Cameron, Robert

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Verticle decentralization and urban service delivery in South Africa: Does politics matter?

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Abstract

This study examines the role of politics on decentralization and service delivery in South Africa, with a specific focus on Johannesburg and Cape Town. The research delineates how national decentralization has affected service delivery responsibilities and resources, determines whether service delivery is affected by whether or not a city is governed by an opposition party, and considers what the nature of inter-governmental relations implies for donors operating in South Africa’s urban sector. The study finds that service delivery does not appear to be worse off in Cape Town than in Johannesburg, even though the former is controlled by the opposition Democratic Alliance while the latter is in the hands of the ruling African National Congress. While there have been political attempts to undermine opposition-controlled Cape Town, the fiscal elements are protected by a relatively strong and well-managed department of finance. Moreover, both donors and the national government steer money towards Cape Town because they know it can deliver on its obligations.

Keywords: decentralization, party politics, service delivery, South Africa, urbanization

JEL classification: D72, H70, N47, O18
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UNU World Institute for Development Economics Research (UNU-WIDER)
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Typescript prepared by Janis Vehmaan-Kreula at UNU-WIDER

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1 Introduction

Although there is a global tendency towards greater decentralization to local government, African countries still tend to be comparatively rather centralized. South Africa, however, is a notable exception to this trend, and the 1996 Constitution made a provision for strong decentralization of powers and functions to local government. This decentralized framework has given considerable responsibility to South African cities for dealing with the challenges of rapid urbanization. Indeed, South African cities face major developmental challenges, given the massive backlog of urban infrastructure needed in the black areas neglected under apartheid. In the absence of appropriate approaches to development and urbanization in general, this manifests in various forms of rapidly expanding informal settlements and increased demands for basic services (RSA 2008).

This paper asks whether vertically-divided authority—which occurs when different political parties control disparate levels of government—matters for these urban developmental challenges. The recent local government elections in 2011 have shown that vertically-divided authority is becoming increasingly important. In fact, the opposition, Democratic Alliance (DA) won overall control of Cape Town, one of South Africa’s six metropolitan municipalities, in the 2011 elections and narrowly lost another, Nelson Mandela Bay. This success follows the DA’s stint governing Cape Town as a majority party in 2001-02 and in a coalition from 2006-11.

To address the impact of politics on service delivery, the paper compares Cape Town with the city of Johannesburg. Since the advent of the new local government system in 2001, Johannesburg has been controlled by the African National Congress (ANC), which is also the ruling party at the national level. By interviewing a variety of stakeholders in Cape Town and Johannesburg in 2011 as well as analysing local government documents and data, I find that opposition–controlled municipalities are not necessarily less capable of delivering services than those under ANC control. Indeed, opposition-ruled Cape Town has been ranked by EMPOWERDEX, an independent rating agency, as the best-run municipality in the country. Moreover, the Department of Cooperative Government and Traditional Affairs (COGTA), which is the government department responsible for local government, has also singled out Cape Town as South Africa’s best metropolitan municipality in the delivery of basic services.

This does not imply that there have been no attempts to subvert opposition-based municipalities. For example, I will show that the controversial crossing-the-floor legislation undermined the opposition’s ability to govern at the local level in the early 2000s. In addition, the complex intergovernmental relations (IGR) system means that cities do not have full responsibility for delivering major services. This has created space for political manipulation by the national government, such as in the housing sector.

To elaborate on these points in greater detail, this study first delineates how national decentralization policies have affected service delivery responsibilities and resources. Subsequently, I focus on differences in service delivery depending on whether or not the city is governed by an opposition party and discuss how vertically-divided authority
affects IGR. The paper concludes with implications of the current IGR system for policymakers, including for international donors operating in the country’s urban sector.

2 Decentralization and the South African case

Political decentralization in Western and Eastern Europe in the 1980s and 1990s has led to many local governments being granted greater powers by their central government (Wollman 2003; Goldsmith 2005). This was not confined only to the developed countries, as many of these trends became increasingly evident in Latin America, Asia and Africa (Manor 1999; Crook and Manor 2000; Prud’homme 2003).

However, in comparison with other parts of the world, African countries still tend to be rather centralized (Olowu 2003). Manor (1999) suggests that this limited decentralization is due to the fact that nascent state formation is taking place concurrently with democratic, decentralization reforms. Decentralizing power is often seen as a risky endeavour in Africa within a context of political instability, most notably where ethnic and regional cleavages exist. National elites often fear losing power at local government level (Olowu 2003; Prud’homme 2003; Mawhood 1993; Wunsch and Olowu 1990). This is compounded by the tendency of opposition parties in many democratic African countries to control capital cities which, in turn, has led to attempts by central government to undermine their power (Olowu 2006; Resnick 2011).

South Africa generally has avoided this African trend of weak local government by constitutionally entrenching local governments with specific functions and powers, and sources of revenue. This has not always precluded political interference in opposition-controlled cities, especially because of key challenges discussed below related to the delineation of responsibilities and accountability across different levels of government. However, it has allowed such cities to flourish in terms of service delivery where the requisite leadership and commitment is present.

2.1 The 1996 Constitution and Intergovernmental relations

Historically, South Africa had a centralized form of governance but, the system of IGR changed substantially as a result of the 1996 Constitution, which stipulated the creation of a quasi-federal system, consisting of national, provincial and local tiers of government (RSA 1996). Parliament consists of the National Assembly and the National Council of Provinces, which represents provincial interests. Currently, there are nine elected provincial governments. Moreover, the Municipal Structures Act stipulated the creation of metropolitan governments for major cities, and there are currently eight metropolitan governments in South Africa.

