FINAL DRAFT – 2006 CITY OF HARARE BUDGET ANALYSIS

SECTION A: EXECUTIVE SUMMARY

The 2006 City of Harare budget has been proposed under a turnaround strategy framework that proposes the radical transformation of the Harare City Council into a corporate entity operating on commercial lines. It is important to note that the Commission running the City of Harare has circulated numerous **TURN AROUND STRATEGIC PLANS,** the Kadoma declaration, the Elijah Chanakira, the Mahachi and the Mhende crafted plans, leading to the confusion on which plan has been approved. Finally, it is the Chester Mhende crafted turn around strategy, which has been operationalised.

i. Turn Around Strategy

- The strategy being implemented by the City of Harare has created Municipal Business Units 100% owned by the City of Harare.
- The Municipal Business Units have been divided into the following;
    1. Utilities – Harare Water and Sanitation, Harare Waste Management
    2. Agencies – Roads and Public Lighting, Parks and Cemetery
    3. Corporate Entities – Harare Quarry, Harare Nurseries, Harare Parkades and Parking Lots, Harare Chalets and Camp sites, Harare Printers, Harare Fresh Produce Markets, Harare Stadia, City Sports Centre, Harare Pest Control, Mbare Musika, and Workshops.
- A Chief Executive Officer will head the City while each business unit will have own independent Board of Directors.

ii. Transformation Concept

- According to the Turnaround Strategy the transformation concept is a replica and carbon copy of the South African perspective on the administration of Local Governments. It is however important to note that the South African Local Governments do not operate purely on private lines. They do receive block grants from the Central Government to adequately finance their expenditure unlike the City of Harare Turnaround Strategy, which transforms the City of Harare into a purely commercial entity.
- Decentralization should be supported by appropriate devolution of taxing and spending powers. This has not been done under the proposed turn around framework.

- The commercialised 2006 City of Harare budget proposal is clearly unsustainable and places unbearable burden on the residents as the services are wholly privatised.

iii. Major highlights

- Fixed water levy currently $50 000 will increase to $300 000 in Jan'06 and up to $450 000 in July 2006.
- Repairs and maintenance have been allocated 3.91% under the Harare Waste Management Utility against the backdrop of widespread sewer bursts.
- Only 12.67% is allocated for repairs and maintenance under Roads and Public Lighting against the backdrop of porthole infested roads, non-functional traffic and streetlights.
- The housing waiting list application fee and renewal currently at $1m and $750 000 respectively, will increase to $2m and $1,5m per year in January.
- It will costs $1 125 000 by 01 October 2006 for and adult Zimbabwean visit the clinic up from $200 000, whilst it will cost $562 500 for a child up from $100 000.
- Maternity costs will cost $16 875 000 for an average Zimbabwean to deliver up from $3 million by October. Family planning charges will increase by the same percentage.
- Consultation fees will increase from $50 000 to $281 500.
- Burial costs will rise to $17 for an adult Zimbabwean by July.
- Mortuary services (per day or part thereof) will increase from $1 million to $5 625 000 for adults and from $500 000 to $2 812 250 for children.
- There is no allocation for the construction of new market stalls to absorb the small-scale traders who were affected by Operation Murambatsvina.
- Market stall rentals per month will increase to an average of $4 million per month by September 2006.
- Levies on all classes of property will increase up from $128 000 in 2005 to $2 688 000 by September.
- Charges on Council land allocated for agricultural purposes will increase from $520 500 to $10 930 500 by September 2006.

SECTION B: BUSINESS UNITS ANALYSIS

1. UTILITIES

1.1. Harare Water and Sanitation

Major Cost and Income Items

	$ Billions	% Of Expenditure
Purchase of Water Ex-Zinwa	1,800	44
Salaries	1,420	35
Repairs and Maintenance	264	6

	$ Billions	% Of Income
Water Sales	929	62
Owners Charges	557	37

Analysis

- Water charges rose by 100% in December 2005 and will rise in January (ZINWA costs plus [between 50 to 150% depending on consumption in cubic metres).
- Fixed water levy, currently at $50 000 will increase to $300 000 in January and $450 000 in July, an increase of 800%.
- Reconnection fees is currently $50 000 which will be increased to $1m (1900% increase) in January, then to $3m (200% increase) in July. The cumulative increase is 5 900%.
- Meter testing will rise from $25 000 to $500 000 in January and to $1 million by July an increase of 390 percent.
- A stuck water meter will attract a $3 million fine by July up from $1 million an increase of 200%.

