

# LOCAL GOVERNMENT AND POVERTY IN SOUTH AFRICA

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## INTRODUCTION

Despite South Africa's middle-income status, half its citizens lack adequate nutrition, water, energy, shelter, healthcare and education. In order to address this 'dismal shame of poverty' (Mbeki, 1996) the new constitution requires that local authorities 'give priority to the basic needs of... and promote the social and economic development of the community'. The challenges municipalities face – segregation, institutional weakness, service backlogs and lack of finance – are to be overcome, according to the *Local Government White Paper* (RSA, 1998a) by establishing 'Developmental Local Government', which will 'work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives'.

This chapter considers the prospects for developmental local government to play a leading role in reducing poverty. The first section outlines the context in which South Africa's post-apartheid local government system is evolving. The second sets out some of the central elements of the municipal policy developed during the mid-1990s and crystallised in the 1998 Local Government White Paper. It presents an analysis, developed at the time of the white papers' launch,<sup>1</sup> of the progressive potential in this policy to address the apartheid legacy of poverty and inequality. The analysis reveals certain contradictions and limitations. The final section locates the limitations within a broader theoretical context, and suggest that the contradictions result from the assimilation in the white paper of several conflicting approaches rooted in the South African liberation struggle and transition. It concludes that a pro-poor orientation in the local state is likely to require political alliances beyond the state and at a scale beyond the local.

## THE CHALLENGE

In order to assess municipal policies in more detail it is important to bring to mind the context in which they operate. Ten key aspects are detailed below.

1. *A history of discrimination.* Apartheid municipalities played a critical role in enforcing segregation and dispossessing and impoverishing the black masses. Forced removals, land expropriation, discriminatory housing, restrictions on trade and racist employment practices helped to create a black majority with few assets, located on poor land far from jobs (Parnell, 1998). Black local authorities, often puppets of apartheid, were a target of organised resistance. Negotiated ward boundaries still grant whites excess influence.

2. *Worsening poverty and inequality.* South Africa's is the world's second most unequal nation, with half the population living in poverty on just 11% of national income. This leads to stunting in a quarter of children (May, 1998). Rural and female-headed households are the poorest and their situation appears to be deteriorating. Between 1990-4 the infant mortality rate amongst Africans rose from 48 to 54 per thousand, whilst that for whites fell from 7.4 to 7.3. In national poverty hearings the South African NGO Coalition found that life is getting harder for many of the rural poor.

3. *Geographic segregation.* South African settlements are deeply divided, often with a physical 'buffer zone' between racial and economic groups. Whereas townships and rural areas have weak tax bases, white suburbs generate substantial revenue through commercial property rates. Since workers' commuting from townships do not benefit from these commercial rates this produces a cross-subsidy in favour of affluent areas.

4. *Rising unemployment.* South Africa's unemployment rate of 34% (RSA, 1999b) is one of the highest in the world. Employment in mining and manufacturing has declined for over a decade, with the gradual withdrawal of the state from the economy under the National Party in the late 1980s and the adoption of free-trade and free-market principles, crystallised in the ANC government's *Growth Employment and Redistribution* (GEAR) macro-economic strategy. Private sector employment is now shrinking at around 2.5% per annum (NIEP, 1999), pushing up urban joblessness, holding down wage levels, and generating a knock-on effect in the former homelands, where rural unemployment is around 50%.

5. *Service backlogs.* A fifth of urban households in South Africa have no electricity, a quarter have no running water, a third make do without a flush toilet, and over half have no telephone (RSA, 1997a). Four fifths of rural households have none of these services. The capital cost of providing an 'acceptable' service to everyone (defined by national government as an

outdoor tap, flush toilet and electric power in urban areas, and a communal standpipe and pit latrine in most rural areas) is 5.3% of the national budget (after interest payments) for ten years. This is twice the amount allocated by government (RSA, 1998b: 12-20).