Strong local government is an integral part of the 1996 Constitution, which states that each level of government is distinct, interdependent and interrelated. The principle of co-operative governance underpins this non-hierarchical system of intergovernmental relations. Section 151(3) of the Constitution stipulates that a municipality has the right to govern on its own initiative the local community’s administrative affairs, subject to national and provincial legislation as provided for in the Constitution. Section 151(4) states that national or provincial government may not compromise or impede a municipality’s right or ability to exercise its powers or perform its functions.
The specific powers and functions of local government are entrenched in Schedules 4B and 5B of the Constitution. Municipalities have the executive authority and right to administer local government matters articulated in the Constitution and any matter assigned to them by national or provincial legislation (Pimstone 1998; Cameron 1999). The most important constitutional functions of local government include the provision of water, sanitation, roads and stormwater drainage, solid waste disposal, electricity reticulation and municipal health services. The Constitution’s list of local government objectives includes the provision of services in a sustainable manner and the promotion of social and economic development.

However, in reality, the system of local governance has been considered a failure in some respects. For instance, a COGTA report (RSA 2009: 10) states that much of local government is in distress and pointed to:

- tensions between the political and administrative interface;
- poor ability of many councillors to deal with the demands of local government;
- insufficient separation of powers between political parties and municipal councils;
- lack of clear separation between the legislative and executive;
- inadequate accountability measures and support systems and resources for local democracy; and
- poor compliance with the legislative and regulatory frameworks for municipalities.

What accounts for the disjuncture between the rhetoric and reality of the new local government system? Manor (2001) observed that introducing new local governments without sufficient financial resources was a recipe for disaster.1 Siddle (2012) argues that a major contributing factor to the failure of local government is to be found in the demands placed by a complex system on institutions which have limited ability and little inclination to meet those demands. In turn, Cameron (2007) claimed that one of the consequences of the decentralized system was the emergence of local clientelistic and patronage interests that have not promoted service delivery to communities.

COGTA’s report covered all 283 municipalities (now 278) in the country and much of it was concerned about the inability of smaller municipalities to perform their functions and conform to rigorous reporting criteria. The COGTA report acknowledged it might be giving a rather skewed picture of local government suggesting that there are a few well-capacitated and effective municipalities, such as the metropolitan governments (RSA 2009). In fact, the report states that the metropolitan governments and secondary cities are well-established and consolidated, but they confront sustainability challenges from urbanization and in-migration, and the accompanying high levels of poverty.

There are also some broader concerns about the practical implications of existing legislation on inter-governmental relations. For instance, Steytler (2008) argues that the current plethora of national and provincial laws may be guilty of strangulating local government, thus preventing it from executing its constitutional, developmental

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1 It was estimated that one-third of municipalities would not be financially viable.
mandate. The Municipal Finance Management Act (MFMA-RSA 2003), which came into effect in July 2004, is the key legislative mechanism governing financial administration within local governments. MFMA regulations are well-intended but have proved problematic in practice. Implementation has required the development of a complex set of skills and has in some cases been extremely demanding (SACN 2007: 67–8).

In addition, the South African Cities Network (SACN 2006: 5–23) points out that the responsibility of local government is often dependent on both the provincial and national spheres. This gives rise to fragmentation, potential duplication and confusion about responsibilities, and major cities such as Cape Town and Johannesburg do not have total responsibility for the delivery of major services.

Some examples of this overlap include the following:

— Housing is a joint national/provincial responsibility, part of which is delegated to local municipalities. The responsibility for housing is thus shared between three levels of government.

— In accordance with Schedule 5 of the Constitution, provincial roads and traffic are exclusively a provincial function, while municipal roads, traffic and parking are exclusively municipal functions. Public transport is a concurrent function of both national and provincial governments while municipal public transport is an explicitly municipal function according to Schedule 4B.

— Planning is also split between different tiers of government such that provincial planning is an exclusive provincial competence while municipal planning falls under the mandate of the municipalities.

As discussed later, these overlapping responsibilities create the space for political manipulation.

### 2.2 Fiscal framework

Despite the lack of clarity in some key areas regarding administrative responsibilities, local governments have their sources of revenue guaranteed by the Constitution. This is a strong indication of financial decentralization. The Constitution gives local government the right to impose taxes on property and surcharges on fees for services provided, and these are major sources of municipal revenue. Many municipalities also make a profit from the reticulation of electricity and, to a less extent, from water.

Local governments are largely self-financing with a couple of caveats. First, there is an imbalance between available local revenue sources and expenditure functions assigned to local government. Second, the capacity of local governments to raise revenue differs due to varying tax bases. Metropolitan municipalities are generally well-endowed with resources while many smaller towns and rural municipalities are poor and lack resources.

The quasi-federal Constitution guarantees an equitable share of nationally-raised revenue for the provincial and local spheres of government. In 2011/12, the national government received 63.7 per cent of this vertical division of revenue while provincial
governments obtained 32.5 per cent and local governments acquired 3.8 per cent (RSA 2011). The equitable share of nationally-raised revenue is intended to fund a range of municipal activities, although the main purpose is to secure free service levels on a national scale. The equitable share formula allocates resources between local governments largely on the basis of the proportion of poor households in their jurisdiction. Notwithstanding this, it is an unconditional grant which the local government can spend at its discretion. There are also provincial transfers to local government that are made at the discretion of provincial government. Conditional grants make up the remainder of resources transferred by national government to the municipalities. These transfers are intended to support municipal infrastructure investment and strengthen municipal capacity (RSA 2008).

3 Profiles of Johannesburg and Cape Town

Metropolitan areas are crucial to South Africa’s economy, as they contribute the most to the total geographical value-added, which is a measure of municipal activity at the local level. The respective contributions of the metropolitan governments are: Johannesburg (14 per cent), Cape Town (11 per cent), eThekwini (9 per cent), Tshwane (9 per cent) and Ekurhuleni (9 per cent) (SACN 2011: 20). Clearly, of all the metropolitan areas, Johannesburg and Cape Town are the two highest contributors to national growth.

