



# South African Municipal Worker's Union

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7th March 1996

The Director  
Department in the Office of the State President



Dear Sirs,

### MUNICIPAL INFRASTRUCTURE INVESTMENT PROGRAMME

We enclose our preliminary response to the report. This serves as our contribution to the agenda for the meeting currently scheduled for 22 March 1996 in Cape Town. Intended to commence early and continue until lunch time - if not beyond.

We record that we have discussed the representation of different departments which need to be present from Governments side -including yourselves, Constitutional Development, Water Affairs, Finance, and Labour.

We would further note that the participants need to understand that we are not impressed in general when we arrange meetings only to have details change at the last moment. From our side you can expect a delegation of between 12 - 14 persons including representatives of our 9 regions and national office bearers.

Yours faithfully

Roger Ronnie  
General Secretary

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# MUNICIPAL INFRASTRUCTURE INVESTMENT FRAMEWORK (MIIF)

## INITIAL RESPONSE FROM SAMWU

### Introduction

SAMWU first became aware of the MIIF during the Portfolio Committee Public Hearing on local government legislation held in November 1995. A copy of the full document was received by our office in mid-January 1996. A covering letter indicated that a key issue in the MIIF was the "nature and extent of private sector involvement in extending service delivery". A meeting was held, on 21 February 1996, between the Minister without Portfolio, the Director General in the RDP Office and a delegation from SAMWU. It is necessary to note that this first formal contact was very belated and does not serve to engender trust in any process.

We do not accept that any serious attempt was made to involve the union prior to the document being made public. It is our view that the attitude to unions, as reflected in the document, was one of "unions will *have* to be accommodated" (our *Italics*). Implying more of a necessary evil than any concern for a partnership. "Partnerships" being reserved for business, small entrepreneurs and big capital.

We have been assured that the document remain a consultative document and that we can still make our input. The fact is that it is already taken to represent government policy and is being acted upon in such terms. A case in point being the planning already being done by the DBSA in respect to water and sanitation (Municipal Engineer - Jan 96). It is necessary that Government correct this impression if further consultation is to be taken seriously. It is our view that in its current form the document is being used as a means of mounting an attack on the direct provision of services by local government.

### IDEOLOGICAL UNDERPINNINGS

The document was prepared by the Urban Infrastructure Investment Planning Team with the assistance of a research team assembled by the DBSA and the World Bank. It needs to be stated up front that the World Bank and other international monetary bodies have privatisation as the cornerstone of their programmes and that the current document is largely coloured by their perspectives. No amount of talk about not dealing with the issue in ideological terms is likely to convince us. There is a specific neo-liberal agenda to which we as a union and the PSI to whom we are affiliated are opposed. It is not our intention to simply roll over and play "pragmatic" because of the (acknowledged) pressures of the current global order on the SA economy. To the extent that the national state still has any power within a world increasingly dominated by multinationals we consider it should be asserting a much greater degree of autonomy in political and economic terms.



We would also note that in making some preliminary responses to the MIIF document we are necessarily placed at a disadvantage. That serious and transparent engagement around these issues will require mechanisms of union capacitation. We deal with some of these issues below. Clearly some elements of the "Framework Agreement" between Government and labour will also govern future contact. That document was however framed with major parastatals in mind and is not always adequate in the circumstances of local government.

## **OVERALL RDP RELATED OBJECTIVES**

SAMWU clearly shares the objectives of delivery outlined in the document.. In general terms the framework for a ten year delivery perspective, within which the first 5 years are crucial, and quantification of a framework based on affordability and levels of standards is acceptable.

The emphasis on proper spatial planning in the delivery of infrastructure in order to reverse the apartheid design of cities and towns is supported. We would support an even more concerted effort in this respect by Government. While the MIIF deals only with specific infrastructural elements it needs to be located within effective planning mechanisms for all infrastructure to be provided in the local government area. The choices of priority need to be determined through local government consultation together with community forums. We share with the report a scepticism about "development forums" inspired by different departments, including RDP and Public Works, or Province which are not integrated with local government. Both central state and provinces can facilitate their work through these processes and be represented. The problem is the current mix up of contending initiatives which seek to by-pass or even replace local government.

