

■ OPINION / COLUMNISTS

*Neva  
Makgetla*  
Columnist

# NEVA MAKGETLA: Municipalities emerge from lockdown in poor health

Metros face lower revenues and higher poverty relief expenses

🔒 BL PREMIUM

08 JUNE 2020 - 17:11 by NEVA MAKGETLA



Pedestrian wearing face masks cross a busy street in Buffalo City Metropolitan Municipality in this file photo. Picture: SINO MAJANGAZA

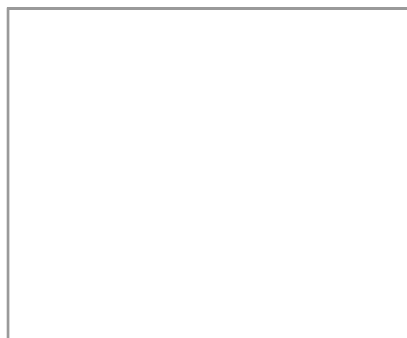
Covid-19 is putting immense pressure on metro budgets. On the one hand, they have seen a sharp decline in revenues. On the other, they have higher expenses for poverty relief, facilities in informal settlements, and safe public transport. The national government has promised R20bn to support all municipalities, but so far it has not indicated how the money will be spent. In any case, the funds are part of the adjustment budget, which means they will be available only from early August.

The lockdown hit metro revenues hard as businesses in particular slashed their use of electricity and other services and held back on rates. According to presentations to parliament, Tshwane now expects to raise R22bn for the financial year ending in June, down from its budget of R26bn. Its revenues in April and May were almost 50% below expectations. Ekurhuleni's collections were 33% below its budget. Cape Town's adjustment budget expects a fall in revenue of R1.1bn for the year, mostly because of lower payments for electricity.

Shrinking metro revenues are particularly disruptive because they depend almost exclusively on their own income rather than government transfers. As the country's economic epicentres, they meet most of their spending from services payments, rates and, for capital spending, borrowing. In the 2019/2020 budget, the metros as a group expected that national transfers and grants would cover just 15% of their spending. In contrast, towns in the historic labour-sending regions looked to national government for half their total spending; for smaller towns in the rest of the country the figure was a quarter.

The ability of the metros to raise their own funds means their budgets tower over those of other towns. Government transfers are now more or less the same per person across all kinds of town. But the metros' internal revenues let them spend around four times as much per resident as towns in the historic labour-sending regions, and twice as much per person as those in the rest of the country. In 2020, however, they will be unable to maintain services without some national support – and those services are crucial for economic and social recovery.

ADVERTISING



In addition to lower income, the metros are seeing higher costs. The incidence of Covid-19 is far higher in the metros than elsewhere. In the third week of May there were almost 300 cases per 100,000 residents in Cape Town, more than 70 in Buffalo City and Nelson Mandela Bay, and about 30 in eThekweni and Johannesburg. In the rest of the country the count averaged under five per 100,000 people. In the past few months the metros have spent hundreds of millions to assist informal settlements and public transport to minimise transmission of the infections. They have all set up spaces for homeless people, provided tens of thousands of food parcels and expanded the water supply in informal settlements.

Cape Town faces particular challenges. It has prided itself on lower rates and tariffs than other metros. But Covid-19 spread relatively rapidly, in part because its informal settlements suffered from households being far more likely to share water and toilets than in the other metros – in Cape Town, 90% of informal households share facilities, compared with 40% in the other metros outside eThekweni, where the figure is about 75%.

So far, the government has allocated about R300m in disaster funds and reprioritised conditional grants to extend basic services and sanitise public transport. But the disaster funds were apportioned in line with the municipal share in the national revenues. That means the funds were not concentrated on the metros, despite the disproportionately large burdens they face from Covid-19. The R20bn promised as part of the stimulus package should be linked more carefully to the actual shortfalls arising from the pandemic.

• *Makgetla is a senior researcher with Trade & Industrial Policy Strategies.*

**RECOMMENDED**

by THE NEWSROOM

---



BUSINESSDAY.CO.ZA

**Conduct of Sascoc board devious, says Canoeing SA**



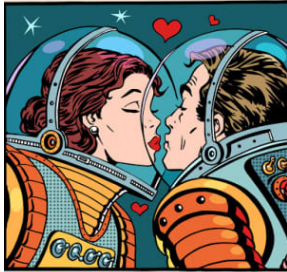
BUSINESSDAY.CO.ZA

**LETTER: Sellers in land deals get the short straw**



BUSINESSDAY.CO.ZA

**Future Canada should include expanded medicare**



BUSINESSDAY.CO.ZA

**A coronavirus baby boom is less likely than we thought**



BUSINESSDAY.CO.ZA

**WATCH: Can salary cuts save more jobs?**



BUSINESSDAY.CO.ZA

**CARTOON: The dark side of the world**