

**AN ASSESSMENT OF THE ASSIGNED FISCAL
REVENUE INSTRUMENTS TO LOCAL
AUTHORITIES IN NAMIBIA**

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ABSTRACT

Local Authorities are closest to people in terms of service provision. The Local Authority Act of Namibia assigns expenditure responsibilities as well as fiscal instruments to raise revenue to fund these expenditure responsibilities.

The research looked at how this assigned fiscal instruments were performing via-a-vis the expenditure responsibilities. It also assessed their suitability and efficiencies for the purpose they are intended for. Lastly the research explored alternative revenue instruments that could be assigned to local authorities to increase their revenue base. This is all done within the framework of the theory of Fiscal Federalism.

For the purpose of the assessment, four local authorities: Windhoek, Walvisbay, Ongwediva and Ondangwa were chosen as a sample and examined from a revenue perspective. Asymmetries and inefficiencies were observed on the use of the assigned instruments.

The research paper concludes with recommendations for the local authority system in Namibia to be re-examined thoroughly in order to identify shortcomings and correct them.

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DEDICATION

This paper thesis dedicated to the memory of late mother, Maria Kaupitwa, who greatly shaped the person I am today.

DECLARATION

I declare the this research paper: An Assessment of the Assigned Fiscal Revenue Instruments to Local Authorities in Namibia is my own work, that it has not been submitted before for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged as completed references.

N J Kaupitwa

April 2007

Signed

CHAPTER 1

INTRODUCTION

Namibia attained its independence in 1990. Prior to that the Germans and later the apartheid colonial government of South Africa ruled the country. Most apartheid laws, policies and practices that were implemented in South Africa, were also applied to Namibia. Namibia, during apartheid, was divided into Bantustans; each indigenous ethnic community had its own homeland. The rest of the country, about 60% percent, was referred to as the Police Zone reserved for white settlers and coloureds. Blacks went there as labour immigrants, who were required to have 'pass book' permits to work and live there; those born there had a status of 'quasi permanent residents'. The partition of the country into Bantustan and Police Zone came about as a result of the recommendation of the Odendaal Commission, which was appointed in 1962 by the South African government. F.H. Odendaal headed the commission.

The working of the commission was premised on the following:

“Where, owing to fundamental differences in socio-cultural orientation, stages of general development, ethnic classification, the differences between the groups concerned are of so profound a nature that they cannot be wiped out, a policy of integration is unrealistic, unsound, and undesirable ... A policy of differentiation must therefore be followed here, under which the various groups are recognised

and respected as the basic unit of development – that is to say, a policy of protection and advancement of each population group.” (UN: 1974.. p.22)

The land ownership regime was different in the two areas. The police zone had private land ownership regime, while land in the homelands was communal, held in trust for the communities by their respective Tribal Authorities, or Chiefs.

Because of the structure of the land ownership regime in the homelands, among other issues as a result of apartheid policies, only settlements and a collection of dispersed homesteads existed. Formal towns and villages could not be established.

Towns and formal villages were established in the Police Zone such as Windhoek, Walvis Bay, Swakopmund, Luderitz, Tsumeb, Gobabis, Mariental, Otjiwarongo and Keetmanshoop, where white settlers lived. Blacks until very recently were not allowed to own properties in those towns. They were given municipal houses to rent or, if they were labour immigrants, they would live in workers’ hostels or compounds. After independence, Namibia started the process of consolidating its local government system. In 1992 the Local Authority Act, Act 23 of 1992 was passed which intended to provide for the determination, for the purpose of local government, of local authority councils; the establishment of such local authority councils; and to define the powers, duties, and functions of local authority councils; and to provide for incidental matters. It further has a

provision on financial matters, which broadly outlines the sources of local council funds as follows:

- (a) moneys appropriated by law for purposes of funds for local authority council (transfer payments from central government treasury);
- (b) the rates, charges, fees and other moneys levied under any provision of this act and received by the local authority council;
- (c) any moneys borrowed by the local authority councils by way of loans or issue of debentures, bills of exchange or other negotiable instruments (debt and bond financing).
- (d) any interest or dividends derived from investment made under subsection (3);
- (e) any fines imposed in respect of contravention of, or failure to comply with any provision of this Act or any other provision administered by a local authority council by virtue of the provision of section 3(3) or 95(4) (traffic and violations of local authority ordinances).
- (f) any moneys received by way of donation;
- (g) any moneys accruing to the funds of the local authority council from any other sources.

(Local Authority Act 23 1992). The Act has since been amended twice in 2000 and 2002 respectively.

The contexts in which local government authorities operate differ significantly from region to region. Although they operate within the same legal framework as given earlier, their demography, level of development, landscape, meteorology, impact of past development policies create a unique environment in which each authority function.

Local authority areas such as those of Walvis Bay, Swakopmund and Windhoek are multiracial, multiethnic, and multicultural, with relatively developed infrastructure. These municipalities have been in existence for decades and have a long history, and therefore have built up capacity and a wealth of institutional experiences over the years.

However, those in the former homelands such as Oshakati in the former Ovamboland, Rundu in Kavango, and Katima Mulilo in Caprivi, communities are fairly homogeneous, and were recently proclaimed as towns. These local authorities are located in the formally neglected areas as far as development is concerned. The inhabitants also are not used to the idea of paying for municipal services. Until very recently, there was no private land ownership in these regions. Even now, land ownership in these towns is still problematic as they are still in the process of changing ownership system from communal to municipal land.

The newly proclaimed towns (after 1990) of northern Namibia are thus faced with a host of problems ranging from inadequate infrastructure like sewage systems,

water reticulation systems, municipal road network systems and others necessary to render decent public services to the inhabitants of these towns. Income in these areas is also generally low compared to the rest of Namibia. The problems are further compounded by lack of capacity, in terms of skills, in management of finance and personnel and the necessary technical know how to run and maintain infrastructure.

Statement of the Problem

Provision of these basic services is important to ensure better standard of living and sustainable economic development in the growing communities. A better standard of living will not only help to develop local areas but also ward off the tendency to concentrate population in big cities. The critical issue in developing newly emerging towns relates to financing and managing of these infrastructures on sustainable basis that are to be achieved by using permissible instruments to generate and collect own resources. A number of new towns, however, as mentioned earlier, are totally dependent on central government funding and are struggling to provide adequate services.

This research therefore attempts to examine whether the problem of inadequate funding could be addressed by assigning and adjusting instruments of fiscal revenue to generate funds to enable the local authorities in Namibia to provide public services as mandated and obligated under the Local Authority Act of 1992, as amended, in an efficient and effective manner, and on a sustainable basis given

different contexts in which local authorities operate, and thereby removing their over reliance on central government transfer..

Research Objectives

This research has following objectives.

- 1) To assess the revenue instruments assigned to local authorities in Namibia against their expenditure requirements.
- 2) To identify impediments and challenges facing local authorities in fully utilizing the assigned instruments.
- 3) To explore for alternative revenues sources for local authorities in Namibia other than the allocated instruments in the Act.

Research Justification

Local Authority issues are very important to the people of Namibia, as it is at this level of government that their basic needs or goods and services are offered. Namibia is in the process of decentralizing its government. To strengthen local government structures, they need to have the necessary resources and powers. In order for the local authority councils to be more responsive to their constituencies and to have legitimacy, they need to generate most of their revenue from within their area of jurisdiction. The constituencies that pay for the revenue of the local authority will demand more accountability on how that revenue is used and for

what purpose. This will in turn strengthen democracy at the local level while ensuring that local authority affairs are well managed.

Some local authorities (especially in the formerly neglected regions of Namibia) are struggling to raise enough revenue to meet their expenditure needs. This research intended to examine this gap; and did so from the assigned revenue instrument perspective. The research also looked at how various local authorities in Namibia have applied the assigned instruments in Namibia, and how they have applied their imaginations to overcome some of the challenges of revenue generation. It highlights best practices, and where found, worst practices.

Limitations

Although the study should have covered all the towns, especially those, which are new, however, due to time constraint not all towns have been covered. Only two towns from the formerly neglected areas of the north and two major city/towns in the former police zone have been examined. Another limitation was the lack of adequate financial data that is uniform across the years. This made it difficult to compare data for the local councils for the same period.

Research Methodology

(a) Population and Sample

The population of this research included all local authorities of Namibia that are covered under the Local Authority Act. As it was difficult to cover all local authorities, for the purpose of this study, a sample of two well-established municipalities and two newly established towns were chosen. Windhoek and Walvis Bay were chosen as representative of well-established municipalities, and Ongwediva and Ondangwa were chosen as newly established towns.

(b) Sampling Approach

The above-mentioned well-established municipalities in sample were chosen because they are the largest municipalities in Namibia and have been performing relatively well, in terms of service provisions. Other two new municipal towns in the sample were selected on the basis of convenience sampling. Normally these are located in areas of sizable population and are saddled with a backlog of infrastructure development as a result of past policies.