We also fully support the necessity of creating a central funding mechanism for capital transfers to local government in respect of infrastructural development. The extent to which this is broadened to take in infrastructural needs for schools, clinics or police stations obviously relates currently to functional powers by different levels over different services. Here again there is a desperate need for focus. In particular the hiatus between conceptions of PHCD's and questions of demarcation and restructuring of Local Government is of concern. In principle the health policy documents indicate that Local Government would be the best location for PHC - why then duck the issue of ensuring that local government is demarcated to achieve this purpose. There is a need for government as a whole to make a concerted drive to focus on an appropriate form of demarcation of "rural district" demarcation to create effective delivery structure which are local government structures and not administrative demarcations of Provinces.

We support the need for Local Governments to develop 5 year strategic plans and to look at how their budgets can be re-aligned to meet targets. That this must include a thorough examination of how, and the extent to which, service standards in more privileged areas can be reduced and capacity redistributed to areas of need. We reject the terms in which such strategic planning is presented in the document with its emphasis on exploring private

sector mechanisms as the priority. The priority should be consultation with workers and to develop mechanisms of worker participation to unlock the potential in local government.

We further recognise the pressures placed on government to achieve sustainable delivery of the infrastructural elements involved. These pressures should not however force us into quick-fix solutions which cause us to abandon democratic traditions. So that rather than fostering local government, and creating the basis for the development of more effective organisations of civil society we undermine both. Once again we can only emphasise the necessity at this stage to make concerted efforts, politically and legislatively, to get organised local government functioning effectively. Without representative organs of local government at provincial and national levels any programmes to build local government capacity is inhibited.

## **DELIVERY INSTITUTIONS**

It is specifically around delivery institutions and mechanisms that differences emerge between SAMWU and the report. Government must be transparent about its objectives. Even without our resistance the making ready of municipal services for privatisation is likely to take 2 to 4 years (Municipal Engineer Jan 1996). The question now is whether government places its weight behind a slightly ameliorated version of structural adjustment or seeks the support of mass organisations, such as unions, to turn around existing delivery systems. The MIIF document falls squarely on the side of the former.

It is our view that whilst reference is made to:

- the responsibilities of local government (3.8, pg 24) as contained in Chapter Ten of the Interim Constitution,
- the critical need to focus on local government as a financing and delivery vehicle for urban infrastructure (1.9, pg 4),
- the generally effective financial management systems and the sufficient numbers of skilled and experienced staff in former WLAs (1.6, pg 3),

that the general impression being created is that local authorities do not have the capacity to deliver in accordance with the infrastructural requirements of the MIIF. That in its place the private sector must be called in to solve the problem.

We can agree with many of the problems identified with the present set-up in local authorities (3.15 and 3.16, pgs 25 and 26). What we cannot agree with is the assumption that by restructuring in accordance with strict business principles (eg the business unit concept) these problems will be overcome.



Alternative delivery mechanisms are seen to exist only within the parameters of "reforming management practices through to more far reaching privatisation arrangements". (Clause 3.20, pg 26). No where is worker participation mentioned.

It is in this area that we see strong World Bank influence emerging. Ideologically flavoured language flows through the MIIF when dealing with alternative delivery mechanisms. Efficiency and effective service delivery are seen as the preserve of the private sector. Unsubstantiated "international experience" is cited as indicating that only institutions which are run on the basis of business units in accordance with commercial principles are able to provide efficient services. The issue is not that all aspects of "commercialisation" are rejected. The objection is that rather than a detailed study of the nature and form of such mechanisms, and of worker participation in creating new and alternative structures and processes for delivery, we are given such bland assertions.

The sleight of hand apparent throughout the document promoting the World Bank perspective is captured in the following quotes. In Clause 3.20 when dealing with the parameters for alternative service delivery mechanisms, it is stated that "local governments will need to weigh up political concerns (such as relinquishing direct accountability in a very new democracy) against efficient and cost effective service delivery." Yet Clause 3.24 states that accountability to the people is a pre-requisite and that such accountability "can be enhanced through regulation so that even where commercialisation or privatisation occurs, the service need not be deregulated. The local authority could then regulate the provision of the service". This is simply shifting goal posts. We are extremely sceptical of a "regulatory regime" being able to ensure accountability. There is in our view not substitute for direct public sector delivery where accountability is concerned. The accountability of regulatory regimes in the final analysis takes place through contracts. Contracts are not just what is on paper. They involve power play and the possibilities of endless litigation where breaches are alleged.

We have been assured that the MIIF is not intended to be a blue print for privatisation. Yet table 3.2 on page 29, headed Organisational Options, By Sector is a comprehensive schedule privatisation options. In addition, Clause 3.34 (pg.30), recognises the difficulties of immediate full privatisation, including the need to give consideration to the interests of unions and to "accommodate them" (or should that read co-opt them) in any new arrangements. The requirement that in framing strategic plans priority be placed on investigating private sector options (Pg 52 step 3) is the clearest statement of intention.

