as percentages of GDP) have increased since 1965 by half: from 26% to 38% (see *Table 2.1*).

Table 2.1: Tax Ratios as per cent of GDP 1965-94, OECD Countries

Ratios in per cent	1965	1970	1975	1980	1985	1990	1994
OECD-countries	26.3	29.5	32.5	34.1	35.9	37.0	38.4

Source: Revenue Statistics. OECD. 1997.

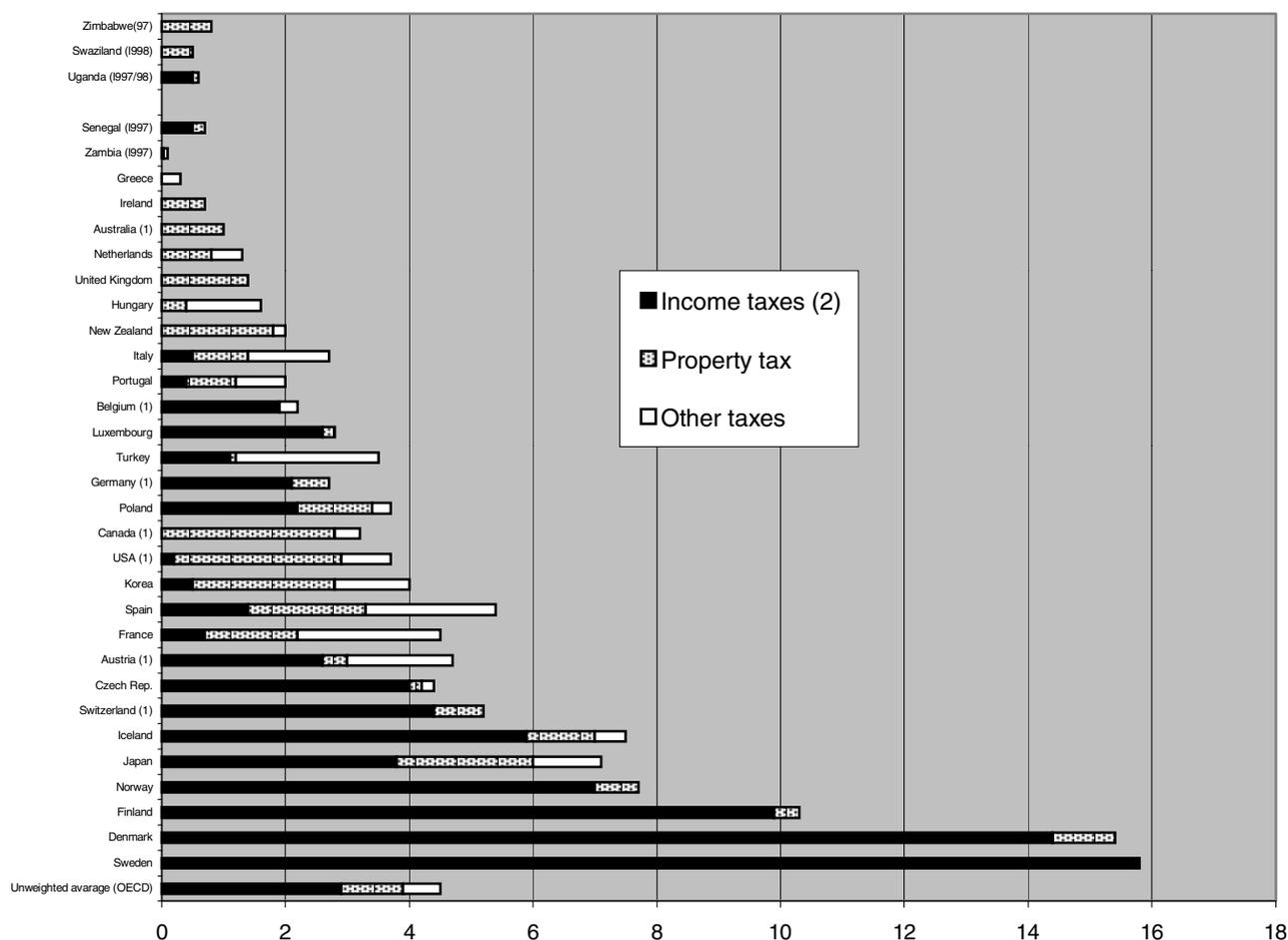
In this three-decade period, most countries have experienced a steady increase in demand for public services. The political willingness to meet this demand has prevailed within the concept of the welfare state, the result being a substantial increase in the provision of services. Among the most important reasons for the increased demand for institutionalised welfare services has been the trend toward an increasing number of elderly people in many countries and the longer duration of education combined with increased employment of women outside the home. However, there is no single, generally accepted economic explanation for this growth in public services. Income elastic demand, new knowledge and technology, imperfect organisation and decision making all have been shown to contribute.

One reason why it has been so complicated to explain the growth of the public sector is that it is not a direct result of the working of economic forces; rather, it is a product of political decisions. Any service may be public if it is politically decided that it is to be tax financed, supplied free of charges or subsidised. Therefore, the concept of public services is not given and not uniform between countries.

The importance of the *local government sector* is shown in *Table 2.2*, which indicates local government tax as a share of GDP (see also Appendix No. 1 to Chapter 2):

Table 2.2

Local tax revenues as per cent of GDP. 1997 for OECD countries and 1997/98 for African countries



Source: OECD, Revenue Statistics 1965-1998, OECD 1999. African countries: Data from the present Study on Fiscal Decentralisation and Sub-National Finance, collected from various sources (unofficial data). Zambia, 1997 figures, Source: Central Statistical Office. Swaziland 1998, Ghana 1996, Senegal 1997, Uganda 1997-98, Zimbabwe 1997.

The tax financing of services in any country is a political choice, and it is a political responsibility to ensure that taxpayers are only burdened with the cost of such services, and only for very good reasons. Welfare services and transfer levels for redistribution can be unrealistic when considering the economic capacity of the country. The result then becomes high taxes or inflation followed by low economic growth and a decline in available resources.

Decentralisation is sometimes seen as one way to create greater accountability in the public sector, e.g. a way to keep spending within the capacity to tax. However, experience from a number of countries shows that decentralisation may also take place under conditions of general financial constraints, where central government transfers responsibilities for public service provision to lower levels of government without a corresponding transfer of financial means.

In many cases, there has been a tendency that the financing was not decentralised with the public service functions. In the post World War II decades, expenditure on public welfare

services grew quickly in many countries, resulting in so-called “vertical imbalances” and the need for central government grants. The same process is now being repeated in several of the countries in transition in Eastern Europe, Asia and Africa. It is noteworthy that decentralisation in some Latin American countries seems to follow a reverse pattern: to guarantee decentralisation revenue before decentralising responsibilities.

Decentralisation can be a less painful way in the short-term for central governments to overcome national budget constraints and unbalances.¹⁷ It can be justified to the extent that efficiency gains are generated by decentralisation of responsibilities. This again requires lower levels of government to be furnished with some degree of managerial and/or financial discretionary power and autonomy in order to be able to compensate by innovation, flexibility and adaptability to local needs and conditions. In this way, decentralisation can be seen as a major option for promoting “good governance”.

The size and organisational structure of the public sector in any country is very much a result of political choice. However, data suggest that it is most likely that the public sector’s role will increase for countries in early stages of development.

Therefore, the role of the public sector will remain one of the most important political issues in any country. The central and local governments’ ability to collect taxes is crucial to finance public services. The public sector of developing countries can be expected to grow with economic development. Developing countries must prepare their institutions so that this development is efficient, government spending is controlled and resources are mobilised. Decentralisation is one way to mobilise needed resources and improve performance.

The benefits of public expenditures have to be carefully weighted against their costs. Poor management and wasteful misallocation in the public sector can easily result in stagnation of the whole economy, popular mistrust of politicians and increased levels of tax non-payment. These risks can be minimized under certain conditions by decentralising the public sector and thus mobilising local populations to scrutinize and control the level of expenditure and taxes.

An inefficient public sector will not become efficient by decentralisation alone. First, problems of control/supervision and of local organizational and administrative capability must be solved. The need for justice must be satisfied, legal rights guaranteed and democratic controls established¹⁸. Related efficient administrative systems such as budget and accounting systems, indicators for services provision/performance, and audit and tax systems should be developed as well. Without these conditions, decentralisation of the public sector cannot serve its purpose.

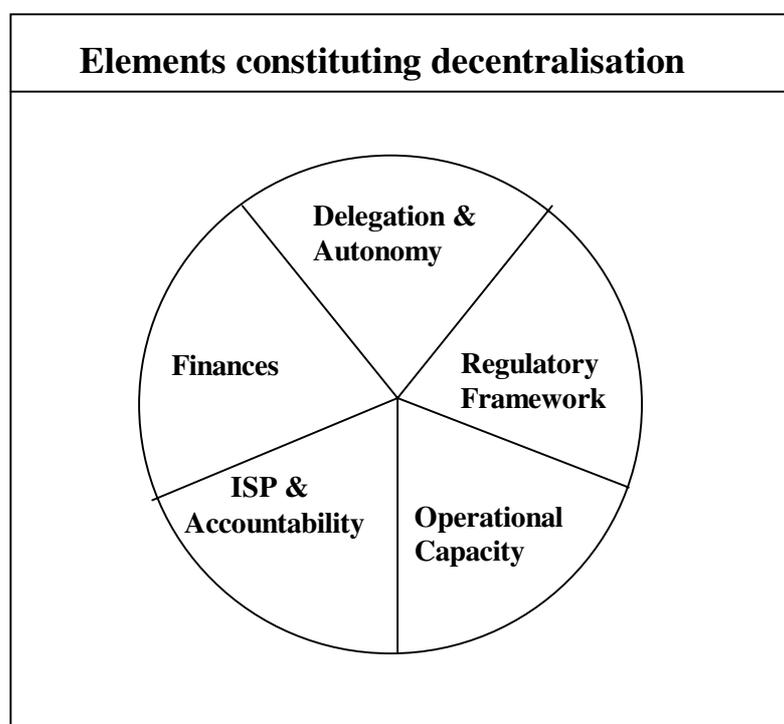
2.3 Indicators of the Decentralisation of the Public Sector

The major elements constituting decentralisation of the public sector are shown in the figure below.

¹⁷. Unfunded mandates may also preclude the implementation of legislation and new tasks and jeopardise cordial central/local government relations. This has especially been the case in a number of Central and Eastern European countries (in transition), where many tasks have been transferred without sufficient finance, cf. Ricard M. Bird, Robert D. Ebel, and Christine L. Wallish (editors), “Decentralisation of the Socialist States, Intergovernmental Finance in Transition Economies, International Bank of Reconstruction and Development, Regional and Sectoral Studies”, 1995.

¹⁸ These issues are central in the IBRD World development report 1997, which concludes (pg. 162) that “strengthening the rule of law must be a vital first step” For African development.

Figure with Indicators



ISP = Infrastructure and Service

2.3.1 Delegation, Responsibility and Autonomy

Some of the necessary indicators of decentralisation are the relative sizes of local government revenues and expenditures.

2.3.1.1 Decentralised public purchasing power by disbursements and actual local government consumption

The extent of actual decentralisation is difficult to describe, but one of the first appropriate indicators is local government expenditure. An analysis of public expenditures shows that only four of the eighteen OECD countries allocate less than 7 per cent of GDP to local government (see the tables below).

Table 2.3: Local Government Disbursements as per cent of GDP (1995)

	Disburse-ments	Consumption
Zambia (1997)	0.5	
Senegal (1997)	1.8	
Ghana (1996)	2.6	
Uganda (97/98)	4.0	
Swaziland (1998)	0.6	
Zimbabwe (1997)	3.0	
OECD-countries:		
Australia	4.1	0.0
Austria	7.1	3.7
Belgium	7.0	4.4
Canada	11.2	8.9
Finland	18.4	14.4
Denmark	24.4	17.5
France	7.9	5.1
Greece 94	3.8	3.2
Germany	5.8	3.8
Iceland	7.7	5.3
Ireland 94	10.6	7.7
Italy	12.0	7.5
Japan	12.8	7.4
Korea	10.1	4.8
Netherlands	14.0	6.9
Norway	16.9	12.6
Portugal 93	3.9	2.9
Spain 94	9.8	6.2
Sweden	22.2	17.8
UK	10.1	7.3
US 93	13.7	9.5

Source: The table is based on OECD National Accounts Statistics. The figures show net of fees and charges. The figures from the Sub-Saharan countries are of various sources and from the Study and should be treated with due caution. Zambia: Data from 1997, Source: Ministry of Finance. The concept of local government includes provinces and regions, but not the state level in federal countries. For Australia, the OECD figures have been adjusted to exclude state finances.

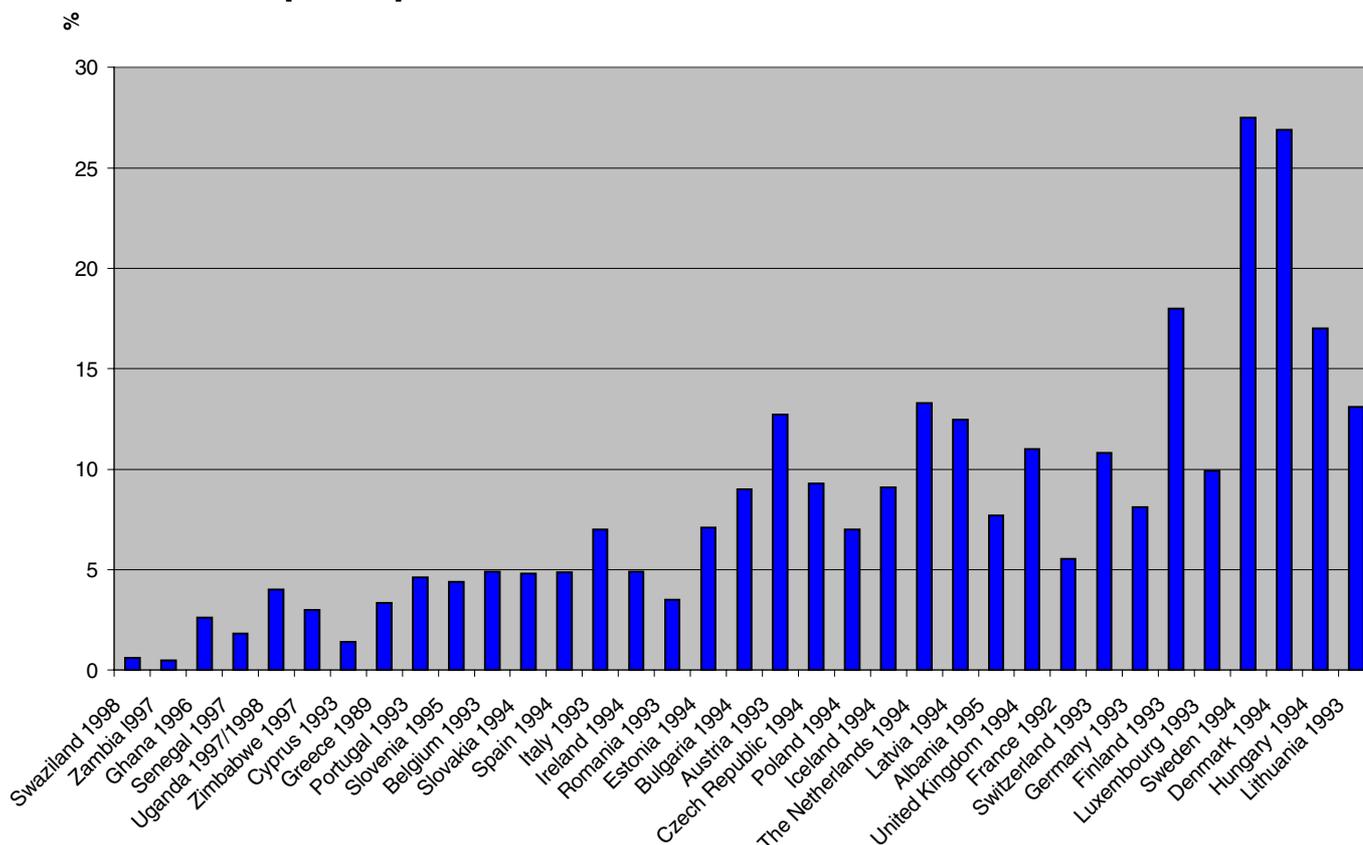
Disbursements include: Transfers as well as service expenditure. For Denmark, agent-type transfers have been deducted from the OECD figures. Capital expenditure is not included.

Consumption is local government salaries and purchases. The figures for the African countries are derived from the present research (different sources), and a direct comparison should be made with great caution. Figures for the African countries are drawn from the case studies on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision and not from official figures. Senegal: 1997 figures based on extrapolation. Uganda 1997/98 figures and Swaziland 1997 figures.

Table 2.4 below shows local government expenditure in relation to central government expenditure:

Table 2.4: Local Government Expenditure in Relation to Central Government Expenditure

Municipal expenditure in relation to Gross Domestic Product



Council of Europe, "Local Finance in Europe", No. 61, Strasbourg, 1997. Only the municipal level of local governments. Figures from African countries were collected as a part of the study on Fiscal Decentralisation and Sub-National Finance, 1998-2000 (unofficial figures) and include all sub-national governments. 1) Figures from DK include expenditures, which are 100% reimbursed by the State.

Developing countries seem to have a lower local government share of the GDP and of total public expenditures. This tendency has been confirmed by the present study. An example is Zambia, where the local government expenditure only constituted approximately 3% of the total public expenditure in 1997.¹⁹

Such figures are, of course, only a first step in comparing the differences between countries. For example, tightly controlled countries, such as Japan, may rank higher than justified by the actual degree of decentralisation. In the Netherlands, the high figure for local government expenditure is very much due to decentralisation towards private non-profit organisations/associations and not to democratic local authorities. This pattern is also seen in El

¹⁹ Data are from the Study on Fiscal Decentralisation and Sub-National Finance. The figures are based on data from the Ministry of Finance in Zambia.

Salvador, Bolivia, and a number of the research countries. It is clear that an analysis like this has to be supplemented by other indicators of autonomy as well.²⁰

2.3.1.2 The decentralisation of tasks and responsibilities across levels of government

Local Government responsibilities for the provision of public services vary greatly from country to country. These responsibilities are in some countries decreed by the constitution, in others by separate legislation and in a few by a presidential decree. The responsibilities could be fully decentralized or they could be decentralised in some cases and shared among different levels of government in others. Furthermore, the distribution of responsibilities can be seen in close relation to the issue of the degree of autonomy concerning specific responsibilities. Information concerning distribution is not available in a systematic way for all OECD countries, and, accordingly, the table below only includes countries with available information.

Table 2.5: Local Government Responsibilities²¹

	Education	Health	Social Security & welfare	Housing	Community amenities	Recreational & cultural affairs	Economic services
Uganda	S	S	S	SG	SNG	SNG	SNG
Senegal	S	S	S	S	S	S	S
Ghana	CG	CG			S	S	S
Swaziland	CG	CG			CG/SNG	CG	CG
Zambia	CG	CG	S	S	SNG	NA	SNG/S
Zimbabwe	S	S	S	S	SNG	S	SNG
Latvia {1}	S	S	S	S	S	S	S
Austria {2}	S	S	S	SNG	S	S	S
Belgium {2}	SNG	S	S	SNG	SNG	S	S
Denmark {1,3,4}	S	SNG	SNG	SNG	SNG	S	S
Finland {1,3,4}	S	SNG	SNG	SNG	SNG	S	S
France {3,2}	S	S	S	SNG	SNG	S	SNG

²⁰ One example of very controlled functions recorded as local expenditure is Japan, where functions delegated to local authorities until recently have been regarded as central expenditure disbursed by local authorities ("agency delegated functions"). Another example is Slesvig-Holstein, a German land, where decentralisation of the schools only means that the local authorities can build the schools. The Ministry strictly details everything taking place inside the schools. Chapters 6 and 7 explore these indicators further.

²¹ The table shows where the **major** responsibilities are assigned. Within each category, some minor tasks may be carried out by another level. The following sources have been used to complete the table:

2nd Questionnaire on the Responsibilities of Local Authorities" contributions from Country Experts to the Council of Europe's Working Group on "the European Charter of Local Self-Government"

"Regional and Local Government in the European Union" by the Committee of the Regions: Sub-Commission on Local and Regional Finances, February 1996.

"Strategy Development on Decentralizing Public Administration Structure", by VNG: Association of Netherlands Municipalities, 1996.

"Kap. 7: Opgavefordelingen i andre lande – Opgavekommissionen" by the Danish Minister of the Interior, October 1998.

"Managing Across Levels of Government", OECD Report 1997.

"The Reform of Inter-governmental Fiscal Relations in Developing and Emerging Market Economies" by Anwar Shah: The World Bank's Policy and Research Series no. 23, 1994.

"Nordic Local Government" by E. Albæk, L. Rose, L. Strömberg and K. Ståhlberg: The Association of Finnish Local Authorities, Helsinki 1996.

Germany {2,5}	S	S	SNG	SNG	SNG	SNG	S
Iceland {1}	S	S	SNG	S	SNG	S	S
Ireland {2}	CG	CG	CG	SNG	SNG	S	S
Japan {5,6}	S	S	S	SNG	SNG	SNG	S
Netherlands {1,2}	S	S	S	SNG	SNG	S	S
Norway {3,7}	S	SNG	SNG	SNG	SNG	S	S
Portugal {1,2}	S	S	S	S	SNG	S	S
Spain {2}	S	S	S	S	SNG	S	S
Sweden {1,2}	S	SNG	SNG	SNG	SNG	S	S
UK ²² {1,3,2}	S	S	S	S	S	S	S
US {5}	S	S	S	S	SNG	SNG	S

The tabulation comprises: CG=Central Government, S=Shared & SNG=Sub-National Government.

Comparisons of functions delegated to various levels of governments show a surprisingly uniform pattern between countries. The difference between a highly decentralised country, with strong local authorities and a high degree of autonomy, and a very centralised one is seen, not so much in the number of functions delegated, but in the degree of freedom left to local authorities to decide which services to offer their citizens and how to implement such services.

The basic local functions - sanitary measures, road maintenance, street lighting etc. – have traditionally been purely local services financed out of local fees, charges and taxes. As far back as 200 years ago, the responsibility for redistribution responsibilities like free schools, poverty assistance, and care for the poor and sick was also in several countries delegated to local authorities.

The latter type of expenditure has been growing in importance with the development of the modern welfare state. Where these responsibilities are delegated to the local levels of government, disputes arise on who has the responsibility and the power to decide. The problems arise not only in the case of primary schools, but it has proven difficult to distribute functions like social assistance and health. A study of the EU countries has shown that local governments in all EU countries are responsible for physical planning, public health control, waste collection and disposal, parks and open areas, recreational amenities and culture, public transport and some social services (including services for elderly people and child care). The degree of local government responsibility for other services varies between countries.²³

The issue of distribution of functions by level of government is now under discussion in several countries. For example, commissions have been set up in Denmark and Norway. In Sweden, experiments are being made with new types of enlarged regions.

One lesson to be drawn is that central Parliaments, generally speaking, are only willing to delegate a share of their responsibility for the supply of free public services in the modern welfare state. These services are dependant on what counts at the ballot, and they are the issues picked up by the press in its search for “stories”.

²² Northern Ireland is not included as it differs too much from the rest of UK. Another particularity in UK is that many services are not the responsibility of sub national governments but are provided by agencies of central government e.g. water supply, post-16 education, urban development; housing and the provider of these and other responsibilities varies from region to region in UK.

²³ Kenneth Davey and Gabor Peteri (ed), “Local Government Finance- Options for Reforms”, Oct. 1998, Local Government know how programme, p. 12.

The unwillingness of central Parliaments to share their powers with local authorities may also express political resistance against democracy. Decentralisation means that they have to share their influence regarding government expenditures and taxation.

2.3.1.3 The Decision-Making Power of Local Authorities: the Degree of Autonomy at the Local Level

Decentralisation is a means of distributing political power. It has now been strongly established in former communist countries and in countries like Belgium and Spain. As early as the mid 19th century, the Scandinavian kings formed coalitions with local authorities to counterbalance the power of the nobility.

Political decentralisation depends on the central government's willingness to allow for local differences in service levels, and the two issues tend to merge into one.

Countries with strong anti-centralist traditions, such as the USA, prefer decentralised solutions. This is true of federal countries concerning the distribution of functions between the central and the state level – but not between the state and local authorities. Table 3 suggests that the federal countries, which developed on the idea of decentralisation, are generally not those that delegate most to the local level.

It can also be seen from Tables 2.3 and 2.4 that none of the large countries are among those most decentralised. The distribution of functions to different levels of government is a highly political question. Because large countries typically have histories of minority suppression, they have needed strong central governments to create stability. Such countries seem to have two ways to go: they develop either federal solutions or centralist traditions. In the latter case, the tables indicate that they typically prefer comparatively centralist arrangements.

As mentioned above, there are economic gains in efficient decentralisation. However, decentralisation is also a political question, and there is no "right" way for any given country to decentralise.

The issue of autonomy is related to the, often quite complex, degree of discretion that local authorities exercise in their various functions and responsibilities. This issue is also tied to the main reasons for decentralisation of the public sector: to increase overall efficiency and effectiveness by allowing local authorities (with a close relationship to the people), to improve responsiveness, accountability and performance of service production and delivery. In many countries, dynamic and innovative leadership of some local authorities has been used to find new ways and means of generating improved efficiency in the handling of functions.

Several elements can be used to describe the degree of autonomy of local authorities. One of these concerns the possibility for the central government to withdraw or limit the discretionary power of the lower level of government. The constitution of some countries protects the discretionary power of local governments. Another element concerns their potential command over self-generated resources: the share of and nature of own taxes, decisions regarding taxation rates and the establishment of the tax base, and the power to apply user charges and to borrow money. A high degree of autonomy is experienced in the Nordic countries, France and United States, whereas this kind of financial autonomy is quite limited in the Netherlands and Ireland.²⁴

²⁴ Alan Decamp (editor), Working Group on The European Charter of Self-Government", Oct. 1997.

Autonomy can be seen in connection with central governments' overall objectives for economic policy and for the equitable provision of public services nationwide. In order to balance local wishes for autonomy with these national objectives, many countries have adopted minimum standards for different types of public services. These minimum standards have been established by considering the viewpoints of the local authorities and by involving associations of local authorities in their elaboration. A number of countries have established various fora for co-operation concerning the establishment of guidelines influencing decisions of local authorities in the field of own taxes, local expenditure targets and related matters. In this regard, associations of local authorities often play a major role.

2.3.2 The Operational Capacity Reflected in the Structure of Government Related to Number of Levels and Sizes of Local Authorities

2.3.2.1 The Municipal Level

Two traditions of local government structure can be identified. There is the British tradition of ad-hoc authorities, developed at the end of the 18th century in response to new urban needs following industrialisation. Special boards were created for paving roads, street lighting, police and garbage removal. Later, these functions were gathered under multi-purpose districts and counties. The *single purpose* model for local government has survived, for example, in the United States, where numerous elected boards, each with its own specialised functions and financing, are common. An advantage of this model is the close democratic influence on the public service delivery and the economy of scale that is often achieved. Some of the disadvantages are the lack of overall priorities, the lack of co-ordination and accountability, the lack of simplicity and the obscured visibility of the tax rates.

The other tradition is a *multipurpose* local government organisation developed out of very old local structures. These were mostly church districts or central subdivisions created and staffed by the King for control purposes that subsequently evolved into authorities with locally elected councils to handle the joint affairs of the local population.

The social pressures shaping local governments, however, were the same in both cases: migration to the cities paired with growing expectations regarding the level and quality of free welfare services since the world war required newly structured and organised local governments.

Century-old units have become depopulated and unable to meet the demands of the new age, and large reductions in the number of local units have taken place. Figures have been collected for different countries by the Council of Europe (see *Table 2.6*).

Table 2.6: Number of Local Authorities, 1950 and 1992

COUNTRY	Reduction in number since 1950. Pct.	Number 1992	Average size 1992	Per cent less than 10.000 inhabitants 1992
Zambia (1999)		72	140.230	Very few SNGs
Uganda (1999)		1050	19050*	Few of the sub-counties
Swaziland (1999)		13	15000**	Many of the rural SNGs
Senegal (1999)		433	214780	Many of the rural districts
Ghana (1999)		110*** + 1800 urban/Zonal councils and 16000 unit com.	N/A	Many of the lower tiers of SNGs
Zimbabwe (1999)		81	145680	Few of the rural SNGs
Council of Europe Countries				
Austria	42	2301	3340	91.5
Belgium	78	589	16960	17.3
Bulgaria	88	255	35000	8.2
Czech Rep.	44	6196	13730	95.7
Denmark	80	275	18760	6.9
Finland	16	460	10870	49.5
France	5	36763	1580	95.2
Germany	67	8077	4925	84.0
Greece	1	5922	1700	96.7
Iceland	14	197	1330	96.5
Italy	plus 4	8100	7130	72.9
Netherlands	36	647	23200	11.2
Portugal	plus 1	305	32300	8.5
Spain	12	8082	4930	86.2
Sweden	87	286	30040	3.1
Switzerland	3	3021	2210	92.0
UK	76	484	118440	N/A.

Source: *The size of municipalities, efficiency and citizens participation. Council of Europe. Local and regional authorities in Europe, No. 56. Council of Europe Press, 1995. Data from the African countries has been collected during the study on Fiscal Decentralisation and Sub-National Finance, 1998-2000. Senegal figures includes 43 arrondissements*

*, Uganda: The 45 districts are very large, all with more than 100.000 inhabitants, but the lower tiers of SNGs are characterised by smaller units.

** Swaziland: Only the urban population is estimated to cover approx. 20% of the country, i.e. approx. 200,000 inhabitants.

*** Ghana has a great number of smaller SNGs under these district assemblies, cf. the country study. The system was introduced in 1998, and is still not fully implemented

Since 1980, the move towards larger units has slowed, and only very few recent examples can be found. One example is the reforms in Scotland in 1992. These were part of a large change of power for the Scottish office, and as the existing local government structure was quite new, deep-rooted feelings of belonging had not yet been established. In Central and Eastern Europe, a large number of smaller local authorities have been established in connection with the transition, which has created some problems of fragmentation.²⁵

In Africa, many new units have been established in the last 20-30 years, e.g. in Zambia, Uganda, Ghana, Senegal and Swaziland.

Although efficiency gains may be achieved through amalgamations of local authorities, political resistance at the local level has been significant; very few reforms have been implemented without an element of force from the central government. This may explain why

²⁵ In some countries (for example, Latvia and Estonia) there are still ongoing reform plans with the aim to reduce the number of local authorities.

the speed in conglomeration seems to have been reduced by the modern political climate and the increasing powers of the media, both of which have made reforms against the will of the local people more difficult. Instead, the structural reforms have been supplemented by trends toward making a split between, on the one hand, local authorities as providers, and, on the other hand, the public institutions as more or less independent – perhaps even private – suppliers. There are countries (Germany and the Netherlands) where associations and non-public organisations are responsible for many of the decentralised functions: for example, social welfare and health. Another possibility is to join in different forms of inter-municipal cooperation arrangements²⁶.

It can be seen from Table 2.6 that in some cases small units were maintained in thinly or unevenly populated countries (Finland, Iceland, Norway and perhaps Austria, Greece and Spain), though the example of Sweden demonstrates that this need not necessarily be the case.

Reforms have not been implemented on a major scale in countries such as France, Italy, and Germany, and there has been convergence between contrasting traditions in recent years. In the latter case, reforms have been implemented in some *länder*, while others have refused reforms. Recent reform efforts in France have failed because of political resistance.

The question of the optimal size of local authorities has been a subject of concern to local government experts in recent years. Evidence gives no clear answers, but many investigations indicate that local authorities with less than 5,000 inhabitants have increasing costs and declines in efficiency with their present tasks and functions. Results from investigations give no clear answers in the case of local authorities with over 5,000 inhabitants.

2.3.2.2 The Middle Tier

Many counties have established an intermediate level of government between the central government and municipalities. Sometimes, these are merely local representatives of the central government²⁷, and, in federal countries, the state level often has legislative powers similar to that of the central government. Such authorities are not local authorities. However, in a number of countries there is a local authority placed between the central and the municipal levels. As to the responsibilities of the intermediate authorities, there are two models.

One model is the Nordic model (Denmark, Finland, Iceland, Norway, and Sweden), where the intermediate level consists of units so large that they can handle functions for larger population units than exist at the municipal level. This is also the model in some African countries such as Senegal. In Senegal 10 districts were established in 1997 to conduct some regional tasks, e.g. regional planning. The units of the intermediate level are in this model parallel to the municipalities, though with different responsibilities. In most cases, they have their own elected boards. In other countries (Belgium, Finland, the Netherlands, and Spain), small local units co-operate in the provision of local services. The role of intermediate government in the Nordic countries is under discussion, especially with regard to hospital service.

²⁶ This is very common in countries such as Netherlands and Finland, but is experienced in almost all European countries.

²⁷ Nearly all countries have a certain central government presence at the regional level, and many countries also at the local level. A good example is Senegal.

Another model is an intermediate level of regions overseeing and controlling local authorities (Belgium, France, Italy, and Greece). They may even include elements of ministerial regional administration and, in this way, become one of the possible instruments of central control. This is a very common model in a number of African countries, e.g. in the so-called prefect systems.

There has been a number of recent reforms creating a regional level of government between the central and the municipal levels (Finland 1994, France 1982, Greece 1994, Ireland 1994). However, the tendency is not clear. In Scotland, Wales, England and some German länder, the intermediate level has been eliminated. In the Dutch province of Friesland, a four-year experiment has been initiated to test a model with clearer and less interwoven distribution of responsibilities between the two levels.

Some general conclusions seem to have emerged. Firstly, there is a connection between the size of municipalities and the role played by the intermediate level. Small municipalities seem to be more in need of supervision and control. Secondly, there is a correlation between the role of intermediate government and the degree of decentralisation. A high degree of decentralisation is often correlated with the intermediate level.

Recent developments have not influenced either of these models. The new Finnish regions have been made responsible for regional planning and environmental functions, and are voluntary municipal associations. In France, the new regional authorities have been given responsibilities within the field of education and transport. In Greece, regional planning and primary education have been decentralised to the new regions.

New thinking on the role of local government in other countries has resulted in political discussions on the need for an intermediate level. Proposals have been made in Denmark, Sweden and Norway to take functions from the intermediate levels and transfer them to municipal partnerships, to central governments or (for hospitals in particular) to independent units in market like constructions.

In the East European countries, the reforms after the communist regime have been mixed; but the general picture seems to suggest a two tier local structure, with quite large upper tier authorities having controlling functions in some cases.

2.3.3 Infrastructure and Service Provision and the Issues of Accountability

2.3.3.1 Efficiency and Responsiveness in Local Government Infrastructure and Service Provision – Public Accountability

Delegation of responsibilities for infrastructure and service provision to local governments can result in very different types and levels of services by area, depending on local conditions and priorities. The consequence of local self-government is that the client or service orientation of decision-making and administration re-orientates the focus away from mere production and towards effective distribution of public services. From a local perspective, the resulting disparities of quantities and qualities of public services throughout local authorities may appear questionable, and the voters can express their opinion at the next council election thus securing public accountability of the decisions made.

Participatory decision-making and other types of user involvement can further extend the deviation from the national average for service provision by user boards of schools, kindergartens or advisory committees for the provision of services to the elderly. These boards have been established recently in many countries. Indirectly, the councils of local government can also ensure that their decisions comply with the opinion of their electorates by the carrying out user-surveys. These surveys may question citizens' willingness to accept a reduction in the level and quality of services in order to obtain a corresponding reduction in the level of local taxes or question whether or not they are satisfied with the present balance between expenditure and revenue. The use of these surveys has increased in recent years in many countries.

However, disparities in the level and quality of services provided by various local governments can conflict with national policies and priorities. To secure compliance with national priorities with respect to type, quantity and quality of services, the central government can establish guidelines or minimum standards after consultation with the local governments..

Alternatively, the central government, by use of the financial resource allocation mechanism of earmarking transfers, can heavily influence local government decision-making in terms of the type, quantity and quality of services provided. The issue of different types of financial transfers is analysed further in Section 2.3.5.2 below.

The consultative and coordinative approach by setting guidelines and national minimum-standards to secure national priorities and increased equity has become more widespread and, furthermore, complies with the European Charter of Local Self-government instead of having rigid control and detailed legislation.

2.3.3.2 Effective Administration - Managerial Accountability

Managerial accountability emphasises efficiency in the optimal use of resources compared with achieved results related to expressed targets. The focus is not merely on compliance of services provided with the legal, regulatory and procedural framework, but also on performance and quality of the output related to different service areas.

The focus on managerial accountability as a means to achieve effective public administration is in accordance with theories and experiences of managerial economics of the private sector, which uses delegation of competence to enhance entrepreneurship and innovative approaches to service provision

The delegation of competence within the context of the local government entities calls for a division of power and responsibilities between the political leadership (the domain of local policies and priorities) and the administrative leadership (the domain of optimal compliance and performance related to the targets established by political decision-making). The clearer the division between the two types of leadership, the more potential there is for effective administration.

Performance related managerial accountability shifts the focus of the political leadership away from a project-level to a policy-level orientation. The mechanism of target performance leadership often leads to even further delegation of power and decentralisation to institutions under the domain of the local government. An increase in performance is quite often experienced in association with the increased flexibility in service production and distribution. This

in itself legitimates and initiates the sub-delegation of responsibilities. In the forefront, there is the effective use of human resources, administrative capital and information technology.

Managerial accountability can be constrained by the institutional (and, partly, the regulatory) framework of local governments. It is influenced by the degree of competence that the administrative leadership possesses and by its ability to recruit and develop the heads of departments and sub-government institutions as well as the staff. The autonomy of hiring and firing is in compliance with the civil service code or more generally the labour market code and the human resource management by capacity building through restructuring of the local government organisation and systematic training of major categories of staff. With respect to administrative capital and information technology, the accountability is related to the degree of autonomy of the administrative leadership to introduce innovative approaches in the carrying out of the different tasks of the local government administration. In many countries, e.g. within Europe, there has been a tendency to ease these constraints and let the local authorities more freely organise their human resources. This matter will be dealt with in more in detail in Chapter 7.

The central government needs to be able to draw upon managerial accountability, which it may do by the introduction of a framework for “experimentation”. This framework has more flexibility in relation to the division of responsibilities among different levels of government, often on an ad-hoc basis, for a single or a few local governments in specified functional areas of administration. A number of countries (such as Germany, the Nordic countries, Switzerland, Canada and U.S.A) have this kind of framework to influence the division of responsibilities among different levels of government. Other countries have instead, or supplementary to this, established co-ordination mechanisms to secure more optimal solutions in the cases of shared or partly overlapping responsibilities.

2.3.4 Regulatory Framework

2.3.4.1 Legislative and Regulatory Framework of Local Governments as Entities

The highest protection of the autonomy of local governments is the constitution. The Nordic Countries, some of the federal countries and some of the new countries in Central and Eastern Europe are examples of this high level of security²⁸. In other countries, autonomy is a part of the special legislation concerning local authorities, and, in a few cases, the autonomy of local authorities is established by a presidential decree offering only quite limited security of local self-government in cases of controversy.

A clear regulatory framework, first and foremost a clear law on local governments, is a very important condition for the provision of services by local governments. A clear division of responsibilities, a broad legal framework for local government functions and a clear description of the relationship between the different levels of government and competencies is a prerequisite for a well-functioning system of sub-national governments. In recent years, many reforms have been initiated in order to bring greater clarity in this area, especially in Central and Eastern Europe.

²⁸ In many countries, the principles of local self-determination are included in the constitution (for example Austria, Belgium, Greece, Denmark, Italy, Netherlands, Sweden, Bulgaria and Latvia). The same is the case in a number of African countries, most directly in the Constitution in Uganda, 1995. In England and Wales, it is part of common law. However, the parliaments of these countries normally determine which functions are to be decentralized.

Another closely linked factor is the degree of control exercised by the central government (e.g. control of the use of expenses; decision-making power regarding land, property, human resource management; and organisational structure).

Most countries, especially in the OECD, have recently attempted to stimulate consultation and co-ordination among different levels of governments, rather than strengthen formal controls, e.g. through prefect systems²⁹. There has been a tendency to move away from strict legislation and detailed rules towards more goal-oriented and performance related dialogue between different levels of government³⁰.

2.3.4.2 Restraints and Controls on the Functions of Local Government

Apart from the regulatory and legislative framework for local governments as entities, there may exist restraints on their various functions and competences. Such restraints could take the form of special legislation, by-laws, letters of instruction from line ministries and special codes (such as building codes and hygienic codes).

Restraints could also entail formal requirements for approval, prescribed procedures or co-ordination prior to local government decision-making. For example, in many countries, local governments are empowered to take loans but must seek prior approval, despite being deemed creditworthy by the lending institution.³¹ Thus, a procedure that appears to be in favour of autonomy of the local government decision-making in practice may be a restraint.

The co-ordination type of restraint often refers to systems of regular agreement on guidelines for local government activities established between the central ministries and the national associations of local governments. The co-ordination agreement is considered more flexible than a legislative framework, easier to adapt to changing circumstances and thus more comprehensive. Again, however, it is necessary to consider the total regulatory framework in order to be able to estimate the degree of autonomy of local governments.

2.3.4.3 Regulatory framework related to private participation in infrastructure and service delivery

A field of special importance for local governments to enhance their flexibility and competitiveness concerns private sector participation in infrastructure and service provision.

Until recently, in many countries the regulatory framework restricted methods for improving service provision by local authorities, especially in periods of financial constraint. The intentions of the local councils could be to use the market mechanism to effectively improve the administration by creating incentives for innovation or changes in working procedures and norms.

For councils seeking a flexible mix of public, private or public-private partnerships, the steps for provision of the regulatory framework may appear complex and troublesome. The way

²⁹ For a more detailed treatment of this subject see, "Managing Across Levels of Governments", OECD, 1997, p. 2.

³⁰ cf. above.

³¹ See e.g. Council of Europe: "Local Authorities' Budgetary Deficits" and Excessive Indebtedness", Strassbourg.

the private sector could be involved covers a whole range of conceptual and practical solutions where public function may be commercialised, management delegated or ownership transferred to the private sector.

The trend in many countries shows an increasing awareness of the necessity to create a competitive environment for the provision of infrastructure and services. This development is enhanced by a requirement from central government or, in the case of the European Union, from the European Commission to undertake tendering processes in more and more fields of public sector functions.

2.3.5 Fiscal Decentralisation

Fiscal indicators are important to delimit local government autonomy and the level of decentralisation.

Section 2.3.3 and 2.3.4 gave a short overview of local government *expenses* and some indicators of autonomy. Of equal importance is the subject of local government revenues.

2.3.5.1. Composition of Revenues

Careful consideration of the *composition of revenues* is very important. The composition of revenues varies greatly from one country to another. Typically, the following main types of local government revenues can be identified:

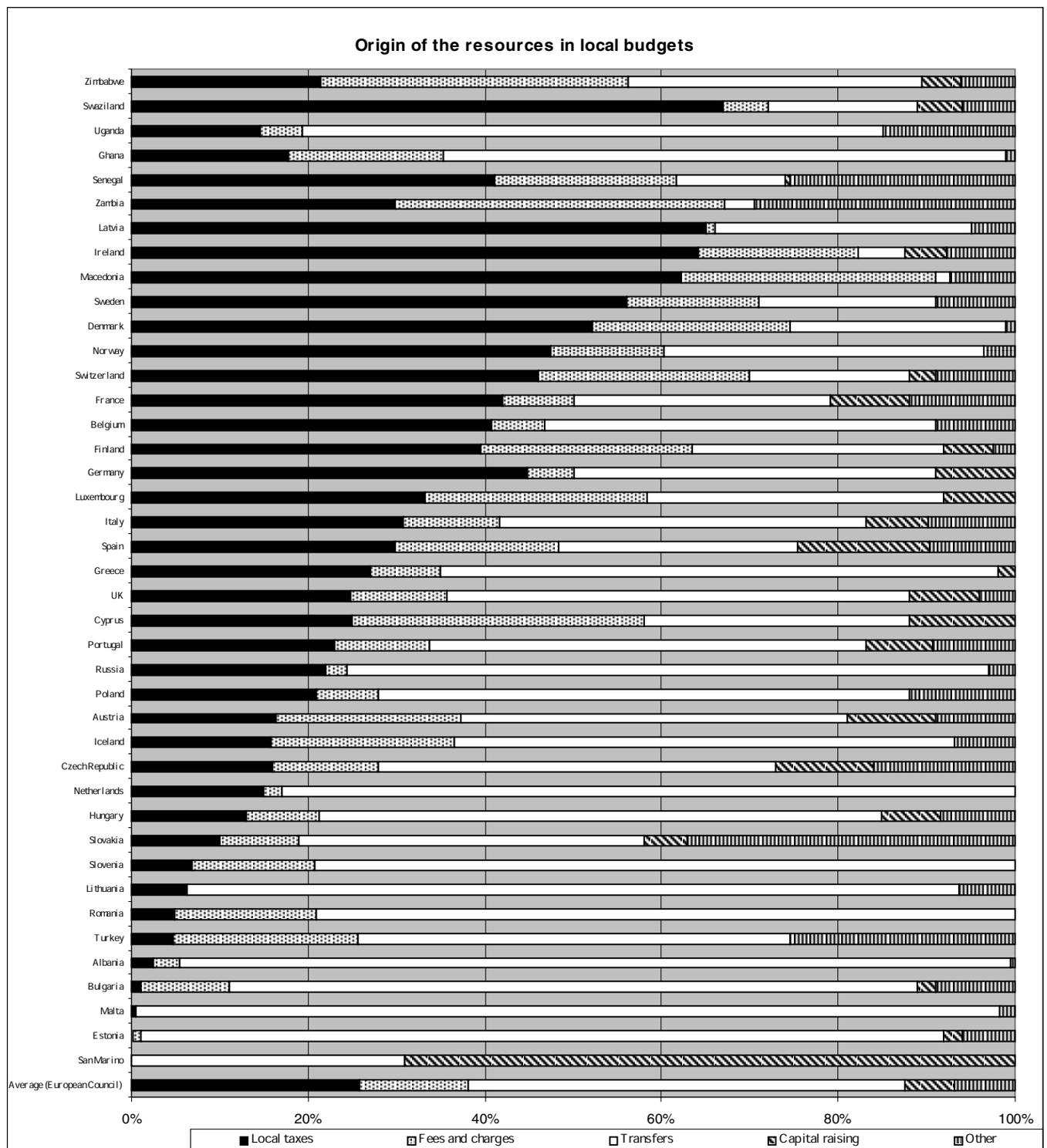
- Revenue from the sale of services - non-tax revenues and user charges/fees.
- Tax revenues - local taxes or shared national taxes.
- Different types of grants (e.g. general and specific) made available to local governments from the central government.
- Borrowing, e.g. for investment expenditure.

“Own revenue sources” are understood as resources where the local governments can influence the revenue level and are able to dispose of the revenues freely give the highest level of autonomy. These are often connected with local taxes and different kinds of user charges³².

The distribution of these categories varies greatly from country to country (see Table 2.7 below):

³² It is difficult to make a rank order of revenues according to the level of autonomy, as other factors have an impact as well. However, generally, the following order is useful: 1) own revenue sources (own taxes and user charges), 2) shared taxes, 3) general grants, 4) conditional grants, 5) specific and discretionary grants and 6) grants given to “agent functions”. In the definition of own taxes, factors such as the possibility to set the tax rate, to define the tax base and to influence the collection of taxes (indirectly influence the level of revenue) are important. All these factors will be investigated in Chapters 4 and 6.

Table 2.7:



The table is based on reports by members of the group of experts, the work by the DEXIA and in the absence of any such figures, statistics included in the so-called CDLR report. Paper from the working group on “The European Charter of Local Self Government”, Strassbourg 21, October 1997, Finance of Local authorities (impl. Of Art. 9 of the charter, cf. also appendix No. 2). Africa: Cf. this report.

Economic and political problems at the central government level sometimes result in the delegation of responsibility without the delegation of tax powers or grants; the difference is referred to as *the “vertical imbalance”* in the public sector economy.

Small vertical imbalances *ex ante* (i.e. before the local budgets are made) in favour of the government are indispensable instruments for the control of local authorities. They give incentives for local authorities to improve their tax effort and their efficiency in the delivery of local services. In Brazil, Colombia and Venezuela, revenues have preceded the delegation of responsibilities. Such imbalances in favour of local governments tend to promote excessive spending³³.

However, large vertical imbalances in favour of central government easily result in uncontrolled deficit financing and accumulation of local debt. At some later stage, they must be replaced by grants to the local authorities to cover the vertical imbalance *ex post*, and at this late stage, decisions on excessive local expenditure may be difficult to reverse. The present research has confirmed is the case in many African countries.

There is a delicate equilibrium point between *ex ante* and *ex post* imbalance. The point here is not to misuse the introduction of good incentives for local efficiency so that the institution of local government becomes discredited.

Vertical imbalances *ex post* can be defined as grants received by local governments. Once local provision is decided, the major choice is between grants and local taxes. Local taxes may be grant-like tax sharing receipts (see below) or own local taxes. Own local taxes are those where the local authority has some influence over taxation (level, base or collection). This means that the local population must suffer higher taxation if they want better services or if the local authority is inefficient and wasteful. Modest service standards and good management are rewarded by low local taxes. This gives the right incentives for the local population at election time. A high level of own taxation also deprives the local councils the possibility of placing responsibility for failing delivery of local services on the lack of money from the central government.

The advantage of own local taxes over tax sharing arrangements is that own taxation results in *accountability*; it affects the behaviour of the local population and the local councils in a positive way. The combination of *ex ante*, non-financed small vertical imbalances with the existence of own local taxes is a strong recipe for better efficiency in a decentralised public sector.

The table below gives some indications of the choice between grants and taxes in different countries. The table shows that the proportion of local taxes varies greatly from country to country.

³³ Kiichiro Fukasaka and Ricardo Hausmann (eds.): "Democracy, Decentralisation and Deficits in Latin America", OECD Development Centre, 1998.

Table 2.8: Relationship between Taxes and Grants for Local Authorities in Different Countries. 1995

Per cent	Grants/Donor Contribution	Local taxes ³⁴
Uganda (1997/98)	76.9	23.1
Swaziland (1998)	17.7	83.3
Ghana (1996)	63.8	36.2
Senegal (1997)	22.0	78.0
Zimbabwe (1997)	33.3	67.7
Zambia (97)	3.4	96.6
OECD-countries		
Australia	15.9	84.1
Austria	15.1	84.9
Belgium	54.2	45.8
Canada	47.4	52.6
Czech Rep.	28.7	71.3
Denmark (1)	21.6	78.4
France	35.9	64.1
Germany	31.4	68.1
Iceland	9.9	90.1
Ireland	73.9	26.1
Mexico	4.2	95.8
Netherlands	72.6	27.4
Norway	38.7	61.3
Poland	29.4	70.6
Spain	86.0	14.0
Sweden	18.0	82.0
UK	72.3	27.7
US	38.8	61.2

Source: Revenue Statistics 1965-97. OECD 1998. The data from Sub-Saharan countries are from the Study on Fiscal Decentralisation and Sub-National Finance, 1999-2000. Zambia: based on data from Ministry of Finance (1997 figures: User charges is included in local taxes) Uganda: 1997/98 figures. Ghana: Only based on six sample SNGs. Swaziland: 1998 figures. (Loans excluded).

(1) Figures adjusted for SNG administration of national transfers (old age pensions).

The countries with the largest share of grants are English-speaking countries: Canada, Ireland, UK and the US. In these countries, local governments have been left with insufficient tax capacity to cover the costs of the delegated functions. They have only access to property taxation, and the property tax has limited revenue potential. Property tax is regarded as a perfect local tax by economists, but, politically, it is a very unpopular tax and yields no more than 4 per cent in any OECD country. Only in Canada, Japan, Luxembourg, UK and US does it yield more than 3 per cent. This is in most cases less than the cost of a modern primary school system.

The importance of grants vs. local taxes ranks average in Germany. However, this masks the inclusion under taxes of figures for tax sharing receipts.

³⁴ Including tax-sharing revenues. For African countries also other revenues.

Local councils seem to prefer tax sharing for grants, as they believe that they receive a fixed proportion of the taxes the central government collects in their jurisdiction³⁵. Local authorities believe that this is a guarantee against cuts in revenue in the case that the central government needs to save. The disadvantage of tax sharing is the same seen from the point of view of the central government; tax sharing weakens its instruments of control.

In Germany, sharing of the income tax is the traditional way of filling the vertical imbalance, and the German tradition has been adopted in German-speaking Europe. In the OECD statistics (the basis for the figures in this report), tax-sharing receipts are included under local taxes and cannot be separated (a reform within this area has been initiated)³⁶.

The Nordic countries (Denmark, Sweden, Norway, Iceland and Finland) are traditionally countries with the highest proportion of taxes and of own taxes. This is explained by the use of the personal income tax as a local tax. Personal income tax has large revenue potential in Europe. In Denmark and Sweden, it yields more than 15 per cent of the GDP, leaving very limited needs for grant financing.

2.3.5.2. *Local Taxes*

Local taxes are normally the greatest source of income, and they represent one of the most important features of local authority autonomy. The possibility of influencing either the tax base, the tax rate or the collected revenues is a very important condition for the local authorities, making them able to adapt the service level to the financial possibilities.

The arguments for the introduction of own local taxes have been made above. However, a number of conditions should be met for a tax to be a good “own” local tax.

- Firstly, the revenue of a good local tax should develop over time in the same way as the costs of fulfilling the growing need for local public services.
- Secondly, local taxes should not be too sensitive to cyclical fluctuations, as the local services normally are not suitable as instruments for demand management.
- Thirdly, a good local tax should be distributed relatively equally among local authorities. Equalisation of the taxes throughout the local authorities may reduce this problem, but not eliminate it.
- Fourth, the size of the potential revenue is important. If the local authorities are allowed only relatively small yielding taxes, vertical imbalances result that will have to be otherwise covered.
- Fifth, there should be a close relationship between the citizens who pay and the citizen who benefit.

³⁵ Jørgen Lotz, “Proceedings of the Regional FDI Conference”, November 24-25, 1997 Copenhagen, p. 113.

³⁶ The OECD has initiated work to produce figures making it possible to distinguish between tax shares and local taxes. In the present research, we have tried to make a distinction between the two types as they differ in terms of degree of autonomy.

- Sixth, the tax administration should be without major problems, i.e. the tax yield should be much higher than the administrative costs.

As has been shown above, the size of the vertical imbalance in different countries is closely related to the local government tax structure. It was shown that the dependency on grants in the countries relying on property taxes was much higher than the reliance on grants in the countries relying on more buoyant taxes, like a local income tax. These findings may not be directly applicable to the African region, where property tax seems to be more buoyant than the income tax. However, this research has shown that property tax alone cannot finance the present tasks.

There is considerable variation in the national styles of local taxation, as can be seen from the table which shows groupings of countries with somewhat similar composition of local taxes, based on figures from the previous table.

Table 2.9: Local Government Taxes, per cent of Total Local Tax Revenue (1997)

	Income taxes (2)	Property tax	Other taxes	Total
Zambia (3) (1997)	16.1	36.2	51.3	100
Senegal (Dakar) (4)	15.1	29.8	55.1	100
Ghana	N/A	N/A	N/A	N/A
Uganda (1997/98)	82.6	17.4	0	100
Swaziland (1998)	0	100	0	100
Zimbabwe (1997)	0	100	0	100
Sweden	99.7	0.0	0.3	100
Finland	95.8	4.0	0.2	100
Denmark	93.4	6.5	0.1	100
Luxembourg	93.1	5.7	1.2	100
Norway	89.9	9.4	0.7	100
Czech Rep.	89.2	5.2	5.6	100
Switzerland (1)	84.4	15.0	0.5	100
Germany (1)	77.1	21.7	1.1	100
Belgium (1)	82.4	0.0	17.6	100
Iceland	78.2	14.7	7.1	100
Poland	59.5	32.5	8.2	100
Japan	52.6	30.4	17.0	100
Austria (1)	35.5	9.4	55.1	100
Turkey	30.8	3.0	66.2	100
Portugal	22.7	38.8	38.5	100
Spain	26.4	34.9	38.7	100
France	15.5	31.4	53.1	100
Korea	12.3	57.1	30.6	100
USA (1)	6.0	73.3	20.7	100
Italy	18.4	34.4	47.2	100
Ireland	0.0	100.0	0.0	100
Australia (1)	0.0	100.0	0.0	100
United Kingdom	0.0	99.1	0.9	100
New Zealand	0.0	90.6	9.9	100

Netherlands (1)	0.0	66.2	37.8	100
Hungary	0.0	22.2	72.8	100
Unweighted average (4)	44.7	34.8	20.4	100

- (1): Federal states. Only tax revenues of local government are included, not state taxes.
(2): Includes personal and company income tax revenues.
(3): Personal levy is classified as personal income tax. Data from Central Statistical Office, Zambia
(4) : Unweighted average of 26 OECD countries.

Source: OECD, Revenue Statistics 1965-1998, OECD 1999. Data from the African countries is from the Study on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision in the Sub-Saharan African Countries, 1998-2000. Uganda: Decentralisation Secretariat, 1997/98. Senegal, Dakar 1997 as example. Zimbabwe 1997 figures, Swaziland 1998 figures.

Table 2.10: Local¹⁾ Tax Structures, 1994 (Unweighted Averages, Per Cent)

Taxes (tax sharing receipts included) on:	English speaking: Canada, USA, New Zealand, Australia, UK	Nordic countries: Denmark, Sweden, Norway, Finland.	Federal German speaking: Austria, Germany, Switzerland.	Unitary, Europe centre/ south France, Italy, Spain
Income	1	95	72	18
Property	89	5	14	39
Others	10	-	14	44
Total	100	100	100	100

Source: Revenue statistics. OECD 1996. (See appendix 1).
All levels except central and federal state governments.

The tables also show that the English speaking countries and the Netherlands have local tax structures dominated by property taxes, while those, for example, of the Nordic countries emphasise local income taxation.

The local tax structure of the German speaking countries is dominated by the sharing of income tax. Another feature of these countries, which is also found in the last group of countries, is the widespread use of “business taxes,” like the “Gewerbesteuer” in Germany and the “Taxe professionnelle” in France. They are taxes collected on composite tax bases of items such as the rental value of buildings and equipment, local payroll and turn over. In the table, they are classified as by the OECD according to the different tax bases.

In spite of generally accepted economic advantages, the neutrality of the local property tax, and the buoyancy of the local income tax, changes from one major tax source to another are not frequent. Introduction of local taxes is politically sensitive, new taxes are difficult to introduce, and once introduced they are difficult to replace with other local tax sources.

These are the patterns for the financing of decentralisation in the old OECD countries. These patterns are found also in the countries having later developed systems of local government financing. The tentative findings in the African research countries are that the most important local government tax type is the property tax, with a potential for other types of taxes and revenues.

In the Eastern European countries in transition, the local tax systems are only in the early stages of development. The “own” revenue sources consist typically of limited revenue from

property taxes, often with central government restrictions on the local rate, and income tax. The German model of income tax sharing is widely used. These revenues have left the local governments with little own revenue. In Japan and Korea, the major tax revenue is property tax, which is also supplemented with tax sharing receipts.

2.3.5.3 Grants and Local Government Equalisation

2.3.5.3.1 The Vertical Imbalance

In most countries, the central government provides grants to local authorities (see the tables above). The primary reason is that the state has not allowed local authorities sufficient tax powers to finance the expenditure assignments of local government; but there are a number of other good reasons for a certain amount of state grants/transfers to lower levels of governments.

2.3.5.3.2 Grants

Grants offer a good instrument for central government to bring local authorities into the general macroeconomic management of the economy. Local services like schools and social services should not bear the brunt of adjustments in stabilisation policies; but, in periods of severe imbalances, adjustment of such services cannot be avoided, as witnessed by recent experiences in welfare states like Sweden and Finland.

Grants may also offer instruments to influence priorities in expenditure decisions at the local level. Firstly, it must be ensured that the grants are transformed into local services and not into the private wealth of local citizens. (In rich countries, economists have given this phenomenon the derogatory name of “the flypaper effect”: the money sticks where it hits). Secondly, the central government wants to be able to influence local priorities so that they conform to central government priorities. Therefore, some of the grants are commonly designed as *special* grants for specific earmarked purposes. In contrast, *general* grants are for the free use by local authorities. Thirdly, grants can be used for equalisation purposes: to level out the differences between the “rich” and the “poorer” local authorities and to stabilise development across the different regions of a country.³⁷ Finally, grants can be appropriate to use for adjustment of the economy in situations when tasks are transferred between the levels of governments (as a kind of compensation).

Specific Grants

In terms of autonomy, grants vary from general grants, designed and distributed by objective criteria (high), to specific grants, made on a discretionary basis (low).

One way to follow some of the above-mentioned objectives is to use what has been called specific grants. One example is a grant for capital purposes that can be conditioned so that the local authority must have prior approval of a project before the grant is given. Grants for operational expenditure may be automatically conditioned by local spending in accordance with specific rules, but discretionary grants are known also for operational expenditure, often in order to promote new kinds of services among local authorities. To compensate for the central lack of information and to test the strength of local priorities, some local co-financing is often required.

³⁷ In Swaziland, it is discussed whether grants can compensate for the fact that the inhabitants from some informal settlements use the services within certain local authorities (as a form of cost-sharing).

There are several problems with specific grants. Experiences from Chile (grants for schools and primary health care) and Colombia (matching grants for rural roads) showed that high reimbursement rates encouraged spending and became a drain on central government finances. Subsequently, reimbursement rates were reduced, but the result was that the richest authorities with the highest fiscal capacity also received the major proportion of the grants. In Chile and Colombia, this resulted in inequalities in spending³⁸.

Specific grants require controls, auditing and much bureaucracy. This has been found to result in inefficient decision-making and to weaken economic responsibility. The Council of Europe Charter of Local Self-Government, which has now been ratified by a number of countries, states that specific grants should be changed to general grants. In recent years, reforms have been introduced in the OECD countries to replace specific grants with general grants.

Grants and Equalisation

The need for grants varies among authorities because their expenditure needs are not the same. Roads and water supply may be most costly in mountainous regions, and the costs of education and social welfare may be highest in urban areas. If some uniformity of service levels is desired, it is necessary to compensate for these extra costs. Furthermore, if local authorities are allowed some tax powers, it must be taken into account also that tax capacity varies among local authorities. The method of grant distribution also must compensate for less than average local tax powers.

The compensation for low tax capacity and high expenditure needs is called local government equalisation. Systems that consider one or both elements are developed in many countries around the World³⁹.

Political critiques are often heard from losers who claim that their country's system of local government equalisation is too complicated. There are several reasons why it has to be so. Equalisation deals with the politically very difficult questions of redistribution; some have to give to others without getting anything in return. The result is that compromises have to be reached, and it is often politically expedient to compensate for needs of a petty nature.