6. *Persistent non-payment.* Despite a campaign stressing the link between rights and responsibilities (entitled *Masakhane* or *Let's Build Together*) and a swathe of service disconnections and court cases, millions of residents still refuse to pay. The national rate of default was 23% in 1997, rising above 90% in some townships (Mathiane, 1997). The total amount owed increased from 26% to 33% of rates and service charges between 1997-8 (Kapp, 1998). Whilst millions had their services cut, reconnection rates for electricity fell to 47%, suggesting that many households can't afford basic services.<sup>2</sup>

7. *Popular dissatisfaction.* Four people were killed in 1997 in rates riots in El Dorado Park, Johannesburg's largest 'coloured' township; protests shook East Rand and Pretoria townships, Secunda in Mpumalanga, and the Transkei town of Butterworth (where after three days a resident was shot dead before crowds dispersed); in KwaThema, east of Johannesburg, three councillors' homes were burned down; and in Tembisa, residents destroyed thousands of pre-payment electricity meters. In 1998 mass water cut-offs in Amersfoort, Mpumalanga caused infant deaths from diarrhoea, leading to a councillor's kidnapping; in Tsakane on the East Rand 3 000 non-payers stoned police to prevent seizure of their goods. In 1999 Mount Ayliff residents occupied their new municipal headquarters to protest disconnections. And in February 2000, Durban councillors staunchly defended the use of teargas and live ammunition against tenants resisting evictions for disputed rent arrears. (Mvoko, 1997, D. Fine, 1998, Yoganathan, 2000). Other incidents go unreported.

8. *A financial crisis.* Over half of municipalities are thought to be in financial difficulty. In 77 councils – one fifth of those who responded to an official survey – there is insufficient cash and investments in reserve to meet a single month's wage bill (Kapp, 1998: 11). National subsidies for municipal infrastructure have been cut<sup>3</sup> and central government has declared its unwillingness to bail out bankrupt authorities. In response to this uncertain financial position – and contributing to its deterioration – private lending has more or less dried up, except for short-term overdrafts and a few high-interest loans.<sup>4</sup>

9. *Pressure from business.* Despite the white paper's emphasis on competitiveness and a warning to municipalities not to 'unduly burden local business through higher tariffs' (RSA, 1998a), one business commentator reflected a common feeling when she wrote: 'The white paper's declaration that "provision of basic household infrastructure is the central contribution made by local government to social and economic development" is worrying. This neglects economic development... and potentially commits local government to a non-sustainable needs-driven approach' (Bernstein, 1998).

10. *Restructuring* Hastily drawn municipal borders and negotiated ward boundaries produced a fragmented system, with metropolitan areas divided into impractical sub-structures, and some small towns and rural areas cut up like a patchwork quilt. A re-demarcation process aims to rationalise the system (creating strong unified metropolitan authorities, for example) and to ensure that municipal elections in 2000 are more representative. But institutional change has led to periods of paralysis in the past. The forthcoming rationalisation, moreover, if taken too far – and current plans cut 843 councils to 235 – may negatively impact local democracy.

## **DEVELOPMENTAL LOCAL GOVERNMENT AND POVERTY**

Four developmental approaches for local government are contained in the white paper: integrated development planning, service delivery, local economic development and democratisation. These are outlined below, along with analysis of their pro-poor potential and limitations.

### ***Integrated development planning***

The rationale for introducing a new planning system is illustrated by this account of municipal development during the 1990s in the Eastern Cape town of Stutterheim:<sup>5</sup>

This small, traditionally white market town is set in an impoverished hinterland. Fifty thousand Africans live in eight townships and villages, only one of which is formally incorporated into the municipality. Segregation is alive and well with new low-income housing on the outer edge of the townships now justified by town plans in terms of preserving the 'residential character' of the town, and ensuring that 'high-densities' do not cause 'depreciation of adjoining properties'. A private firm provides water in white

and coloured areas, whilst the seven excluded townships and villages are almost entirely unreticulated. In the incorporated township, which is only partially served, unemployment is 50% and two-thirds of households (declared 'indigent') receive remissions on their municipal bills. Consumption by those receiving free water has doubled (partly due to illegal connections). By 1997 the municipality carried chronic deficits and an inherited provincial loan of R3m was long in arrears. Blaming non-payment in the township, the council cut off water to nearly 20% of residents, of which only 6% were reconnected. Capital spending declined in 1998, with virtually no transformation of the budget. Aside from public works, the single biggest deficit item was salaries for parks, gardens and sports fields, located close to wealthy areas. Residents in the excluded townships and villages are denied access to municipal amenities or charged an extra fee for their use.

