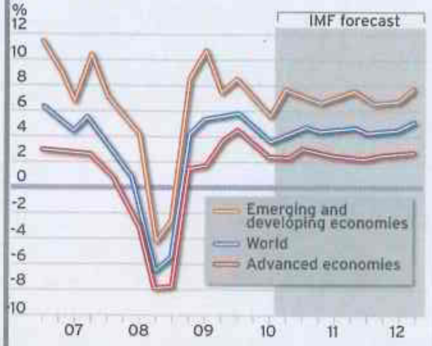
upward pressure on commodity prices is expected to persist in 2011 due to continued robust demand and a sluggish supply response. Though SA typically benefits from high commodity prices, the rising price of oil is a concern.

The IMF's petroleum price projection for 2011 is now US$90/barrel, up from $79 four months ago. In the second half of last year, unexpected consumption growth of 2% resulted in an oil price increase of roughly 10%. "Strong world growth is therefore likely to be associated with further increases in commodity prices with important implications for emerging and developing countries," Blanchard said at last week's presentation.

The IMF expects emerging and developing countries' GDP to rise 6,5% in 2011, compared with 7,1% in 2010. For sub-Saharan Africa, the IMF expects growth of 5,5% this year, up from 5%.

TWO-SPEED RECOVERY

Global GDP growth, % quarter on quarter annualised



SOURCE: IMF

Though emerging markets are powering the two-speed global recovery (advanced countries are set to grow by only 2,5% in 2011 compared with 3% last year), the IMF believes many emerging economies need to begin tightening their economic policies to avoid overheating.

The other major leg of reform needed to sustain the global recovery and to cut risks is for the world to reduce global imbalances.

For China and other current account-surplus countries, this involves structural reforms and faster currency appreciation. For the US and most other advanced countries, it involves fiscal consolidation. Many have yet to put in place credible, medium-term fiscal adjustment plans.

If such rebalancing does not take place, the US will be unable to export its way back to growth, Blanchard warned.

If growth remains subdued in the US, it will be difficult to withdraw the fiscal stimulus, and the country's long-term fiscal challenges will intensify.

This will create problems down the line, not only for the US, but also the rest of the world.

Claire Bisseker

MUNICIPALITIES

Not at all gold

As Johannesburg metro officials fought a spirited but doomed battle to save the city becoming the face of SA's municipal billing mess, the escalating crisis in the country's richest city has exposed the fault lines that have plagued municipal revenue departments across the country.

Demoralised and poorly skilled staff, weak management, chaotic billing and IT systems and unco-ordinated debt collection have all played a part in taking many municipalities and local authorities to the edge of dysfunction.

Figures from September last year show that municipalities are owed a staggering R56bn in outstanding debt — which has now climbed to R62bn.

Most of the debt — mainly for water, property rates and electricity — is owed to the six metros (55%) while 21% is owed to SA's 21 secondary cities.

Though most municipalities have grappled with revenue and billing problems for years, Johannesburg and eThekwini (Durban) have been especially plagued.

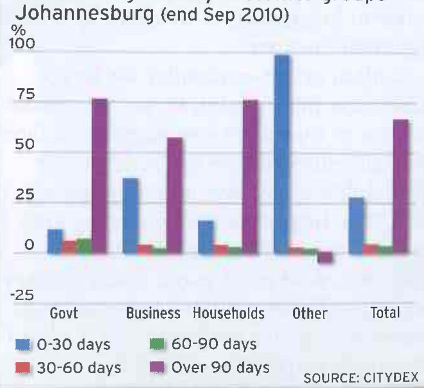
In one of the most sustained public protests, Johannesburg residents have not let up pressure on mayor Amos Masondo and city officials amid reports that as many as 65 000 households and business may be affected by exorbitant, incorrect billings, with thousands of people suffering the indignity of disconnected services.

Johannesburg has struggled for almost a decade to consolidate its complex services and rates billing system, and the face-off between residents and their elected officials will be followed keenly by municipal managers around the country.