Finally, it may be noted that equalisation can be implemented without central government grants if the so-called solidarity (or "Robin Hood") model is applied, as it is in Denmark, German *länder*, and Sweden. The idea is that the funds needed to support poor authorities are taken from the rich authorities. The method results in a more complete equalisation than is typical when grants are used, because the richest authorities are drawn into the system. The disadvantages of this system are political, and it has resulted in internal tensions between groups of local authorities. In contrast, grant financed equalisation seems to make everybody happy by some fiscal illusion, everyone gets something and nobody seems to have to pay. The potential for conflict built into this method means that it is not a model for countries in need of nation building, like Canada, China, Russia or Ukraine.

³⁸ Kiitichiro Fukasaka and Ricardo Hausmann (eds.): "Democracy, decentralisation and deficits in Latin America". OECD Development Center, 1998.

³⁹ In a number of African countries, systems of equalisation are presently under development, e.g. in Uganda and in Swaziland. The Council of Europe has developed agreed principles for this: "Equalisation of resources between local authorities", Recommendation No. R (91) 4 and explanatory memorandum, Council of Europe.

Changing from specific grants to general grants complicates the measure of equalisation of differences in local expenditure needs⁴⁰. The idea of the general grants is to leave the local authorities to find the most locally efficient solutions. However, this means that the performance related criteria of the specific grants should be replaced by general “neutral” criteria for grants.

An example is the system inherited by a number of Eastern European countries from the communist regime. In some countries, criteria for needs are a set of “norms”, a number of which measure the population and its age groups, but most of which measure the number of services being supplied. Each client is assigned a norm cost, depending on the kind of institution, all somewhat below average costs. The equalisation is implemented by paying these amounts to the local authority producing the service. Some elements of this still exist, and, in some countries, the measure of local expenditure need for old age care is based on the number of elderly staying in old age homes.⁴¹

This is quite different from the methods used in most Northern European countries, where the measures of expenditure needs do not include the *number of services* but are replaced by “objective” measures of needs, understood as the cost of the number of expected clients. In the Nordic countries, the measure for the same need for finance of the elderly care is the *number of elderly people*. This leaves it up to each local authority to deliver the desired services to the elderly people at an appropriate quality and amount.

The problems of finding acceptable objective criteria for measuring expenditure needs as a basis for grant distribution are formidable. Measures of expenditure needs based on objective criteria tend to be complicated. Furthermore, local authority needs may be so different that a comparison may not be possible, the problems being typically in the extremes – the needs of small, thinly populated rural authorities measured against needs of large urban authorities.

The more functions that are delegated to local authorities, the more factors that must be considered and the more complicated the formula becomes. Therefore, the system can easily become a target for criticism, especially from the contributing local governments.

It can be seen that the design of the measure of expenditure needs is closely related to the choice between specific and general grants. The move towards general, objective criteria – as well as to general grants – must depend on the local capacity to administer and produce services. When these conditions are satisfied, gains in efficiency should be possible by shifting to general grants and objective criteria of needs, and this way leaves more discretion to the local authorities. Ideally, the design of grants should both support poorer areas and encourage revenue mobilisation and cost efficiency.

Procedures for Distribution

Besides the above-mentioned conditions, it is equally important for local authorities to have a clear knowledge and understanding of the principles, timing and organisation of the grant distribution process. In some countries, local authorities know of the grants 6 months before the budget year and the distribution is 100% transparent, while in other countries grants are insecure, non-transparent and transferred very late in the budget year with non-stable instalment rates.

⁴⁰ This is especially a problem in developing countries where data is very restricted/limited.

⁴¹ In Bulgaria, a number the criteria for expenditure needs are based on the number of places in different social institutions.

Tax Capacity and Tax Effort and Links to Transfers

When local authorities are allowed their own tax collection, and significant tax sources are made available, the need for equalisation of the tax base arises as well.

The difficulty of measuring and comparing differences in the tax capacity of local authorities is first the role of the local authorities themselves in improving their tax capacity. If this is not controlled, equalisation gives adverse incentives for local tax efforts. For example, in China, one of the most pressing problems is the question of how to control that the apparent low tax capacity of certain provinces is not the result of the lack of effort by the local tax administration. For this reason, it is important to develop incentives for local authorities to collect taxes and at the same time secure certain equal financial possibilities across local governments to increase revenues and to balance the finance with the needs. Local efficiency in tax collection should not be punished by a reduction of the grants from the central government⁴².

2.4 Concluding Remarks

The above analysis of some of the indicators of decentralisation showed that many different models have been pursued around the world to set up the optimal financial system of local government and an appropriate regulatory and institutional framework for local government service provision and infrastructure. The analysis showed a trend in the direction of decentralisation, but with a great variation of methods and strategies. The following chapters contain the main findings from the country study of Swaziland.

⁴² In some countries (for example, Latvia), there are instances where the system has provided the local authorities with incentives to increase the tax exemptions from property tax, thereby reducing the total revenues.

Appendix No. 1 (to Table No.2.2): Local Tax Revenues as per cent of GDP, 1997

	Income tax (2)	Property tax	Other taxes	Total local taxes
Sweden	15.8	0	0	15.8
Denmark	14.4	1	0	15.4
Finland	9.9	0.4	0	10.3
Norway	7.0	0.7	0	7.7
Japan	3.8	2.2	1.1	7.1
Iceland	5.9	1.1	0.5	7.5
Switzerland (1)	4.4	0.8	0	5.2
Czech Rep.	4.0	0.2	0.2	4.4
Austria (1)	2.6	0.4	1.7	4.7
France	0.7	1.5	2.3	4.5
Spain	1.4	1.9	2.1	4.4
Korea	0.5	2.3	1.2	4.0
USA (1)	0.2	2.7	0.8	3.7
Canada (1)	0	2.8	0.4	3.2
Poland	2.2	1.2	0.3	3.7
Germany (1)	2.1	0.6	0	2.7
Turkey	1.1	0.1	2.3	3.3
Luxembourg	2.6	0.2	0	2.8
Belgium (1)	1.9	0	0.3	2.2
Portugal	0.4	0.8	0.8	2
Italy	0.5	0.9	1.3	2.7
New Zealand	0	1.8	0.2	2
Hungary	0	0.4	1.2	1.6
United Kingdom	0	1.4	0	1.4
Netherlands	0	0.8	0.5	1.3
Australia (1)	0	1	0	1
Ireland	0	0.7	0	0.7
Greece	0	0	0.3	0.3
Unweighted average	2.9	1.0	0.6	4.5
Zambia	0.03	0.07	0.09	0.2
Senegal				0.8
Ghana	N/A	N/A	N/A	N/A
Uganda	0.54	0.11	0	0.65
Swaziland	0	0.5	0	0.5
Zimbabwe	0	0.8	0	0.8

(1): Federal country. Figures include only taxes at the local level.

(2): Personal and company income tax.

Source: OECD 1999, Revenue Statistics 1965-1998. Zambia figures (1997): Ministry of Finance and Central Statistical Office. Swaziland: 1998 figures, Study 1999. Senegal 1997 figures, Study 1999. Uganda: Figures 1997/98, Study 1999. Ghana 1996, Study 1999. Zimbabwe 1997 figures, Study 2000. All figures from African countries are from the Study on Fiscal Decentralisation and Sub-National Governance Finance in Relation to Infrastructure and Service Provision.

Appendix No. 2 (to Table 2.2): Origin of the Resources in Local Budgets

	Local taxes	Fees and charges	Trans- fers	Capital raising	Other
Albania	2.5	3.0	94.0	0	0.5
Austria	16.3	21.0	43.7	10.0	9.0
Belgium	40.8	6.0	44.3	0	9.0
Bulgaria	1.0	10.0	78.0	2.0	9.0
Cyprus	25.0	33.0	30.0	12.0	0
Czech Republic	16.0	12.0	45.0	11.0	16.0
Denmark	52.2	22.3	24.5	0	1
Estonia	0.1	0.9	91.0	2.0	6.0
Finland	39.5	24.0	28.4	5.6	2.5
France	42.0	8.0	29.0	9.0	12.0
Germany	35.0	4.0	32.0	7.0	0
Greece	27.0	8.0	63.0	2.0	0
Hungary	13.0	8.2	63.6	6.7	8.5
Iceland	16.0	21.0	57.0	0	7.0
Ireland	64.2	18.0	5.4	4.6	7.8
Italy	31.0	11.0	42.0	7.0	10.0
Latvia	65.0	1.0	29.0	0	5
Lithuania	6.4	0	87.3	0	6.3
Luxembourg	32.9	24.9	33.2	8.0	0
Malta	0.5	0	97.8	0	1.7
Netherlands	15.0	2.0	83.0	0	0
Norway	47.5	12.8	36.2	0	3.5
Poland	21.0	7.0	60.0	0	12.0
Portugal	23.0	10.8	49.5	7.5	9.4
Romania	5.0	16.0	79.0	0	0
Russia	22.0	2.5	72.5	0	3.0
San Marino	0	0	31.0	69.0	0
Slovakia	10.0	9.0	39.0	5.0	37.0
Slovenia	6.8	13.9	79.3	0	0
Spain	29.8	18.5	27.1	14.9	9.7
Sweden	56.0	15.0	20.0	0	9.0
Switzerland	46.0	24.0	18.0	3.0	9.0
Macedonia	62.3	28.8	1.5	0	7.4
Turkey	4.8	20.9	48.9	0	25.5
United Kingdom	25.0	11.0	53.0	8.0	4.0
Average	25.7	12.2	49.0	5.6	6.9

Zambia	29.8	37.3	3.4	0	29.5
Senegal	41.1	20.5	12.4	0.5	25.5
Ghana	17.8	17.6	63.8	0	1.0
Uganda	14.5	4.9	65.5	0	15
Swaziland	67.3	5.2	16.7	5.2	5.1
Zimbabwe	21.4	34.8	33.3	4.3	6.2

The table is drawn up on the basis of reports by members of the group of experts, the work by the DEXIA and in absence of any such figures, on the statistics included in a so-called CDLR report. Paper from a working group on "The European Charter of Local Self Government", Strasbourg 21 October 1997, Finances of Local Authorities (implementation of art. 9 of the charter). The figures from African countries were collected during the study on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision in Sub-Saharan Countries, 1998-2000. Zambia: Average 1994-98 figures: Source: Central Statistical Office. Senegal 1997 estimates, Local taxes for Senegal are composed of own taxes: 39.7% and shared taxes: 1.5%. Uganda: Figures 1997/98. Swaziland: 1998 figures. Zimbabwe 1997 figures, Ghana 1996 figures from 6 sample SNGs.

CHAPTER THREE

THE COUNTRY CONTEXT

3.0 Socio-Economic and Political Profile

In Swaziland, as in many less developed countries, the objective of achieving sustainable development is rendered difficult by rapid population growth and a worsening socio-economic situation. During the early 1990's, growth in the Gross Domestic Product (GDP) increased at an average annual rate of less than 3 percent, thereby eroding some of the gains in per capita real GDP achieved in the late 1980s⁴³. In recent years, the rate of economic growth has averaged about 2 percent, which is unacceptably low relative to an annual population growth rate of 3.5 percent.

There are many causes of Swaziland's declining economic performance, chief among which are the size of the economy and its high degree of openness. These leave it vulnerable to negative external influences, mainly from the regional economy in general and South Africa in particular. Moreover, there has been a significant decline in the growth of direct foreign investment and agricultural production following the political transition from apartheid to democracy in South Africa and the lifting of economic sanctions against the Republic.

The Swazi economy is largely export-driven, such that the share of exports to the GDP averaged about 80 percent in the mid-1990s. For this and other reasons, including the outward orientation of the economy, export competitiveness and a healthy current account are some of the most crucial factors for the achievement of sustainable development.⁴⁴ South Africa, on whose economy Swaziland is heavily dependent, has embarked on a trade liberalisation programme, the consequences of which will have a negative impact on Swaziland's revenue from the Southern African Customs Union (SACU). This revenue accounts for over 50 percent of the national budget. In addition, a significant proportion of recurrent expenditure goes towards personnel costs, hence the need to exercise greater restraint with regard to the size of the civil service wage bill. Table 3.1 below shows Swaziland's sources of public revenue, while Table 3.2 presents public sector recurrent expenditure for the period 1996/97 to 1998/99.

Table 3.1: Sources of Public Revenue (E million), 1996/97-1998/99

Source	1996/97	1997/98	1998/99
SACU receipts	852.7	1007.1	1075.8
Company Tax	244.0	249.7	306.0
Sales Tax	207.1	254.8	260.0
Individual Tax	219.7	258.2	312.6
Revenue	160.5	250.5	257.1
Grants	20.2	18.3	59.9
TOTAL	1704.2	2038.6	2271.4

Source: Ministry of Finance (1998)

⁴³ See, IMF, "Swaziland Staff Report for the Article IV Consultation", (International Monetary Fund, Washington D.C., 1997) p.3

⁴⁴ For a brief summary of Swaziland's economic and social performance, see, Swaziland Government, "Draft Economic and Social Reform Agenda, 1999-2001" (Government Printer, Mbabane, 1999)

The overall level of economic activity has declined because of external economic factors over which Swaziland's policy-makers have no control. Classical examples of these factors are domestic interest rates and an unstable exchange rate between the South African Rand, to which the country's currency-Lilangeni-is linked, and other international currencies. Against a backdrop of these and other economic problems, the Swazi economy has been characterised by low aggregate demand, which has adversely affected production in the manufacturing sector and, in turn, overall economic growth.⁴⁵

Although manufacturing is an engine of economic growth and makes a significant contribution to the GDP, Swaziland is predominantly an agricultural economy such that agriculture plays a vital role as a major source of inputs to the manufacturing sector. Agriculture, whose contribution to the GDP has steadily declined over the years, is dualistic in nature and is made up of a dynamic modern sector located on Title Deed Land (TDL) that co-exists with a traditional sector found on Swazi Nation Land (SNL). The latter is largely subsistent and characterised by low productivity. Notwithstanding the decline in agriculture's contribution to the GDP, the country's major export industry is largely dependent on the agriculture and forestry sectors with the former being the largest employer of labour.⁴⁶

Table 3.2: Public Sector Recurrent Expenditure (E million), 1996/97-1998/99

Sector	1996/97	1997/98 Expected	1998/99 Budget
General Public Service	595.6	628.1	696.0
General Administration	452.4	472.5	520.3
Public Order and Safety			
Defence	143.2	155.6	175.7
Social Services	109.3	108.0	126.4
Education	505.8	579.9	578.1
Health	313.7	373.3	419.6
Other Community Services	114.4	121.9	142.3
Economic Services	77.8	84.7	36.2
Agriculture			
Industry/Mining	245.1	224.1	198.8
Transport/Communication	69.7	69.9	76.9
Other	47.1	36.7	40.1
Public Debt Interest	79.9	66.6	71.4
	48.5	51.2	10.4
	39.0	39.0	39.0
TOTAL	1494.8	1579.1	1638.3

Source: Central Bank of Swaziland (1998)

Swazi society is predominantly traditional and conservative in the sense that traditional norms and values permeate almost the entire fabric of society. Traditionalism is the cornerstone of the Swazi nation and is an official 'ideology' whose origins date back to the early beginnings of Swaziland as a national unit. As an unshakeable pillar of the social, political, religious and moral order, traditionalism is embodied in the King who is regarded as a symbol of national unity.

Before the advent of British colonial rule, the Swazi polity was a centralised monarchy headed by the King and Queen Mother. The King performed executive, legislative and

⁴⁵ Swaziland Government, **Draft Economic and Social Reform Agenda, 1999-2001**, Op Cit

⁴⁶ UNDP, **Swaziland Human Development Report, 1997**, Mbabane, p.11

judicial functions, held the land in trust for the nation and played a central role in sacred rituals. In spite of its centralised nature, the political system had in-built mechanisms of 'checks and balances' which made it difficult for the King to be an absolute ruler. Besides the office of the Queen Mother, which theoretically was on the same level with that of the King, thus facilitating the existence of a dual monarchy, there were several indigenous councils such as the Liqoqo (Inner or Privy Council) and the Libandla (Swazi National Council), which the King always consulted on matters of state. In addition, there was the Lusendvo (Agnatic Council), which advised the King and/or Queen Mother on matters of royalty and succession.

The British colonial administration hardly changed or interfered with these traditional political arrangements. As distinct from most British colonies where indirect rule was introduced, in Swaziland some form of dual government was established whereby executive, legislative and judicial powers were vested in the Resident Commissioner. Matters relating to Swazi traditional administration, particularly Swazi law and custom (including the control and distribution of land in so-called 'native reserves'), remained the prerogative of the King, the Queen Mother and their chiefs or councillors.

Today the Swazi political system is dual or diarchic in the sense that it has two distinct and parallel, but interrelated, political and administrative structures.⁴⁷ The system reflects a unique pre-colonial and colonial heritage that has existed and albeit been consolidated since independence. Within it, there is the King, the Queen Mother, and the Swazi National Council (SNC). Together these represent the political and administrative institutions of the 'Swazi Nation'. Coexisting with these traditional institutions is a modern parliament, cabinet and civil service, which constitute the 'Swaziland Government'. At the apex of both the traditional and modern structures of political and administrative power is the King whose present-day functions are blended with aspects of these structures in line with his status as Head of State.

An examination of Swaziland's political system reveals a complex diarchic structure. Such a system was sanctioned by the Westminster-style constitution through which the country achieved independence. In line with the Westminster model, most of the instruments of independence were vested in Parliament and the cabinet. Provision was made for a bicameral legislature with two chambers, namely, the Senate and the House of Assembly, and a cabinet whose Prime Minister would be appointed by the King. In addition, a Public Service Commission was established which would, as an independent and executive body, be responsible for appointments to the public service. The appointment of the cabinet was made the preserve of the King who in turn would seek the advice of the Prime Minister.

There was, however, a significant departure from the classical Westminster model in that the supremacy of Parliament was circumscribed by a provision that its legislative mandate would not extend to several areas. These included the offices of the King and Queen Mother, the appointment and removal of chiefs, the structure and functions of the Liqoqo⁴⁸ and the SNC, the Incwala (annual fruit festival), including other sacred rituals, which are the embodiment of the Swazi nation. These areas were regarded as the exclusive preserve of the Swazi traditional administration, which would regulate them based on Swazi law and custom. The

⁴⁷ For a useful discussion of Swaziland's traditional political system, see, Proctor, J.H., "Traditionalism and Parliamentary Government in Swaziland," *African Affairs*, Vol. 72, No. 288 (1973) and Dlamini, M.P., "Development, Administrative Reform and the Civil Service: The Case of Swaziland", Ph.D. Thesis, University of Manchester, (1988). Chap. 2.

independence constitution also made provision for the King to exercise control over the ownership and distribution of land belonging to the Swazi nation. In addition, he had power to make grants and leases with regard to minerals and the use of revenue or royalties accruing from them.

Swaziland's multi-party political system was short-lived in that it existed from independence in 1968 to 1973 when the Westminster-type constitution was revoked by the King's Proclamation and replaced with the present diarchical system, which facilitates the co-existence of both western and traditional types of government under the aegis of Tinkhundla (regional councils). The Tinkhundla system of government traces its origins back to the colonial era, and it was a useful mechanism for enlisting the participation of the people in community affairs. However, it was not until the promulgation of the Regional Councils Order of 1978 that it became an instrument of official government policy designed to provide a basis for local government from the grass roots to the highest political levels.

According to the authorities, Tinkhundla is a democratic system of government through which the monarch shares power, responsibility and the benefits of managing the socio-economic and political affairs of the country.⁴⁹ The basis for the operations of Tinkhundla at the grass-roots level are constituencies which are made up of different administrative and political structures such as chiefs-in-councils, Tindvuna Tetinkhundla (constituency headmen/governors) and Bucopho beTinkhundla (constituency committees), members of which are elected by popular vote. Approximately 250 chiefdoms are grouped into 55 Tinkhundla or regional councils, the centres of which are the basis for the conduct of elections, including national elections, hence these (centres) are regarded as "inlets and outlets" through which members of communities participate in the socio-political and economic development of their areas and the country as a whole.⁵⁰

Tinkhundla are said to play an important role in Swaziland's politics, since it at the Tinkhundla centres that not only a variety of community/constituency/regional councils and/or committees are elected, but also, and much more importantly, Members of Parliament (MPs).⁵¹ In addition, Tinkhundla centres, through Regional Councils, are expected to be avenues for the channelling of proposals for the promulgation and/or amendment of legislation governing the conduct of public affairs.

Tinkhundla are allegedly designed to play a pivotal role in the implementation of government policies, programmes and projects at the regional and Tinkhundla levels, co-ordinate national activities of a cultural or traditional nature, liaise with the SNC on matters affecting Swazi law and custom, identify and initiate priority development programmes and projects at the regional and Tinkhundla levels. In formulating the Tinkhundla political system, its architects envisaged a non-party and decentralised institutional framework that would lead to a shift by central government away from making decisions and issuing orders to helping people at the

⁴⁸ Until the death of King Sobhuza II in 1982, the Likoqo (Inner Council) made up of carefully chosen advisors to the King, was an important organ of the traditional arm of government. However, during the post-Sobhuza II era the Likoqo was mysteriously elevated to the status of 'Supreme Council of State' and was responsible for most of the political upheavals of the period, including the dismissal of the Queen Regent Dzelewe. After the coronation of King Mswati III in 1986, the Likoqo was abolished, and some of its key figures tried and imprisoned for a variety of political crimes such as treason.

⁴⁹ Swaziland Government "Tinkhundla System of Government: Guidelines", (Government Printer, Mbabane, n.d.) p.2

⁵⁰ Swaziland Government *op.cit.* p 3

⁵¹ Since 1993, MPs have been elected from Tinkhundla centres directly into Parliament in accordance with the wishes of the people. Before then, a system of indirect democracy or representation existed whereby Tinkhundla centres elected 80 members of an Electoral College that in turn elected MPs.

grassroots level make decisions through appropriate administrative and traditional structures of power.

Accordingly, the official view is that the Tinkhundla political system is the embodiment of a unique blend of "Swazi democracy" which, unlike any other system, empowers people at the local level to take full responsibility for their lives and destinies while at the same time enabling them to actively participate in the socio-political and economic development of the country. However, this view is arguable, given the multiplicity of problems and challenges facing the country's system of governance. These include confusion and over-lap of functions, lack of understanding of the role and functions of Tinkhundla, inadequate financial resources, and the inability of the political system to guarantee good governance, transparency, accountability and participatory democracy through a multi-party political dispensation.

Political uncertainty and an unstable industrial relations environment, all of which are indirectly responsible for a marked slowdown in the growth of foreign direct investment, including domestic and international demands for fundamental political reforms, prompted King Mswati III and his government to establish a Constitutional Review Commission (CRC) in 1996.⁵² The abrogation of the independence constitution in 1973 ushered in an era wherein free political assembly and expression were outlawed. The fundamental principles of constitutionalism and good governance, such as the separation of powers and the existence of checks and balances between the three co-ordinate arms of government (including the role and independence of the judiciary), became blurred and were seriously compromised.

Against this backdrop, it is hoped that the crafting of a new constitution, not only based on the needs and aspirations of the Swazi people but also, and much more importantly, on basic principles of democracy, will reverse the erosion of the key elements of transparency, legitimacy, accountability, the rule of law and predictability in the conduct of public affairs. In Swaziland, as in many other African countries, the last decade has witnessed a phenomenal growth of the urban population, particularly in the Manzini-Mbabane corridor. The urban population is growing at an annual rate of 6 percent relative to the total annual population growth rate of 3.5 percent. Rural-urban migration and the rapid growth of the urban population have serious implications for development in general and the role of both central and local government in particular in addressing the resultant socio-economic and political problems. Rapid population growth has not been matched by a corresponding provision of basic services and physical infrastructure such that with the exception of roads and electricity, urban areas are beyond capacity. The influx of rural immigrants into urban areas has given rise to formidable problems relating to housing, unemployment, crime, pollution caused by inadequate sewerage treatment and other critical services.

In recognition of the fact that existing urban services and infrastructure (such as water supply, sanitation and housing facilities) are under severe strain since they are hard-pressed in coping with increasing demand, the Government of Swaziland, with assistance from the World Bank, has put in place an Integrated Urban Development Project (UDP). However, the UDP, whose primary objective is the provision, expansion and upgrading of urban infrastructure and services in the key urban areas of Mbabane and Manzini, faces numerous problems and challenges, many of which have delayed its implementation.

⁵² Since its establishment, the CRC has been characterized by controversy. Its appointment and membership is dominated by conservatives and pro-monarchists and is alleged to be largely unrepresentative of the Swazi population.

Although Swaziland has enjoyed a relatively stable local government system since independence, local authorities perform limited functions and operate within severe resource constraints. The dominance of central government in the management of public affairs has not only weakened local authorities but has also led to a situation whereby no distinct local government system has evolved in the rural areas beyond the informal role played by traditional structures under the Tinkhundla political system.

Since independence, the country has embarked on a number of socio-political, economic and administrative reform programmes, the most recent of which are the National Development Strategy (NDS), the Public Sector Management Programme (PSMP), and the Economic and Social Reform Agenda (ESRA). The NDS is an instrument for achieving grass-roots and broad-based participation in the development process and is specifically intended to address such socio-economic problems as unemployment, rapid increases in population growth, crime, unstable labour relations and the gradual erosion of the social fabric of Swazi society. The PSMP was formulated against a backdrop of an increasing budget deficit and deteriorating balance of payment problems. Through the Public Sector Management Programme, the Government made a public policy decision to embark on internally-induced "self-restructuring", administrative and managerial reforms as opposed to an IMF-imposed Economic and Structural Adjustment Programme (ESAP).

The original focus of the Public Sector Management Programme was on such areas of reform as policy formulation, implementation and legislative administration, human resource management, financial management and the government machinery. However, consequent upon the launch of the Economic and Social Reform Agenda and the National Development Strategy, the PSMP focus shifted to administrative reform, with emphasis on improving civil service efficiency and effectiveness, including the legislative framework within which policy-making and implementation occur. ESRA is said to be an effective management tool and action-oriented programme designed to focus on priority areas such as the creation of an enabling environment for the growth and development of the private sector and the promotion of foreign investment through the Swaziland Investment Promotion Authority (SIPA) and other initiatives.

3.1 The Government Structure

Broadly defined, the public sector in Swaziland is made up of central government, local authorities, public enterprises and a number of public financial institutions. The central government consists of ministries and departments whose operations are financed through budgetary estimates and allocations approved by Parliament each fiscal year from April to March. The dynamics of the dual political system are such that there exists a parallel government primarily responsible for the administration of traditional affairs such as the Kings Office, the Swazi National Treasury and other institutions that are the embodiment of Swazi law, custom and culture. The traditional arm of government is financed from budgetary allocations to the Department of Tinkhundla in the Deputy Prime Minister's Office with the exception of sacred rituals and national events such as Incwala and Umhlanga (Reed) Dance, which receive financial support from Tibiyo Taka Ngwane.⁵³

⁵³ Tibiyo TakaNgwane is a powerful royal corporation that has substantial investment, in the form of equity, in agro-industry, mining and the hotel industry. Its massive profits accrue to the King, to whom it is accountable, who holds them 'in trust for the Swazi Nation'.

For administrative purposes, Swaziland is divided into four regions: Hhohho in the highveld, Manzini in the middleveld, Shiselweni in the lowveld and Lubombo in the Lubombo plateau⁵⁴. Covering 29 percent of the total land area and lying on the western part of the country, the highveld is mountainous with an average altitude of 1,300 metres above sea level; hence, it has little potential for agriculture except being suitable for forestry, particularly conifers and gum trees. Citrus fruit also does well in parts of this region. The highveld enjoys a humid and almost temperate climate with an average annual rainfall of 1,250 mm. With steep slopes, incidents of frost, sour grasses and poor soils, only 3 per cent of the total land area of the highveld constitutes good arable land. Besides asbestos, which is mined at Bulembu in the north, the Hhohho region boasts of one of the largest man-made forests in the world. Accordingly, the major primary and secondary economic activities in the highveld are forestry, saw milling and wood-pulp production, which are located at Bhunya and Piggs Peak. Tertiary or service activities are undertaken in Mbabane, which is the main commercial support centre.

Located in the eastern part of the country, the middleveld is generally hilly and covers 26 per cent of the total land area at an average altitude of 700 metres above sea levels. Occasionally, and particularly during years of above-average rainfall, bumper crops of cotton, sorghum and groundnuts can be harvested. However, in the majority of cases, yields are very poor; a total crop failure, especially of maize (the staple food), is commonly experienced. Currently, over 60,000 hectares of land are under irrigation, primarily for the production of sugar, citrus and cotton on large capital-intensive estates, which house the country's three sugar mills at Mhlume, Simunye and Big Bend. Non-irrigable areas of the lowveld are best suited for cattle rearing, since the sweet grass in this region supports ranching and traditional pastoral activities, particularly on Swazi Nation Land.

Sizeable reserves of coal, though of an inferior quality, constitute the non-renewable natural resource base. In this region is located the country's only coal mine which, however, ceased operations more than a decade ago. Collectively, the renewable and non-renewable resource base of the lowveld renders it a region with arguably the greatest development potential, particularly in view of government policy of encouraging sugar production on both Title Deed and Swazi Nation Land. A sub-tropical region with a drier and warmer climate than the highveld, the middleveld is the most highly developed in agricultural terms. This is made possible by an average rainfall of 900 mm and the fact that approximately 20 per cent of the region has arable soils, hence it not only the most developed but also the most densely populated part of the country. The major cash crops for export are citrus fruits and pineapples. Maize, tobacco, groundnuts and bananas are grown mainly on Swazi Nation Land.

Manufacturing enterprises, the majority of which are agriculturally based (such as a maize mill, cotton ginnery, fruit-canning factory and firms that produce fertilisers, cardboard cartons, cement, clothing, paper and dairy products), are either located in the industrial estate at Matsapha or at Malkerns, ten and twenty kilometres, respectively, from Manzini - the largest city and commercial centre. Lying in the east of the middleveld and made up of gently undulating terrain, the lowveld is the largest region and covers 37 per cent of the total land area of the country. Located at an average altitude of 200 metres above sea level, the lowveld has an average annual rainfall of 700 mm. With a hot and generally dry climate and

⁵⁴ This section has benefited from Swaziland Government, Fourth National Development Plan, 1983/84-1987/88 (Government Printer, Mbabane, 1993) pp.20-21

protracted periods of drought that often lead to crop failure, the lowveld renders dry land farming a risky business. However, sugar cane is extensively and successfully grown under irrigation and on a commercial basis.

The Lubombo region, which shares a common frontier with Mozambique, stretches along the eastern part of the country and runs along the Lubombo plateau, with an average altitude of 600 metres above sea level. This region, where mixed farming is the main activity, has vegetation of various types of bushveld and a climate similar to that of the middleveld. Accounting for almost 8 per cent of the total land area of the country, 12 per cent of the region has good arable land. Subsistence agriculture and cattle farming constitute the main economic activities.

Until a decade ago, the regions were districts that were a legacy of British colonial administration. Each of the four regions is headed by a Regional Administrator (RA), the status of which is that of a deputy minister; hence, RAs are regarded as politicians rather than civil servants.⁵⁵ As such, RAs are appointed by the King and are accountable to him for the performance of their duties and responsibilities. Below Regional Administrators are Regional Secretaries (RSs) who are responsible Regional Officers (ROs). These positions correspond to those of District Commissioner (DC) and District Officer (DO), respectively, in terms of British colonial administration.

The Ministry for Housing and Urban Development (MHUD), established in 1991 through the legal provisions of the 'Establishment of the Parliament of Swaziland Order, 1978' and the 'Assignment of Responsibilities to Ministers Notice, 1991' is responsible for local government and municipal administration. Specifically, the MHUD is responsible for housing and human settlements, physical and town planning, water and sewerage, rents, land for residential purposes, urban governments and fire and emergency services. The creation of the Ministry, which is young relative to ministries and departments of the central government, was prompted by the realisation that the rate of urbanisation in Swaziland is one of the major human settlement issues of public policy. Swaziland has one of the most rapidly growing urban populations in Sub-Saharan Africa.⁵⁶

In Swaziland, the establishment and existence of local authorities is governed by the Local Government Act, No. 8/1969.⁵⁷ The provisions of the Act empower the Minister for Housing and Urban Development, by notice in the gazette, to declare any area to be a municipality, define its boundaries, prescribe the composition of a council and the number of councillors, provide for the election or appointment of councillors, divide a municipality into territorial wards, etc. The Act accords the Minister wide-ranging powers to control, regulate and administer local government affairs, notwithstanding the responsibilities of councils and boards. However, the initiative to establish a new local authority may be taken by a community, specifically by making representation to the Minister to invoke the necessary

⁵⁵ Because of confusion, ambiguity and lack of clarity in the definition of responsibilities between RAs and RSs, the Tinkhundla Review Commission of 1992 recommended, inter alia, the election of Regional Administrators who, as politicians, would hold office for five years, with their tenure corresponding to that of government. This recommendation, together with others, has not been implemented.

⁵⁶ For further details on Urbanization, Human Settlement and Population trends in Swaziland see United Nations "**Habitat II: Swaziland Draft National Report**" (UNDP, Mbabane, 1995).

⁵⁷ In 1996, the Ministry of Housing and Urban Development, after consultation with various stakeholders, formulated the Urban Government Act, 1996, whose enactment into law has remained pending ever since.

administrative and legal machinery and procedures for this purpose. Under the Act, there are currently twelve gazetted local authorities (no. 13 has just been added), of which two are City Councils (Mbabane and Manzini), three are Town Councils (Nhlangano, Piggs Peak and Siteki), and seven are Town Boards (Ezulwini, Hlatikulu, Lavumisa, Mankayane, Matsapha, Ngwenya and Vuvulane). Because of ever growing expectations of employment opportunities in and around the cities of Mbabane and Manzini, together the two cities account for 56 percent of Swaziland's rapidly increasing urban population. Another reason for rural-urban migration being focussed on the country's cities is the concentration of industrial development along the Mbabane-Manzini corridor that incorporates the Matsapha industrial enclave. Consequently, the country's towns and urban areas are under-developed and therefore lack absorptive capacity; hence, they are unattractive to rural migrants.

From the foregoing and in terms of the provisions of the founding legislation for local governments in Swaziland, there are two tiers of local authorities, namely, City or Town Councils and Town Boards, which constitute administrative structures that are not applicable to company towns that fall directly under the control and management of companies in the private sector. The existence of several company towns - Big Bend, Simunye, Mhlume, Bhunya and Bulembu - is attributed to either agro-industry or mining. The provision of a variety of services, including expenditure for infrastructure development and maintenance in company towns, is the responsibility of company management; hence, such towns are largely dependent on the viability of the company and its continued existence. Accordingly, because the socio-economic existence of such towns is inextricably linked to the financial performance of the company, they are incapable of sustaining an independent identity.⁵⁸

The Local Government Act defines the structure and composition of local authorities⁵⁹ in terms of the number of councillors and other considerations such as elections and appointments. The majority of councillors are elected through democratic elections by city or town residents, while the remainder are appointed by the Minister for Housing and Urban Development. Within Council and until the mid-1990s, there existed a Management Committee⁶⁰ made up of a handful of Councillors that was responsible for over-seeing the implementation of Council resolutions and therefore directly communicated with City/Town Clerks or Chief Executive Officers (CEOs), also referred to as City/Town Managers, who are administrative heads of local authorities. As such, the latter are responsible for all executive and policy implementation functions and accordingly supervise Council departments such as those of the Treasury, Engineering, Health Inspectorate and Clerk to Council or City Secretary.

Headed by the City or Town Treasurer, the Treasury Department is responsible for the management and control of the Council's financial resources through the preparation of the annual budget, collection of revenues and ensuring that Council funds are expended in accordance with the budget and for legitimate purposes. The Engineering Department, the administrative head of which is the City/Town Engineer, is responsible for the construction and maintenance of public services and utilities within the jurisdiction of the Council,

⁵⁸ A classical example of the dependency relationship between company towns and company management is that of Bulembu which was driven to the brink of collapse following the end of asbestos mining operations several years ago.

⁵⁹ This section has benefited from, Municipal Development Programme (MPD), **Report on Human Resource and Local Government Capacity-Building in Swaziland**, (Government Printer, Mbabane, 1994), Ch.3.

⁶⁰ In exercise of the powers entrusted upon him by the Local Government Act, the Minister for Housing and Urban Development abolished Management Committees that had become sources of numerous problems, such as conflict between City Council Management and Council, and were generally perceived as unnecessary layers of authority and decision-making.

including the approval of building plans and related inspectorate functions and activities. In other words, it is largely responsible for infrastructure service provision (ISP).

The Health Inspectorate Department, headed by a Chief Health Inspector, is responsible for the monitoring and improvement of health standards within municipal boundaries, including the provision of refuse collection services, abattoir, tanker services and general cleanliness. The Clerk to Council or City Secretary Department, headed by a Clerk to Council, is responsible for legal issues relating to the affairs of Council as well as the custody of official documents. From time to time, the Clerk to Council offers on-the-spot legal advice to Council and its management and serves as a useful link between Council and its lawyers who, from time to time, are called upon to represent it in cases of litigation.

Numerous problems emerge from the underdeveloped nature of the personnel function at the level of Town Councils and Boards.⁶¹ Such a situation runs counter to the government's declared policy of 'subsidiarity', which is discussed in detail in the next section. The policy of subsidiarity states that all government functions are expected to be performed at the lowest level at which they can be efficiently and effectively carried out. It is virtually impossible for Town Councils and Boards to carry out the wide range of statutory functions and responsibilities entrusted upon them with the number and calibre of staff they have. In addition, as civil servants in general and employees of the Ministry for Housing and Urban Development in particular, Town Council and Board staff often suffer from psychological problems of split allegiances and a conflict of interest. This is the case when one examines their 'loyalty' and the determination of where it lies, whether with the controlling Ministry or the Town Council/Board to which they are seconded.

Significant and far-reaching changes have taken place throughout the African sub-continent, particularly with regard to the nature and extent of decentralisation, whether fiscal, administrative or political. Local government decentralisation programmes emphasise, inter alia, the meaningful participation of the people, whether as individuals or groups, in the decision-making process affecting their lives and destinies in order to empower them to secure and protect their collective interests.⁶²

In the rural areas in Swaziland, where an estimated 85 percent of the population resides, there is no distinct local government system besides the informal role played by traditional authorities, under the aegis of the Tinkhundla political system. Herein lies one of the fundamental weaknesses of the current political system. Despite a growing chorus that calls for the decentralisation of power to the local level, namely, Tinkhundla centres, meaningful power - fiscal, administrative and political - remains concentrated at the level of central government. The pillars of the National Development Strategy are such strategic objectives as the acceleration of economic growth with the view to increase national income create employment opportunities and alleviate poverty. Other objectives centre on the improvement of social services and the promotion of good governance characterised by transparency, accountability, discipline, the rule of law and sound macro-economic management.⁶³

3.2 Government Policy, Objectives and Strategies for Local Government Finance

⁶¹ For a more detailed discussion and analysis of the personnel function, its nature and problems, see Chapter 7.

⁶² UNDP, *Swaziland Human Development Report, 1997* (UNDP, Mbabane) p.80

⁶³ Swaziland Government, *National Development Strategy* (Government Printer, Mbabane, 1994)

In 1996, the Swaziland Government, through cabinet, approved an Urban Government Policy (UGP), the formulation and subsequent approval of which is said to have signalled a commitment to an integrated approach to urban development. Several factors and considerations necessitated the formulation of the UGP: rapid urbanisation, the deterioration of conditions under which urban inhabitants live, the availability of World Bank funding for urban development programmes and projects and the Government's desire to improve urban services through greater delegation of responsibilities to the local level.⁶⁴

The UGP, which delineates the functions and responsibilities of local government, is governed by a number of fundamental principles. These include recognition and role of local government as an equal as well as a significant partner in the provision of municipal services and governance.

Closely aligned to the foregoing is a recognition of the fact that not only are local governments service providers, but also they have a meaningful role to play in promoting an enabling environment that is conducive to economic development and the improvement of the quality of life for the people. Other principles of the UGP are subsidiarity and participation, wherein it is argued that services need to be provided at the lowest levels of government capable of providing the service effectively and economically. In so doing, it is also argued, local government will exercise community leadership through popular participation in the formulation and implementation of development programmes and projects.

Intergovernmental co-ordination, integration of regulation and enforcement are additional principles of the UGP since co-ordination and co-operation among government units has been recognised as a prerequisite for the effective provision of urban services. Furthermore, there is general acceptance that cities, municipalities and towns need to be empowered to formulate and enforce local government statutes that guarantee the health, safety and welfare of the people. The management of urban growth is based on the understanding that local governments, represented by their elected leaders, are in a better position to evolve viable strategies for the development of urban areas. The principles of efficiency and effectiveness recognise the fact that local authorities need to conduct their operations such that maximum performance, value for money, accountability and transparency are guaranteed.⁶⁵

One of the most significant aspects of the UGP relates to financing local government services, which is presently a problematic area in central/local government relations. Accordingly, the UGP recognises the need for local governments to have authority and the ability to raise their own revenues in order to exercise independence and autonomy in the management of local government affairs within the purview of the principle of subsidiarity. Discussions between stakeholders on cost and/or revenue sharing are based on these and other considerations. Figure 3.1 below presents an example of specific revenue sources that could be made available to Swaziland's cities and municipalities, either directly or through central government subventions, under the aegis of the UGP.

In addition, the UGP reaffirms government policy to the effect that local government services will continue to be financed primarily by tax on properties, i.e. rates revenue. However, the Policy is quick to acknowledge the fact that the primary source of revenue to finance services

⁶⁴Ministry of Housing and Urban Development, **Urban Government Policy** (Government Printer, Mbabane, 1996) p.1

⁶⁵ Ministry of Housing and Urban Development, **Urban Government Policy**, Op. Cit, p.3

by urban governments will be linked to the value of immovable property, thus ensuring that the burden of payment is founded on a fair, equitable and reasonable distribution of sharing.

As pointed out earlier in this Chapter, one of the patterns of the heavy dependence of local authorities on central government in Swaziland is exemplified by subventions. The UGP makes provision for subvention formulae to facilitate relevant, justifiable and predictable "pass-through" funds from central government to local authorities. The subventions, to be referred to as General Revenue Grants (GRGs) and based on a fixed formula, the principles of which will be enacted by an Act of Parliament, will form a permanent allocation of centrally collected revenues provided by the central government to the country's cities and municipalities. The basis for determining the amount of funds to be made available to cities and municipalities under the GRGs and the agreed formula will be such considerations as population, needs, disability and other contingency factors, including variances in rateable values, physical constraints, affordability, community mix, diversity of services, services to informal settlements and non-rateable properties.⁶⁶

**Figure 3.1 Local Revenue Sources
Urban Government Policy**

A variety of revenue sources is available to Swaziland cities and municipalities to underwrite the costs of basic urban services. The amounts of such revenues should reflect the actual costs of municipal services as determined by the local government's Management Information System (MIS). Likewise, the determination of the appropriate type of revenues should be based upon a rational policy determined by the local community within Swaziland's overall public policy:

- Public services oriented to the protection and benefit of property should be financed primarily from property (rates) related sources.
- Public services oriented to the protection and benefit of people should be primarily financed from people (income and customs) related sources.
- Public services that can be supported from directly related user fees (transportation and utilities) should be financed from such fees.
- Certain essential public services should be provided to all citizens regardless of their ability to pay for them and such services should be proportionately subsidised from general revenues.
- One-time capital improvements such as buildings should be paid for over the life of the facility through long term debt, if not able to be financed from central government grants.

The foregoing is arguably the most important aspect of the UGP since, through the subvention formula and acceptance of the need for a permanent allocation of centrally collected revenues to cities and municipalities, the government committed itself to the fundamental principles of revenue sharing. Until the approval and adoption of the UGP, there was no systematic approach nor principles that governed the transfer of funds from central government to local authorities even under conventional and/or traditional subventions which often fluctuate from year to year depending on the socio-economic exigencies facing government at any given time. The GRGs in general and the subvention formulae in particular are such that they can be changed by the government from time to time, presumably with or without consultation with other stakeholders, namely cities and municipalities. Grant revenues are also important in that they will form a basis from which local governments will determine the level at which to set their own user fees and property rates annually.

⁶⁶ Ministry of Housing and Urban Development, **Urban Government Policy**, Op. Cit, p.6

Based on the understanding that residents are best able to determine the types of services they want from their local governments, the UGP further accepts the principle of local autonomy. It confers on cities and municipalities an independent authority to identify new sources of revenue, programmes and projects not specifically prohibited by the central government but after consultation with the latter, especially on matters of local taxes. Another unique feature of the UGP relates to the formulation and implementation of capital programmes since it acknowledges the fact that in order to carry out communities' strategic development goals and objectives, local authorities need to prepare and execute comprehensive long-term capital budgets. To this end, there would be need, on the part of local governments, to determine and prioritise the present and future public infrastructure requirements of communities under their municipal jurisdiction. The UGP empowers cities and municipalities to consider borrowing funds from financial institutions provided such projects not only have the overwhelming support of the communities in which they are located but also take into account the capacity for sustainability and consistency with national development goals, objectives and strategies.⁶⁷

With regard to user fees and in relation to the important question of cost recovery, the UGP states that these need to take into consideration actual service costs. The UGP also states that as local governments become increasingly independent and assume greater responsibility for raising their own revenues, they will generate a wide range of such fees to finance such services as licensing administration, public markets, recreation facilities, inspections, codes administration and related functions. Significantly, cities and municipalities, according to the UGP, shall be empowered to determine and retain all fees generated from the services they provide and maintain.⁶⁸ Figure 3.2 below presents the range of functions and responsibilities that cities and municipalities will have the authority to perform in urban areas under their jurisdiction and within the context of the UGP.

Strategic planning and management has assumed unparalleled significance in modern management theory and practice, particularly as organisations, both public and private, reposition themselves to face the problems and challenges of a turbulent socio-economic and political environment. For these and other considerations, including dwindling financial and material resources and competitiveness, the UGP also recognises the need for the introduction and implementation of a strategic planning process by local authorities that will enable them to develop and maintain comprehensive policies to guide infrastructure development and community participation in the public policy decision-making process.

⁶⁷Ministry of Housing and Urban Development, **Urban Government Policy, Op. Cit.**, p.7

⁶⁸Ibid

Figure 3.2

**Basic Functions and Responsibilities of Local Governments
in Swaziland under the Urban Government Policy**

A. Infrastructure

- ◆ Roads/Drainage/Footpaths. Plan, construct and maintain all roads, drainage and footpaths within the municipal boundaries, including maintenance of national roads under contract with the central government.
- ◆ Street Lighting. Plan, install and maintain all street lighting.
- ◆ Water/Sewerage. Co-ordinate with the Swaziland Water Services Corporation for the effective provision of water and sewerage. Local government may assume, under local option, the ownership and operational responsibility for the water and sewer distribution systems.
- ◆ Electricity. Co-ordinate with the Swaziland Electricity Board for the effective provision of electricity.
- ◆ Telecommunications. Co-ordinate with the Swaziland Posts and Telecommunications Corporation for the provision of communications facilities.
- ◆ Transport Planning. Plan for and co-ordinate with the Road Transportation Board to ensure adequate, efficient and regulated public transport services, including the issue of Public Transport Licences.

B. Public Facilities

- ◆ Bus Terminals. Plan, construct and maintain public bus terminals and facilities.
- ◆ Cemeteries. Maintain cemeteries and arrange for the burial of the indigent.
- ◆ Sports Facilities. Plan, construct and maintain sports/public assembly facilities.
- ◆ Community Centres. Plan, construct, co-ordinate and maintain buildings and other facilities.
- ◆ Public Toilets. Plan, construct and maintain public toilets and ablution facilities.

- ◆ Parks and Open Space. Develop and maintain parks, trees, landscaping and other open space for urban aesthetics and public enjoyment.
- ◆ Solid Waste Collection. Provide for an effective refuse collection programme.
- ◆ Landfills. Provide sanitary landfill services for the safe disposal of solid waste in accordance with relevant environmental legislation.
- ◆ Septic Services. Provide an effective septic service that encourages proper maintenance of septic systems and minimises environment pollution.
- ◆ Environmental Controls/Regulations. Co-ordinate with the Swaziland Environment Authority in providing a comprehensive system of environmental

Figure 3.2 (Continued)

- ◆ Fire and Emergency Services. Co-ordinate with the Swaziland Fire and Emergency Services to ensure fire prevention and suppression and emergency medical services.

E. Economic Development

- ◆ Land Development. In co-ordination with the central government, facilitate or directly provide sites for development of commercial and industrial businesses.
- ◆ Residential Development. In co-ordination with the central government and in view of existing policies, planning and control regulations facilitate or directly undertake provision of infrastructure to enable the development of land for additional housing.
- ◆ Public/Private Partnerships. Plan and implement specific programmes to encourage and facilitate private sector investment and development in productive sectors of the economy.
- ◆ Public Information. Provide basic information about the city/town and its government to citizens, potential outside investors and interested parties.
- ◆ Markets. Provide for public markets, through either direct provision of facilities or contractual arrangements.
- ◆ Abattoirs. Provide for abattoirs, through either direct provision of facilities or contractual arrangements.

F. Social and Human Services

- ◆ Recreation. Provide recreation programmes for youth, adults and the elderly.
- ◆ Libraries. Co-ordinate with the Swaziland National Library Service to provide library services so that they will be available to all citizens.
- ◆ Public Health. Provide direct inspection and enforcement services and co-ordinate with the Ministry of Health and Social Welfare, Swaziland Fire and Emergency Services, hospitals and non-government organisations to ensure the effectiveness of public health programmes.
- ◆ Day Care. Provide day care and infant welfare programmes in co-ordination with the Ministries of Home Affairs and Health and non-governmental, organisations and encourage private initiatives in this area.
- ◆ Children and Family Services. Co-ordinate with the Ministry of Home Affairs to ensure effective support services and facilities for the aged, homeless, children and families in need.
- ◆ Education. Co-ordinate with the Ministry of Education to encourage the effectiveness of primary and secondary educational facilities and that public health and safety standards are maintained.

NB Many of the above functions are expected to be carried out in co-operation between different levels and governments, without a clear determination of which level has the major responsibility.

Community participation is an integral part of and is subsumed under the general process of decentralisation. The emphasis of the UGP on citizen involvement in decision-making is testimony to the Government's acceptance of the need to give direct access to government by the people, thus stimulating them to actively participate in the formulation and implementation of national development plans, programmes and projects. Within the purview of these and other factors, the UGP accepts the argument that local governments, by virtue of being closer to the people, have a better understanding of community needs and aspirations, including being well positioned to explain government policies and actions and work co-operatively with communities in carrying out programmes and projects that advance the larger public interest.

A closer examination of the UGP reveals, beyond doubt, that it is by far the most radical as well as a significant policy ever to be adopted by the central government in Swaziland. The assumption of the UGP is that the functions and responsibilities it defines would be carried out by local authorities in collaboration with other relevant agencies of the central

government, including public corporations. Through the UGP, the government made an undertaking to implement far-reaching changes and reforms affecting central/local government relations in the area of decentralisation and its related processes of devolution and deconcentration. Since Swaziland is by nature and in socio-political and administrative terms, a conservative society that has clung to traditional norms and values, the UGP represents a step towards the embrace of modern principles of decentralisation and local governance.

The UGP is consistent with many of the reasons for decentralisation such as the fact that since the demand for local services differs from one area to another, decentralisation allows for flexibility in attempts at meeting multifaceted demands. Implicit in decentralisation programmes are considerations of efficiency in that locally financed and delivered services are normally provided at considerably reduced costs. This recognition is explicit in the UGP which acknowledges the principle of 'subsidiarity' and in particular the view that government functions need to be performed at the lowest levels at which they can be efficiently and effectively implemented, thus rendering them people-driven.

By far, one of the most important arguments in favour of decentralisation is political in that local government is an instrument for democracy in general and grass-roots participation and community development in particular. Lessons of experience throughout the developed and less developed world have shown that stronger local and/or regional governments act as a countervailing force against all-powerful central governments. Other considerations behind decentralisation are administrative and/or institutional. Being on the ground and closer to the people, local governments are better placed to provide and co-ordinate services than could central government.⁶⁹

Unfortunately, the UGP has suffered from problems of implementation, many of which will be presented and discussed in Chapter 8. However, for purposes of this Chapter, it will suffice to point out that since its approval and adoption by Cabinet in 1996, no administrative, institutional and legal structures and/or arrangements have been put in place to facilitate its implementation.⁷⁰

3.3 Concrete Reform Initiatives/Projects

General public sector reform initiatives are represented by such programmes as NDS, PSMP and ESRA, the multiple objectives of which are the encouragement of economic growth, the promotion of sound macro-economic management, the enhancement of the quality of life through improvements in standards of living and the improvement of the efficiency and effectiveness of the civil service. The most comprehensive and ambitious reform initiative in the area of local government improvement is represented by the Urban Government Project whose objectives are to: raise environmental health standards among urban low income communities, mobilise community resources, encourage participation in development; promote investment in urban employment opportunities and improve the efficiency and equity of urban management.⁷¹

⁶⁹ Reddy, P.S.,(ed.) **Readings in Local Government Management and Development: A Southern African Perspective** (Juta, Kenwyn, 1996)

⁷⁰ For a useful analysis of the causes of the gap between promise and performance, including obstacles towards the implementation of administrative reforms in Swaziland, see, Dlamini, M.P., "**Administrative Reform and the Civil Service in Swaziland: The Gap between Promise and Performance**" African Journal of Public Administration and Management, Vol. II, No.1, (January 1993)

⁷¹ John Burrow and Euroconsult "**Urban Government Project**," Technical Report 3 (John Burrow, Mbabane, 1993)

What has emerged from this Chapter, among other points and considerations, is that one of the challenges now facing Swaziland is the formidable task of providing employment opportunities for and improving the living standards of a rapidly growing population. The growth of urban areas is largely unplanned, uncontrolled and uncoordinated. Approximately 60 percent of the population along the Mbabane-Manzini corridor live in informal and substandard structures on un-surveyed land without legal title. The deterioration of living conditions has led to a situation wherein less than 50 percent of the urban population has access to safe water and less than 20 percent is connected to the sewerage network. Furthermore, not only are water treatment plants in urban areas poorly maintained but also sewage installations are hard-pressed in coping with demand.⁷²

The Human Settlements Authority⁷³ was established in 1988 to ensure the orderly development of present and future urban and rural settlements, determine standards for public and private developers and regulate real estate transactions. Nevertheless, the effective management of the urbanisation process in Swaziland has been affected by the dearth of clearly defined sector policies, difficulties in securing land for urban development, a pervasive lack of institutional capacity, jurisdictional overlap of functions among various agencies and inconsistencies or conflicts inherent in national legislation and policies⁷⁴.

The primary objectives of the UDP are to:

- ◆ Provide a basis for sustainable urban development through emphasis on policy reform, institutional development, pilot land reform, participatory development and housing solutions for moderate and low-income urban households.
- ◆ Address critical infrastructure needs (water, sanitation, waste disposal and roads).

Building on initiatives implemented during preparation, the Project will:

- Support remaining policy and legislative reform.
- Strengthen sector institutions through human resource development and improvements in internal systems and procedures.

Physical investments would include:

- Rehabilitation and expansion of city roads and services, water and sewerage services;
- Upgrading informal settlements through provision of on-site infrastructure for 4000 housing sites; engineering design, construction supervision and technical support for project implementation are also components of the Project.

Architects of the UDP⁷⁵ regard it as an ambitious initiative aimed at the provision of affordable housing and access to urban services and/or infrastructure for low-income communities. Since the UDP is inextricably intertwined and related to the Urban Government

⁷²World Bank, "Staff appraisal Report: Swaziland Urban Development Project" (World Bank, Washington D.C. 1994) p.2

⁷³The Authority, which inherited the functions of the Private Townships Board, is regulated by the statutory provisions of the Human settlements Authority Act (1988) as amended (1992).

⁷⁴ World Bank, *op. cit.*, p.2

⁷⁵ The Urban Development Project has drawn together a vast array of stakeholders and participating agencies such as the World Bank, government ministries and departments, public enterprises, city councils and the private sector.

Policy and the Draft Urban Government Bill, there is no doubt that the policy and legislative reform aspects of the Project will provide a strong basis for an effective and efficient urban government/management. Infrastructure service provision will go a long way in improving Swaziland's investment climate, particularly at a time of serious socio-economic problems such as sluggish economic growth, rising unemployment and a rapidly increasing population.

3.4 Division of Tasks between Central and Local Governments

Subject to and in accordance with the provisions of the Local Government Act No. 8/1969, local authorities in Swaziland are vested with what may be regarded as classical or traditional powers and duties. These include, inter alia, the control and management of the municipality; maintenance and cleanliness of public streets and open spaces; abatement of public nuisances; safeguard of public health and provision of sanitary services for the removal and disposal of soil, rubbish, carcasses of dead animals and all kinds of refuse. Other functions are the establishment and maintenance of public utilities; the development, control and management of land; establishment and administration of housing schemes for the inhabitants of the municipality, etc.

A critical examination of some of these functions, such as those relating to the establishment and maintenance of public utilities, including housing schemes, reveals the out-dated nature of the Local Government Act; many of these responsibilities have since been taken over by public enterprises such as the Water Services Corporation (WSC) which provides water and sewerage services. The provision and maintenance of telephone services is the responsibility of the Swaziland Posts and Telecommunications Corporation (SPTC), while the Swaziland Electricity Board (SEB) provides electricity and the Swaziland National Housing Board (SNHB) is responsible for housing.

Thus, the proliferation of public enterprises in the post-independence era in Swaziland led to the gradual erosion and depletion of some of the key functions of local authorities. This phenomenon is largely responsible for the inability of local authorities to generate sufficient revenue with which to sustain their operations and improve the quantity and quality of services to inhabitants of cities and municipalities. Furthermore, such a situation keeps local authorities in a perpetual state of fiscal and administrative dependence on central government and therefore impacts negatively on their ability to achieve autonomy and an independent existence.

Another observation is that local authorities in Swaziland do not perform many of the functions that are normally perceived as the conventional responsibilities of urban governments elsewhere. In developed western countries, the division of tasks and responsibilities between central and local government is such that education, health facilities and water services are provided by local authorities. However, the situation is radically different in Swaziland, where education and health facilities, including schools and hospitals are provided by the central government. The system of local government in some countries of the developed world is based on clearly articulated policies of decentralisation, both administrative and fiscal, whereby government shows strong commitment to giving power to the people in accordance with the definition and meaning of local government. However, the situation in Swaziland is by no means unique, given the fact that a number of African countries are confronted with similar problems.

Commitment to decentralisation needs not only to be expressed through public policy documents and well established practices but also, and much more importantly, it should be enshrined in a country's constitution which should embody the fundamental principles of democracy, transparency, accountability and good governance. However, the absence of a constitution in Swaziland, which would be the supreme law of the land, creates serious problems. The roles and functions of both central and local government are not clearly defined, and their relationship with each other is not embodied in and protected by constitutional provisions.

The most contentious area in the functions and responsibilities of local authorities in Swaziland is the development, use and ownership of land. While the Local Government Act empowers local authorities to develop, control and manage any land vested in, owned or leased by them, the practical reality is different and/or fraught with numerous problems. Ownership of land lies with either the central government or the Swazi Nation in the case of Swazi Nation Land (SNL)⁷⁶ that is held in trust by the King and distributed by chiefs to the people as part of the exercise of their traditional powers and prerogatives.

Since local authorities do not own land in the urban areas under their municipal jurisdiction, their ability to develop, control and manage such land is severely circumscribed since they have to get the approval of central government whenever they desire to formulate and implement municipal development programmes and projects. Moreover, since land ownership rights lie elsewhere in Swaziland's complex political and administrative system, no land development programmes and projects can proceed before land has officially been made available to local authorities. The process of soliciting approval and the release of land earmarked for urban or township development is not only complex like the political and administrative system but also characterised by long delays that often paralyse the decision-making process.

The range of functions and services performed and provided by the central government and local authorities is presented in Figure 3.3. At the level of central government, the division of tasks and responsibilities between different ministries, departments and agencies is not clear, and the situation is compounded by the existence of such corporations as Tibiyo Taka Ngwane⁷⁷ and Tisuka Taka Ngwane⁷⁸ which lie outside the control and management of the central government bureaucracy.

Through Tibiyo Taka Ngwane, the Swazi Nation has acquired equity and direct control in most of the country's major agro-industrial and mining enterprises such as the Commonwealth Development Corporation (CDC), Lonrho, Courtlands, Turnes and Newall, Tate and Lyle, Swazi Can, Anglo-American, Kirsh Industries and Sun International. Though often criticised as a mechanism by which the Swazi rules acquire a material base in the capitalist sector of the economy, the government views Tibiyo Taka Ngwane as a major

⁷⁶ The dual nature of government in Swaziland is not only reflected at the political level but also in terms of the ownership of land. There exists privately owned land in the form of Title Deed Land and Swazi Nation Land whose allocation and ownership is governed by tradition.

⁷⁷ "Tibiyo Taka Ngwane", which literally means the bowels of the Swazi Nation, was established by King Sobhuza II in 1968. Its history goes back to the colonial era and to a special fund which was a depository of monies accruing from mineral royalties. Tibiyo's objectives are to promote the social, cultural and economic development of the Swazi Nation in co-operation with, but independently of, the government.

⁷⁸ Tisuka Taka Ngwane is a 'sister royal corporation' to Tibiyo Taka Ngwane that is managed on similar lines and is directly accountable to the King. Its activities and programmes are narrower since it is concerned with the provision of rented housing, including offices.

vehicle for increasing the control and participation of the Swazi Nation in the economic development of the country.⁷⁹

⁷⁹ Dlamini, M.P. "Development Planning and the Administration of Development in Swaziland: The Gap between Theory and Reality", UNISWA Research Journal, Vol.8 (1994).