The central proposal is that of "ring fencing". To us this is nothing other than the first step towards corporatisation and private sector involvement. It is our submission that ring fencing, as described in the document, is intended to set the stage for full scale privatisation. That the primary purpose is to neatly structure particular services into "going concerns" - using tax payers' moneys. If and when capital is satisfied in such terms the next step would be the full privatisation of the service. Should it still prove unattractive the private sector is left none the poorer. We are not about to be "accommodated" in capital's cherry picking expeditions.

We do not deny that similar processes to “ring fencing” which aim to create effective measurement of the economic unit and transparency in regard to cross subsidisation are not needed. The issue is the final objective of such mechanisms. We do not support the current crusade against cross subsidisation of services which smear them as hidden taxes.

By failing to address the re-vitalisation of local government as a means for the delivery of infrastructural requirements and ongoing service delivery ( a conscious omission in our opinion) , the report directs government to capitulated to the dictates of World Bank ideology and missed a vital opportunity to radically restructure public sector delivery .

The section of the report dealing with alternative delivery mechanisms sets out certain features which characterise existing delivery institutions. Lacking from the analysis is a recognition of the effects apartheid has had on the face and the form of local government institutions . Bloated management systems, infinitesimal distinctions between occupations, excessive hierarchy , the affects of the Remuneration Act- are all missing . To ignore this is to ignore the critical issues of what impediments and strengths of local government capacity exist. It is also to ignore HRD in local government - displacing it to external consultants and the private sector.

Our approach is further premised on not repeating the mistakes made in other countries in this area. We can ill afford to waste time and resources exploring options which have run aground in other countries. Options which were often based on perceived short term gain through having access to skills and resources which, at first glance, do not appear available in-house.

## **SUMMARY OF OUR APPROACH**

Our approach to meet the delivery objectives of the MIIF requires:

- Resisting neo-liberal pressures to privatise service delivery;
- Focusing on local government employees as the key to extending and improving services. More specifically through investment in ongoing skills development and the maximum utilisation of the expertise and experiences of front line local government employees in the process of re-organising the way in which services are delivered.
- Exploring financing mechanisms which promote maximum utilisation of state funds, engender social responsibility, and limit the influence of private capital on the form and content of the restructuring process.



## **SAMWU PROPOSALS**

These proposals are directed to setting in motion an adequate bargaining and consultation process on the one hand and on the other to suggest way in such the MIIF programme should be strengthened or made more acceptable to us - which begins to address issues of disclosure and /or the agenda for negotiation.

### **BARGAINING PROCESS AND STRUCTURES**

At this stage it is evident that Government sees itself as entering a bargaining phase. To this extent the first step we require of government is to take rapid steps to dilute the current tone of the document. That researchers are commissioned to more fully research mechanisms of internal reform within the public provision of services - including elements of "commercialisation" which combine with worker empowerment can achieve greater effectiveness. In other words that you take steps to attempt to correct the bias in the document.

The second step is to ensure that effective bargaining structures are brought into being rapidly. It is an insufficient basis to rely on the development chamber of NEDLAC alone. The MIIF amounts to a major industrial restructuring of the municipal sector similar to that being negotiated in other industries. In our understanding of the philosophies underpinning the LRA it should be a prerequisite to such negotiations that it is complimented by bi-partite negotiations in the sector concerned.

This is essential not only for unions but also for Local Government - who are not represented in NEDLAC. The urgency of promoting the effective development of organised local government goes without saying - Government needs to consider more forceful steps to promote new organised local government structures. We are lobbying in terms of new Local Government legislation in this respect. Unfortunately we seem to be a lone voice. There is currently no basis for leaving local government to find its way through freedom of association. Local Government, as a critical level of government (and at least during the restructuring process) needs to be legislated into line. Effective local government requires effective organised local government. Effective development of democracy requires local government with national voice. The capacity of local government councillors is insufficient at this stage. There is another issue - effective political action by the major player (s) in Government to develop more coherent local government practise within their party ranks than is currently the case.

We are seeking much more assertive action by the Departments of Constitutional Development and Labour to support the establishment of a National Bargaining Council for the sector. We draw you attention to a meeting of the National Labour Relations Forum for Local Government on 18th March 1996 as critical in this regard. The two Departments have been invited and we would expect that they are represented by senior officials - preferably those who may further attend the meeting proposed for 22 nd March

1996. We note that considerable progress on the constitution and nature of such Bargaining Council has already been made.