Johannesburg is the capital of Gauteng, which is the wealthiest province in South Africa. Home to approximately 3.9 million people, it not only has the largest population of all metropolitan areas in the country but also is the most densely populated and urbanized municipality (City of Johannesburg 2008: 19). The previous census, held in 2001, put the population at 3,225,812, implying in this period a 17 per cent growth rate and high levels of in-migration. With the exception of Cape Town, this has been the highest growth rate of all metropolitan municipalities in this period (Statistics South Africa 2007). The municipality of Johannesburg employs 26,274 people, which is more than any other municipality in the country (RSA 2008: 178). Johannesburg is also a stronghold of the ANC, which won the 2000, 2006 and 2011 local elections with overall majorities. Currently, the ANC holds 153 seats in the 260-seat council, with the DA holding 90 seats.

Cape Town is the capital of the Western Cape province. The city’s population increased from approximately 2.9 million in 2001 to 3.5 million people in 2007 (Statistics South Africa 2007). The municipality of Cape Town employs 22,095 people. The DA, which resulted from the merger of two historical white parties, the New National Party (NNP) and the Democratic Party (DP), won Cape Town’s local government elections in 2000. After a street naming scandal discussed in greater detail below, the NNP faction broke away from the DA and joined an alliance with the ANC in 2002. After the 2006 elections, the DA ruled Cape Town from 2006 to 2011 in alliance with smaller parties,

2 It has been national government policy since December 2000 that municipalities provide six kilolitres of water and 50 kilowatts of electricity free. Most provide free services to all residents but some offer them to indigents only. Some metropolitan municipalities provide more than the minimum requirement.

3 Two more metropolitan authorities were established by the Municipal Demarcation Board in 2011.

4 The NNP was the remnants of the National Party which ruled the country from 1948 until 1994. The DP was a small liberal, anti-apartheid party.
and it won the 2011 elections outright. The DA currently has 135 seats and the ANC 73 in the 221-seat council (IEC 2011).

3.1 Performance of the municipalities

As seen in Table 1, there have been significant service improvements in both cities since 2001. From an absolute perspective, Cape Town has a better service delivery record, but this must be qualified by stating that historically the city has had a higher level of service provision, partially due to the fact that the city has no populous black township with high degrees of poverty comparable to Johannesburg’s Soweto.

Table 1: Service delivery in Johannesburg and Cape Town

<table>
<thead>
<tr>
<th></th>
<th>Johannesburg</th>
<th></th>
<th>Cape Town</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>% of population living in formal structures</td>
<td>77.5</td>
<td>77.4</td>
<td>78.9</td>
<td>83.0</td>
</tr>
<tr>
<td>% of households using pit latrine</td>
<td>6.8</td>
<td>5.3</td>
<td>0.8</td>
<td>0.1</td>
</tr>
<tr>
<td>% of households using bucket</td>
<td>3.8</td>
<td>1.5</td>
<td>4.5</td>
<td>2.9</td>
</tr>
<tr>
<td>% of households using no toilet</td>
<td>2.8</td>
<td>1.2</td>
<td>7.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Access to refuse removal, %</td>
<td>93.9</td>
<td>91.8</td>
<td>95.5</td>
<td>95.2</td>
</tr>
<tr>
<td>Access to piped water, %</td>
<td>97.1</td>
<td>98.3</td>
<td>98.8</td>
<td>99.4</td>
</tr>
<tr>
<td>Electricity for lighting, %</td>
<td>84.9</td>
<td>89.4</td>
<td>88.0</td>
<td>94.4</td>
</tr>
<tr>
<td>Electricity for cooking, %</td>
<td>78.8</td>
<td>88.2</td>
<td>80.1</td>
<td>89.5</td>
</tr>
</tbody>
</table>


Despite these improvements in service delivery, considerable backlogs exist. According to MCA Planners and Oranje (2005: 12), the metropolitan areas were simply not able to keep up with the high levels of in-migration and household formation. This is particularly true for Johannesburg, which has one of the highest backlogs in water and sanitation provision among the South African municipalities (RSA 2009). Cape Town, on the other hand, has been ranked as South Africa’s best-run municipality by EMPOWERDEX (2009), an independent rating agency. COGTA’s universal household access to basic services index ranked Cape Town as the best metropolitan area with regard to the delivery of basic services. And the National Treasury has singled out Cape Town (along with eThekwini), as the best performing municipality in terms of financial management. Although a well-endowed municipality, Johannesburg is characterized by weak management as evidenced by the poor billing system services for rates and services, which led to 65,000 incorrect bills being sent to consumers and poor maintenance of infrastructure.

5 The community survey was a sample. The sample size covered 274,348 dwelling units across all the provinces. A total of 238,067 dwellings completed the questionnaires.
Table 2: Comparison of local government party support and local government election turnout, 2006 versus 2011

<table>
<thead>
<tr>
<th></th>
<th>Panel A: Comparison of local government party support, %</th>
<th>Panel B: Comparison of local government election turnout, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2011</td>
</tr>
<tr>
<td>ANC</td>
<td>DA</td>
<td>ANC</td>
</tr>
<tr>
<td>Cape Town</td>
<td>37.76</td>
<td>41.96</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>62.32</td>
<td>27.01</td>
</tr>
<tr>
<td>Cape Town</td>
<td>49.81</td>
<td></td>
</tr>
<tr>
<td>Johannesburg</td>
<td>40.43</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data compiled from the IEC (2011).

These differences in performance have translated into disparate levels of support for the ANC and DA in their respective strongholds. Table 2 indicates that the DA increased its support in Cape Town by almost 20 per cent between 2006 and 2011, which suggests increased voter satisfaction with service delivery. Voter turnout also has gone up by 17 per cent, which is another reflection of voter satisfaction. The Johannesburg results indicate that ANC support has dropped by almost 4 per cent while that of the DA has increased by 7 per cent. This suggests some dissatisfaction with service delivery.