Some objectives also required interviewing of bureaucrats within the local authority system, such as officials dealing with finance in local councils. Such bureaucrats and experts were selected on the basis of judgemental sampling approach, and the sample size here is six. This included the General Manager for

Finance of the Municipality of Walvis Bay, the Manager: Cost of the Municipality of Windhoek, the Senior Managers for Finance of Ongwediva and Ondangwa town councils, respectively. The full list is available as annex. i.

(c) Data Collection

Both primary and secondary sources of data had been collected. Data on various sources of revenue, extent of effectiveness of instruments used, expenditure and other required quantity data were collected using secondary sources, such as annual financial reports of local authorities, audit reports from Auditor General's office, tariff booklets and gazettes. Expert opinions were collected through a structured questionnaire with mostly open-ended questions. Theoretical as well as empirical literature review helped to examine the effectiveness of certain revenue instruments, availability of alternative revenue instruments and experiences earned elsewhere in development of local authorities.

(d) Method of Analysis

Quantitative data collected, such as from financial statements of local authorities and other economic and social data have been analysed by using descriptive statistics: ratios, percentages, per capita information, differences, comparison across various entities etc. Summary of quantitative information is presented in tables. Experts' opinions is analysed on the basis of conformity or differences in opinions, and is evaluated against the available theoretical and empirical works by

academicians. For quantitative computations, Excel spreadsheet is used, where necessary.

Interviews were conducted with the managers responsible for finance in the two municipalities and two town councils, respectively. For that purpose a standard questionnaire was designed. Furthermore audited financial statements were collected from the Auditor Generals Office. In addition, summaries of the budgets of the four local authorities under investigation were also collected.

CHAPTER 2: LITERATURE REVIEW

Local government public finance theory was mostly developed in the context of developed nations of Western Europe and North America. Applying them to developing nations with their own varying circumstances and contexts poses its own challenges.

The role of local government has traditionally been defined by mainstream economists as using a basic theory of fiscal decentralization known as fiscal federalism (Smoke 1994). The theory deals with the division of taxing and expenditure functions among various levels of government. The levels can be categorized as national, sub-national and local. In the case of Namibia, these are the central government, regional councils and local councils.

Further, the assigned fiscal instruments as laid out by the Local Authority Act, 1992, shall be examined on their efficacy using the four basic guidelines suggested by Oates (1972). These guidelines are:

1. Local taxes should be neutral, i.e. avoid excess burden.
2. The benefits and costs of local taxes should be clear to those for whom services are to be provided.
3. The pattern of incidence of local taxes should be as equitable as possible.
4. Administration and compliance costs should be minimized.

As mentioned earlier, local government public finance theory was developed for industrialized countries. As such, the guidelines listed above may sometimes be difficult to apply in the Namibian context. However, they still provide a benchmark for evaluation. Local authorities in developing countries are still largely taking concepts from the developed world and applying them with variations to suit their circumstances. Given this assumption, certain instruments might be necessary to apply in contravention of the guidelines. A Normative framework does not always conform to the empirical evidence or the real world environment in a given context.

It should be mentioned that fiscal federalism as an economic concept and is theoretically different from political federalism. Fiscal federalism theory may provide an insight into evaluating the fiscal role of local authorities in Africa, even though most are unitary states (Smoke 1994). Namibia is a unitary state, and so are most countries in the SADC region, with the possible exception of South Africa, whose system can be described as half way between federal and unitary system.

Public economic theory assigns three roles to government within the economy. These are stabilization, distribution and allocation. The fundamental question is the assignment of these roles among the different levels of government. Drawing on the standard model of public sector responsibility for allocation, distribution and stabilization, the decentralization theorists provide direction for sharing these

functions among different levels of government. In addition they set forth goals for designing an optimal local revenue system (Smoke 1994).

Many scholars have grappled with the question, at what levels of government must these roles be carried out, for example, Mueller (1979), Oates (1972), Musgrave (1959), Olowu (1987, 1988), Olowu and Smoke (1992), Smoke (1994). To an extent they all agree that the allocation responsibility is best suited to the level that is closest to the people who are the intended beneficiaries of certain goods and services. Of course this comes with a lot of qualifications, as all agree it is not a clear-cut issue. Suitability is heavily reliant on context that varies from industrialized countries to developing nations.

Fiscal Federalism

The traditional theory of fiscal federalism lays out a general normative framework for the assignment of functions to different levels of government and the appropriate fiscal instruments to carry out these functions. The basic issue is to assign responsibilities and fiscal instrument with the proper levels of government. The subject matter of fiscal federalism is therefore to understand which functions are best centralised and which are best placed in the sphere of decentralised sphere of government (Oates 1999).

One of the strong theoretical arguments advanced in favour of fiscal decentralisation is that preferences and needs of citizens and tax payers for public

sector activities are better known to the local government officials than to those who represent the central government. The reason given is that contiguity provides more information while distance reduces the amount of information necessary to make good decisions (Tanzi 2000). The argument can also be applied to geographically large countries like Namibia, with its diverse, ethnic, racial and cultural groups. As a result of this diversity in population and spatial setting, preferences for goods and services will also differ. Thus a government official sitting in Windhoek will not necessarily know the preferences of the people from Katima Mulilo, in the Caprivi Region.

The division of functions between levels of government differs greatly between countries. In highly centralised countries, most decision-making and fiscal power lies with the central government. The government sector is highly centralised in small developed countries (such as the Netherlands), as well as in formerly socialist transition countries (such as Ukraine) and developing economies like those in southern Africa (Boex 2001)

Namibia is in the process of decentralisation. At local level decentralisation can be described as nearly complete, as functions that traditionally resort under local authorities and the accompanying fiscal instruments have been decentralized. The legal framework is also in place in the form of the Local Authority Act. At the regional level decentralisation is taking a slow pace. The reasons for this are numerous, such as inadequate legal framework, lack of expertise and capacity to

handle devolved responsibilities and the lack of clarity on what decentralisation is intended to achieve.

Elements of Fiscal Decentralisation

Elements or pillars of fiscal decentralisation as it relates to the theory of fiscal federalism are expenditure responsibility, revenue assignment, intergovernmental transfers and sub-national borrowings. (Boex 2001).

All these elements are present within the local authority system in Namibia, however not all are present at the regional level. Again the scope of this paper does not include regional councils.

Expenditure Responsibility

The key to the success of a decentralised system is matching expenditure responsibilities with the objectives of service assignment (Yilmaz 2001). Designing revenue and transfer components of a decentralised intergovernmental fiscal system in the absence of concrete expenditure responsibilities would weaken decentralisation process (Martinez-Vasquez 1998)

According to a report by the US Advisory Commission on Intergovernmental Relations (ACIR 1974) expenditure assignment should be assigned to governmental units that can firstly, supply a service at the lowest possible cost;

secondly, finance a function with the greatest possible fiscal equalization; thirdly, provide a service with adequate political control and lastly, administer a function in an authoritative, technically proficient, and cooperative fashion.

In the case of Namibia the expenditure responsibility and the assigned functions of local authorities are clearly spelt out in the Local Authority Act. The Act also creates the political framework in which these responsibilities are carried out. In addition it provides for administrative controls and accountabilities both to the consumer of services and to the central government. The Local Authority Act's assigned functions to local authorities are broad: the provision of water, electricity, sewerage, waste disposal, housing schemes and emergency services.

Revenue Assignments

Once expenditure functions have been assigned to sub-national governments corresponding and adequate revenue sources should also be assigned to enable them to effectively carry out these functions.

The government structure in any given country is unique in reflecting the historical, social, and cultural evolution of the society. In the case of Namibia the historical evolution of the present day Namibian society is laid out in the introductory paragraph of this research paper. Despite the differences, the structure of intergovernmental financial system exhibits certain broad pattern such as the existence of inadequate own resources of sub-national governments,

and the lack of sub-national autonomy to levy taxes that are capable of yielding enough revenue to meet local needs (Bird 1995).

Tax sources for sub-national governments meeting all stringent requirements imposed by the theory of fiscal federalism are user charges and property taxes (Brosio 2000). In as much as they are an effective and efficient source of revenue for local authorities, they also have their drawbacks and should therefore be applied with caution.

As we know taxes can be the source of distortions in resource allocation, as buyers shift their purchases away from taxed goods. In a spatial setting, such distortions take the form of locational inefficiencies, as taxed units (or owners of taxed items) seek out jurisdiction where they can obtain relatively favourable tax treatment (Oates 1999).

Surcharges on trading services are relatively easy to administer as they are often hidden from the consumer within the fees when paying for services. Property tax is an appropriate tax but is very visible and the resident may be particularly reluctant to pay if they feel they are not getting adequate or desired local services (Smoke 2001).