FIGURE 3.3: DIVISION OF RESPONSIBILITY BETWEEN CENTRAL AND LOCAL GOVERNMENTS

SERVICE	CENTRAL GOVT.	LOCAL GOVT.	SHARED
General Public Services			
• Administration			XXXXXXXXXXXXXXXX XXXXXXXX
• Care and maintenance of parks, gardens, cemeteries, etc		XXXXXXXXXXXX XXXXXXX	
• Physical (town/city) planning		XXXXXXXXXXXX	
• Traffic control, car parking and road safety	XXXXXXXXXXXX XXXXXXX		
• Provision and maintenance of fire services	XXXXXXXXXXXX XXXXXXX		
• Issuing of trade licenses	XXXXXXXXXXXX		
• Tax and levy collection	XXXXXXXXXXXX		
• Registration of births, deaths marriages, and voters	XXXXXXXXXXXX XXXXXXX		
• Land Allocation	XXXXXXXXXXXX		
Education			
• Pre-school	XXXXXXXXXXXX		
• Primary	XXXXXXXXXXXX XXXXXXX		
• Secondary	XXXXXXXXXXXX		
• Tertiary	XXXXXXXXXXXX		
Health			
• Hospitals	XXXXXXXXXXXX		
• Clinics	XXXXXXXXXXXX		
• Rural Health Centres	XXXXXXXXXXXX		
• Sewage disposal		XXXXXXXXXXXX	
• Environmental health (e.g. malaria controls)			XXXXXXXXXXXXXXXX XXXXXXX

• Social Security and welfare	XXXXXXXXXXXX XXXXXXXXXXXX XXXXXX		
Housing			
• Construction and management of housing	XXXXXXXXXXXX XXXXXXXXXX		
Community amenities			
• Public transport	XXXXXXXXXXXX		
• Inspection of hotels, bars, restaurants and abattoirs		XXXXXXXXXXXX XXXXXXXXXX	
• Meat and food inspection		XXXXXXXXXXXX	
• Health education			XXXXXXXXXXXX
• Prevention and abatement of public nuisances		XXXXXXXXXXXX XXXXXXXXXX	
• Provision of public conveniences and ablution facilities		XXXXXXXXXXXX XXXXXXXXXX	
• Maintenance of parks, gardens, and cemeteries		XXXXXXXXXXXX XXXXXXXXXX	
• Construction and management of markets		XXXXXXXXXXXX XXXXXXXXXX	
• Management of resettlement schemes			XXXXXXXXXXXXXXXX XXXXXXXXXX
Economic Services			
• Water supply, treatment and reticulation	XXXXXXXXXXXX XXXXXXXXXX		
• Feeder road construction and maintenance		XXXXXXXXXXXX XXXXXXXXXX	
• Solid waste management		XXXXXXXXXXXX	
• Refuse collection and disposal		XXXXXXXXXXXX	
• Street lighting in urban areas		XXXXXXXXXXXX	
• Electricity production and supply	XXXXXXXXXXXX XXXXXXXXXX		
• Commercial undertakings (shops, bars, re-houses, farms, etc.	XXXXXXXXXXXX XXXXXXXXXX		

Undoubtedly, a situation that has negatively affected the ability of the central government to deliver services effectively and efficiency is the significant overlap and duplication of functions and responsibilities between the modern and traditional structures of political and

administrative power that are exemplified by the diarchical system of government. Besides considerable overlap and duplication of functions, other problems centre on inadequate co-ordination and communication. For instance, the World Bank observed that problems emerge when the two separate administrative systems attempt to conceive and administer the development of the country's resources, since their activities increasingly overlap. The SNC has extended its domain beyond the traditional sector through Tibiyo Taka Ngwane's share holding in Swaziland's largest industrial and plantation enterprises, while the central government has entered the domain of tribal land in its attempts to increase the productivity of the rural economy an extensive rural programme.⁸⁰

Moreover, the existence of two parallel political and administrative structures, each vying for influence and supremacy, leads to the fragmentation of the policy and decision-making process and often results in a conflict of interest, particularly since the traditional arm of government is by nature conservative and resistant to change.⁸¹ In view of the complex nature of the politico-administrative system in Swaziland, it is sometimes difficult to identify the actual centres of decision-making, let alone avoid a situation whereby government officials are caught in the crossfire of conflicting directives. The public policy decision-making process is always affected by the lack of common ground and consensus between the numerous actors in the dual political and administrative system⁸².

A closer examination of the division of tasks and responsibilities between central and local governments in Swaziland, unlike in other African countries such as Zambia, shows that there are fewer shared responsibilities, a situation that reinforces the centralised nature of government functions in the Kingdom. Shared responsibilities are in the areas of health. However, the implementation of the UGP would radically alter the existing order in the direction of greater decentralisation and shared responsibilities between central and local governments as well as between the latter and government agencies and parastatal organisations.

3.5 The Sample Local Governments

The analysis of fiscal decentralisation in Swaziland in this Chapter derives its data and information from the experience of seven representative local authorities that were identified for in-depth examination. These include Mbabane City Council, Manzini City Council, Nhlanguano Town Council, Siteki Town Council, Piggs Peak Town Council, Lavumisa Town Board and Matsapha Town Board. The sample local authorities represent nearly all the expenditure and revenue of urban local authorities in Swaziland. Below is a description of the case studies.

⁸⁰ World Bank, **Economic Memorandum on Swaziland** (World Bank, Washington D.C., 1981) p.1

⁸¹ Recent examples of a conflict of interest between the traditional arm of government, represented by the SNC, and the modern government can be seen in the interpretation of the nature and objectives of the National Development Strategy, which the SNC regards as advocating multi-party democracy and therefore a serious threat to the existing socio-political and economic order in Swaziland. The launching of the NDS has been held in abeyance due to disagreement over the 'political nature' of the twenty-five year development programme.

⁸² Dlamini, M.P., "**Development Planning and the Administration of Development in Swaziland: The Gap between theory and Reality**", *op.cit.*, p.93

3.5.1 Mbabane City Council

Mbabane, the country's administrative capital, gained city status in 1992 and has a total urban population of 58,000. Headed by a Mayor, the Mbabane City Council (MCC) is made up of sixteen councillors, twelve of whom are elected by residents from twelve wards, with the remaining four nominated by the Minister for Housing and Urban Development in accordance with the statutory provisions of the Local Government Act (1969). With a total establishment of 330 employees, the MCC is composed of seven departments: the Office of the CEO, City Secretary, Finance, Human Resources, Environmental Health, Public Works and City Planning Departments.

CITY COUNCIL OF MBABANE (1998)		
Population	:	58,000
City Council Expenditure	:	Total : E18.5 million
City Council Revenue	:	Total: E20.3 million
City Council Staff	:	Total 330
No. of staff per 1,000 inhabitants	:	5.7
Economic basis: Administrative capital		
Geographical Area: [Figures not available] Mbabane is located in the Hhohho region, which is highveld.		
Special Characteristics: Until recently, Mbabane faced the problem Of budget deficits arising from inadequate Revenue from property tax (rates).		

3.5.2 Manzini City Council (MCC)

Besides being the most urbanised, with 32% of the population resident in urban areas, the Manzini region is the most populous, with slightly over 30% of the country's population. The City has an estimated population of 69,000 and is experiencing growth at a higher rate than the national average. These figures are reflective of the significance of Manzini as a centre of diversified economic and/or commercial activities where employment, consumption and income generating opportunities are concentrated⁸³

⁸³ Scott Wilson, **Manzini City Council: Discussion Document on current Planning and Development Issues** (Scott Wilson, Johannesburg 1999).

CITY COUNCIL OF MANZINI (1998)		
Population	:	69,000
City Council Expenditure	:	E13,273 million
City Council Revenue	:	E38.5 million
City Council staff	:	380
No. of staff per 1,000 inhabitants:		5.5
<p>Economic basis: Commercial centre and Service industries.</p> <p>Geographical Area: [Figures not available] Manzini is located in the Manzini region, Which is in the middleveld.</p> <p>Special Characteristics:</p> <p>Manzini is the commercial Capital, hence it is regarded As the "Hub" of Swaziland</p>		

3.5.3 Nhlanguano Town Council

The significance of Nhlanguano, previously known as Goedgegun, dates back to the late 1940s and early 1950s when it was used as a venue for the historic visit to Swaziland of Queen Elizabeth II and George VI, an event from which the town derives its name, Nhlanguano or "place of meeting". Earlier in the history of the town, it became an important commercial centre that Afrikaner or Boer farmers used as a trading post for agricultural produce such as maize, tobacco, sheep and allied products. Today, the town has become a rapidly growing urban centre, some of the main activities of which are forestry and the production of timber, which finds a ready market in neighbouring South Africa.

As a municipality, Nhlanguano recently acquired the local government status of a Council, thus emerging as a regional headquarters for Shiselweni. Because of its relatively developed administrative and physical infrastructure - such as government offices, banks, shops and a variety of private businesses such as furniture outlets - Nhlanguano Town Council has also assumed the status of being a "clearing house" for municipal affairs relating to 'underdeveloped' local authorities in the Shiselweni region. These are Lavumisa and Hlatikulu.

NHLANGANO TOWN COUNCIL (1998)		
Population	:	8,000
Town Council Expenditure	:	E1,545.1 million
Town Council Revenue	:	E1,545.03 million
Town Council Staff	:	45
No. of staff per 1,000 inhabitants	:	5.6
Economic basis: Agriculture, forestry, tourism		
Geographical Area: [Figures not available] Nhlangano is located In the South of the country		
Special Characteristics: Gateway to the South, including KwaZulu/Natal Province in South Africa and Piet Retief in Mpumalanga Province		

Unlike the City Councils of Mbabane and Manzini, which have fully-fledged administrative structures and departments that are used to manage their municipal affairs, the Town Councils of Nhlangano, Piggs Peak, Lavumisa and Siteki and smaller Town Boards of Matsapha, Ezulwini, Ngwenya and Vuvulane, are not so privileged. Hence, their administrative affairs are handled at the central government level, specifically by the Ministry for Housing and Urban Development.

Because of its size and capacity relative to other municipalities in the Shiselweni region, Nhlangano Town Council plays an important facilitating role in managing the affairs of Hlatikulu and Lavumisa Town Boards. The Council maintains 'trust accounts' for the two Boards and is responsible for their financial and other functions relating to ISP, such as grading and maintenance of roads. However, it is hoped that with the gradual building and strengthening of their administrative capacity, these Town Boards will manage their own affairs, thus easing the burden on the Nhlangano Town Council which is already hard pressed in coping with its own responsibilities.

3.5.4 Siteki Town Council

Siteki, which literally means "a place of marriage", a name that derives from King Mbandzeni's benevolence in preferring that his regiments marry young maidens from the area in the early 1900s, is the administrative headquarters of the Lubombo region. Located in the eastern part of Swaziland some thirty kilometres from the Mhlumeni border with Mozambique, Siteki became attractive for white settlement from 1912 onwards due mainly to its warm climate that is made possible by a natural cushion provided by the historic Lubombo mountain range.

SITEKI TOWN COUNCIL (1998)		
Population	:	4,000
Town Council Expenditure	:	E1,211.52 million
Town Council Revenue	:	E858.63
Town Council Staff	:	30
No. of staff per 1,000 inhab.	:	7.5
<p>Economic basis: Cotton, tourism</p> <p>Geographical Area: [Figures not available] Siteki is located in the eastern Part of the country 30 kms From the Mhlumeni border with Mozambique</p> <p>Special Characteristics: Gateway to the east, mainly Maputo in Mozambique, Siteki Has great tourist potential with The implementation of the Lubombo Special Development Initiative (LSDI)</p>		

Siteki, whose municipal status changed from that of a Town Board to a Council in 1994, is at a similar level of growth and development as Nhlanguano Town Council. The Town Council of Siteki shares similar administrative structures and patterns of dependence on the central government in general and the Ministry for Housing and Urban Development in particular.

3.5.5 Piggs Peak Town Council

Located in the northern part of the country in the Hhohho region, the historical evolution and development of Piggs Peak has always been influenced and largely dependent on forestry and the resultant timber industry, which has been a source of employment since the 1930s and 1940s. Agriculture in general and sugar cane growing in particular will be important economic activities after the completion of the Maguga Dam. Piggs Peak, together with Nhlanguano and Siteki, was elevated from a town board to council status in 1994. The municipality, like its counterparts, has similar administrative structures.

PIGGS PEAK TOWN COUNCIL (1998)		
Population	:	4,000
Town Council Expenditure	:	E627.19 million
Town Council Revenue	:	E1,130.71 million
Town Council Staff	:	30
No. of staff per 1,000 inhab. :		7.5
<p>Economic basis :</p> <p>Forestry, timber</p> <p>Products and tourism</p> <p>Geographical Area: [Figures not available]</p> <p>Piggs Peak is</p> <p>Located in the northern part</p> <p>Of the country in the Hhohho</p> <p>Region.</p> <p>Special Characteristics:</p> <p>Because of its awe-inspiring</p> <p>Mountains, Piggs peak has great</p> <p>Tourist potential that will be</p> <p>Enhanced by the Maguga Dam</p> <p>Presently under construction</p>		

3.5.7 Lavumisa Town Board

Located in the south of the country in the Shiselweni region that borders South Africa, Lavumisa is one of the smallest urban areas in terms of geographic area and population size.

LAVUMISA TOWN BOARD (1998)		
Population	:	1,300
Town Board Expenditure	:	39.42 (E000)
Town Board Revenue	:	50.0 (E000)
Town Board Staff	:	10
No. of staff per 1,000 inhab. :		
<p>Economic basis :</p> <p>Livestock farming, sugar cane</p> <p>Growing</p> <p>Geographical area: [Figures not available]</p> <p>Lavumisa is located in the south of</p> <p>The country in the Shiselweni</p> <p>Region about 30 kms from</p> <p>The sugar processing town</p> <p>Of Big Bend</p> <p>Special Characteristics:</p> <p>Gateway to KwaZulu/Natal South Africa.</p>		

Lavumisa is one of the least developed municipalities. Its administrative and other affairs are managed and co-ordinated, on a trustee basis, by the Nhlangano Town Council, in collaboration with the Ministry for Housing and Urban Development.

3.5.8 Matsapha Town Board

Matsapha's municipal status goes back to the 1970s, when the town was declared an urban area in accordance with the provisions of the Local Government Act (1969). Unlike the other municipalities, where the controlling ministry is the Ministry for Housing and Urban Development, Matsapha Town Board and its operations are monitored and/or facilitated by the Ministry of Enterprise and Employment. Matsapha is an industrial town, and a controlling ministry responsible for investment and industrial development is in a position to facilitate the municipality's operations and thus create an enabling environment for foreign investment and industrial expansion.

MATSAPHA TOWN BOARD (1998)		
Population	:	13,600
Town Board Expenditure	:	E2,839.72 million
Town Board Revenue	:	E2,693.97 million
Total Number of Staff	:	4
No. of staff per 1,000 inhab.	:	
Economic basis: Industrial Development		
Geographical Area: [Figures not available] Matsapha is located in The central part of the country And eight kms from the city of Manzini in the same region.		
Special Characteristics: Industrial development		

Another distinguishing feature that separates the Matsapha Town Board from other municipalities is its administrative structure, particularly at the policy or board level. In terms of composition, the Board is made up of non-elected members, the nomination of which is made by the Chamber of Commerce and Industry. The six-member Town Board is composed of the Principal Secretaries of the Ministries for Enterprise and Employment and Housing and Urban Development who are Chairman and Deputy Chairman, respectively. The Chamber of Commerce and Industry nominates three members from key sectors of investment such as building and construction, beverages and manufacturing. The sixth member of the Board is a political appointee made by the Minister for Enterprise and Employment. The latter, however, does not approve the Board, after which it is gazetted, since such a prerogative rests with his counterpart, the Minister for Housing and Urban Development.

Below the Board and accountable to it is an administrative structure made up of civil servants seconded from the Industry Section of the Ministry for Enterprise and Employment, and these

officials occupy such positions as Clerk to the Board, Engineer, Accountant, etc. Unlike the other municipalities, which are wholly or partially dependent on the central government in terms of annual subventions and/or grants, the Matsapha Town Board is financially independent, with rates income forming a significant component of its revenue. Other important sources are the sale of industrial plots and survey fees. Another difference in the operations of the Board relates to the procedures invoked in the approval of the municipal budget. While the latter in all local authorities, as statutorily required, is approved by the Ministry for Housing and Urban Development, the budget of the Matsapha municipality is approved by the Board, thus freeing it from several layers of bureaucracy that often result in unnecessary and costly delays in the decision-making process.

As part of its autonomy relative to other municipalities of equivalent size in administrative terms, the Matsapha local authority operates a trading account, the monitoring and supervision of which is the responsibility of the Board. This is a significant departure from conventional procedure and practice with the rest of the country's local authorities, with the exception of the City Councils of Mbabane and Manzini, whose financial operations are integrated into the government consolidated fund. The observation, therefore, with regard to the Matsapha Town Board is that fiscal decentralisation is greater than it is with other smaller local authorities. This situation can be attributed, among other factors, to the uniqueness of Matsapha as an industrial town.

3.6 Conclusion

In this Chapter, the socio-political and economic context or environment within which both central and local government exists and operates was presented. It has been observed that in other African countries, such as Kenya, Zimbabwe and Zambia, local government performs a wide range of functions and responsibilities mainly in the areas of education, health, water supply, housing and land development. In Swaziland, urban local government is confined to basic or traditional municipal functions and services. Although the influence of the dual political and administrative system is such that there is a preponderance of central over local government, in recent years, the formulation of such programmes and projects as the UDP represents ambitious steps towards fiscal decentralisation.

The analysis of each of the sample local authorities has shown that they are at different levels of development and capacity for fiscal decentralisation. Undoubtedly, the most developed municipalities by the country's standards are Mbabane and Manzini. The least developed and severely lacking in administrative and fiscal capacity are Ezulwini, Lavumisa, Ngwenya and Vuvulane. However, even in the case of Mbabane and Manzini, it would seem that their responsibilities are not in conformity with fiscal autonomy and sufficient resources; hence, the implementation of UGP holds the key to greater administrative, fiscal decentralisation and independence for local authorities in the small mountain Kingdom.

The implementation of local government reforms in Swaziland faces numerous problems and challenges, some of which are inherent in the nature of the country's socio-political system. This system would need to be revised to accommodate the envisaged decentralisation initiatives. This is particularly the case since there is a close correlation between democratisation and decentralisation. Issues of governance and the promotion of democratic local government are essentially political in nature, hence the need for a strong sense of commitment to and support for fundamental reform on the part of the country's political and bureaucratic leadership.

The formulation of the UDP was based on full cost recovery. The argument was that the rehabilitation and expansion of urban infrastructure would be recovered through user charges, fees and rates revenue while the costs of infrastructure for new urban residential sites or plots would be recovered through plot pricing. Accordingly, fiscal decentralisation is one of the key elements of the UDP, the success of which depends largely on progress with regard to the review of local government legislation, whose guiding principles are partnership, subsidiarity and autonomy. The UDP should be viewed within the context of a complex jigsaw puzzle, the missing pieces of which affect adversely the whole picture.

Directly or indirectly, the UDP will have a significant impact on Swaziland's socio-political and economic system. For this reason, there is need for all stakeholders to understand fully its implications in order to accord it the political and administrative support it deserves. Given the nature of the Project and the wide range of benefits that are expected to accrue from it, such as being an essential tool in the implementation of the government's urban development strategy, there is no doubt that ownership of, and commitment to, the UDP are of vital importance. Against a background of these and other considerations, Chapter 4 examines the finances of the public sector with a view to determining, inter alia, the composition and size of financial resources at the disposal of central and local governments. In addition, Chapters 5, 6 and 7 present detailed analyses of local government possibilities for the provision of services to the people.

CHAPTER FOUR

THE FINANCES OF THE PUBLIC SECTOR

4.0 Introduction

The objective of this chapter is to provide a comprehensive analysis of the fiscal and financial mechanisms and operations of local authorities in Swaziland. The chapter examines the fiscal processes and constraints influencing the delivery of services by city councils, town councils and town boards in a decentralised framework and as mandated by the Urban Government Act of 1969, as amended. The chapter attempts to be prospective, with a view to contributing to the national debate in Swaziland concerning the powers and functions of local authorities.

According to the Urban Government Act, city council, town councils and town boards are responsible for providing services to the urban and peri-urban population within their boundaries. With the exception of "company towns"⁸⁴, the line ministry in central government for local authorities is the Ministry of Housing and Urban Development (MOHUD). The services currently provided by local authorities range from refuse collection to provision of roads and drainage infrastructure.

Sub-national governments (SNGs) are not responsible⁸⁵ for electricity generation or distribution, fire services, water, national roads, postage, telecommunication, health or education. It is important to note that there is a remarkable disparity across local authorities in terms of size of population served, financial resources, administrative structures and the range and amount of services provided.

The city councils, namely Mbabane and Manzini City Councils, are relatively more developed and have far better human and financial resources. The two councils serve a combined population of about 120 thousand (out of the country's population of just less than one million). In 1998, the revenues and expenditures of the two city councils accounted for 86% and 83% of all sample local authorities revenue and expenditure, respectively.

On the other hand, local authorities outside the sample are all small and have extremely limited revenue and expenditure. Information obtained from the MOHUD confirms that all of these authorities are total dependent on subventions from central government, and the Central Revenue Office in Mbabane administers their finances. The total revenue⁸⁶ of all local authorities increased from E19.75 million in 1995 to E51.06 million in 1999. It is estimated that the revenue of sample local authorities constitutes 99.4% and 99.5% of all local authorities' total revenue in 1995 and 1999, respectively.

⁸⁴ These are urban settlements that are closely connected with a specific company or group of companies. An example of such towns is Matsapha, which is under the responsibility of the Ministry of Enterprise.

⁸⁵ The Ministry of Public Works and Transport is responsible for national roads, monitoring and controlling of public transport operations and maintenance of roads. Social services are centralized within ministries of health and education. Fire services are the responsibility of Swaziland National Fire Department.

⁸⁶ Complete data on the expenditure and activities of non-sample local authorities is not available from the MOHUD or the Department of Statistics.

By virtue of The Urban Government Act, the sources of tax revenue for local governments are limited to property taxes (on private and public properties). Other sources of revenue consist largely of user charges and specific grants and subventions from central government. As mentioned above, some town boards are entirely dependent on subventions that are determined by the MOHUD. In effect, sub-national governments' total revenue was constrained to the annual average of 1.9% of total public revenue during 1995-1998. By implication, all local authorities total expenditure amounted to an average of 1.8% of total public sector expenditure during the same period. It is worth mentioning that the sample local governments cover nearly all the relevant costs and revenues at the entire local government level.

This report examines a sample of seven sub-national governments. These include the Mbabane and Manzini City Councils, Nhlanguano, Pigg's Peak and Siteki Town Councils and Matsapha and Lavumisa Town Boards. The data on fiscal operations, where available, spans from 1995 to 1998. Budget figures for 1999 are also included in order to shed more light on recent fiscal trends among SNGs. During the data collection phase of this study, a number of problems were encountered that affected the preparation of this chapter. They are as follows:

- Financial statements of the sample local authorities are not standardised.
- Classifications of items of expenditure vary among the municipalities.
- Actual figures were not available throughout the sample period in some local authorities.
- One municipality did not maintain proper records of all financial transactions that occurred over the sample period.
- Expenditure and revenue data was not available for six local authorities outside the sample group. Therefore, throughout this chapter the public sector data used for comparison consists only of the central government and the sample local authorities.

Because of the above, data compilation was laborious and time-consuming. In some cases, the researchers had to go through accounting receipts in order to classify data. Some local authorities have no audited statements for up to three years. We took a descriptive approach to arrive at a conclusion regarding the current fiscal and financial position of the municipalities using financial statements, budget reports, central government's annual estimate reports and Central Bank reports for the period 1995 to 1999. The Mbabane, Manzini, and Siteki local authorities have always maintained audited financial reports. Pigg's Peak Town Council had audited statements for some years. However, no audited statements were available for Nhlanguano, Matsapha and Lavumisa.

In addition to collecting data on fiscal operations, interviews were conducted with City Treasurers and Town Clerks in order to determine their views on the obstacles and constraint facing local authorities and possible ways of resolving them.

This report begins with an analysis of overall revenues and expenditures. Second, the report examines the details of expenditure (capital and recurrent) and revenue (tax revenue, non-tax revenue, transfers from other governments and external finance). Third, the report also analyses types of infrastructure, the relationship between expenditure and tax assignments between the levels of government. Fourth, an evaluation of tax assignment and administration of taxes follows an estimation of the local authorities' revenue potential. Finally, the report concludes by summarising the general trend of fiscal activities, outlining the successes and constraints encountered by local governments in the period under review.

4.1 General Revenues and Expenditures

With an average annual real Gross Domestic Product (GDP) growth rate of about 6% in 1980-89, the economy of Swaziland was one of the fastest growing in Sub-Saharan Africa. According to a recent review of economic development in Swaziland (Annual Report of Swaziland, Financial year 1996/97), the average annual real GDP growth rate was around 2.5% during the early 1990's. In the period⁸⁷ 1995-1997, real GDP growth increased to an average of 3.0% per annum. Other things remaining the same, both central and local government revenues and expenditures are expected to follow the GDP trend. Meanwhile, as shown in Table 4.1 below, the inflation rate in Swaziland has been quite moderate during the period under review. Except for 1995, the inflation remained in the region of one digit. This attests to the relative stability of Swaziland's economy.

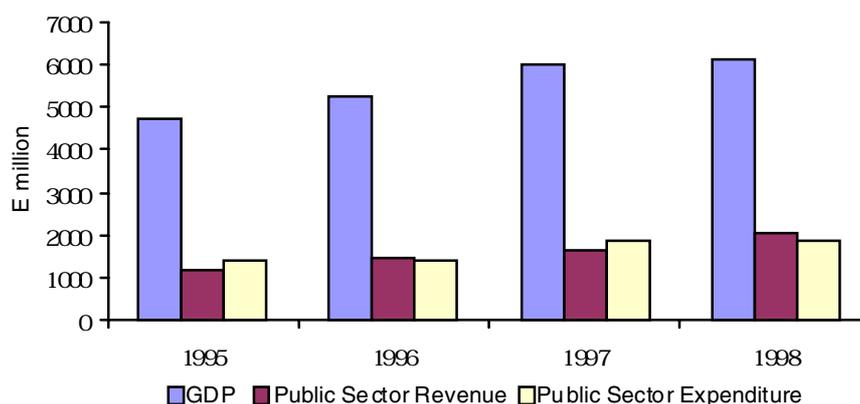
Table 4.1: Annual Inflation Rate in Swaziland (1995-1998)

Year	1995	1996	1997	1998
Annual Inflation Rate*	13.3	5.8	8.0	7.8

Source: Central Bank of Swaziland Annual Report 1999 (June).

Central government nominal revenue (excluding grants) increased from E1185.7 million in 1995 to E2020.5 million in 1998. At the same time, central government total expenditure rose from E1415.6 million to E1822.3 million. The average annual rates of change in revenue and expenditure are 10.2% and 7.2%, respectively. With the annual average inflation rate of about 8.14% for 1995-97, real revenue has been increasing in real terms, while real government expenditure⁸⁸ has been declining. The trend of real GDP and public sector revenue and expenditure is depicted in Figure 4.1 below.

Figure 4.1 Trend of GDP and Public Sector Revenue and Expenditure



Source: Table 4.1 (Annexes)

The figure shows a rather stable real GDP trend during 1995-1998. The average rate of real GDP growth of 3.0% is slightly lower than the average rate of population growth of 3.5%

⁸⁷ Actual 1998 data is not yet available.

⁸⁸ It is worth noting that central government expenditure excludes loan repayment, and revenue excludes grants.

during the same period. This implied a decline in real per capita income between 1995 and 1998, as well as mounting pressure on the resources of urban centres,⁸⁹ in particular.

Meanwhile, all sub-national governments' respective total revenues and expenditures rose from E19.75 million and E21.49 million in 1995 to 43.33 million and E38.12 million in 1998. This yields an average rate of increase of 29.8% for nominal revenue and 19.3% for nominal expenditure. Both revenue and expenditure have shown substantial increases in real terms. This reflects the trend of increased decentralisation of service in Swaziland.

The local government share of the total public expenditure increased from 1.5% to 2.0% from 1995 to 1998, and the revenues from 1.6% to 2.1% over the same period (see Table 4.2.1). As a percentage of GDP, local government expenditure rose from 0.45% in 1995 to 0.62 in 1998, while revenue increased from 0.42% to 0.71% during the same period (see Table 4.1). This is a clear indication of the notably insignificant share of local authorities in public finance in Swaziland.

For the period 1995-1998, total sub-national governments' nominal revenue exceeded total expenditure by E13.25 million (by about 11%). However, while some local authorities accumulated surpluses for some years, the bulk of excess revenue was used for debt⁹⁰ service. Table 4.1 shows the trend in GDP, central government revenue and expenditure and sub-national government revenue and expenditure. The data indicate that central as well as local governments in Swaziland are characterised by relatively balanced budgets compared to a typical developing country situation. This may be attributed to fiscal prudence on the part of the government.

The general increases in the revenue and expenditure of local authorities between 1995 and 1998 are attributable to the inception of the concept of local autonomy. Decentralised municipalities were engaged into for the first time in 1995, and since then, their responsibilities have been expanding. However, the rather insignificant share of local authorities' total expenditure in the GDP indicates that there is a long way to go for local authorities in Swaziland to become fully developed.

The magnitude of total, together with annual, changes in revenue and expenditure suggests that local governments are very small and quite slow to change. In addition, as mentioned previously, the two city councils dominate local authorities. Therefore, throughout the rest of this chapter special attention will be given to the operations of these councils since their experience would undoubtedly influence the pace of fiscal decentralisation in the country.

The constraint on the provision of services by local governments stemming from inflexible revenue sources is amplified by limited credit availability. For local authorities to increase services, investment in local infrastructure needs to occur. Long-term loans from central government and donor agencies could be an important source of capital. So far, the city councils have recorded debt figures amounting to an annual average of E6.65 million for 1995-1998. This represents an average of 0.75% of total public sector debt. Meanwhile, total

⁸⁹ As mentioned elsewhere in this study, urbanization in Swaziland has accelerated in recent years due to rural-urban migration. It has been estimated by councillors in Manzini that the population of Manzini City rose by over 30% between 1994 and 1998. This indicates that the rate of growth in urban population is more than twice the overall rate of population growth in the country.

⁹⁰ Only Mbabane and Manzini City Councils are included

public sector debt is also low, averaging about 16% of GDP over the same period (see Table 4.1).

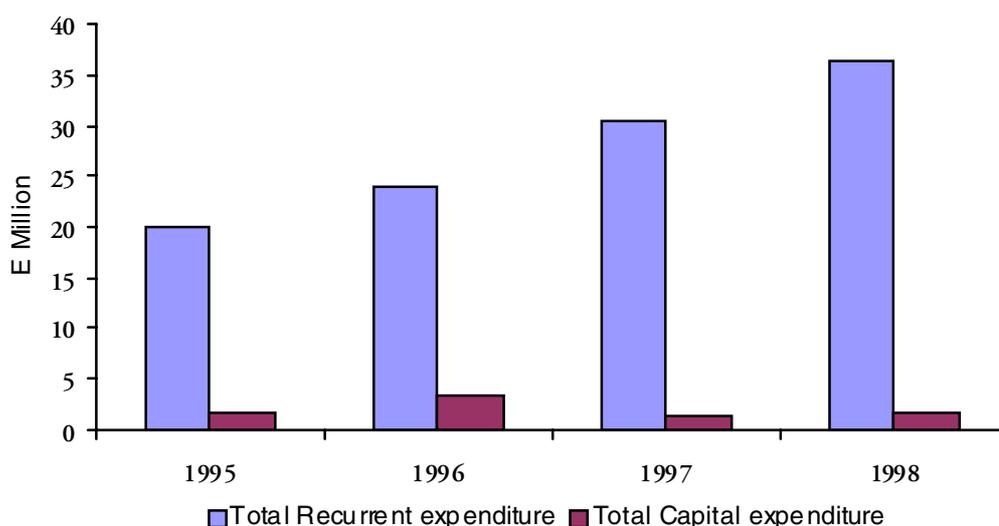
4.2 Sub-National Government Revenue and Expenditure

4.2.1 An Overview of Revenue and Expenditure (Recurrent and Capital)

Between 1995 and 1998, sub-national governments' total revenues amounted to 1.9% of total public⁹¹ revenue, indicating the small size of local authorities in the country. Meanwhile, total local authority expenditure stood at 1.8% of total public expenditure. The difference between revenue and expenditure was financed by external borrowing (domestic and foreign). Only Mbabane and Manzini City Councils are involved in borrowing, and foreign loans are obtained through the MOHUD. Total borrowing by local authorities ranged between 0.03% of total public borrowing in 1995 and 3% in 1998 (see Table 4.2.1). Local authority debt service averaged 3.4% of total public debt service in 1995-98. A breakdown of SNGs expenditure reveals the dominance of recurrent expenditure, which amounted to an average 93% of total expenditure between 1995-1998. Figure 4.2 below gives further illustration of the allocation of local government expenditure between recurrent and capital expenditure. As the figure clearly demonstrates, recurrent expenditure has been increasing throughout the sample period, whereas capital expenditure has fallen sharply since 1996.

The overwhelming share of recurrent expenditure is a clear indication of the limited material services provided by local authorities. Regarding the composition of recurrent expenditure, a notable development is that expenditure for salaries has been declining. However, the area coverage of local government expenditure remains limited, with no expenditure for education (see Table 4.2.2).

Figure 4.2: Composition of Total Local Authorities Expenditure



Source Table 4.2.1

⁹¹ Including central government and sample local authorities; other local authorities are never included in National Accounts.

This is again a reflection of the narrow range of services and responsibilities of local authorities in Swaziland. More importantly, the tables underscore the narrow revenue base of local authorities that are forced to comply with a rigid fiscal discipline. The absence of fiscal flexibility is well indicated by the way that local authorities attempt to reconcile their accounting books. It has been underscored by councillors that such attempts normally imply a reduction of spending, sometimes on important types of services. The rates on property tax may be increased in accordance with the budget shortfall level, but such increases are often not enough to accommodate rising expenditure required to sustain services.

The revenue and expenditure figures for the Mbabane and Manzini City Councils reflect sizeable surpluses. This is due to the budgetary system of cities, which does not allow them to set bills until the budget has been approved by the Minister of Housing and Urban Development. Budgets are often approved as late as August, while the financial year begins in April. Neither the implementation of planned programmes, nor the collection of revenue can begin until then.

The revenue of the town councils - Nhlengano, Pigg's Peak and Siteki - stands at an average of 2% of local government revenue in the period 1996 through 1998. The expenditure of the town councils is mainly recurrent. The capital components are, to date, financed by central government. In some cases, specific subventions are released to finance certain capital projects. This is the case for Pigg's Peak in the period 1998 and for Siteki in the period 1997 through 1999. Town councils do not secure loans; as such, they are not indebted. This is indicative of their dependence on central government. They may not raise enough own revenue to service loans if they do borrow. In their operations, they see themselves as part of central governments departments.

Both the central government and local authorities have relatively small debts by developing countries standards. Total public debt represented a fixed percentage of about 16% of GDP in 1995 and 1998. About half of it has been in the form of concessionary external debt, mainly from donor agencies such as the World Bank. Of particular note is the level of domestic public debt, which stood at about 8% of GDP in 1998. This is an indication of sound public debt management in the country and may partly be attributed to Swaziland's membership of the Common Monetary Agreement⁹² (CMA), according to which the local currency is fully pegged to the South African Rand. As a result, Swaziland does not have an independent monetary and exchange rate policy. Total local authorities' debt has followed a similar trend, in that it has never exceeded 0.84% of GDP. Borrowing by the most well-established local authorities (i.e. Mbabane and Manzini City Councils) increased notably in 1997. Much of the loans contracted came from concessionary external sources, including the World Bank and the International Bank for Reconstruction and Development (IBRD), and was associated with infrastructure projects implemented through the Urban Development Unit of the MOHUD. As gathered through interviews, city councillors foresee a need for such loans to meet the responsibilities pledged upon them through the local government electoral mechanism. However, because the decentralisation process is incomplete, the central government is still responsible for the financing of large infrastructure projects.

The ratio of debt service to the total revenue of Mbabane and Manzini is 4.4%, 3.5%, 2.7% and 2.8% in the period 1995, 1996, 1997 and 1998, respectively. This is because the larger debt gained by Mbabane in 1997 is not payable until the year 2001. On the other hand,

⁹² See World Bank (1996) 'Swaziland Financial Sector', World Bank Report No.: 14985.SWA, Washington, D.C.

currently paid debts like the SNPF have been running for over eight years, and it is payable at a reducing balance method over a period of fifteen years.

4.2.1.1 Financing Requirements of Local Authorities

Tables 4.2.1.1 displays the financing requirements of all local authorities, whereas Tables 4.2.1.1A and 4.2.1.1B show the financing requirements of Mbabane and Manzini City Councils, respectively. During the period 1995-1998, all local authorities together had a sizeable budget surplus, averaging 11% of total revenue. In fact, it was only in 1995 that local authorities experienced a combined fiscal deficit. Although the bulk of fiscal surplus accruing to city councils was used to repay debt, small local authorities – e.g. Lavumisa Town Board - seem to lack the absorptive capacity needed to utilise the meagre subventions they receive. They lack local initiative and a plan of action. On the other hand, it could be argued that the amount of funds available to these authorities is too small for them to commit themselves to any feasible project. At the same time, extra-budgetary finance is not forthcoming because the municipality's sources of revenue are so rigid that they are only able to venture into projects that are approved and/or directly funded by ministry.

4.2.2 Sub-National Government Recurrent Expenditure

Table 4.2.2 shows a breakdown of recurrent expenditure for all local governments, while tables 4.2.2A-4.2.2G show the same for individual councils and boards. The method of expenditure classification was influenced by the accounting systems that report expenditure by vote. The different categories include the following (where applicable):

1. *General Administration* includes City Clerk, Clerk to Council, City Treasurer and Building Inspectorate.
2. *Health* includes health administration, public health, public health nursing, abattoir, pest control, refuse collection⁹³, and laboratory services.
3. *Community Amenities (sanitation)* include public convenience and public cleansing.
4. *Community Amenities (electricity)* includes electricity Section/expenses.
5. *Community Amenities (Solid waste management)* include vacuum tankers.
6. *Recreational, Cultural and Religious* expenditure includes sports, parks and cemeteries.
7. *Economic Services (excluding roads)* cover market, bus stations, mechanical workshops, transport offices, and pound administration.
8. *Economic Service (roads)* include city engineers and public works.
9. *Other Tasks* include Urban Development Project (UDM) and others.

On average, wages and salaries claimed 72% of all local authorities expenditure in 1995-1998. The composition of recurrent expenditure by vote/department also indicates a large share for general administration followed by health and sanitation. However, for small town councils and boards, the distinction between various types of expenditure is not clear, and wages and salaries are normally paid by the Ministry of Housing and Urban Development. Mbabane and Manzini City Councils stand out as the only two local authorities with multiple and clear expenditure assignments (see Tables 4.2.2A and 4.2.2B).

⁹³ Refuse collection may be more appropriately classified as community amenities. However, with the exception of Mbabane City Council and Manzini City Council (for 1995 and 1996 only), refuse collection is treated by local authorities under the Health category. Therefore, it is not possible to get figures separately for refuse collection.

The recurrent expenditure of Mbabane is wage intensive, with general public service taking the lion's share, followed by economic services (roads); sanitation, recreation, and the rest are given less preference (see table 4.2.2A). The total wage to non-wage ratio is about 70:30. The recurrent expenditure of Manzini is about 98% of total expenditure, with only about 2% on capital expenditure (see table 4.2.1B). The recurrent expenditure is mainly wage-related, with a composite of 60:40 wage to non-wage ratio. The activity taking the highest share of expenditure is general public service, followed by sanitation. The least is transport service, with the exception of the other tasks, which are unclassified (see table 4.2.2B).

Most of the recurrent expenditure of the two city councils goes into administrative costs in both cities. Economic services (roads) follows as the next item that takes major revenue. Overall recurrent expenditures of Mbabane stand at an average of 43% of all local authority recurrent expenditure, while Manzini stands at an average of 35% during the sample period. Mbabane's share of overall local authority recurrent expenditures increased during the sample period, while Manzini's share declined (see tables 4.2.2A and 4.2.2B).

Tables 4.2.2C, 4.2.2D and 4.2.2E contain figures for the recurrent expenses of Nhlangano, Pigg's Peak and Siteki, respectively. The key category of expenditure in the three towns is administrative services. Pigg's Peak's expenditure is spread over health, sanitation and electricity. Pigg's Peak is a small, fast developing town, with huge economic developmental projects within its peri-urban boundaries. This has resulted in a high demand for complimentary services, e.g. health, sanitation and street lighting. Nhlangano, on the other hand, is less dynamic. In the past years, there has been no major infrastructure or economic development projects in the area. Demand for services is relatively low. Nhlangano's budget is dominated by administrative expenditure.

Siteki has been caught up in the crisis of water shortages, and, as such, fewer developmental projects have been implemented. Only administrative services were provided during the sample period. Out of overall local authority recurrent expenditure, Nhlangano accounted for an average of 3%, while Pigg's Peak stand at an average of 1.5% and Siteki at an average of 1%. Over the sampled years, Nhlangano's share of total local authority recurrent expenditures declined, with the exception of 1995 and 1996. Pigg's Peak is also reporting a declining trend on recurrent expenditure over the sampled period, with the exception of 1996. Siteki reported increasing expenditure in the period 1996 to 1998.

Tables 4.2.2F and 4.2.2G report recurrent expenditure by category for Matsapha and Lavumisa, respectively. Matsapha's recurrent expenditure is spread over roads, administration and electricity services. Road services report a huge share in the proportion of expenditure. While the recurrent expenditure of Matsapha has shown a declining tendency over the period 1997 to 1998, Lavumisa's recurrent expenditure fluctuated over the sampled period. This might be due to the degree of dependence that Lavumisa has on decision-making with regard to expenditure priorities. Nhlangano holds Lavumisa's funds/budget in trust, and a committee decides on the terms of expenditure submitted for the latter. Judging by the level of expenditure, Lavumisa Town Board appears to be inactive.

Recurrent expenditure clearly takes precedent over capital expenditure. This is reflective of the level of conceptualisation of development and the financial powers of the local authorities. Over the years, there has been an actual decline in capital expenditure. This decline is a measure of the low priorities placed by local authorities on developmental programs.

4.2.3 Sub-National Government Capital Expenditure

Swaziland has maintained an impressive rate of capital formation at the national level, averaging 18% of GDP per annum between 1976 and 1997. This sustained allocation of resources to capital accumulation reflects the notable build up of a solid base of physical infrastructure by central government and diversification of the economy by the private sector. The government undertook major infrastructure and development projects in the 1970s. When public spending on capital formation declined in the 1980s, there was a rapid growth in private-sector investment associated with huge inflows of foreign⁹⁴ direct investment.

However, the share of local authorities in public sector activities has been marginal. Overall, local authorities' capital expenditure has been insignificant, representing a tiny average of 7% of total expenditure. In line with recurrent expenditure, the bulk of capital expenditure went to general administration, followed by roads, health and recreational, cultural and religious activities. Important specific items of capital expenditure include roads maintenance and drainage system, street lighting, abattoirs and public toilets. Other capital expenditure, representing mainly projects implemented by the Urban Development Project⁹⁵(UDP), was significant in 1997 and 1998. Again, for small town councils and boards such as Pigg's Peak and Lavumisa, capital expenditure is negligible. It is important, however, to note that some capital expenditure may not be reflected in the respective tables because there are no separate records. Interviews with city treasurers and town clerks indicated a great need for increased capital expenditure. Implementation of potential projects has been constrained by lack of funds.

The capital expenditure share to total expenditure fluctuated over the sample period, from the lowest average of 1.2% in 1995 to the highest of 17.3% in 1999. The area with the largest share of capital expenditure is road services followed by electricity services. In general, implementation of capital projects is concentrated on roads maintenance in all local authorities (see Table 4.2.2). It was noted that the revenues that arrive too late in the year, due to the lengthy budgetary process, frequently delay the implementation of other planned tasks. For this reason, planned projects are sometimes postponed to the next financial year.

Tables 4.2.3A and 4.2.3B show the capital expenditures of Mbabane and Manzini, respectively. Their expenditure is concentrated on roads that are largely funded by the World Bank through the Urban Development Project (UDP). With regard to Mbabane, an abattoir construction project dominated the period 1995 and 1996. This was also funded by the World Bank through central government. The data on capital expenditure could not be classified in accordance with the wage or non-wage categories. Information was not available in the reporting systems for such classifications.

Capital expenditure stands at 12%, 21%, 6% and 3% in the years 1995, 1996, 1997 and 1998, respectively, for Mbabane and 25%, 0.1%, 2.5%, 1.7% and 17.3% in the years 1995, 1996, 1997, 1998 and 1999, respectively, for Manzini. This trend exhibits remarkable fluctuations.

⁹⁴ This huge foreign capital inflow was partly the result of sanctions against the then apartheid South Africa (see A. B. Elhiraika (1997) 'Foreign capital inflow, domestic credit and investment in Swaziland', The Economic Digest, Volume 14(3)).

⁹⁵ The UDP was initiated and administered by MOHUD and, since 1992, received substantial funds from the World Bank/IBRD to implement several projects in Mbabane and Manzini (see section 4.2.7).

This could be because capital expenditure depends largely on external financing and external grants that are determined by central government.

Tables 4.2.3C, 4.2.3D and 4.2.3E report negligible figures for capital expenditures by Nhlanguano, Pigg's Peak and Siteki, respectively. These figures are only available for the years 1998 and 1999 for Nhlanguano; 1995 and 1999 for Pigg's Peak; and 1997, 1998 and 1999 for Siteki. This makes it very difficult to analyse and compare the trend of capital expenditure across town councils. Matsapha reports some notable inconsistency in its capital expenditure, which amounted to 4% in 1996, 1997 and 2% for 1998. This is again an indication of lack of sustained commitment to capital formation by local governments.

4.2.4 Sub-National Government Revenue

4.2.4.1 An Overview

The Urban Government Act restricts the powers of local authorities to levy taxes on property only. This tax is levied on private (residential and commercial) and government property. Property tax is considered as own tax because local governments have a reasonable degree of autonomy over the tax base and the tax rate, and nearly full autonomy over tax administration. This is particularly true for the city councils.

As noted previously, local government revenue increased in real terms from 0.42% of GDP in 1995 to 0.71% in 1998. Local taxes (property rates) accounted for an average of 70% of all local authorities revenue. For individual authorities, this rate ranged between 88% for Matsapha Town Board and 74% for Manzini City Council to 0% for Lavumisa Town Board (See table 4.2.4-4.2.4G). The latter is entirely reliant on central government subventions. The same Urban Government Act⁹⁶ empowers town boards to receipt all revenues collected locally to the central government revenue pool.

The second important source of revenue for local government is central government subvention, which represented an average of 18.9% for 1995-98. Although small in percentage, the magnitude of user charge income has been increasing, from E1.6 million in 1995 to E2.4 million in 1998. This indicates the potential for local governments to raise revenue from such sources. Other revenues (excluding user fees) accounted for an average of 5% of total revenues.

Matsapha⁹⁷ Town Board is the only local authority that is 100% independent from central government as regards revenue generation. Yet, the Board relies to the extent of 99% on two sources of revenue: property tax (88%) and sale of Land (11%). Moreover, the Ministry of Enterprise and Employment pays the administrative staff of the Matsapha Town Board.

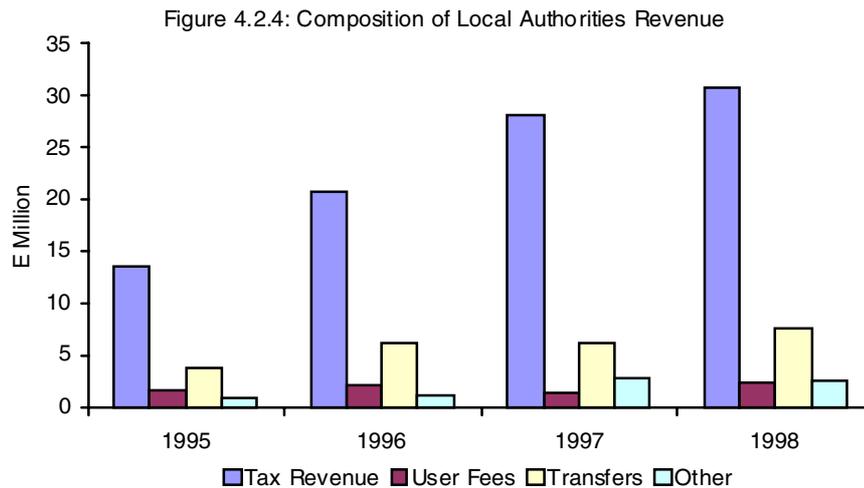
Figure 4.2.4 below shows the composition of all local authorities' total revenue. Throughout the period considered, the figure underscores the steady rise in tax revenue, but fluctuating trend in grants and non-tax revenues. A casual examination of the sources of revenue available to local authorities suggests that increased fiscal decentralization requires their empowerment to levy other non-property taxes, besides tapping non-tax sources of revenue. This necessitates a special discussion of these sources of revenue.

⁹⁶ Urban Government Act, 1969, as amended, Section 102.

⁹⁷ Matsapha is the industrial capital of the country

The composition of Mbabane City Council's total revenues is 70% property tax, 7% user fees and charges, 7% penalties and fines, 17% transfers from central government and 3.9% loans (see table 4.2.4.A and 4.2.4.2.A). About 87% comes from private properties (see table 4.2.4.1A and 4.2.4A). User charges only contribute about 6% of overall total revenues and do not reflect full cost recovery. A fee or rate that seems affordable to the constituency is determined.

Source: Table 4.2.4



The tax revenue of Manzini is composed of about 74% local taxes, 10% user charges, and 14% transfers from central government. While transfers from central government are generally stable, there has been a rise in tax revenue, but a fall in user charge income. The fall in user charge income is attributable to the fact that the abattoir was privatised in 1998. This reduced both expenditure and income since then. However, this does not explain the notable decline in user fees in 1997. A more plausible explanation may be found in the case of delays in the updating of fees. Such updating is needed in order to help stabilise the Council's revenue base and cultivate a sound culture of cost-recovery. The property tax base of Manzini City Council has been recently enlarged through the expansion⁹⁸ of the Council's boundaries.

The most alarming note concerns uncollected property tax revenue, which has increased over the study period for Mbabane, but fluctuated in the case of Manzini. The tendency of taxpayers to default could be aggravated by the local authority budgetary system, particularly in Mbabane and Manzini (see section 4.2.9 for details). As mentioned above, city councils have a reasonable degree of autonomy over the property tax base, rate and administration. The same is true as regards user charges and fees. However, the councils do not control transfers from central government. Thus, the pace of fiscal decentralisation would depend largely on property expansion and the provision of chargeable services. As shown in the following, the rate at which property tax is charged varies between the two city councils (Mbabane and Manzini):

Manzini Property Rates

Residential

Improvements: 0.54% of improvement value

⁹⁸ See Minutes of Finance Committee's Meeting on 24 October 1997. Manzini City Council, Manzini.

Land Developed: 0.93% on land developed value
Vacant Land: 1.06% on vacant land value

Government
Improvements: 2.5% of improvement value

Land developed: 3.37% on land developed value
Vacant Land: 2.26% on vacant land value

Commercial
Improvements: 2.5% of improvement value

Land developed: 3.37% on land developed value
Vacant Land: 2.25% on vacant land value

Mbabane Property Rates

Residential

Improvements: 0.28% of improvement value
Land developed: 1.65% on land developed value
Vacant Land: 1.65% on vacant land value

Commercial

Improvements: 0.83% of improvement value
Land developed: 4.96% on land developed value
Vacant Land: 4.96% on vacant land value

In Mbabane, there are no special rates for government property. They are just rated the same as private property and depend on whether they are commercial or residential.⁹⁹ It is worth noting that the figures for Manzini were obtained from its 1999/2000 revenue and expenditure reports, while those for Mbabane were collected from its revenue and expenditure report for 1998/99. There is a lack of comparative information in concurrent reports, and this is attributable to a lack of standardised reporting.

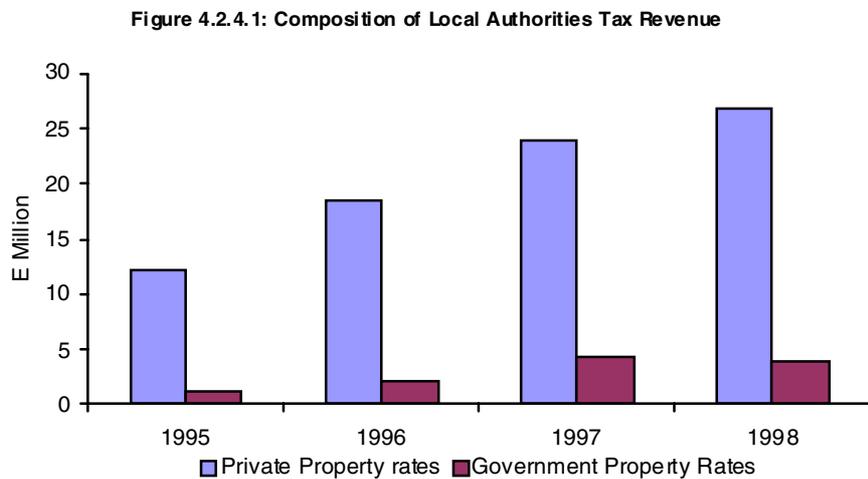
4.2.4.2 Tax Revenue

The total revenue of all local authorities jumped from E13.48 million in 1995 to E30.76 million in 1998. This yields a rate increase of 32% per annum, which is three times the annual inflation rate. In other words, local authorities' tax revenue has more than quadrupled in real terms. This suggests either that local authorities are becoming more efficient as regards rate collection or that the revenue base has widened. The most likely explanation of the tax revenue trend relates to the level of rates and valuation of property, which is performed by professional assessors. Hence, the value of property is normally adjusted in line with market changes. Councils prepare their budgets in accordance with available sources of revenue and then decide on appropriate property rates. The economic conditions, and particularly inflation, are considered when levying rates. The council's intention to levy and/or adjust rates is published in conformity to the requirements of the Rating Act of 1995.

⁹⁹ City Council of Mbabane, 1998/99 Financial Year Annual Budget, and City Council of Manzini, 1999-2000 Revenue and Capital Estimates.

The proposed rates are normally discussed with stakeholders¹⁰⁰ before they are presented to the Minister of Housing and Urban Development for approval.

Until 1997, government property rates were set by the central government, which determines the amount of transfers to be made to each local authority in lieu of property rates and fees. Since 1997, the central government has given to city councils increased autonomy over the base and rate of government property tax. Accordingly, there has been a remarkable increase in revenue from government property tax since then (see Figure 4.2.4.1). Although the payment from the central governments property has increased considerably in recent years, the central government does not always pay the full rate stipulated by the councils. Central government adjusts the rates in consultation with the councils, delays payment (partially) until the following year or pays the full amount.



Source: Table 4.2.4.1

Property tax currently represents 70% of all sub-national government revenue. When the share of tax revenue is small, a greater dependence on central government grants is implied (see Table 4.2.4 –4.2.4G). Figure 4.2.4.1 above also shows the breakdown of tax revenue between private and government property taxes. The figure displays high and remarkably increasing figures for the former, but low and fluctuating values for the latter.

Siteki Town Council and Lavumisa Town Board represent a classical illustration of reliance on central government’s assistance. Lavumisa Town Board is 100% dependent on subventions.

As the aforementioned tables demonstrate, about 75% of property tax is paid by the private sector; government pays the rest. However, only Mbabane and Manzini City Councils receive payments in lieu of rates from central government. Lavumisa Town Board was the only local authority that had no rate income for 1996-1998 because both public and private properties were not yet assessed for rating. In short and as stated previously, local authorities rely on a single source of tax revenue: property tax.

¹⁰⁰ Including councillors and ratepayers

4.2.4.3 Other Local Revenues

These sources of municipal income encompass user charges and single source revenues. User fees and charges are levied according to section 77 of the Urban Government Act, with a view of recovering the costs incurred in providing services. They are determined by local authorities and have to be approved by the Ministry of Housing. User fees and charges cover a fairly wide range of economic and social services including abattoirs, trade fairs, pound administration, public toilets, and so on (see Tables 4.2.4.2 through 4.2.4.2G). In total, user fees contributed about 5% of local government revenue. Other non-tax sources of income also contributed about 5% of total revenue. However, these percentages mask marked variations across municipalities. Whereas, some town boards (e.g. Lavumisa) did not have locally generated revenue, non-tax revenue did account for 15% of total income for city councils. Although the Urban Government Act states that user charges should be determined on a cost-recovery basis, in practice this is not always the case. User charges are often influenced by political factors and set at levels that are agreeable to both local authorities and the Ministry of Housing and Urban Development.

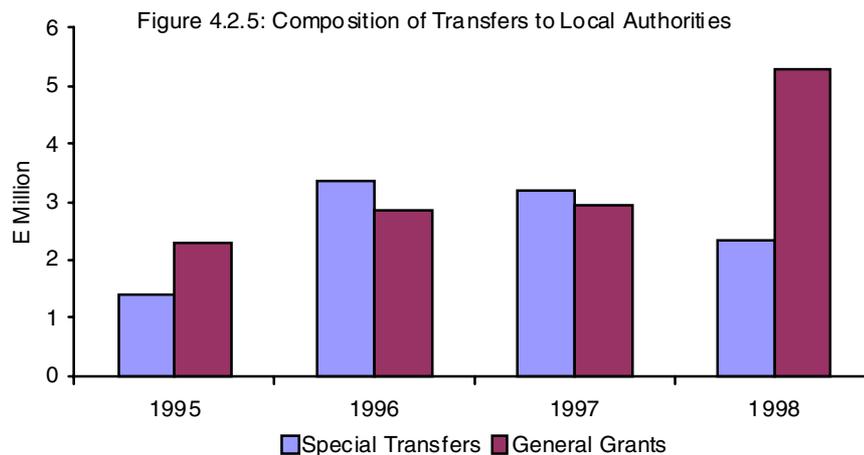
The trend of non-tax income suggests that local governments can, indeed, raise their revenues by expanding income-generating services such as public toilets and pound administration. There is also a potential for tapping other non-tax sources of income, including car parks in the cities and towns.

During the entire period under review, revenue from user fees has steadily increased and has contributed more than 50% of total revenue, excluding tax and subventions. This demonstrates that user fees are a more reliable source of revenue, while other non-tax revenue is less predictable.

The determination of user fees is based on a cost recovery concept. However, because of the powers vested in the Minister by the Urban Act of 1969, Section 57, charges proposed by the local authorities may be rejected or altered if the Minister “believes” that these charges are not at par with the cost of living index. In 1998, for example, Mbabane’s market fees recovered only 66% of costs from users, abattoir 5%, refuse collection 67%, and toilet fees 95%. The balance was subsidised by council.

4.2.5 Transfers from Central Government to Sub-National Governments

The central government understands that it has a responsibility to ensure that important services are delivered, whether directly or through local governments. At the same time, the central government is aware of the financial powers and constraints facing local authorities. Accordingly, the central government regularly provides financial assistance to local authorities to undertake such important functions as local health and road maintenance. Transfers from central government also play a key role in organisational building of local authorities, and they are the only source of revenue for newly established councils and boards. After the establishment phase, subsequent increase or decrease in transfers depends on the responsibilities and revenue powers given to local authorities. The calculation of grants is entirely the responsibility of the MOHUD, in consultation with relevant ministries. Although local authorities may express their wishes for increased grants, these wishes are not always taken into account.



Source: Table 4.2.5

Transfers are in the form of general grants or special grants. General grants may be used by local authorities to finance any type of activity, including payment of wages. Special grants are tied up to specific services. These grants finance refuse collection, burial fees and agency fees. Subventions, or general grants, account for over 56% of total transfers, which in turn amounted to 18.9% of all local authorities' revenue in 1995-98 (see Tables 4.2.5 – 4.2.5G). The composition of grants is shown in Figure 4.2.5 above. Both general and special grants are significant in terms of ratio of total transfers.

Transfers from central government to local authorities have been an important source of revenue, except for Matsapha Town Board. With the exception of city councils, local authorities receive only general grants. In addition to general grants, Mbabane and Manzini City Councils receive specific grants.

The formula used to calculate the grants is not known to local authorities. Central government releases funds on an ad hoc basis. There is an exception, of course, as regards special grants. Currently, most of the special grants are in fulfilment of the terms of agreement for the Urban Development Project (UDP), which is funded by the World Bank¹⁰¹. The project seeks to enhance city councils' effectiveness in delivering urban management services and to improve the living conditions of low-income urban households. The project attempts to strengthen capacity building at the city council level, with the aim of equipping them for autonomy status. It is funded by a loan of US\$29,000,000. The exchange rate at the time of the 1995 loan signing was E3.669 to US\$1. The two cities, Mbabane and Manzini, were allocated US\$ 2,200,000 and US\$1,900,000, respectively. The borrower, the Swaziland Government, was to make available specific grants to the two cities in respect of any disbursement made on the amount.

The project components to be implemented by Mbabane and Manzini include citywide infrastructure and capital items (road drainage, maintenance, solid waste disposal and purchase of refuse collection vehicles). The inception of the project has resulted in special grants awarded from the World Bank loan, used to provide grants for road construction and

¹⁰¹ Swaziland Urban Development Project, Staff Appraisal Report, October 21, 1994 and the Loan Agreement between The Kingdom of Swaziland and International Bank for Reconstruction and Development, dated July 28, 1995.

maintenance and toward public amenities. The amount to be awarded at any given period depends on central government's economic strengths.

The contribution of grants to local authorities' revenue has been declining. This forces them to tap revenues from other sources, including the charging of rates on government property. This source has assumed increasing importance for Mbabane and Manzini City Councils in recent years.

Although central government transfers to city councils have been increasing in volume, their share in the revenues of Mbabane and Manzini City Councils has been declining. This is attributable to the fact that since 1995 more government property has been included under taxable properties. In effect, revenue from rates paid by government has been increasing. Subventions, however, are the only source of revenue for newly established local authorities. Obviously, increased fiscal decentralisation and the development of autonomous local authorities require reduced dependence on such transfers.

Tables 4.2.5C, 4.2.5D and 4.2.5E indicate that there are no specific earmarked grants received by Nhlanguano, Pigg's Peak and Siteki Town Councils. Only general transfer grants are available. The three town councils depend completely on central government. Tables 4.2.5E and 4.2.5G show a zero transfer for Matsapha and 100% transfer of general grants to Lavumisa.

In view of the limited opportunities for local governments to widen their revenue base and the public pressure for improved services, Councillors are strongly arguing for the immediate introduction of a cost sharing arrangement. Such arrangement would allow local governments to have a share in local revenues that are collected by the central government (such as value added tax) in line with the service requirements of the local population.

For the operationalisation of the cost-sharing concept, different categories¹⁰² of expenditure are grouped into Service Activity Centres. In the case of Manzini City Council¹⁰³, for instance, the proposed cost centres, and the activities included under each, are as follows:

1. *Infrastructure*, which includes road drainage and footpaths, fleet maintenance, street lighting and traffic management.
2. *Public Facilities*, which cover bus ranks, parks and cemeteries, sport facilities, community centres and public toilets.
3. *Environmental Services*, which cater for solid waste management and public cleansing, septic services, and environmental control (laboratory).
4. *Law Enforcement*, which includes local ordinance enforcement, nuisance abatement, animal control, land use control, development planning*¹⁰⁴, parking, traffic regulation* and property control*.
5. *Economic Development* covers land and residential development*, public and private partnerships*, public information*, markets and abattoirs (privatised).
6. *Human and Social Services* include recreational projects*, libraries, public health education and nursing, day care, and child and family services.