We seek the same for the Water Sector were we are also organised. The issue of whether Water Boards - as forms of autonomous local authority should not perhaps form part of the local government council also needs to be explored.

We also note that it is a central demand that all local government undertakings fall under this council irrespective of being privately or publicly owned.

We record our agreement to try and convene the further meeting on 22 March 1996 in Cape Town with a wider range of affected Departments to take issues further.

## **FINANCING MECHANISMS**

In the area of financing we put forward the following issues for further investigation, discussion and negotiation. We obviously do so in the context of our particular perspectives and proposal for research which reverses the bias in the current MIIF document.

- **Macro Economic Policy**

We clearly do not agree with what we see as monetarist macro-economic policies. While this is a general issue discussion of the excessively 'tight' approach being adopted is necessary. Including the manner in which specific controls over local government spending are managed by the department of Finance.

- **Strategic Information**

The failure of Local Governments to respond efficiently to the attempts by the Department of Constitutional Development and others for strategic information on their finances and numerous other levels must be dealt with through strong measures. The failure is not so much a failure of Local Government as of existing CEO's. Currently protected as they are by the Remuneration of Town Clerks Act and other institutional arrangement. Urgent legislation should be introduced to make them criminally liable in the event of a failure to respond effectively. The Remuneration Act should simple be scrapped without beating about the bush. This act is inhibiting progress. Ironically it is also a specific intervention in the market the removal of which is needed to get local government moving.

- **Local Government Finances - General**

The above question links directly to general questions of local government finances. The paucity of strategic information and the often very opaque forms in which it is



presented. To questions of the form in which such finances are analysed and assertions made about excess staffing.

- **Prescribed assets** - We are of the view that it is appropriate for the re-introduction of pre-scribed assets. This form of finance generation was used to construct and maintain the apartheid infrastructure. There is no reason why it should not be a vehicle to construct and maintain a democratic dispensation.
- **Taxing Powers to local government** - We will need to be fully briefed on and discuss what work has been done towards considering how additional taxing powers may be devolved to Local Government . Consideration must be given to granting greater power to local government to generate income and become more credit worthy. This should include mechanisms through which local government is enabled to raise special one - off levies or taxes which would be specifically used for infrastructural development. These might take the form of semi - voluntary contribution by local communities in practise.

- **Masakane Campaign**

We are clearly supportive of the need to create a culture of payment for services. To often however we are not consulted. In addition however we would wish to explore what may or may not have been done towards defining "life-line services" and appropriate and progressive tariff structures nationally. While we agree in general with the decentralisation of the campaign we do believe firm guidelines need to be given from the centre.

- **Local Government Solidarity Fund** - In some other countries there are funds in place to effect distribution between richer and poorer local authorities. This needs further investigation. in addition to examining this in purely internal terms it may also serve as a conduit for international support by twinned local government associations.
- **Audit and Regulation of Private Sector Initiatives** - Talk of a "regulatory regime" as the way forward ,rather than full privatisation , is spurious when there is not regulatory regime in place. Currently an open house is being provided to the private sector to cherry pick. At an initial level an audit/ research needs to be done of all existing privatisation and current proposals being investigated by local governments. There needs to be transparent analysis of what exists and its pro's and con's . Including the profit margins of existing sub-contractors.
- **Moratorium on Major Contracts** - That a moratorium be placed on all major contracts currently under negotiation between individual local authorities and the private sector such as those being lobbied for in water treatment and sanitation. In particular mechanisms are needed to contain the activities of Multinationals.

It should be obvious from the tenor of the above that we are opposed in principle to placing reliance on the Private Money Market and down playing state based support systems. This is not to deny that Private sector lending will be necessary. It is to oppose the notion that by bending over backwards to meet their requirements we will see and extension of effective services to the level of 55:25:20 hoped for in the report. We would suggest that internationally there is no evidence that an excessive reliance on private money markets has benefit delivery to the people. In general it has only benefited a select consumer market and profit margins.

### **INSTITUTIONAL REFORM**

We do not pretend that we have a blue-print for the 'turning around' of local government service units to achieve effective and efficient and community friendly services. We do believe it is necessary to create the necessary models in practise. We shall be seeking to establish such projects within international union support. We however expect government to find the means to support this openly. The above research proposal is one element of this.

As indicated above such micro - exercise is but one element. The first and critical element is to get organised local government functioning effectively - through legislative means - but also centrally though political work. This is critical in terms of establishing an effective training and human resources development strategy and tackling other general impediments to effective local government.