The Local Authority Act of Namibia clearly lays out the assigned revenue instruments to local authorities, which includes user charges and assessment rates.

A widely found characteristic of local government revenue system in Africa is the huge number of revenue instruments that are used. In most cases the central government has assigned itself all the broad based and buoyant taxes, leaving - as a way of compensation – local government freedom to set up their own taxes. The result has been a multiplication of small unproductive taxes that complicate local tax system and make them completely non-transparent (Brosio 2000).

Intergovernmental Transfer

Intergovernmental transfer presents an important policy instrument in fiscal federalism. The literature emphasises three potential roles for such grants: the internalization of spill over benefits to other jurisdictions, fiscal equalization across jurisdictions, and an improved overall tax system (Oates 1999).

The revenue and expenditure assignment gives rise to vertical and horizontal imbalances within a nation's intergovernmental finances. The vertical imbalance occurs when the expenditure responsibility of sub-national government exceed their revenue raising power, while a horizontal imbalance occurs when own fiscal capacities to carry out the same function differ across sub-national governments (Yilmaz 2001).

Intergovernmental transfers serve a multiple of interrelated purposes, three of which are particularly important. First, they help to cover local government fiscal imbalances, supplementing inadequate local own-source revenue to improve the

ability of local government to meet their expenditure responsibilities. Second, they can be used to meet national redistributive objectives in helping to offset fiscal capacity differences among local government. Third they can be used to encourage local expenditure on particular goods and services that exhibit positive externalities or are considered to be basic needs that should be distributed less equally than the ability to pay for them (Smoke 2001).

Transfers to sub-national government can take the form of conditional grants and unconditional grants. Conditional grants are those that are tied to certain agreed spending requirements such as infrastructural development while unconditional grants are given to local authorities with the full discretion to spend.

Sub-national Borrowing

The third element of fiscal decentralisation is sub-national borrowing. A local government fiscal balance can be defined as the difference between its expenditure responsibilities on one hand and its own revenues and transfers on the other. If for any reason local government expenditure needs are not properly balanced with the resources available, this could result in sub-national deficits and the incurrence of debt. Since this would have important ramifications for macroeconomic conditions and the ability of the central government to rely on fiscal policy as a tool to manage macroeconomic conditions, central government often require sub-national governments to balance their budgets and tightly regulate their ability to hold debt (Boex 2001).

Fiscal Decentralization: The South African Experience

South Africa is the only country in Africa that has a similar background on local government as Namibia. Both two countries suffer from the legacy of apartheid, as apartheid laws that were implemented in South Africa were similarly also implemented in Namibia. Therefore South African local governments face similar challenges in service provision and resource mobilization as their counter-parts in Namibia.

The constitution of South Africa is relatively detailed on how the assignment of functions, duties and powers between different levels of government should be undertaken. It also goes further to prescribe at what level, goods and services that are uniform across the whole country, should be carried (GSA 1996).

In terms of sections 215 and 227 of the South African constitution, parliament is compelled to legislate for an equitable division of revenue raised nationally among all spheres of government, and local government is afforded the right to such a share specifically to provide basic services and perform allocated functions. Local government is also reminded constitutionally to maximise its own efforts to improve fiscal capacity (Pimstone 1998).

Furthermore, section 229 of the South African constitution states that a municipality has the power to impose rates on property, surcharges on fees for services provided by or on behalf of the municipality and if authorized by

national legislation, other taxes, levies and duties appropriate or to category of local government in which the municipality falls. In determining property rates, taxes levies, fees and tariffs, a municipality may differentiate between different categories of users or property on such ground as it may deem reasonable (GSA 1996). Local Authorities are also assigned powers to borrow for, except to finance recurrent expenditure.

Table 1 lays out the sources of revenue for local authorities in South Africa.

Table 1. Sources of Revenue for South African Local Authorities

Sources of Revenue	Percentage
Rates (Assessment)	19.89%
Sewerage/Refuse Removal	8.22%
Water	11.80%
Electricity	41.40%
Subsidies	6.34%
Other Income	12.35%

Source: GSA, Department of Finance

The primary role of municipalities in South Africa is to provide essential municipal services like water, sanitation electricity etc. The secondary role is the promotion of economic and social development. These are to be done while overcoming the difficulties of amalgamation of racially segregated urban

municipalities and the non-existence of effective local government in many jurisdictions particularly in rural areas (Frenzen 1998).

Therefore as a result of past policies and the consequence thereof, the dominant fiscal and political challenge facing local government in South Africa is to reconcile efficient and affordable service delivery with redistributive politics (Pottie 1998).

Some of the problems identified by Frenzen (1998), facing local authorities finances in South Africa are as follows:

- Insufficient expertise to manage finances
- Inadequate financial management
- Failure to consider or introduce much needed adjustments to rates and service charges
- Failure to maintain adequate capital reserve funds, with the result that capital assets cannot be replaced
- Inadequate budgeting, financial planning and reporting.

Overall fiscal decentralization in South Africa seems to be working well and to a degree conforms with guidelines put forth by the theory of fiscal federalism as outlined by Oates (1972). Like Namibia, South Africa still has a long way to go to fine-tune its local government finance system so that it can adequately cater for

the challenges that confront the local governments in providing services and goods within their jurisdictions.

**CHAPTER 3:
LOCAL AUTHORITY ACT AND LOCAL AUTHORITIES IN SELECTED
MUNICIPALITIES**

3.1 Background

Prior to independence, Namibia was ruled under apartheid laws of South Africa. As mentioned in chapter 1, the country was divided into Bantustans and a police zone. Land ownership regimes were different in the Bantustan and the police zone. As a consequence of the differentiation in development between the former Bantustans and the former police zone, there emerged a disparity in the development between the two areas. The consequences of apartheid policies are still being felt and are observable 17 years after independence.

In line with Namibia constitution the Local Authorities Act 23 of 1992 was promulgated by an act of parliament in 1992. The provisions of the Act are laid out in this chapter. The chapter also looks at two municipalities and two town councils.

The purpose of the Act is to provide for the determination, for purpose of local government, of local authority councils; the establishment of such local authority councils; and to define the powers, duties and functions of local authority councils; and to provide for incidental matters (Local Authority Act 1992).

3.2 Local Authority Act

The Act lays out the functions, duties and obligations of the local government councils, which, *inter alia*, include: provision for various services such as supply of water, sewerage and drainage, cemeteries, streets and public places, supply of electricity and gas, public transport services and housing schemes. They are as follows:

- a) subject to the provisions of Part VI, to supply water to the residents in its area for household, businesses or industrial purpose;
- b) subject to the provisions of Part VII, to provide, maintain and carry on a system of sewerage and drainage for the benefit of the residents in its area;
- c) to provide, maintain and carry on services to such residents for the removal, destruction or disposal of night soil, rubbish, slop water, garden and stable litter, derelict vehicles carcasses of dead animals and all other kinds of refuse or otherwise offensive or unhealthy matter;
- d) subject to the provision of Part VIII, to establish and maintain cemeteries, or take over any cemeteries situated within its area;
- e) subject to the provision of Part IX, to construct and maintain streets and public places;
- f) subject to the provision of Part X and the Electricity Act, 2000 (Act 2 of 2000), to supply electricity or gas to the residents in its area
- g) to establish, carry on and maintain sand, clay, stone or gravel quarries and works for the manufacture of bricks and tiles, and to dispose of sand, clay,

- stones, gravel, bricks and tiles exploited or manufactured from such quarries;
- h) subject to the provision of Part XII, to establish, with the prior approval of the minister and in accordance with such conditions as may be determined by him or her, a housing scheme, whether by itself or in conjunction with any other person;
 - i) to establish, carry on and maintain markets and, for that purpose, to construct and let market houses, auction or sales room, stalls, warehouses and other buildings for the sale or storage of goods at such markets;
 - k) to establish, carry on and maintain-
 - (i) abattoirs;
 - (ii) aerodromes;
 - (iii) an ambulance service
 - (iv) bands and orchestras
 - (v) dipping tanks;
 - (vi) a fire brigade
 - (vii) museums and libraries
 - (viii) pounds
 - (ix) nurseries
 - (x) a traffic service
 - l) to construct and maintain buildings or depots for the reception or storage of perishable goods;
 - m) to establish and maintain parking garages and to designate areas for the parking of vehicles;

- n) to beautify and secure the neatness of its area, including the planting, trimming or removal of trees;
- o) to establish and maintain any building or structure for any community requirement;
- p) to allocate bursaries, and grant loans, for educational purposes;
- q) to confer honours upon any person who has in the opinion of the local authority council rendered meritorious service to its residents;
- r) to construct, acquire and maintain railway sidings, including marshalling yards, in any industrial area or areas, and to recover the costs incurred in connection with such construction, acquisition and maintenance from the owners of immovable property connected or capable of being connected to, or using or capable of using, such railway sidings;
- s) to acquire, hire, hypothecate or let any movable property, or, sell or otherwise dispose of such movable property in any manner whatsoever to the State, a regional council or, unless the Minister determine otherwise, by public auction to any other person;
- t) subject to the provisions of Part XIII, to buy, hire or otherwise acquire, with prior approval of the Minister and subject to such conditions, if any, as may be determined by him or her, any immovable property or any right otherwise dispose of or encumber any such immovable property (Local Authority Act,1992).