This picture is disturbingly familiar. Even in metropolitan areas, apartheid has been replaced by economic segregation and attempts to integrate rich and poor neighbourhoods have been met with incomprehension or opposition by property owners and developers. Budgets reflect marginal yearly changes and council personnel are still allocated disproportionately to affluent areas. New councillors have found it difficult to negotiate the complex institutional obstacles to redistribution and integration, or to refute technical justifications for segregation and privilege in town plans, budgets and by-laws. Progressives have been outmanoeuvred in the lop-sided political power-sharing system by seasoned white councillors and officials.

There are a few examples of restructured budgets, desegregated town plans<sup>6</sup> and reformed administrations. However the failure rate was sufficient to prompt national action.

Councils are now required (RSA, 1996c) to produce Integrated Development Plans (IDPs), with spatial, institutional and financial components, including a needs assessment, prioritisation exercise, implementation programmes, and monitoring systems. With the participation of poor communities, IDPs should 'help municipalities to develop a holistic strategy for poverty alleviation' (RSA, 1998a: 27). Plans must ensure 'integrated development...with homes and jobs close together...better use of existing infrastructure...and correction of the historically distorted spatial patterns' (RSA, 1995).

In the above town, an IDP which mobilises the poor might establish political support for redistribution. The excluded townships and villages would be incorporated into the municipality. Service backlogs, once quantified, would be publicly prioritised. A spatial plan would integrate town and townships through housing, transport and commercial development in the buffer zone. Tariffs would be designed to achieve redistribution from luxury to lower household consumption, universal access, financial sustainability, and social goals (such as health improvements). The plan might address 'environmental justice' (Harvey, 1998) – conserving natural resources for future generations whilst ensuring access to a liveable environment. In mixed-income residential developments the council might seek more public open spaces, greenery, light, fresh air, and sufficient physical spacing to prevent the spread of fires and epidemics, plus a commitment to affordable public transport.

This kind of plan (of which there are partial examples elsewhere<sup>7</sup>) would make it harder to perpetuate old expenditure patterns. In reality IDPs might become technocratic processes aimed at rubber-stamping existing priorities or over-ambitious blueprints with no plan to mobilise the resources and (national, provincial, community) support to implement them. Avoiding these pitfalls will require high calibre leaders, committed to redressing inequality, empowering low-income citizens, women and other marginalised groups. These groups will have to be central to developing IDPs, which must be dynamic instruments at the centre of a cycle of consultation, planning, budgeting and public feedback. Central and provincial governments support will be crucial to ensure that municipalities have the resources, powers and capacity to implement IDPs.

### ***Service Delivery***

According to the constitution, '[e]veryone has the right to... adequate housing... healthcare... food and water... social security... [and] to an environment that is not harmful to their health or well being... The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights.' The white paper contains a similar endorsement of public investment in infrastructure: 'Basic services enhance the quality of life of citizens, and increase their social and economic opportunities by promoting health and

safety, facilitating access (to work, to education, to recreation) and stimulating new productive activities' (RSA, 1998a: 92).