4 Attempts to undermine decentralization

Given the above context, how does party politics impact the process of decentralization and service delivery performance in these two cities? I show here that there are some attempts to undermine political decentralization in opposition-controlled Cape Town and to further centralize human resources. Perhaps the service that has been most hampered in this regard is housing. Yet, with the possible exception of the equitable share, financial decentralization is not really under threat, and this may explain why other key urban services are not seriously threatened by vertically-divided authority.

4.1 Backtracking on political decentralization

There are a number of ways in which the ruling government has attempted to undermine political decentralization. For instance in the last two local government elections, the ANC did not announce in advance its candidates for the metropolitan area mayors, except in the case of Cape Town in 2011. Instead, the mayors are appointed by the president, in conjunction with the ANC’s national working group. This, however, undermines the ability of constituents to directly hold their representatives accountable.

The electoral system for local government further contributes to political centralization. Specifically, half of the councillors are elected on a ward basis and the other half on a party list proportional representation (PR) system. This has centralized enormous power into the hands of party leaders. The fielding of candidates in local government elections is determined at the regional level, and by the President in conjunction with the National Working Committee of the ANC in the case of mayoral positions in metropolitan municipalities. Mayors and councillors owe their positions to the party bosses who nominate them, rather than to the public who might have voted for them. Accountability therefore is to political leadership rather than to the community. This is problematic not
only for the ANC but also for the DA. In fact, a study by Cameron (2003) showed that
the ANC in Ekurhuleni and DA in Cape Town have both removed mayors from
metropolitan governments. Consequently, constitutional decentralization co-exists with
party centralization (see also De Visser 2009).

Inter-party conflict has also limited political decentralization. For instance, there have
been clear attempts by the ANC to undermine local government in the DA-controlled
city of Cape Town. The DA won the 2000 local government elections in Cape Town
with 53.02 per cent, but its rule turned out to be short-lived (Cameron 2003). After a
street-naming scandal in 2001, 6 the Mayor of Cape Town, Peter Marais, was suspended
and ultimately fired by the DA political leadership. 7 The NNP faction, to which Marais
belonged, subsequently withdrew from the DA alliance and announced that it would go
into coalition with the ANC. After negotiations between the NNP and ANC, a
constitutional amendment as well as legislation allowing floor-crossing was introduced
in Parliament in March 2002. This enabled councillors to defect from their political
parties without losing their seats. 8 The major beneficiaries of the floor-crossing
legislation were the bigger political parties, notably the ANC. 9 In fact there were no
defections from any ANC-led council during the period that floor-crossing legislation
existed.

After the legislation was implemented in October 2002, the ANC/NNP coalition won a
number of important municipalities, including the City of Cape Town (Cameron 2003).
The ANC/NNP coalition had the majority in Cape Town from 2002 until 2005 when the
NNP was abolished and its members joined the ANC, which then ruled the city until the
2006 elections. The ANC regime in Cape Town was characterized by constant
accusations of corruption and mismanagement, and the party went into the 2006
elections as a highly unpopular incumbent (Dhawraj 2011). In the 2006 poll, the DA
managed to capture 42.86 per cent of the vote, the ANC 38.57 per cent, and the
Independent Democrats (ID) 10.95 per cent with the rest of the vote going to a number
of smaller parties (IEC 2011). At the first council meeting, an alliance of the DA and
smaller parties elected Helen Zille as the mayor over Nomaindia Mfeketo, the
ANC/ID’s candidate, by a narrow majority (Dhawraj 2011). However, the ANC did not
give up on its attempt to recover Cape Town.

To understand what followed requires an understanding of the executive system of
municipalities. In accordance with the Municipal Structures Act (1998), two types of
executive systems (cabinets) are available for metropolitan authorities:

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6 The mayor designed a proposal to change the names of the streets in central Cape Town as part of a
reconciliation initiative. i.e. Adderley Street to Mandela Avenue and Wale Street to F.W. de Klerk
Avenue. During the consultation process there were several lists of forged signatures in favour of the
mayor’s plan. Two senior officials in the mayor’s office were implicated in the fraud (Cameron 2003).
7 This was challenged by the mayor in court. Although he won his case, he subsequently resigned from
the council.
8 Certain requirements had to be met. To minimize political opportunism, a threshold of 10 per cent of
a party’s council members was required in order to cross the floor. Furthermore, in order to ensure
political stability, defection could only happen in certain window periods, that is, within the second
and fourth year in a five-year term. The legislation was abolished in 2009.
9 This was because it was more difficult for smaller caucuses to obtain the 10 per cent threshold of
councillors needed to defect.
— *The collective executive system*, which allows for the exercise of authority through an executive committee in which the leadership of the municipality is collectively vested. Provision is made for a mayor, although he/she is only one member of the collective executive committee. The collective executive committee must be composed in such a way that the party representation of the municipal council is reflected in the committee in substantially the same proportion as in the council.

— *The mayoral executive system*, which allows for the exercise of executive authority through an executive mayor, in whom the leadership of the municipality is vested and whom a mayoral committee assists. Under this system, the mayor may appoint a committee to provide assistance, and he/she may delegate specific responsibilities to the mayoral committee. This is to be a cabinet-type structure, with the mayor at liberty to choose committee members.

The provincial Members of Executive Councils (MECs) decides on the type of government structure. The Gauteng-controlled ANC-controlled provincial government favoured the mayoral executive system, while the opposition-controlled Western Cape, was governed through the collective executive system. This meant that after the 2000 elections, Johannesburg was governed by means of a mayoral executive system and Cape Town a collective executive system (Cameron 2005).