The above are the duties and functions of the local authority councils as provided for in the Local Authority Act. Schedule 1 municipalities are expected to finance

all these goods and services with funds that they themselves generate, without any assistance from central government. Some of the goods and services can be offered on a cost recovery basis. These are the provision of water, electricity, waste management and sewerage, property sales and servicing thereof. Some of them are common goods that are enjoyed by all within the jurisdiction of a given local council, such as roads, traffic lights and parks while some are just impossible to offer on a cost recovery basis, such as fire and emergencies; some are social projects intended to improve the welfare and quality of life of the residents. In some cases the cost of collecting fees on some services, such as health services, is costly.

To carry out the aforementioned duties and functions, the Act, provided for the following powers to the local councils:

- u) to determine by notice in the gazette the charges, fees and other monies payable in respect of any services, amenity or facility or facility established and provided by it under this Act or any other law or any matter regulated and controlled by it there under, including-
 - (i) deposits payable as security for payment of any such charges, fees and other moneys;
 - (ii) the levy of interest at a specified rate, which shall not exceed the rate prescribed in terms of section 1(2) of the Prescribe Rate of Interest Act, 1975 (Act 55 of 1975)

- (iii) charges for the provision of any services rendered by the local authority council in respect of immovable property, with or without improvements, being-
 - (aa) an availability charge leviable in respect of immovable properties connected to or supplied with any such service as well as immovable properties not so connected or supplied;
 - Or
 - (bb) a minimum charge leviable in respect of properties connected to, whether or not such services is being utilized;
- (iv) charges for the provision of any service rendered by a municipal police service;
- (v)
 - (1) in case of the municipal council of a municipality referred to in Part I of Schedule 1 and, with the prior approval in writing of the Minister granted after consultation with the minister of Finance and subject to such conditions as the Minister may determine, the municipal council of a municipality referred to in Part II of Schedule 1 or town council or a village council, to borrow money from time to time by way of loans from any source within Namibia and against the security which the local authority may deem fit or issue of debentures, bills of exchange and other negotiable instruments;
 - (2) with the prior approval in writing of the Minister granted after consultation with the minister of Finance and subject to such

- conditions as the Minister may determine, to grant advances or loans to any sporting club or association or charitable institution;
- (w) to establish from time to time such committees as it may deem necessary to advise it generally or in relation to any particular matter in the exercise of any of its powers or the performance of any of its duties and functions and may appoint such members or such other persons as it may deem fit to be members of such committees;
 - (x) to guarantee the due fulfilment of the contracts and obligations of any person, and enter into surety bond or deeds of security;
 - (y) to open banking accounts with a banking institution...;
 - (z) to accept donations made or receive moneys offered by any person within Namibia ... any person outside Namibia;

and, generally to do anything that is necessary or conducive to the exercise of its powers and the performance of its duties and functions in terms of this Act (Local Authority Act, 1992).

3.3 Various municipalities created in Namibia

There are a total of 49 local authorities in Namibia. These are 16 Municipalities, 12 Town Councils and 21 Village Councils (Local Authority Act, 1992). Some like Windhoek, Walvis Bay, Swakopmund and Tsumeb are located within the former police zone and have been in existence for more than a hundred years,

while those in the former Bantustans like Ondangwa, Rundu, Ongwediva, Oshakati and Katima Mulilo were recently proclaimed as towns in 1998.

3.3.1 Windhoek

Windhoek City is the capital of Namibia. It was established in 1890, occupies an area of 645 square kilometres and has a population of 230 000 (Wikipedia 2006).

Apartheid policies and laws influenced Windhoek's development, which prescribed those different races, and ethnic groups could reside within the city limits but in different suburbs. The City was divided into whites only suburbs, such as Olympia, Pionierspark, Klein Windhoek, commonly referred to as "Town", Khomasdal for Coloureds or mixed race and Katutura for blacks.

In the past suburbs, which were reserved for whites received most of the development and as a result had world-class infrastructure, while those for blacks received minimal or basic infrastructure.

When Namibia became independent in 1990, the new government embarked on a deliberate policy to reverse some of the negative effects wrought by the apartheid and discriminatory policies of the past. Close to seventeen years after attaining independence the City of Windhoek is also still grappling with the adverse legacy of apartheid as it tries to develop the city and provide services to its inhabitants.

The City of Windhoek is a schedule 1, part 1 municipality, along with Walvis Bay and Swakopmund (Local Authority Act 1992). The three municipalities are self-financing i.e. they do not receive any grants or transfers from the central government.

As required by the local Authority Act, the City of Windhoek provides the services and goods as laid out in part V, section 30 (1), paragraphs (a) – (t) of the Act. To meet these requirements the City uses the powers as provided for under Part V, Section 30(1), paragraphs (u) – (z) and other relevant provisions of the Act.

Municipality of Windhoek

The Municipal Council of the City of Windhoek is made up of twelve Councillors. A non-executive Mayor, who is also Chairman of the Council, is elected from the twelve Councillors. A Management Committee is also elected from the twelve councillors, including its chairperson as provided for, under Part III, Section 21 of the Local Authority Act.

To meet its objectives the Municipality has a functional structure, which is as follows:

It has the Office of Chief Executive Officer, and is divided into nine (8) strategic business units, which report to the CEO. These are:

- 1- City Police and Emergency Management
- 2- Economic Development and Community Services
- 3- Electricity
- 4- Finance
- 5- Infrastructure, Water and technical Services.
- 6- Transportation
- 7- Planning, Urbanization and Environment

Each business unit provides goods and services of which the municipality incurs expenditure and tries to recover these, wholly or partially through fees, levies and taxes. These fees, levies, rates and taxes and moneys payable in respect of goods and services are gazetted, as provided for in The Local Authority Act, Part V, and Section 30(1), Paragraph (u).

Office of the Chief Executive

Services and goods provided under the Office of the CEO are as follows:

- Souvenirs and maps
- Diaries
- Corporate promotional items
- Advertisements.

Table 2: Services and goods offered by the office of the CEO

Services and Goods sold	Gazette numbers and Dates
Souvenirs and maps	Government Gazette No.3237 Dated 15 July 2004
Diaries	Government Gazette No. 3334 Dated 01 December 2004
Corporate Promotional Items	Government Gazette No. 3517 Dated 15 October 2005
Advertisement (street/billboard/bus)	Government Gazette No. 2504 Dated 2 April 2001

Source: City of Windhoek

City Police and Emergency Management.

Services offered by the City and Emergency Management unit are grouped under Emergency Management, Crime Prevention and Traffic, and are listed in Table 3 and their respective Gazette number and dates they were gazetted.

Table 3: Services offered by the City Police and Emergency Management Unit

Service	Gazette numbers and Dates
Ambulance Services	Government Gazette No. 2956 Dated 15 April 2003
Fire Brigade Services	Government Gazette No. 2956 Dated 15 April 2003
Facility Rentals	Government Gazette No. 2956 Dated 15 April 2003
Dog Licences	Government Gazette No. 270 Dated 27 August 1999
Parking Facility, Taxi Operating, other	Government Notices 9/30 Regulation 94/1 and 226/74 Regulation 9A

Source: City of Windhoek

Economic Development and Community Services.

Goods and services provided by the Economic Development and Community Services are grouped under, Economic Development, Community Development, Health Services and Parks Recreation, Sport and Cemeteries.

The categories of the goods and services are listed in Table 4 with their respective gazette numbers.

Table 4: Services and Goods offered by the Economic Development and Community Services Unit

Services and Goods	Gazette numbers and Dates
Post Street Mall Kiosk	Government Gazette No. 3374 Dated 01 February 2005
Industrial Stalls	Government Gazette No. 3374 Dated 01 February 2005
Open Trading Areas	Government Gazette No. 3374 Dated 01 February 2005
Informal Markets	Government Gazette No. 3374 Dated 01 February 2005
SME Incubation Centre	Government Gazette No. 3374 Dated 01 February 2005
Community Halls	Government Gazette No. 3379 Dated 15 February 2005
Business Registration/Inspection, Pest Control and Meat Inspection	Government Gazette No. 3361 Dated 15 July 2006
Zoo Park Rental	Government Gazette No. 3374 Dated 01 February 2005
Committee Room & Outside leisure Area	Government Gazette No. 3374 Dated 01 February 2005
Nursery Products	Government Gazette No. 3374 Dated 01 February 2005
Swimming Baths	Government Gazette No. 3313 Dated 01 November 2004
Burial and Cremations (Residents)	Government Gazette No. 3189 Dated 15 April 2004
Burial and Cremations (Non- Residents)	(Same as above)
Sports Fields and Sam Nujoma Soccer Stadium	Government Gazette No.s 3261 dated 16 August 2004 and 3460 dated 15 July 2005

Source: City of Windhoek

Electricity

The Electricity business unit provides electricity to Windhoek households and the broad services it offers are categorised into Basic & Consumption, Miscellaneous Services and service consumption.