Expenditure

- The total wage bill accounts for 35% of total recurrent expenditure.
- Repairs and maintenance has been allocated six percent against the backdrop of consistent water pipe bursts culminating in excessive water loss. The Harare City Council acknowledged 40% loss of treated water due to water pipe bursts.

1.2. Harare Waste Management

Major Cost and Income Items

	$ billions	% of Expenditure
Salaries	643	45.40
Administration Charges	34	2.39
General Expenses	242	17.07
Repairs and Maintenance	55	3.91
Capital Expenses	443	31.23

	$ billions	% of Income
Waste Management	1	1.20
Refuse Collection	114	98.79
Sales Sundry and Scrap	0.016	0.01

Analysis

- Refuse collection charges will increase cumulatively to 160% by December 2006.
- The total budget anticipates a deficit of **$1 301 996 277 446.**

Income

- Refuse collection continues to dominate the income contribution (98.79%) there has not been any refuse collection for the past six months.

Expenditure

- Salaries account for 45,4% almost half of the total expenditure.
- Repairs and maintenance have been allocated a meagre 3.91% against the backdrop of widespread sewer bursts characteristic of every location in the City of Harare.

2. AGENCIES

2.1 Roads, Public Lighting and Quarry

Major Cost and Income Items

	$ billions	% of Expenditure
General Expenses	29	85.46
Repairs and Maintenance	4	12.67
Capital Expenses	1	1.87

	$ billions	% of Income
Fees - Bus Entry	14	1.00

Analysis

- The budget anticipates a deficit of **$20 289 029 400.**

Expenditure

- Administration charges are gobbling 85.46% of the total budget. Only 12.67% is allocated for repairs and maintenance.
- The Repairs and Maintenance allocation is too little against the backdrop of porthole roads, mal-functional traffic and streetlights.

2.2. Parks and Cemetery

Major Cost and Income Items

	$ billions	% of Expenditure
Salaries and wages	345	85.72
General Expenses	47	11.72
Repairs and maintenance	10	2.48
Capital Expenses	0.3	0.08

	$ billions	% of Income
Income	15	100.00

Burial Charges

Area "A" Resident:	Existing	Proposed 01/01/2006	Proposed 07/01/2006
Adult	750,000	8,500,000	17,000,000
Child	375,000	4,250,000	8,500,000

Area "A+"
Resident:

Adult	750,000	20,000,000	30,000,000
Child	375,000	10,000,000	20,000,000

Notes

- “Area+” are Warren Hills, Greendale and Pioneer cemeteries.

Analysis

- Salaries and wages account for 85.72% of the total expenditure.
- Burial costs will rise from the current $750 000 to $8, 5 million for an adult. It will further rise to $17 million by July. A child’s burial cost would rise from the present $375 000 to $8,5m during the same period, an increase of 2 167 percent.

3. CORPORATE ENTITIES

3.1 Markets and Informal Business Utility

Analysis

- The City of Harare proposes to construct home industries in Mbare (1000 stands), Mufakose (600), Dzivareseskwa (400), Kuwadzana (400) and Warren Park (400) that will be charged $1,2 million on a monthly basis which will increase to $3.6m, $5.7m, $1.4m, $1.4m, $1.4m respectively by October 2006. The 2006 rates are to high and stifle the informal sector development.
- The total proposed number of stands is insufficient to absorb Operation Murambatsvina informal business casualties who lost their sources of livelihood.
- There is no allocation for the construction of new market stalls to absorb the small-scale traders who were affected by Operation Murambatsvina.
- Market stall rentals per month will increase by 233% to an average of $4 million per month by September 2006. This further stifles informal sector development, as the rates are highly unaffordable under the prevailing harsh macro economic environment.

HOUSING ACCOUNT – GENERAL

Major Cost and Income Items

	$ billion	**% of Expenditure**
Salaries and allowances	536	53.28
General Expenses	411	40.85
Repairs and Maintenance	58	5.77
Capital Charges	1	0.10

	$ billion	**% of Inco**
Admin Fees	28.17	49.9
Rent	28.19	50.0

Analysis

- A paltry 5.77% is allocated for the maintenance of council property against the backdrop of dilapidated City Council properties
- Salaries and allowances continue to consume more the half of the budget.
- Rentals are expected to increase by 100% on all City Council properties on 01/01/2006 and will increase by 50% on a quarterly basis. The compounded increment is 575% by the end of December 2006
- The budget anticipates a deficit of $820 072 702 809.