The finance section of the white paper takes a more restrictive view. People are only to receive services which they can afford. They must pay the full cost, in direct proportion to the amount they consume. 'Non-economic' price distortions should be kept to a minimum. Whilst capital and operating subsidies are to be provided to the indigent, these should not encourage a 'culture of entitlement'. Subsidies should be funded primarily from national taxes, and subsidy levels should be set by the Minister of Finance after due consideration of the constitution and government's fiscal targets and priorities. Local businesses and affluent high-volume consumers should not be unduly burdened with cross-subsidies, which might make the local area uncompetitive. Each service must be 'financially sustainable', defined as an arrangement 'likely to ensure (i) a reasonable surplus, in the case of a service performed by a municipality itself; or (ii) a reasonable profit, in the case of a service performed by a service provider other than the municipality itself' (RSA, 1999a: 3).

This treatment of household services as 'private goods', to be sold according to commercial principles tends to underestimate their contribution to health, welfare, educational achievement and social stability, and the economic returns which this generates (freeing the time and energy of rural women, for instance). These broader benefits and 'economic multipliers' lead the World Bank to declare that 'infrastructure represents, if not the engine, then the "wheels" of economic activity' (World Bank, 1994). South African municipal policy is surprisingly sceptical of infrastructure multipliers, arguing that beyond a public health minimum (i.e. a communal standpipe and latrine) they are difficult to quantify (RSA, 1997a).

The private goods approach also reduces citizens to *individual consumers* with income streams and preferences. Yet apartheid operated against whole communities and resistance was a collective effort. Many South Africans have come to view quality of life as a matter for whole communities, not a question of individual preference and wealth. The hard line on individual cost recovery is driving a wedge between local government and poor communities. Protests by the latter reflect a view that rates and tariffs (even if set by the market) are unaffordable and unjust, in light of South

Africa's discriminatory history and in relation to the poor quality of services provided.

Emphasis on 'economic pricing' and local competitiveness limits the potential for redistribution between communities, and within sectors such as water and electricity. In South Africa such cross-subsidisation often takes place at the expense of poor households.<sup>8</sup> The reluctance to correct this and, moreover, to subsidise the poor for fear of harming competitiveness, ignores the detrimental impact of poverty on all households and firms (through ill-health, crime, pollution, social unrest etc.) and hence on local growth prospects.

*Since half of South Africans are poor it may make sense to subsidise low consumption across the board. 'Lifeline' amounts of water and electricity might be provided free with higher prices for luxury consumption. This system, which manages demand by penalising waste, appears to be working well in one or two South African municipalities. Such subsidies require strong political backing to drive home that crime-ridden slums are bad for everyone, an argument which enabled Johannesburg councillors to win a court case against affluent Sandton ratepayers (Cashdan, 1997: 9).*

Market pricing and profitability set the stage for privatisation, which is promoted in South Africa in the form of 'public-private partnerships'. Injections of capital and expertise plus efficiency gains are benefits often associated with this approach. But in the context of high inequality, privatisation is susceptible to 'cherry-picking' of affluent areas. In addition, it has proven quite difficult for municipalities to regulate private providers so as to ensure sustained improvements in access, quality and efficiency (Martin, 1993). South African municipalities are in an especially weak position vis-à-vis large multinationals (Kotze et al, 1999). Where efficiency gains by the latter are made at the expense of municipal wages or jobs, the net effect on poverty is indeterminate.

*Pressure to privatise is increased by the view that government is inefficient and unreliable. The South African Infrastructure Finance Corporation charges an interest premium to compensate its shareholders for the extra risk of municipal lending. Faced with a choice between paying such premiums or guaranteeing even higher returns to private operators,<sup>9</sup> municipalities have an incentive to prove market prejudices wrong by improving their own service delivery.*

Improvements in public service provision can provide some of the benefits sought through privatisation whilst avoiding the cost premiums.



Services may be improved by introducing more democratic public management approaches, which draw on the knowledge of public service workers (Albo, 1993), through partnerships between public agencies, and by means of public-community partnerships. Examples of the benefits of all these approaches exist both in South Africa<sup>10</sup> and internationally (Martin, 2000).

Use of municipal services as an anti-poverty strategy – by maximising the social benefits and economic returns associated with treating these services as ‘public goods’<sup>11</sup> and taking seriously the difficulty of regulating private utilities – requires a long-term vision both locally and nationally.