Table 5 shows the services and their corresponding Government Gazette numbers and dates.

Table 5: Services offered by the Electricity Unit

Services	Gazette Number and Date
Basic & Consumption	Government Gazette No. 3661 Dated 15 July 2006
Miscellaneous Services	Government Gazette No. 3661 Dated 15 July 2006
Service Connection	Government Gazette No. 3584 Dated 01 February 2006

Source: City of Windhoek

Finance

The Finance business is one of the largest sources of income of the City, as it is responsible for billing and revenue collection. It collects Assessment Rates as provided for under Part XV, Sections 73 – 78 of the Local Authority Act, Security deposits for services and goods offered by the municipality, as well as Parking Fees and Charges at the City Centre Parkade. It also handles Duplicate Municipal Accounts.

The categories of services provided by the Finance business unit are contained in table 6 with corresponding Government Gazette number and dates. Notes should be taken that properties in Windhoek have been revaluated several times over the years and these have duly been gazetted.

Table 5: Services Offered by the Finance Unit

Services	Government gazette No. and Date
Assessment Rates	Government Gazette No. 3658 Dated 01 July 2006
Security Deposits	
Parking Fees & Charges at City Centre Parkade	Government Gazette No. 3603 Dated 15 March 2006
Duplicate Municipal Accounts	Government Gazette No. 3482 Dated 15 August 2005

Source: City of Windhoek

Infrastructure, Water and Technical Services

Services and goods offered by this business unit are grouped into Bulk and Waste Water: that deals water consumption, service connections and sewerage, Solid Waste Management: responsible for refuse removal, ad hoc household refuse removal, removal of carcasses, removal of refuse in bulk, disposal of hazardous waste and solid waste management among others.

Another group of services offered by this business unit are scientific services such as laboratory tests.

The full categories of services offered by this business unit are listed in Table 7 along with the numbers of their gazette that contains schedules of tariffs.

Table 7: Services Offered by Infrastructure, Water and Technical Services

Goods and Services	Government Gazette No. and Date
Basic & Consumption (water)	Government Gazette No. 3658 Dated 01 July 2006
Miscellaneous Services & Service Connections	Government Gazette No. 3658 Dated 01 July 2006
Sewerage	Council Resolution CR 97/06/2006 effective 17 July 2006
Refuse Removal- Domestic & Non-Domestic	Government Gazette No. 3661 Dated 15 July 2006
Removal of Refuse of Larger Quantity	Government Gazette No. 3661 Dated 15 July 2006
Removal of Carcasses	Government Gazette No. 3661 Dated 15 July 2006
Removal of Refuse in Bulk	Government Gazette No. 3661 Dated 15 July 2006
Disposal of Gen Refuse at the Kupferberg Dumping Site	Government Gazette No. 3661 Dated 15 July 2006
Disposal of Hazardous at Kupferberg Dumping Site	Government Gazette No. 3661 Dated 15 July 2006
Solid Waste Management	Government Gazette No. 3661 Dated 15 July 2006
Laboratory Fees	Government Gazette No. 3212 Dated July 2004

Source: City of Windhoek

Transportation

The transportation business unit runs a municipal bus service, the only public transport system in the city. It also hires out buses to schools and other activities. The tariffs are not gazetted, however they are contained in the City of Windhoek Tariff Booklet 2006 – 2007.

Planning, Urbanisation and Environment

Services provided by the Planning, Urbanisation and Environment are clustered around Planning and Urban Policy, which deals with Betterment, Endowment and sectional Fees, Building Control, responsible for Building Plans and inspection Fees and valuation services, charged with keeping and updating the Valuation Roll as well issuing of Valuation Certificates and other related services.

Table 8: Lists the services offered by the Planning Urbanization and Environment business unit.

Table 8: Services offered by the Urbanization and Environment Unit

Planning, Urbanization & Environment	Government Gazette No., Council Resolutions and Dates
Betterment, Endowment & Sectional Title	Council Resolutions 716/83, 599/10/91 & 253/06/92
Building Plans and Inspection Fees	Government Gazette No. 2738 Dated 15 May 2002
Valuation Roll and Valuation Certificates	Government gazette No. 3189 Dated 15 April 2004

Source: City of Windhoek

Other services are for internal customers i.e. inter-departmental tariffs for goods and services such as photocopying, parking fees, labour, vehicles & plant and store levies. The tariffs were approved by Council Resolution CR 97/06/2006 and are effective as of 01 July 2006.

3.3.2 Walvis Bay

Walvis Bay, a port town, is situated in Erongo Region, west of Namibia. The town was established in 1840 and has a population of 65 000 inhabitants. It has a deep-sea port and an international airport capable handling large intercontinental jet liners (Wikipedia. 2006).

The municipality of Walvis Bay comprises of a business district, in the centre of town that boasts banks, supermarkets, shops, restaurants and office complexes among others. It also has a harbour that is capable of handling large ships and is a frequent stopover for cruise ships. In the harbour area are also located an industrial area where manufacturing such as fish processing and where the Economic Processing Zone (EPZ) is located.

The formerly whites only suburbs, are located in the southern part of the municipality, while formerly black townships are in the north. These are Kuisebmund formerly for blacks and Narraville, which was formerly for coloureds or mixed race.

As with Windhoek, townships, which were formerly reserved for blacks, had inferior infrastructure compared to their counter parts in the formerly white suburbs. For instance Narraville and Kuisebmund do not have an adequate water drainage system and are prone to flooding when the town receives above average rainfalls. Fortunately this is not often as Walvis Bay is located in the Namib Desert, which is one of the driest desert in the world.

Walvis Bay is located near the Atlantic Ocean. The salty ground coupled with the often cold weather corrodes ferrous metals. Because of this infrastructure made of iron such as water pipes used in the water reticulation system corrode easily. The municipality currently loses about 17 to 19 percent of the water from Namwater to leakages in the reticulation system.

According to the Local Authority Act, Walvis Bay along with Swakopmund and Windhoek, is classified as a Schedule 1, Part I municipality. This category of municipalities are supposed to be self sufficient in terms of service provision and the ability to raise revenue to finance its projects programmes and provision of services.

The rates, levies and taxes through which it raises revenue are fully gazetted as in the case of Windhoek.

The Walvis Bay Municipality

To carry out its mandate as stipulated in the Local Authority Act, the municipality is divided into six (6) components. These are as follows:

- Office of the Chief Executive Officer (CEO)
- Department of Finance
- Department of Roads and Building Control
- Department of Community and Economic Development
- Department of Water, Waste and Environmental Management
- Department of Human Resources and Corporate Services

The CEO is the executive and accounting officer of the municipality. The services rendered by the Office of the CEO are public relations, customer services and internal auditing.

The Department of Finance is responsible for internal financial services as well as the collection of revenue for services rendered and assessment rates.

The Department of Roads and Building Control is responsible for the following:

- Building plan development
- Roads construction and the maintenance of streets and roads within the jurisdiction of the Walvis Bay municipality
- Maintenance of fixed property of the municipality
- Rendering of infrastructure design services to the municipality
- Transport services to internal customers.

The Department of Community and Economic Development runs a housing scheme for the inhabitants of Walvis Bay. It also provides community support services to vulnerable groups such as the elderly and those afflicted and affected by AIDS. Other services include business development, traffic control, tourism promotion, emergency services, sport facilities, public library and a museum.

The Department of Water, Waste and Environmental Management is responsible for the provision of water, environmental health services, sewerage infrastructure, sewerage purification, refuse removal and the maintenance and management of waste dump sites.

The Department of Human Resources and Corporate services provides internal support services such as human resources management, legal services and archives. The department is also responsible for building supervision within the jurisdiction of the municipality.

Erongo Regional Electricity Distribution (RED) provides electricity, which is an independent entity. The Municipality of Walvis Bay along with Swakopmund and other local authorities in Erongo Region are shareholders in Erongo RED. Apart from dividends the Walvis Bay Municipality receives royalty payments from Erongo RED.