¹⁰² These are currently classified under votes.

¹⁰³ See report on Fiscal Decentralization: Cost-Sharing Proposal, 1998. Manzini City Council, Manzini.

¹⁰⁴ Asterisks in this subsection indicate proposed activities.

Across various cost centres and activities, Manzini¹⁰⁵ City Council estimates that increases in expenditure between 10% and 60% of current expenses (in 1998) will be required. This estimate is based on an expected rate of inflation of 10% per annum and increased demand for ongoing and new services. Increases in the urban and peri-urban population (especially the population of townships that have recently been included in Manzini's geographical boundaries) together with the modernisation of the City are the major forces behind increased demand for services. The Council's estimates show that an increase in total expenditure from E19.23 million in 1998/99 to E28.97 million in 1999/2000 is required for it to be able to carry out its service delivery program, a 51% increase. Given the trend of Manzini City Council's revenue, there is no possibility that such an increase could be met from existing sources.

The Council estimates that an average of 70% of envisaged total spending in 1999/2000 would benefit local and other private users, while 30% would go to government. Local taxpayers would receive benefits equivalent to 61% of the services provided. Private users (who pay user charges) would receive 21.5% and others (including government entities) 17.5%. If the benefit principle of taxation (which states that tax paid should be proportional to benefit received) is applied, then government should contribute 17.5% of the costs and private users (who are not local taxpayers) 21.5%. Today, in fact, the benefit to local taxpayers, which presently provide the bulk of Council's revenue, is about 40% of total spending.

Apportionment of costs along these lines requires a radical amendment of the Urban Government Act of 1969 to enable local authorities to have an adequate share in taxes currently collected by central government, and/or to widen their revenue base by introducing new taxes. The local authorities' share of local taxes would depend on the extent and cost of the services they provided to various users.

4.2.6 External Finance of Sub-National Governments

4.2.6.1 Sub-National Government Borrowing

Only Manzini and Mbabane City Councils appear to qualify for external finance (see Tables 4.2.6.1-4.2.6.1C). The total debt of these Councils increased from E6.3 million in 1995 to E7.83 million in 1998. Over 80% of loans come from concessionary external sources. Commercial banks and pensions funds (namely the Swaziland National Provident Fund) are the main sources of domestic debt, while foreign debt comes from the World Bank via the MOHUD. The borrowing rate of Mbabane is mainly external. The main sources of finance are the IBRD and SNPF. There is significant short-term domestic borrowing from commercial banks in the form of overdrafts. The banks charge commercial rates, but the bulk of loans is often repaid before year's end and not fully reflected in end of year debt.

Overall, borrowing by local authorities has been insignificant, averaging about 7% of total revenue in 1995-1998. This may indicate either the low degree of local authority creditworthiness or a lack of incentives for borrowing (see section 4.2.11 for details).

¹⁰⁵ Manzini is expected to be a major beneficiary of the proposed cost-sharing arrangement because it has more companies registered within its boundaries. However, there is no exact data on these companies available through the Central Statistics Office.

4.2.6.2 Sub-National Government Debt Service

As shown in Tables 4.2.6.2 through 4.2.6.2A, debt service by sub-national governments has generally been low. It has ranged between 3.2% of total revenue in 1995 and 1.4% in 1998 for Manzini City Council. However, it ranged between 11% of Mbabane City Council's revenue in 1995 and 4.2% in 1997-98. Large debt services may impact negatively on the financial standing of local authorities. Therefore, proper debt management is important. It was not possible to distinguish between loan payments and interest payments in the case of Manzini. For Mbabane, however, interest payments seem to exceed amortisation because loan and interest payments to commercial banks are lumped together.

In general, the debt service ratio has been declining, especially over the period 1997-1998, while the borrowing rate has been increasing over the same period. This is indicative of the nature of borrowing, which is dominated by concessionary loans with long gestation periods. Increased borrowing is also a reflection of commitment, especially on the part of Mbabane City Council, to a number of development projects such residential buildings and business offices that yield regular revenue in the form of rent. Such revenues would eventually help the council to meet its debt service obligations and avoid costly bank overdrafts.

Tables 4.2.6.1A and 4.2.6.1B show the debt figures for Mbabane City Council. In the years 1995 and 1996, there were no additions to debt, but, in the period 1997-1998, huge figures were recorded. This was part of the initial introduction of World Bank funding for the Urban Development Project. Manzini's debt has followed the same pattern. In 1995, there was an additional fund borrowed by Manzini from the Swaziland National Provident Fund (SNPF).

4.2.7 Sources of Finance for Selected Types of Infrastructure

As noted in section 4.2.3, capital expenditure has been insignificant in most town councils and boards. In fact, the Lavumisa Town Board had no capital spending in 1996-1998. This observation is also true for infrastructure building, where Mbabane and Manzini City Councils dominate the overall picture.

In terms of sources of infrastructure finance, own revenue and general grants together accounted for 42% of total expenditure in the period 1995-1998. The balance was financed from earmarked grants in connection with such items as abattoirs. Mbabane City Council accounted for 63% of all local authority infrastructure finance in 1995-1998, followed by Manzini with just 12%. The sources of revenue for selected types of infrastructure, as shown in Tables 4.2.7-4.2.7G¹⁰⁶, underline huge disparities across municipalities regarding project responsibilities and delivery. The stated categories of infrastructure are indicative of the infrastructure responsibility of local authorities in Swaziland. Much of infrastructure development occurred in the sphere of roads, solid waste management, public amenities and street lighting. In relation to total infrastructure outlay in 1995-1998, the respective share of these types of infrastructure is 30%, 24%, 22% and 20.5%. Although town councils and boards played a minimal role in infrastructure development, the experience of Siteki Town Council in township housing encouraging. More than E0.7 million was earmarked to be administered by this Council, on behalf of the Ministry of Housing and Urban Development, to provide housing infrastructure for the poor in 1997 and 1998. However, there is no

¹⁰⁶ Specific grants include projects financed through the UGP, the cost of which is sometimes assigned to local authorities (city councils) in the form of loans. Therefore, there are differences when the figures are compared to Table 4.2.4.

mention of the execution of the project in the income statements of Siteki Council for 1997 and 1998.

Tables 4.2.7A and 4.2.7B show sources of finance by type of infrastructure in Mbabane and Manzini, respectively. In Mbabane, only road maintenance, abattoir and street lighting are financed from both own revenue and specific grants. In Manzini, only the abattoir is financed from specific grants. While Mbabane seems to gain favour with central government, in fact central government is simply paying indirectly for the revenues that it should have been paying on its inadequately taxed properties located in that city. For every tax levied by the Mbabane City Council, only a part is honoured for payment.

Tables 4.2.7C, 4.2.7D and 4.2.7E show that a number of infrastructure types listed in the table are not financed. Only road maintenance for Nhlanguano, Pigg's Peak and Siteki, and public amenities for Pigg's Peak have received attention. These types of infrastructure are financed from general grants only. The own revenue raised from taxes and user charges and fees is not sufficient for such items of expenditure.

Table 4.2.7F indicates that the sources of financing infrastructure in Matsapha are solely from its own revenue. Table 4.2.7G shows that Lavumisa, as previously stated, neither raises revenue nor develops infrastructure. The Town Board is run entirely by central government.

The limited spending on infrastructure by local government does not mean a lack of commitments on the part of the central government to the development of urban infrastructure. As far back as 1992, the Government of Swaziland initiated the Urban Development Project with the financial and technical support of the World Bank. The primary objectives of the Urban Development Project¹⁰⁷ are to:

- Raise environmental health standards among urban low-income communities.
- Mobilise community resources and encourage participation in development
- Promote investment in urban employment opportunities.
- Improve the efficiency and equity of urban management

The UDP is managed by the Ministry of Housing and Urban Development. The implementing agencies are the Swaziland Water and Sewerage Board, Swaziland National Housing Board, Swaziland Electricity Board, Mbabane City Council and Manzini City Council. The main initial strategy of the project focuses on investment and institutional strengthening in the urban centres of Mbabane, and Manzini. The first phase of the project aims at providing a citywide infrastructure base to support long term upgrading of existing settlements, the provision of new settlements, and the extension of services to developed areas. This phase also attempts to upgrade the most adversely affected informal settlements and provide serviced low cost residential sites in Mbabane and Manzini. A total of 23 sub-projects have been identified for implementation of this phase over the next few years. A total cost of E98.02 million (in 1992 prices) was envisaged. The Ministry of Housing administers the budget of the UDP, while a special UDP Unit oversees the technical aspects of the projects being implemented in co-ordination with local governments and other agencies (parastatals) concerned.

¹⁰⁷ See Technical Report 3: Urban Development Project, 1993. Ministry of Housing and Urban Development. Mbabane, Swaziland.

Among the major projects implemented are the new abattoir in Mbabane and Turnbergen Road in Manzini, which passes across Zakhele Township. The cost of projects implemented through UDP is assigned to the respective City Councils and is reflected in their expenditure and loan accounts.

4.2.8 The Relationship between Expenditure and Tax Assignments between the Levels of Government

The Local Government Act (1969) empowers local authorities to carry out mandatory tasks for which finances are provided by the central government. Other responsibilities may extend as far as the local authorities' ability to generate revenue permits. The type of activities that may be taxed by local authorities is defined by the Act, which requires them to adhere to specified guidelines in the preparation and management of their budgets.

The main sources of local authority revenue are property tax, user fees and specific and general grants. As regards the tax revenue base, meaningful fiscal independence of local authorities would only be possible if the Act were amended to give them the power to levy non-property tax. The potential for increasing revenue from this source is limited by the rate of expansion in property and is therefore relatively inflexible. Revenue from user fees (e.g. on public convenience, pounds, and similar operations) has been increasing in real terms. However, the total contribution of user fees to revenue is quite small. Both property rates and user fees have to be approved by MOHUD. Meanwhile, increases in specific and general grants have been lagging behind changes in expenditure. Grants are entirely determined by MOHUD in line with the general government budget.

In short, restrictions on revenue sources by central government severely limit the expenditure efforts of local governments. This issue has been raised by councillors throughout the country, and it is currently receiving increased attention by stakeholders. Two fundamental principles have been discussed in this regard. These are the principles of "cost recovery" and "tax-sharing," as discussed previously.

The principle of cost sharing has been proposed for government consideration whereby revenues collected or accruing to government within urban authorities' boundaries should be shared between local and central governments. Presently, only property taxes are collected by local authorities. Other tax revenue and several types of non-tax revenue (such as Trading licenses, Motor Vehicle permits, etc.) are the sole responsibilities of central government. Cost sharing would improve the revenue base of local governments. The sample local authorities feel that there is a considerable disparity between the financing requirement for effective service delivery by local authorities and their actual revenue base.

As a result, ratepayers bear the brunt of local government finance. For example, ratepayers contribute about 70% of city councils' budgets. However, in Mbabane alone, about 60% of residents do not pay rates. This would suggest that government should pay at least 60% towards service provision in Mbabane City. However, cost sharing was not proposed for the purpose of reducing rates, but for the sake of sharing the responsibility for service provision and improving social welfare and equity. The proposal for cost sharing was presented to government in October 1996 and was approved by Cabinet in February 1997. However, it is not yet tabled as a bill for approval by parliament. Councillors feel that it would be a long time before the formula for cost sharing is approved and implemented. Nevertheless, local

authorities consider it as a significant leap forward in the process of local government development and fiscal decentralisation.

In Mbabane City Council, there is no strong relationship between tax assignment and expenditure. The revenues are pooled together and allocated from the pool. However, property tax finances all the recurrent expenditure indiscriminately. Town councils' sources of revenue are assigned to specific expenditures, wherever possible. Tax assignments do not normally match expenditure. Shortfalls are financed from subventions and result in lowering the standard of services. The town councils have financial constraints and are not at a stage that allows them to meet local demand for services. In general, all activities and services are contracted out and supervised by the Ministry, and costs are met from revenues. A non-executive town board looks after policy.

The town boards prepare Income and Expenditure Statements that are audited by the Office of the Auditor General. Estimates of Revenue and Expenditure are prepared and approved by the town boards.

All new tasks that are transferred by central government to local authorities are allocated extra resources. Abattoirs are a good example of such tasks. Meanwhile, local governments (namely City Councils) have the authority to adjust taxes. However, their ability to do so is restrained by the ratepayers' affordability and by the need for final approval by the Ministry of Housing.

4.2.9 Estimation of Local Authority Revenue Potential

Potential revenue refers to the volume of revenue corresponding to the present value of the tax base, assuming the prevailing rates and 100% efficiency in collection. As mentioned in Section 4.2.2, there are large outstanding amounts of unpaid property tax. Estimates gathered from City and Town Treasurers indicate that the actual tax revenue collected represents an average of 70% of what could have been collected annually with an efficient tax administration (there is no data on accumulated potential). Efficiency in tax collection aside, local governments feel that the scope for increasing revenue is limited and that the only feasible long-term solution is a cost sharing formula that gives them an adequate share of the taxes that are presently collected by central government.

As for non-tax revenue sources, there seems to be scope for more revenue collection from additional sources. These sources include car parking, sports and community centres. To increase revenue from such sources, additional capital expenditure is needed. It was difficult for local government officials to give numerical estimates of the potential of non-tax revenue¹⁰⁸. However, most optimistic calculations indicate that only an extra 5% of current revenue may be raised from non-tax sources in the near future.

Budgeted revenues, which give a weak indication of revenue potential, are compared with actual revenues in Tables 4.2.9-4.2.9E. In aggregate and for the period 1995 to 1998, the revenue collected is 105%, 118%, 110% and 94%, respectively. Only in 1998 did councils fall short (by 6%). This situation is because the councils do not budget fully for all revenue items and, with regard to tax revenue, the actual figures include tax penalties that are not

¹⁰⁸ Meanwhile independent assessment of revenue potential is also difficult because of a lack of data corresponding to local governments' boundaries.

included in the budget. This is especially true for Manzini City Council (see Tables 4.2.9A and 4.2.9B, for example).

The resulting huge amounts of tax penalties are due to the late billing of rates. The apparent inefficiency is aggravated by delays in budget approval by the Minister of Housing and Urban Development. No bill can be issued prior to this exercise. This is stipulated clearly under the Urban Act of 1969.

The obvious and persistent excess of actual revenue over potential revenue is a cause for concern because it signifies under-collection of revenue potential. This, in turn, means that local governments do not make maximum effort to budget and collect revenue. In fact, some local authorities did not have budget estimates for some years; others, such as Manzini City Council, did not include user fees in their budgets for 1996/97.

Another major factor that contributes to actual revenue being higher than the budget figures is the property tax bill rendered to central government. What the Councils' budgets estimate to be due from the government is not usually what the central government pays. This is because grants are externally determined by central government. It is imperative for improved efficiency and accountability that all sources of revenue be clearly defined and their potential contribution stated so that performance may be regularly assessed.

Where applicable, both revenue estimates and audited financial statements normally give special attention to revenue from own taxes. Nonetheless, property tax collection has generally been low, giving rise to sizeable rates debt. Aside for rates' non-payment, there is a great disparity in terms of billing of city residents. A large proportion of residents occupy non-rateable properties. This put pressure on demand for services, which has to be supported somehow by central government.

A major obstacle to assessing the revenue potential of local authorities in Swaziland relates to the absence of economic and demographic data corresponding to the geographical boundaries of these authorities. Estimates of city population¹⁰⁹ are infrequently updated. This paired with the limited range of taxes permitted by the Urban Government Act, forces local authorities to concentrate mainly on property taxes. Meanwhile, only a fraction of budgeted tax revenue is normally realised because of inefficiencies in tax administration. Interviews conducted with city treasurers and clerks suggest that, on average, actually collected revenue represents about 70% of what local authorities could collect under an efficient tax system.

The revenue collection ratio is 51% over the total budget. Most of it constitutes the bills of previous period. This is due to late budget approval of rates and user fees by the Minister of Housing and Urban Development. Until the budget is approved, the bills cannot be made available to the public or constituencies.

For town councils, and indeed all local authorities, central government has no clear-cut policy on expanding the revenue base. The Spatial Development Initiative has a potential for Siteki. Tourism, food processing from agricultural products, and passing trade through the Mhlumeni border post to Maputo are some of the activities that could lead to self-sufficiency.

For local authorities to enhance the efficiency of tax collection and raise total revenue, there appears to be a need for, first, proper and timely assessment of property to ensure rapid

¹⁰⁹ Estimates from 1995 indicate that the population of Mbabane is 58,000, and that of Manzini just over 60,000.

expansion of the tax base and, second, periodic review of user charges to support cost-recovery and the sustainability of services.

Interviews with councillors suggest that local authorities in Swaziland have operated for a long time with limited concern for cost-recovery. However, they share the view that in as much as consumers demand efficiency and quality in service delivery, local authorities reserve the right for commensurate payment for the maintenance and expansion of these services.

Local authorities appear to have lost substantial rates income due to late billing and inadequate effort to enforce payment. Untimely or delayed billing is blamed by most councillors on the process of rates determination and endorsement by the MOHUD. A close look at this process suggests that local authorities may also share the responsibility for delay. They need to start the process of property evaluation, rate setting, discussion of proposed rates with stakeholders and presentation to the Ministry long before the beginning of the financial year in question. By doing so, they would enable the Ministry to review and approve the proposed in time.

With regard to enforcement of rate payment, there have been some notable successes. By the end of March 1999, Mbabane City Council was able to collect¹¹⁰ E5.7 million from rate defaulters in 1998 alone. This amounts to 28% of the Council's actual revenue in 1998 and 33% of total billing. The recovery was made through court, and the Council is reported to have pursued 85 court cases against defaulters in July 1999. In many local authorities, councillors consider rates' recovery as an important priority. Some of the measures suggested include mass education of ratepayers on the importance of payment and the consequences of non-payment. To some extent, the response of ratepayers to such a campaign would depend on how they view the quality of services they receive. The "political will" on the part of councils to sue defaulters is paramount. At the same time, timely review of tax collection and follow up of defaulters would ensure that defaulters do not accumulate rates' debt in excess of what they could afford to pay.

4.2.10 Evaluation of Tax Assignment and Administration of Taxes

The tax structure of local authorities in Swaziland is simple and clear, but very rigid. Since the introduction of the Urban Government Act in 1969 and despite numerous amendments, sub-national governments are still restricted to only one source of tax revenue, namely property rates. The tax base (as well as the rates) is subject to periodical revisions. The local authorities and ratepayers play a leading role in the determination of rates that are only binding after approval by the Ministry of Housing and Urban Development (see Table 4.2.10)¹¹¹. Although local authorities appear to be objective in setting rates, political influences may be strong. Councillors normally attempt to strike a balance between the demand for improved services and the ability of residents to pay rates. The public acceptance of rates proposed by authorities depends crucially on how they view service delivery and revenue management by the local authorities.

The issue of tax management appears to be the most critical factor. Most local authorities lack the capacity to manage tax assignments efficiently due to inadequate human resources and

¹¹⁰ Times of Swaziland, Monday, July 5, 1999.

¹¹¹ According to the councils, the Ministry of Housing and Urban Development interferes when proposals are presented for approval and especially when complaints/objections are raised by the taxpayers.

administrative systems. In particular, most town councils and boards do not have trained accountants, and their records are poorly kept. In the case of Nhlanguano Town Council, for instance, accounts were not audited for two years. When the public perceived irregularities in council finances, most of them stopped paying rates. The Ministry of Housing intervened by removing the accountant and administrators in question and appointed a Town Clerk on a secondment basis. Another example of improper record keeping may also be found in the practices of, for instance, Mbabane City Council. The Council does not maintain age analysis of revenues and expenditure on a monthly basis, but rather on annual basis. This approach precludes immediate identification of variances that need to be addressed promptly.

Another problem that also influences revenue control is the lack of clear budgeting. Some local authorities do not know the tax base and set arbitrarily low rates. With imperfect information about their revenue targets, sub-national governments cannot really devise effective means for maximising revenue collection. Meanwhile, there are no clear bases for internal control and public scrutiny of local authorities' tax performance.

As the table mentioned above shows, local authorities are wholly responsible for fixing user fees and charges. In principle, they are also fully empowered to administer user fees, charges and other non-tax revenues. However, the determination of fees and charges is subject to government approval. User fees are levied on such services as abattoirs, cemeteries, sports, trade fairs, public toilets, and so on. Local authorities' autonomy over the administration of user fees and charges is often compromised due to a lack of qualified administrators. In view of this, the Ministry of Housing directly administers rates and charges collected by most town councils and boards. This is done through the Minister's authority to approve, alter or reject any proposed by-laws.

It follows from the above discussion that increased tax assignments to local authorities and efficient administration of taxes clearly require the strengthening of the administrative capacity of local government officials. This, in turn, requires appointment of more qualified and experienced personnel as well as training of existing officials. Of utmost urgency is the need for qualified accountants and maintenance of standardised accounting and management systems. For the period 1995-1998, the collection rate for tax revenue varied between 60% and 70% of estimated revenue for the sample sub-national governments.

Proper local government administrations, in general, and tax administration, in particular, are the pillars of sustained fiscal decentralisation. For the time being, local governments in Swaziland, especially town councils and boards, are in a critical need of substantive institutional development. This is an apparent top priority for efficient revenue collection and service delivery. At present, all town boards surveyed lack trained accountants, and, along with some town councils (e.g. Nhlanguano Town Council), they are administered by officials from the MOHUD. As a result of staffing constraints, local authorities frequently fail to prepare budgets and maintain up to date financial records. In fact, some local authorities (e.g. Nhlanguano Town Council) have had no audited financial statements for three years.

4.2.11 Analysis of Sub-National Government Creditworthiness

Although subject to control, city councils have significant tax assignments compared to other local government levels. Mbabane and Manzini City Councils set rates that are presented to MOHUD for approval after discussion with ratepayers. After approval, the Councils are

solely responsible for tax administration. Other local governments have no autonomy over the insignificant taxes and user charges they collect locally.

In general, local governments in Swaziland have only recently begun to develop in terms of numbers and depth of fiscal operations. The town councils and boards are in their embryonic stages. They are generally poorly staffed and managed. It is not surprising that only Mbabane and Manzini Councils may be regarded as creditworthy.

Limitations imposed by the Urban Government Act on revenue sources have a negative impact on the creditworthiness of local authorities. As interviews with City Treasurers and Clerks indicated, many local authorities have no incentive to become creditworthy. Others do not foresee a need (or capacity) for increased borrowing on a cost and benefit basis.

An important obstacle to being ranked as creditworthy was found by Mbabane and indeed all other local authorities to be the lack of local autonomy over significant parts of their revenue base. The Urban Government Act does not mandate their participation in the financial market, particularly with regard to long-term transactions, without the approval of the MOHUD. According to the Act, they can only invest with parastatal organisations; but, with regard to short-term borrowing, they are not restricted as long as they can afford loan repayment.

For town councils, incentives for creditworthiness are the councils' ability to collect estimated revenue and all other taxes and fees through the enforcement of the Urban Government Act provisions. The councils' access to financial markets is not lucrative, since its cash flow is not consistent over the years. Limitations are also imposed by surety requirements. The councils have no property registered in their names, but rather in the name of the Central Government. Attempts to transfer property to the Siteki Town Council have been made in the past, but have not been vigorously pursued. The Council has no sources of funding other than central government subventions and grants. Workers have an informal credit union, to which contributions are made and loans given at nominal interest rates. There are no special credit institutions to cater for the needs of local governments.

4.2.12 Conclusions

This chapter has examined the fiscal operations of sub-national governments in Swaziland. Local governments in Swaziland serve a relatively small proportion of the population. The urban population served by the sample local governments is estimated to be approximately 135,000 out of a total population of just fewer than one million in the country. There is a huge disparity across local governments. The two city councils (Mbabane and Manzini) account for about 80% of the population of the sample local governments. They also account for about 90% of revenues and expenditures of the sample local governments.

Judging by the relative size of their contribution to total public expenditure and revenue, local authorities play a marginal role. Their total revenue and expenditure during the period 1995-98 amounted to less than 2% of total public revenue and expenditure. Meanwhile, the pace of change in local government finance has been very slow. The analysis underscores the limitations imposed on local authorities by the Urban Government Act, which allows them limited powers and responsibilities. No conclusions are attempted as to whether assigning more responsibilities and powers to local governments are more conducive to efficiency and

service delivery. However, enhanced fiscal decentralisation and provision of services would require greater local government autonomy.

The analysis demonstrates that the bulk of sub-national government expenditure falls under current spending, which, in turn, is dominated by wage expenditure. This means that local authorities are left with insignificant resources to deliver material services such as public infrastructure. Local authorities, therefore, provide a severely limited range of services that excludes health and education.

Local authorities are also tightly constrained on the revenue side, with property tax being the only form of tax available to them. While not all sub-national governments are able to capitalise on property tax income, only city councils are so far in receipt of tax revenue from government property.

The analyses in this chapter suggest that sub-national governments in Swaziland play an important role in service delivery, particularly to the urban population. In spite of their limited sources of revenue, the total revenue of local governments has increased considerably during the period under review; in addition to private property tax, local authorities have started collecting tax from government property.

However, with the exception of the city councils, local governments lack administrative development, which in some cases impacts negatively on financial management and service delivery. Inefficient budget preparation and irregular auditing of accounts are major problems affecting proper management of local government finances. Even in town councils, not all revenue sources are accounted for in budget preparation. There appears to be a strong need for the strengthening of sub-national governments' financial administration and control for fiscal decentralisation to follow.

The Ministry of Housing and Urban Development does not enforce controls over local Governments, as regards the regular keeping of standardised accounting records and/or auditing. Such controls are mandated by Section 102 of the Urban Government Act, 1969, as amended. Lack of enforcement prompted some local authorities, for example Nhlanguano Town Council, to produce no audited statements for the whole period of this study. This seriously affects public confidence and co-operation with councils, as well as the development of local governments in general.

Central government has contributed to a notable disparity between city councils, town councils and town boards through the allocation of grants and personnel. City councils receive relatively large subventions and concessionary loans and are free to appoint administrators paid by councils. While the personnel of town boards, on the other hand, is paid by Ministry, the grants they receive are sometime too small to allow them to function. A good example of such boards is Lavumisa. This board has been almost dormant for the last three years, with annual subventions of E50,000 that are only partly used.

The control that is actually exercised by central government, in terms of restricting tax revenue sources of local authorities, has been to the detriment of local government development. This control, permitted by the Urban Government Act, limits local government tax revenue to property tax only. For local governments to grow and provide the services that are demanded by citizens, there is an urgent need for the introduction of a cost sharing formula that allows local government to take part of the revenues that are presently collected

by central government. Moreover, this chapter stresses that local governments also ought to increase non-tax revenue sources, improve the efficiency of tax administration, and set user fees and charges with a view to full cost-recovery and service sustainability.

CHAPTER FIVE

INFRASTRUCTURE AND SERVICE PROVISION BY THE PUBLIC SECTOR

5.1 Division of Responsibilities

5.1.1 History

At independence, local authorities only had a token degree of autonomy for the provision of services and infrastructure. The Department of Public Works housed most local government functions in terms of budget and finance, management and administration, and regulatory controls. The Department also oversaw several other services, including electricity, housing, roads, water, sewerage, and other public amenities.

The Town Councils of Mbabane and Manzini were proclaimed in 1961. Capacity building for service supply by these councils began with the transfer of responsibility for the maintenance of roads and refuse collection/disposal. These services form the core of local government activities to date. The supply of water and effluent treatment control would later be allocated to the Ministry of Works, Power and Communication in the late 70s. This would later evolve to be the Water and Sewerage Board, and, subsequently, the Swaziland Water Services Corporation, as it is known today.

During the industrial development of Matsapha, the sugar industry funded through central government several housing schemes, later to be known as Mobeni flats, under the direction of the Housing Branch. A parastatal was later established for the provision of housing, known as Industrial Housing. This parastatal was subsequently renamed as the Swaziland National Housing Board.

There are a number of schools run by the private sector in Swaziland. These include Sisekelo, Sifundzani, Waterford Ka-Mhlaba and Mananga, all of which offer both primary and secondary education. In recent years, the number of pre-schools has mushroomed in both Manzini and Mbabane. Mbabane City Council has also been involved in the provision of pre-school services until recently, when this service was discontinued due to financial problems.

Education in the country was founded by missionary settlers who operated schools privately. However, because of economic problems, the missionary schools were later taken over by the central government. The oldest of such schools, situated in the Shiselweni District, is Mahamba. Other missionary schools included St. Franson Christian (Mhlosheni), Our Lady of Sorrows, Christ the King and New Haven (Velebantfu).

The supply of health services has also evolved in similar a manner. The establishment of education facilities by the missionary settlers also involved the construction and provision of clinics and hospitals. Again, because of economic hardships, these facilities were subsequently taken over by government. Private companies (e.g. Usutu Pulp Co., Simunye Sugar Co., Big Bend Sugar Co. and Mhlume Sugar Co.) also established company clinic facilities for their workers. The only privately owned clinic in the country is the Mbabane Clinic, which sustains its operations through user charges. The majority of the country's

population cannot afford the costs of a private facility. Health services, therefore, are subsidised through central government funding.

Electricity supply and distribution was a function of the Department of Public Works until the establishment, through the Electricity Act 10 of 1963, of the Swaziland Electricity Board (a parastatal). Electricity (energy) production has continued over the years to be imported from the Republic of South Africa (ESKOM). This trend is not expected to change in the near future.

Table 5.1 below gives the breakdown of services provided and the types of organisations responsible for them.

Table 5.1: Services and Responsible Agents

Service	Responsibility
Education	a) Primary b) Secondary
	Shared by central government and private Shared by central government and private
Health	
	Shared by central government and private
Community Amenities	
	a) Water Supply b) Sewerage c) Sanitation d) Electricity distribution e) Solid waste management
	Parastatal Parastatal Local government Parastatal Local government
Economic Services	
	a) Transport b) Roads c) Energy (production)
	Private Shared by central and local government Parastatal

Table 5.2 below identifies, in detail, the services provided under each category and the responsible agent. As previously noted, urban authorities are responsible for solid waste collection/disposal, roads, storm water drainage, pounds, abattoirs, street lighting, landfill sites, and public amenities (public markets, toilets, parks and recreation, bus parking, and cemeteries). In addition, urban authorities are responsible for regulatory functions such as the issuing of building permits and health inspections.

Table 5.2: Detailed Service Responsibility by Agent

Service	Name of Agent	Type of Agent
Education		
	a) Primary	Ministry of Education Private companies
		Central government Private sector
	b) Secondary	Ministry of Education Private companies
		Central government Private sector
Health		
	a) Hospitals	Ministry of Health
	b) Clinics	Ministry of Health and private companies
		Central government Central government and private sector
Community amenities		
	a) Water supply	Swaziland Water Services Corporation
	b) Sewerage	Swaziland Water Services Corporation
	c) Sanitation	Local governments
	d) Electricity	Swaziland Electricity Board
	e) Solid waste management	Local governments
	f) Pound	Local governments
	g) Abattoir	Local governments
	h) Street lighting	Local governments
	i) Cemetery	Local governments
	j) Public markets	Local governments
	k) Public toilets/parks	Local governments
		Parastatal Sub-national Sub-national Sub-national Sub-national Sub-national Sub-national Sub-national Sub-national Sub-national

l) Housing	Swaziland National Housing Board	Parastatal
Economic services		
a) Public transport	Individuals and private companies	Private sector
b) Roads (urban)	Local and central government	Central and sub-national
c) Energy (production)	Swaziland Electricity Board	Parastatal

5.1.2 Local Capacity

In the Development Plan¹¹², a three-year rolling action programme for the Swaziland Government, the local government sector is identified under “Housing and Community Amenities”.

Urban authorities in Swaziland have different capacities and levels of responsibility for the supply of services. The Urban Government Act 1969, in its establishment of local government, identifies¹¹³ urban authorities in at the following status of development:

- City
- Town Council
- Town Board

The Act gives cities and town councils the same level of responsibility, hence autonomy for the supply of services. Under the Act, these local authorities are permitted to levy property tax, acquire capacity to undertake the supply and maintenance of local government services outlined in Table 5.2, regulate development (town planning, building), and formulate budgets/estimates. Both Mbabane and

Manzini are now classified as cities, having been politically elevated to this status in 1993.

City Councils

Though Mbabane and Manzini were established at the same time in 1961, there is a marked difference in how each of the municipalities has evolved in management style and structure¹¹⁴.

The Mbabane and Manzini City Councils undertake the maintenance of solid waste collection/disposal, roads, storm water drainage, pounds, abattoirs, street lighting, landfill sites and public amenities (public markets, toilets, parks and recreation, bus parking, and cemeteries). Unlike some local governments in other countries, the two city councils do not have the capacity to construct new roads, supply water, supply effluent disposal and treatment facilities, generate electricity and distribution or operate schools, hospitals and clinics.

¹¹² Development Plan – Ministry of Economic Planning and Development. The service activities outlined in this development plan only cover road infrastructure, sanitation and public health. The Urban Government Policy (Urban Government Policy – February 1996 Ministry of Housing and Urban Development) outlines other services including: street lighting, bus terminals, cemeteries, sports facilities, community centres, public toilets, public parks, business licensing, abatement of public nuisance, parking, markets, abattoirs, day care centres. The Policy also co-ordinates water supply, sewerage reticulation, electricity, telecommunications, public transport, environmental control, policing, traffic control, libraries and education.

¹¹³ The Urban Government Policy 1996 outlines a structure of local government with a level of “city councils”. However, the existing legislation enabling the establishment of local authorities, the Urban Government Act 1969, does not have a provision for city councils.

¹¹⁴ Refer to Chapter 7 – Institutional Environment.

Town Councils

The urban areas of Siteki, Pigg's Peak and Nhlanguano are town councils, having been elevated to this status in 1992. As noted above, the Urban Government Act 1969 gives town councils the same functions and responsibilities as city councils.

Siteki Town Council presently has the capacity to undertake the maintenance of all public amenity services, including market, public toilets, parks, bus rank, cemetery and abattoir. The pound has been privatised. The abattoir facility is outmoded and requires urgent rehabilitation of its structure, capacity and chill-room facilities. Siteki Town Council does not have the capacity to construct or maintain roads, refuse collection/disposal, water supply and distribution, schools, hospitals, clinics, electricity generation and distribution, or street lighting. These services are supplied through central government and parastatal agencies.

Pigg's Peak Town Council has the same capacity as Siteki Town Council, with the exception that the former now operates a fully commissioned refuse collection and disposal unit and a road repair plant for bituminous sealed roads. Nhlanguano Town Council has the same capacity as Pigg's Peak Town Council.

At the time of this study, although all three municipal areas were elevated to the town council status at the same time, it was found that there is marked difference in how each has evolved.

Both Nhlanguano and Pigg's Peak have localised the post of Town Clerk/Chief Executive Officer. The Siteki Town Clerk is currently still on secondment from central government.

On the other hand, Siteki Town Council has locally recruited staff: 21, as opposed to none by the other town councils. There are also 17 staff seconded by central government, bringing the total number of daily paid staff to 38. Nhlanguano and Pigg's Peak have 8 and 10 staff seconded from central government, respectively. The larger number of staff in Siteki could not be explained in terms of the workload level, which, in our opinion, is similar to that of Pigg's Peak and less than that of Nhlanguano.

Town Boards

The declaration of an urban authority as a town board affords it development control wholly financed and supported by the central government in terms of personnel and budgeting.

The urban areas of Lavumisa, Mankayane, Vuvulane, Hlathikhulu and Matsapha are town boards, the latter being an industrial township. None of these town boards has the capacity to supply any urban services. The supply and maintenance of services in these areas is currently undertaken through central government and other responsible agencies.

5.2 Organisational Patterns of Infrastructure and Service Provision

Table 5.3 shows the percentage share of each service supplied by central government, sub-national governments, parastatals and other agencies.

The central government has primary responsibility for the supply of educational facilities from the primary to the tertiary level. As stated in the main sectoral plan¹¹⁵, the overall objective of central government in the education sector is to provide education that is appropriate to the needs and abilities of all citizens while, at the same time, conforming to the country's developmental requirements.

Central government, in the supply and facilitation of this service, has continued to approve the establishment and operation of private schools. A change in this policy is unlikely to take place for the near future.

**Table 5.3: Suppliers of Infrastructure and Service
(Estimated Percentile Shares)**

Type	% Share						Totals
	Central	Shared	SN	Parastatal	Joint	Private	
Education	98					2	100
Health	98					2	100
Water	6*			94			100
Sewerage				100			100
Sanitation			100				100
Electricity				100			100
Solid Waste	20		80				100
Transport						100	100
Roads	95	1	3			1	100
Energy				20			20**

Notes:

* Rural water supply (without maintenance) is undertaken by central government.

** Swaziland imports about 80% of electricity from the Republic of South Africa.

The figures contained in Table 5.3 are the estimated percentage shares, as assessed through the study. In the case of health services, central government is committed to the supply of health to all citizens of the country. The presence of privately owned health facilities has been encouraged through the existing policy framework of the central government and caters for primary health care clinics (for example in company towns) and specialist health care (for example, Mbabane Clinic).

Water supply and sewerage is the function of the Swaziland Water Services Corporation (SWSC), a parastatal, which operates in all urban areas. The SWSC attained parastatal status in 1995 with an aim to improve and extend the existing water and sewerage network in all proclaimed areas, within viable and profitable margins¹¹⁶. Since its elevation to parastatal status, the SWSC has been reorganised in terms of both management and tariff policies so as to enable it a full degree of autonomy for the supply of service in urban areas. The central government will continue to facilitate and monitor the performance of the SWSC in future years through the Public Enterprise Unit of the Ministry of Finance¹¹⁷.

The Rural Water Supply Board is a department of central government and is responsible for the supply, by capital project, of water to rural communities. This department is not responsible for maintenance. Rural communities are responsible for the maintenance of the

¹¹⁵ See Development Plan – Ministry of Economic Planning and Development Central government's policy is to ensure a continuity of this service supply. Where instances of discontinuity have been monitored (for example in missionary schools), the central government has continued to provide assistance and, in many instances, has taken over privately run facilities.

¹¹⁶ Corporate Plan 1998/2002 – SWSC

¹¹⁷ The Public Enterprise Unit of the Ministry of Finance was established in 1990 to oversee and supervise public and parastatal organisations involved in the supply of public services.

network within their areas. The European Community Fund has been instrumental in providing capital aid for the construction of rural water supply projects nationwide.

Public transportation is a wholly privately run service and operates in both urban and rural communities. Each bus owner is licensed to operate on a certain route and is allocated time for commuter traffic as well as trans-border services. The issuing of licenses is controlled by the Road Transportation Board of the Ministry of Public Works and Transport.

Due to the historical failure by government to define and allocate service responsibilities, there is a need to develop a policy and authority to undertake the ongoing maintenance of self contained effluent disposal systems (septic tanks) within urban areas. The Swaziland Water Services Corporation clearly has a mandate for the treatment/disposal of sewerage countrywide¹¹⁸.

The central government, through the Roads Department, is responsible for a considerable length of roads within urban areas. This overlap of responsibility between local and central government has caused confusion to the public on several occasions. Urban authorities currently do not have the fiscal capacity to maintain these national routes. It is, however, important that some form of responsibility be assured on the part of central government if the Roads Department is to continue having authority over these roads, their maintenance, street lights and traffic lights.

There have been a number of occasions where a new road was damaged by another service authority (e.g. for the placing of new telephone cables, a water pipes, etc). In such instances, it is clear that the co-ordination of service supply would ensure that a provision of future services connection is established.

¹¹⁸ There is general lack of co-ordination in the vacuum tanker services - See Section 5.8.

**Fig.5.1: ISP
RESPONSIBILITIES**

	EDUCATION			HEALTH	COMMUNITY AMENITIES				ECONOMIC SERVICES			
	Pre-School	Primary	Secondary		Water Supply	Sewerage	Sanitation	Electricity	Solid Waste	Transport	Roads	Energy
1. Mbabane												
C												
S												
SN												
P												
J												
O												
2. Manzini												
C												
S												
SN												
P												
J												
O												
3. Siteki												
C												
S												
SN												
P												
J												
O												
4. Pigg's Peak												
C												
S												
SN												
P												
J												
O												
5. Lavumisa												
C												
S												
SN												
P												
J												
O												
6. Matsapha												
C												
S												
SN												
P												
J												
O												
7. Nhangano												
C												
S												
SN												
P												
J												
O												

5.3 Indicators on the Comprehensiveness of Infrastructure Service Provision with Respect to Consumer Needs- Performance Indicators Concerning Infrastructure Service Provision

5.3.1. Level of Service Supply

The level of service supply varies by type of service. For example, in Mbabane refuse collection only covers 60% of the urban area due to inadequate road infrastructure and lack of equipment. The 40% un-serviced area of Mbabane is actually informal settlements with very poor urban infrastructure services.

Table 5.4 gives a breakdown on the service levels by each of the urban authorities in Swaziland.

Table 5.4: Estimated Percentage ISP Coverage in Sample Authorities

Type	Area						
	Mbabane	Manzini	Nhlangano	Siteki	Pigg's Peak	Lavumisa	Matsapha
Refuse Collection	60	95	70	60	40	70	100
Roads (Constructed)	40	47	40	20	30	50	100
Pound	100	100	100	50	100	0	100
Abattoir	70	100	50	10	20	0	100
Streetlights	80	90	40	10	40	5	80
Landfill	100	50	40	20	20	20	100
Amenities	90	90	40	40	60	10	60

The above data is based on the assessment by the Consultant. Manzini has 110km of constructed roads broken down as follows: tar roads=45km, gravel=7km, earth standard=58km. Mbabane has 250 km of constructed roads broken down as follows: tar roads=90km, gravel=60km, earth standard=100km. The public works department in each area has approximate figures for the length of infrastructure services in each area. For the remainder of the SNG areas, services have been consolidated from plans available from the Surveyor General and Swaziland National Housing Board.

Road Infrastructure

Within the Mbabane urban area, the road network includes a number of roads that are maintained by central government. These are Allister Miller Street, Gilfilan By-pass Rd, Mhlambanyatsi Rd, and Malagwane. Along these roads, central government is responsible for road signs, traffic lights, streetlights and general maintenance. In Manzini, central government is responsible for Ngwane Street. In Nhlangano, a portion of the MR9 and MR11 are maintained by the central government. In Pigg's Peak, the government is responsible for a portion of the MR1.

There is no formal relationship between the Roads Branch of central government and the urban governments in regards to responsibility for the national road network within towns. Central government through the Roads Department used to allocate a subvention to both the Mbabane and Manzini urban authorities for the maintenance of these portions of the national roads. This practice has since been abandoned. There is also no existing policy on national road networks in the other towns.

The traffic generated by the national road network into the city road network has a damaging effect on the road infrastructure. Urban authorities clearly cannot rely on property taxation for

the maintenance of their road network because of the disproportional capital expenditure required¹¹⁹.

Vacuum Tanker Services

The City Councils of Mbabane and Manzini and the Ministry of Health have capacities to undertake the ongoing maintenance of self contained effluent disposal systems within urban areas.

The Ministry of Health has two vacuum tankers covering the entire country. Each vehicle covers two regions. During the rainy season, these vehicles hardly meet service demands due to 1) area coverage being too large and 2) the fact that they are very old and subject to frequent breakdowns. The two city councils each have a vacuum tanker, which also covers the surrounding areas of Manzini and Mbabane.

Solid Waste Collection and Disposal

City Councils

The City Councils of Mbabane and Manzini have solid waste collection equipment, acquired through the Urban Development Project, developed enough to adhere to environmental needs. The plant consists of self contained, self-compacting truck units.

In Manzini, refuse collection is undertaken twice a week per township location. However, refuse collection in the CBD is carried out on a daily basis. In Mbabane, refuse collection is also carried out on an average twice weekly per township location. Refuse collection in CBD is undertaken on a daily basis. Table 5.5 gives details regarding the plant and equipment.

Table 5.5: Solid Waste Collection and Disposal Units, Mbabane and Manzini

Equipment /Type	No.	
	Mbabane	Manzini
Refuse truck/self compacting	3	4
Tractor/trailer	2	1
Compactor	1	1
Front-end-loader	1	1

Mbabane currently generates approximate 45 tonnes of solid waste a day. Unlike Mbabane, Manzini has yet to establish a landfill site under the UDP. When developed, this site will consist of a weighbridge and a modern landfill maintenance site. The estimated solid waste tonnage for Manzini is also about 45 T/day, which is equivalent to the 10 truckloads currently delivered daily.

Mbabane's refuse collection trucks are approximately one year old and are estimated to have a serviceability/availability rating of 90%. The tractor/trailer plant is expected to have the same serviceability. The landfill loader and landfill compactor are also expected to be within their serviceability life.

Manzini has four refuse trucks with a serviceability ranging between 80% and 90%. The tractor/trailer plant has a serviceability of approximately 80%. Manzini also has a front-end-

¹¹⁹ The maintenance of national roads by the local authorities, which have limited fiscal capacity, is currently an unfair burden to the property taxpayers in all urban areas. Refer to Chapter 8.

loader with a serviceability expected at 92%. There is currently no landfill compactor for Manzini; however, it is expected to be purchased once a landfill site has been provided through the UDP.

Mbabane City Council undertakes all solid waste management under the department of the Director of Environmental Health who is in charge of five sections headed by managers. Manzini City Council carries out its solid waste management under the department of the Chief Health Inspector.

In both councils, refuse collection in informal settlements is being carried out through the provision of collection points using 5m³ containers strategically placed within the areas. On average, these containers are collected by the tractor/trailers once a week.

Town Councils/Boards

Town councils and boards have less sophisticated equipment than their more evolved counterparts. The majority of the solid waste collection equipment consists of the open tractor/trailer type. Refuse is disposed of in open dongas without any landfill technology.

Each of the town councils/boards has one unit, with Hlathikhulu Town Board and Nhlanguano Town Council having converted trucks. Pigg's Peak Town Council has recently purchased a re-conditioned, self-compacting refuse truck from the Manzini City Council.

Refuse collection in the town council areas is carried out on average twice/week per township. Since this waste is not compacted, it is estimated that each town council generates an estimated 30m³ of refuse/week. The industrial area of Matsapha Town Board is estimated to generate a similar refuse amount as the city council areas of Manzini and Mbabane. It is estimated that town board areas generate about 15-20m³ of refuse/week (3 to 5 tonnes).

Roads

The capacity of the city councils to maintain road infrastructure has increased because of the assistance rendered through the implementation of the UDP. Mbabane City Council now has a chip-spreader and is in the process of expanding its activities to include the tarring of new roads.

The capacity within town councils/boards is currently very limited and dependent upon central government. The breakdown of the plant and equipment for road construction and maintenance is given Table 5.6.

Matsapha Town Board, through central government, currently employs a contract-based method for the maintenance of its roads infrastructure. This maintenance contract is renewable every year. The Matsapha Town Board has no plant and equipment.

Mbabane and Manzini have the plant and equipment for the maintenance of the existing stock of gravel and tar roads. Mbabane City Council has recently embarked on the tarring of some of the township roads using its plant capacity to a limited degree. Mbabane City Council has a non-motorised chip-spreader for this purpose. The success of this method can be measured against the design and construction supervision capacity currently available within the City Council.

Table 5.6: Serviceable Plant and Equipment for Roads, Urban Authorities

Type	Area						
	Mbabane	Manzini	Nhlangano	Pigg's Peak	Siteki	Lavumisa	Matsapha
Road Roller (10t)	1	1					
Grader (with rippers)	2	2					
Dozer	1	2					
Water Bowser	1	1					
Fog Sprayer (truck)							
Fog Sprayer (man.)	1	1	1	1			
Tipper Truck	6	3					
Loader	2	1					
TLB	1	1					
Plate compactor	1	1	1	1			
Totals							

The capacity to design and supervise road construction within the city councils is currently not available. From the analysis carried within the study, it would appear that the provision of such a capacity within the council structures would greatly depend on the need and fiscal status of the council. In their present status, this provision would be redundant due to lack of continuity in this service provision (lack of capital to carry out the design and construction of roads in-house). Hence, it is recommended that contracting out be used as and when capital funding is available for any particular road.

Though the recently elevated town councils of Siteki, Nhlangano and Pigg's Peak are dependent on central government's capacity for plant and equipment for the maintenance of their road infrastructure service provision, Nhlangano and Pigg's Peak have acquired a manual bitumen fog sprayer and plate compactor to build up their capacity for road repairs. The plant and equipment currently pooled from government consist of a grader, front-end-loader and two tipper trucks. Most of the plant is now old and beyond its serviceable life, which leads to frequent routine maintenance in the towns. The breakdown of the approximate length of constructed roads within each of the urban areas is given in Table 5.7 below.

Table 5.7: Road Network, Urban Authorities

Type of Road	Area						
	Mbabane	Manzini	Nhlangano	Siteki	Pigg's Peak	Lavumisa	Matsapha
Tar km	90	45	17	9	16	1	108
Gravel km	60	65	50	20	40	15	9
Un-constructed* km	100	70	50	50	60	10	0
Totals km	250	180	117	79	116	26	117

Note:

- Due to non-availability of data regarding existing track roads with formal and informal settlement areas, the above figures represent estimates obtained from planned townships (SNHB) and topo-cadastral maps of each area.

Pound

With the exception of Vuvulane, Ngwenya and Lavumisa all urban areas have established a pound. Both Mbabane and Manzini are currently carrying the running cost for the maintenance and upkeep of the pound. In the other urban areas this service is supplied by a private individual appointed by the Minister responsible for urban government through the provisions of the Pound Act.

This service has been privatised in all the other urban areas of Nhlangano, Pigg's Peak, Siteki, and Lavumisa, with the exception of Mbabane, Manzini and Matsapha, where it appears there has been unwillingness to privatise the service. The reasons given for retaining the service in the public sector vary from a lack of response when advertised to a lack of commitment to privatise the service..

The activities undertaken by the pounds are impounding and driving stray beasts, keeping them fed and vaccinated, and advertising in the media. The rates for pound charges at each level need continual review.

Abattoir

Manzini City Council has built and successfully privatised a new abattoir facility with the assistance of USAID¹²⁰. The Mbabane City Council is in the process of completing a new abattoir, with an aim of privatising the facility as well under the same funding assistance.

With the exception of Nhlanguano, Siteki and Mankayane, none of the town council/board areas has fully equipped abattoir facilities. The Nhlanguano, Siteki and Mankayane abattoirs need urgent rehabilitation. The building structures are old, the chill-room facilities no longer function for the treatment of measly carcasses and effluent treatment facilities have collapsed. The remainder of the urban areas have slaughter poles.

There is currently no policy on the part of central government for the establishment of health regulated abattoir facilities in the country. The USAID assisted programmes for Mbabane and Manzini were on the condition that the facilities would be be privatised. All SNGs have shown commitment towards the privatisation of this service.

5.3.2 Consumer Needs

The sections below give the details in volumes, tonnes and KWh for the different ISP components in the sample local authorities. The performance indicator, the demand, in each case has been expressed in the respective units based on the estimated population that does not receive the service. The calculations are as follows:

- ◆ Water consumption is based on average 150 litre/per person/per day
- ◆ Electricity is based on a 12KWh/household/day
- ◆ Road network is expressed by km
- ◆ Health - ratio of no. of admissions/no. of beds
- ◆ Education - ratio of pupil/teacher
- ◆ Solid waste is based on 10kg/household/day = 0.01t

Road Infrastructure

Table 5.7 gives the current road network for urban authorities. The presence of none all weather (designed and constructed roads) access to consumers is prevalent to all the urban areas. An estimated 40% (100km) of the existing road network, representing the present demand, in Mbabane is not constructed access roads.

For Manzini, Nhlanguano, Siteki, Pigg's Peak and Lavumisa, the proportionate figures are 39% (70km), 43%(50km), 63%(50km), 52%(60km) and 38%(10km), respectively. The industrial town of Matsapha is undertaken through the formal provision of access roads for developers; hence, all roads are designed and constructed prior to development.

¹²⁰ USAID – United States Agency for International Development

The proportion of gravel roads to the whole road network in urban areas is also quite significant. For Mbabane, Manzini, Nhlangano, Siteki, Pigg's Peak and Lavumisa, the proportionate figures are 24%, 36%, 43%, 25%, 34%, and 58%, respectively.

Due to the inadequate capital funding systems employed in the development of urban areas, the oldest development within the towns still has gravel roads for access. In Mbabane, for example, the areas along Gilfillan Street do not have tar roads. In keeping with property taxation, which accounts for the majority of the revenue for the urban authorities, consumers have been "up-in-arms" with the councils for levying too much for so little service. This is further caused by the fact that the valuation procedure for property taxation is not proportionate with service provision.

This practise is prevalent in all the urban authorities. The principle of levying property taxation against service provision is covered under Section 5.7.

Water Supply

Treated Water Production

Water supply within urban authority areas is the prerogative of the Swaziland Water Services Corporation. The total production of treated water for the urban areas in 1995/96, 1996/97 and as forecast for a ten-year period is given in Table 5.8 below.

Table 5.8: Treated Water Production, Urban Authority Areas, 1995/96-1996/97 and Forecast 2007/8

Area	Production (m3)		
	1995/96	1996/97	Estimated 2007/8
Mbabane	4 866 407	4 462 771	16 019 544
Manzini/ Matsapha	6 831 005	7 160 745	12 918 324
Nhlangano	681 678	625 208	971 964
Siteki	416 132	251 000	848 712
Pigg's Peak	261 009	494 223	684 912
Lavumisa	63 890	65 636	103 164

Source: SWSC-Corporate Plan Report

Treated Water Demand

For the Mbabane urban area the total treated water production for 1996 stood at 4,462,771 m³, accounting for a population of connected people of 31,030. The total estimated population for the same period was 58,063. Hence, 27,033 people (or 47% of the Mbabane population) were not connected to treated water. Table 5.9 gives the analysis for the other urban areas.

Table 5.9: Treated Water Demand, Urban Areas, 1996

Area	Population		Demand
	Connected	Not Connected	
Mbabane	31 030	27 033	47%
Manzini/Matsapha	33 269	36 573	52%
Nhlangano	6 075	153	2%
Siteki	3 444	3 663	52%
Pigg's Peak	3 223	1 664	52%
Lavumisa	338	952	74%

Source: SWSC-Corporate Plan Report

With the exception of the Nhlangano urban area, the recent statistics indicate that more than half of the urban population is without treated water. The demand for treated water within urban areas is therefore very high.

In the UDP programme, the existing water supply for the Mbabane urban area will undergo major upgrading, in particular the Woodlands/Black Mbuluzi River water intake. The total estimated project cost is US\$5M to cover the upgrading of the capacity for both the intake and treatment works.

The Manzini/Matsapha corridor has already undergone upgrading through a KfW-funded project in 1997/98. It is anticipated that these works will accommodate the service for primary intake for the next 10 to 15 years. The urban areas of Pigg's Peak, Nhlangano and Lavumisa have planned upgrading projects during the next five years.

Siteki and the other small towns currently have no existing plans for upgrading capacity for the supply of treated water. In view of the prevalent high population living within these areas without access to treated water, it is hoped that programmes will be instituted for the upgrading of the same.

Though the major urban centres are due for the upgrading of primary water treatment works, the actual reticulation of water within the urban townships will take another estimated 10 years to complete. Part of this development will be partially covered through the UDP, under the supervision of the National Housing Board. The remainder, it is hoped, will be included in central government programming by either sanctioning local funds or securing donor funded aid.

In view of the large population exposed to non-treated water, the prevalent of hygiene-related diseases is thus very high. The present high infant mortality rate could be a direct cause.

Energy

Energy Generation

The Swaziland Electricity Board (SEB) is a parastatal responsible for the generation and supply of electricity for the whole country. The SEB's capacity for the generation of power amounts to 18.6% of the country's demand. More than 80% of the country's electricity supply is imported from the Republic of South Africa (ESKOM).

Energy Distribution

It is estimated from discussions with SEB that the total urban population with electricity service is currently 60%. In rural communities, this figure is estimated at less than 15%. The country's demand for electricity is therefore very high and governed by the absence of programming for ongoing reticulation within all communities. These figures are therefore not expected to change in the near future.

The electricity distribution and demand for the sample local authorities is given in Table 5.10 below:

Table 5.10: Electricity Distribution/Demand

Area	No. Of Connections	Estimated Number of Existing Households in Each Area	Est. No. Of Households Without Electricity	Existing Demand for Electricity/Month
Mbabane	8 633	18 508	9 875	3 555 000kWh
Manzini	5 804	20 470	14 666	5 279 760kWh
Nhlangano	1 441	2 401	960	345 600kWh
Siteki	1 090	1 800	710	255 600kWh
Pigg's Peak	1 199	1 912	713	256 680kWh
Lavumisa	306	306	Nil	0
Matsapha	3 068	3 068	Nil	0

Source: SEB Customer Services Division.

- Note:
1. The above demand figures exclude commercial applications.
 2. The above figures are based on an average 4.5 persons/household.
 3. Note that No. of connections is not synonymous with figures of population size in the various municipalities.

The present electricity generating capacity for each of the power stations in the country is as follows: Dwaleni =15MW, Maguduza=5.6MW, Luphohlo=20MW, Diesel Engines=10MW and Swazi Inn (Mbabane)=0.5MW.

The country's demand for electricity presently far exceeds the electricity generated locally. In discussions with the SEB, it is clear that their policy is "that the importation of energy will remain far cheaper than the country would ever hope to generate its own capacity to supply its own demand". The trend for the importation of energy from the Republic of South Africa will therefore continue for the foreseeable future.

Table 5.11: Overall Electricity Demand Trends over the period 1994 to1998

	Locally Produced (GWh)	Foreign Produced (GWh)	Total Used (GWh)	% Increase
1994	126.1	546.9	673.0	-
1995	109.8	597.0	706.8	5.02
1996	120.5	583.1	703.6	(0.05)
1997	191.8	598.0	789.8	12.25
1998	194.3	605.6	799.9	1.28

Source: SEB Annual Report 1998

Health

Health Services

The Ministry of Health (MOH) is responsible for the supply and maintenance of all health facility services in the country. Most of the urban centres have at least one hospital facility.

In its programming, the MOH seeks to “improve the health status of the Swazi people by providing preventive, promotive, rehabilitative and curative health services which are relevant and accessible to all”. According to the 1997/98 statistics, the most prevalent diseases/illnesses are respiratory related, accounting for approximate 28% of the year’s cases. Diarrhoea still has the second highest statistic at 11.1%, followed by skin disorders (11.1%) and sexual related diseases (7.6%).

Curative Health

In 1994, of the total 1,733 beds available, 61% were provided by central government facilities, 32% by missionary areas and only 7% by the private sector.

Table 5.12 gives the breakdown number of beds, admissions and ratio of beds to admissions in 1994.

Table 5.12: Total Admissions by Health Facility, 1994

Area	No. of Beds	No. of Admissions	Ratio=# of Adm/# of Beds
Mbabane	501	10 235	20
Manzini	330	12 409	38
Nhlangano	42	113	3
Siteki	142	5 485	39
Pigg’s Peak	120	3 329	28

Source: Ministry of Health

With particular reference to the admissions/beds ratio, it would appear that all existing health facilities are overloaded. In some health centres, patients have to sleep on the floor due to the unavailability of beds. In its development plan for the sector, the MOH has indicated the need for central government to commit programmes for the upgrading of health facilities in the country.

Environmental Health

The MOH has undertaken an environmental health programme to reduce exposure to environmentally related conditions and diseases. In order to meet its goals and objectives, four sub-sector services have been identified.

Water and Sanitation

In the sector report, the MOH has estimated that almost 60% of the country’s population has access to pit latrines. However, sanitation measures have been identified as being very poor. The distribution of piped water, under a health survey undertaken in 1991, showed a slight increase. Because of increased access to piped water, the sector report states that there was a reduction in the infant mortality rate from 98 to 72 per 1000 births in the same period. The

sector report also identifies the lack of access to clean water as the direct cause of infant diarrhoea, malnutrition and infectious diseases.

Bilharzia

The MOH has estimated that as much 35% of the country's population was infected with bilharzia in 1990, with about 20% being heavy infections of urinary bilharzia.

The Low and Middleveld have been identified as the highest risk areas. To date, the MOH has applied health education, screening and treatment of infected individuals in order to combat the spread of the disease.

Malaria

In the country, malaria is prevalent in the Lowveld and Eastern Regions, where it is estimated that 38% of the population is exposed to malaria. The MOH has undertaken programmes to control the spread of malaria through residual spraying of dwellings, training and health education campaigns.

Occupational Health

This service is supplied by the MOH Inspectorate Division for workers and employers in and around industrial locations throughout the country. The MOH undertakes to ensure that no conditions or emissions from workplaces have a potential or are causing harm to the public or the workers.

The MOH has programmed occupational health workshops for communities, labour officials, factory inspectors and employers. The programme is also directed at reducing air, soil and underground water pollution.

Education

The Ministry of Education (MOE) shares the majority for the supply of educational facilities in the country. In total, there were 707 schools in 1998 in the country, of which 530 were primary and 177 were secondary schools.

Table 5.13 gives the breakdown of the trend over the 1989-1998 period for both primary and secondary education.

Table 5.13: Education Country Profile, 1989 – 1998

Level	Period									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Primary										
a) pupils	155 410	166 454	172 908	180 285	186 271	192 599	199 599	202 439	205 829	208 779
b) teachers	4 921	5 083	5 347	5 504	5 696	5 887	5 917	5 975	6 094	6 195
c) ratio	32	33	32	33	33	33	34	34	34	34
Secondary										
a) pupils	38 882	41 128	44 085	51 514	50 304	52 571	54 933	54 873	58 197	60 830
b) teachers	2 123	2 213	2 430	2 703	2 794	2 872	2 933	3 035	3 067	3 173
c) ratio	18	19	18	19	18	18	19	18	19	19

Source: Central Statistical Office

In the period 1989 to 1998, the teacher to pupil ratio has average 33 for primary education, and 19 for secondary education. Based on the maximum teacher to pupil ratio of 40 it would appear that the present education facilities operate well within acceptable standards.

The recurrent costs of running the facilities over the period 1996 to 1998 are given in Table 5.14 below.

Table 5.14: Operational Cost for Education Facilities Salaries, 1995 to 1998

	Period		
	1996	1997	1998
Salaried Cost E	318 126 000	391 965 000	419 647 000
Comparative cost/pupil/year E	1 236	1 485	1 557

Source: Development Plan 1996/97 to 1998/99

Since the allocation of the expenditure is not divided into both categories of primary and secondary education, the figures above do not have meaningful interpretation except as averages. In addition, in the absence of data relating to other fees paid by each pupil at each level (building fees, stationary, uniforms, etc.) the cost of education cannot be ascertained at each level.

5.3.3. Performance Indicators Concerning ISP

Table 5.15 gives the estimated performance indicators concerning certain components of ISP. A Scale of 1 to 10 has been used, whereby category 8 to 10 indicates best quality service (very good conditions), 5 to 7 indicates good conditions, 3 to 4 refers to fair conditions and poor conditions are allocated figures 1 and 2.