Locally, a focus on short-term returns and affordability may lead councils to provide low-grade infrastructure, extending segregated slums which cost more to upgrade later, and which deepen dissatisfaction.<sup>12</sup> Up front improvements in services – through efficiency gains, cross-subsidisation, creative financing, and building on existing infrastructure – might help break the downward spiral of an unreformed budget, non payment, cutbacks, disconnections, dissatisfaction and financial deterioration. Despondency in municipal financial circles makes it difficult to suggest that investing in better public services may be part of the solution. Changing perceptions is probably key to the solution. If one or two municipalities can succeed, others will follow.

Nationally, a long term focus on the social and economic benefits of services might lead to a reconsideration of cuts in subsidies, and to an avoidance of policies which put undue pressure on municipalities to privatise.<sup>13</sup> Subsidised loans or grants (either from public funds or mobilised from private sources such as pension funds) might be applied to public sector solutions. More creative use (and expansion) of the housing subsidy – stagnant for 5 years and modelled along Western suburban nuclear-family ownership – could unlock grassroots energies, enhance kinship mutual aid systems, and establish community and household designs more suited to the needs of women.<sup>14</sup> A rethink might be required of the indigence subsidy, which signals that poverty can be addressed through a special programme, rather than via a review of all municipal priorities, finances and operations. This downplays the scale of the problem, especially given the restrictive formula used to target the subsidy,<sup>15</sup> and centralises the redistributive mechanism in the Department of Finance, where it is it susceptible to cutbacks.

***Local Economic Development (Led)***

The white paper emphasises local competitiveness and advocates municipal 'marketing and investment support'. A proposal from business suggests boosting competitiveness by improving the 'residential environment for the managers who run businesses', especially the 'quality of life and safety and personal security of expatriate executives' in middle class suburbs (CDE, 1998). These arguments and much of the literature on local economic development in South Africa (Rogerson, 1997, NBI, 1998) is underpinned by a view that globalisation heightens competition between localities for investment and export markets. If South African municipalities can 'win' this competition, everybody will benefit, especially the impoverished majority. This view has become so commonplace that a 1997 LED road show was entitled simply 'we can do it'.

A reconsideration of the impact of globalisation on South African localities and analysis of appropriate pro-poor responses is overdue. Changes in the organisation and geography of capitalism<sup>16</sup> associated with the crisis of profitability and growth in core industrial countries since the 1970s have been felt everywhere. Large financiers and other corporations increasingly preside over global networks (Harrison, 1997), relocating and restructuring their operations rapidly to boost and sustain profits by, for instance, speculating on currencies or searching out new low-wage sites for manufacturing and data processing and high-quality locations in 'world cities' for command and control functions. This has given rise to new (and constantly changing) patterns of uneven development (Smith, 1984).

For peripheral or semi-peripheral nations the short-term and speculative character of most capital flows can have disastrous effects, as demonstrated in the Asian crisis of 1998. Longer-term fixed investment is mostly targeted within (or to a lesser extent between) each of the 'triad' regions of Western Europe, North America and East Asia (Africa receives a tiny proportion). Core nations in these regions defend the interests of their home-based corporations (against competition and social, environmental or labour regulation) via new forms of protectionism and the management of trade and investment.<sup>17</sup>

In South Africa much inward investment has been short-term and speculative; sixty per cent of the remainder has been in the form of takeovers

or privatisation (NIEP, 1999). Large-scale South African capital has beaten a path out of the country, as financial liberalisation has permitted offshore operations and overseas listings. Competitiveness in the core economic sectors of mining, minerals and energy (and associated manufacturing) has been achieved at the expense of employment. In 1996-7 over 100 000 manufacturing jobs were lost despite relatively good output growth, and improvements in productivity (IDC, 1998). Over the ANC government's first five year term in office, more than half a million jobs were lost (NIEP, 1999). When investors quit emerging markets in 1998 the rand plummeted and South Africa dipped into recession.<sup>18</sup>