3.3.3 Ongwediva

Ongwediva Town is situated in Oshana Region. It has a population of 27 000 of which 3 500 live in the informal area of the town. The projected employment rate in the town is about 75 per cent, well above the national average of 62 per cent. The town covers an area of 4104, 2896 hectares. As of June 2004 the town had a consumer base of 2 939 households (Ongwediva Town Council 2006).

Ongwediva is classified as a Schedule, Section 3 Town and the number of elected members of the town council is seven (7), among whom the Mayor is elected from. (Local Authority Act, 1992)

As a modern settlement the Ongwediva was founded in the nineteen sixties. Then it offered accommodation to person employed in the public sector and commerce, whose work place was usually in near by settlements of Oshakati and Ondangwa. It was also the location of major educational institutions such as the Ongwediva Teachers training College. To this day the character of Ongwediva as a residential town and seat of education has persisted. Today Ongwediva has carved itself a niche as a centre that provides first class residential areas, education and the location for services such as health, consultancies and other services.

Construction is currently the most active sector of Ongwediva Town and accounts for 75 per cent of the council's yearly income (Ongwediva Town Council 2006)

The Ongwediva Town Council

As mentioned earlier the Ongwediva Town Council is made up of seven elected Councillors and employs 60 employees that run the day-to-day activities of the council.

The administration is made up of the CEO who is the accounting officer, supported by three of departments, headed by senior managers. This is as follows:

- Department of Finance and Asset Management
- Department of Environment, Planning and Technical Services
- Department of Human Resources and Administration.

The main services offered by the Town Council are water, sewerage, and refuse removal. The council also act as a service agent for NaTIS, for which it charges NaTIS for cost incurred plus a 15 percent charge on the cost.

Revenue

The Ongwediva Town Council is self sufficient in generating revenue for the services that it offers. However for capital projects it receives transfer from central government. It also receives transfers from The Road Authority (RA) to construct roads and streets within the town.

3.3.4 Ondangwa

The Town of Ondangwa is located in Oshana Region, about six (6) kilometres south of the Angola-Namibia borders and 25 km from the towns of Ongwediva and Oshakati. The town has a population of about 31 000 inhabitants. This figure comprises of people who live within the boundaries of the proclaimed town and those who live in nearby villages. However, during the day the population of the town increases to close to 60 000 people. These increases are due to the fact that Ondangwa is home to many government offices. It also has a thriving commercial sector. Ondangwa is the working place of many inhabitants of towns like Ongwediva and nearby locations who commute daily to the town. (Ondangwa Town Profile, 2006)

Ondangwa was established as a missionary centre in 1840s. It later served as administrative seat for the Bantu Administration for Owambo. It was also the recruitment centre for contract labourers who went to work in mines and farms in the south of the country, including South Africa. Until 1991, when regional councils were delineated, Ondangwa served as the administration centre for the area known as former Ovamboland (Ondangwa Town Profile 2006).

Ondangwa Town Council

Ondangwa was proclaimed as a town in 1992, as per the relevant provisions of the Local Authority Act of 1992, as a Schedule 2 section 3 town, resorting under the Ministry of Local Government and Housing. It was constituted as an autonomous Town Council in 1998.

The town council comprises of seven elected councillors from whom the Mayor is elected. The accounting officer of the council is a Town Clerk. Resorting under the Town Clerk are the Town Secretary, responsible for administration, Town Treasurer, responsible for finance, Town Engineer, responsible for engineering works, Senior Manager for Health Services and Senior Manager for Town Planning and Property Management.

Services

Services offered by the council are provision of water, refuse removal, sewerage, permission to occupy (PTO), property rental and plant/truck hire.

Revenue sources

The major revenue sources for the council are as follows:

- Assessment rates
- Water
- PTO fees
- Interest from investments
- Refuse Removal fees
- Subsidies from GRN
- Dividends and Royalty from Northern Regional Electricity Distribution (NORED)
- Transfers from Road Authority.

CHAPTER 4: ANALYSIS OF FINDINGS

4.1 Windhoek:

The population breakdown of Windhoek is given in Table. 8 These figures are derived from the census of 2001. The latest calculated figure for 2006 is given as 230 000.

Table 9: Population of Windhoek per area & income groups (1995)

Area	Population	Mean Household Size	No. of Households	Income (N\$/m/household)
North West	28 030	3.715	7 545	400 - 600
North	80 765	5.009	16 124	1000 - 1500
Central	31 935	4.053	7 879	1500 - 2000
East	23 187	2.86	8 107	10 000+
South	14 709	3.32	4 430	10 000+
Total	178 626	4.069	44 085	

Source: City of Windhoek website

The average household's monthly subsistence level for the whole of Windhoek was estimated at N\$ 860 in 1995 (City of Windhoek 2005). Table 10 shows the calculated population.

Table 10: Calculated Population of Windhoek from the 2001 Census

Windhoek Urban	Number of Households	Population	Male	Female	Av House hold size
	53 428	223 364	111 205	112 159	4.2

Source: City of Windhoek

The budget of the municipality, for the year 2006/2007 is N\$ 1.25 billion, which is to be financed through own revenue sources.

The projected expenditure for the City of Windhoek (CoW) Municipality was N\$ 1 259 311 532 against a projected income of N\$ 1 035 301 555 for the year 2006/2007 (CoW Budget 2006).

The sources of revenue for the municipality are comprehensively listed in the tariff schedule, The Tariff Booklet 2006/2007 is available at the Municipality Building or on the City of Windhoek website. The different rates, taxes and fees are duly gazetted as per the requirement of the relevant section of the Local Authority Act.

Table 11 contains the Income Statement of the Municipality for year ended June 2003.

Table 11: Income Statement for the Windhoek Municipality

	2003	2003	2003
	Income	Expenditure	Surplus (Deficit)
Non-profitable services	169 616 377	228 282 226	(58 665 849)
Office of the CEO	5 928 886	29 995 113	(24 066 227)
Corporate Services/Community Services	1 802 178	28 774 904	(26 972 726)
Infrastructure Water & Tech. Services	4 201 055	32 527 870	(28 326 815)
Planning, Urbanization & Environment	9 130 424	20 320 490	(11 190 066)
Finance (Incl. Interest and Ass. Rates)	123 116 954	18 440 907	104 676 047
Human Resources	32 084	2 258 066	(2 225 982)
Electricity Street Lighting	-	8 562 147	(8 562 147)
Public Safety & Emergency services	-	-	-
Transport	23 248 394	59 879 095	(36 630 701)
Eco. Dev. Tourism & Safety	2 156 402	27 523 634	25 367 232)
Self-Supporting Services	68 491 755	52 929 335	15 562 420
Sanitation	27 429 710	17 438 100	9 991 610
Sewerage	34 678 324	29 874 100	4 804 224
Stores	6 383 721	5 617 135	766 586
Electricity	227 270 309	213 243 434	64 026 875
Water	138 823 157	136 160 083	2 663 074
Total	654 201 598	630 615 078	23 586 520

Source: Office of the Auditor General

The major revenue sources of the municipality were given as electricity accounting for 34.7 per cent of revenue, water 21 per cent, sanitation and sewerage 9.5 per cent, and assessment rates (including interest) 18.8 per cent.

Not all assigned revenue instruments were fully utilized, either because the municipality does not offer the corresponding services or it doesn't just see the need to collect them as the cost of collecting them far outweighs the derived benefits.

Most of the services offered by the municipality are provided at cost or below cost, with the exception of electricity. For example for the year ended 2003, income from electricity was N\$ 277 270 309, while expenditure was N\$ 213 243 434. This resulted in a surplus of N\$ 64 026 875. Contribution per capita for electricity was N\$988.13, making up 34.7 per cent for that period. Surplus on electricity is used to subsidize the deficit on the rate and general account of the municipality (Office of the AG of GRN, 2005). This is true for all municipalities with the exception of those who have Regional Electricity Distributors (RED), such as NORED in Ongwediva and Ondangwa, which distributes their electricity.

Sewerage and sanitation services are also rendered on a no-loss/no-profit basis. According to Estenhuizen (2006) CoW tariffs on sewerage and sanitation are the lowest in the SADC region, the rest of the tariffs are higher.

The latest audited financial statement by the Office of the Auditor General for the Municipality of Windhoek for the year ended 30 June 2003, records a surplus of N\$ 23 586 520 (Office of the AG of GRN, 2005).

Table 12 shows the per capita and percentage contribution of categories of revenue instruments.

