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*Financing Municipal Authorities for Sustainable Development:
Case Study of Gaborone City, Botswana.*

By A.C.Mosha and O.L. Mabaila

Background

Amongst the many reasons accounting for the failure of many urban local authorities in developing countries to cope with the demands of their increasing populations is the inadequacy of their financing systems. In many countries, the taxing powers of local authorities are simply not wide enough and the revenue yield from existing sources is often far inadequate to meet their expenditures. Many cities in Africa in particular and the developing world in general, are largely dependent upon income derived from property taxation and other service charges, whilst more lucrative sources, such as income tax, sales tax and business tax are monopolized by central governments. Thus, many cities have to depend on central government allocations, which are generally inadequate and often erratic in terms of timing. Urban local authorities fail to cope with increasing demand due to inadequacy of financial regulations and procedures employed as well as lacking in administrative capacity, which makes them not to fully benefit from existing revenue sources. The latter situation also obtains in Botswana where there are the same problems of poor central-local authority relationship, lack of autonomy, lack of adequate revenue sources for local authorities and some political problems adversely affecting the effectiveness of local authorities in providing quality service and fight poverty.

inadequate own financial resources and poor financial administration as well as capacity problems to cope with increasing demands on existing infrastructure and social services provision. The result of this has been poor living environments, poor housing, and high levels of unemployment and poverty. This study was therefore designed to unravel the extent to which the aforementioned problems have hindered the capacity of local authorities, especially the Gaborone City Council, to effectively deliver quality services and reduce poverty.

Research Objectives

The objectives of this study were:

- To assess the financing system of Botswana's municipalities, focusing on a case study of Gaborone City Council and learn from its strengths and weaknesses;
- To point out directions for improving the financing systems of Botswana's municipalities in order to ensure their sustainable development; and
- To assess how Gaborone City Council has addressed the issue of poverty in its plans, programmes and strategies as well as finding out what pro-poor policies exist and their implementation.

These Policy Briefs are a product of the MDP multi country research project, which was funded by the Government of the Netherlands and coordinated by the Municipal Development Partnership for Eastern and Southern Africa. They are intended to inform, contribute and provoke dialogue on strategies for enhancing local government capacity for effective service delivery and poverty reduction in Sub-Saharan Africa. The views expressed here are those of the researchers and should not be attributed to the MDP secretariat.



Research Methodology

The study was done using participatory methodologies to collect both the qualitative and quantitative data. From the qualitative side, a series of focused group discussions at community level were carried out. The focus group discussions aimed at surveying a cross section of the urban population in terms of social, economic and geographical criteria. The selection of groups was developed using Gaborone City Council's database and local NGO knowledge. Also a series of group discussions with stakeholders like Gaborone City Council section heads, central government officials, NGOs and the business community in the city were conducted. Qualitative data was also obtained through anecdotes, unstructured open-interviews and rapid assessment appraisals. Quantitative data was collected through structured survey questionnaires administered on individual community members. A pilot run of the questionnaire was done and adjusted before adopting the final questionnaire that was used. Desk study was employed to gather secondary information such as literature on urban financing which constituted the contextual background of the study. Documented information was obtained from institutional and non-institutional sources such as government reports, Gaborone City Council Annual Reports, Census Reports and other publications.

Research Findings

- The research results reveal that to-date, Government has decentralised responsibilities to the Council and communities, but a commensurate transfer of resources, as well as improved revenue generating capacity has not accompanied these. Neither has there been an appropriate enabling legal framework for the generation and management of these resources. To make matters worse, the Council is led by the opposition party and this poses serious administrative problems;
- As far as the revenue sources are concerned, the research findings reveal that the current arrangements are such that Central Government allocates and controls the way money allocated to Local Authorities should be spent in spite of decentralization. The control involves grant money, taxing powers, access to credit and management of development funds. The Gaborone City Council is funded through the Revenue Support Grant, known as Deficit Grants, own revenue sources and development grants;
- Although the Gaborone City Council has legal powers to collect certain taxes, levies and fees in

order to defray its operating expenses with a few exceptions, for example local abattoirs, wholesale traditional beer outlets, they are discouraged from trying to raise revenue by embarking upon potentially profit making businesses, such as the provision of rental housing or public transport due to potential problems. Evidence from the research shows that there is slow collection of money owed to the council, and default rates are high;