Globalisation in its present form, then, appears to contain an empty promise for the impoverished African masses. Worse, it may function as a discourse which encourages governments to adopt policies (such as financial liberalisation and cuts in corporate taxation and social service spending) which benefit international finance at the expense of the poor. The tendency of globalisation (or, its central policy thrust, global neo-liberalism) to exacerbate uneven development on a world scale is now acknowledged by some of its erstwhile advocates (Soros, 1998, World Bank, 1999). A discussion document presented to the ANC Alliance declared, 'the paradigm of an endlessly expanding global freeway, in which, to benefit, individual (and particularly developing) economies simply had to take the standard macroeconomic on-ramp (liberalisation, privatisation, deregulation, flexibility and a 3 per cent budget deficit) is now in crisis' (ANC Alliance, 1998).

Uneven development is not restricted to the global or national scale. Inter-local competition deepens intra-local inequalities (Peterson, 1981), and globalisation may hasten a 'race to the bottom' in which competing municipalities bargain away living standards for the poor in an effort to create an investment-friendly environment (Harvey, 1989, Peck & Tickell, 1994). In 1997 three South African municipalities jostled to offer up to R20m in cheap land and services to a Korean car manufacturer, whose planned investment was shelved during the Asian crisis (Dludlu, 1997, Mutikani, 1998). Such 'corporate welfare' has been bitterly criticised in the United States by communities (CCC, 1996) and, lately, the mainstream media (Bartlett & Steele, 1998) for diverting public money from health and education to tax breaks for shareholders.

Municipal LED in South Africa does not rely exclusively on competition for investment. Many retrenched workers have resorted to informal sector survival strategies and some LED initiatives aim to support these, and to assist the establishment of small and micro enterprises. Support for the informal sector may be a more promising pro-poor approach to LED than investment incentives for large firms, although South Africa's small business support programmes have made little progress (partly due to a reliance on conservative private lenders), and doubts have been raised internationally about the impact of small business support on unemployment and, hence, poverty (Storey, 1997, Harrison, 1997).

The South African literature contains some more explicitly redistributive LED approaches. The ANC's 1994 election manifesto, the Reconstruction and Development Programme (RDP), advocated government subsidies for worker and community-controlled enterprises. The South African National Civic Organisation has called for the establishment of municipal LED units to perform a range of functions, including worker training (SANCO, 1996). In practice many LED initiatives have confused aims, and lack an explicit link with poverty reduction (Isandla, 1998). Aid agencies and policy makers promote their favourite international cases, such as the U.S. city of Baltimore, where tax breaks have transformed the downtown but left deep poverty in black neighbourhoods, Jakarta, where low wages have attracted millions of sweatshop jobs for peasants, Curitiba in Brazil, an environmentally efficient city after thirty years of municipal transport planning and investment, or Kerala, South India, where attention is concentrated on health and education.

I have classified international LED approaches under five headings (Cashdan, 1997: 24): *traditional* (industrial recruitment); *urban efficiency* (boosting productivity by lowering costs); *entrepreneurial* (targeting growing sectors); *progressive-competitive* (targeting industries based on social benefits), *progressive and community-based* (linking profitability to redress) and *radical redistributive* (intervening directly to equalise wealth). My analysis, based partly on South Africa's experience of inequitable and jobless growth, leads me to be sceptical of approaches which focus exclusively on efficiency or competitiveness, in the hope that employment and tax revenues will benefit the poor. South African municipalities might be well advised to 'bet on the basics'. Evidence suggests that provision of good quality infrastructure and

amenities to all residents is probably the key contribution a municipality can make to pro-poor economic development (Cashdan, 1998b). Community-based and progressive approaches which link profitability to redress might also be explored (Cashdan, 1997: 33-43). Linkage policies, for instance, channel profit from commercial development directly to poor areas. Community-based public works programmes create infrastructure whilst providing income, job experience and training. Redistributive procurement policies ensure that when local authorities buy goods and services they help to create a more equitable local economy. In rural areas access to land – as well as skills and credit for small farmers – is a pre-requisite for pro-poor LED.