Table 12: Revenue, Percentage and Per Capita

	2003		
	Income	Percentage	Per Capita* N\$
Non-profitable services	46 499 423	7.1%	202.17
Finance (Incl. Interest and Ass. Rates)	123 116 954	18.8%	535.29
Self-Supporting Services	68 491 755	10.47%	291.79
Sanitation	27 429 710	4%	119.26
Sewerage	34 678 324	5%	150.77
Stores	6 383 721	1%	
Electricity	227 270 309	34.7%	988.13
Water	138 823 157	21%	603.57
Total	654 201 598		2844.35

Source: Office of the Auditor General

* Population is 230 000 (2006)

The challenges experienced in utilizing some of the instruments were cited as lack of internal expertise to administer some instruments. These are sophisticated instruments such as debentures, bills of exchange and other similar debt instruments.

On whether the municipality is fully capable of collecting revenue through the assigned instruments, a response was given that it is fully capable and capacitated to collect revenue through the assigned instruments with the exception of those that it does not have the internal expertise to do so.

The question whether there are some instruments that are not cost effective in utilizing them, the response was that, indeed there are instances where the cost of collecting levies and other revenue from goods and services offered, far outweighs the benefits, however there is cross subsidization between the different business units. These are such as dog licence fees.

Not all revenue collected by the Municipalities accrues to them in total. Five per cent of all assessment rates on property collected within the municipalities are paid over to the Regional Councils. All traffic fines issued within Municipalities accrue to the Ministry of Justice.

Instruments that the municipality thinks should be assigned to it and not the central government were given as all traffic fines and a percentage of VAT and corporate taxes collected within the jurisdiction of the municipality.

The rationale for the traffic fines to accrue to the municipality is that, the fines are issued by the City's Police Traffic Department, which incurs cost in doing this. On the VAT and corporate tax, the reason given was that local the authorities are

primarily the ones that create infrastructure and an enabling environment for businesses to operate and generate income to pay taxes to the central government.

The replacement of the aging municipal bus fleet is one of the projects that could not be implemented because of lack of funds. This is due to the fact that the bus service is not run on a cost recovery basis. The bus service is mainly used by low-income workers such as domestic workers and gardeners from low-income areas in Katutura, whose places of work are in the Western, Southern and Eastern suburbs. Without the municipal bus service, these workers could not make to their jobs, as alternative mode of transport like taxis are costly (Esterhuizen 2006).

The median income of these workers is about N\$ 600-00 per month. A one-way taxi fare from Katutura to the suburbs, where this category of workers is employed, is about N\$ 15-00. This translates to a transport expenditure of N\$600-00 for a 20 work-day-month, wiping out their entire income for the month.

The municipality is also obligated by an apartheid era law to transport to town to the residents of the former black townships who do domestic work in the formerly white suburbs (Esterhuizen 2006).

At present the average age of the bus fleet is about 20 years, which makes their maintenance costly, as in some instances there are no readily available spare parts for them.

Overall the municipality seems to be doing very well, financially and with service delivery to those who can afford to pay for the services and live in the right suburbs. Despite these successes, there is still a large differentiation on the level of services offered in the areas inhabited by the previously disadvantaged and those in affluent suburbs of Klein Windhoek, Olympia and Hochland Park. Despite the efforts of the Municipality to render quality services to all its inhabitants as required by the Local authority Act, and other relevant laws, this is just not possible, with the current arrangements, whereby the municipality is expected to deliver with little or no, assistance from the central government.

Part XV, Section 73 (1) provides:

“There shall be levied for the benefit of the funds of regional councils an amount equal to five per cent of the rates levied under Section 73 of all rateable situated in local authority area.”

As a result of the above provision the municipality pays an amount equal to five percent of assessment rate on property collected within the municipality's jurisdiction to the Khomas Regional Council.

This is a contentious issue as paying these amounts to the regional Council the revenue of the local council, which needs these funds for service delivery within their respective jurisdictions. Transferring of these funds to regional councils also goes against some of the guidelines suggested by Oates (1972) that the benefits and cost of local taxes should be clear to those for whom services are provided

and should be as equitable as possible. Currently this is not the case as regards to the 5 per cent of the assessment rates that are transferred to the regional councils.

4.2 Walvis Bay

The economy of Walvis Bay relies heavily on the fishing industry. The fishing industry is season dependent. It's equally prone to severe down-turns as a result of over-fishing, adverse oceanic conditions as well as external factors such as the price of oil and unfavourable exchange rates.

Currently Walvis Bay is under going a severe economic down turn as a result of an unfavourable fishing environment. This has led to some company closing down and workers being laid off.

The cyclical nature of the economic environment therefore lays a burden on the inhabitants of the municipality, which make it difficult for them to pay for services they consume in time, and which in turn puts financial pressure on the municipality. For the year ended June 2005 the municipality had a net operating loss of N\$ 13 593 297 while for the corresponding period of 2004 the net operating loss was N\$ 22 141 321 (Office of the Auditor General. 2005). Income Statement for Walvis Bay is contained in Table 13.

Table 13: Income Statement for Walvis Bay for the year ended June 2005

	Revenue	%	Per Capita* N\$	Expenditure	Surplus/(Deficit)
Gen. Acc.					
-Rates & Gen	53 083 047	27.8%	816.66	76 111 141	(23 028 094)
-Housing	2 942 024	1.5%	-	9 142 960	(6 200 936)
Trade Acc					
-Water	40 599 248	21.3%	624.60	29 516 158	11 083 090
-Electricity	93 609 895	49.1%	1440.00	87 583 284	6 026 611
Total	190 417 230	100%	2929.00	204 085 422	(13 668 192)

Source: Office of the Auditor General

*Population 65 000 (2006)

4.3 Ongwediva

The service tariffs applied by the Ongwediva Town Council are contained in the table below.

Table 14: Tariffs for Ongwediva Town Council for 2006/2007

Services	Residential	Business
Water	N\$ 39.00	N\$ 140.00/month
Sewerage	N\$ 28.00	N\$ 56.00/month
Refuse Removal	N\$ 28.00	N\$ 71.30/month/drum
Garden	N\$ 29.90	N\$ 59.80/month
Unit Charges for all	N\$ 7.60	N\$ 8.74
Sales of Property	Between N\$6.00 and N\$15.00/m ²	N\$12.00 up toN\$30.00/m ²
Rates and Taxes	Land 0.04	Improvement 0.0095

Source: Ongwediva Town Council

Ongwediva Town Council has been running a budget surplus for the past five years. For the financial year 2006/2007 the budget surplus is projected at N\$ 4 799 203.66 (Ongwediva Town Council Budget, 2006)

The results of the various operations of, and transaction in the Revenue Account of the Town Council of Ongwediva for the year ended June 2005 is laid out in Table 15.

**Table 15: Revenue Account for Ongwediva Town Council for year ended
June 2005**

	Revenue	%	Per Capita*	Expenditure	Surplus/(Deficit)
Gen. Accounts					
-Rates & General	1 035 379	6.2%	38.34	(5 855 680)	(4 820 301)
- Non- Profitable (Planning, Street Lighting etc)	4 571 263	27.2%	169.00	(4 012 677)	558 586
- Self- Supporting (Sanitation Sewerage and Stores	4 022 960	24%	149.00	(2 185 414)	1 837 546
Trade Accounts					
-Water	6 309 893	37.6%	233.70	(6 434 264)	(124 371)
-Electricity	829 878	5%	30.73	(788 470)	41 408
Total	16 769 373	100%	621.10	(19 726 505)	(2 507 132)

Source: Office of the Auditor General

*Population: 27 000 (2006)

It is one of the best run town councils in the country and according to a survey conducted by the Ministry of Local Government and Housing the council scored the highest marks among 14 towns in the country that is best managed in terms of service delivery, cleanliness, as well as being the best financially managed (Ongwediva Town Profile, 2006).

Challenges

Initially residents of Ongwediva were reluctant to pay for services rendered by the council. To overcome this, services were denied to those who did not want to pay for them. This was also accompanied by an awareness campaign, to educate the residents on the need to pay for services. This strategy seems to have been successful, as arrears have decreased from N\$ 4.3 millions as of June 2004 to N\$ 2.3 million as of June 2006 (Iita, 2006).

As a newly established town council, Ongwediva is still in the process of putting in place critical infrastructure and therefore has a backlog of capital projects. To address this back-log the council has procured a loan of N\$ 20 million from the Development Bank of Namibia (DBN) to be paid back over a period of ten years to service arrears during the financial year 2006/07. The council intends paying back this loan over a ten-year period (Iita, 2006).

According to Iita, residents of Ongwediva were generally happy with the services offered by the council, however they still feel that the rates, levies and taxes were too high.

4.4 Ondangwa

Ondangwa Town is one of the newly created town councils after independence. As such it faces the same problems as those faced by Ongwediva Town Council. It has a huge backlog of infrastructural development such as water reticulation system, servicing of land, roads and other amenities for its residents. Ondangwa like Ongwediva is in the process of converting communal land on which the town is located to Town Council land. The town council in turn sells this land to private owners. In some instances they still use a Permission-To-Occupy System (PTO) whereby a private entity or person leases the land from the Town Council.