- Concerning Budgeting and Planning, the research findings reveal that the Gaborone City Council has to prepare, on a yearly basis, budget estimates containing the required expenditure, the expected income from internal sources, and the required deficit grants from central government to cover the shortfall. Because the amount of the recurrent deficit grant entitlement for the coming budget period is not known in advance and because the Council possesses neither control over the introduction of Central Government mandated expenditures nor, in most respects, control over its revenues, it is not possible for the council to implement proper budgeting and planning processes. In essence it therefore means that the present revenue system makes it impossible for the Council to use its budget as a meaningful long-term tool for planning and setting priorities;
- As far as personnel administration or problems of Capacity are concerned, like most Local Authorities in Botswana, personnel for the council are employed by a central agency, the Unified Local Government Services, and only limited powers have been decentralized to the Councils. Absolute shortages of skilled personnel in the professional and technical cadres related to financial, planning and infrastructure development are experienced and is likely to remain for some time. The feeling of Council is that additional functions should still be decentralized to make it easier for the council to run its activities and make sure that all the allocated financial resources are fully utilized; and
- With regards to service provision, it was found that certain tasks performed by the Council do negatively tax its ability to perform existing service delivery functions properly. These functions include housing

and land servicing; infrastructure provision, such as sewerage schemes, primary education and health services; service expansion and rehabilitation of primary and secondary roads, as well as power and water supply. The Gaborone City Council most certainly does not, at this time, have the financial and human resources to undertake the maintenance and incorporation of the completed services set out above, and the capacity to implement the capital expenditure projects. Simply establishing the required capacity in the Council will require major capability enhancement over the next few years.

Recommendations

- Lack of autonomy of the Gaborone City Council runs through all the sectors. It is therefore, recommended that central government should revamp the authority needs of the Council by way of giving it more autonomy in planning, budgeting and administration of funds. More decentralization of responsibilities, power and decision-making is therefore urgently needed;
- Concerning the limited base from which to get funding, it is recommended that there should be a need to speed up fiscal decentralization and to encourage Gaborone City Council to find out new own-revenue sources. In other words, revenue collection systems and mechanisms should be intensified and strategies and support mechanisms for local economic growth and employment creation and poverty alleviation should be vigorously pursued;
- The Gaborone City Council should reform its personnel employment structure, train personnel vigorously and provide incentives for greater productivity in order to effectively address the perennial problem of inadequate personnel; and
- Finally, it is recommended that in order to facilitate the changes proposed above in relation to problems of capacity, some statutory revisions to

the Unified Local Government Service Act of 1973 are required. Specifically, the Act should be reviewed with a view to specify which powers of the Establishment Secretary are to be decentralized to the Chief Executives. In a system of decentralized administration, the power over resources is central. The most important resource of all other resources is human resources in the form of managerial, administrative and technical staff. Without giving Gaborone City Council the power to appoint and fire staff, effective implementation of council decisions is impossible.

About MDP

The Municipal Development Partnership for Sub-Saharan Africa was launched in 1991 as a multi year partnership between municipal governments and associated institutions and bilateral and multilateral donors. The Partnership was designed to be an alternative model of development assistance, operating regionally and nationally, dedicated to building local institutional effectiveness in Sub Saharan Africa. The Partnership is organized in two units both of which share the same objectives and methodologies. The Eastern and Southern Africa unit covers 25 countries and is based in Harare Zimbabwe. The Western and Central unit covers 22 countries and is based in Cotonou Benin.

About the Authors

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