When the ANC (initially in alliance with the NNP) won control of the Western Cape through floor-crossing in 2002, it amended legislation so as to give municipalities the option to decide on their governing mechanism. This enabled Cape Town to replace its existing governing body with the mayoral executive system. The ANC/NNP alliance then elected Nomaindia Mfeketo as executive mayor and because this system does not make provision for proportionality, the DA lost all its seats on the city’s mayoral executive committee.

The DA campaigned in the 2006 elections with the theme of bringing back the collective executive system on the grounds that this was more democratic and transparent. After their narrow victory, the DA alliance faced a dilemma: if it fulfilled its campaign promise and re-instated the collective executive system with its proportionality clause, it would lose its political strength because half of the executive committee seats would go to the ANC/ID alliance. Understandably, the DA stayed with the mayoral system. The ANC-controlled province, however, was the final arbitrator in this matter, and according to widespread speculation, it was planning to amend legislation once more to ensure that Cape Town adopted the collective executive system. Ultimately, however, the province did not change the legislation, purportedly at the behest of national government.

The ANC also tried to undermine the DA by renewing the contract of the ANC-appointed city manager, Wallace Mqogi, just two days before the 1 March local polls, which was a clear violation of legislation that stated that managers had to be appointed by the full council.10 Mqogi also became embroiled in the 2006 election campaign by writing an article in a local newspaper expressing his support for the ANC. The DA-led alliance voted in a special sitting to oust Mqogi but he refused to vacate his office and continued to arrive for work every day. He eventually left the city after losing a Cape

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10 The contract renewal was made by Nomaindia Mfeketo, the then mayor of Cape Town.
High Court Order (Dhawraj 2011). Helen Zille is on record as stating that the ANC tried on numerous occasions to unseat the DA coalition.

This confrontational atmosphere continued until the DA went into an alliance with the ID in 2007, giving it a clear majority in the council. The DA then won the Western Cape Province in the 2009 elections with Helen Zille, now the national leader of the DA, becoming premier. The DA absorbed the ID and won the 2011 elections in Cape Town with a clear majority, receiving 60.92 per cent of the vote.

Another potentially centralizing factor is the idea of holding concurrent elections for all tiers of government. In June 2011, President Zuma stated that the government was seriously exploring the possibility of having one election for national, provincial and local governments. This would lead to the country having one financial-year period, one system of public service provision, a common five-year medium-term planning framework, as well as aligned human and budgeting frameworks.¹¹

Yet, as seen in Table 3, election results differ between the national and local levels.¹² This has tended to favour the opposition at the local level. As such, the introduction of a single election is likely to weaken the DA vote in Cape Town. The DA has received more than 50 per cent of the vote at the local level in Cape Town on two occasions, but has never reached that level of the national vote in the city. The DA seems to be able to better mobilize its supporters in local elections while the ANC has difficulties in this respect.

Table 3: Election results in Cape Town

<table>
<thead>
<tr>
<th>Panel A: Local government elections, %</th>
<th>2000</th>
<th>2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Alliance (DA)</td>
<td>53.02</td>
<td>41.96</td>
<td>60.92</td>
</tr>
<tr>
<td>African National Congress (ANC)</td>
<td>38.06</td>
<td>38.57</td>
<td>32.80</td>
</tr>
<tr>
<td>Independent Democrats (ID)</td>
<td>10.95</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel B: National government elections, %</th>
<th>2004</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Alliance (DA)</td>
<td>27.13</td>
<td>48.78</td>
</tr>
<tr>
<td>African National Congress (ANC)</td>
<td>45.39</td>
<td>32.86</td>
</tr>
<tr>
<td>Independent Democrats (ID)</td>
<td>8.16</td>
<td>2.76</td>
</tr>
</tbody>
</table>

Notes: Election results for the Cape Town municipality since the introduction of new boundaries in 2000. Panel A represents local government election results, and Panel B is the national government vote in Cape Town’s jurisdiction.

Source: Data from IEC (2011).

The empirical analysis is insufficient to answer why this is the case. However, there is suggestive evidence that African communities are less likely to vote for local government because of the oppressive role it played during apartheid and because the concerns of the poor with regards to unemployment, poverty and job creation are

¹¹ See www.polity.org.za

¹² There are also different electoral system between national and provincial government on the one hand and local government on the other. National and provincial government only have a proportional representation system while, as pointed out, local government has a combination of a ward based and proportional representation system.
primarily addressed by national government. By contrast, white, middle-class communities are more likely to vote only if they believe they can win, as is the case at the local government level in Cape Town (Faull 2006).

4.2 Centralization of human resources

One of the most important aspects of decentralization is the right of local governments to appoint their own staff (Mawhood 1993). The South African Constitution articulates the basic values and principles governing public administration. This applies to all organs of the state. According to Section 195(i):

> public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation (RSA 1996).

Based on Section 160(1) (d) of the Constitution, a municipal council ‘may employ personnel that are necessary for the effective performance of its functions’. Local governments have the discretion to appoint their own staff subject to national labour legislation, while the Employment Equity Act (1998) obligates municipalities to structure their workforce on representative racial lines.

In practice, public human resources policy is a bit more complicated. In 1997, the ANC introduced its ‘cadre policy and deployment strategy’, which states that:

> transformation of the state entails, first and foremost, extending the power of the National Liberation Movement over all levers of power: the army, the police, the bureaucracy, intelligence structures, the judiciary, parastatals and agencies such as regulatory bodies, the public broadcaster, the central bank and so on (cited in de Jager 2009: 282).

Cadre deployment entailed a high degree of ideological commitment. Potential deployees were made to understand and accept the basic policies and programmes of the ANC (Mafunisa 2003; Maserumule 2007). The strategy made no reference to the need for administrative competence. Similar deployment structures exist at the provincial and local levels.