HEALTH ACCOUNT – GENERAL

Major Cost and Income Items

	$ billions	% of Expenditure
Salaries and allowances	1,874	72.96
Administration Expenses	171	6.65
General Expenses	387	15.08
Repairs and Maintenance	44	1.70
Capital Charges	155	6.05

	$ billions	% of Income
Sales: Sundry	74	36.84
Fees	66	32.60
Licences Shop Act 1976	61	30.11
Govt Grants	1	0.45

Analysis

- General expenses include drugs and dressing, protective measures, uniforms and protective cloth and have only been allocated a paltry 15% against the backdrop of drug shortages and deteriorating services.
- Repairs and maintenance has been allocated a mere 1.7% against the milieu of dilapidating medical infrastructure.
- It will cost $1 125 000 by 01 October 2006 for an adult Zimbabwean visit the clinic up from $200 000, whilst it will cost $562 500 for a child up from $100 000. Hospital fees will subsequently increase by 463% up from $1 million to $5 625 000 for adults and from $500 000 to $2 812 500 for children.
- Maternity costs will increase by 463%. It will cost $16 875 000 for an average Zimbabwean to deliver up from $3 million. Family planning charges will increase by the same percentage.
- Consultation fees will increase by 463% from $50 000 to $281 500.
- Mortuary services (per day or part thereof) will soar by 463%, from $1million to $5 625 000 for adults and from $500 000 to $2 812 250 for children.
- The department will charge full cost on drugs, which are not controlled by government.
- Job seekers medical examination will soar up from $300 000 to $1 687 500 (463% increase). Workers compensation consultation will increase by the same token from $500 000 to $2 812 500.
- Ambulance fees for calls within the Municipal area will increase from $100 000 to $1.5million.
- The budget assumes a deficit of $2 367 523 628 087 by December 2006.

TREASURER'S DEPARTMENT

Owners rates

- Owner's monthly rates on land and improvements will go up by 2000% from $1,050 to $22,050, and from $600 to $12 600 respectively by September'06 on rateable properties a within council area.
- Levies on all classes of property will increase by 2000% up from $128 000 in 2005 to $2 688 000 by September 2006. The increases will result in rental hikes by landlords.

Urban agriculture

- Charges on Council land allocated for agricultural purposes will increase from $520 500 to $10 930 500 in low-density suburbs by September 2006.

SECTION C: CONCLUSION

Our country is currently facing a host of macro-economic challenges and these will spill into the New Year as the government has failed to sustain economic recovery, with real Gross Domestic Product (GDP) estimated to grow by –8.2%.

Reduced business activity, declining profitability of companies, surplus labour and hyper-inflationary pressures continue to haunt the economy. As a consequence, disposable incomes and standards of living have drastically fallen for the majority of the employed and 70% of the Zimbabwe's population lives below the Poverty Datum Line (PDL).

Inflation, declared the country's number one enemy, currently hovers above 502% and is expected to hit above 600% in February 2006.

It is particularly very disturbing to note however that government policies and budgets continue to reinforce and exacerbate this declining trend. The 2006 City Council Budget proposes record tariff increases across all sectors of service provision with maximum increases reaching as much as 2000% for owner's rates.

The owners' rates are expected to drive up the average costs of one room to as much as six million dollars per room in high-density areas by September 2006 pushing up the Consumer Price Index (CPI) and ultimately inflation.

This is however despite the fact that most people's wages increases and disposable incomes continue to lag far behind inflation and will find it difficult to cope up with such terrific hikes.

Unemployment is currently estimated around 85% as the economy continues to shrink and many people find themselves out of the formal sector. Most people had found economic asylum within the informal sector.

The government of Zimbabwe through the atrocious ‘Operation Restore Order’ clamped down on the informal sector destroying most of the citizens’ sources of livelihood and sources of cheap foodstuffs for the low-income population.

Without any allocation for the reconstruction of new market stalls the City Council has neglected victims of ‘Operation Restore Order’ who lost their sources of livelihood.

The City of Harare however proposes to increase rates on market stalls to an average of $4 million per month by September 2006. Low income groups who generally relied on the informal sector for basic foodstuffs will be hard-hit as this development will lead to higher prices for green produce products.

Concurrently the rates are too high for most people who had been in the informal sector and most of them will find themselves out of business due to unsustainable higher rates.

Clinic and hospital fees will increase by 463% while Zimbabwe’s health delivery system continues to deteriorate. Most health service providers lack critical drugs and equipment.