Table 5.15: Estimation of Performance Indicators Concerning ISP

	Mbabane	Manzini	Nhlangano	Siteki	Piggs Peak	Lavumisa	Matsapha
Road Infrastructure	8	8	7	6	5	5	8
Water Supply	8	8	4	4	4	3	8
Sewerage	7	7	4	3	3	2	7
Energy	8	8	5	4	5	4	8
Health facilities	6	5	4	4	4	2	3
Education	9	9	4	4	5	2	5

Table 5.15 indicates that the two main cities, Manzini and Mbabane, have a relatively good coverage of ISP. These the main administrative and industrial centres are endowed with better quality and a wide coverage of ISP. Of the other small local authorities, Matsapha has the best ISP. Matsapha, an industrial area, has benefited from initiatives by private companies. Siteki Town Council provides services for an area with a relatively dry climate; this has affected the council's activities and has made the services of SWSC relatively costly and such coverage of ISP is poor. As has been mentioned earlier, social services are provided mainly by central government and the private sector, and such services have tended to be concentrated in the Manzini-Mbabane corridor where, generally, other forms of infrastructure are well developed. Compared to other sampled areas, Siteki and Lavumisa are relatively under-developed, and it is common for populations living in these areas to have to travel distances of at least 5 km to get to the nearest health facility. Although the main road infrastructure within all the sampled towns is of good quality, feeder roads in places like Piggs Peak, Siteki and Lavumisa are not tarred and are of very poor quality.

Both health and education facility ratings in areas such as Lavumisa are low due to the remoteness and location away from the industrial and administrative centres. Matsapha's proximity to Manzini has led to health facilities remaining underdeveloped since people residing in this area prefer to travel to Manzini for medical care.

There is still a lot that needs to be done to ensure equity in ISP distribution among local governments.

All local authorities are characterised by both formal and informal retail outlets. Formal sector employment outlets are mainly found in the cities of Manzini and Mbabane. Matsapha's industrial estates provide employment for a significant proportion of the labour force. The unemployment rate remains very high (above 30%), and many job seekers work in the low-paying informal sector. It is a common feature in all sampled urban areas to have the sides of the streets lined with street vendors of all kinds.

5.4 The Issue of Affordability of Infrastructure Service Provision

5.4.1 Introduction to the Issue of Affordability

Affordability of ISP can only be properly analysed when considering income and general expenditure patterns of the socio-economic population groupings. Before we consider a close look at the expenditure patterns, it is important to provide an indication of the trend in economic growth in the recent past.

In Swaziland, high economic growth rates have been mainly a result of a rapid increase in foreign direct investment (FDI). In the past, FDI has almost unilaterally contributed to increases in manufacturing value added. The positive political developments that have taken place in the Republic of South Africa, however, have resulted in a relocation of a significant percentage of foreign capital from the Kingdom. Presently, the focus is on the improvement in levels of domestic capital; in this regard, central government has established a number of loan funds to assist operations of local businesses. Despite the expected upturn in small businesses, existing evidence shows that economic growth is losing momentum. Table 5.16 below shows gross domestic product forecast 1996/97 – 1998/99 as recorded in the most recent three year rolling development plan.

Table 5.16: Gross Domestic Product Forecast, 1996/97-1998/99

GROSS DOMESTIC PRODUCT	FORECASTS			AVERAGE GROWTH
	1996/97	97/98	1998/99	
GDP factor cost in 1985 prices (Em)	1283.4	1320.7	1355.8	96 – 98
GDP Growth Rate (%)	2%	3%	3%	-
GDP Deflator	300	330	363	10%
GDP factor cost in current prices (Em)	3850.2	4358.31	4921.55	13%

Source: Development Plan 1996/97 – 1998/99

During the period stipulated in the table above (1996/97 – 1998/99), the average annual growth rate of 3% was below the estimated population growth rate of 3.4%; as a result, real GDP declined. Government's contribution to GDP is expected to decline in the near future due to the implementation of the 'home grown' structural adjustment programme curtailing the growth of the size of the civil service. The contribution of the construction sector shows 2.5% real increase per annum, reflecting implementation of the Urban Development Project

(UDP) under the Ministry of Housing Urban and Regional Development, expansion of the Matsapha Industrial Estate, construction of the Mbabane-Manzini highway and the upgrading of Ngwenya-Mbabane road.

It is worth noting that a more useful and complete set of national accounts would contain not only information on how GDP is generated, through production accounts, but also information on how income is distributed among the various sectors of the economy (financial and non financial corporations, government, households and how such income is spent). So far, however, compilation of sector accounts is not very well established; as a result, the patterns of savings that would emerge by sector to provide an indication of how capital formation in the various sectors is financed cannot be identified.

For purposes of clarity in the issue of ISP affordability among different income groups, we use price indices published by the Central Statistical Office (CSO) covering:

- a 'low-income group', defined as those earning less than E2, 400 p.a.;
- a 'middle- and high-income group' comprising those earning E2, 400 to E8, 760 p.a.; and
- 'all group' covering those who earn E27, 480 p.a. and less. (Three-year Rolling Development Plan, 1996)

It is important to note, however, that the 'all group' index is not an average of the other two groups but covers a wider range.

Before we consider consumption patterns of the households in the different income levels, it is important to note that inflation does not affect these income groups with equal strength. Table 5.17 below indicates the inflation figures for the different income groups.

Table 5.17: Inflation Rates for different Income Groups (January 1997 – January 1998)

Income Group	Low	Middle and High	All
Inflation rates	10.3%	7.8%	8.0%
Quarterly inflation rates	1.4%	1.2%	1.2%

Source: Statistical News, February 1998

The inflation rate is high for the low-income group compared to the other income categories. This kind of picture has important implications for consumption patterns of the different income groups. Increases in the inflation rate are reported to have been mainly due to consumption patterns on food such as condensed milk, fresh fish, tomatoes and bananas. Alcohol and tobacco such as cigarettes and pipe tobacco also had significant impact on the inflation rate. Another category of commodities that had a notable impact on the inflation rate was that of 'furniture and appliances', in particular beds and wardrobes.

Statistics collected eight months later indicate a much lower inflation rate of 6.0% for the low-income group (see table 5.18 below). 'Middle and high' and 'All' income groups show the same rate of 8.0% (Table 5.18), which is a slight increase for the 'middle and high' income group. Inflation increases in the period October 1997 to October 1998 are attributed mainly to food such as cooking oil, fuel and health care products. The commodities that resulted in an increase in the inflation rate comprise commodity baskets of the 'middle and high' income groups. In general, it is important to note that since households, irrespective of the income category, are constrained by the size of disposable income, an increase in relative prices of necessities inevitably results in a reduction of consumption levels and thus affects the general standard of living.

Table 5.18: Inflation Rates for different Income Groups (October 1997 – October 1998)

Income Group	Low	Middle and High	All
Inflation rates	6.0	8.0	8.0
Quarterly inflation rates	1.8	1.8	1.8

Source: Statistical News, November 1998

Tables 5.19 A-C in the annex indicate that, in general, low-income households spend more of their income on food substances (45.581). Transport and communications feature with a high weight of 8.399 in the ‘middle- and high-’ income bracket compared to 3.586 in the low-income group. Low-income earners use public transport or, if they do not live far from their places of work, they simply walk. Middle- and high-income earners use both public and private means of transportation; they also use the latest methods of communication e.g. telephone, fax machines and computers. Low-income groups cannot afford much in terms of leisure activities (2.033); for middle- and high-income earners, leisure is an important component of the commodity basket. The data also indicates an important differential with regard to education whereby the weight for middle- and high-income groups is 6.284 compared to that of 0.726 for low-income earners. Since primary and secondary levels of education cannot be accessed free of charge, low-income earners have difficulty in sending their children to school. Middle and high-income earners can afford tuition in both public and private schools so it is not surprising that education appears to be important to them compared to the other income group. In general, education expenditure is an important type of expenditure, as evidenced by the weight of 6.083 it carries in the ‘all’ income category. An overall picture in Tables 5.19 A-C shows that the consumption pattern for the ‘all’ income group is close to that of the ‘middle- and high-’ group, and the magnitude of movements in both these groups is very similar.

Figures for October 1998 (Tables 5.19 D-F) indicate a consumption pattern similar to that of January 1998. For the low-income group, there is a marked difference in the percentage changes for ‘clothing and footwear’; October 1998 figures indicate a negative growth rate, which provides an important explanation for the low inflation rate of 6.0% compared to 10.3% in January 1998. Percentage change in the yearly expenditure on education is very high for October 1998 for the three income groups.

5.4.2 Affordability Related to the different Components of ISP

5.4.2.1 Health Services

As has been mentioned earlier, provision of health care is the prerogative of central government and private organisations. Local governments are involved in a limited number of health care services. The Mbabane City Council has a mobile clinic and provides sanitation facilities. Other subnational governments also provide varied health services. Every household should have access to sanitation facilities. Mbabane and Manzini City Councils operate public toilet facilities charging E0.20 per person per use. Since this user fee is very low, it makes the facilities affordable to all income categories. Local authorities also provide vacuum tank services. Various local authorities have different charges for the maintenance of self-contained effluent disposal systems.

To empty a septic tank, the Mbabane City Council charges E80 for those households which are within the city and E550 per tank for households outside the city centre; consumers outside the city centre also have to pay an additional charge of E14/km for drainage services.

It is clear that these rates are prohibitive to low income earners in urban, suburban and rural settings. Refuse collection in the urban areas is the responsibility of local authorities. The Mbabane City Council charges E 120.00 per month for residential areas and E900/month for commercial users of the facility. Again, these rates are prohibitive to low-income urban dwellers.

Provision of adequate health facilities requires demographic data on the size and distribution of households and, particularly, information on age and sex composition. The health care needs of the elderly differ substantially from those of the younger segments of the population. Females have different health care needs from males. Most health services in Swaziland are urban centred, despite the fact that only a small proportion of the population lives in the main towns. In 1985, statistics indicated that the population-to-bed ratio in urban areas was 100 to 1 compared with 1,450 to 1 in the rural areas. With the current population growth rate of 2.7%, the conditions have deteriorated significantly. Apart from the national aggregates, there are observed disparities by district. Manzini and Hhohho districts enjoy population-to-bed ratios 31 per cent and 20 per cent, respectively, above the national averages. On the other hand, Shiselweni and Lubombo are disadvantaged by 75 per cent and 80 per cent, respectively. The two districts, Manzini and Hhohho, together have 75 per cent of all the hospital beds in the country. This finding is not surprising because these two districts contain two large cities of Mbabane (the capital) and Manzini (the administrative and industrial centre), which have the main referral health facilities. Outpatient department services in public hospitals cost E10 per person per treatment. This charge is quite high compared to what this service cost in the recent past when patients paid only E3.50; this charge increased by approximately 186%. This charge of E10 for hospital treatment was introduced in 1998 due to the increasing demands upon the health sector attributed, partly, to the increasing cases of HIV/AIDS patients. Hospitalisation fees have also increased from E1.50/night to E6/night in public hospitals. Overall, about 70 percent of the population lives within eight kilometres of a health facility.

5.4.2.2 Water and Sewerage Services

An informative approach to the question of ISP affordability would be to calculate water demand of households according to income type. It is most unfortunate, however, that the Swaziland Water and Services Corporation does not keep a record of water demand figures by income type, and there has not been a study to highlight such information. Analysis of affordability with regard to water and sewerage services has been carried out by studying the current tariff structure. Table 5.20 gives an indication of present payment for various unit levels.

Table 5.20: Water Consumption Tariffs

Unit (M3)	Price/ M3
0-10	1.45
11-25	3.10
26-50	4.45
51-100	5.00
More than 100	5.60

Source: SWSC

Table 5.20 shows that as more units of water are consumed, the price paid per unit increases. Average consumption of water is 20 m³/month/household. Given the schedule in Table 5.20

above, each household pays E61 per month. The tariff structure for sewerage is similar to the one for water consumption indicated in Table 5.20. For sewer services, on average, each household pays E46.50 per month. Average monthly payments for water services there amount to approximately E107.50 per month per household. This rate is relatively high for low-income households who, given the upper limit of 2,400 p.a., earn at most E200 per month. It is, therefore, not surprising that SWSC is confronted by problems of illegal connections in quite a number of residential areas. The high water tariffs have also given rise to the number of cases of vandalised meters. In spite of the increased frequency of illegal connections, SWSC has not established the actual number of such cases. In view of the prohibitive nature of installation costs, which stand at E590 for residential areas, illegal activities with regard to provision of water services are likely to be on the increase. There is, however, a severe penalty of approximately E1000 charged to offenders.

5.4.2.3 Electricity Supply

Table 5.21 below gives the sales analysis of electricity and the average consumption per area.

Table 5.21: Domestic Electricity Tariff, Urban Areas, April 1997

AREA	NO. OF CONNECTIONS		TOTAL POWER CONSUMED	PTY./PLOT/MONTH
		%		
Mbabane	8 633	40.1	4917163 kWh	32.13
Manzini	5 804	26.9	2758693 kWh	31.63
Nhlangano	1 441	6.7	520176 kWh	33.21
Siteki	1 090	5.1	328877 kWh	33.51
Piggs Peak	1 199	5.6	412637 kWh	33.41
Lavumisa	306	1.4	65740 kWh	35.08
Matsapha	3 068	14.2	1076753 kWh	33.11

Table 5.21 indicates that Mbabane accounts for 40.1% of the total number of connections, while Manzini accounts for 26.9% of total connections. It is not surprising that Matsapha has a relatively large number of connections (14.2%) compared to the other small towns since it is an industrial area. Matsapha has a large number of residential settlements.

Data indicate that, on average, consumers pay E33.10 per month per plot. This rate is not very high, but since electricity users have to spend on other commodities, as shown in 5.19A-F, it is high for low-income earners.

5.4.3 Highlights of the Results of UDP Study on ISP Affordability in Urban Communities

Through the UDP, government embarked on an important initiative to improve the Mbabane and Manzini housing stock and infrastructure. In this regard, central government commissioned a Land and Housing Market Study. Variables considered in this study included data on existing housing stock, incomes, health, sanitation and other social and economic issues. Sampled low-income locations in Mbabane included Msunduza, Corporation, Gobhoho/Mncitsini, Nkwalini, Manzana, Mangwaneni and Mahwalala. In Manzini, only two areas were sampled, namely Moneni and Nhlabeni. Most of the areas under the study are characterised mainly by informal settlements. A total 1,487 interviews were carried out. Of the communities studied, Nhlabeni was more "rural" than all the communities.

5.4.3.1 Characteristics of Household Heads

Household heads characteristics differ with regard to age, gender, education, socio-economic and income levels. Male-headed households (MHH) comprised 63.9% of all households under the study, while 36.1% were female-headed households (FHH).

The majority of households heads had attended either primary or secondary school, while 17.4% had no education. Only 7% had gone beyond high school. The highest education in the household shows a slightly different picture:

Table 5.22: Highest Education in Household

Education	Frequency	%
Post High School	226	16.7
High School	416	27.7
Secondary	319	36.1
Primary	192	19.6

Source: LHMS, May 1993

Gender differentials indicate that male household heads were better educated than their female counterparts.

Results of the LHMS indicate a high population density in the low-income urban dwellings. The mean number of household members was 5.9 for owner dwellings, 3.6 for main tenants and 2.8 for sub-tenants. In view of the fact that 73% of the dwellings were one-room households (12.5% had two-rooms and 14.5% had three or more rooms), it is clear that people in these areas live under serious conditions of congestion. An important question to consider is the reason for settling in the neighbourhoods. Reasons for settling in a neighbourhood are diverse, chief of which are related to proximity to work (38.6%), lack of any other option (10.8%), kinship ties (8.0%) and proximity to town (7.2%).

Most popular are owner occupied dwellings, rather than rented ones; interviewees felt that these owner occupied dwellings provided more security than rented accommodation. It is also widely believed that renting is too expensive and makes it difficult to accommodate growing household numbers.

5.4.3.2 Financial Mechanisms

Financial mechanisms employed by households are diverse; they range from own savings, proceeds from selling activities to borrowing. Table 5.23 gives a layout of the methods of raising finance for house building.

Table 5.23: Methods of Raising Finance for House Building

Method of Raising Finance	Frequency	%	Cum. %
Pay/Savings (short-term)	311	44.2	44.2
Pay/Savings (long-term)	261	37.1	81.3
Family/Friends	45	6.4	87.7
Borrowed from Bank	27	3.8	91.5
Sold Livestock	12	1.6	93.1
Sold Crops	11	1.6	94.7
Other	37	5.3	100

Source: LHMS, May 1993

Financing of house building is through short-term and long-term savings. Relatives and friends are also an important source of finance, not surprising since extended family ties are

still very strong in the society. Only 3.8% of the respondents borrow from banks; a possible explanation for the low percentage of borrowers from banks is the lack of collateral for borrowed funds.

5.4.3.3 Infrastructure and Services in Locations Studied

With regard to levels of infrastructure and service provision, only 18% of households had piped water supply in their plots with only one-third of these having water inside the house. Most of the low-income urban dwellers access main roads through footpaths. Only 13.1% have paved roads. Street lighting, drainage channels and telephones are quite uncommon. A summary of infrastructure and service provision is given Table 5.24 below.

An inquiry into the most desired services indicated that most people desire water and sewerage services (64.8%), electricity (26.7%) and paved roads (11.5%). Clinics and schools were also among the most desired services, to a lesser extent though probably because the areas under the study have relatively easy access to urban schools.

5.4.3.4 Employment Status

To ascertain affordability of infrastructure service provision in urban areas it is important to analyse the employment status of dwellers.

Table 5.24: Infrastructure and Service Provision in Informal Settlements

Current Services	Frequency	%
Water (in-house)	68	6.1
Sewerage (in-house)	65	5.8
Water (tap in yard)	151	13.5
Rubbish removal	196	16.3
Electricity	186	15.3
Paved roads	158	13.1
Street Lighting	130	10.8
Drainage channels	78	6.4
Telephones	77	6.3

Source: LHMS, May 1993

Slightly more than 50% of all households had one person in paid employment; only 4.5% had four or more persons in paid employment. Only 7.0% of all households did not have anyone in paid employment. Such statistics have important implications for the affordability of services. Sex differentials can also be picked up from employment status of the household head. The results in Table 5.25 indicate that employment status for households varies depending on the gender of the household head.

Table 5.25: Employment Status of Household Head

Employment Status	Male Head	Female Head
Employed	90%	68.8%
Unemployed	10%	31.2%
Totals	100%	100%

Source: LHMS, May 1993

It is important to note that the figures above do not provide details regarding the types of employment and, as such, do not give a proper indication of the number of self-employed persons. However, street vending and small business operations are the common source of income in such communities.

5.4.3.5 Income in Settlement Areas

Levels of income are largely determined by the employment status of the household head. Income is measured by household earnings from formal employment and other income. The mean total income for households in Mbabane was E842 (US\$140). The percentile distribution of income is indicated in Table 5.26.

Table 5.26: Income Percentile

Percentile	Income (All) E	Mean Income (cat.)	Income from Employment	FHH	MHH
10 th Percentile	200	129.41	200	100	250
20 th	300	279.13	300	200	350
30 th	380	347.83	400	250	404
40 th	467	417.32	500	340	500
50 th	600	544.13	600	455	600
60 th	700	678.02	800	600	800
70 th	900	813.80	950	750	950
80 th	1 200	1 061.40	1 260	1 002	1 260

Source LHMS, May 1993

Figures under ‘income (all)’ refer to average monthly income for each percentile for all households in the study; ‘mean income (cat.)’ refers to mean income within each category. ‘FHH’ and ‘MHH’ refer to mean income in female-headed households and male-headed households, respectively. This data shows the low values of income for female-headed households; this can be largely attributed to the fact that education levels and the employment status of females in the country is generally lower than those of males. It is clear, therefore, that female-headed households are quite impoverished. Income from employment is generally higher compared with other income categories. This can be largely attributed to the fact that informal sources of income yield low levels of income.

In general, we get a clear picture that affordability of services in low-income urban settlements is very questionable. However, we do applaud efforts of local governments to spearhead services such as water supply (through construction of boreholes) and street lighting. Although such services do not have a comprehensive coverage, they definitely have served to empower the different communities. The most important endeavour is to ensure sustainability of these initiatives, which largely have become the responsibility of the individual communities.

We wish to indicate that, to date, there has not been a similar study carried out for high income earners. It is therefore not possible to make similar conclusions for high- income urban areas.

5.5 Infrastructure Inventory Concerning Central and Sub-National Governments

5.5.1 Roads

Table 5.27 presents an overview of the amounts invested on road infrastructure service between 1989 and 1998 by both national and sub-national governments.

Table 5.27: Capital Investment, Central and Sub-National Governments, 1989 to 1998

Agent	Year E (Million)									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Central	20.934	30.620	36.459	43.234	76.872	136.872	225.432	190.665	365.273	186.170
Mbabane	0.655	0.706	0.869	-	-	-	-	4.700	0.500	-
Manzini	0.883	0.649	-	-	1.505	4.205	-	-	-	1.300
Nhlangano	-	-	-	0.300	2.700	-	-	-	-	-
Siteki	-	-	-	-	-	-	-	0.234	2.400	0.170
Pigg's Peak	-	-	-	3.700	1.100	-	-	-	-	-
Lavumisa	-	-	-	-	-	-	-	-	2.1	-
Matsapha	0.800	0.800	1.000	5.700	4.200	9.730	4.043	9.741	19.586	21.586

Source: Swaziland Development Plan

The central government continually invested in the country's road infrastructure over the ten-year period. The overall road network for the country is approximately 4,800km (tar and gravel roads). Over the same period, there was significant capital expenditure for the upgrading of the Manzini-Mbabane Road into a dual carriageway.

At the sub-national level, capital investments has been ad-hoc and very limited. The total investment over the total length of roads within Mbabane, Manzini, Nhlangano, Siteki, Pigg's Peak and Lavumisa over the period is E29,720/km, E47,455/km, E25,641/km, E35,493/km, E41,379/km and E80,077/km, respectively. The Matsapha urban area has undertaken road maintenance (private contract) from its rate revenue base: approximately E1.0M per year over the whole period. The investment over the period would be equated to E85,470/km.

The overall assessment of the road infrastructure within local governments (with the exception of Matsapha and Lavumisa) is very poor. During the course of the study, it was established that there are no existing policies or structure in place to manifest commitment towards the improvement of the local government road networks. Though local governments are aware of the need to address the problem of poor road infrastructure, their fiscal capacity has continually denied them any meaningful approach to the problem.

5.5.2 Other Service Supplies

Over the ten-year period 1989 to 1998, the total capital investment for water supply in urban areas amounted to E130,889,000. Based on the total estimated urban population of 207,000, this investment over the period equals E632.31 per person. . This capital investment translates to an average E63.23 per person per year.

In the 1998/99-2002/03 Corporate Plan, the Swaziland Water Services Corporation (SWSC) has identified a number of aspects aimed at improving the service supply, such as twinning arrangements. During the study technical assistance seconded through the British Overseas Development Agency (ODA) had been established from the Northumbrian Water Services Limited.

The Corporate Plan identifies several aspects of development required by the SWSC: training, performance-based assessment against objectives, tasks and targets. The SWSC has also identified the need to continually generate capital investment programmes through user service charges.

Over the ten-year period 1989 to 1998, the total capital investment for electricity supply in urban areas amounted to E75,528,000, which equates to E364.87 per person over the period. This capital investment translates to an average E36.49 per person per year.

In the education sector over the ten-year period 1989 to 1998, the total capital investment amounted to E356,827,000. Based on the 1995 population estimate of 908,119, this equates to E392.93 per person over the period. This capital investment translates to an average E39.29 per person per year.

In the health sector over the ten-year period 1989 to 1998, the total capital investment amounted to E93,770,000. Based on the 1995 population estimate of 908,119, this equates to E103.26 per person over the period. This capital investment translates to an average E10.32 per person per year. Table 5.28 gives a breakdown comparison of the different service provision over the ten-year period.

Table 5.28: Capital Investment Per Person Per Year By Service, 1989 to 1998

Service	Capital Investment/person/year
Water Supply	E63.23
Electricity	E36.49
Education	E39.29
Health	E10.32

5.5.3. Fiscal Analysis of ISP

In summary, Manzini and Mbabane have more than 70% of their activities financed from property taxes. This is very disproportionate considering the other sources at the disposal of local authorities. Subventions from central government provide less than 15% of council financing in these two cities, while user fees and finance sundries account for less than 10%. Smaller municipalities like Nhlanguano depend heavily on central government subventions. The 1998/99 income statement for the Nhlanguano Town Council indicates that 92% of total income comprises subventions. User fees in the various localities are collected from activities such as the usage of the market. To rent a stand to sell curios in the Mbabane market ranges from E35 per month to E55 per month depending on the size of the stand. User fees in all local authorities do not appear to be reflective of expenditure on the different forms of infrastructure. Estimates for 1999/2000 for Nhlanguano indicate a deficit of E12, 570 for use of the market. In all local governments, toilet fees, parks and bus ranks yield very low income. Street cleaning and street maintenance have no income item, while they generally comprise more than 70% of total expenditure by municipality. Abattoir fees generally account for only 6.3% of total expenditure on abattoirs, mainly in the form of expenditures for electric power supply, tools and other supplies. Income from burial fees, in most municipalities, does cover total expenditure on the cemetery, which comprises mainly expenditure on water and tools/materials. Amounts paid for the use of the cemetery vary according to the nature of the burial sites, the most expensive costing E2, 500 per use, while less expensive sites range from E150 to E75 per use. Refuse collection is also an important activity undertaken by local authorities. The Nhlanguano Town Council charges E8/month for refuse collection per establishment; these charges cover expenditures for plant maintenance, drivers' salaries, insurance, contributions to the national provident fund, bins and garbage collection points. Other sampled sub-national governments do not charge user fees for the services they provide.

Pounds are also important services provided by the city councils; however, it is not rewarding to the local authorities since maintenance costs are very high.

5.6 The Role of New Investment in Infrastructure in Relation to the Stock of Prevailing Infrastructure

5.6.1 Roads

In the ten-year period, the upgrading of the Mbabane-Manzini road (37.5km) into a dual carriageway has constituted the bulk of central government's capital investment. The remainder of the capital investment has been used in the maintenance of the existing stock of road infrastructure: MR8 and MR3 Manzini-Big Bend (82km), MR3 Mbabane-Manzini (42km) road widening, MR1 Motshane-Pigg's Peak (66km) road safety works, and road re-gravelling works at approximately 727km per year.

In the urban areas, there has been no significant addition to new road infrastructure over the ten-year period. Through the development of new urban townships by the National Housing Board, Mbabane had an additional 7km of new access roads and 1.1km of local collector roads in the development of Mbangweni Township. Manzini had an additional 4.7km of access roads and 0.5km of local collectors in the development of Helemisi. Manzini has had an additional 2km of trunk main road in the construction of the Northern by-pass road.

This new network is already included in Table 5.7. By proportion, these new additions for Mbabane and Manzini are 3.2% and 2.8%, respectively, of the overall road network.

Mbabane and Manzini have also increased their urban areas, effectively including more peri-urban communities in the period 1992/93. This has only extended their authority over these new areas. The existing infrastructure in these new areas remains unchanged.

In the development of Extension 6, Nhlngano had an additional 3km of new road infrastructure, which by proportion is 2.6% of the existing road network. In the development of Mpumalanga Township, Siteki had an additional 4.7km (gravel) of new road infrastructure, which by proportion is 5.9% of the existing road network. In the development of the Western township, Lavumisa had an additional 7.2km (gravel) of new road infrastructure, which by proportion is 27.7% of the existing road network. In the construction of the Prison Road, Pigg's Peak had an additional 1.2km of new road infrastructure, which by proportion is 1% of the existing road network.

By proportion, Matsapha over the ten-year period has received a significant proportion of new road infrastructure amounting to 16km (13.7%) of new tar roads. This has been both for residential and industrial development.

5.6.2 Other Services

The bulk of the capital investment for water supply has been in the upgrading of the existing water treatment plant capacities in Matsapha/Manzini and Pigg's Peak. Therefore, there have been few new connections in the urban areas. Once the capacities of the water treatment works have been upgraded, the Corporate Plan has estimated that there will be an additional 3,260 in Mbabane, 4,467 in Manzini/Matsapha, 766 in Nhlngano, 579 in Siteki, 199 in Pigg's Peak and 259 in Lavumisa by the year 2007.

During the ten-year period, the Swaziland Electricity Board introduced capital investment by the construction of a new 132kV-line (E47M) as a Southern distributor line, which terminates

near Ka-Lonhlupheko in the Lubombo region. A new 400kV line (US53.3M) is being proposed for the Northern region to be fully commissioned May 2000. In the period 1998-1999, there have been 579 total new connections.

In the education sector, the bulk of the capital investment has been directed at rehabilitating the existing stock of schools, housing and training institutions. The total number of new schools for the period 1987-95 has risen by 52 for primary (from 477 to 529) and 56 for secondary (from 113 to 169). Over the same period, the number of teachers has risen from 4,462 to 5,917 for primary and from 1,760 to 2,933 for secondary education.

In the health sector, the bulk of the capital investment has been directed at extending and rehabilitating the existing stock of clinics hospitals, housing and training institutions. Over the period, the Mbabane and Hlathikhulu hospitals were extended by an additional 70 and 56 beds, respectively. The number of clinics and hospitals remained the same over the period.

Both the Mankayane and Pigg's Peak hospitals are undergoing rehabilitation and extensions that are expected to be completed by June 2000.

In summary, it can be concluded that there has been an increase in ISP, but that it has taken place at a rather slow rate.

5.7 Issues of Tariff Policies in Relation To Infrastructure and Service Provision

5.7.1 Roads Infrastructure Tariff Policies

At the national level, central government has introduced a fuel levy (12c per litre) for both petrol and diesel towards road user taxation. In the structure of the levy, the amount generated is accrued directly by the Motor Vehicle Accident (MVA) fund.

There is no existing mechanism to ensure that the income generated from this fuel levy will be recycled back into capital investment for road infrastructure.

5.7.2 Health Tariff Policies

Due to the existing affordability and economic levels, the Ministry of Health presently supplies health services at highly subsidised levels. In view of the present policy and drive for "health for all", it is doubtful whether a revised approach to health tariffs would be implemented without prejudicing public access to health services.

The infant mortality rate at 71 per 1,000 remains high. It would appear that access to primary health care remains vital for the country's development needs. The total recurrent expenditure in 1996/97 for sustaining health services supply was E507,536,000. Based on the number of health service demand of 1,447,692 cases in 1997, this would equate to a user service charge of E350.58/person/year, equivalent to E29.22/person/month.

5.7.3 Education Tariff Policies

The Ministry of Education administers and controls the supply of educational facilities in the country. However, each facility (school, college) administers its own user tariff. The majority of the schools are government-aided schools. Each school has a tariff charge for building funds, school and boarding fees, etc.

These tariffs vary from facility to facility, and in most instances do not cover the cost of paying for teacher remuneration and other expenses. The majority of educational service is therefore heavily subsidised by the taxpayer.

5.7.4 Parastatal Services Tariff Policies

The services of water and electricity supply are undertaken by parastatals, namely the Swaziland Water Services Corporation and Swaziland Electricity Board, respectively.

Tariff policies of parastatals are controlled and monitored by the Public Enterprise Unit (PEU) of the Ministry of Finance.

The existing tariff policy for user service charges by parastatals is assessed from the parastatals' budgeted expenditures over the potential of their income base. The PEU also stipulates that the user service charge income potential must carry elements of profit, which vary depending on the level by which the parastatal has been established.

The consumer of the services is expected to meet his/her usage charge, failing which an automatic disconnection of service is applied. The average cost/month for the tariffs are given under Section 5.4.

5.8 Summary and Final Recommendations

5.8.1 Urban Government Policy

In view of the areas covered by this study¹²¹, it would appear that local government functions and infrastructure services supply are being undertaken at different levels of responsibility.

In the town council of Siteki, all the management and staff are currently on secondment from central government. Nhlanguano and Pigg's Peak have localised some of the posts. All town board areas are administered directly by central government.

At this stage, there are indications that all the local governments have prioritised, in their aims and objectives, the adoption of the Urban Government Policy 1996. This policy document seeks, among other things, greater SNG autonomy for services supply within their areas of jurisdiction. In addition, a draft Urban Government Bill 1995 has been submitted to central government that will facilitate the implementation of the policy. The policy also seeks to identify new services for local government, including traffic metering, traffic policing and business licensing. Both Mbabane and Manzini have included these services in their strategic planning. Based on this study, our preliminary assessment of the contents of both the policy and the legislation are that the provisions are now outdated. The "draft" legislation that was

¹²¹ ACKNOWLEDGEMENTS: The Study Team has included field data obtained from the following local governments and structures: Ministry of Housing and Urban Development (Director of Urban Government: Ms. L. Mkhabela), Ministry of Health (Planning Section: Ms. L. Simelane), Ministry of Education (Planning Department: Mr. A. Mathonsi, Mr. J. Shabalala), Swaziland Electricity Board (Mr. D. N. Nhlanze), Swaziland Water Services Corporation (Planning Section : Mr. R. Shongwe), as well as meeting executive officers and heads of department of Mbabane City Council (Mr. G. Mhlongo, Mr. A. Mabuza, Mr. M. Mabuza), Manzini City Council (Her Worship: Mrs. F. Mthembu, Mr. T. Parker), Siteki Town Council (Mr. T. Mkhaliphi), Nhlanguano Town Council (Mr. S. Tembe), Pigg's Peak Town Council (Mr. S. Khumalo), and Lavumisa Town Board (Mr. J. Qwabe).

submitted to the Attorney General for promulgation received several comments. The local governments still have to respond to these.

5.8.2 Local Government Road Network

During the course of the study, it was established that there are no existing policies or structures in place to manifest commitment towards the improvement of the local government road network. Though local governments are aware of the need to address the problem of poor road infrastructure, their fiscal capacity has continually denied them any meaningful approach to the problem.

At the sub-national level, local governments have no road infrastructure user service tariff policy. In view of the fact that the road tariff being generated by the national road network has a damaging effect on urban roads, it would be desirable that the portion of the fuel levy presently accrued by central government should be allocated by proportion to local governments to cater for road improvements.

The recurrent (salaries and operations) and capital budgets of local governments are presently wholly funded through property taxation. This structure is grossly inadequate because property taxation is not related to road usage. In addition, light vehicle traffic generated in residential sites has no damaging effect on a road in the current traffic volumes of less than 3000 a.d.t. units per road.

We would recommend that user service charges be introduced for enabling capacity to maintain the road network within SNG areas. Such a user service charge would include the type of access (gravel/tar), location, degradability (amount of traffic) and other factors.

5.8.3 Abattoir

The existing stock of abattoir services within SNGs should be privatised with immediate effect as per the recommendations of the USAID report.

5.8.4 Pound

The unwillingness of the SNGs to privatise this service has been assessed to be unacceptable because the existing Pound Act enables privatisation of this service. The present supply of this service by SNGs has been found to be inadequate; stray animals continue to roam the streets and urban community areas.

5.8.5 Refuse Collection/Disposal

As clearly pointed out in the section on comprehensiveness of ISP, the supply of this service is clearly inadequate in the town council and town board areas. Both Mbabane and Manzini presently apply user service charges that are uneconomical in terms of cost recovery for the supply of this service. From the interviews carried out, the urban communities alleged that the frequency of refuse collection is insufficient.

5.8.6 Cemetery

The user service charge for cemeteries needs continual review. The present rates are not cost reflective.

5.8.7 Affordability/Economic Assessment

Economic analysis indicates that, in general, user fees are not reflective of expenditure on various types of infrastructure and service. City councils depend on property tax for more than 70% of their finances. This has adverse political implications, and we suggest that the rates be reviewed downwards to reflect the actual cost of expenditure on property owners by local authorities. Presently, ratepayers feel that they are being heavily taxed with not much service forthcoming from local authorities.

Analysis of affordability indicates that low-income earners are heavily burdened with regard to payments for ISP. This mechanism in its present structure (amount paid per square meter) is low. Amounts paid by low-income earners such as those residing in Sidwashini are about 60% higher than by residents of affluent communities such as Dalriach. Clearly, therefore, there exist serious disparities in affordability of ISP. The consumer needs assessment shows gross inequities among the various local authorities.

Finally, urban population continues to grow at approximately 6% per annum, which is twice the national growth figure. The Urban Development Project, which is currently at the implementation stage, seeks to upgrade existing squatter settlements in Mbabane and Manzini. However, in light of the current growth figures it is anticipated that other mechanisms need to be explored in order to accommodate rural to urban migration, e.g. by encouraging infrastructure and investment in rural communities thus availing business opportunities.

CHAPTER SIX

THE REGULATORY AND LEGISLATIVE ENVIRONMENT

6.0 Regulatory Environment

The expression "local authority," so well established in other Commonwealth countries, has a restricted meaning and application in Swaziland. There is only one type of generally known and accepted local authority or sub-national government. This includes the municipal councils, town councils, and town boards established under the Urban Government Act, 1969 (Act no. 8 of 1969).

However, in addition to the above, there are other types of less known and little acknowledged sub-national governments that may be better described as quasi-local authorities. These are the traditional chiefs (and their councils) and regional councils established, respectively, by the Swazi Administration Order 1998 (King's Order-in-Council no. 6 of 1998) and the Regional Councils Order 1978 (Order no. 22 of 1978), read with the Establishment of the Parliament of Swaziland Order, 1992 (Order no. 1 of 1992)¹²².

However, these regional councils have never functioned as envisaged by the enabling law. Section 8 of the 1978 Order establishes the office of Regional Administrator with the function, among other things, to "preside at all meetings of the Regional Council to which he has been appointed...". Regional administrators have been appointed since 1978, but there are no councils to preside over. Section 5 of the 1978 Order sets out the functions of Regional Councils as follows:

- a. To coordinate national economic activities at the regional level;
- b. To ... keep the government informed of all major economic or political activities taking place within their Regions;
- c. To initiate and identify priority projects and the needs of the people residing in their Regions in accordance with National Development Plans;
- d. To implement national and government policies and projects at regional (and sub-regional) level;
- e. Generally, to do all such things as they may deem fit to uplift the economic, health and educational standards of the residents of their Regions and act so that peace and harmony might prevail throughout Swaziland.

¹²² The 1978 Order in Council established four Regions, namely Hhohho (Mbabane City as main town and Piggs Peak as sub-regional main town), Manzini (Manzini City as main town), Shiselweni (Nhlangano as main town), and Lubombo (with Siteki as the main town). There are four corresponding regional councils. The towns of Mbabane and Manzini were declared cities in 1992. Mbabane City is the capital city of Swaziland.

By section 4 of the 1978 Order, a regional council is to consist of members elected from the tinkhundla¹²³ (constituencies) within that region¹²⁴. Regional administration and the administrative control of tinkhundla centres fall under the portfolio of the Deputy Prime Minister, who is also responsible for community development.

The position of local government in Swaziland may appear relatively old at 33 years. However, it should be recalled that with the abolition of the 1968 Independence Constitution in 1973, elective structures - including local authorities - based on popular representation were also abolished. It was probably thought unwise to have freely elected urban local authorities when the case was otherwise at national level. The type of tinkhundla national elections that was introduced in 1978 could not be followed at local government level without an appropriate enabling legislation. No such legislation was passed. The 1969 Act remained in force, but it was not followed. Thus, councillors were simply appointed under the Act.

The appointment of councillors persisted until the mid-1990s when a reformed tinkhundla parliamentary system reintroduced direct, popular and secret election of members of Parliament and paved way for the election of town councils. This new dispensation for urban local authorities, however, was not followed by a new confidence in the councils, with the result that ministerial presence in municipal affairs did not slacken. However, overtures for liberalisation of local government affairs were made, resulting in a National Urban Government Policy adopted by Cabinet in 1996, and a draft Urban Government Bill was proposed to stakeholders at about the same time.

It will be noted that Swaziland has no comprehensive local authority or local government law. The Urban Government Act 1969 is only limited to urban areas, where only about 30% of the population lives. Urban government was initially the responsibility of the former Ministry of Local Administration. Now the responsible ministry is that of Housing and Urban Development. In the absence of a comprehensive system of local government, a systematic and exhaustive treatment of sub-national government is not possible. It should be mentioned, however, that a new Urban Government (Draft) Bill (1996), among other things, seeks to establish a comprehensive, nationwide system of local government. If it succeeds to do this, the title of the Bill would have to change from being "Urban" Government to "Local" Government/Authority.

The Development Plan (September 1997) is of little help in terms of a clear statement on "local government". In paragraph 5.10.1.5, the Plan speaks of 'local government' and 'urban government' as one thing. It refers to the 1969 Act as having "created two tiers of local government" at town and municipal levels. In fact, the Plan should have referred to three tiers of urban government under the Act, namely city, town and board levels. The Plan further refers to the "main objectives" of the Ministry responsible for urban government as –“to promote effective, efficient and sustainable local government in urban areas within the

¹²³ The uses of the word 'inkhundla' are set out in footnote 3 below. As will be seen, the word may be used as an ordinary noun, with a small 'i' or 't'; it may also be used as a proper noun with capital 'i' or 't'. The word may also be used as an adjective e.g. tinkhundla system of government or Tinkhundla Review Commission.

For a brief historical note, see, chapter 13.2 of the Swaziland National Physical Development Plan, 1996-2006

¹²⁴ Currently, Swaziland is divided into fifty-five tinkhundla or constituencies for reasons, inter alia, to elect Members of Parliament. Each inkhundla is constituted in the form of a local authority. It has a chairman and a committee - all elected. It has offices and a small secretariat. The main function of the inkhundla area made up of one or more chiefdoms. Swaziland thus operates a tinkhundla based parliamentary system democracy. The main purpose of the system is to devolve and decentralise power to the regions and sub-regions so as to fast-track development. The elected Member of Parliament is an ex officio member of the inkhundla committee. A Tinkhundla Review Commission appointed by the King in 1992 recommended that tinkhundla centres be formally constituted as local authorities with enhanced powers and responsibilities. But this has not yet happened.

principles of autonomy and subsidiarity..." to develop and maintain services and infrastructure to provide a quality of life for the citizens of the urban areas.

As reflected in the Plan, the Ministry responsible for urban government sees its role as that of over-seeing and facilitating the "development of the independent local authorities.... This entails monitoring, assessing, advising and supporting City Councils, Town Councils and Town Boards in their municipal functions, activities and responsibilities; ensuring that local authorities have sufficient institutional and physical capacity to perform their roles and responsibilities effectively and to develop strong municipal structures..."(p. 251).

In terms of the Plan, five activities were identified by the Ministry for the development of urban governments, namely (a) institutional capacity building, (b) local autonomy, (c) policy/legislation review, (d) urban infrastructure and (e) urban expansion. An Urban Government Policy was approved by Cabinet in 1996, and a draft Urban Government Bill was undertaken. However, since then there has been little progress by way of review of the legislation to give effect to the policy.

Chapter 13 of the National Physical Development Plan 1996-2006 on the role of Tinkhundla in national physical development is instructive (p 230, para. 13:2:3):

"With regard to Tinkhundla as structures of local and regional government, the thrust of the recommendations of the Review Commission was to do away with the moribund Regional Councils and to make Tinkhundla effective and representative local authorities, with a role in the rural areas akin to existing Town Councils and Town Boards".¹²⁵

6.1 Legislative Framework

Excepting traditional local authorities framed on the Regional Administration structure, the legislative framework of sub-national governments is in terms of the Urban Government Act, 1969. Broadly speaking, the Act establishes urban councils and urban boards or more specifically municipal councils and town boards. In general, urban councils have a certain measure of self-government in line with their corporate status. Boards, on the other hand, are not corporate entities but departments of the Ministry of Housing and Urban Development, which exercises direct administration over them.

While under the Act municipalities can make bye-laws for themselves (Part VII) with the approval of the Minister responsible (s.79), town boards are not so empowered: the Minister is responsible for making their bye-laws under section 115 of the Act.

It is important to point out here that under the 1969 Act "local authority" refers to "municipal council, town council, town board or other organ of local government duly established under any law", (s.3). It follows therefore that the so-called 'traditional' local authorities are in fact legitimate local authorities "established under any law". It should be noted therefore that reference to 'local authority' or sub-national government in this Study in effect refers to urban sub-national government unless otherwise clearly indicated by the context.

The reader should also not be confused by the use of the term "council". The 1969 Act does not seem to draw a clear divide between a municipal council (or for that matter city council)

¹²⁵ 'Review Commission' refers to the 'Tinkhundla Review Commission' appointed by the King in 1992. The recommendations of the Commission were generally accepted but some were not followed by appropriate legislation.

on the one hand and a town council on the other. The Act defines 'council' to mean a "municipal or town council, as the case may be, established under the provisions of Part II" (our underlining). The definition section (s.3) goes on to provide that a 'municipality' is established under Part II, while a 'town' is established under Part XIII. Section 5(1) provides that "In every municipality there shall be constituted by the Minister ... a municipal or town council....". By s.5 (2) a municipal and a town council are declared bodies corporate with perpetual succession etc. From the foregoing, it seems the Act envisaged two things; that is, a municipality and a town. However, s.4 of the Act provides only for the declaration of 'municipalities' and does not mention a 'town'.

Under Part VIII, only municipal councils are empowered to make bye-laws, and there is no mention of town councils. Section 115 (Part XIII) clearly refers to "town boards" only. It seems the Act should have provided either that a 'municipality' includes a 'town' or set out a clear basis for the declaration of towns. A similar situation again arises in the case of the establishment of a 'city' under the Act. It appears that the Minister responsible for urban government used section 4 of the 1969 Act to declare the two cities of Mbabane and Manzini in 1992.¹²⁶ Section 4 of the Act does not mention "city" at all. Was the Minister empowered by this section to change a town or municipality to a city? There is need to revisit these provisions of 1969 Act to avoid any possible embarrassment. The draft Urban Government Bill seeks to clear this potential confusion.

The sample sub-national governments may be divided into three or, perhaps, four categories: the two cities, the three town councils and two town boards. The last category may also be divided into town board strictly (Lavumisa) and special town board (Matsapha). Both the city councils have sixteen councillors, twelve elected by the residents (rate and non-rate paying) of the cities, and four appointed by the Minister to cater for certain interests not present among the elected members. The town councils have eight members, six elected by residents and two appointed by the Minister. The Lavumisa Town Board has five members, four elected and one appointed. Matsapha Town Board has six members, all appointed by the Minister of Urban Government on the advice of the Minister of Enterprise and Employment.

In terms of the 1969 Act, there is very little that a council (even less so a board) can do without ministerial consent or approval. Indeed, the central control over municipal councils and their activities, including various sources of revenue, does not leave much room to local initiative and autonomy. So extensive are the Minister's powers of intervention in local authority affairs under the 1969 Act that he can even assume and exercise the powers and functions of municipal councils (including city councils) without much challenge.

By section 105, the Minister can at any time cause an inspection of the observance and performance of council duties and powers or demand to inspect any books, records, contracts, stores and other assets of any council. If any expenditure is found to have been incurred without proper authority, the Minister may disallow such expenditure and surcharge any person responsible for such expenditure (section 106). Under section 107, the Minister can institute a commission of inquiry into council affairs with authority to suspend or dissolve and replace a council. There are further powers under section 108 for the Minister to enforce performance of duties of a council in certain cases or to direct the levy of a rate or the raising of a loan under section 109. The Minister also has diverse powers to control the activities of a

¹²⁶ See Legal Notice No. 136 of 1992 for Mbabane and Legal Notice No.137 of 1992 for Manzini, both dated 27th November 1992.

council, for example, in investment of council funds (section 89); approval of council budget (section 91); control of unbudgeted expenditure (section 92); exercise of power to borrow (section 94); power to raise and apply loan moneys (sections 95 and 96).

Section 55(1)(a) imposes on a council the general duties to "control, manage and administer the municipality". It is as well that this is a duty because there is little power in practice to ensure that the duty is carried out. The councils are just not in control of the management of their municipalities. To the extent that the cities were established under section 4, without any change in the Act to cater specifically for municipalities that had qualified for city status, the two cities are in law not different from towns. If the Minister can turn down and refuse to approve without giving reasons an allegedly lucrative investment proposal by Mbabane City Council,¹²⁷ it is difficult to understand or appreciate the supposedly enhanced status and autonomy of a city council with an elected and responsible council under the 1969 Act.

Notwithstanding the specific provisions of the Act, in terms of duties and powers, there are many things that municipalities do not perform either because of lack of capacity or funds or because the central government or some other parastatal body, such as the Swaziland Electricity Board or the Swaziland Water Services Corporation, performs that function. In the result, councils find themselves with very limited sources of revenue, section 86 of the Act notwithstanding. Even where central government is committed to supporting the council, such as by subvention under section 86(g) of the Act, there is no knowing by the council or board of the amount likely to be paid so as to allow proper and effective budgeting by the local authority.

In 1996, the Government approved an Urban Government Policy, which foreshadowed some interesting and progressive developments for all councils above town boards. In the introductory paragraph, the Policy refers to a "desire of the Government of Swaziland to improve urban services through greater delegation of responsibilities to the local level". In this regard, the Policy seems to acknowledge the constraints on local authorities under existing statutory arrangements. A little later in the preamble the Policy continues: "The Ministry will continue to play an important role in urban management, but under the new Urban Government Policy this role will gradually shift from direct administrative oversight of the cities and towns to a supportive function of providing technical and administrative assistance and training to promote the self sufficiency of local governments".

Of the foregoing policy statement, it may well be asked whether "self sufficiency" of local governments is the same thing as "self-governance" of sub-national governments under the 1969 Act. Furthermore, are the two statements to improve "greater delegation" of responsibilities to the local level and to promote "the self-sufficiency" of local governments complementary or contradictory in the light of the government promise to continue to play an important role in urban management and development?

With respect to the "guiding principles" recognising and defining the responsibilities of local governments the Policy states:

- * "The central government recognises local government as an equal and contributing partner in the provision of services and governance of the Kingdom",

¹²⁷ This is with reference to the Swazi Plaza Properties failed investment proposed by the Mbabane City Council in 1997. The Minister did not approve.

and that:

- * "Local governments, represented by their elected leaders, are best qualified to develop effective strategies for development of their internal and peri-urban areas".

A well-placed source within the city councils has confided that the intention of the Policy was to clear the way for greater self-governance of local authorities. Hence, the concurrent preparation of the Bill on Urban Government took place. As the draft Bill is being reactivated, it remains to be seen how far and fast the Government will go to convert the Bill to an operative law in terms of the Policy and implement a programme of decentralisation clearly implied in the Policy.

Under Part IV, the Policy expressly encourages local authorities to "exercise community leadership" so as to promote participation of their residents in the activities of their local government. Local authorities are further urged to conduct their operations to ensure "optimum performance". They must be able to "contract out or privatise public services--- where this is proven to be more economical" In Section E, the Policy provides that local authorities should "plan and implement specific programmes to encourage and facilitate private sector investment and participation in the productive sectors of the economy".

Clearly from the foregoing policy statements, if there ever was a doubt whether an open-door policy for private sector participation in infrastructure and service provision existed, the Policy has put-paid to all such misgivings. Such a Policy should lead to faster development of urban areas and bring urgently needed relief in terms of funds and capacity at the disposal of local authorities.

Another significant improvement, if implemented, is the Policy provision that local governments should "issue and enforce business and other licences pertaining to private economic activity within the urban boundaries", and that "cities and municipalities must have the authority and ability to raise their own revenues in order to exercise independent management of local affairs". In an attached Exhibit A, there is a list of revenue sources to be made available to local authorities (cities and municipalities). The Policy then identifies various methods of financing local government.

From the Policy, a new level of responsible local government seems clearly on the cards. The Policy offers some hope for the more progressive municipalities that might be in danger of finding themselves at loggerheads with the Ministry. Whilst these authorities might be tempted to assume certain powers rather too fast, the Ministry may be prone to proceed rather cautiously. Surely, in the light of the 1969 Act, one wonders why it should be necessary to have a Policy and a new law in place because local authorities may exercise powers, some of which are present in the existing law. The Minister has ample powers under the Act, for instance under section 56(3), to make administrative changes to the powers of councils, including their sources of revenue under section 86(k).

The draft Bill is still very much at an early, issues-level, stage of development. As such, it may not be fair to make extensive reliance on its formative provisions.

To conclude this section, one may point out that there are various other pieces of legislation that have a bearing on local authorities in their exercise of powers and implementation of duties. One of these is the Rating Act No.4 of 1995, which provides for the basis and

justification for taxing property in urban areas. In terms of section 6, the Minister responsible for urban government must approve the rating method before it is enforced. The approval of the rating method by the Minister is a form of regulation and a constraint upon the powers and autonomy of the sub-national government. It means that the council would lose revenue if there were a delay in the approval of the method by the Minister, as the rate may not be imposed retroactively. The Mbabane City Council has it on record that delay in approving rates compromises its planning and budgeting programmes. Under section 7 of the 1995 Act, there is provision for exemption from rates of certain properties. Difficult to determine their rateability are properties under section 7(2), namely, properties registered in the names of the Ngwenyama and Ndlovukazi and the Ngwenyama in trust for the Swazi nation.¹²⁸ It should also be pointed out that in terms of the sample councils, the Rating Act 1995 does not apply to Lavumisa urban area. Indeed, this was admitted by the clerk to the Board who said that they only charge land/property dues on the plots within their area (S.114 of 1969 Act).

The Human Settlements Act, 1988 has, as one of its objectives, to "[e]nsure the orderly development of existing and future urban and rural settlements". As such, urban development must comply with and take into consideration the requirements of this Act. It is under this Act that new townships are approved. Furthermore, the Road Transportation Act, 1963 and Road Traffic Act 1965 cannot be ignored by a local authority in its regulation of traffic and transport in an urban area. The Pounds Act, 1966, and the Town Planning Act 1961 and Acquisition of Properties Act 1961 are also relevant.

6.2 Legislative Requirements of Sub-national Government Infrastructure and Service Provision

The main provisions requiring urban sub-national governments to provide infrastructure and services are to be found under Parts VI and VII of the 1969 Act, sub-titled "Duties and Powers of Councils" and "Land, Streets and Public Places," respectively. The sub-national authorities are required to perform and discharge the prescribed functions to "promote the public health, welfare and convenience, and the development, sanitation and amenities of the municipality" [section 55(1)(h)].

In the performance of its obligations, a local authority is given power, means and competences to achieve its goals. To that end, a local authority may enter into contracts; tender for the supply of goods/services or execution of works; acquire and alienate land and other real or moveable property; construct, maintain or improve roads, streets, bridges and open spaces within its municipality; control the construction of private streets or take over such streets as public; charge fees and tariffs; make and enforce bye-laws; borrow and raise funds in various ways and invest any excess funds not immediately needed.

For various good and bad reasons, ranging from lack of capacity to inadequate funds or inattention, local authorities do not perform all the duties prescribed by the Act. The most compelling reason for non-provision of some statutory services, however, seems to be that now enshrined in the Urban Government Policy, namely, 'abstain and defer to the private sector what may best be provided by that sector', in which the local authority retains oversight for statutory standards and compliance. Another equally good reason for not providing a service is that the service is already being adequately provided by the central government e.g.

¹²⁸ The impact of the exemptions under section 7(2) has not been formally worked out and evaluated in terms of possible loss of revenue.

Ministry of Health, of Education or some other statutory utility body such the Road Transportation Board, Water Services Corporation or Swaziland Electricity Board. It may be noted that the public has nothing to lose by some statutory services being provided by bodies other than the local authorities. However, the local authorities because of this may lose some revenue.

The Study showed that SNGs do not provide most of the services in terms of the Act. In one council, a facility might be present but non-operational for one reason or the other, as was the case in Piggs Peak in the case of the slaughterhouse. The result is that, in effect, cattle slaughter and meat inspection services are not done in Piggs Peak. The meat is brought in already inspected from elsewhere. It is stamped to this effect. The newly appointed Town Clerk was not sure if Piggs Peak Town Council has the market and bus rank which are part of the Piggs Peak Plaza shopping complex, privately developed in terms of a fifty-year lease agreement with Government, the registered owner of the land. The confusion may result from the fact that a sub-agreement between the developer and the Piggs Peak Town Council mentioned in the main agreement has so far not been executed.

In Mbabane, an abattoir has been built but has not been commissioned due to some misunderstanding with the contractor. In Manzini, the abattoir has been leased out to a private operator. The City Council only does the inspection of meat and maintenance of health standards. In addition, the operation of the pound in many cases poses some logistical difficulties. In Nhlanguano, Siteki and Lavumisa, efforts have been made or are in process to have the pound run by a private operator, usually a cattle farmer nearby. None of the sample councils maintains a mortuary. Instead, private operators provide an adequate service in this regard. However, almost all the councils are often called upon to provide and facilitate burial services for bodies of destitute persons, in cemeteries maintained by these councils. A unique situation seems to be that of Matsapha Town Board, a mainly export-oriented industrial town. So far, only a few of the services are provided in Matsapha. The explanation is that the bulk of the rate-paying population of the town is non-residential. Thus, most of the normal urban services and conveniences have so far not become necessary to be provided by the Board. Many of the services are provided in-house by the various business/factory owners. However, a small bus-rank and associated services is being planned by the Board.

In terms of recent trends and current policies, not much can be said. We have indicated above that not much change in the law and organisation of local authorities has taken place since 1969. Only in the 1990s has some stir been made to improve the lot of local authorities. In this regard, reference will again be made to the Urban Government Policy, which acknowledges "urban services are best provided by local governments which are closest to the people and can respond to their will".

6.3 Issues of Decision-making Relevant for Infrastructure and Service Provision

In terms of sections 55 and 56 and as elaborated in the Schedule to section 56, a municipal council is amply mandated to undertake and provide infrastructure and other services "for the welfare and convenience, and development, sanitation and amenities of the municipality".

In and for the performance of its functions, a council may charge fees and frame tariffs (section 57); acquire (section 63), even compulsorily (section 64) and alienate (section 65) any real estate; divert the course of any stream (section 66) and control/manage public streets

and open spaces (section 67); improve or upgrade public streets (section 68); take over private streets as public streets (section 76), and generally oversee the construction of private streets, houses and similar structures in urban areas. For the efficient execution of its duties, a council may raise revenues and obtain donations, grants and subventions from any source including the government (section 86). A council may also borrow, raise loans or operate an overdraft facility. Even though subject to various statutory, policy and institutional limitations, it may fairly be said that at one point or another some or all of the above powers have a bearing on the issues of decision-making for the provision of infrastructure and services.

The degree of decision-making available to a council also virtually defines the relationship between local and central government. This further depends on the funds at the disposal of a local authority. This operates at two levels. The local authority may not have the funds needed for a particular project, in which case the authority must request the funds from the Ministry or elsewhere. On the other hand, the local authority may have the funds for the project (particularly, capital project) but the authority's power to spend such funds is still constrained by the need for the Minister's consent.

If a local authority cannot raise enough revenue and must necessarily depend on handouts by central government, it cannot be any stronger on its decision-making for infrastructure and service provision. In interviews with all seven sample councils' chief executive officers, one did not get the impression that management was in control of the situation. A sense of "yes, council may do this, but..." seemed to prevail.

In the case of the Mbabane and Manzini City Councils, whose annual budgets are relatively larger than the other town councils and their capital projects correspondingly more expensive, for the early approval of the budget the council has either to be very conservative in its estimates or prepare these estimates in close consultations with MHUD. Either approach has an adverse effect on the councils' decision-making relevant for ISP. Furthermore, any delay in approving budgets has the effect of rendering some of the infrastructure and service issues unimplemented in that financial year. This negates the SNGs decision-making competence.

The City Council of Mbabane has had it tough in this regard as appears in the City Manager's Review of the performance of the 1997/98 Financial Year budget reflected in the 1998/99 Financial Year Annual Budget. If budgets cannot be approved in time, money and effort spent on studies and consultancies for decision-making on programmes are wasted.

As already indicated elsewhere above, in most of the sample councils there exists an appreciable degree of insufficient capacity at council/management level. This also has a bearing on relevant decision-making. Moreover, a local authority may not even appreciate its own limitations in the absence of any clear goals and targets for achievement set by the council itself or by central government. If a council or board has not enough manual labour, technical expertise or money at its easy disposal, it will not be eager to take decisions requiring the performing of certain activities likely to expose its limitations. The issues of decision-making relevant for ISP do not only arise in the situation of local versus central government. These issues also arise for the central government, in as much as it is also responsible for the discharge of some activities at the local government level. The central government also has land within urban areas that calls for appropriate development. Indeed, even at the purely local level, some major capital projects can only be undertaken by central government. Thus, the central government, on the probing of the local government or of its

own initiative, must eventually confront some issues for decision-making relevant for ISP. In such a case, the central government will consider capacity available within itself or within the local government or tender out the works. The decision ultimately taken has an effect on the prompt or lax provision of infrastructure and services.

Even at the level of central government, there are also budgetary constraints depending on priorities and national policies. If external funding will be necessary, the Ministry responsible for urban government must convince the central agencies and Ministry of Finance, which will be responsible for procuring the finance. All these procedures affect the pace and finality of decision-making. At times, even Parliament may turn down an estimate allocation for infrastructure and service provision by the Ministry responsible for urban government.

6.4 General Aspects and Components of Central Government Policies concerning Local Self-governance for Sub-national Governments

We now know that the regulatory framework and environment for local authorities have not undergone meaningful change since 1969. The question now is whether there are any administrative or policy measures that have been undertaken by central government in recent years to promote and facilitate local self-government of sub-national governments. We indicated above that some changes have occurred in connection with non-urban local authorities. These changes relate to the introduction of the Tinkhundla system of government in 1978 and 1992, with its underlying principles of decentralisation and empowerment of local communities. These changes, however, did not affect the structure of urban local authorities.

A Tinkhundla Commission report of 1992 envisaged some structural reforms to the Tinkhundla system, including the formalisation of a Tinkhundla as a "local authority". Some of the changes were incorporated in the 1992 Establishment of the Parliament of Swaziland Order. However, no other law has made the desired changes to meet the felt needs in the administration of rural communities except for the 1998 Swazi Administration Order.

There is no systematic or harmonized supervision of the regions by the office of the Deputy Prime Minister. In fact, the regions are almost independent structures without any clear policy regulating their operations and performance. This is observed in the Regional Administrators' failure to monitor and supervise development projects within their regions. The 1992 Tinkhundla Review Commission had recommended a restructuring of regional administration by creating a more development-oriented authority, namely, a Regional Development Co-ordinator, in place of the Regional Administrator. This changeover has taken place, leaving Regional Administrators unsure of their own status within the Tinkhundla system of government.

Consequently, there is no proper and competent authority within Regional Administration to monitor the use of funds donated and ultimately account for them in terms of some established procedure. As it is, the way public and donor funds are sporadically channelled to rural communities can only undermine and discredit the usefulness of rural local authorities and the Tinkhundla system of government.