Perhaps the vision for local economic development in South Africa should be home-grown: an African alternative based on the cultural and political heritage of the country, the survival strategies of the poor over many decades, and the tradition of community organisation and mobilisation.<sup>19</sup>

### ***Democratisation***

The white paper mandates active participation by citizens in four senses: as *voters*, to maximise accountability of politicians; as *citizens* who express their views via associations; as *consumers*, who expect value-for-money; and as *organised partners* involved in the mobilisation of resources (RSA, 1998a: 33).

In practice, one of these identities may squeeze out the others. Consumers subject to harsh credit control, even when they are unable to pay, are discouraged from participating as active citizens or voters in the democratic process. Privatisation can deepen their alienation, as people find that elected leaders don't control essential services. The white paper recommends 'civic education programmes about the importance of voting'. But countries like the U.K. and U.S. have found it very difficult to reverse falling turnouts in local elections. This has led Britain's Labour government to launch a 'democratic renewal' initiative to rethink and rebuild the relationship between citizens and the local state.<sup>20</sup>

Whilst this kind of rethink may already be necessary in South Africa, this country has a recent history of community organisation and mobilisation to draw upon. Community based organisations and trade unions spearheaded the resistance against municipal apartheid; *stokvels* (or credit unions) have for

decades helped people to save and survive financially against the odds; more recently, development committees and trusts sprang up to implement the Reconstruction and Development Programme. The RDP document states: 'These social movements and CBOs are a major asset in the effort to democratise and develop our society... To play their full role, these formations will require capacity-building assistance' (ANC, 1994, sec. 5).

South Africa's social movements suffered a setback in the early 1990s. A national capacity building programme never got off the drawing board. The Local Government Transition Act drew grassroots leaders into lengthy power-sharing negotiations, weighted in favour of white councillors. Many of these leaders entered interim municipal structures, which lacked the political will and resources to take far-reaching decisions, and left grassroots groups leaderless and frustrated. Communities were encouraged to set up 'reconstruction and development committees' to identify local needs, but little funding was forthcoming and conflicts arose in some areas between these committees and local government.

Demobilisation and confusion in community organisations, the inheritance of municipal staff, structures and ordinances from the previous regime, and the recent emphasis on individual cost-recovery, has given rise to a local state system which often has an uneasy relationship with poor communities. However, as enlightened councillors and officials explore this area, there is potential for local authorities to work to empower pro-poor civil society, and to work closely with community groups to plan, restructure and deliver services. Positive initiatives include provision of premises, finance, training and information to community groups, participatory planning and budgeting processes, and conflict resolution in support of marginalized, people such as controls to prevent landlords raising rents excessively.

The longer term challenge is to strengthen the local democratic culture, such that government actively encourages a more participative form of democracy, even where this exposes local divisions. The present political system lacks local accountability. Parties are not required to produce local manifestos and it is national party loyalties which count in local elections. Local divisions are suppressed. Candidates and parties might boost local accountability by presenting plans to the electorate before the elections and linking them to the Integrated Development Plans to be implemented once they are in office.

## FUTURE DIRECTIONS

In the sections above I have made a few suggestions as to how present policies might be adapted and implemented in order to maximise their impact on poverty. Below I highlight some theoretical issues which I believe require further thought if pro-poor local government is to become a reality. These theoretical issues might be used to inform future case studies of the implementation of South Africa's new municipal policy.

### *Municipal Developmentalism*

Each aspect of developmental local government in the white paper has a distinct history in South Africa. Strong metropolitan government marks the fulfilment of the United Democratic Front's 1980s demand for 'One City One Tax Base'. Integrated development planning, with its emphasis on consulting organisations in poor communities, echoes the 'people-centred development' championed by civic organisations in the early 1990s and crystallised in the RDP. Economic pricing and profit-making in service delivery, by contrast, can be traced to the faith placed from the mid-1990s in the efficiency and growth which market-friendly and neo-liberal economic policies are to generate.