Land ownership regime in Ongwediva and Ondangwa or generally in the former Bantustan is very complicated as it contains communal land with private land system within town councils. This is as a result of the dual land tenure system that emerged during the colonial era, specifically during apartheid.

In order to acquire the land, within the town council jurisdiction, the council would need to buy it from the present occupants. This can be costly. As a result of this situation the town council has to content with informal settlements and traditional homesteads within its boundaries.

Table 16 contains the results of the various operations of, and transaction on the Revenue Accounts of the Ondangwa Town Council for the year ended June 2004.

Table 16: Revenue Account for Ongwediva Town Council for year ended June 2004 with % and per capita income

	Revenue	%	Per Capita*	Expenditure	Surplus/(Deficit)
General Services					
-Non-Profitable(Planning, Street Lighting etc)	7 341 661	51.3%	236.82	7 026 941	314 720
- Self-Supporting (Sanitation Sewerage and Stores	2 573 801	18%	83.02	3 234 623	(660 822)
Trade Accounts					
-Water	4 304 274	30%	138.84	5 105 361	(801 087)
-Electricity	75 919	0.5%	2.45	764 680	(688 761)
Total	14 295 655	100%	461.15	16 131 605	(1 835 950)

Source: Office of the Auditor General, 2004

*Population: 31 000 (2006)

Ondangwa like Ongwediva, Walvis Bay and Windhoek does not receive transfers from the central government. They do however receive transfers from the Road Authority to construct and maintain roads within their jurisdiction.

CHAPTER 5:

CONCLUSION

The objective of this research was to firstly, assess the revenue the revenue instruments assigned to local authorities in Namibia against their expenditure requirements as obligated by the Local Authority Act; secondly to identify inefficiencies and asymmetries in the revenue instruments and thirdly, to explore for other revenue sources for local authorities in Namibia.

Revenue Instruments

Sources of revenue for local authorities in Namibia are own revenue, loans and grants from central government. The sources are provided for within the Local Authority Act. The municipalities and town councils that were examined were utilizing the instruments assigned to them with a varying degree of success. The larger municipalities have a larger revenue base, thus have comparably higher revenue per capita, as opposed to the smaller town councils.

For the local authorities that were examined none is faced with significant arrears or a resistant to pay for services from consumers. All seem to have effective revenue collection mechanism in place, and thus have manageable arrears.

However the burden put on local authorities are just enormous for them to sustainably cope with the responsibilities placed on them such as social projects, and to some extent redistributive responsibilities, that they cannot escape from

as a result of past policies. In South Africa local authorities laws permit municipalities to differentiate between categories of users or property when determining fees and taxes (GSA 1996).

In Namibia local authorities are not explicitly allowed to do that in the Local Authority Act. However they do differentiate on some tariffs based on capacity available to consumers and quantity of consumption, for example of water or electricity. This is done to subsidize low-income users who do not consume a lot of units of water or electricity. The municipality of Walvis Bay imposes 10 per cent surcharge on land/erven it sells as land-scape fees. In reality this charge is used to finance social projects (Haingura 2006).

One of the significant revenue sources for local authorities in Namibia is electricity trade, which accounts for 49% and 34% of revenue for Walvis Bay and Windhoek, respectively for the audited statements reflected in the research. Local authorities are losing this important source of revenue, as electricity distribution will be taken over by Regional Electricity Distribution (RED) companies. This has already happened with Ongwediva and Ondangwa, whose town council are supplied with electricity by Northern RED or NORED. The revenue accounts for Ongwediva and Ondangwa reflect a low income from electricity as a result of this. With the loss of revenue from trade in electricity, local authorities need other sources of revenue to meet the shortfalls from the electricity account. Windhoek is expected to face this shortage as soon as the local RED comes into operation.

Government Transfers

The Local Authority Act provides for the appropriation of funds for local authorities from the central government. As it can be seen from the revenue tables of the four local authorities examined, non-had received grants from the central government for the respective periods recorded in the tables. Ongwediva and Ondangwa had received conditional and non-conditional grants in the past during their formative years. These have been discontinued and have increasingly made to rely on own revenue sources.

Borrowing

Local authorities are empowered to raise loans through commercial institutions. However they are not supposed to borrow to finance recurrent expenditure. In principle local authorities are not supposed to run deficits. If they have to borrow, it is to finance capital projects. Municipal debts can interfere with central governments' ability to control macro-economic conditions. Thus before they borrow, they have to seek permission from the Minister of Local Government, who can approve after consulting the Minister of Finance.

Inefficiencies and Asymmetries

The asymmetries identified are the traffic fines and the five percent of the assessment rates that accrue to regional councils. The main inefficiency identified is the loss making bus service of the municipality of Windhoek.

On the inefficient bus services that are run on a non-cost-recovery basis, the municipality should consider changing this and introduce a modern public transport system run on a cost recovery basis, but yet affordable. This will entail a public transportation system that caters for all sectors of the city inhabitants.

The topography of Windhoek is such that it does not allow for the building of highways and large arterial roads to ease congestion in the city streets. As the traffic volume grows, these will put pressure on the road network that will create gridlock and traffic jams. In anticipation of these future developments the municipality should plan for an efficient public transport system that service all parts of Windhoek. With this service it will still be possible to accommodate low-income passengers through special tariffs.

An efficient and effective public transportation system would hold multiple benefits for the city inhabitants and visitor alike such as clean air and cost saving on fuel.

Furthermore, traffic fines that are currently issued by the Windhoek City Traffic police Department, but accruing to the central government creates an asymmetry of cost and benefit. The municipality bears the cost in issuing the fines but does not share the revenue that is generated as a result of these fines. Thus they should be the one who should benefit from the revenue from traffic fines.

The five percent that is paid over to regional councils from assessment rates of local councils should be abolished as it is inherently unfair, inequitable and is not suitable for the purpose it is being used. Regional Councils are not answerable to local councils. Regional councils should be able to generate own revenue through other sources.

Alternative Revenue Sources

There is an urgent need for local authorities to explore for other revenue sources within the framework of the allocated instruments in the Local Authority Act, and if necessary, seek its amendment to provide suitable new instruments. Suggestions range from bed occupancy rate, VAT, Corporate Tax and Income Tax.

Although VAT and corporate taxes are generally considered as not suitable for local authorities because they create distortion in the form of locational inefficiency, these potential pitfalls can be overcome by making them uniform across all local authorities.

The rationale for the suggestion of corporate taxes and VAT, is that local authorities are primarily the ones that create infrastructure and conducive environment for businesses to operate and generate income to pay taxes to the central government (Esterhuizen 2006).

“If local government provide inputs that increase the productivity of capital employed in their jurisdiction, then they should levy benefit taxes on capital in order to provide the set of signals needed for the efficient deployment across localities” (W Oates 1999 p 1125).

At present the local authority system seem to be functioning well, however this can misleading there is a need to revisit the role, functions, powers and instruments assigned to local authorities so that they are aligned properly to produce the desired goods and services in an efficient manner and cost effectively. There is a massive backlog of infrastructure that the local authorities need to put in place, but are unable to because of lack of resources. This is especially true of previously neglected areas. If things continue as they are rate-payers might not be able in the future to pay for services, which are increasing yearly and in turn the local authorities might not be able to render goods and services as they currently do.

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List of Interviewees

1. Werner Iita: Senior Manager, Finance and Asset Management, Ongwediva Town Council. 25 October 2006. George Esterhuizen: Manager Costing, City of Windhoek Municipality. 08 November 2006.
2. Muronga Haingura: General Manager, Finance. Municipality of Walvis Bay. 26 October 2006.
3. Aseth Tjipepa: Accountant, Municipality of Walvis Bay. 27 October 2006
4. C. Shikwambi: Senior Manager, Finance. Ondangwa Town Council. 24 October 2006.
5. I. Namugongo: Manager Corporate Affairs. Ondangwa Town Council. 24 October 2006.

Annex. ii

Questionnaire – (Local Authorities)

1. What is the budget of the Municipality

2. What are the sources of revenue for the municipality, own revenue from
levies, rates, fires etc
Government transfers
Others

3. Of the revenue instrument assigned by the local authority act, are all of
them being fully utilized?

4. What are the challenges in utilizing these instruments?

5. Is the municipality fully capable in collecting revenue from the assigned
instruments?

6. Are there some instruments that are not cost effective in collecting them, -
e.g., cost Outweigh benefit

7. Does the local authority act as a collection agent for central government
on some levies and taxes?

8. Are there any instruments that the municipality thinks should be assigned to them and not to the central government? If so which, and why

9. The local authority act assigns some revenue instruments to local councils. Do you think there are others that could be added if yes which are those?

10. What programmes and projects does the municipality have and could not be implemented because of lack of funds. What plans does the municipality have in raising these funds?