The Urban Government Policy sets up a working arrangement or guide where urban and rural administrations meet. This crossing or overlapping of jurisdictions is bound to happen since there are Tinkhundla centres in urban areas. Tinkhundla centres, as we know, are sub-

regional structures within the system of regional administration. In Part X of the Policy, the Ministry undertakes not to take any action that will be "inconsistent with the principles of the Tinkhundla System". The Policy also envisages a "formal liaison committee" of the two authorities to facilitate effective administration and the resolution of conflicts in urban areas.¹²⁹ The Policy also envisages that traditional authorities with jurisdiction extending into urban areas will "cede specified administrative powers..." and that "traditional powers as they affect urban areas shall be codified in order to further formalise roles and responsibilities".

6.5 Sub-National Management of Budgets: Actual Operative Autonomy of SNGs

The Urban Government Policy proclaims to apply "in its entirety to the two cities of Mbabane and Manzini, the three municipalities of Nhlanguano, Piggs Peak and Siteki...".

In his Address to the 1998/99 Financial Year Budget, the City Manager of Mbabane states: "The budget has been prepared to carry forth Council's Mission and Vision. The programmes contained in this document have been formulated to reflect the direction Council wishes the City to take both in its development and in operations. However, the constraints this Council has in terms of financial resources have resulted in other worthwhile programmes being deferred".

If, indeed, the Policy applies, then Mbabane and Manzini have almost full autonomy as local authorities. The Mbabane City Council 1998/99 budget is reported to have been funded 70% from property taxes (rates), 14% from Government subventions and 16% from user fees and charges. If we use the proportion of funding of this budget contributed by government, then Mbabane City Council is more than 80% autonomous. From the City Manager's address, it would appear that the Council is the dominant player in directing the budget, more particularly in the reflection of its Mission and Vision. However, that Council has no full control of the budget is candidly admitted by the City Manager. In the result the budget, says the City Manager, "reflects a precautionary approach" to the City's development and operations. It is clear that if the Council took a less cautious approach, believing itself to be self-governing in the spirit of the Policy, as it had done in the previous budget, it could only have itself to blame as the budget would not be approved by the minister early enough.

In order to speed the process of budget approval, the City Council had to stick to "the law in force" so as "to avoid conflict, misunderstanding and... future delays in implementing the budget. The City Manager continues: "Hence you will notice that, compared to the previous financial year, radical innovations have been avoided". As a result of being more cautious, the capital improvement programme of the Council had to be scaled down. The financial standing of the council was even "made worse by the failure of the government, so far, to implement the Cost-Sharing Formula".

From the above extracts, it appears that the municipalities are not so autonomous. Indeed, almost all the chief executive officers interviewed for the Study were quick to admit that they were not so free to manage the affairs of their municipalities. Moreover, that could be reflected in their half-hearted control of the budget. The smaller municipalities and town boards are, of course, in a much worse situation as far as the management of their budgets is

¹²⁹ No clear modalities of collaboration have been established so far. Only on specific and pressing issues of mutual interest have the two authorities worked together.

concerned. Coupled with the other constraints is the Ministry policy that a council should not prepare or submit for approval a budget that has a deficit. Yet it seems, if sub-national governments are to be encouraged to be responsible and be seen to be responsible there must be some area in their scope of activities where they can act without close supervision by the Ministry. It is in their risk-taking that we can measure the capacity and responsibility of SNGs. Too close supervision and control by the Ministry does not allow this assessment to be made.

In the case of a town board like Lavumisa, the budget is a matter for the Ministry. The Board does not keep an account in its own name since it has no corporate status. In fact, a town board has no funds because the 1969 Act does not permit it to have any. Part IX of the Act on "Municipal Funds" does not apply to a town board unless specifically extended by the Minister. As such, a town board cannot raise revenue for itself under section 86, nor in the strict sense, prepare annual estimates under section 91. Accordingly, a town board cannot borrow or raise a loan. For Lavumisa, its moneys are kept in a trust account with the neighbouring Nhlanguano Town Council. Save for a small petty cash, the Lavumisa Town Board spends for its activities by way of requisitions prepared and signed by the chairman and Clerk to the Board. The Lavumisa Town Board Clerk candidly conceded to these statutory limitations.

Since of the five board members four are elected, some token budgeting happens in Lavumisa. The clerk to the board who is the chief executive officer and treasurer (since there is no accountant or account's officer) prepares a form of budget that is discussed and passed by the board. In the budget, the board indicates its needs, hopes and aspirations, which can only be realised by the funding from the Ministry. The little money such as property dues and user-fees which the board collects all belongs to the Ministry.

Thus, the board of Lavumisa town does not manage its own budget in fact and in theory. It must spend, of course, in accordance with the approved estimates for the financial The Lavumisa Town Board, and this is also true of Matsapha, is only an extension and a department of the Ministry responsible for urban government.

In the case of the town councils, they must prepare their budgets in close consultations with the Ministry. This is particularly so in terms of the capital programme of those budgets. What town councils ultimately do relevant for infrastructure and service provision is what the Ministry believes ought to be done and for which it is willing to approve. It is, of course, true that city councils too require ministerial approval of their budgets. Until the Minister provides otherwise, cities and towns stand on the same footing as far as the law is concerned. The only difference is that cities have a slight edge over towns in their revenue collection and in-house capacity. The current working policy is that SNGs should function within the law as it is. The existing law (1969 Act) does not give much scope for autonomy to SNGs in the determination of their budgets.

6.5.1 Autonomy in Relation to Tax Revenues

Section 86 can only apply to town and city councils, whose powers and management in terms of the 1969 Act are not substantially different. Even the councils envisaged under Part IX of the Act have checkered autonomy in relation to tax revenues. The very sources of the revenue are arbitrarily limited in that not all the sources allowed by the law are allocated for use by the sub-national governments.

Under section 86, there are (a) to (k) sources of council revenues. Only (a) namely, rates lawfully levied, seems to be the real source of revenue for most local authorities. Even as far as this property tax is concerned the councils do not have the last word, for the Minister can in his discretion disallow or reduce a rate legitimately determined after valuation. Section 57 of the Act empowers a council to "charge fees for any service or facility provided by it or for any licence or permit issued by it". Since these fees are to be promulgated by way of bye-laws duly published, the Minister who must approve the bye-laws under section 79(5) has the last word on what ultimately becomes an enforceable fee or tax. Under this subsection, the Minister "may approve, alter or reject any proposed bye-law as he may think fit". In this regard it is reported that whilst the World Bank had recommended that rates be raised by 15% to meet repayment conditions of its loan under the current Urban Development Project the Minister only allowed 10% when the Mbabane City Council asked for 15%. The Ministry has defended this decision on the argument that the Mbabane city council should first demonstrate capacity for effective rates collection before increasing the burden of the ratepayers. In this way it is argued that the 15% would not be necessary if the city council was efficient in collecting rates due.

Beside rates, other forms of tax revenues are by way of user-fees based on a cost-recovery formula for services provided by councils. Thus, council is guided in fixing the taxes by what it loses to provide the service, or facility and the necessity for the service in the life of the beneficiaries. But in his 1998/99 Budget address, the City Manager (Mbabane) is unhappy with the formula used as he feels that "the council continues to subsidise most of the services it renders to the public...". The Urban Government Policy realises the need to broaden and strengthen the revenue base for local authorities. In Exhibit A to the Policy, the sources are listed and described. It remains to be seen how far the Ministry is willing to enforce the Exhibit. At present, it is argued that the Policy is not law, and cannot therefore be enforced as such, as it is only a statement of intent.

6.5.2 Autonomy in Relation to Tariffs

The position in respect of tariffs is the same as that with respect to taxes. Section 57(3) appears to allow a free hand to a council to "frame tariffs of charges for special facilities supplied or services or work rendered". The slight relief on council from external control is when the service is ad hoc and one-off such as felling a dangerous tree or clearing a tree that has fallen on private premises. But if the tariff is reasonably anticipated it would be provided for in bye-laws approved as usual. This imposes a constraint of varying magnitude.

In general, fiscal increases are regulated by the cost of living index. So long as an increase is within this index, there is usually no need for central government approval. However, with respect to local authority services, the current policy is that of cost-recovery. Adherence to this policy however does not necessarily empower local authorities to finally "frame tariffs of charges". Yet, any delay in approving a tax or tariff can adversely affect the performance of a council leading to partial or non- performance in some instances. The Mbabane City Manager's address already referred to is replete with such instances of incomplete programmes due to delayed approvals.

6.5.3 Recurrent Expenditure Decision-Making

We have already pointed out above that town boards such as Lavumisa and Matsapha have no funds of their own under the 1969 Act. Whatever revenue they raise it accrues to the ministries of which these boards are departments and agents. The constitution of town boards under Part XIII of the Act excludes the application of certain provisions of the Act to those boards. Section 113 indicates the provisions applicable to town boards. What a town board can do must therefore be specifically conferred by the minister responsible. The fact, therefore, that the whole of Part IX does not apply to a town board means that such a board cannot ordinarily prepare annual estimates in terms of section 91. Without duties and powers (under Part VI), a town board is not a responsible authority on which autonomy could vest, except always, where the Minister acts in terms of section 113(2), to extend other provisions of the Act to a town board.

In the case of sub-national governments established under Part II of the Act, the situation seems somewhat contradictory in that whereas powers are conferred on councils yet when the weight of those powers is sought it is hard to find, whittled down by the many provisions imposing controls and restrictions and consents by the Minister contained in the 1969 Act.

On recurrent expenditure, section 87 of the Act appears to confer ample powers on a council to "expend moneys in the proper exercise of its duties and powers...". Clearly, however, the power conferred is so well-defined and bounded that there is virtually no freedom left to the council in that the expenditure must be "for the purpose of meeting the lawful debts and obligations" of the council. Moreover, the "duties and powers" of a council are all set out in the Act. Section 92 confirms this position and constrains the decision-making on recurrent expenditure. The long and short of section 92 is that a council may not expend any of its funds except in terms of duly approved estimates. In addition, those estimates require ministerial approval in terms of section 91. Having to act according to predetermined specifications leaves little room to move on the part of the actor.

Section 92(4), however, seems to allow a local authority some leeway, hardly autonomy, to expend funds on recurrent items while the budget awaits ministerial approval. This expenditure, however, has in-built controls in terms of the amounts which may be expended. For instance, the amounts may not exceed one-third of preceding year estimates or be a grant to its officers and employees of "any normal increase of salary or wages in accordance with approved scales". Exceeding those stipulated limits would be incurring expenditure without proper authority and liable to ministerial censure. Furthermore, the subsection presupposes that the council has at its disposal necessary funds. If not, consent would have to be obtained to secure the funds from external sources such as bank loan or over draft. Even section 91(5), which allows for a supplementary budget, does not improve the weak hand a local authority has over the management of its budget.

Even short-term loans and overdrafts (section 98) require the Minister's approval. In terms of central control, the Minister has power, under section 106, of disallowance and surcharge in the event of any expenditure "incurred without proper authority". This must have a certain effect even on a duly elected council, which could be suspended or replaced by the Minister in terms of sections 107 and 110. Furthermore, in terms of section 108 the Minister may "enforce performance of duties" of a council and under section 109, he may even "direct the levy of a rate or raising of a loan". In short, local government under the 1969 Act can in fact be lawfully run on ministerial orders and directives. These are vast powers that directly or

indirectly leave very little, if any, autonomy on sub-national governments constituted in terms of the 1969 Act.

6.5.4 Capital Expenditure Decision-Making

Section 87 of the Act is also the basis for expenditure on capital projects by any local authority. The limitations of the powers conferred upon a council by this section are substantially the same as regards recurrent expenditure. No municipal funds may be spent on any capital project unless both the project and the expenditure have been approved by the Minister as part of the council's annual estimates under section 91.

Section 88 allows for the maintenance of a capital fund. Expenditure from this fund "for any capital purpose" must be consented to by the Minister within specified parameters. In essence, the fund under this section may be used if authority to raise a loan under sections 95 and 98 and repayment conditions have already been approved in a separate arrangement. Thus, even if a council has all the funds, the Minister without giving reasons can refuse a proposed undertaking. Although there is no provision for this in the Act, in practice the Ministry controls the capital expenditure priorities of councils. Even pre-approved strategic planning by council would not strengthen its decision-making on capital expenditure.

If there is, in law or by default, any autonomy in decision-making in relation to recurrent expenditure, there is certainly less autonomy with regards to capital expenditure. By its very nature, capital expenditure is more likely than not to meet with ministerial disapproval. In his Address to the 1998/99 Budget, the City Manager of Mbabane writes: "The capital budget faces insurmountable funding constraints as a result of the cost sharing proceeds from government not materialising...".

In terms of funds available to a council, recurrent expenses must be met first. If the revenues are not enough, the capital expenditure is likely to suffer. The City Manager in his Address continues: "Council's borrowing ability is severely limited. Attempts by council to get income from non-traditional sources have not been successful. This leaves us with a capital budget with no funding".

6.5.5 External Finance Decision-Making

The issue of external finance does not realistically arise in the case of a Part XIII town. Even Matsapha Town Board, with land and infrastructure significantly larger than many town councils, relies for its 'external' financial needs entirely on government. Indeed, the larger part of Matsapha industrial town has been developed on foreign loans secured by the Ministry of Enterprise through the Ministry of Finance. However, the Town Board has no authority or autonomy of its own to secure any of the loans or technical assistance. The other middle-level councils do not now have any serious need for external finance. They are still bodies dependent on their mother ministry's financial support. Even their annual budgets are still relatively small to require external funding beyond small domestic external loans.

From the point of view of external funding other than grants and subsidies or subventions from central government, a council is authorised to borrow and raise loans and maintain an overdraft facility. These external funds could be secured by means of mortgage or issue of stock or other acceptable method as the Minister may approve (section 95). In a situation in which local authorities are having less and less immovable property because most public land

vests in the King since 1973 (King's Order-in-Council no.45 of 1973), it will be increasingly difficult for a local authority to directly secure a loan from lending institutions in the open market. Councils borrowing ability is even by statute "severely limited" as the Minister must first give his consent for council to obtain external finance.

At the end of March 1997, the long-term debt obligation of the Mbabane City Council stood at about E11.5 million. More than 50% of this debt was due to the Government. The two other lenders were the Swaziland National Provident Fund for about E5 million and Barclays Bank (now Standard Bank) for about E1.25 million. The council also had a short-term (overdraft) loan of E2.6 million - well within the E5.0 million overdraft facility approved by the Minister -with Barclays Bank. The council considered its loan portfolio as being moderate, "manageable and well-serviced". There is, of course, also the World Bank (Urban Development Project) loan due for repayment beginning next year.

It will be realised that, in terms of the law, the application and repayment of loans are very strict. Loan money may not be used "for other purposes" without the consent of the Minister (see sections 95, 96, 97 and 98 of the 1969 Act). By section 99 of the Act, a person or bank lending money to a council shall not have "any remedy or right whatsoever to recover" the loan or advance "unless such loan or advance has been authorised as required by this Act". The Act requires in this respect that, in support of the approval of the loan, there must be produced a certificate signed by the principal secretary of the ministry responsible for urban government.

Since the provisions of the law are sufficiently clear and comprehensive, there is not much room for actual operative autonomy of sub-national governments in the management of their budgets or the raising of loans from external sources. Beside normal supervision through independent audits of council accounts (Part XI), there is enough of central control (Part XII) of council affairs.

Even though sub-national government budgets begin internally within the committees of the councils, in particular the management committee (section 37(i)(d)) and heads of sections, what is finally approved by the council is only a recommendation to the Minister even notwithstanding the elaborate rules contained in the Financial Regulations under the 1969 Act. Other than what is contained in terms of section 92(4) mentioned above, there is not much to go by in terms of transparency and predictability of transfers from the central government. On both the subventions and the so-called cost-sharing arrangement, the Mbabane City Manager's Address is sufficiently informative:

"Again this year, in the absence of firm agreements from the Ministry of Finance on the amount to be put before Parliament, we have assumed government contributions at last year's subvention escalated by 5%. There is need to revisit the cost-sharing formula which sought to define this subvention and have a firm agreement with government on how much is to be remitted to council as subvention"

6.6 Issues Related to Private Sector Involvement in ISP

The issue of private sector involvement in infrastructure and service provision seems to have been as much built into the 1969 Act as dictated by practical circumstances than any deliberate policy on the part of central or local government. Now it appears though that the changing environment in the Southern African region and beyond under the aegis of the

World Trade Organisation has given rise to a handy policy that the private sector is always better placed to carry out functions traditionally the responsibility of central or local government. In the result, the role of local authorities is to establish an enabling environment, facilitate and monitor the standards to be complied with by private sector providers of statutory services. The policy is that ISP should be moved as much by social statutory needs as by commercial principles in which the private sector has a vested interest. There is then introduced competition beyond the provisions of section 59 of the Act (Tenders). This, it is thought, will result in economical but high quality provision of public services.

There are other reasons in favour of private sector participation in ISP. The sub-national governments in Swaziland do not always have the land or the wherewithal to carry out the responsibilities imposed upon them by the Act. This is generally true of many of the sample councils in their present stage of development.

Section 76 allows a council in certain situations to take over private streets as public streets. In other words, this section allows the owner of private land to develop it and hand over certain infrastructure for public maintenance. This is also true of private townships under the Human Settlements Act, 1988. Town planning regulations require that a landowner who wishes to subdivide and sell a certain member of plots must apply for private township status. If a private township is permitted, proper infrastructure should be provided along plans approved by the Ministry responsible for urban government and human settlements. At some point, the land and infrastructure should be handed over to the local authority, which will start rating the individual properties owners and be responsible for the maintenance or upgrading of the infrastructure. Most land in and around urban areas being privately owned or owned by the state, this has meant that central government and the private sector have been leaders in infrastructure development in most of the Swazi towns. If the draft Urban Government Bill succeeds to incorporate most of the liberal principles of the Policy we can look forward to a future of greater private sector involvement in infrastructure and services provision on a more rational and systematic basis.

6.6.1. Strategic Potential Partners

There is no general, concerted effort to identify strategic potential partners for infrastructure and services provision. It is, of course, true that the local authorities are not providing many services anyway. This probably justifies the lack of enthusiasm in further shedding most of the remaining services. Only the problematic activities of local authorities seem to generate any interest in contracting out a facility or strategic partner identification. This was the case with the pound services in Lavumisa, Siteki, Nhlanguano, Manzini and Piggs Peak; the bus-rank in Manzini and Mbabane (expensive to maintain but of little real value to ratepayers); the abattoir/slaughter house facility in Manzini, Mbabane, Piggs Peak, and Siteki; and parking in Mbabane and Manzini.

Even though a clear pattern has not quite emerged overall - which is a legacy of the past - the facility is usually owned by the local authority but operated privately by tender procedure. Again, the arrangement, where it exists, is only ad hoc and short-term. Cases of private ownership and operation are not many, except in cases where the local authority has never involved itself (such as in basic education, water and electricity provision). In addition, the Swaziland National Housing Corporation usually has housing estates in urban areas. The estates are not handed over to the local authority for rating unless there has been a subdivision of plots. In many cases the housing estates consist of housing blocks whose units

cannot be separately sold in the absence of a sectional titles law - a Bill has been introduced in Parliament. The local authorities do collect refuse from these estates even though street lighting may be the responsibility of the Housing Corporation. The Swazi Plaza Properties Ltd is another example of a private developer providing parking and cleansing services within its area in the centre of Mbabane by agreement with the City Council. Arrangements are afoot to include the Mbabane bus-rank, an almost integral part of the Swazi Plaza as part of the Plaza cleansing operations.

6.6.2. Strategic Privatisation¹³⁰ Commercialisation

"Privatisation" of public services/facilities is often met with strong opposition in Swaziland. The case of the Central Transport Administration causing a huge drainage of public funds is a classic example where a great deal of time and resources have been spent to find ways and means of privatising/commercialising the facility to no avail. The commercialisation of water services, a few years ago, also generated many intense arguments, with the status and benefits of the employees becoming an issue in the 1994 so-called '27 Demands' by the Swaziland Federation of Trade Unions against the Government. Thus, in general, privatisation of public facilities must be sensitively handled and discussed with affected parties, mainly employees, who perceive this course of action as a prelude to retrenchments. "Contracting-out" public or statutory or private services has the same response from organised labour as evidenced by the so-called '27 Demands'.

Legally, nothing prevents local authorities from privatising some of their activities. Of course, ministerial approval would have to be obtained. The only concern about privatisation is losing control over the areas of service privatised. Once privatised, it may not be easy for the Council to control the cost of providing the service. Consequently, it may be difficult for the council to resist an increase when a private provider threatens to shut down a service unless the user-fee is increased. Otherwise, the council or Ministry may find itself having to subsidise a private entrepreneur. The council may not be in a position to immediately take over a facility from a private provider because, as a service is privatised, the council retrenches or redeploys its work force.

"Privatisation" of statutory services or facilities is not the only option open to a local authority: there may be "contracting out" of the statutory services. Practically, there may be no difference between privatisation and contracting out since the local authority would still have to monitor the standards of performance and even control the user-fees charged by the private provider.

A major constraint in privatising or commercialising or contracting out some of the local government activities is that the service may generate no substantial profits for the provider, e.g. the market facilities in all the municipalities. To raise the nominal user-fee would simply cause stallholders to move out and occupy any available part of the streets causing the rampant problem of street-vending only recently accepted in Swaziland as an inevitable reality of urban economic dynamics. Another constraint to privatisation would be the high cost of providing appropriate equipment for the service. This is the case with vacuum tanker and with rubbish/refuse collection and disposal. Not many small businesspersons can afford

¹³⁰ The word is used here as found in the terms of reference for this study - even if "contracting out" might be a soft and preferred expression.

the special trucks for these jobs. The urban populations would have to grow much bigger before such a service could become profitable for a private or commercial operator.

It seems that present conditions of development in Swaziland do not yet support a strong case for large scale privatisation of the type of public services as are provided by local authorities. It is not certain if the implementation of the Urban Policy will make any significant changes in this regard. Yet it is true that strategic privatisation would enable local authorities to expand their activities and venture into new and diverse areas of ISP, either by themselves or in cooperation with other strategic partners.

6.6.3. Adjustment of the Organisational Structure of SNGs

With a policy of private sector involvement in ISP firmly in place, sub-national governments would have to shake up, adjust and reorganise if they are to remain economic institutions. In the result, service departments within the SNGs may have to be merged or separated in response to new situations. Freed from the burden of having to provide basic infrastructure and services, SNGs would have more autonomy in their management of local affairs resulting in management and staff accountability to the results produced by the ideally superior forces of market competition. Without themselves having to provide the services, local authorities would concentrate on acquiring superior supervisory and managerial capacity to ensure that the private providers of the statutory services complied with the requisite standards. The aim of adjusting the internal organisational structure of SNGs would be to introduce greater objectivity in the quality and standards of service delivery.

Privatisation of the statutory services should not lead to total abdication of the results, for the private sector is in fact acting for the local authority although in a detached relationship. The local authority is thus still responsible for the results/delivery in terms of the standards of performance required by the law. The local authority remains answerable to its constituents (the tax payers) for the services delivered. With the assistance of a private sector partner, the subnational governments would have to adjust their internal structure in a way conducive to and facilitative of such partnership and the new role made possible by the greater involvement of the private sector in ISP.

The Urban Government Policy, as already stated above, requires local governments "to contract out or privatise public services" where doing so is likely to prove beneficial. Paragraph 6.07 of the draft Bill on "Enterprise Powers" is to the same effect.

6.6.4. Design of Management Instruments for Operational Cost-Efficiency

With the anticipated greater private sector participation in ISP and consequential relief on local governments as indicated herein above, Mbabane City has taken the lead in preparing management instruments aimed at operational cost efficiency of its employees at the management level.

Designing and enforcing such employee evaluation instruments is a healthy and helpful exercise indeed. Today's business is everywhere becoming increasingly competitive. There is no viable alternative to the most economical use of public resources. As local authorities gear up for greater self-governance with less dependence on central government, more instruments such as the above will have to be designed and implemented.

6.6.5. More Experimentation and Calculated Risk-Taking

It follows that with more statutory functions taken up for delivery by private sector operators local authorities should be able to experiment with new ideas aimed not only at new ways of service provision but also to promote, in the words of the Policy, "an enabling urban environment which will facilitate opportunities and quality of life for all residents".

With more experimentation undertaken, calculated risk-taking in procurement and service delivery will not only be possible but will become an acceptable management policy in the pursuit of new targets in ISP. This, however, assumes a certain measure of autonomy on the part of the local authority. That level of autonomy is currently lacking among the municipalities. The tight control on local government affairs imposed by the 1969 Act, as we highlighted above, is probably one of the major constraints to experimentation and calculated risk-taking by local authorities. Yet, without experiment nothing new and worthwhile can be achieved.

6.7 Basic Constraints Concerning the Operative Autonomy of Sub-national Governments

Ever since the Swazi were 'robbed' of their land by European fortune-seekers in the last century and by the Colonial Administration at the beginning of this century¹³¹, the issue of land ownership has been a touchy one in Swaziland. Among the issues defining the terms and conditions of independence in the 1960's, land was one of the hotly contested matters¹³². In 1973 when the Independence Constitution was abolished all land then owned by the Government was decreed to vest in the King, and all land concessions then still current were terminated, with the land remaining in the concessionaires at the pleasure of the King¹³³. In the meantime, the Ngwenyama (King) holds all public land in trust for the Swazi nation. There has, however, been no nationalisation or forceful acquisition of privately owned land even though sentiments to that end are frequently widely expressed by nationalists (so-called traditionalists) who feel that private land ownership undermines the authority of the King and chiefs and should therefore be abolished.

In the result, land in urban areas appearing to be registered in the central government in effect vests in the King. Since 1973, the central government no longer buys land in its own name but that of the King in trust for the Swazi nation. The King who must sign the relevant deeds for selling and buying real estate for all public use. The King's consent to buy or sell land must be obtained on every occasion. When urban boundaries are extended over Swazi nation land in the possession of chiefs (in trust for the Ngwenyama in trust for the Swazi nation), the King must finally agree and sign the necessary instruments. Because of the obviously restricted access to the King, the King often delegates, by power of attorney, authority to the Minister for urban government (or the Minister of Natural Resources and Land Use) to acquire and alienate public land. By this arrangement, the Minister signs the relevant deeds and confers title on buyers of subdivided crown lands.

¹³¹ Hilda Kuper, *Sobhuza II: Ngwenyama and King of Swaziland* (1978). Chapter VI
Alan R. Booth, *Swaziland: Tradition and Change in a Southern African Kingdom*, (1983). Chapter 1

¹³² Hilda Kuper, *Op.Cit.* Chapter XIV

¹³³ Vesting of Land in King Order No.45 of 1973

6.7.1 (a) Land Management and Land Use

In turn, land management and use by sub-national governments suffer from the similar constraints as above. It should appear therefore that there is virtually no land for free management by city and town councils. When an asset such as land is to be acquired, mortgaged or alienated by a local authority the Minister must give his consent. The Minister will not give his consent unless the reason or purpose of the acquisition is declared upfront by the council. Thus, from date of acquisition the land is subject to a specific purpose. This state of affairs does not allow free management in the sense of council being able to deal as expeditiously with the land as circumstances may necessitate. This constraint on management is further supported by the fact that council cannot use property registered in its name as it thinks fit; the Minister must approve any proposed use of council land. Since earmarking land for a particular purpose would be with the approval of the Minister, a change by council from that purpose would also require the Minister's consent. Thus, the city councils of Mbabane and Manzini or the Town Council of Piggs Peak may not relocate and re-designate their bus terminals or the public markets as these councils may deem fit.

The foregoing position seems clearly to follow from section 63 of the 1969 Act, which requires Minister's consent for a council to "acquire, purchase or take on lease any land, right of way, water right...for the purpose of any of its functions under this or any other law". Section 65 provides for the alienation, letting or disposal of land by council "with the approval of the minister". The only exceptions under section 65 are in respect of "leasing or selling of dwelling houses, or premises constructed for business or professional purposes" or a "lease for a period not exceeding two years". One dare say, however, that even this exception will not be used by council without prior consultation with the ministry, and if the Minister expresses unease with the arrangement as planned by council, the latter would most probably not proceed with the sale or lease.

Even after ministerial consent has been obtained to alienate land under section 65, the council would still be constrained in so alienating the land until it has advertised for a specific period its intention to so act. In the process, the council must call upon any member of the public who objects to the proposed alienation to lodge any objection to the council within a specified period, "not being less than one month from the date of the first publication of such notice".

Where ministerial approval is otherwise not the issue, other forms of constraint in relation to land management and use by sub-national governments may be due to inadequate capacity on the part of council itself or long and cumbersome internal consultative procedures and approvals; lack of suitable professional skills. Another form of constraint on land management and use by council may arise as a result of the implementation of town-planning schemes and development plans under the Town-Planning Act, 1961 and the Human Settlements Act 1988 or the Sub-division of Land Act, 1957 or the Road Traffic Act, 1965.

In a foresighted attempt to deal with the problems of land management and use the Mbabane City Council has engaged consultancy services to develop an Urban Management Policy.¹³⁴ This Policy would formulate a "well-coordinated urban land policy that ensures commitment to better land use practices, quality development, sound physical environment and fair and equitable distribution of all land resources within the urban boundaries of the city of Mbabane".

¹³⁴ The consulting firm submitted the Draft Policy to the City Council of Mbabane by letter dated 23rd June 1999.

6.7.1(b) Land Registration and Ownership

In general, as a corporate body or legal person a council may own and register land in its own name (sections 63, 64 and 65). In terms of all three sections, the Minister's consent is a prerequisite. Under section 64 - compulsory acquisition of immovable property - council may further be constrained by the provisions of the Acquisition of Property Act, 1961, which require "prompt and full compensation" to be paid to a land owner thus affected.

If the land acquisition is to involve the transfer or conversion of Swazi nation land to title deed land under urban local authorities, the Minister must not only approve and facilitate the process, the King (Ngwenyama) who is the trustee of all Swazi nation land must also agree. Such a process is necessarily sensitive and slow. It is sensitive because it essentially involves the alienation of Swazi nation land, a process which is fundamentally in conflict with Swazi nation policy and concepts of Swazi land tenure. The chief whose area is to be excised will be reluctant to agree even though he is not the registered owner. The King will not just issue a directive or decree, but will require that the chief's consent and cooperation in the conversion be first secured by the Minister. The chief's cooperation will be easier to obtain where the land in question is already a built-up township in need of urban administration as is the greater part of the peri-urban areas of Mbabane and Manzini than where the land is not so built-up. The Urban Development Project (Mbabane and Manzini) in part seeks to address this festering peri-urban problem of unplanned townships/villages without clean water or sewerage or waste disposal system. The Project allows the Minister to take over such areas to facilitate the provision of proper infrastructure and services.

6.7.2 Physical (Urban) Planning and Handling of Applications etc

The basic constraints in relation to physical (urban) planning and handling of applications for construction and infrastructure investments will depend to a large extent on the existence of a clear urban development policy. For instance, town-planning regulations may require that only buildings of a particular type or height e.g. one, two or three-storey buildings, may be erected in certain parts of the town/city. The regulations could also separate residential from commercial or industrial areas. In the absence of such an arrangement, it could be difficult for the relevant physical planning committee to know whether to approve or disapprove a particular structure proposed for a certain area of the town. It is important therefore that each town council adopts a clear physical development plan with criteria for buildings approval. Such a plan could also help identify shortcomings within councils capacity to handle the service.

Regarding the management of physical planning, most of the town councils are without sufficient capacity and are virtually run as departments of the Ministry. Siteki and Nhlanguano have the services of a Senior Township Assistant loaned from the Ministry. Piggs Peak (at time of interview) had no such officer, but it was assisted by one who periodically came from the Ministry, not even on short-term contract as in the case of Nhlanguano and Siteki. Only Matsapha Town Board has the service of a full time Townships Engineer in the Ministry of Enterprise and Employment. As far as physical planning goes, Lavumisa was assisted by the Nhlanguano Township Assistant. Even Manzini did not seem to be fully equipped for its physical planning activities in that it did not have a department as Mbabane does. It is clear then that autonomy in physical planning is lacking in most of the councils. The little planning that goes on is heavily compromised by the presence of Ministry officers in ways that cannot

be properly accounted. Most of the councils, including Mbabane and Manzini, reported a period of about three weeks for an application to be processed.

Depending on the type and complexity of the plan to be approved, and objections thereto, it could take much more than three weeks to process. Often there are interdepartmental consultations to be undertaken and approvals indicated before final decision. Where assistance must be drawn from the Ministry delays are bound to occur. If it is an application under the Town Planning Act, ultimately requiring the Minister's approval, months could go by before final decision is indicated.

6.7.3 National Investment Requirements

The 1969 Act allows urban sub-national governments to invest any moneys not immediately needed for use. The Act, however, does not leave the investment to the discretion of a sub-national government to act as it deems fit in the light of the risks and the rewards. Section 89 prescribes that a council may invest its funds in one or more of three ways:

- (a) Deposit them with any commercial bank;
- (b) With the consent of the Minister, loan them to the Government, another council, the Swaziland Electricity Board, the Swaziland Railways or a Swaziland Building Society, and
- (c) Invest them in any other manner approved by the Minister.

Section 89, however, only authorises a council to invest uncommitted funds. The section is silent as to the description of those funds, the terms and conditions of the investment, the security and rate of return - in short, policy and principles governing the investment portfolio. Any prudent and strategic investment would require set rules and procedures to guide the process and avoid predictable shortfalls. The Financial Regulations are of no assistance in this respect. To this end, Manzini is in the process of developing an Investment Policy "which will provide the highest investment return with watertight security while meeting the daily cash - flow demands of the city and conforming to Section 89 of the Urban Government Act 1969". The policy is not yet finalised. However, the idea is to ensure transparency and predictability of investment through objective guidelines.

Mbabane City Council also has no standing investment policy. The other town councils would not need such an investment policy at this stage of their development unless the policy was standard procedure prepared by the Ministry and adopted by all the councils. Most local authorities have no surplus income for investment.

The result of having no policy or structure for handling investments is that investments will not be systematic and co-ordinated. Consequently, it would be difficult at any given time to know whether any moneys should be invested and how. The absence of a policy also makes it difficult for the Minister to know whether to approve in any given case. The Minister would not know what to look for in the process of approving. There may thus be irreconcilable divergences in procedures followed by a council and the Minister in handling investment proposals. This indeed is what has placed in limbo the SWAPROP deal. The Minister has not been advised to approve the proposed investment by Mbabane City Council because the Ministry cannot determine whether the City Council in coming to its decision took all relevant factors into account or for that matter whether the factors which the City Council took into account were the relevant factors to be taken into account.

The SWAPROP (Swazi Plaza Properties (Pty) Ltd) investment debacle would appear to be the tip of an iceberg. The shares that the Mbabane City Council proposed to invest in Swaprop were a portion its investment in the Mbabane New Mall, a joint venture with private developers on land made available by the council. It seems that the Ministry, which should have approved this joint venture, in fact knows next to nothing about the arrangement. From preliminary enquiries, it would seem that the Ministry has not been convinced of the wisdom of the venture. Again, this divergence of opinion is due in large measure to the absence of a clear investment policy accepted by council and the Ministry.

The lesson from the Swaprop incident is that investment, in the absence of an accepted policy, must first be discussed with and accepted in principle by the Minister. Then the details could be worked out and once finalised again be presented to the Minister for his approval before any binding deal could be signed by the council. Only such a cumbersome and dilatory arrangement would be guaranteed of ministerial approval. However, such an arrangement demonstrates the palpable absence of autonomy of and the constraints facing a sub-national government in relation to national investment requirements. At the same time this approach shows that there are no national or central government requirements, relevant to SNG investment procedures except what the sub-national government and central government can agree (on a trial and error basis) on a case by case.

6.7.4 Issuing of Concession Rights Concerning ISP

With respect to issuing of concession rights concerning ISP, the situation is not different from the general position in which all Swazi local authorities find themselves: a situation of limited authority. Even though the interviews did not reveal any concessions or attempts to secure any, the feeling was that no such concession could be undertaken without the consent of the Minister.

Beside the likely difficulty of securing the Minister's consent, the other major constraint is that of land to be the subject of the concession. This would be particularly so in the case of new infrastructure and service developments. The available land for development in most towns is either private or crown land. So far, central government has proved very reluctant to transfer land to the local authorities. When such crown land is opened up for development the town councils frequently find themselves acting as 'agents' for central government. The local authorities develop and sell the plots for the government. Their interest is in ultimately charging rates on the properties. In the result the local authorities have no land to lease to a private developer such as was the case with the Piggs Peak Plaza Ltd Company. Here a 50-year lease agreement was entered into as already described above. But the agreement was not with Piggs Peak Town Council: it was between the developer and the central government represented by the ministry responsible for urban government. Otherwise, this is a classic case of issuing concession rights concerning infrastructure and service provision. It is also a good example of Build, Operate and Transfer. The company has spent some E5,650,000 to develop shopping centre and certain public facilities being a market hall with stalls, ablution blocks, taxi rank, market square, bus rank and shelters and walkways. In the lease (concession) period of fifty years the company is expected to recover its costs and hand back to government the whole complex. In the meantime, the government is supposedly earning at least E7,500 per month by way of rental. The Piggs Peak Town Council, however, seems to be getting nothing directly from this development since an agreement to transfer to its control

certain of the public facilities does not appear to have been executed as provided a in the lease agreement.

In terms of the existing law (1969 Act), even if a council resolved to issue a concession in respect of any aspect of ISP, there would be the problem of the period of such a concession. Since the concessionaire would invest its own funds the period for the concession would have to be reasonably long, and the rate of return would also have to be sufficiently attractive and market - related. Any lease or concession by council would have to be under section 65 of the 1969 Act. But the section is very restrictive. For any letting or leasehold, the section requires ministerial consent. Where no such consent is possible, the period of the lease cannot exceed two years: This is obviously too short for any serious developer. Inevitably, therefore the Minister's consent would have to be secured if a concession is to be granted to a private developer by a city/town council. There is no guarantee that such consent would be obtained on the satisfaction of any known terms and conditions. The process lacks transparency, making it risky for local authorities to even attempt - assuming there was land and the need. Where a reasonably long concession was secured, the rate of recovery for the entrepreneur would have to be freed from the constraints of the cost-recovery policy ordinarily used by local authorities for services they provide to the public. However, this would not be acceptable to the public.

6.7.5 Autonomy in Relation to External Finance for Additional ISP

Other than the approved annual estimates, the 1969 Act does not allow any leeway to a sub-national government to further spend. The law and the operative policy are not to allow a deficit budget. Thus short of an extraordinary emergency arising from some unexpected natural cause, a sub-national government cannot hope to secure a supplementary budget (section 91(5)) leading to external finance (sections 94 and 95) for additional infrastructure and service provision.

For both the supplementary budget and the application to access external finance, the Minister's consent and approval would be required. For instance, the additional ISP would clearly have to be of such a nature and necessity that it cannot wait for the normal budget cycle. Otherwise the terms of section 92(1) are sufficiently peremptory and indicative of central government policy: "No expenditure shall be incurred by a council unless it can be properly charged to an item in the approved estimates or in approved supplementary estimates".

In practice, therefore, where it appears that expected funds have not been realised due to late collection as a result of delayed implementation of council budget or bye-laws, the sub-national government would simply shelve some of its capital programmes or roll them over to the following year. If it is difficult for a local authority to spend even where it has the money, it is even more difficult where the money must come from some external source.

Resort to section 88(3) of the 1969 Act, by using moneys standing to the councils' credit in a capital or renewals fund has its own shortcomings. If such moneys cannot be repaid in time, the council cannot make use of them for additional ISP. Further, if external finance were already available because of a loan arrangement for another purpose, the Minister's consent would still be required to use such moneys in terms of section 96(3) of the Act.

Where, however, a good case has been made for external finance for additional ISP, an overdraft facility in terms of section 98 may be made use of with the approval of the Minister. The first constraint here is that there is a limit to such facility. If it has already been used for other purposes there might be very little or nothing left at the time required. Even then, delays are bound to occur in the processing of such a facility assuming that the council and the Minister have both agreed.

If, however, the additional money must come from financial or donor institutions outside Swaziland, the delay is even greater, the more so since the negotiations are indirectly through the central government which has its own procedures, checks and balances.

6.8 Constraints Concerning External Finance of Sub-National Governments

Naturally, there are constraints faced by a sub-national government in obtaining external funding. The enabling provisions (Part X - sections 94-99) are very clear and specific in their requirements regulating borrowing by councils. Even special accounts such as the capital and renewals funds contributed by the very council in terms of section 88 would be treated as external finance if used by the council for a purpose other than was originally intended. The money can only be used (borrowed) with the permission of the Minister on such terms and conditions as to repayment as the Minister may stipulate.

To borrow funds, a council for its resolution must have an absolute majority support and not just a majority of those councillors present and voting. The purpose for the loan must be approved by the Minister and for a period not exceeding thirty years (section 94). Authority to borrow having been obtained, the council may enter into a mortgage bond or issue stock or bind itself in some other manner for the repayment of the loan, and on such other terms and conditions including the amount of the loan and period of repayment as the Minister may approve (section 95). The loan, and the interest on that loan, is ordinarily a first charge on the revenues and assets of the council unless some other charge already exists on such assets and revenues.

Section 98 allows a council to raise short-term loans and overdrafts "on such conditions as the Minister may approve". There are other constraints. In terms of section 99, it appears that a financial institution or other money lender may still refuse to entertain an application for a loan by a council unless the application is accompanied by a certificate under the hand of the Principal Secretary of the Ministry responsible for urban government. It would appear, therefore, that local authorities may not be externally funded as and when they so require. For if the money were to be sourced from some international body the government would have to contract on behalf of the local authority. Parliament would then have to be involved to approve such a borrowing. These constraints have little to do with the capacity or otherwise of the local authority to repay the loan.

6.8.1 Requirements Concerning Balance of Annual Budgets

The guiding principle regarding annual budgets is section 92(1) which provides that: "No expenditure shall be incurred by a council unless it can be properly charged to an item in the approved estimates or in approved supplementary estimates". The provision is clear and uncompromising. Strictly speaking, it is an offence to spend contrary to the provision. In the result, the operative principle regulating local authority budgets is that the Minister will not approve a deficit - creating budget. This is no doubt a sound principle, but it does create a

serious constraint for the local authority in terms of which the authority must trim down its programmes and narrow its priorities in the light of the actual revenue at its disposal.

Following the terms of section 92(1), the council cannot prepare its development programmes on the basis that certain moneys will become available during the course of the year. It also means that the council must have a sufficiently large revenue base to develop at a reasonable pace. If the money is to come from outside as by way of a loan or similar facility, the loan must be finalised before the projects to be covered are included as part of the annual budget. Further, if at the time the budget is due for ministerial approval it appears that there is not enough money, the draft budget will be returned to the council for adjustments such as by removing or rescheduling some projects. If possible, some of these rescheduled projects could be the subject of a supplementary budget in terms of section 91(5). Of course, a council may resort to section 88(3) if the Minister agrees. Otherwise, some projects may forever be put aside and never undertaken.

The need for a balanced budget is thus uppermost in the minds of the council and the Ministry. If funds are not enough, the capital programme suffers. That 70% of the budget finance, for instance in the case of Mbabane in 1998-99, came from rates is an unhealthy state of affairs. Taking into account that collection is not at an acceptable level in many of the municipalities, even the 70% is a far cry. The subvention from central government at about 14% in the case of Mbabane does not allow a great deal of room for manoeuvre by the local authority. Moreover, the situation assumes critical proportions when the subvention cannot be known at the time of budgeting by the council. The delay in finalising and operationalising a formula for central transfers is a real constraint in terms of precise budgeting by the local authorities.¹³⁵

Another constraint concerning balance of annual budgets is due to late approval of rates or user fees by the Ministry. Where there has been such a delay the amount of revenue available to the council will normally depend on the period of delay unless some other strategy had been adopted to minimise the shortfall such as by reliance on accumulated reserves, if any. It is therefore important for council budgeting that revenue approvals are made in time since revenues may not be charged with retroactive effect. Councils themselves must submit in good time, may be six months before end of financial year.

Further, the revenue sources for municipal councils still leave a great deal to be desired. The 1969 Act had anticipated other sources of revenue for councils - for instance under section 86 - but some of these have never accrued to the councils because central government provides the services. If municipal councils are to assume even a respectable control of the activities of their areas, central government must seriously consider facilitating the realisation by councils of these revenue sources.

Central government, however, feels that municipalities are failing to collect enough revenue in terms of existing sources. That may be it would be too much for the councils to broaden the revenue base. That the municipalities in particular the two cities must develop adequate capacity or adopt efficient strategies in order to raise their income from existing sources. In other words, the constraint is not so much because of small revenue bases but the lack of capacity or efficiency on the part of municipalities themselves. That most of the councils do suffer from a degree of incapacity or inefficiency cannot be denied. But some of the councils

¹³⁵ In the 1998-99 Annual Budget for Mbabane the Government transfers were fixed by escalating the 1997-98 figures by 5%.

point an accusing finger at the government itself for their wanting financial state of affairs. For instance, the appointment of a Town Treasurer, Medical Officer of Health and Town Engineer and the terms and conditions of service of such persons "shall in all respects be subject to the approval of the Minister ..." (section 49 of 1969 Act). There is also a feeling that the pay structure of local authorities must be improved to attract persons of suitable administrative and professional calibre.

6.8.2 Approval Procedures Concerning Access to Domestic External Finance of Infrastructure Investments

As far as concerns sourcing funds for infrastructure investments, the procedures followed for the necessary approval are not explicitly prescribed by the 1969 Act. It seems, therefore, that this matter falls within the purview of the Minister's powers in as much as the matter involves 'borrowing'. The approval procedures at council level should not be a serious constraint. Section 94, however, requires a special or absolute majority at council level for the resolution to borrow. If the borrowing takes the form of a short-term loan or overdraft under section 98, the Minister must still approve the purpose, the loan amount, the terms, conditions and the period of repayment.

Even though council proposals to borrow must be approved by the Minister there are no laid down approval procedures to be followed on each occasion of borrowing. In the result a proper evaluation of the procedures followed in borrowing cannot be made. Although delays in approving borrowing do occur, it is difficult properly to ascribe blame to anyone. In the absence of any prescribed approval procedures, the Minister must carefully consider each request on its own merits. In the result, different requests may be dealt with differently by the Minister with the result that a council may not know what information to present to the Minister with the request for approval. Prescribed procedures for approval would create transparency and greatly expedite the process. Such procedures would also probably narrow down the range of possible infrastructure investments for which access to domestic external finance would be recommended. In the result, delays in the procedures could be identified and corrected if unjustified.

6.8.3 Approval Procedures Concerning Mortgage/Equity Finance of Infrastructure Investments

Since most land in urban areas has historically been owned by either the crown or a private owner, infrastructure has been paid for either by the Government or a private developer in the first place. Of course, where the local authority owned the land it too paid for the infrastructure and services development. If the local authority does not have sufficient initial capital funds, what has happened is that as the plots were sold a portion of the purchase price (the deposit) would be used to develop the basic infrastructure. In other words, a method whereby a township developed by financing itself has been employed by the local authority as well as a private developer. In this way, plot owners have been made to pay for or contribute to the provision of the infrastructure and services. Nhlanguano and Siteki town councils, at the time of the study, were engaged in this method of infrastructure development. In this speculative approach, the Siteki housing project has met with financial problems and temporarily stalled. Matsapha Town Board is in a different situation. Here the government (the Board) must always have the infrastructure in place before entrepreneurs are invited to buy or lease plots for setting up their businesses.

It appears therefore that investment as such by local authorities in infrastructure development has not been usual. The question of mortgage or equity finance of infrastructure investments has not quite presented itself for definitive action. In the case of a private township, the local authority usually comes in when rates become payable by the individual plot owners. At this stage the greater portion of the basic infrastructure would be in place up to a level agreed between the developer and the local authority. Hence, the issue of constraints associated with approval procedures concerning mortgage or equity finance of infrastructure investments has not arisen for most local authorities. For most municipal councils it would be hazardous and ultimately self-defeating to mortgage one property in order to develop another property. A relevant case might be that of Nhlanguano where the government (Ministry of Enterprise) developed the infrastructure for business plots (an industrial park). For a number of years now these plots have remained idle. A private developer would most probably have been financially broken by this undertaking.

Where the issue of mortgage or similar finance mechanism had arisen (and most of the local authorities executive officers during the period of the Study were young men and one woman and often new on the job had no knowledge or experience of this problem) the constraints associated with ministerial approval would have to be overcome. In terms of section 95, local authorities may not mortgage their properties without the Minister's approval. However, the Ministry has not prescribed any regulations or methodology for the approval where a mortgage bond has become necessary.

In Piggs Peak, in terms of a long lease agreement, a private developer has paid for the infrastructure and related services. The government or the Piggs Peak Town Council would have found it very difficult to undertake that development. The agreement for the Piggs Peak Plaza was incidentally entered between the government and the Piggs Peak Plaza Company. The other public facilities have yet to be transferred to Piggs Peak Town Council in terms of the agreement.

In terms of the subsidiary agreement with the World Bank for the Urban Development Projects, the city councils of Mbabane and Manzini have been provided with loan funds to carry out certain infrastructure and service developments. Thus, neither mortgage nor equity finance arises for the councils' consideration.

6.8.4 Decision-Making Concerning Tariffs and Fees (User Charges)

In the case of town boards, the issue of user charges is not as acutely felt as in the case of municipal councils, which are expected to be self-supporting. In the case of town boards, the government pays for all the services provided and has a discretion on whether to charge or raise any tariff or not. As may be expected, the services provided in Part XIII towns are minimal, and in places like Lavumisa, the impression one gets is that the government is in no hurry to improve the area. It is for this reason that the Lavumisa Town Board has been requesting approval and funds for resurfacing two short streets (less than 5km) without success for the last two or three years. The Board also has no means of watering the streets to keep down the large amount of dust generated by traffic in particular during the winter (dry) season.

The position in Matsapha, however, is vastly different from Lavumisa. For Matsapha, as an industrial town in the centre of Swaziland and even boasting of a dry port, the type of infrastructure and services are meant not only for the convenience of plot owners but

specifically to attract investors in manufacturing and provision of goods and services of a high quality, mainly for export. The bulk of the population including the landowners do not reside within Matsapha Town. The housing estate within this town belongs to the national housing corporation, which is responsible for the services within the housing estate. In the result, the corporation only pays a unit rate to the Matsapha Town Board whose services end at the gates of the fenced housing estate. Matsapha Town is not managed or financed like any other town. The rates charged are fixed with a view to retaining existing investors and attracting potential investors. The services provided are largely state subsidised. The decision-making hustles experienced by other local authorities are not experienced by Matsapha Town Board whose staff are officers of the Ministry of Enterprise.

But other local authorities, which depend on these tariffs and fees for the balancing of their budgets, have a serious problem regarding the determination of these tariffs. The Minister responsible is not in the habit of merely endorsing what the elected councils have proposed as appropriate in the light of the needs of their towns and constituents. There is a frequent delay in approving (if at all) or rejecting a proposed rate or fees and tariffs. This eventuality frequently frustrates capital projects, which, if started, are often never finished as originally planned. Because of the delays, some of the capital projects may have to be deferred or indefinitely suspended.

Section 57 of the 1969 Act requires that tariffs and fees should be published in the Gazette before they can be enforced as law in terms of provisions under Part VIII. Ultimately, however, and notwithstanding the amount expended on consultations and consensus building within council, the Minister has power to "approve, alter or reject" any proposed bye-laws (section 79).

6.8.5 Instruments on Assessment of Creditworthiness Concerning External Finance

The only local authorities that can raise a serious programme to require applying for external finance are the two cities of Mbabane and Manzini. The other town councils have only recently emerged from the status of being town boards and departments of the Ministry. These town councils still depend on the Ministry for some of their technical and professional services. This means that these middle level local authorities generally do not have adequate capacity for the work and activities prescribed for them under the Act. In any case, there is currently no great pressure on these councils to perform most of the duties under the Act. This is either because it is not necessary in terms of the level of development of these towns or because the central government or other parastatal or private entrepreneur is responsible for doing some of the things the local authorities are otherwise expected to do.

As for the two cities, their creditworthiness for external finance does not seem to be in doubt. At the domestic level, the city councils can always borrow or raise loans with the consent of the Minister so long as they have not exhausted their allowable amount. It is unlikely that the Minister would give his consent unless it appears that the council will be able to repay the loan. No reports were found of any council having been declared or determined to be uncreditworthy by any of the domestic financial institutions. It is true that Mbabane City Council has an unserviced loan with government, but this is not a serious issue having a bearing on the creditworthiness of the council.

At the international level, the two cities do not borrow directly as a matter of practice. Instead, the central government represented by the Ministry of Finance would borrow for a

city or any other council. The current example is that of the World Bank loan for the Urban Development Projects for Manzini and Mbabane. In this case, the Government signed as principal borrower. As such, the assessment of creditworthiness with respect to external finance of sub-national governments does not arise.

6.8.6 Establishment of Parastatal Municipal Credit Institutions

Even within municipal councils, very few persons know what parastatal municipal credit institutions are. There are no such institutions in Swaziland. The establishment of same has not been spoken about until very recently - even then in highly select quarters. Those who have an idea about these institutions are not yet very sure of the advantages and disadvantages. They still prefer to know more about them before they express commitment in support of their establishment. So the first constraint in relation to setting up parastatal municipal credit 'banks' is the little knowledge people have of such institutions.

Local interest in municipal credit institutions seems to have been generated by persons within the Development Bank of Southern Africa (DBSA) as a by-interest following the Banks involvement in the Maguga Dam Project in Swaziland. In executing the various aspects of the Maguga Dam contract, the Bank became involved in financing certain infrastructure and services otherwise the responsibility of Piggs Peak Town Council. When it was also indicated that other municipal services for Manzini and Mbabane were being financed by the World Bank, DBSA saw an opening in which it could be useful to the municipal authorities of Swaziland by replacing the World Bank and broadening and institutionalising its own role as credit provider to municipal councils.

The idea is still young and little understood. With Mbabane and Manzini still indebted to the World Bank, it may not be possible immediately to commit to another institution. It is of course true that there would be advantages in working with the DBSA as there would be no exchange problems in repayment. The World Bank loan is denoted in dollars while DBSA would denote in Rands/Emalangen. As such, DBSA would provide cheap and easily accessible infrastructure and service provision funds.

Even with Mbabane and Manzini city councils free to commit, there would still be constraints in actually realising such a credit facility. The bulk of the municipal councils have no immediate need for large credit facilities and their annual budgets (except Matsapha) have not exceeded E2.0 million. Any quicker pace of ISP development might be unsustainable in the short term. If there was a real need for greater development the private sector would long have seized the opportunity instead of waiting for the local or central government. Common sense dictates that certain forms of infrastructure must be developed when there is a felt and pressing need to quickly recoup the capital outlay. Thus from a practical point of view, only Mbabane and Manzini city councils may benefit from a parastatal municipal credit institution if established. However, the question of its sustainability might arise.

In any case, to establish a municipal credit institution would first require the conviction of the Minister that the concept is good and worthwhile. This would be necessary because if it would be a parastatal body, legislation would be required through a Bill moved by Minister of Finance and supported by the minister responsible for urban local authorities. Support of the latter would be necessary because in terms of the existing law, a municipal council would require the consent of the Minister to borrow or raise a loan. If the Minister did not support the credit institution, there might be no municipalities to access its services.

Generally, it appears that unless the credit institution included among its stakeholders or beneficiaries parastatals such as Swaziland Electricity Board, Swaziland Water Services Corporation, Posts and Telecommunications Corporation, the Road Transportation Board and Swaziland Railways, it may not be viable. In any event if the credit institution would pass for a financial institution, then the consent of the Central Bank of Swaziland would be required for its legal establishment. If the Central Bank considered that normal commercial banks would be seriously prejudiced by the existence of such an institution, the consent may not be forthcoming. Alternatively, the Central Bank might require some kind of collateral or strategic partner to the credit institution making its establishment further constrained.

6.8.7 Portfolio Placement Provisions and Rules Concerning Pension Funds and Insurance Companies

Section 54 of the 1969 Act allows for the creation by a municipal council alone or with other such councils or by the government of a pension or superannuation scheme or a provident fund scheme. The first constraint is the requirement of the Minister's approval for the establishment of such a scheme or arrangement. As to the rules concerning the management or investment of such pension or provident fund, the Act is silent. Presumably, the schemes could invest their funds as they please. Swaziland currently has no comprehensive pension funds and insurance companies law. A 1994 Insurance Companies and Pension Funds Bill went through the House of Assembly, but somehow became stuck in the Senate and has yet to be reactivated. Otherwise, insurance business remains monopolised by the Swaziland Royal Insurance Corporation with other small companies doing broking insurance for the only parastatal. The 1994 Bill in part sought to de-monopolise the insurance industry.

The constraints in relation to portfolio placement provisions concerning sub-national governments would be that there are no clear rules or regulations governing pension funds and insurance companies. The pension fund scheme as well as an insurance company would have money that would be best maintained by investments. As already indicated insurance business is monopolised currently, denying scope for other entities to enter the industry on the best advantageous terms possible. Thus, municipal councils may not form an insurance company of their own in pursuit of section 62 of the 1969 Act. As it is, it does not appear that sub-national governments have much scope in respect of portfolio placement in pension funds and insurance companies. Thus, there is not much diversification of investment for these local governments.

6.9 Operational Constraints on the Operative Autonomy of Sub-national Governments

It is important to stress that there is not much autonomy for sub-national governments under the 1969 Act. Consequently, there is not much of operative autonomy to be operationally constrained. The provisions under Central Control (Part XII) confirm this position. We have already highlighted that at the domestic level or level of council, autonomy is further vitiated by lack of capacity, by lack of funds, and inadequate resources such as land. There could also be problems associated with lack of consensus for any specific project or the council could be held ransom by a "rate-payers association" as Manzini has experienced.

6.9.1 National Requests for Long-Term Planning of Infrastructure and Service Provision

Councillors are elected to office for a period of three years. It follows that in the majority of cases, these councillors will not be keen to look beyond three years for their projects. This is particularly so where councillors expect to be re-elected based on delivery. A three-year tenure subject to budgetary constraints does not allow the best vintage for democratic accountability of councillors. Long-term planning is thus not to the best political advantage of councillors. The best way to achieve this would be for the council to adopt a strategic comprehensive plan (a kind of master plan) for the development of the municipality. Long-term planning of ISP is also easily frustrated by the budgeting system, which is limited to available revenue, and by its nature long term planning involves large funds which most councils would not have in their reserves.

6.9.2 Stop-Go Policies of the Ministry of Finance

It is true that as much as the blame falls on the Minister for Urban Government, the responsible parties might just be the Minister of Finance and his national budgeting staff. Indeed the Minister responsible for local government might have approved a particular project proposed by a local authority just to see it being rejected by the central budgeting committee. Sometimes projects that have reached budget cycle are stalled and further postponed as a result of unexpected priorities cropping up. This may prove disruptive of council budgeting and planning.

It may be observed that the principle of revenue sharing, which was at one time proposed as the basis for sharing the expense of running municipalities, has been abandoned in favour of a cost-sharing principle. The Ministry of Finance is said to have refused to share the revenue collected in terms of the various sources some of which are found under section 86 of the 1969 Act. The cost-sharing principle is unlikely to be profitable to the municipalities in that in essence it requires these councils to prove their costs of providing certain services to be reimbursed by the central government via the arrangement of central transfers. As to the modalities of the cost-sharing principle, the situation is not yet clear. This also makes it difficult for municipalities to predict future state grants.

6.9.3 Constraints in Relation to the Hierarchical Approval and/or Consensus Building Procedures Concerning Capital Expenditure Decision-Making by Sub-National Governments

It will be noted that capital expenditure decision-making by sub-national governments is linked to the type of capital project for which the expenditure is required. In the normal course of council business and with fair degree of specialisation and division of labour, the proposal for a particular project must emanate from a council department or office. There could thus be departmental consultations and decision to carry forward the project. The next stage might be that of council committee, either statutory such as the finance or management committee or some other ad hoc committee of council. Ultimately the proposal must be tabled for the resolution of council as a whole. (Incidentally, it is reported that currently the management committees of the various councils are not functional by ministerial decree).

Before or after council approves there may be need to build broad-based support for the proposal. In that case, meetings of stakeholders or concerned persons might be arranged. The

response could further indicate whether the proposed capital project should be dropped or carried forward as is or in a modified form. Some capital project might require borrowing for their expenditure in which case absolute majority would be required at council level.

Consensus building not only takes place at or below council level, it could also occur above council. There may be ministerial or other central government officials to be informed and brought in line with the proposal. Beyond ministerial level, relevant Members of Parliament such as Portfolio Committee members of Parliament may be informally consulted and briefed about an issue of a capital nature if that matter may need to be specifically budgeted for at central government.

The main constraint in all this process of decision-making by sub-national governments is that the procedures for managing the process through various levels are not well set out. The result is that even a very good proposal by a sub-national government may die a natural death for lack of motivation at one hierarchical level or another or because certain interested persons were not fully informed of the merit of the decision for their support. It may also turn out that some persons relevant to the decision-making are not sufficiently informed. This may be true, for instance, in situations where different ministries must all contribute to the decision-making effort of the sub-national government. The environment representatives are often the most difficult to persuade. In any case, the most serious challenge in the hierarchical approval of decision-making is that the higher you go in the decision-making process, the more removed you become from the real issues that motivated the decision in the first place. The result is that more and more irrelevance might creep into the process and ultimately defeat the decision.

CHAPTER SEVEN

THE INSTITUTIONAL ENVIRONMENT

7.1 Potentials and Constraints Concerning Sub-national Governments' Initiative and Management

This Chapter assesses the capacity of sub-national governments to effectively undertake their responsibilities and to fulfil their mandates. Various aspects of this subject are examined in the context of the different levels of authority granted to urban local governments and the political setting within which they operate. Data presented in this Chapter was collected from the seven sample authorities selected for purposes of this study.

The post independence period has been one of gradual evolution of sub-national governments. In Swaziland, as in many other countries in the region and the world, decentralisation has been a central theme in various efforts aimed at increasing the efficiency and effectiveness of the public sector. Decentralisation is perceived to be useful means to promote good governance, achieve excellence in service provision and stay in touch with popular aspirations.

In many countries of the region, considerable attention has been paid to institutional development. This has entailed the implementation of measures, the objective of which is to increase the capacity of the public sector to efficiently and effectively deliver services to the public.

A major reform issue in the public sector in general and sub-national governments in particular relates to the improvement of the human resource capacity. The delivery of quality services in an efficient manner is a function of the local governments' human resource strength. Inadequate staffing and/or failure to attract and retain staff due to poor terms and conditions of service can comprise the capacity of sub-national governments to fulfil their mandates, in terms of meeting targets and providing services.

Several other issues have attracted a great deal of attention in institutional strengthening. These include measures aimed at fostering the participation of stakeholders in decision making in a way that promotes good governance and enhances community alliances.

In order to improve their management processes, sub-national governments must routinely examine innovative approaches, including the promotion of public/private partnerships, commercialisation and privatisation. These processes have the potential of enhancing overall effectiveness.