How has this contradiction between formal political decentralization and party control worked with respect to senior managers? The municipal manager and senior managers are appointed by the council. These managers must have the relevant skills and expertise to perform the duties associated with the post in question, although provision is made for the advancement of persons or categories of persons disadvantaged by unfair discrimination.

Municipal councils may, however, delegate a degree of their power to mayoral executive committees and in many municipalities, there has been an extensive delegation of power to such committees. In some municipalities, all staff appointments are made by the mayor (Atkinson 2003; Cameron 2007). This has contributed to the appointment of political supporters, families and friends to government posts.
The government has acknowledged that the deployment of unskilled cadres to senior party positions has contributed to poor service delivery. According to COGTA, party deployment and political interference has contributed to inefficient and ineffective administrations because senior managers, including municipal managers, who are assigned to these positions, often lack the requisite skills and relevant qualifications to manage municipalities (RSA 2009). When the ANC was in power in Cape Town, a number of mostly white senior managers were given early retirement packages and replaced by largely native African managers. The DA accused the ANC of replacing experienced managers with political and patronage appointments. The DA in turn has been criticized by the ANC for disproportionately appointing white senior managers officials and forcing senior African managers to resign.

Johannesburg is a well-capacitated municipality with a number of highly skilled professionals. However, they have been bedevilled by serious management problems most notably around its billing system. The problem, according to one Johannesburg interviewee, is that there are unqualified managers in a few key positions, which impacts negatively on city administration (interview with consultant/ex-senior Johannesburg official, June 2011).

The government also introduced draft legislation to create a single public service, which would expand its remit beyond national and provincial government to include local government. The bill’s main aim was to improve service delivery and co-ordination amongst the various spheres of government, but controversy emerged in a number of areas. For instance, this bill allowed local staff to be deployed by the central government to other municipalities or to national and provincial departments throughout the country, and vice versa. Senior managers are to be accountable to both the central government, which could influence their careers in the long term, and to their current employer, the council. Yet, international experience has shown that this system ultimately leads to direct control by central government. While the bill’s objective was ostensibly administrative, DA leader Helen Zille believes that its true motivation was to appoint ANC supporters to senior positions in Cape Town to thwart the implementation of DA policy (Cameron 2009). The bill was withdrawn because of concerns around constitutionality, and it is currently being redrafted.

4.3 Implications of intergovernmental conflict for housing

In addition to a greater centralization of human resources, there is often a lack of clarity regarding responsibilities between different levels of government. This creates the potential for political conflict in instances of vertically-divided authority, particularly with regards to high-profile urban services. Confusion over IGR responsibilities directly emanates from the Constitution, which not only allocates functions but also enables national and provincial government to delegate certain powers to local government.

This has been most problematic in the area of housing which, as noted earlier, is an obligation shared between all the national, provincial, and municipal levels. These overlapping responsibilities have been the source of much frustration. For example, the province has the authority to decide the location of potential housing settlements. But, due to resistance from middle-class communities, it frequently selects peripheral areas that normally do not align with the budgets and plans of the municipalities. The infrastructure grant goes to the municipality, while the housing funding is allocated
from the national level to the province, leading to a lack of co-ordination (interview
with local government consultant, November 2011).

Since housing is a function delegated to local governments, it can become a political
football. The most notable case occurred in 2006 when the national government
removed the City of Cape Town from the N2 Gateway scheme, which was a major
showpiece housing project. Until then, a joint committee of national, provincial and
local governments, which were all controlled by the ANC at the time, managed the N2
Gateway project from March 2005 until March 2006.

One of the big political issues in Western Cape is the allocation of low-income houses.
Under apartheid, Western Cape was a preferred ‘coloured labour’ area, with restrictions
on Africans entering the area. Coloureds, in turn, were largely the victims of group
removals which forced them out of the white areas. A huge housing shortage ensued,
and Cape Town had a waiting list that was based on the principle of
‘first come, first served’. When apartheid was abolished, the housing lists became an
issue of contention for the ANC, which felt that they discriminated against Africans. To
compound matters further, Africans form the bedrock of ANC support, while coloureds
predominantly support the DA.

As part of the N2 scheme, the ANC’s policy was that 70 per cent of the beneficiaries
were to be people from the informal settlements while the other 30 per cent were to be
those who are categorized as backyard dwellers. The main complaint was that this was a
racial policy in disguise, because the majority of people from illegal settlements were
African and most backyard dwellers were coloured (interview with senior Cape Town
official, December 2011; Delcarme 2011). There were allegations that the ANC
allocated housing in the N2 Gateway project not only to Africans but in particular to
new migrants to the city who supported the ANC. This caused resentment amongst the
coloureds, who had been on the waiting lists for years, resulting in one prominent land
invasion of houses orchestrated by a DA councillor.

The timing of the cancellation of the N2 project was therefore significant because it
occurred in March 2006, just after the DA had just taken over from the ANC as the
majority party in Cape Town’s local government elections. According to the DA, they
were barred from the N2 Gateway project because the ANC was concerned that they
would uncover evidence of patronage-based allocation and would prevent further
political allocation of housing. Consequently, the local municipality no longer has a role
in the N2 Gateway project, except for the allocation of basic services such as water,
electricity and refuse removal (interview with senior Cape Town official, December
2011; Delcarme 2011).