City revenue departments are at the centre of the governance and accountability mechanisms between local consumers and taxpayers, and any breakdown in this relationship has enormous policy implications, particularly for government to deliver basic services.

NOT PAYING

Outstanding debt by customer groups Johannesburg (end Sep 2010)



SOURCE: CITYDEX

And with local government elections just months away, irate residents are the last thing politicians want at election stations.

Paul Berkowitz, research analyst at Citydex, a division of the empowerment ratings agency Empowerdex, says Johannesburg's debt has ranged from R8,4bn to R9bn from September 2009 to June last year, and then shot up to R10,6bn in September 2010.

Most of the debt growth was due to increases in outstanding amounts for water and electricity, but both Johannesburg and eThekwini reflected large, unexplained amounts under "other debtor", which Berkowitz believes is actually unpaid revenues from local businesses.

Typically, households are the majority debtors.

Economist Roland Hunter, a leading specialist on municipal finances, says city revenue departments generate a high proportion of the total spending of local governments and, until 2006, more than 90% of city operating revenues were billed and collected by the cities themselves.

For example, Johannesburg billed R13,3bn for rates and service charges in 2009 (around 64% of total city revenues) while eThekwini's revenue operation billed R10,2bn in the same year (61% of total city revenues).

Berkowitz has also crunched some of the figures and picks up a clear trend of service charges increasing its share of total revenue in Johannesburg (from 43% in 2008/2009 to 55% in 2010/2011).

But this is not unique to Johannesburg, says Berkowitz.

In the metros overall, the share increased from 41% in 2008/2009 to 49% in 2010/2011, and in the secondary cities, the share rose from 47% in 2008/2009 to 56% in 2010/2011.

"Year-on-year growth in Johannesburg's revenue budget is lower than in the metros as a whole and for municipalities overall, but growth in service charges has been high," he says.

Hunter has looked closely at both cities and says all the problems can be traced to one common fault: the bad management and processing of data.

In Johannesburg, the current crisis was escalated by the failure of the new billing system, which was actually installed, at the cost of R580m, to prevent such a mess.

The city has battled for more than a decade to consolidate its complex revenue collection process into a single billing system.

The city's main services are provided by 11 separate units — the largest of which are City Power and Johannesburg Water — which run as independent units.

"This means there are multiple accounting and billing cycles, which has created a legacy of problems," says Hunter. "One error can compromise the integrity of all the data down the line."

Project Phakama, the master plan to overhaul Johannesburg's billing system was awarded to empowerment company Masana Technologies in 2005. But the company went bankrupt in 2009.

The project has since been taken over by IBM and Dimension Data and is already two years behind being fully operational.

Hunter, who was head of Johannesburg's revenue service at the time Phakama was launched, acknowledged that the project has had a "troubled" history.

Not only did it pull the city's entire business chain into a single IT system, it changed the entire work process and required most staffers to learn new skills.

To put the complexity and scale of the endeavour in context: of the 11 units that deliver Johannesburg's city services, two are national government entities, six are part of the city's main administration (spanning three departments), and three are Johannesburg-owned utilities.

Most of the business units have migrated to the new system and city officials say they now have more than 1m customers on their billing list.

The city's debtors book sits at R10bn, of which R6bn is being dealt with by a host of different credit control entities.

And since the new system came online, 41 000 disconnection notices were issued and about 8% of the new billable customers have lodged complaints with the city.

But for the system to function optimally, it has to be anchored by strong leadership, skilled staff and significantly better public liaison manners.

The current chaos in Johannesburg suggests the city is nowhere close to achieving this and policy experts says it could take anything between six and 18 months to rectify.

According to the Socio-Economic Rights Institute of SA, the disconnection of water and electricity without notice and based on flawed information supplied through a compromised billing system opens the city to a barrage of litigation that will only compound the situation.

The solution, says Hunter, may be a lot simpler than it seems.

Finding a balance between developing a competent, sound technological system and nurturing its human resources is a good start to improving performance and service.

Prakash Naidoo

Paul Berkowitz Businesses are also not paying rates