New technologies are increasingly being given attention in institutional strengthening efforts. Information technology provides support to the operations of local governments by facilitating the optimisation of resources, namely: employees and their activities, inventories of materials and equipment, facilities and finances.

Access to financial resources (both public and private) and their effective management are central issues that also determine the capacity of sub-national governments to attain their goals. The lack of access to and control over resources is a major handicap within sub-national governments.

One of the major constraints to achieving the goals of decentralisation within local authorities has been the legal framework. The latter determines the powers and authority of sub-national governments to act. The imposition of tight control by the centre on councils limits their discretionary power, thus undermining local capacity.

Although it is appreciated that capacity is critical to goal attainment within sub-national governments, it should be noted that institutional development measures are not purely a technical process; they are inherently political in nature. Reform measures touch upon many areas of political sensitivity, including those relating to power, leadership and vested interests. Ultimately, the success of reforms is determined by the support of politicians and other stakeholders. In order to understand the complexity of the reform initiatives, it is necessary to analyse them in the context of the political environment.

Against this general background, a number of constraints to sub-national government capacity in Swaziland may be identified.

7.1.1 Financial and Administrative Autonomy

The sub-national governments' management potentials and constraints have to be understood against the backdrop of the underlying aim of the Urban Government Act, 1969. The latter was enacted when emphasis was still on control. Much has changed over the years in terms of policies, practices and structures. The current government policy, as enshrined in the Urban Government Policy, seeks to increase autonomy for sub-national governments in general and city councils in particular. The enabling Act, however, has not kept pace with these changes.

The provisions of the Act do not allow the centre to look at devolution in a systematic and integrated manner. Consequently, the level of control that is exercised by central government is the same for sub-national governments, regardless of the level of authority bestowed on them. The city councils of Mbabane and Manzini have relatively developed administrative systems and have capacities in a wide range of fields. The law, however, does not apparently distinguish between these higher order local authorities and those that are still evolving or are at an embryonic stage in terms of development.

Ministerial approval is required for many of council's actions and decisions. The effects of such constant referrals and approval of decisions are delays in the implementation of policies due to government bureaucracy and red tape. Additionally, many of the policy decisions made by councils are subject to review by the centre and may/or may not be approved.

With the exception of the city councils, which do employ their own staff, local authorities do not have meaningful control over staffing. They do not act as autonomous employers. Consequently, council staffs consist of personnel who have been seconded by the Ministry of Housing and Urban Development and, in the case of the Matsapha Town Board, the Ministry of Enterprise and Employment. The officers who have been seconded in this way essentially have divided loyalties. The officials' "operational" loyalty to the central government and "service" loyalty to council undermines autonomy in terms of decision-making.

Although the Mbabane and Manzini City Councils have a degree of autonomy and hence enjoy the benefit of controlling their own budget, their revenues are insufficient for the maintenance and development of their jurisdictions. As regards the town councils and boards, central government virtually dictates their financial affairs; central government has control

over their budgets, local tax systems and the scope of their revenue bases. The lack of control over budget diminishes the capacity of local authorities to implement projects and programmes. In some cases, these projects and programmes are a government imposition that does not take into account local priorities and aspirations. Councillors, as elected officials and policy-makers, are answerable to their constituencies; however, since central controls do not allow for an independent policy-making framework, councillors find themselves unable to account for policy decisions imposed by central government. This has the effect of undermining local democracy.

7.1.2 Access to Private Finance and Utility Supplies

There is increasing pressure on sub-national governments to obtain loans from commercial banks/institutions. This is true for both city councils and town councils. Access to private finance is determined largely by the councils' credit worthiness and level of authority. Of the sampled local authorities, the Mbabane City Council has had no difficulty in accessing loans from commercial banks. In fact, on many occasions, the council has applied for and received loans from banks. The Manzini City Council seems to have a relatively low capacity to access private capital in the form of loans. This is partly due to its poor record, as evidenced by allegations of financial mismanagement in the past that were a subject of investigation by a commission of inquiry.

Town councils and town boards are disadvantaged in that they lack the powers to raise capital from private sources. Ministerial approval has to be sought for this purpose. This imposes a serious constraint on town councils whose income sources from rates are often inadequate to finance the major costs of service provision.

In general, there is a clear indication that commercial institutions are willing to consider councils' applications for credit and to make business decisions to provide loans or even increase bank overdrafts based on the creditworthiness of the council or on the information which is available (for example, performance record and audit reports). The main constraints are poor creditworthiness and the strict legal provisions.

7.1.3 Capacity to Innovate

The councils exhibit a low capacity to adopt innovative approaches. In the sample authorities, there have been minimal attempts to improve the management process through public/private partnership, contracting out and commercialisation. Evidence, however, indicates that many of the local authorities have widely utilised consultancy as a method of identifying new methods. The reports are seen as important sources of information that can guide decision-making.

The main constraints regarding innovation and implementation of new ideas proposed in studies by consultants relate to the lack of an enabling regulatory and political environment.

7.2 The Sub-national Government Decision-making Process and Adaptability to Local Needs and Conditions

7.2.1 The Political Level

Two types of local authorities have evolved in Swaziland, namely the Tinkhundla and urban local authorities. The former was given effect by the Regional Councils Order, 1978 and the Establishment of Parliament Order, 1978. The latter was established through an Act of Parliament: the Urban Government Act, 1969. On the one hand, the Tinkhundla were seen as local level structures responsible for the provision of services in the rural areas and the promotion of grassroots participation in community projects and programmes. On the other hand, urban authorities were established as administrative entities that exercise power devolved from central government and operate within stipulated jurisdictions. They are legally empowered to execute a number of functions and responsibilities in the areas designated as cities and towns.

The brief discussion below examines the interface between the Tinkhundla system and urban local authorities and the organization, power structures, leadership and competencies within the Tinkhundla.

The Tinkhundla system of government is a political that embraces the notion of non-partisan politics. The architect of the Tinkhundla, King Sobhuza II, introduced the system in 1978, five years following the repeal of the Westminster model independence constitution of 1968. The main justification given for the repeal was that the constitution was not only unworkable but was also bringing into the country alien and undesirable practices. One of these "alien practices" was the conduct of public affairs through political parties, which were seen as divisive. The Tinkhundla system, therefore, negated a political order based on multi-party-ism.

The preferred alternative entailed the establishment of Tinkhundla centres, which, in modern politics, equates to constituencies or councils. Each Tinkhundla consists of a few chiefdoms of between three and six. Today there are fifty-five Tinkhundla centres throughout the country.

The Tinkhundla system has since been defined as a system of both national and local government¹³⁶. This definition presumably sought to clarify whether the Tinkhundla are development centres or local government systems or constituencies designed to facilitate the election of members of parliament. It would appear from this definition that the system embraces all of the above.

The Tinkhundla system is driven from the office of the Deputy Prime Minister (DPM). The country, in addition, has four Regional Administration Offices, each headed by a Regional Administrator (RA) who report to the DPM. The RAs co-ordinate and facilitate the activities of regions, including promoting development and settling intra- and/or inter-regional disputes.

The system's method of operation, from the government's point of view, is that all matters of a social economic and political nature are discussed in the various Tinkhundla. Although individual chiefdoms are at liberty to discuss such matters internally, those matters found to

¹³⁶ Swaziland Government - Tinkhundla System of Government Guidelines, (Government Printer, Mbabane, nd.)

be of common interest to and affect neighbouring chiefdoms are then brought up in the Tinkhundla meeting for deliberation and joint determination.

The coordinator/chairman of such Tinkhundla meetings is the Indvuna/Headman, who is directly elected by the people of that Tinkhundla. This process is expected to expedite the identification of priority projects and the needs of the people residing in rural areas and facilitate the implementation of national government policies and projects at the local level. The chiefs are supposed to play a pivotal role within the Tinkhundla system. They are expected to bring their political weight to bear on the implementation of policies.

Proposed legislation is expected to emanate from the people, in the chiefdoms, where the Bucopho (inner council members) raise issues and then facilitate their debate at the Tinkhundla level. At the latter stage, the MP of that Tinkhundla is expected to get the real feeling of his/her constituency regarding the issues raised at this forum before bringing them up in parliament. To promote accountability, MPs are supposed to report back periodically on national issues discussed in parliament and also consult with and/or receive mandates from the electorate at the Tinkhundla.

As to the link between the Tinkhundla and government ministries/departments, the system seeks to do this through the decentralization of ministry functions. This has been done only to a very limited extent.

The Tinkhundla centres, as the focal points of political and socio economic development, lack the capacity seriously and effectively to undertake the responsibilities entailed in the decentralization process. The major constraints and shortcomings of the system are discussed below:

- (i) As pointed out above, the Tinkhundla system seeks to decentralize government functions. Evidence, however, suggests that there has only been a limited attempt to transfer functions and resources. For instance, birth certificates and passports are now issued at the Tinkhundla centres even though this, in many cases, is not done on a permanent basis; officials make visits to the Tinkhundla on specified dates to provide the services.
- (ii) The capacity within the Tinkhundla is seriously lacking because the financial resources needed to finance projects/services are lacking. There has also been no transfer of personnel on a permanent basis, partly due to the absence of physical structures. As local government systems, the Tinkhundla have no means of generating revenue for funding development projects. Two years ago, in an effort to revitalize these structures, the government decided to allocate money from the central government budget to each Tinkhundla. The only source of revenue available to these institutions, to date, is that of central grants; these presently stand at E70,000 per Tinkhundla; Needless to say that this amount is insufficient for the purpose of carrying out major development projects or providing adequate services in rural communities.
- (iii) When the system was introduced in 1978, arguably on an "experimental" basis, there was little attempt to define in precise terms how the system ought to operate. Consequently, it was poorly understood not only by the chiefs, but also by government officials and the public. The chiefs, for instance, have not identified their

exact roles in the system, and they (chiefs) are well known to resent the intrusion into or interference in their domestic affairs by "outsiders". The appointment of an Indvuna (Headman) to each Tinkhundla implied a diminution of the authority of the chiefs. The latter see themselves as subordinates only to the king. Moreover, chiefs have their own local conflicts over resources such as land (territorial claims) and financial resources to fund new projects. These conflicts tend to undermine efforts to get them to work collaboratively as partners in development. The success of the Tinkhundla system, therefore, has been hampered by the lack of a clear definition of goals, the failure to articulate how the system ought to work and how the different actors, (civil servants, chiefs, regional administrators and Tindvuna) fit together in an integrated structure of regional and local administration.

- (iv) As a system of national government, the Tinkhundla tends to lack political vibrancy, and there is insufficient accountability on the part of elected MPs. An indication of this is that, other than the averagely attended election meetings, there are very few meetings held after elections to discuss political or developmental issues pertaining to a Tinkhundla or the national government. This has had the effect of undermining grassroots' democracy and the principles of good governance. This is evidenced by the fact that most, if not all, bills in parliament are sponsored by ministries with little input from the Tinkhundla. The vibrancy that normally characterises political discourse in a democratic political order is often lacking. The campaigns by aspiring MPs during the election period do not promote an active debate on national issues; such debates have tended to focus on sub-national issues. This has had the negative effect of creating the impression that MPs are principally Tinkhundla development officers, as opposed to legislators.

The philosophy underpinning the Tinkhundla system, however, has had an effect on the operations of urban sub-national governments. It may be argued that local authorities take their cue from national politics in many respects. The foregoing point introduces an important link between national and sub-national government in urban areas. At the national level, a practice has been institutionalised whereby a given number of MPs are directly elected, and others are appointed. Such appointments are known as "kubulawa" (to be entrusted with a heavy responsibility).

The practice referred to above has been embraced in urban local government. The elections procedure for sub-national government provides for both elected and appointed officials. The minister appoints a stipulated number of councillors, who may theoretically help bring in relevant expertise and experience as well as introduce a balance in the representation of the various stakeholders. The city councils have sixteen councillors each, twelve elected by the residents of the cities and four appointed by the minister. The town councils have eight members, six elected and two appointed by the minister. The town boards have five members, four elected and one appointed. The Matsapha Town Board has six members, all appointed by the minister.

In the past, this system of appointment worked well at both levels of government, as there existed only a limited pool from which the choice could be made. The other factor was that the public's understanding of issues and the basis on which policy decisions were made was very limited. The same cannot be said today, as the level of awareness has significantly increased due to higher educational attainment, unionism and globalisation. At the national level, if not the local government level as well, the nominated or appointed officials find that

they are increasingly marginalized since they do not represent any constituencies. There has been a tendency for people to draw a clear distinction between elected officials and appointed ones. In some cases within councils, the appointees are misunderstood, perceived to be pre-occupied with their own political agendas and/or thought to bring external influence into the operations of councils. This has tended to create tensions and has the potential of undermining the operations of council.

The structure of regional administration is essentially a parallel system of local government. The relationship between the Tinkhundla system and urban local government has not been clearly spelled out. The regional administrators have no discernable role in urban local government matters, even though their offices are located in the major cities and towns.

Figure 7.1 Structure of Central and Local Government



The People of Swaziland

Figure 7.1 depicts the structure of and interfaces between central government, local government and regional administration. At the bottom of regional administration is the chief and his council. Chiefs perform a number of functions (political, economic, and judicial) within their chiefdoms, without pay and only salutary recognition by the central government. Above the chiefs are the Tinkhundla Committees. The chairman (Indvuna or Headman) and committee members get a sitting allowance from central government. Above the Tinkhundla is the Regional Administration in which the Regional Administrator and his staff are salaried public servants. This structure supports the political organization of Swaziland. Some of the Tinkhundla have overlapping jurisdiction and responsibility with urban local authorities. However, so far no, clear modus operandi has been developed between city/town councils and the Tinkhundla or, for that matter, between the urban local councils and the office of the regional administrator.

An analysis of the power relations within the Tinkhundla indicates that in practice the chiefs are not necessarily subordinate officials within this framework. Whereas there might be a lack of clarity as to who is more powerful between the elected MPs and the elected Indvuna, the chiefs certainly are not subordinate to the elected MPs or Indvuna. The chiefs report directly to the king, and only the latter is more powerful than they are. The implication of this is that even the regional administrators who head the structure do not have authority over the chiefs.

Constraints to the Non-implementation of the Upgrading of the Tinkhundla to a more Comprehensive Local Government System

A Tinkhundla review commission,¹³⁷ appointed by the king in 1992, recommended that the Tinkhundla centres be formally constituted as local authorities with enhanced powers and responsibilities. This, up to now, has not been done.

Since 1998, central grants have been the key element of the more recent approaches to increasing the level and quality of services within the Tinkhundla. In view of the inadequacy of these grants (E70,000 per Tinkhundla), very little has been accomplished in relation to infrastructure and service provision in these communities.

The idea of substantially increasing the budget allocation to the 55 Tinkhundla appears quite difficult to operationalise in the short-term to medium term, given existing financial constraints at the national level and competing national priorities. There is a government budget deficit, stemming from the escalation of expenditures in more recent years. It was noted in the National Development Strategy (p34) that there has been an outcry that government has neglected rural areas (and by extension the Tinkhundla) in favour of urban areas.

Using the government budget as a yardstick (where the budget is seen as a political process through which choices are made and scarce resources allocated as efficiently as possible between competing uses to advance national objectives) the upgrading of the Tinkhundla has yet to be placed at the top of the agenda. The urban bias in terms of expenditure has persisted in spite of the growing calls (by elected MPs, among others) urging government to vary the pattern of expenditure in favour of their constituencies (i.e. the Tinkhundla in rural areas).

The urban bias may be viewed against the background of two issues. Firstly, the budgeting process in Swaziland is largely the domain of professionals. In their spending decisions, technocrats tend to apply purely economic criteria; they look for evidence that the spending units (cost centres) will be able to absorb the resources or that the capacity exists for their efficient and effective utilization. As regards the Tinkhundla, the capacity, in terms of qualified personnel, is clearly lacking. In addition, there is limited accountability in terms of the way resources are spent. This represents a serious handicap, which, unless remedial action is taken, is bound to limit the amount of resources that can be disbursed to the Tinkhundla.

Secondly, the urban bias may be viewed against the backdrop of country's income base. This point may be clearly understood when it is considered that, to date, the bulk of income for central government is derived from taxes of various kinds: income tax, corporation tax, and trade taxes. These taxes are clearly urban centred. As it stands, much of the rural income escapes the tax net. The option of changing the tax regime to capture all forms of income in rural areas, in order to increase net revenue for central government, thus opening up the possibility of increasing grant aid to the Tinkhundla, is neither feasible nor politically expedient now. In the past, rural people resisted attempts to get them to pay for public services. As an illustration, the policy adopted by the Ministry of Agriculture to charge for cattle dipping chemicals proved to be very unpopular among the cattle owners in rural areas, and it was fiercely resisted.

Perhaps, an even more significant constraint concerning the mobilization of economic resources for the Tinkhundla is the system of land ownership. The question may be posed: what are the prospects of generating income within the Tinkhundla through property taxes? It

¹³⁷ For details on the Commission, see ch.6, p.20.

will be noted that rural land is principally in the form of Swazi National Land (SNL). Typically, such land is not serviced or developed by government and lacks infrastructure. Furthermore, rural dwellers, do not own the land on which they live, since SNL cannot be bought or sold. They only have access to the land, which is owned by the nation, held in trust by the king and distributed by chiefs using their own discretion. Effectively, it is not possible to attach any value to SNL or to the improvements made thereto. Simply put, it is impossible to determine the rental value, capital value or property value of the physical assets in the rural areas. By contrast, such values are widely used in the urban areas as the basis for local rating.

This is quite apart from the economic reality that some of the Tinkhundla are essentially marginal communities, in terms of development. They are areas of low income, both in relative and absolute terms. This is evidenced by the many houses of little value, built of mud and stick, which dominate vast hinterlands.

From the foregoing analysis, it is evident that, in the absence of corresponding reforms or changes in the system of land ownership, it would be impossible to determine the rateable value of property within the Tinkhundla. In addition, in view of the low levels of income and the lack of infrastructure in rural areas, it would be difficult to justify rates on all properties e.g. on the basis of the benefit principle and the ability to pay principle.

The picture that emerges from the above assessment reveals quite clearly that reforms - especially those which touch upon issues of land ownership, distribution and security - are a precondition for the introduction of local taxes in rural areas, as part of the whole process of upgrading the Tinkhundla to a more comprehensive system of local government.

The National Development Strategy 1998 (pg.37) points to the necessity for upgrading the Tinkhundla and defining as well as formalising property rights. This report (p38) also envisaged a situation whereby the communities themselves will recommend how local authorities, particularly Tinkhundla, chiefs and local councils can be reformed to make them more accountable and responsive to local needs.

The present system of government, Tinkhundla is not immune to change. Indeed, it is constantly being assailed by the forces of change. One of the major developments in recent years, pertaining to the political context and therefore the external environment of sub-national governments, has been the movement towards the establishment of civic organizations. Today, a number of these organizations exist, representing and articulating the interests of various stakeholders. Their formation, including the re-emergence of political parties (despite the 1973 decree which bans political parties), is reflective of the social and political changes taking place in the country and the general drift towards political and social transformation. Civic groups influence policy and provide important checks on the exercise of power by those in government.

Against this background, the past few years have also seen the gradual mobilization of ratepayers and the formation of ratepayers' associations. The most prominent of the ratepayers associations is the Manzini Ratepayers Association (MAJORA). The mobilization of ratepayers represents both a challenge and an opportunity. It is a challenge to the extent that the change that is taking place, if not properly managed, can have a devastating effect on the operations of councils. As an illustration, the decision by MAJORA to withhold the direct payment of rates to council, in protest against alleged financial irregularities within council, inflicted a major blow to the city council's ability to function. At the same time, ratepayers

associations offer a new opportunity, in that they (associations) have the potential of being viable and dynamic civic organizations, which represent and articulate the genuine interests and aspirations of local communities and serve as a vehicle for the resolution of conflicts between councils and ratepayers.

7.2.2 The Management level

The culture of innovation and experimentation has not yet taken root in sub-national governments. The prevailing culture in the sample authorities emphasizes routine and conformity rather than innovative and experimental approaches to problem solving. In those cases, where problems are particularly serious, innovative ideas are viewed with suspicion and scepticism. Consequently, such ideas are simply noted, but never adopted for implementation. Evidently, the prevailing culture imposes serious constraints on managerial action and is a source of great frustration, especially to the young, highly qualified staff that would like to be given the opportunity to be creative and innovative.

The capacity of the sub-national governments to routinely adopt innovative approaches is influenced largely by the nature of the regulative and legislative environment and the quality of the human resources at its disposal, especially in the key policy making positions.

In order to have minimal conflict between politicians and administrative officials, their respective roles need to be clarified. As a matter of tradition, there exists an institutional dichotomy between policy and administration, implying a separation of roles between elected officials and administrative officials. The former are expected to formulate policy and the latter to implement the decisions. Thus, in sub-national governments, councillors are responsible for shaping the form and content of policy decisions, and, where necessary, they receive expert advice from the professional staff. The implementation of the policy remains the prerogative of the administrators/managers. In the sample authorities, city councils and town councils, evidence revealed that the distinction between policy formulation and policy implementation tends to break down, resulting in problems in the working relationship between councillors and professionals. None of the authorities reported a smooth relationship between councillors and administrators. This problem is attributable to two factors: the legal framework and the calibre of the councillors.

The legal framework fosters a superior-subordinate relationship between the councillors and management personnel. The councillors are placed in a position of superiority; they are the employers who are ultimately accountable to the people. It is not uncommon, therefore, for councillors to overstep their area of jurisdiction and become involved in matters of day-to-day administration. Councils reported a general tendency for councillors to become too deeply involved in administrative and professional matters, to the extent that this compromised the ability of professional staff to innovate and carry out their management functions efficiently.

As regards the calibre and quality of councillors, the general problem appears to be the low level of educational attainment or their lack of experience in the running of local government. The question of minimum educational attainment and relevant experience is of critical importance in councils. The quality of the policy decisions and therefore the effectiveness of councils cannot be divorced from the calibre of the elected officials themselves.

In connection with the foregoing, there does not appear to be any significant difference between the two city councils and the town councils. The councillors' training and experience is rarely sufficient to facilitate a comprehensive understanding of the often-complex problems that councils have to deal with on a daily basis.

The gaps in knowledge and experience, theoretically, may be filled through the appointment by the minister of officials who have the requisite qualifications and experience.. However, this practice has had limited success. In fact, in some cases such appointments have contributed to the problem rather than the solution.

As alluded to above, the relationship between councillors and professional council staff is less than satisfactory. The same is true of the relationship among the councillors themselves in some of the councils.

The effectiveness of councils depends on good, harmonious relations between the councillors and officials and among the councillors themselves. There are dangers associated with poor relations between council officials. Antagonisms can result in council members taking decisions that have far-reaching consequences without the advantage of professional advice. Alternatively, the staff may not enthusiastically contribute their skills and expert advice. Where there are antagonisms among the council members themselves, this may have a devastating impact on the effectiveness of a council as whole. It is in such cases that the central government may find itself with no choice but to intervene in the affairs of council.

Apart from the induction process, it has been found that very little has been done in terms of local authority training to increase the competences of councillors and to foster good, harmonious working relationships and partnerships within councils. There is a need to build closer, but clearly defined partnerships between council officials so that they may work together collaboratively in making councils more efficient and effective.

7.3 Potentials of Councils' Managerial Approach in Relation to the Constraints of the Regulatory Environment

Councils, like central government, are charged with service delivery. In order to deliver quality services effectively, they must have adequate strength in terms of human resources. Councils have varying administrative capacities. Their ability to attract comprehensive manpower resources and their strengths in term of numbers, educational qualification and training needs are discussed in detail below, with reference to the sample authorities.

The two city councils of Mbabane and Manzini have a degree of autonomy in relation to staff recruitment. Notwithstanding the shortages in the specified departments as indicated below, the city councils have succeeded in attracting a large number of local staff with the requisite skills, qualifications and experience. Both city councils have established Human Resource Departments with the responsibility of discharging a number of personnel functions. The personnel functions discharged by city councils include; staff recruitment, training, employee appraisal, grievance handling and discipline.

Town councils lack capacity in this regard. They have the authority to recruit and deploy staff; however, they have limited capacity to exercise this authority. The employment packages town councils offer are not competitive enough to enable them to attract and retain

staff with the required skills, qualifications and experience. Consequently, some of the officials have to be seconded by central government.

Town boards do not have the authority to recruit their own staff. The local authorities that have been declared town boards are supported by central government in terms of personnel and general capacity.

Below we highlight the established positions within the sample local councils and analyse their administrative capacity.

7.3.1 Manzini City Council

Office of the Town Clerk/CEO: The functions and responsibilities of the CEO are not in any way different from those of similar positions and/or offices elsewhere; hence it addresses issues of general management, strategic planning and leadership, public relations, internal audit, transport management and Council matters. Similarly and like equivalent offices in other local authorities, the Office of the City Secretary or Clerk to Council is responsible for legal, estate and registry functions, including minutes of meetings and records of Council.

Finance/Office of the City Treasurer: The Finance Department of the MCC, like its counterparts in other municipalities, is responsible for all financial matters relating to revenue/debt collection, expenditure, rates and service charges, the Council budget, including financial control, management and planning.

The Department of Human Resources: This is a relatively recent creation and is responsible for all aspects of personnel management, training and development, employee health and safety, employee benefits and records as well as industrial relations. The establishment of the Human Resources Department, coming as it did rather late in the history of the MCC and as an essential component of an internally induced restructuring programme, is testimony to the importance the Council attaches to the effective use and management of its human resources.

City Engineering Services Department (CES): The City Engineering Services Department, like similar departments in other municipalities, is responsible for ISP. This includes the development and maintenance of municipal parks, gardens, cemeteries, sports and recreational facilities, grass and tree cutting, the provision and maintenance of mechanical and electrical services, city development planning, building inspection and street lighting. The Department is tasked with the implementation of the World Bank-financed Urban Development Project, the objective of which were discussed earlier in this Chapter.

Department of Environmental Health (DEH): The functions of the DEH are to administer the Public Health Act and all other relevant legislation, the objective of which is the promotion and conservation of health; to advise the Council and urban community on matters relation to public health; to prevent and limit infections and other diseases in the Manzini urban area. These and related functions, which centre around taking such steps as may be necessary or desirable to promote the effective implementation and co-ordination of measures and policies conducive to the public health of the urban community, include health inspection, laboratory, street cleaning, pound, solid waste collection and disposal.

The City Council of Manzini has attracted a number of highly qualified professional staff and/or those with relevant experience in the different departments. In the recruitment process,

it would appear, an attempt is made to fill the positions - from the CEO to the lowest levels - with people who have at least the minimum qualifications. There are a number of positions, however, which have not been filled. From the table (inventory of staff) it is clear that there is a need to recruit some 17 key personnel. Some of these positions are more critical than others, as highlighted below from information provided by department heads.

The CEO's department has a full complement and there is no vacancy. The Legal/Clerk to Council has two vacancies of legal assistants, with minimum qualifications of BA in Law. Both positions are priorities. The City Treasurer's Office has two vacancies, one of which is MIS Officer and the other being the Deputy City Treasurer. Both positions are of priority, and the former position was in the process of being filled at the time this Study was conducted.

Vacant positions in the Human Resources Department are those of IR Officer and Training Officer. The City Engineering Department has a number of branches, and within this department, there are several vacancies. The Planning and Development branch has four vacancies; two of these are priorities. Other vacancies are in the Parks branch and Public Works.

The Health Department has only two members of staff. This department can be said to be operating at the absolute minimum; the town centre of Manzini, it was reported, cannot possibly be covered by the existing number of inspectors in the department. There is also the added problem of limited resources at the disposal of the department to effectively undertake the inspections e.g. transport, and cold storage facilities.

The appointment of a CEO on a contract basis has both costs and benefits. The cost is that the position has since been de-localized. The benefit of this however, is that, the appointment of an expatriate helps bring in the expertise and experience that is lacking within the country, given that local government administration in Swaziland is a relatively new phenomenon.

Table 7.1: Staff Inventory for the Manzini City Council

Department	No. of Staff	Vacancies	Remarks
1. Town Clerk/CEO	5		
2. Clerk to Council	5	2	Legal Assistants
3. City Treasurer	18	2	MIS Dept. City Treasurer
4. Health Department	10	2	
5. City Engineering	5	-	
6. Human Resources Department	3	2	
7. City Planning Department	6	4	
8. Mechanical Workshop			
9. Public Works	6	2	
10. Parks and Cemeteries	4	1	
11. Laboratory Technology	1		
12. Public Health Nursing		1	
	1	1	
	2	-	
Total	66	17	

7.3.2 Mbabane City Council

Office of the CEO: The Chief Executive Office maintains overall administrative responsibility for managing the corporate affairs of the City, ensuring: the accomplishment of organizational goals and objectives, the provision of quality services based on effectiveness and efficiency, the effective dissemination of information and the efficient management of Council assets and/or property.

Department of the City Secretary (DCS): The DCS is responsible for the provision of legal and secretarial services to the Council, including line departments, the maintenance of the valuation roll, enforcement of law within the City, the provision of security and the safe keeping of the municipality's records and documents.

Finance Department: Finance is one of the most important departments of the Council, responsible for the management of funds (the collection and disbursement of revenue); the maintenance of accurate records to enable the production of reliable management and financial information; and the maintenance of appropriate systems, controls and procedures that are in concert with statutory provisions.

Human Resources Department (HRD): In conformity with the conviction that the human resources of any organization are its greatest asset, the HRD is responsible for the entire spectrum of human resources management. This involves, inter alia, recruitment and selection, training and employee development, discipline, welfare and safety, the maintenance of employee records and public and industrial relations.

Public Works and Engineering Services (PWES): Largely responsible for infrastructure service provision, the PWES Department focuses on the development and maintenance of the MCC physical infrastructure and road network, provides and maintains services with regard to cemeteries, grass and tree-cutting, parks, gardens and street lights, buildings and plans within municipal boundaries.

Department of Environmental Health (DEH): The major responsibilities of the DEH are the promotion of health and the prevention of communicable diseases within the Mbabane urban area. One of the most important divisions of the DEH is the environmental health inspectorate, which provides such critical services as refuse collection and disposal, street cleaning, malaria and rabies control. The inspectorate monitors and enforces statutory hygiene standards in restaurants, butcheries and bakeries, including the inspection of public places of assembly such as schools, hospitals, hotels, markets, etc., to ascertain their suitability for human habitation.

Department of Planning and Community Development (DPCD): Responsible for general community outreach activities and development functions, the DPCD plans and controls the City's physical development through considering applications for the development and use of land within municipal boundaries. In addition, the Department offers technical advice to the public, government and other service providers with regard to land, its use and development. These and related functions have assumed greater importance in recent years, given the rapid nature of urbanization and the phenomenal increase in the urban population.

The City Council of Mbabane has mobilized well-qualified staff personnel, and most departments are adequately staffed. The exception is the Human Resource Department, which

is operating at low capacity. The HR department has three established positions: the Director of Human Resources, Personal Secretary and Paymaster.

The vacant posts are that of the Director of Human Resources and Paymaster; the latter was in the process of being filled when the Study was undertaken. The Personal Secretary is the acting Director of Human Resources.

Table 7.2: Sub-national Staff Inventory for the Mbabane City Council

DEPARTMENT	NO. OF STAFF VACANCIES	
Local/City Secretary	8	1
Finance	12	Nil
Planning	7	Nil
Works	11	3
CEO	14	Nil
Health	12	1
Human Resources	3	2
	67	7

As regards the capacity to attract human resources with the required skills/qualifications, the two city councils offer competitive packages in terms of wages, salaries and conditions of service. The wage/salary structure is above the average, and this is complemented by a wide range of benefits.

The benefits provided by councils to employees include: car allowances, housing loan schemes, medical schemes, training and the normal legally required benefits.

7.3.3 Selection Procedure - CEO

In both city councils, the vacant position of CEO is advertised widely in the press. The advertisement must set out the qualification requirements, job description and salary scale. The applications are scrutinized by council, with the aim of producing a shortlist of candidates who are suitable and a second list of those who are considered unsuitable.

Council decides which candidates will be considered for interview. After considering all relevant information available to it and interviewing all candidates invited and appearing for interview, council selects for appointment the candidate whom it considers most suitable to fill the vacancy. The council is empowered to commission a consultant to carry out the selection process on its behalf.

The name of the candidate who has been selected to fill the position of CEO is then forwarded to the Ministry of Housing and Urban Development for approval.

In the Manzini City Council, the department structure has post designations established in 1961, i.e. City Treasurer, Chief Health Inspector, etc. By comparison, the Mbabane City Council has designated these posts as Director of Environment Health, Director of Finance, etc. The designations applied in Mbabane appear to be well descriptive of the present day duties.

The Manzini City Council has recruited an expatriate for the post of CEO. The current incumbent is appointed on a contractual basis; previous recruitment was on a permanent basis.

7.3.4 Town Councils and Boards

Whereas the two cities are more or less adequately staffed for the task of managing the cities, the situation is not so encouraging in the town councils and town boards. The problem with these local authorities is that they have recently been upgraded from town boards or newly declared as urban areas. Consequently, town councils and town boards display limited administrative capacity in virtually all fields. They are run by skeleton staff, who themselves are seconded from the parent ministry. Staffs include a town clerk and a handful of junior clerical staff. All town clerks have been in office five years or less and most are young persons, with Pigg's Peak boasting probably the first female town clerk in the history of Swaziland. In Nhlanguano, the position of Town Clerk was in the process of being filled at the time of this Study. The council has the position of Senior Township Assistant, who is on secondment, and responsible for township engineering. He was also acting in the absence of the C.E.O. The Treasurer and Accounts Clerk are responsible for the control and management of the council's finances.

The Nhlanguano Town Council has two specialized committees, namely, the Finance Committee (FC) and the Infrastructure and Planning Committee (IPC), each of which has three members drawn from Council. The Finance Committee's main responsibilities are to monitor the activities and functions of the Accounts Section and implement financial and tender regulations, including the authorization of expenditure. Responsibility for the management and control of the budget, as is the case with all local authorities and based on the provisions of the Local Government Act (1969), rests with the Ministry for Housing and Urban Development. The Infrastructure and Planning Committee is responsible for overseeing ISP and, in particular, the rezoning and sub-division of urban property and the approval of building plans. These and other related functions are executed in consultation with the Department of Townships Administration of the Ministry for Housing and Urban Development.

The Town Council of Siteki shares similar administrative structures. The administrative complement comprises a Town Clerk. Reporting directly to the Town Clerk and under his control and/or supervision are the Accounts Section and the Infrastructure Maintenance Section; these are headed by the Financial Controller and Foreman, respectively. These sections, as well as staff within them, rely heavily on expertise provided by the central government, an indication that the Siteki Town Council, like Nhlanguano, has not yet developed sufficient administrative capacity to take full responsibility for the management of local government affairs.

Within the Siteki Town Council, the Finance Committee and the Public Works Committee perform identical functions and responsibilities as their counterparts in the Nhlanguano Town Council. These functions centre on the administration of the Rating Act and the Urban Financial Regulations by the Finance Committee and the administration of the Buildings Act, the Public Health Act and the Urban Government Regulations by the Public Works Committee.

Lavumisa is one of the least developed municipalities whose administrative and other affairs are managed and co-ordinated, on a trustee basis, by the Nhlanguano Town Council in collaboration with the Ministry for Housing and Urban Development. Notwithstanding such a status, Lavumisa has a popularly elected Board with five members, one of which is a

ministerial nominee. In addition, it has a Town Clerk and small complement of ten employees (labourers) who are all civil servants in the payroll of the controlling ministry. Because of its trusteeship status, the Town Board does not have statutory committees such as those of Finance and Public Works.

Only the Matsapha Town Board seems to have a relatively strong management. Here the chairman of the Board is the Principal Secretary in the Ministry of Enterprise and Employment. It also has a Township Engineer. The board depends naturally on the technical staff of the Ministry of Enterprise. The Principal Secretary of the Ministry of Housing and Urban Development serves as a deputy chairman to the Board. The clerk to the board is the Assistant Industrial Officer of the Enterprise ministry.

The impression gained during this Study, and even admitted in some cases, is that capacity on the ground is lacking. Both town boards are an extension of the central government and largely depend on government technical assistance for the management of their towns. The consequence of this is that initiative seems to be somewhat lacking on the part of the town councils and boards. They are in a very weak position to carry out the mandate of providing services and/or implementing development policies within their jurisdiction in an effective and efficient manner.

Table 7.3

	Town Clerk	Finance	Township Engineering	Secretary
Nhlangano	1	1	1	1
Siteki	1	2	2	1
Matsapa	-	-	1	1
Lavumisa	1	-	-	-

The Ministry of Housing and Urban Development does influence the level of salary and other payments within councils. Since many of the key officials who hold key positions within town councils and town boards are seconded by central government, the latter pays their salaries e.g. the salary of the clerk in the Lavumisa Town Board is paid by the central government. Similarly, in the event that councils decide to review the salary structure, the parent ministry will be involved in the process. Accordingly, the Mbabane City Council, for example, will employ the services of a consultant to carry out the salary review. The report of the consultant and its recommendations will then be submitted to the Ministry of H.U.D. for approval. In this way, the Ministry exercises control over the level of salaries and other payments within councils.

7.4 Potential and Actual Introduction of New Methods and Information Technology in Management

There is a marked difference between city councils, town councils, and town boards in terms of the introduction of information technology (IT) in management.

Over the years, the city councils have built a sizable database that has been quite useful in management decision-making. In both Mbabane and Manzini, management information systems (MIS) are used to support the administrative process and improve the quality of decisions in a variety of functions.

In Mbabane, for instance, the council has three file servers, which host the central system. One server is used for the financial systems, including: billing, receipting, managing debtors and creditors, stores, assets and general ledger. The second server hosts the data bases e.g. Geographical Information Systems. The third one is a mail server used for internal and external communication. The Mbabane City Council, however, is not able to share information with other councils since the latter lack the information systems. Only the Manzini City Council has a similarly developed management information system. The functions that are carried out by MIS are very much the same in both city councils.

The Town Councils of Nhlanguano and Siteki, on the other hand, reported a limited use of information technology due to financial constraints. Under the circumstances, the available equipment is allocated to those units that require computers for day-to-day use e.g. the billing section and administrative section, where they are used for basic functions such as billing, word processing and records. However, information technology is not used to improve the expediency and quality of decision-making. It is also not used to facilitate the sharing of data by networking information or to facilitate prompt response to change in circumstances.

The Table below summarizes the data on the actual number of computers possessed by the sample local authorities.

Table 7.4

S.N.G City councils Town council Town Boards	File Servers	Personal Computers	Others Computers for (Accounting and Administration)	TOTAL
MBABANE	3	52	N/A	55
MANZINI	1	32	N/A	33
NHLANGANO	-	-	2	2
SITEKI	-	-	2	2
MATSAPA	-	-	2	2
LAVUMISA	-	-	1	1

7.4.1 Training

Councils exhibit varying capacities to meet the training needs of council employees. City Councils have more comprehensive procedures and programmes of training. In both Manzini and Mbabane, there are terms and conditions of service that contain provisions on training and employee development. Town councils and town boards are disadvantaged in this regard, because there is a lack of a comprehensive policy or programme for the improvement of the technical management capacity via training. This problem stems partly from the fact that many of the council employees holding responsibilities are on secondment from central government.

The Study revealed shortfalls in skill levels that can be filled through training. Council employees do receive opportunities to attend training programmes for upgrading their skills i.e., employee development. There are training budgets that enable council to finance the costs of training. Such training includes courses that are sponsored by the council, offered by training/academic institutions, seminars and workshops. An employee wishing to take a course connected with his occupation receives a refund of the cost of his student fees or has his student fees paid on his behalf by the council, subject to the conditions set out in the staff standing orders.

However, the main constraint for town councils is that training opportunities are inadequate since the training of staff on secondment depended on government training programmes. Such training becomes available in an erratic manner due to the absence of a coordinated training policy in central government and dwindling donor support.

7.4.2 Strategic Planning

The major way in which local authorities in Swaziland have sought to improve their management processes has been through strategic planning. In both the City Councils of Manzini and Mbabane, strategic plans have been formulated. As part of the strategic planning process, a number of projects and programmes have been developed. In Mbabane, four strategic directions/alternatives were identified: broadening sources of revenue to increase total revenues without overburdening any source; ensuring the timely passage of the 1995 Urban Government Bill; reducing crime by at least 20% from 1998 levels by 2002; and institutionalising quality customer service.

In Manzini, similarly, the council adopted as a strategic planning objective a restructuring exercise whose focus was the reorganization or review of councils' human resources for improved service delivery and optimal utilisation of limited resources. Strategic planning has been carried out also in the town councils, mainly as a directive from central government. Projects and programmes have been developed because of this process.

The Nhlanguano Town Council has short-, medium- and long-term objectives. These objectives are enshrined in the strategic plan. Short-term objectives include the repair of existing streetlights, pavement of sidewalks, improvement of and fencing of dumping site, provision of information signs at all critical areas in town, enhanced community participation and improved team spirit. Medium-term objectives are the tarring of all streets in the Nhlanguano urban area, the installation of streetlights, construction of new roads, renovation of the abattoir, and the extension of the existing market. Long-term objectives include building of a community centre (hall, sports, education, etc.), building of a shopping complex for town council, and the extension of the urban boundaries. Some of these objectives have been achieved, but most are yet to be achieved by the local council, especially the long-term objectives requiring massive resources.

The Lavumisa Town Board, similarly, has formulated short-term, medium-term and long-term plans. Short term objectives include street lighting, clean adequate water and provision of recreation facilities. Medium-term objectives are the development of the township in Lavumisa and the upgrading of roads infrastructure in the business area. Long-term objectives include the development of a Nature Reserve near the Jozini dam and the development of a site for a slaughterhouse.

In addition to strategic planning, efforts have been made by councils, albeit on a limited basis, to examine other innovative approaches to improving the management process and/or enhancing service delivery through privatisation and public/private partnerships.

7.4.3 Private Sector Involvement

The existing legislation does not bar councils from privatising services. Where a private company exists and shows that it can provide a service better than council, the councils are

willing to privatise. The exceptions were with respect to those services that, because of the level of technological development in the country, cannot possibly be privatised; for example, the bus ranks. In the city councils, a variety of services have been privatised (e.g. abattoirs, ponds, etc.). As regards public/private partnerships, councils - especially the city councils - have engaged in commercial undertakings in collaboration with the private sector. Councils entered into such ventures using the land assets at their disposal, and there is keen interest to explore further partnerships. In Manzini, attempts were underway to secure a strategic partner when this Study was undertaken.

The major perceived constraints to increased privatisation and public/private partnerships include the following:

- Unions generally have not been supportive of the privatisation of services because of the perceived social and economic costs/implications.
- Privatisation resulted in the escalation of prices, thus adding to the costs borne by ratepayers.
- There have been difficulties relating to the supervision of the private companies to ensure that minimum standards are upheld. (e.g. of hygienic standards in the abattoirs).
- As regards public/private commercial ventures, these tended to be minimal. The major constraint that was cited was the requirement that such business undertakings be approved by central government (the government retains the right to withhold such approval). Political decisions reduce the chances that such business undertakings would see the light of day. In Mbabane, for example, a major joint venture proposal between the city council and a private company was vetoed by the central government.
- In the town councils, Siteki and Nhlengano, business activity for many years did not justify large-scale investment by the private sector because the local economies were in decline. However, prospects in Siteki may now have improved, with the implementation of new projects as part of the Lebombo spatial development programme.

7.5 Technical Management Capabilities in relation to Infrastructure and Service Provision

The picture that emerges regarding technical capabilities shows that the two city councils of Mbabane and Manzini possess a relatively strong capacity. The city councils, as illustrated in the staff inventory tables above and the table below, have fairly large staff complements in many departments, including city engineering (Manzini), Works (Mbabane), and city planning (both councils).

Table 7.5: Established Positions for Technical Staff in the Mbabane and Manzini City Councils

Section City	Mbabane	Manzini
Works/City Engineering	11	5
Planning	7	6
Total	18	11

City councils, as discussed above in Section 7.3, are empowered to recruit their own staff and are able to offer competitive terms and conditions of service. They are, therefore, in a strong

position to recruit, deploy and retain staff in key positions, including the technical management sections.

The qualifications held by staff in the technical departments are quite satisfactory, and this is attributable to both councils' policy of matching positions with people who possess the necessary qualifications and their practice of investing in training for employee development.

As an illustration, the qualifications held include university degrees in engineering, diploma qualifications in engineering, mechanical engineering certificates, trade test certificates, etc.

However, the picture is radically different in the town councils and town boards. There the technical departments are inadequately staffed, and the same is true for other departments.

In Nhlanguano, for instance, there is just one senior Township Assistant, who was also acting CEO. In Siteki, below the Town Clerk level, a Foreman heads the construction section and has a certificate in construction. The town councils do not have permanent engineers and town planners. Due to these serious shortages in the technical division, the Ministry of Housing and Urban Development has had to provide technical support by seconding officials to the town councils and town boards. The senior Technical Assistant in Nhlanguano is on secondment, and, in Siteki, an engineer/technician is seconded by the Ministry only twice a week. The implication of the serious shortages of technical staff at the town council and board levels is that the functions associated with the planning, construction and maintenance of public services and utilities are inadequately carried out in these sub-national governments.

As well as having the ability to recruit and deploy staff, city councils also have the power to retrench staff in accordance with their staffing requirements. Although this power has been exercised in the past, at the time of this Study councils had no immediate plans to retrench staff or employees. Councils maintained the view that other strategies could be used to reduce staffing levels when the need arose. The presence of unions that oppose retrenchment was also a restricting influence. In general, there was no pressure to reduce staffing levels within the councils.

As regards training and employee development, the city councils have more systematic procedures/programmes. In Mbabane for instance, the City Council's terms and conditions of service provide that council employees may be granted leave with pay to attend training programmes, for purposes of career development. These may be training activities sponsored by council, courses offered by training/academic institutions, seminars or workshops. In town councils/boards, however, there are no comprehensive training programmes for the improvement of the technical management capacity or that of the other sections because these employees are on secondment from central government.

7.6 Financial Management Capacities within Sub-national Governments

Sub-national government revenues cover the day-to-day costs of running existing services. The revenues come from three main sources: local rates, grants/subventions and other sources (miscellaneous).

The city councils, town councils and town boards receive central government grants. Councils prepare their budget based on the revenue they expect to receive in terms of grants. The councils' budget estimates are presented to the parent ministry and processed through the

normal government budget cycle; this process includes review by the parent ministry, Planning and Budget Committee and approval by parliament.

The central government financial policy has a significant impact on financial management within local authorities. The resources available at the central government level are limited. Swaziland's economic performance was impressive in the last half of the 1980s, a period that saw the country recording high growth rates in terms of direct foreign investment, employment and government revenues. However, the economy took a downturn in 1991, due primarily to drought and external factors. Between 1992/93 and 1994/95, the government ran into deficit as the rate of expenditure exceeded that of revenue. The negative change in the country's economic conditions necessitated a change in the way government conducted business. Government embarked on a number of reform initiatives. These included the Internal Structural Adjustment Programme (ISAP, 1995), which focused mainly on revenue diversification and expenditure control; the Public Sector Management Programme (PSMP, 1995); and the Economic and Social Reform Agenda (ESRA, 1997).

Prior to these reforms, government had sought to strengthen the planning system by establishing the National Development Strategy, which outlines the aspirations of all stakeholders and major players in the economy. It further sets out the vision for the development of the country over a period of 25 years.

The emphasis in the reforms is to adopt prudent fiscal management; to instil fiscal discipline; and to promote the goals of affordability, efficiency and effectiveness in service delivery and in meeting targets. These reform efforts have had financial repercussions for local authorities. The budget estimates that they present to central government are subject to review and cuts. When the budgeted amounts are varied considerably, the budgets of the town councils are adversely affected. Councils are forced to reprioritise, discard, or defer some of their crucial projects and programmes.

The councils' lack of financial autonomy and inadequate revenue bases have also caused them to lose control over their budgets, as it is difficult to achieve a correlation between the budget estimates and the actual budget allocations from central government. This was found to be a serious problem in the sampled authorities of Nhlanguano and Siteki, which depend on grants. The city councils fared better since they receive the bulk of their income not from grants but from rates.

Maintenance, rehabilitation and improvement works by the Matsapha Town Board are financed out of the Matsapha Trading Account, which draws incomes from property rates, land sales and other fees in connection with the selling and maintaining of plots and the provision of services.

A related constraint to effective financial administration in local councils involves cash flow problems at the end of the financial year stemming from budget delays. Warranting/disbursement of funds can only take place once the budget has gone through the approval process. The financial year for local authorities corresponds to that of central government. Consequently, there exists a time lag between budget approval and warranting, during which councils may not legally spend.

In addition to the constraints associated with government financial policy and the lack of predictability in the financial relations between central government and councils, there are

also weaknesses relating to the main local tax and other sources as well as councils' capacities to borrow funds and enter into equity financing arrangement. Local government expenditures have tended to escalate and outstrip net revenues. Sub-national governments do not generate adequate funds from internal sources (i.e. rates, service charges and sales); yet, the costs of infrastructure and service provision have been increasing.

The problem of limited council income is compounded by the poor record of rate collection. All councils have large numbers of people who have not paid their bills, in some cases for years.

One of the key problems relates to the enforcement of the Rating Act. All councils reported difficulties in using the Act to enforce the payment of arrears in respect of rates. For instance, the Rating Act provides that councils may sell property to recover outstanding amounts from rate defaulters. However, this is easier said than done. It was shown, for instance, in the High Court decision regarding ratepayers whose property had been attached in Mbabane that such action sale of property could only be legally valid when certain conditions had been satisfied, including the attachment by council of movable property. It is evident though that this is only possible if the movable property in question had been declared, which, in the case of all local authorities, is neither required nor done.

One of the reasons, ratepayers fail to meet their payment obligations is that they receive annual bills, as opposed to monthly bills. The councils are required by the law to issue annual bills. The accumulated bills render payment difficult; hence, the large number of defaulters.

Local authorities that have been declared town councils lack the powers to raise money to meet contingencies. Additionally, a major constraint for city councils seeking to access funds from private sources is the legal requirement that councils should have cash reserves in the bank equivalent to their proposed capital investment. Councils do not maintain huge bank balances; for this reason, this legal requirement, apart from the fact that it introduces a constraint, appears quite outdated and incompatible with modern accounting practice.

When it comes to effective financial management, sub-national governments need an efficient, controlled and incorrupt administrative system. Some of the sampled authorities apparently have experienced problems relating to the proper use of financial resources. They have been investigated for irregularities. It has been said that high moral standards, honesty and commitment to the public are factors relevant to the success of councils because these factors ultimately ensure that there will be financial and administrative accountability.

7.7 Management and Decision-making in relation to Land, Water and Other Key Resources within the Boundaries of the Sub-national Governments

Land use planning within urban areas is a function that is discharged by the councils. Accordingly, planning departments have been established and entrusted with the responsibility of planning for and controlling the physical development within local authorities' boundaries.

These departments perform a number of specific functions:

- Provide technical advice to the public, government ministries and service providers (e.g. water, electricity, etc.)

- Approve or disapprove plans of any structure that is to be erected within the boundaries of the sub-national government
- Survey land and test the quality of the soil in the places where structures are to be built, mainly in commercial and/or commercial/business areas.

The responsibilities of councils in relation to land delivery and management have increased in recent years because of the implementation of the Urban Development Project (UDP). This project is targeted at improving informal settlements in the urban areas. The councils are key players in this initiative. In Mbabane, for instance, the plan is to improve and transform the informal settlement areas - Mahwalala and Msunduza - into low cost townships and thereby improve the quality of life of the inhabitants.

In addition to the foregoing, the local authorities have powers in relation to land allocation. Councils and boards sell land/plots or estates to people who have applied for land, are qualified to own land, are willing to develop the land and pay rates.

Councils charge higher rates for undeveloped plots belonging to individuals (individual tenure holdings), in order to encourage titleholders to develop their plots as soon as they acquire ownership. Sub-national governments may reclaim/resale the land should the owner fail to develop it and/or pay rates.

Furthermore, councils discharge the function of developing the land within their jurisdiction through infrastructure provision. They then sell the land to local people who, in turn, have the obligation of building residential houses/commercial buildings and paying rates.

There are a number of constraints to decision-making in relation to issues of planning and land management. First, there is a general shortage of land in the urban areas. In some cases, because of the nature of the physical environment or terrain, very little space is available to accommodate the development of infrastructure. Consequently, the demand for land is not being met, as can be seen from the accumulated number of applications for land. Second, there are limited financial resources to enable councils to develop the available land. Finally, the complex nature of the land tenure system also imposes serious constraints.

The system of land ownership in Swaziland is such that there exists Title Deed Land (TDL), which is privately owned land, and also Swazi Nation Land (SNL), which is owned by the nation, held in trust by the king, and allocated by chiefs to their subjects. Land is owned and/or controlled by central government and local government.

Because of the complex nature of the system of land ownership, large tracts of land within council jurisdictions are not under the ownership or control of councils. Additionally, there are a number of informal settlements on the frontiers of land owned or controlled by local governments. Any attempt to introduce development projects in these areas is bound to encounter resistance. In a number of cases, physical development has proved to be a formidable task. It has been difficult to negotiate and obtain the release of land under the control of chiefs (SNL) or land that is owned by government or individuals (TDL) that has been earmarked for urban development and that, therefore, has to be absorbed by local government. The ownership of the land becomes a contentious issue stemming from the competing claims and the lack of clarity regarding its ownership.

The exact boundaries of the subnational governments are unclear in some cases, and jurisdictional disputes arise as a result. This, in turn, has the potential of hindering infrastructure development. For example, residents of the marginal township of Ngwane Park, have questioned the jurisdiction of the Manzini City Council based on a historical claim that the area is privately owned.

7.8 Conclusion

In recent years, decentralization has been the focal point of central government policies. The central government has adopted an incremental approach to devolution and taken into account that sub-national government in Swaziland are at different stages in terms of maturity.

It is evident from the findings of this section that a number of factors impinge on SNGs and that these factors ultimately restrict the effectiveness of councils in carrying out their mandates. These factors include:

- The lack of an enabling legislative and political environment;
- excessive control by central government;
- The lack of administrative capacity within councils, in general, and town councils and town boards, in particular;
- Inadequate access to information technology;
- The lack of training opportunities in some of the councils/boards;
- The lack of technical capacity;
- The minimal private sector involvement;
- Inadequate access to credit and
- The restrictions imposed by the complex system of land ownership.

CHAPTER EIGHT

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

8.1 Introductory Remarks

This study of sub-national government (SNG) finance in Swaziland has analysed the present system of sub-national government finance in relation to infrastructure and service provision. Through this process, it has identified a number of problems and opportunities. This Chapter outlines the major findings of the research and recommends a course of action.

The findings are based both on sources at the aggregate level, such as data for all local authorities, and on detailed analyses of seven sample local authorities, which collectively comprise more than 90% of sub-national revenue and expenditure in Swaziland. The sample local authorities represent various types of local government: cities, town councils and town boards. The sample local authorities are: Manzini City Council, Mbabane City Council, Nhlanguano Town Council, Siteki Town Council, Pigg's Peak Town Council, Matsapha Town Board and Lavumisa Town Board.

The overall conclusion drawn from the research is that the sub-national governments in Swaziland are assigned and provide relatively few services to their residents. Service provision, particularly outside the two cities of Mbabane and Manzini, often covers less than 50% of the need for water supply, sewerage, health facilities and electricity.

There are many reasons for this situation. Some of the key factors have been the lack of a clear revenue sharing mechanism for the different levels of government; constraints on the local governments' ability to adjust revenues in relation to needed service costs; problems with budgetary procedures; inadequate legislation; and the lack of follow-up on and implementation of the Urban Government Policy (UGP).

The analyses have also identified a number of positive signs, such as an increase in the SNGs' relative economic importance, an expansion in their own revenue sources and share of general grants, and a number of worthy initiatives for human resource capacity building and strategic planning at the local authority level.

Swaziland's dual political system enables urban local government and the traditional system in rural areas to run in parallel. This dualism has posed challenges for decision-makers, especially with regard to the peri-urban areas. These challenges are being addressed through the Urban Development Project and other initiatives focusing on informal settlements. Services in some areas have been improved as a consequence, but new tools and strategies for the devolution of power are still to be developed. Both the central government and SNGs are aware of these problems; hence, policies and strategies have been designed to address the future need for reforms. A clear implementation plan for these initiatives should be the first step taken in this direction, coupled with a revision of the system of SNG finance, particularly with regard to cost and revenue sharing. A gradual convergence of the dualistic system of governance would be advantageous and promote efficiency and good governance.

8.2 The Economic, Political and Financial Context of Swaziland

The issues identified in this report should be viewed in terms of the socio-economic, political and financial context of the country. A decline in economic growth during the 1980s and 1990s has posed severe constraints for the central government and, coupled with rapid population growth, has hindered all levels of government in their attempts to deliver needed infrastructure and services. The economic growth rate in recent years has been approximately 2% per annum, well under the current annual population growth rate of 3.5%. There is no realistic prospect for a sudden improvement of the economic situation, and the government must cope with future limited financial resources and increasing service demands. One way forward entails improving efficiency, strengthening the administrative system and better balancing existing resources in order to provide additional infrastructure and services.

An important factor when comparing Swaziland's experience with that of other countries is the fact that traditionalism is the cornerstone of the Swazi Nation, an official "ideology" whose origins date back to the beginnings of Swaziland as a national unit. The Swazi approach has been to combine the traditional Tinkhundla political and administrative system with a modern system of urban local government within a complex diarchical structure. These systems function in parallel. The present research has reviewed the links between the two systems, but has focused on the urban local authorities. The Study finds that the two systems have a strong impact on each other, and many of the key results have to be seen in this light.

8.3 The Context of Public Administration (Chapter 3)

8.3.1 Main Findings and Conclusions: Government Policy and Objectives for Decentralisation

The legal framework for local governments was laid down by enactment of the Urban Government Act of 1969. More recently, three major initiatives have had an impact on local governments in Swaziland: 1) the Urban Government Policy (approved by Cabinet), 2) the Urban Government Bill (whose enactment is still pending) and 3) the Urban Development Project (UDP). Other public sector reform efforts are represented by such programmes as NDS, PSMP and ESRA, the multiple objectives of which are the encouragement of economic growth, the promotion of sound macro-economic management, the enhancement of the quality of life through improvements in standards of living and the improvement of the efficiency and effectiveness of the civil service.

The aim of central government policy for SNGs is to strengthen *decentralisation*, and the urban government policy should be a working tool in this regard. The objective of the UGP is to support SNGs in ISP through the introduction of clearly defined rules regarding their functions, responsibilities and finance. The principles behind UGP are, among others: subsidiarity, community participation at the local level, recognition of the role of local government as an equal partner in the provision of municipal services and governance, clear delineation of functions and responsibilities, provision of viable and stable own revenue sources for local governments supported by subventions from central government and revenue sharing. The Urban Government Bill is a follow-up on this initiative and should be the guiding future legislative and regulatory framework. The Urban Development Project seeks to expand ISP, especially in the urban/peri-urban areas; involve local communities; and strengthen the system of cost recovery. The experience of these initiatives, and the extent to

which they are actually implemented, will have a significant impact on the environment for local government in Swaziland.

8.3.2. Main Findings from the Study of the Country Context

The system of local government and community involvement in Swaziland is dualistic in nature, made up of the urban system of local government and the traditional Tinkhundla system of governance in the rural areas.

An assessment of the decentralization process in the *rural areas* reveals that there is still a long way to go before the objectives are fulfilled. The Tinkhundla centres, as the focal points of political and socio economic development, lack the administrative and economic capacity to undertake the responsibilities entailed by the decentralization process. The fact is that only limited transfer of functions and resources have taken place. There has also been no transfer of personnel to the Tinkhundla on a permanent basis, partly due to the absence of physical structures. In addition, the Tinkhundla have very limited means of generating revenue to finance development projects at the local level.

In the *urban areas*, the system of representation is modelled on modern democratic principles; local councils include both elected and appointed members. The urban government system in Swaziland is small and comprises only 12 local authorities (13 with the recent decision to establish one more). This system is, to a significant extent, based on the two main cities of Mbabane and Manzini, which combined account for more than 50% of the urban population.

The urban local governments have various competencies and responsibilities. In the town boards, nearly all aspects of local government are managed and controlled by central government. The two city councils, in contrast, exercise some autonomy in terms of human resources, finance and ISP functions.

Generally, local governments in Swaziland are responsible for a limited range of services compared to the other countries in the Sub-Saharan region, and many functions are carried out by central government agencies and parastatals. The relationship between central and local government implies a strong control by central government in some of the key SNG ISP areas.

The future of the system of local government in Swaziland, especially within the peri-urban areas, rests largely on the implementation of the Urban Government Policy and the Urban Development Project, which are ambitious attempts to address some of the most important challenges.

The *Urban Government Policy*, which was approved in 1996, contains a number of fundamental principles for local governments: recognition of the role of local governments as equal partners in ISP, support for the principle of subsidiarity, popular participation in formulating and implementing development programmes, intergovernmental coordination and recognition of the need for local governments to raise their own revenues and identify important revenue sources. However, the Policy has not been fully implemented.

The *Urban Development Project* is consistent with many of the reasons for decentralisation; however, it faces a number of challenges. These include resistance from some of the central

government agencies, problems related to the peri-urban areas, the lack of a legal and institutional framework for the project, difficulties in securing land for urban development, the lack of administrative capacity at the local level and the overlap of functions among participating agencies.

The current *Local Government Act No. 8/1969* needs to be updated. Many of its provisions regarding local government functions no longer apply, since some of these have either been taken over by parastatals and public enterprises or are still performed by central government.

The local governments' current inability to own or control the disposition of land within their jurisdictions constrains their ability to plan, manage and provide infrastructure and services. This research has shown that the division of responsibility among central government offices for matters of importance to local authorities is often seen as unclear and overlapping. More generally, there also seems to be a certain duplication of function and responsibility between the modern and traditional structures of political and administrative power. The future of local government in the country rests, to a significant extent, on the possibility of finding measures to co-ordinate the activities of the urban/peri-urban and traditional (often) rural areas and to pursue vigorously the implementation of the Urban Government Policy.

Decentralization may be a way to strengthen good governance. One of the key challenges ahead is to find viable mechanisms for broad-based public participation in national development and the national development strategies.

8.3.3 Recommendations on Policy and Structure (Chapter 3¹³⁸)

Major Recommendations:

Short term (ST): Adopt the Urban Government Bill and pass it into law, after careful review.

Medium (MT)/Long Term (LT): Formulate a strategy and associated implementation plan for a harmonisation of the dual system of government to establish a more comprehensive approach covering the whole country.

ST: Implement the Urban Government Policy on an incremental basis, with the first step being the development of a clear strategy and implementation plan, including time-plan and plan for division of tasks and responsibilities between central and local governments.

ST: Provide stronger support to the Urban Development Project, especially focused on capacity building within the leading implementing local government authorities.

MT: Gradually extend the UGP to cover other urban areas through the lessons of experience gained at initial stages.