4.4 Strong financial decentralization as a counterweight to political interference

Notwithstanding the above details highlighting attempts to limit the decentralization of
political and human resources and the attendant consequences on key service delivery
areas, there is still strong financial decentralization. While there have been some
concerns related to the distribution of inter-governmental grants, South Africa’s major
metropolitans are largely self-financing. This in turn reduces, though does not entirely
eliminate, the influence of party politics on financing local service delivery.
**Budgets**

As of 2011/12, the municipality of Johannesburg had the country’s largest operating budget (R28,373,051,000 billion) but its capital budget (R3,927,844,000 billion) is relatively low for a city of its size, which is a reflection of its liquidity problems. The ‘current ratio’ measures the ability of a city to pay its current liabilities out of its current assets. An acceptable ratio for municipalities is 1.1, but for Johannesburg, the current ratio is under this threshold (City of Johannesburg 2011: 86). Johannesburg’s income is derived as follows: 57 per cent from services charges, 17 per cent from property rates, and 15 per cent from grants (ibid.: 13).

In Cape Town’s 2011/12 budget, its operating budget totals R21,953,048,000 and its capital budget R5,089,867,000. Service charges account for 53.5 per cent of the city’s income, rates 20.7 per cent, and transfers and grants 8.6 per cent. The current ratio for the city is 1.5 (City of Cape Town 2011: 20, 58).

**Grants**

As seen in Table 4, grants form a relatively minor component of the finances of both cities. These metropolitans are largely self-financing, which indicates a high level of decentralization. Neither city is dependent on central government grants for revenue, which is rare in the African context. While there are a few constraints such as the treasury’s financial guidelines, these major cities can determine their own spending priorities to a large extent.

<table>
<thead>
<tr>
<th>Grants</th>
<th>Johannesburg (R million)</th>
<th>Cape Town (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equitable share</td>
<td>3,038.8</td>
<td>1,710.5</td>
</tr>
<tr>
<td>Municipal infrastructure</td>
<td>397.0</td>
<td>273.4</td>
</tr>
<tr>
<td>Public transport</td>
<td>661.1</td>
<td>424.8</td>
</tr>
<tr>
<td>FIFA World Cup stadiums</td>
<td>634.0</td>
<td>686.0</td>
</tr>
<tr>
<td>Other</td>
<td>212.4</td>
<td>163.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,943.3</strong></td>
<td><strong>3,258.1</strong></td>
</tr>
</tbody>
</table>

Note: The latest available comparable data are from 2008/09.

Source: Based on data from SACN (2011).

The metropolitan areas and big cities receive a conditional grant in the form of the Urban Services Development Grant (USDG). In addition to the USDG, all municipalities receive the equitable share of funding which is constitutionally guaranteed and is an unconditional grant. This means that the share of unconditional grants as a percentage of overall grants is 61.5 per cent in Johannesburg, and 52.5 per cent in Cape Town. Consequently, concerns have been raised about the fairness of the

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13 During the pre-World Cup financial years, the major cities undertaking to build stadiums received extensive infrastructure allocations from the treasury, which inflated the percentage of revenue received as grants. The 2011/12 budget is the second post-World Cup budget and is perhaps a more realistic indication of the income breakdown of the cities.
equitable share allocation. As pointed out by the Cape Town interviewees, the city has approximately the same population size as Johannesburg but receives R1 billion less. In terms of the Division of Revenue Act of 2011, Johannesburg was allocated R1,897,561,000 while Cape Town received R970,473,000. Cape Town had requested that the data that underpinned the allocation be made public, but the department of finance has refused to do so.

The deputy mayor of Cape Town stated in his 2011 budget speech that:

> We have also received unwelcome information, such as that the equitable share allocation from the national fiscus was cut by R27 million. It is highly questionable as to why Cape Town receives such a low equitable share compared to other similarly sized cities in the country. We believe that this city is being seriously short-changed in funding for its fair share of national funds that are our right in terms of the Constitution (City of Cape Town 2011: 12).

According to a senior treasury office, the allegations of political manipulation of the equitable share were patently untrue. Allocation of the equitable share is finalized in the budget forum, which is chaired by the Minister of Finance and consists of the MEC for local government and representatives of SALGA. But a ministry official confirmed that the equitable share allocation was calculated on the basis of the 2001 census, and Cape Town had been disadvantaged by its rapid population growth in the post-census period. According to officials, no other representative national database exists which could be used to calculate the equitable share formula.

By contrast, political considerations appear to play less of a role with regards to certain conditional grants. For example, there are good relations between Cape Town and the Department of Transport with respect to the provision of conditional grants. The city was allocated considerable funding for operating the integrated rapid transport system (IRT). One reason for this was that negotiations were conducted among fellow professionals, including engineers. Another reason is because, with respect to service delivery, the national ministers now have performance contracts with the president. Therefore, Cape Town became the transport department’s pilot project because it had a reputation of being a well-run city that can deliver on its obligations. Thus, though opposition-governed, a good performance in Cape Town can bolster a minister’s image (interview with Cape Town’s deputy-mayor and senior financial official, May 2011).

It is interesting to note that these findings overturn the conventional wisdom regarding grants, which is that unconditional grants are more conducive to decentralization than equitable grants because the former give municipalities the right to choose their own spending priorities (Mawhood 1993). In the case of Cape Town, conditional grants in respect of transport appear to be more conducive to decentralization than the unconditional equitable share grant.

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14 Johannesburg has also indicated that its equitable share was insufficient, given the city’s infrastructural shortcomings (interview with senior Johannesburg financial official, June 2011).

15 The community survey of 2007 (which was a sample) was not deemed sufficiently representative at the national level by the Treasury.
5 Policy implications of vertically-divided authority

What are the implications of vertically-divided authority for South Africa’s donor community? Although the amount of donor money is relatively small in South Africa, totalling 1 per cent of the national budget (RSA 2010: 15), it is seen as significant in terms of helping the country leverage its own resources more effectively in order to stimulate development.