Against the prevailing harsh macro-economic environment most people will fail to afford basic medication resulting in increased deaths. Burial costs will rise to an average of $17 million by year-end for an adult Zimbabwean.

The prevalence of paupers’ burials cannot be ruled out, as most families will find the cost unaffordable.

These snowballing increases across all sectors of service delivery by the City of Harare are mostly due to non-payment of rates by all stakeholders; residents, government departments and the private sector.

This will further exert more pressure on the cash stripped council that also proposes to run on trillion-dollar deficit by December 2006. The Harare Municipality’s salaries and wages chew about 72 percent of gross total budget against the ideal figure of 28 percent, according to senior council officials.

The 2006 City of Harare budget presents a number of critical challenges in terms of the administration of the local authority. It should be noted that the budget and the Turnaround Strategy crafted by Chester Mhende, are being given top priority neglecting to mention the issue of Mayoral Elections as required under the Urban Councils' Act (Chapter 29:15) in conjunction with the Electoral Act that at the expiry of the term of office for a Commission, elections must be organised.

The Commission running the affairs of the City of Harare is illegal. Its term expired a long time ago but Chombo re-appoints them each time their term expires. The budget it has formulated is also not in the best interest of residents. There is no working relationship between the Harare commission and Harare residents.

The implementation of any project the City of Harare requires the positive collaboration of the citizens to have the best results. However, in the case of the City budget, the process of consultation, feedback and the principle of accountability are not there.

Which implies that the Minister of Local Government, Public Works and national Housing would continue to dictate what goes on at Town House. For example, he has proposed that a deputy Town Clerk be appointed to help run the City of Harare, before the UCA is amended, otherwise if the proposals become a reality that would be a contravention of the Urban Councils' Act (CAP 29:15).

There is no system in place to arbitrate between the residents and the City of Harare concerning the objections raised during the mandatory 30-day period (CAP 29:15 Section 219 (3) (a)(b) after the first placement of an advert on the proposed 2006 budget or any other budget. The Act says, "Provided that the council may in these circumstances, by such resolution, fix lower tariffs, charges or deposits than those objected to without further advertising."

The City of Harare advertised (9/12/05 and 16/12/05) making January 9 the last day of submitting objections. The new tariffs need to be effected by end of January 2006 meaning the process of consultations and considering objections is not given. Any other meeting organised by the commission after January 9 on the budget would be unjustified and would not change anything.

The Act does not provide for an independent board to look into the objections as raised by residents. Rather the city of Harare has the prerogative to include or exclude residents' objections, a clear case of undermining the principle of accountability.

The Turnaround Strategy restructures the City Council administration by establishing a central administration body headed by the Chief Executive Officer to manage and coordinate the activities. The board will be constituted by directors of departments i.e. Health Services Director, Corporate Services Director, etc. This entire restructuring process does not recognise the power and roles of the Executive Mayor and elected Councillors.

This is an apparent political plot to relegate the elected officials and consolidating the power of the ruling party in urban areas where it had lost grip. This will curtail residents' participation in the governance of the Council. The power to determine who governs and how residents are governed has been vested in unelected officials. Electoral democracy remains key to ensuring open avenues for the governed to express who governs and vote for the quality and mixture of services they need.

The creation of utilities and agencies is likely to create friction among departments. Each utility and agency would have its separate banking accounts, bringing in more complexity in terms of the accounting systems. These would hold finances of various utilities all in the name of the City of Harare and yet the Act stipulates that the City Treasury's department must handle the funds of a local authority.

Minister Chombo was quoted in the media (Herald 21/12/05) when he re-appointed the commission running the city of Harare saying they had to continue until 2007 because the commission had to implement the Mhende turnaround strategy. He also indicated that he also wanted city boundaries to be re-drawn.

That position destroys residents' participation in the administration of their city and presents an opportunity to unelected ruling party sympathisers to run the city as the minister pleases. The plot also seeks to adjust the boundaries to accommodate ZANU (PF) stronghold areas so as to neutralise MDC support in urban areas.

SECTION D: RECOMMENDATIONS

1. Repeal of the Urban Councils Act (Chapter 29:15)

2. Mayoral elections for the City of Harare must be held in accordance with the Electoral Act in tandem with the High Court rulings of Justices Charles Hungwe, Rita Makarau and Wilson Sandura which all declared illegal the re-appointment of commissions to run local authorities.

3. Readjustment of astronomous percentage increases across critical areas of service delivery.