MT: Gradually transfer more tasks and responsibilities to urban governments in parallel with increased finance and human resource capacity building and empowering initiatives.

ST/MT: Strengthen cooperation between the regional offices of the central government and local authorities.

¹³⁸ All activities should be addressed more or less immediately, but "short term" means that the development is expected to be carried out within the first year. "Medium term" means that an activity may be started immediately, but will last 1-3 years before major results appear. "Long term" means that an activity may be started immediately, but will last more than three years. This terminology will be used throughout the chapter unless otherwise stated.

8.4 The Finances of the Public Sector (Chapter 4)

8.4.1 Main Findings and Conclusions: Objectives of the Central Government

It appears from the Urban Government Policy that sub-national finance should reflect the services assigned to the SNGs and be based on the following sources: own revenue sources (tax and user charges), subsidies from central governments (based on revenue sharing) and borrowing.

The objectives outlined in the UGP are:

- * Public services oriented to the protection and benefit of property should be financed primarily from property related sources.
- * Public services oriented to the protection and benefit of people should be primarily financed from people (income and customs) related sources.
- * Public services, which can be supported from directly related user fees (transportation and utilities) should be financed from such fees.
- * Certain essential public services should be provided to all citizens regardless of their ability to pay for them, and such services should be proportionally subsidised from general revenues.
- * One-time capital improvements, such as buildings, should be paid for over the life time of the facility through long-term debt if not able to be financed from central government grants.

It is stated policy that payment for public services should be based on the principle of cost recovery. In addition, the UGP allows for the provision of subvention formulae to facilitate relevant and justifiable transfers from central to local governments, such as in the form of revenue sharing. Finally, it is expected by the UGP that local governments will become increasingly independent and assume greater responsibility for raising their own revenue and that the cities and municipalities should be empowered to determine and retain all fees generated from the services they provide and maintain.

8.4.2 Main Findings from the Study of SNG Finances

The Study has shown that the good intentions behind the UGP and general government policy are in their first stages of implementation and that there are still important milestones to pass.

The following main findings emerge from the analysis:

- * Major indicators of the degree of decentralisation are the local government expenditure portion of GDP and the SNGs share of total public expenditure. Both indicators show that the SNGs in Swaziland constitute a *very small, but increasing* proportion. In 1995, the sub-national governments' expenditure only constituted 0.45% of the GDP and 1.52% of public expenditure. These figures increased to 0.62% and 2.09%, respectively, in 1998. On average for the period, SNG expenditure has constituted 1.8% of total public expenditure, a rather limited share compared with other countries, cf. Chapter 2.
- * Local government expenses and revenues increased in nominal and real values (when inflation was taken into account) from 1995 to 1998. In nominal figures, the average increase was approximately 30% and 19%, respectively.

- * During the period 1995-98, SNG revenue exceeded total expenditure. The main reason for this trend was delayed revenues, which can cause expenditure cuts and expenses on debt service. The budgetary system, which does not allow the SNGs to set bills until after the budgets are approved by the Minister of Housing and Urban Development, is the main cause for the lack of activities in needed budgeted areas, or delayed activities.
- * The City Councils of Mbabane and Manzini account for the bulk of SNG revenue and expenditure. The other sample local authorities account for an insignificant share of the total SNGs' finance.
- * Only Mbabane and Manzini City Councils are involved in borrowing. However, these councils account for a small, but increasing share of the total public borrowing (less than 3%).
- * The analysis of the composition of expenses shows that recurrent costs account, by far, for the lion's share of SNG expenditure (more than 90% in the period 1995-98 and 96% in 1998). The recurrent share increased during the sample period 1995-98, and the capital share decreased. The research also shows a need for capital investment, a need which is seriously under-covered at present.
- * The salary share of total recurrent expenses is considerable, i.e. more than 50%, but it has been declining.
- * The most significant expenditure area is general administration, followed by health and sanitation. Even in the two big cities, most of the expenditures are incurred on general administration. The key areas of ISP account for a very low share of the SNGs' expenses.
- * Sub-national revenues increased in nominal values on average by 9.4% from 1994 to 1997. The analysis of the sample local authorities shows that revenue trends vary greatly from year to year and from local authority to local authority, especially with regard to periods of property sales, cf. below. Some of the sample local authorities have succeeded in increasing their income on other types of revenue sources as well.
- * The analysis of revenues shows that *local taxes* account for an average of 70% of the total SNG revenues. This varies considerably from sample to sample: from 88% in Matsapha to 0% in Lavumisa (the latter town board is financed nearly 100% by central government). The larger SNGs are heavily reliant on property tax, whereas the smaller ones are nearly 100% financed by transfers from central government.
- * Transfers from central government represented an average of 19% of total revenue from 1995-98, whereas user charges accounted for between 5% and 10% during the same period. The larger sample SNGs are generally and increasingly financed by own revenue sources and have limited support from the central government. Transfers from central government accounted for between 15% and 21% of the SNGs' revenues during the period, with a tendency to decline in importance. The SNGs received both general and specific grants during the period, at approximately the same level. This should be compared to the fact that more and more people from the peri-urban areas are using facilities within the urban areas. The share of the general grants of the total grants have increased in recent years.

- * In most recent years, transfers from CG in lieu of property rates payment on government buildings have added to the total finances of the expenses, especially in Manzini City.
- * Own taxes derive mainly from property tax (more than 70%) and payment in lieu of rates from central government (only in Mbabane and Manzini). This payment has increased in recent years. SNG rely heavily on this single revenue source, which is largely dependent on the approval of the adjustment from the central government.
- * The revenues from own taxes have increased over the sample period both nominally (more than 30% per annum) and as shares of total SNG revenue.
- * There is a considerable potential for additional SNG revenues by strengthening the tax administration, in particular through a stronger focus on "uncollected" revenues.
- * The relative importance of user charges has declined during the sample period and constitutes less than 10% of total revenues. The areas of user charge revenues vary greatly among the local authorities. Generally, revenues from solid waste, health and sanitation are among the most important sources.
- * Although extensive discussions have taken place on the issue of cost and revenue sharing, there is still no agreed upon formula for proceeding. Facts pertinent to this issue are that that users of services within urban authority jurisdictions come from other areas of the country and that the tax payers (especially the payers of property tax) cover a disproportional share of the costs. The urban authorities have stated that they finance a disproportional share of ISP costs by providing non-resident people with considerable benefits. Services provided to non-resident citizens are estimated to account for more than 30% of the total costs of ISP in the urban areas.
- * The user charges and fees are generally not determined according to the cost recovery principle, contrary to the objectives in the UGP.
- * The tax administration is stronger than in many other countries in the Sub-Saharan region, but could be further improved. Estimates indicate that revenues could be increased by more than 30% with a more efficient tax administration system, especially by improving the billing system, advancing the approval of the budget and rates and support to follow up on defaulters.
- * The major revenue sources - property tax and user fees - are subject to approval by central government. There are no clear, official guidelines for this approval.
- * The creditworthiness of the SNGs is low. Some of the reasons are: the lack of SNG ownership of land and assets, the limited control over revenue sources, delays in approval of budgets, unstable revenue sources, inefficient budget preparation and irregular auditing of accounts.
- * Auditing and accounting procedures are delayed and may have negative repercussions for future ISP. Some of the sample local authorities had no audited accounts during the period of investigation.

- * A comparison between approved budgets and accounts shows significant differences. These differences emerged as problems in making good prognosis, partly explained by the lack of stable and timely information from the central government on the external sources (grants in lieu of rates, property tax revenues, etc.).

The main conclusion is that the system of SNG finance in Swaziland has shown some modest progress during the period of 1995-98 (99); however, there is still a long way to go in terms of reforming the existing system of sub-national finance. Reform of the design and composition of SNG revenues is urgently needed in order to address the issue of cost/revenue sharing. A clear and agreed upon formula between central and local government - stable, timely and well-known, including principles for distribution across local authorities - is the single most important area in need of urgent attention. In addition, the system of administration of property taxes and user charges should be strengthened, since there is still significant potential for increased revenue (by the use of the same tax rates). Central government control of these major revenue sources should be diminished and laid down in more formal regulations and procedures.

8.4.3 Recommendations on Sub-national Government Finance (Chapter 4)

Major Recommendations:

ST: One of the key problems for SNGs in Swaziland currently is the relationship between the taxpayers and the users of the SNG infrastructure and services. The cost sharing formula should receive top priority. The process should contain the following steps: 1) A closer examination of the present cost-sharing arrangement should be undertaken, based on calculations made by experts from central and local governments, 2) the tasks should be evaluated and compared to the present distribution of revenues, 3) a formula should be agreed to by central and local government and 4) adopted by special legislation. The formula should be guided by the following principles: transparency, fairness, based on objective criteria for expenditure needs, stable, clearly defined and predictable and should be based on the share of citizens using the various types of services within each SNG. The expenditure needs of each SNG should be calculated, and the national average used as a comparison. The provision of block grants, which are not earmarked for the financing of specific projects or services, should be promoted contrary to earmarked grants. The provision of grants should not justify any undue intervention in the policies pursued by local authorities within their own jurisdictions.

LT: In the long term, the introduction of new SNG taxes and the strengthening of the local revenue base may lead to a reduction of the state transfers/changes in revenue composition. MT: Taxes which SNGs should be entitled to levy, or of which they receive a guaranteed share, should be of a sufficiently general, buoyant and flexible nature to enable them to keep pace with their responsibilities.

ST: The right of SNGs to *participate*, in an appropriate manner, in establishing the rules governing the general transfer of resources should be expressly recognised. The *information flow* on local government finance between the levels should be strengthened. MT: The possibilities for the establishment of a formal budget co-operation (or grant commission) forum, where the central and SNGs negotiate the future economy and seek consensus, should be investigated.

ST: The control procedures of the SNG revenue side should be eased and streamlined. Clear guidelines regarding the conditions and timing of budget approval, including ceilings on the

SNGs revenue increases (rates and user charges), etc., should be defined and published. ST/MT: Autonomy in adjusting rates/charges to the needed local service level should be increased.

ST: Too many investments and tasks are carried out in the second half the the SNG budget year. Currently, the transfers and the approved budgets are made too late for proper SNG budgeting and budget follow up. The present timing of budget procedures should take the SNGs' needs for timely revenue information more into consideration, for instance, by advancing the decision-making on the SNG subsidies.

ST/MT: The Study has shown that many of the accounts have not been audited in recent years and that it is often hard for outsiders to compare and evaluate them. This is a problem for all stakeholders, including the possibilities to become creditworthy in the long run. There is an evident need for a full-scale reform of the SNGs' entire *financial budgeting and accounting system* and procedures to bring them up to modern standards and to achieve effective internal financial control and accountability. The audit of the local government accounts should also be strengthened.

ST/MT: The effectiveness and *efficiency of tax collection, user-fees and charges* should be enhanced by streamlining procedures, including the establishment of a more efficient billing system and strategies for coping with defaulters.

ST: The significant revenue potential, approximately 30%, (without alteration in the tax and fee rates and tax base) identified in the sub-national governments should be made much better use of.

ST: The central government should encourage the *updating of the tax base for property taxation*, possibly by financial incentives for carrying out a new and realistic valuation of property in order to promote the justification of tax burdens among citizens.

ST/MT: A larger share of the total expenditure should be reallocated from general administration towards more customer-oriented ISP areas.

8.5 Infrastructure and Service Provision (ISP) (Chapter 5)

8.5.1 Central Government Objectives for ISP

The central government policy for ISP is indicated in the Ministry of Economic Planning and Development's *Development Plan*, which is a three-year rolling action programme for the Swaziland Government. The local government sector has been identified under "Housing and Community Amenities". The service activities outlined in this development plan include only road infrastructure, sanitation and public health. The *Urban Government Policy*, which has been approved by Cabinet, covers other service areas, including streetlighting, bus terminals, cemeteries, sports facilities, community centres, public toilets, public parks, business licensing, abatement of public nuisance, parking, markets, abattoirs, day care centres, water supply, sewerage reticulation, electricity, telecommunications, public transport, environmental control, policing, traffic control, libraries and education.

At present, urban authorities are responsible for the supply and maintenance of a limited number of services. The remainder are supplied by other agencies, typically parastatals and central government.

There are indications that all the SNGs have prioritised the adoption of the Urban Government Policy. This policy document seeks, among other things, greater autonomy for service supply within urban authorities' areas of jurisdiction. The policy also seeks to identify new services for SNGs, including traffic metering, traffic policing and business licensing. Both Mbabane and Manzini have incorporated in their strategic planning the inclusion of these services. In addition, a draft Urban Government Bill, when enacted, will facilitate the implementation of the policy.

In support of improved ISP, the government initiated the Urban Development Project in 1992 with substantial financial and technical support from the World Bank . The primary objectives of the Urban Development Project are:

- * to raise environmental health standards among urban low income communities,
- * to mobilize community resources and encourage participation in development,
- * to promote investment in urban employment opportunities, and
- * to improve the efficiency and equity of urban management.

The main initial strategy of the project focuses on investment and institutional strengthening for the urban centers of Mbabane and Manzini. The first phase of the project seeks to provide a citywide infrastructure base to support long term upgrading of exiting settlements as well as the provision of new settlements and the extension of services to developed areas. This phase also attempts to upgrade the most adversely affected informal settlements and provide serviced low cost residential sites in Mbabane and Manzini.

8.5.2. Main Findings from the Study of ISP

Status of Infrastructure

The bulk of urban infrastructure was established in the 1970s and 1980s. Following declines in overall economic development, the maintenance and development of the infrastructure has decreased considerably. The general pattern is that ISP investments are carried out by agencies other than the SNGs.

Urban Population Growth

The greatest challenge for the SNGs is demographic in nature. The urban population in Swaziland is growing by approximately 6% per year, which is twice the national population growth rate. The Urban Development Project, which is currently being implemented, seeks to upgrade existing squatter settlements in Mbabane and Manzini. However, it is anticipated that other mechanisms will be needed to accommodate rural to urban migration, such as by encouraging infrastructure and investment in rural communities.

Urban Government Responsibilities

Urban authorities are responsible for solid waste collection/disposal, roads, storm water drainage, pounds, abattoirs, street lighting, landfill sites and public amenities (public markets, toilets, parks and recreation, bus parking and cemeteries). In addition, urban authorities are responsible for regulatory functions such as the issuing of building permits and health inspections.

Urban authorities in Swaziland have different capacities for the supply of services depending on their levels of development. The Urban Government Act 1969 identifies urban authorities

by level of development as being cities, town councils and town boards.

The declaration of an urban authority as a city or town council affords it the same level of responsibility for the supply of services. In terms of the same Act, urban authorities at this level may levy property tax, acquire capacity to undertake the supply and maintenance of services, regulate development (town planning and building) and formulate budgets/estimates. Both Mbabane and Manzini are classified as cities, having been elevated in 1993. Although Mbabane and Manzini grew rapidly during the 1960s and 1970s, there is a marked difference in how each of the municipalities has evolved in both management and structure.

In terms of capacity, the two city councils of Mbabane and Manzini undertake the maintenance of solid waste collection/disposal, roads, storm water drainage, pounds, abattoirs, street lighting, landfill sites, public amenities (public market, toilets, parks and recreation, bus parking and cemeteries). The two city councils do not have the internal capacity to provide now roads or supply water, effluent disposal and treatment, electricity generation and distribution, schools and education, hospitals and clinics like other cities in other countries.

Urban areas that have attained town council status perform the same functions and responsibilities as city councils. Town councils presently have the capacity to undertake the maintenance of all public amenity services including markets, public toilets, parks, bus ranks, cemeteries, and abattoirs. Pound services have been privatised in some town councils.

The declaration of an urban authority as a town board affords it development control, wholly financed and supported by the central government in terms of personnel, budgeting and general capacity. Town boards have inadequate capacity to provide urban services. The supply and maintenance of services in these areas is currently undertaken through central government and other responsible agencies.

Limited Involvement of SNGs in ISP Investments

It generally appears that *investments* are undertaken with very limited involvement by the sub-national governments. Often, sub-national authorities realise that an investment activity by a parastatal or other agency of the central government is being planned or even implemented without prior notification or coordination.

The issue of inadequate coordination or involvement of the SNGs in relation to the location, timing and priorities for different types of ISP should be viewed in terms of the magnitude of investment in infrastructure activities actually carried out in recent years. Between 1989 and 1998, the total capital investment was:

for water supply in urban areas, an average of E63 per person per year;
for electricity supply in urban areas, an average of E36 per person per year;
for education, an average of E39 per person per year and.
in the health sector, an average of E10 per person per year.

The lack of delegation of competencies associated with housing and community amenities and the related development of an enabling environment for the SNGs in the field of infrastructure and service provision is fully reflected in the actual performance of the services.

Lack of a Framework for Coordination among Different Levels of Government

The UGP suggests that the basic ISP functions and responsibilities are to be planned and implemented in an environment of coordination among the SNGs and the respective central government bodies, institutions and parastatals, e.g. the Swaziland Water Services Corporation and the Road Transportation Board.

In practice, however, the SNGs appear to have rather limited influence on these activities. The fulfilment of the intentions of urban project initiatives taken by SNGs is very often a troublesome and time consuming process characterised by limited information concerning planned activities of the other ISP stakeholders, the timing of their implementation and inadequate coordination. The viewpoints of the SNGs, being closest to the beneficiaries, should be heard in the balancing of local preferences and priorities with the resources available.

Coverage of the Needs within the SNG Areas of ISP Responsibility

The Research has not generated a full-scale picture of the total sector of sub-national governments with respect to infrastructure and service provision.

Manzini, Mbabane and Matsapha are able to offer a high level of service in some fields of *SNG responsibility concerning ISP*. The coverage is estimated at 80% or more concerning refuse collection, street lights, amenities and pound functions. The other sample SNGs are only able to serve their citizens with refuse collection coverage ranging from 40 to 70%, street lights 5 to 40% and amenities 10 to 60%. Pound facilities are not provided in Lavumisa and only with 50% coverage in Siteki. Landfill services cover 100% of demand in Mbabane and Matsapha, while the other sample SNGs have a coverage of 50% or less. Concerning local roads, Matsapha has a coverage of 100%, whereas the remaining SNGs have a coverage of 50% or less.

ISP Coverage in General

In terms of the performance indicators used in this Study, the two main cities of Manzini and Mbabane have relatively good coverage of ISP. Being the main administrative and industrial centres, the two cities are endowed with better quality and a wide coverage of ISP. Of the other small local authorities, Matsapha has the best ISP. As an industrial area, it has benefited considerably from initiatives by private companies. The coverage in the other SNGs is assessed to be 7-8¹³⁹ for roads, infrastructure, water supply, sewerage and health facilities (except for Matsapha where health is rated to be only 5 in coverage). The remaining SNGs have a coverage of 5-7 for roads, 3-4 for infrastructure, 2-4 for water supply, 4-5 for sewerage, 2-4 for electricity and 2-5 for health facilities coverage. Education is provided mainly by central government and the private sector. Such services have tended to be concentrated in the Manzini–Mbabane corridor where, generally, other forms of infrastructure are well developed. Compared to other sampled areas, Siteki and Lavumisa are relatively under-developed. It is common for populations living in these areas to have to travel distances of at least 5 km to get to the nearest health facility. There is still a lot that needs to be done to ensure equity in ISP distribution among SNGs.

¹³⁹ Using a scale of 1 to 10, whereby category 8 to 10 indicates very good conditions, 5 to 7 indicate good conditions, 3 to 4 refer to fair conditions, while poor conditions are allocated figures 1 and 2.

The Challenge – ISP in Informal Settlements

The biggest challenge in ISP appears to be associated with the poor ISP situation in informal settlements. The very substantial migration of people to the urban and peri-urban areas is, on the one hand, a potentially dynamic development factor, but, on the other hand, a feature that might generate severe obstacles to the economic and social development of the country if not handled properly.

As an integrated part of the UDP, a Land and Housing Market Study was conducted. The study identifies some of the driving factors of migration to urban and peri-urban areas, of which “proximity to work” and “lack of any other option” are the most important.

The study further highlights major aspects of the people living in the informal settlement areas covered by the UDP. The people live in very crowded conditions (almost six persons per dwelling, 73% of which have only one room), their education is very limited (17% of household heads have no education and only 7% have gone beyond high school) and their affordability is very low (the mean household income in 1993 was E842, equivalent to US\$140).

According to the study, the frequency of ISP in the Mbabane and Manzini settlements was as follows: water (in-house) 6%, sewerage (in-house) 6%, water (tap in yard) 14%, rubbish removal 16%, electricity 15%, paved roads 13%, street lighting 11%, drainage channels 6% and telephones 6%.

The limited coordination concerning development of ISP, the obstacles associated with management and planning of land, the modest affordability and the fragmented responsibilities among different levels of government create severe barriers for the SNGs to take a lead role in addressing the described situation.

The Affordability Issue

Of key concern for ISP in urban areas is the issue of the population’s affordability and attitude towards payment for ISP. Household expenditure data shows that, in general, low income households spent a high proportion of their income mainly on food (46%). Transport and communications feature with a high weight of 8.5% in the ‘middle and high’ income bracket, compared to 3.5% in the low income bracket. Low income earners use public transport or, if they live close to their places of work, they simply walk. Middle and high income earners use both public and private means of transportation. 6.5% of middle and high income groups assign a high weight to education compared to 0.5-1% for low income earners. Since primary and secondary levels of education cannot be accessed free of charge, low income earners have difficulty in sending their children to school. Middle and high income earners can afford tuition in both public and private schools.

There is a lack of balance between payment capacity and the actual user fees and charges. An informative approach to the question of ISP affordability would be to calculate the water demand of households according to income type. For sewer services, on average, each household pays E47 per month. Average monthly payments for water services amount to approximately E108 per month per household. This rate is relatively high for low-income households which, given the upper limit of E2,400 p.a., earn at most E200 per month. It is, therefore, not surprising that the Swaziland Water Services Corporation is confronted with problems of illegal connections in a number of residential areas. The relatively high water tariffs have also given rise to a number of cases of vandalised meters.

Cost Recovery Problems

The questions of cost recovery, tariff policy, affordability and ability to pay were treated in the analysis. Some of the findings were:

There is a clear lack of an enforcement strategy both at the central and local government levels. Tariffs tend to be political tools and are adjusted at election times.

Although there is a general wish to adopt cost-recovery at the central level, there is no clear implementation strategy.

- * User fees in all local authorities' markets do not appear to reflect expenditure on the different forms of infrastructure.
- * In all SNGs, toilet fees, parks and bus ranks yield very low income.
- * Street cleaning and maintenance yield no income, but they generally comprise more than 70% of total expenditures by municipalities.
- * Abattoir fees generally account for only 6.3% of total expenditure on abattoirs, which are mainly for electric power supply, tools and other supplies.
- * Income from burial fees covers total cemetery expenditures in most municipalities.
- * Refuse collection is also an important activity undertaken by local authorities. However, charges do cover expenditure on this service, which includes plant maintenance, driver's salaries, insurance, contributions to the Swaziland National Provident Fund, bins and garbage collection point.
- * Pound service is also an important activity of the city councils; however, it is not rewarding since maintenance costs are relatively high.

- * At the national level, central government has introduced a fuel levy; however, there is no mechanism to ensure that the income generated will be recycled back into capital investment for road infrastructure.

- * The Ministry of Health and Social Welfare presently provides health services at highly subsidised levels. In view of the present policy, affordability concerns and a drive for "health for all," it is doubtful whether a revised approach to health tariffs could be implemented without prejudicing the population's access to health services. The infant mortality rate, at 71 per 1000, still remains high. It would appear that access to primary health care remains vital for the country's development needs. The total recurrent expenditure in 1996/97 for the provision of health services was equivalent to E29/person/month.

- * The Ministry of Education administers and controls the supply of educational facilities in the country, and the majority of schools are government-aided. Each facility administers its own user tariff. These tariffs vary from facility to facility and, in most instances, do not fully cover operating expenses. A greater part of the educational service is, therefore, heavily subsidised by the taxpayer.

- * Services in terms of water and electricity supply are undertaken by the Swaziland Water Services Corporation and the Swaziland Electricity Board, respectively. Tariff policies for these parastatals are controlled and monitored by the Public Enterprise Unit (PEU) of the Ministry of Finance. The existing tariff policy for user service charges is basically assessed from the parastatal budgeted expenditure over the potential of the income base.

The PEU also stipulates that the user service charge income potential must carry elements of profit, which vary depending on the level by which the parastatal has been established.

8.5.3 Recommendations on SNG ISP (Chapter 5)

Major recommendations:

MT: The *devolvement of competencies and responsibilities* concerning ISP among the central and the SNGs should be expanded to cover a more *full scale portfolio of community amenities (roads, infrastructure, water, sewerage, public transport etc.)* by a devolution to the SNGs of the named responsibilities.

ST: The *coordination among different levels of government should be strengthened by the creation of a co-ordination framework* and by strengthening the leading role of the SNGs in the coordination of activities concerning ISP-components in order to reflect and balance local priorities and allocations of new infrastructure investment.

ST: The presently delegated responsibilities concerning ISP should be readjusted in order to avoid or limit unclear or overlapping responsibilities between central government agencies and institutions (including parastatals).

MT: For the *informal settlements, a strategy and an associated implementation plan should be developed to address improved ISP coverage* in compliance with the most urgent needs for water supply, sewerage, drainage and garbage collection, building upon the experiences of the ongoing Urban Development Project. The strategy should address the challenges posed by the urban as well as the peri-urban territories from a holistic viewpoint in order to balance access to the provided facilities with the economic burdens of all beneficiaries. As another part of the strategy, coordination and enabling fora for planning and development of land is to be established that involves central authorities and local authorities of urban and semi-urban territories.

ST: The infrastructure and service provision of the *individual SNGs should duly consider the preferences, affordability and willingness to pay*, as well as the preferences of the residents within their jurisdictional areas, through the adoption of a participatory approach to decision-making.

ST/MT: Both central and local government institutions need to identify and implement comprehensive infrastructure development and maintenance strategies, including a clear policy for tariff setting within the *framework of a cost recovery principle*. The cost recovery issue should address the following elements: 1) the adjustment for inflation effects, 2) the current costs (e.g. for water also covering the necessary purifying chemicals etc. 3) the necessity for preventive maintenance and repair costs and 4) the depreciation costs in order to allow for re-investment. In order to counteract the non-affordability of full cost-recovery from the poor, systems of fee differentiation or special support to weak income groups need to be considered.

MT: A *framework and strategy for a systematic involvement of the private sector in ISP* to be implemented by SNGs should be developed in order to gain experience concerning the possible contribution by the private sector to address local needs, better maintenance and responsibility for facilities.

MT: Projects with the aim of developing better *accounting and budgeting procedures* within major

infrastructure and service areas should be addressed in order to establish a prompt and adequate user-fee revenue system.

8.6 The Regulatory Framework (Chapter 6)

8.6.1 Central Government Objectives

The legislative framework of the SNGs is provided by the Urban Government Act, 1969 (Act No. 8 of 1969) for the urban areas and Swazi Administrative Order 1998 and Regional Councils Order of 1978 for the rural areas under the Tinkhundla system of government. A number of other laws and regulations govern SNG activities. Some of these are: The Rating Act, 1995, the Pounds Act, 1966, the Town Planning Act 1961, the Acquisition of Property Act 1961 and the National Development Strategy 1998 (and Plan 1995). In addition to these laws, the Urban Government Policy, the Urban Government Bill, 1996 and the Ministry of Housing and Urban Development play important roles in the evaluation of the legislative framework.

The central government's official **objectives**, expressed within the most recent proposals, orders, regulations and the Urban Government Policy and Bill have been to strengthen the SNGs and support the decentralisation process. These attempt to:

- * Coordinate national and economic activities at the regional and local level.
- * Hold elections at the local, regional as well as national level.
- * Pursue a nation-wide system of local government.
- * Promote effective, efficient and sustainable local government in urban areas within the principles of autonomy and subsidiarity.
- * Develop and maintain services and infrastructure to promote an improved quality life of the citizens in the urban areas.
- * Monitor, assess, advise and support city councils, town councils and town boards in their municipal functions, activities and responsibilities.
- * Build institutional capacity.
- * Encourage local autonomy and greater delegation of responsibilities to the local level in line with the UGP. Among other things it is stated that the "Ministry will continue to play an important role in urban management, but under the new UGP this role will gradually shift from direct administrative oversight of the cities and towns to supportive function of providing technical and administrative assistance and training to promote the self sufficiency of local governments."
- * Support the possibilities for the local governments to contract out to the private sector or privatise public services.
- * Recognise local government as an equal and contributing partner in the provision of services and governance.
- * According to the National Physical Development Plan 1996-2000, it was stated "With regard to the Tinkhundla as structures of local and regional government, the thrust of the recommendations of the Review Commission was to do away with the moribund Regional Councils and to make Tinkhundla effective and representative local authorities, with a role in the rural areas akin to existing Town Councils and Town Boards".

A comparison of the findings of the Study and the stated *objectives* show that there are still great challenges ahead.

8.6.2 Main Findings from the Study of the Regulatory Framework (Chapter 6)

The present Urban Government Act of 1969 and the related procedures are perceived by the SNGs as major constraints to the smooth running of the SNGs' infrastructure and service provision. The following areas have been identified from the Research:

Urban Government Bill

The lack of implementation of the Urban Government Bill seems to hinder further developments towards decentralisation, especially regarding the demarcation of the SNG functions, structures and competencies.

Lack of Clear Definitions of Local Government

It is not clear from the 1969 legislation what is meant by "local government". The Act does not draw a clear distinction between city councils and town councils or provide clear definitions of the similarities and differences between various types of local authorities.

Power by Central Government to Intervene in SNG Infrastructure and Service Provision

The most important deviation from the development of local self-government is represented by the power of the Ministry of Housing and Urban Development to *intervene* in the operations of the sub-national councils. This power derives from the Urban Government Act and other laws. This power concerns nearly all areas of SNG ISP and is based on an "ex ante" approval mechanism.

Functions/Responsibilities and the Law

Many of the mandatory functions stipulated in the various laws concerning local governments are not presently carried out by the SNGs. There is lack of harmony between the reality and the laws in these areas. This is seen within the health care, education, water and road transportation sectors.

Control on SNG Decision-making Concerning Financial Matters

The SNGs are controlled in nearly all key decisions by the approval procedures at the central government level, especially regarding local government finance. Some of the key areas are:

- * *Budgeting: The Ministry of Housing and Urban Development has considerable influence on the decision-making processes of the sub-national governments. This influence consists in a request for prior approval of the sub-national governments' budgets. This can be time-consuming since there are no strict deadlines for the relationship between central and local governments and as a number of central government institutions have to be involved. The consequence is that the budgets are often approved several months after the financial year has started. There are no clear guidelines on when and under which conditions a budget is approved, since it is the discretionary power of the central government to take the final decision. This affects financial planning at the SNG level, which is important for revenue collection. It is further affected by the shortening of the collection period by the late approval of budgets. There is an urgent need for a clear policy that defines, in operational terms, the extents and limits of the actions taken by councils regarding their budgets. In the case of town councils, they must prepare their budgets in close consultation with the Ministry in order for delays to be minimized. The town boards' budgets are fully controlled by the Ministry of Housing and Urban Development.*

- * *Control of Rates: All SNGs are controlled by the central government in decisions on their property rates: the single most important revenue source for SNGs. The control is designed to secure the owners of property against large increases from year to year, but is anticipated to be a strong constraint for the adjustment of the revenues to the needed service level. This approval requirement is felt as a constraint by most of the SNGs. There is a need to ease the central government's control on these tax rates and to determine the influence on these rates within clear guidelines.*
- * *Control of User Charges: User charges and fees are controlled by the central government. This is regarded as a major problem by the SNGs when the need arises for balancing the budgets and setting user charges according to the principles of cost recovery.*
- * *Capital Spending: All major capital spending projects have to be approved by central government, and funds for capital purposes must be consented to by the Minister for Housing and Urban Development within specified parameters.*
- * *Borrowing: SNG borrowing is allowed according to the Urban Government Act; however, the regulatory and institutional constraints mitigate against the implementation of this possibility. All major loans need ministerial approval, and no clear guidelines for this currently exist, such as a ceiling on borrowing with clear limits.*
- * *Law on SNG Subsidies: A clear law on SNG subsidies - including principles for calculation of the amounts, the timing of transfers, adjustments of transfers and principles for distribution of the funds - is lacking. These subsidies should address the problems of cost sharing/revenue sharing and the fact that citizens of other (often peri-urban) areas use services provided by urban authorities.*

Control on other Aspects of SNG Decision-making

The municipalities can formulate by-laws for themselves, subject to approval of the Minister; however, the town boards are still not empowered to do so. There is a need for clear guidelines on the approval procedures and the development of these by-laws.

Unclear Division of Responsibilities between Urban and Rural Areas

The legal frameworks for the rural and the urban authorities are not harmonised. This causes overlapping jurisdiction and responsibilities between Tinkhundla and urban local authorities. To-date, no clear modus operandi has been developed between city/town councils and the Tinkundla committees. There is an urgent need for a closer coordination/cooperation.

Coordination among Agencies

There is a lack of a regulatory framework to address the problems of departmental and ministerial coordination in infrastructure and service provision.

Suspension of Councils

According to the law, the Minister can institute a commission of inquiry into councils' affairs with authority to suspend, dissolve or replace a council.

Privatisation

There are no legal constraints to privatization; however, it is anticipated that ministerial approval would have to be obtained. By other words, there is a need for clear guidelines for public-private cooperation and interaction.

Land Management

The present legislation on ownership of land, although better than the previous one, does not facilitate the development of land and land markets or the promotion of investment in productive activities on such land. When an asset such as land is to be acquired, mortgaged or alienated, the Minister must give his consent. The SNGs' abilities to develop and manage land are controlled. This is a major problem in the development of ISP at the local level.

Influence on the Staffing Situation

The central government still controls the decision-making processes of local councils regarding the hiring and firing of chief officers. This control is strongest concerning the town boards. The two larger cities - Manzini and Mbabane - have greater autonomy, cf. Chapter 7.

8.6.3 Recommendations on the Regulatory Framework (Chapter 6)

Major recommendations:

6.1: ST/MT: An enabling regulatory and/or organisational environment for the sharing of responsibilities and competencies among different types of local authorities concerning the development and territorial harmonisation of the peri-urban areas should be established

6.2.; ST: The *budget procedure*, including the requirement of forwarding budgets for approval, should be addressed in order to save time and avoid uncertainty. This should follow a previously outlined time schedule. Central government's control on the budget approval procedures should be related exclusively to compliance with previously established guidelines and policy principles, such as requirement to forward a balanced budget, comply with the borrowing limits, follow the law, etc. Clear decisions on the ceiling on the revenues should be known in advance (if these are necessary for the national priorities). The *first step* should be the formulation of clear guidelines for the relationship between the central and local governments on budget procedures.

6.3. ST/MT: The accounts and audit processes have shown serious weaknesses during the Study. The existing legal framework of the Local Government Act, instruments for financial management - such as *financial regulations*, general management, accounting systems, auditing and stores manuals - should be reviewed and updated regularly by the Ministry of Housing and Urban Development.

6.4. ST/MT: The system of *cost sharing and central government transfers* should be regulated by law, which should stipulate the main procedures for the calculation, distribution and information/transparency of the transfers from central government. A framework legislation, supplemented by more detailed regulations, should be adopted.

6.5. ST: The possibility should be introduced for the SNGs to have a greater degree of *autonomy in the determination of taxes, without central government interference* (rates and personal levy), and of user fees and charges, within certain ceilings or minimum/maximum intervals.

6.6. MT: The SNG autonomy concerning the formulation of by-laws should be regulated by clear

guidelines and conditions.

6.7. ST: The SNG autonomy concerning capital investment decisions should be expanded.

6.8. ST: The regulation of the relationship between SNGs and the private sector (such as in contracting out/privatisation, etc.) should be regulated by law and not by lengthy approval procedures and drawn on the experiences from the Manzini and Mbabane.

6.9. MT/LT: The problems identified within the land management area should be addressed in order to create better possibilities for urban government development of ISP and to strengthen the creditworthiness of SNGs. This is especially urgent concerning the peri-urban areas.

6.10. ST: The regulation of the SNG staffing responsibilities and competencies should be spelled out more clearly in the legislation, and the control on the SNGs in this area should be eased in order to allow them to readily adjust the number of employees to urgent needs. Some regulations on the level of the salaries, especially at the political level, should still exist.

8.7 The Institutional Framework (Chapter 7)

8.7.1 Central Government Policies and Objectives

Central government policy concerning the institutional framework for SNGs is largely based on the concept of decentralisation, which has been a central theme in the various efforts aimed at increasing the efficiency and effectiveness of the public sector.

The basis for decentralisation is that through this process that governments can promote good governance, achieve excellence in service provision and stay in touch with popular aspirations. The management and administrative capacities and competencies vary considerably among the city councils, the town councils, the town boards in the urban areas and the rural administrative structure such as the Tinkhundla.

Two types of local authorities have evolved in Swaziland, namely the Tinkhundla and urban local authorities. The former was given effect by the Regional Councils Order of 1978 and the Establishment of Parliament Order of 1978. The latter was established through an Act of Parliament, namely, the Urban Government Act of 1969. The Tinkhundla were seen as local level structures responsible for the provision of services in the rural areas and the promotion of grassroots participation in community programmes and projects. Urban authorities were established as administrative entities that exercise authority and power devolved from central government and, therefore, operate within a stipulated jurisdiction. They are legally empowered to execute a number of functions and responsibilities in the areas designated as cities and towns.

8.7.2 Main Findings from the Study of the Institutional Framework

Gradual Devolution of Tasks

Chapter 7 has analysed the SNG institutional environment, including the capacity to administer and carry out ISP in an efficient manner. The decentralisation of duties, responsibilities and powers has been, in recent years, the focal point of central government policies. The process of devolution, involving the granting of autonomy to SNGs, is an

incremental approach that takes into consideration that SNGs are new entities that are still going through a learning curve and require close supervision. Furthermore, central government imposes close supervision, arguably because of the concern about the poor quality of SNG administration. The ministry's role in monitoring SNGs is, from the central government's point of view, very important to secure a system of checks and balances. The principles contained in the UGP and the Urban Government Bill appear to be materialising quite slowly. There is a need to progress in order to enhance local autonomy and ensure a greater delegation of responsibilities to the local level in line with supportive central government functions focussing on the provision of technical and administrative assistance and training.

Inadequate Legal Framework

One of the major constraints to achieving the goals of decentralisation within local authorities, in general, has been the *legal framework*. The latter determines the power and authority of sub-national governments to act in certain ways. The imposition of tight controls by the centre on councils results in undermining their discretionary power. This, in turn, undermines local capacity. The SNGs' management potential and constraints need to be understood against the backdrop of the underlying aim of the Urban Government Act, 1969. This legislation was enacted three decades ago when emphasis was still on control. Much has changed over the years in terms of policies, practices and structures. The current government policy seeks to increase autonomy for SNGs, in general, and city councils, in particular. The enabling Act, however, has not kept pace with these changes.

The provisions of the Act do not make it possible for the centre to look at devolution in a systematic and integrated manner. Consequently, the level of control that is exercised by central government is the same for SNGs regardless of the level of authority bestowed on them.

The analysis has shown a number of weaknesses and problems in the relationship between central and local governments. The analysis has also identified some serious problems within the structure and organisation of the SNGs, such as between the different levels of decision-making (especially between politicians and administrators). The general conclusion is that the present administrative capacity at the SNG level is too weak, considering the importance of the tasks for which the SNGs are formally responsible.

Administrative Capacity of Different Types of SNGs

The City Councils of Mbabane and Manzini have relatively developed administrative systems and have capacities in a wide range of fields. The law, however, does not apparently distinguish between these higher order cities and the towns that are still evolving or are at an embryonic stage in terms of development. Compared to city councils, town councils have limited administrative capacities. Many of the personnel in town councils are on secondment from central government. Town councils have limited autonomy in the remuneration of their staff. The terms and conditions of service are not competitive to enable them to attract and retain high calibre personnel, and there are serious shortages of key officials in important positions. Their training needs are not met due to inadequate financial resources and an uncoordinated training policy. City councils' administrative capacity, although quite good, risks being compromised by the many vacancies in key positions.

A comparison of the performance of the City Councils of Mbabane and Manzini and the Town Councils of Nhlngano and Siteki reveals that, given the resources and the autonomy

to utilise resources both human and financial, the Town Councils could also improve their administrative capacities.

Town boards, as relatively new or small administrative institutions, lack administrative capacity in virtually all areas: staffing, training, and qualifications. Because they do not have staff of their own to carry out council decisions, they depend on central government for capacity. These are issues that would have to be addressed before town boards could be given both administrative and financial autonomy.

Capacity related to SNG Finance and Budgeting

There is a weak administrative capacity within all areas. The most severe problems relate to local government finance and budgeting, especially with regard to the capacity to develop realistic budgets, link them to realistic objectives and plans for service delivery, manage budgetary procedures and supplementary appropriations, set objectives for future finance, control expenditure during the budget year, develop proper accounting and audit accounts.

There are a number of factors that hinder effective financial management within councils. These include: lack of financial autonomy, poor financial relations between the centre and local governments, defaults on the payment of rates, lack of an enabling legal framework, poor property rate collection and/or cost recovery and, to a certain extent, financial irregularities.

Ministerial Approval

Ministerial approval is required for many of the councils' actions and decisions. The effect is delay in the implementation of policies due to government bureaucracy and red-tape. Additionally, many of the policy decisions made by councils are subject to review by the centre and may or may not be approved. There is an urgent need for establishment of clear and well-known guidelines concerning the most needed approval procedures and for a limitation of these approval procedures to the key strategic areas of national importance.

Autonomy concerning Human Resources

With the exception of the city councils, local authorities do not have significant *control over staffing*. They do not act as autonomous employers. Consequently, council staff consist of personnel who have been seconded by the Ministry of Housing and Urban Development and, in the case of the Matsapha Town Board, the Ministry of Enterprise and Employment. The officers who have been seconded in this way essentially have divided loyalties. The officials' "operational" loyalty to the central government and "service" loyalty to council undermine autonomy in terms of decision-making. There is evidence that central government control has tended to be excessive, emphasising control rather than regulation, and does not take into account the capacity and level of authority of the sub-national governments. Such excessive control has tended to diminish capacity within local governments, in that it leads to lack of innovation, apathy and inadequate accountability.

The City Councils of Mbabane and Manzini have a greater degree of autonomy in relation to staff recruitment. Notwithstanding shortages in specified departments, as indicated below, the City Councils have succeeded in attracting a large number of local staff with the requisite skills, qualifications and experience. Both City Councils have established Human Resource Departments with the responsibility for performing a number of personnel functions. The personnel functions performed by the City Councils include staff recruitment, training, employee appraisal, grievance handling and discipline, to name but a few.

Town councils, however, lack capacity in this regard. Although they have the authority to recruit and deploy staff, they have limited authority and capacity to exercise this power. The packages offered are not competitive enough to enable them to attract and retain staff with the required skills, qualifications and experience. Consequently, some of the town council officials have to be seconded by central government. Town boards do not have the authority to recruit their own staff. The local authorities that have been declared town boards are supported by central government, in terms of personnel and general administrative capacity.

Improving Efficiency by Innovation

The culture of innovation and experimentation, with few exceptions, has not yet taken root in SNGs. The prevailing culture in some of the sample local authorities encourages routine and conformity rather than innovation and experimentation. In those cases where the problem is particularly serious, innovative ideas are viewed with suspicion and scepticism.

The capacity of the SNGs to routinely adopt innovative management approaches is influenced largely by the nature of the regulatory and legislative environment and the quality of the human resources at their disposal, especially in key policy making positions. With regard to the effectiveness of councils, there is an indication that poor relations and/or partnerships among council officials contribute to the lack of effectiveness. There is a need to pay more attention to the training of councillors and to developing leadership in order to ensure that they understand their expected roles in the management of local governments.

Although city councils have, over the years, built a sizeable database and appear well equipped, town councils and town boards are lacking in this regard: The staff is not adequately trained in the use of modern information technology (IT). This hinders the quality of administration and prevents the networking of information. There is a marked difference between city councils, town councils and town boards in terms of the introduction of information technology in management.

In both Mbabane and Manzini, MIS is used to support the administrative process and improve the quality of decisions in a variety of functions. These include planning and budgeting, administrative registers, billing, salaries and information dissemination.

Use of Strategic Planning as a Management Tool

The major way in which local authorities in Swaziland have sought to improve their management processes has been through *strategic planning*. In both city councils, strategic plans have been formulated, and, as part of the strategic planning process, a number of programmes and projects have been formulated. For instance, in Mbabane four strategic directions/alternatives were identified: broadening sources of revenue to increase total revenues without overburdening any source, ensuring the timely passage of the 1995 Urban Government Bill, reducing crime by at least 20% from 1998 levels by 2002 and institutionalising quality customer service. There is a need to make the experiences from the two larger cities more available to the other sample local authorities.

Training of Staff

Training opportunities for city councils are linked to the training budget. Staffs are sent for training in accordance with training plans. The focus of training is not on the basic skills of performing jobs but on employee development. The training opportunities available to the town councils are inadequate since the training of staff that are on secondment depends on

existing government training programmes. Such training becomes available in an erratic manner due to the absence of a co-ordinated training policy in central government and dwindling foreign donor support.

Private Sector Involvement in ISP

There is minimal adoption of innovative approaches to improving management practices through *public/private* partnerships, contracting out and commercialisation. This is partly due to the lack of an enabling regulatory environment and co-operation with strategic partners.

Territorial Planning and Development

The capacity of councils to effectively discharge the functions of *land planning and physical development is seriously restricted* by the complex system of land ownership in the country. Councils do not own some of the pieces of land within their jurisdictions or in the peri-urban areas. They may only implement land development programmes and projects in the areas under their control. The Local Government Act empowers local authorities to develop, control and manage any land vested in, owned by or leased by them. However, the practical reality is different and/or fraught with numerous problems in that land ownership lies with either the central government or the Swazi Nation in the case of Swazi Nation Land.

It is thus quite often a lengthy and complex process to secure land for urban or township development. Local authorities have to get the approval of central government whenever they desire to undertake municipal development programmes and projects. Moreover, since land ownership rights lie elsewhere in Swaziland's complex political and administrative system, no land development programmes and projects can proceed before land has officially been made available to local authorities. The process of soliciting approval and the release of land earmarked for urban or township development is not only complex (like the political and administrative system), but also characterised by long delays that often paralyse the decision-making process.

8.7.3 Recommendations on the Institutional Framework (Chapter 7)

Major Recommendations:

ST: A more clear identification and definition of main competences and measures to strengthen the SNG councillors and staff should contribute to the strategic and innovative development of the SNG administration by a more clear delineation of the policy making and daily management competencies.

ST/LT: SNG should upgrade their human resource functions in order to improve the recruitment and capability concerning general managers and key staff. This process should draw upon the experiences of the larger cities in the country. ST/MT: The town councils should, on an incremental basis, have greater autonomy for the recruitment and dismissal of the staff at the SNG level. MT: The town boards should, based on the named experiences of the town councils, in the medium term have competence to recruit and dismiss their own general managers and key staff.

ST/MT: The present system of circulation of staff members between the central government and the town councils/town boards should be re-arranged in order for the local governments to obtain a more stable and reliable staff secondment. In the short and medium term staff, might still be shared between central and local government; however, the influence of the local government

on the selection, terms, promotion and association of the staff with the interest of the SNGs should be strengthened.

MT: SNGs should develop their decision-making and administrative capacity along the lines of the concept of “*good governance*”. This process should incorporate a systematic involvement of citizens within their jurisdiction through the use of user-surveys, community participation and the delegation of management functional areas of ISP in accordance with target oriented performance management.

MT/LT: A supportive and effective *management information system* should be established in all SNGs to provide accurate, reliable, timely and user friendly data that is required, not only for organisational performance monitoring of key ISP indicators, but also for the broader aspects of policy analysis. The absence of this type of information in 5 of the 7 sample SNGs mitigates against the central and SNGs’ abilities to respond accurately and promptly to incoming signals and emerging trends. The SNGs’ capacities in economic forecasting, programming and strategic planning also depend on the availability of timely and reliable data (data that might be established through the billing and revenue generating process). Furthermore, the possibilities to share/reuse data (such as on ownership, property, land, and land-use files) among various ISP functions should be investigated and emphasised. This process can be introduced, taking advantage of the experience of the two large SNGs on a pilot basis.

ST: An investigation of how to develop a more *smooth territorial development/land planning and management process*, with special emphasis on the informal settlements, should be initiated.

MT: Competencies of SNGs in the field of land management, including ownership and tenureship within their territories, should be established as well as shared competencies concerning land with other local governments concerning the peri-urban areas.

ST/MT: The possibility should be promoted for further development of the training centre for local government councillors and staff to conduct sustainable and ongoing specialist training within all sector areas. MT: SNGs should investigate the possibility of undertaking training as a joint activity.

MT: Strong *budget, accounting and auditing units*, manned by highly qualified and competent personnel, should be established at the local level, and financial management improved. The first ST step should be training and exposure to new technology and financial accounting systems.

ST: The present Study has shown numerous problems with availability of audited and up-to-date SNG accounts. Central government guidelines concerning the budget process and budget formats should be revised regularly. Books of accounts in SNGs and ministries need to be brought up-to-date.

CHAPTER NINE

WORKING GROUPS OF THE NATIONAL WORKSHOP OF 18 NOVEMBER 1999

9.0 Introductory Remarks

The Swaziland National Workshop on Fiscal Decentralisation and Sub National Government Finance in Relation to Infrastructure and Service Provision was officially opened and closed by the Honourable Minister of Housing and Urban Development.

A consortium of 93 stakeholders drawn from government ministries, SNGs, ratepayer associations, the consulting team for this Study and the World Bank took part in the workshop. A group of local authority representatives from Uganda also attended. Workshop participants discussed the issues and constraints identified during the course of this Study and made recommendations geared towards the enhancement of fiscal decentralisation for local service provision.

The workshop objectives were to:

Discuss and assess the findings of the Study, as summarised in Chapter 8.

- * Identify financial constraints facing SNGs and make appropriate recommendations that would regulate, among other things, central to local government financial transfers for infrastructure and service provision.
- * Identify issues that require legislative intervention and make specific proposals for amending the Urban Government Act, No.8, 1969.

Participants were divided into four groups - infrastructure and service provision, local government finance, the institutional environment and the legislative framework - to discuss these subjects in depth and submit recommendations for plenary discussion and adoption. The working groups, in principle, supported the issues raised in and the recommendations made by the Study, as summarised in Chapter 8. Chapter 9, therefore, attempts to capture the perceptions that, in one way or the other, were not highlighted in the report.

9.1 Working Group on Infrastructure and Service Provision

Issues

- * One area of concern was the sub-standard infrastructure service prevalent in the low-income townships. This problem is partially a legacy of human settlement standards established before independence as well as the absence of a policy to deal with the SNGs' peripheral areas.
- * It was observed that the SNGs are faced with inadequate resources (plant and equipment) with which to carry out physical infrastructure works. The prevalent scenarios on the ground are such that all three town councils and five town boards share one tipper truck,

one old front-end loader and one grader. This resource constraint has hindered the SNGs' ability to undertake and/or complete capital projects and to effectively maintain existing assets.

- * Another pressing issue is the SNGs' lack of ownership of the land within their jurisdictions. It transpired that it is the central government that owns the pieces of land that are lying idle within the boundaries of SNGs. This reality not only hinders meaningful development control over land assets, but also compromises the jurisdictional powers of the SNGs.
- * Also of importance is the fact that essential services such as water, electricity and telephone services are the responsibility of parastatals, rather than the SNGs. This situation has culminated in the apparent lack of co-ordination of infrastructure service responsibility between SNGs and parastatals.
- * With regard to the city councils, the lack of adequate plant and equipment, including personnel with technical skill, results in virtually every capital project being contracted out.

Recommendations

- * SNGs have no other alternative but to require that the substandard infrastructure services prevalent in the low-income townships be upgraded accordingly. This challenge weighs heavily on the SNGs' financial resources, which are inadequate.
- * The central government, through the present arrangement of capitalising SNGs, is expected to avail the requisite plant and equipment necessary to fortify the operations of SNGs.
- * Since most public vacant land in SNG areas is owned by central government, government should encourage SNGs to bring forth for consideration viable projects for optimal utilisation of government land.
- * Those SNGs with adequate capacity, with the assistance of the Ministry of Housing and Urban Development, need to explore the possibility of taking control over the reticulation of essential services such as water and electricity.

9.2 Working Group on Local Government Finances

Issues

- * SNGs have a narrow revenue base; hence, services are mainly financed through property tax. This situation has resulted in the general dissatisfaction of service delivery in relation to rates paid. This scenario influences the SNGs' capacity to collect rates in the urban area.
- * The absence of guidelines for ministerial approval of SNGs' budgets is highly questionable, in that there are often delays in the approval of budgets. The consequences of such delays have serious implications for the collection of revenues and the timely implementation of projects.

- * The budget estimates regulations extend too rigid controls on expenditure line items. Intended re-allocations by SNGs often require ministerial endorsement.
- * There is no agreed upon formula governing grants provided by central government to SNGs. The unpredictability of these allocations negatively affects the SNGs' budgetary process.
- * Town boards are not permitted to retain revenues they collect; instead, they remit these revenues to central government. Given the unpredictability of central transfers, town boards find themselves in a problematic situation since they cannot effectively plan for service provision.
- * Some town boards are incapable of exploiting effective mobilisation and deployment of resources because of the small sizes of their jurisdictional areas. This concern does not attempt to negate the fundamental economic principle that size does not necessarily relate to efficiency; rather, it attempts to highlight the constraints endured by these SNGs as a consequence of diseconomies of scale.
- * The inadequate functional capacity of the treasury departments of SNGs was also identified as another cause for concern. The treasury is the pillar behind the efficient functioning of SNGs because it deals with the second most important resource governing their operations. Weaknesses in the manner the treasury functions pose serious problems for the overall performance of SNGs.
- * The lack of autonomy in the approval of user fees and charges was identified as one of the problems faced by SNGs, the implication of which is delayed, and sometimes foregone, revenue collection. A related problem is that the review process is lengthy and requires its own separate ministerial endorsement.

Recommendations

- * SNGs need to optimally exploit the revenue provisions embodied in Section 86 of the Urban Government Act, 1969, the consequence of which shall be a broader revenue base for SNG operations.
- * The Ministry of Housing and Urban Development needs to develop, in consultation with the Local Authority Board (LAB), guidelines for budget approval.
- * The consideration of budgets by the Minister should occur within twenty-one days of budget submission.
- * There is a need to ensure flexibility on re-allocations to shift from line items in favour of re-allocation guidelines jointly determined with SNGs.
- * The Minister, in consultation with LAB, needs to develop clear rules and guidelines governing the transfer of grants to SNGs.

- * With the assistance of central government, town boards should be encouraged to build capacity in their respective jurisdictional areas in order to be afforded the opportunity to control their own finances.
- * The Ministry needs to consider the gradual extension of the boundaries of smaller town boards to sizes adequate for the potential mobilisation of funds to finance development programmes.
- * There is an urgent need to strengthen the functional capacity of SNGs' treasury departments to be able to perform efficiently and effectively the demanding and complex tasks associated with the proper management of finances.
- * User fees and charges need to be determined and approved at the SNG level, and their implementation must be effective upon promulgation of a gazette to that effect.

9.3 Working Group on the Regulatory Framework for Decentralisation

Issues

- * The term of office of councillors (3 years) is too short to enable them to implement the mandate demanded by the electorate. In the first year, considerable time and effort are taken up by the induction process required for an understanding of basic local government laws and managing local government finances. In the second year, councillors begin to formulate policies and develop strategic plans. In the third year, a period SNGs are expected to dedicate to the implementation of strategic plans and policies, a greater portion of their time is taken up by soliciting votes for the next term of office.
- * The absence of budgetary and financial guidelines, as regulatory tools, is a serious obstacle to the timely approval of SNGs budgets.
- * The submission date for SNGs budgets presents another problem with regard to the inclusion of grants and other revenues from central government in the SNG budgets. This is the case primarily because it falls well before the determination of national budget allocations. The situation makes it difficult for SNGs to include realistic estimates for central government grants in their budgets.
- * There are presently no guidelines regarding the privatisation of activities that SNGs cannot efficiently perform. Where the nature of the issue is such that it is at the discretion of SNGs, there seems to be no political will to take up the initiative. The reasons behind this reluctance are numerous and varied, and they include the costs associated with perceived retrenchments/right-sizing.
- * The absence of guidelines for recruiting senior SNGs personnel has created unnecessary disparities with regard to remuneration packages and terms and conditions of service for these posts. Over and above this, there is the administrative challenge associated with discipline, in that the institution of a disciplinary process would have to be approved by the Minister for Housing and Urban Development. This scenario renders the disciplinary process very tedious, lengthy and, more often than not, confusing.

Recommendations

- * The tenure of office of councillors needs to be reviewed and extended to five years. This initiative would enable the electorate to assess SNGs' performance and to be in a better position to elect appropriate persons as councillors. In addition, it would allow councillors to have adequate time to address the needs and aspirations of their constituencies.
- * The existence of a lacuna in respect of budgetary guidelines has necessitated that they be formulated as a matter of urgency. It is strongly recommended that the guidelines be formulated by the Minister for Housing and Urban Development in consultation with the LAB and within a transparent environment.
- * The Ministry needs to change the SNGs' financial year to start from 1st July to 30 June in the following year. This arrangement will enable SNGs to make realistic revenue forecasts from the centre since the national estimates would have been dealt with by parliament.
- * The central government is mandated to develop a comprehensive policy on private sector involvement. This policy would act as a necessary stimulus to foster the smart partnership between SNGs and the private sector to the benefit of the populace.
- * The local authority board envisaged in the Urban Government Bill needs to be formalised.
- * In respect of functions that require ministerial approval, there should be a commitment by the Ministry of Housing and Urban Development to respond within 21 days, failing which approval is implied.
- * The Minister for Housing and Urban Development, in consultation with the LAB, needs to develop guidelines for the recruitment and determination of terms and conditions for SNGs town clerks within a transparent environment. Further, the recruitment and formulation of the terms and conditions of service for all other senior personnel need to be the prerogative of individual SNGs.

9.4 Working Group on the Institutional Environment

Issues

- * SNGs lack adequately qualified staff, particularly at the town council and town board levels, to carry out the mandated technical services. This lack of capacity inhibits the decentralisation of functions and responsibilities to SNGs.
- * The councils of SNGs are characterised by antagonisms emanating from the relationship between elected and appointed councillors. This frustrates the management of SNGs and inhibits the planning and delivery of services by shifting attention to conflict resolution and away from development programmes.
- * The strategic management approach adopted by SNGs is yet to be fully internalised and generally understood by SNGs employees. This situation seriously hampers meaningful initiatives to improve productivity in relation to service provision and ISP responsibility.

- * There is lack of a training policy to support training for councillors and SNG staff.
- * Most SNGs (with the exception of cities) lack contemporary information systems, such as computers, to aid decision-making processes.
- * There is manifest lack of clarity on the roles of politicians and management (staff) resulting in misunderstandings and power conflicts.
- * The lack of initiatives by SNGs to explore possible joint ventures with the private sector has contributed immensely in their inefficiencies. Joint ventures, if correctly exploited, would lessen the burden on the taxpayer.

Recommendations

- * The Ministry of Housing and Urban Development should undertake capacity audits and build adequate capacity to enable the gradual transfer of tasks and responsibilities to SNGs.
- * The Ministry needs to oversee and ensure that SNGs develop strategic plans that set out clear policies, objectives and implementation guidelines for their effective operations.
- * The Ministry needs to formulate a training policy and establish a training fund for SNGs in cases where the SNGs have no resources to undertake training on their own. Municipalities should be encouraged to continue with the practice of budgeting for the training of their personnel and councillors.
- * It is necessary to define the roles of political and management levels within SNGs.
- * It is necessary for the Ministry of Housing and Urban Development to purchase for the town boards the necessary office equipment and to encourage municipalities to train staff in the optimal use of the equipment.
- * There is a need to develop privatisation/outsourcing policy guidelines in consultation with SNGs and the private sector.

9.5 Conclusions and Future Strategies

The fiscal decentralisation study vividly demonstrates that the empowerment of SNGs is essential for the effective delivery of public services to various communities at the grassroots level.

The working group observed that decentralisation must be defined appropriately in the Swazi context so that the objectives behind and benefits accruing to the granting of more autonomy and devolution of more responsibility to SNGs get the vigorous support of the central government. It was also observed that it is necessary, therefore, to fully support the good governance programme co-ordinated by UNDP to facilitate the timely development of a decentralisation policy for Swaziland that will, it is hoped, be supported by a fully-fledged decentralisation secretariat. The findings of the fiscal study will be very useful in the development of the

decentralisation policy, and efforts must be made to ensure that the two projects are ultimately integrated.

Attempts must be made to implement the Urban Government Policy approved by Cabinet in 1996. A high powered secretariat consisting of officers from the Ministry of Housing, Ministry of Finance, Ministry of Economic Planning and Development, Cabinet Office and Attorney General needs to be established to develop a viable implementation plan for the policy. A critical responsibility area for this team would be to develop a revenue sharing formula to govern the financing of decentralised SNGs. The absence of such a formula has necessitated the development of a cost-sharing scheme as an interim measure.

There is a need to review the Urban Government Act to meet the new framework for decentralised local governments. A workshop needs to be held that will identify the areas needing legislative review from the fiscal study and make additional proposals that will be discussed at plenary and adopted. A committee comprising of representatives from SNALA, Ministry of Housing, Attorney General and SNGs needs to be established and charged with the responsibility of co-ordinating the process and providing feed back. This committee will forward the proposals for legislative drafting once ministerial consent has been secured.

There is a need for the introduction of appropriate, uniform management information systems and for the ministry to build capacity, particularly at the town council and town board levels. The SNGs shall identify appropriate computer software for rates billing and gradually extend the MIS to other activities to improve operations.

The Ministry, in consultation with SNGs, shall develop a financial management manual, which will provide a proper framework for effective management of SNGs' finances. The manual shall define the roles and responsibilities of SNGs and their officers in matters of finance and shall capture the fundamental principles that should apply to all SNGs with regard to the collection of revenues, the incurring of expenditures, the management of cash flow and debt, etc.

The Ministry shall encourage the merger of the Swaziland National Association of Local Authorities (Snala) and the Local Authority Management Association of Swaziland (Lamas) and further strengthen them by contributing the initial financial support with which to establish an office and purchase basic office equipment. However, the organisation shall be advised to build its finances around contributions from their membership.

This envisaged merger would better enable the association to:

- * Corroborate central government efforts to develop the local government system.
- * Promote and co-ordinate international relations with local authorities and associations in other countries with ease.
- * Advocate for local government interest on issues such as legislation or policy from a stronger position.
- * Finally, the working group noted that there is a dire need for all stakeholders to nurture a culture that promotes public participation in the affairs of SNGs.