Recently, the international development co-operation (IDC) Chief Directorate of the National Treasury updated its guidelines for official development aid (ODA) flows to South Africa from the international development community in the form of grants, technical and financial co-operation (see RSA 2010). The core principles in this report stipulate that:

- The three tiers of government have the right to attract, plan and use ODA, in accordance with their own strategic priorities taking into account the basic tenets of the overall government policies, plans and priorities, and
- ODA must be aligned to overall national strategic policies which means that any ODA intervention must be designed to support the overall government policies as stipulated in the Medium Term Strategic Framework, MTSF and should address the government programme of action (RSA 2010: 18-20).

Yet, there are no guidelines as to how the above principles should be applied pragmatically. While the national government has the overall responsibility for ODA management, provincial and local governments have the right to establish their own ODA policies and structures, and to pursue their own ODA practices within the broad national policy framework and guidelines (RSA 2010: 28). Draft contracts need government approval, and are checked for compliance with domestic and international law and compatibility with the department of finance guidelines, e.g., conformity with government priorities. Contracts are signed by the finance minister or the relevant departmental minister.

Within this national policy context, donors have adopted disparate approaches to dealing with opposition-controlled cities. For instance, the Danish International Development Agency (DANIDA) works with a number of municipalities, including Cape Town. According to an ex-DANIDA official, it would be too politically risky to work only with an opposition municipality (telephone interview with ex-Danida representative, November 2011). In fact, one of its most successful projects in recent years was the Urban Environmental Management Programme (UEMP), which involved working closely with the department of environmental affairs and tourism, the provinces and the four large municipalities of Ethekwini, Ekurhuleni, Cape Town and Johannesburg. According to DANIDA, UEMP was an excellent example of good development co-operation. This strategy was the result of a consultative process that is founded on South Africa’s development priorities and Denmark’s overall development policy entitled ‘Partnership 2000’ (DANIDA 2010).

UEMP was a conventional project in which the flow of money went through the Treasury RDP’s fund. The UEMP funding was to supplement existing programmes and therefore intended to support implementation rather an infrastructure, policy or new programmes. In addition to regular meetings with the donors, including biannual
sessions with DANIDA, there was a steering committee that included the department of finance, SALGA and donors. There is a general consensus that this co-ordination model worked particularly well (interviews with senior environment officials from the City of Johannesburg, June 2011). DANIDA was seen to be a very flexible funding agency that focused on local priorities as opposed to other more paternalistic donors who tried to determine what priorities were in the best interest of the municipalities. According to an ex-DANIDA official, this was one of the most successful programmes on which they had worked.

By contrast, the German donor agency KfW works only with the Cape Town municipality. One of its key projects has been the Violence Protection through Urban Upgrading project (VPUU) in the township of Khayelitsha (KfW 2010). In response to the question as to why KfW operates in an opposition-controlled municipality, a local KfW official confirmed that according to the original plan, they were to fund an ANC-controlled municipality as well, but the municipality did not deliver and the project did not get off the ground. A good proposal was submitted by the then mayor of Cape Town, Helen Zille. Given that KfW is a state-owned organization and accountable to German taxpayers, it needed to ensure that its money was well spent. Cape Town has a reputation of being well-organized and able to deliver on its obligations, and KfW is very pleased with the city’s performance on this project. Although there have been some subtle political criticisms that KfW is working in an opposition-controlled municipality, no formal complaints have been forthcoming (interview with KfW representative, October 2011). Indeed, one department of finance official described Cape Town as an ‘oasis’, stating that the VPUU scheme was the best donor project with which he had worked (interview with a department of finance official, October 2011).

In summary, donors have a relatively high level of discretion because the central government does not act as a gatekeeper and they can negotiate with municipalities directly. The donors do, however, have different approaches towards vertically-decentralized authority. DANIDA is very conscious of the issue and attempts to intervene in a wide range of cities. Conversely, KfW is quite happy to work only with the DA-controlled Cape Town because they know the city can fulfil its commitments.

6 Conclusion

In contrast to many other African countries, South Africa has a strong decentralization policy to local government. This has been facilitated by the country’s strong constitutional framework, which accords a great deal of autonomy to metropolitan authorities. Despite some areas of ambiguity and overlap, the IGR framework also facilitates co-operation around governance issues. In a similar vein, the South African Cities Network consisting of the metropolitan areas and one secondary city mobilizes around common issues facing big cities. To some extent this mitigates against victimization of opposition-controlled Cape Town.

As a result of this strong constitutional framework, the role of politics in the provision of urban service delivery does not appear to be as problematic in South Africa as it has been in other African countries. The greatest effect of vertically-divided authority has been with respect to political decentralization, as highlighted by the floor-crossing legislation that emerged in the wake of DA’s popularity in Cape Town. In the administrative realm, there has been a creeping centralization of human resources but
this has affected not just Cape Town but also Johannesburg. The removal of the N2 Gateway housing project prevented the DA from gaining visibility and support from constituents in Cape Town but there have been other areas of strong co-operation with the central government, such as in the transport sector. Moreover, performance contracts on service delivery create positive incentives for national ministers to work closely with the administration in Cape Town. While there are concerns about the calculation of the equitable share, the fiscal framework is well-protected by a strong and well-managed Department of Finance. This, combined with Cape Town’s high levels of self-financing, prevent political considerations from playing a more pernicious role in the financing of urban services.

Moreover, even though South Africa receives relatively little foreign aid, the manner in which aid is provided reduces the likelihood that opposition-controlled cities are at a disadvantage for obtaining even small amounts of donor money. Donor money has to be consistent with the guidelines of the department of Finance but both local government and donors have a reasonable amount of autonomy to determine spending priorities. The donor financial framework is relatively well developed, combining central co-ordination and a decentralized approach which works relatively well. Some donors even directly steer money to Cape Town because they know it can deliver on its commitments.

Overall, the South African case illustrates that in the context of multi-party democracy, politics will inevitably play a role in service delivery. However, the degree to which decentralization has been institutionalized in South Africa and the existing incentive structure prevents opposition politics from subsuming the importance of providing urban services.

References