No advice is given in the white paper about how municipalities should deal with the contradictions which are bound to emerge from a set of policies with such diverse roots. What if poor communities ask integrated development planners to run their services at a loss for ten years as an investment in human capital? Or if large industries, made more globally competitive by shedding workers and suppressing wages, demand the removal of informal traders eking out a living on the streets? The white paper steers clear of these contradictions by relying on an implicit developmental logic, which runs something like this: Poverty is a *condition* which resulted from past policies. It can be addressed through the *actions* of local government, primarily those aimed at increasing responsiveness and efficiency, and especially through partnerships with *civil society*. The result will be *development*, an improved state of affairs, beneficial to all. A municipality which takes the required actions is, by definition, developmental.

The logic of *municipal developmentalism*<sup>21</sup> is powerful and attractive because it offers everyone a stake and a solution within reach. Its definition of the problem diverts attention from contradictions and conflicts and sidesteps many troublesome questions. Who are the poor? Have the processes which generate poverty really been left behind? What is the relationship of the state to these processes and what kind of local state can halt or reverse them? Who exactly has an interest, either in the short or long term, in creating a state which is able to transform society so fundamentally? Whilst government policy documents may not be an appropriate forum to address such questions, future research will have to. Below are a few initial comments.

### ***On Poverty Creation***

After two decades in which growth-oriented structural adjustment and palliative projects aimed at the poor have failed to reduce the number of people globally living in poverty (World Bank, 1999), mainstream development agencies have begun to embrace broader definitions of poverty. They have also had to confront the historical processes and contemporary political imbalances which perpetuate inequality. Hence avoidance of poverty and vulnerability requires ownership and effective management of a 'portfolio of assets', including labour power, monetary wealth, land and property, education and health, social support networks, and access to decision making power within households and communities (Moser, 1998, May, 1998). Poverty strategies, then, cannot be limited to growth-enhancing macro-management, nor can they shy away from the redistribution of wealth. 'Initial levels of inequality in assets (land and education) also determine the poverty impact of growth, as do gender and ethnic inequalities. Addressing these structural inequalities thus become a crucial component of a poverty reduction strategy' (World Bank, 2000).

Whilst municipal developmentalism acknowledges the unequal distribution of these assets in South Africa, it falls into a trap identified by Fine & Rustomjee (1996: 5) in which 'the entrenched inheritance and structures of apartheid, in income and wealth, infrastructure, health, education and welfare and employment, etc. are now perceived as problems *rather than the continuing basis on which society functions* irrespective of political democratisation' (my emphasis). Poverty and inequality in South Africa,



according to Fine & Rustomjee, can only be understood in relation to the characteristics (labour requirements, investment patterns, state subsidy priorities etc.) of the 'Minerals-Energy Complex' (MEC) – a peculiarly South African collaboration between very large mining, energy and finance conglomerates and the state – which constitutes the core of the economy. In relation to the MEC, the poor are the miners who extracted ore under apartheid and continue to do so today, domestic workers still living in the servants' quarters of wealthy households, surplus workers (in former homelands, on the urban fringe and migrants from neighbouring countries) whose unemployment keeps down labour costs, rural households, whose agriculture barely at subsistence levels subsidises the reproduction of the labour force, and many others who occupied similar positions in relation to the MEC under apartheid as they do today. To the extent that the MEC (whose resilience depends on concentrated ownership of assets and finance) continues to be the mainstay of the economy, South Africa's class structure and income distribution is unlikely to change a great deal. Deracialisation will also be limited to the creation of a small black elite.

This casts a shadow over 'job creation' as the core of a poverty strategy in an economic structure which relies on poverty wages, or the cheap reproduction of labour power within impoverished former homelands. But what alternatives are there? According to Fine and Rustomjee (1996: 252), the key lies in a 'state programme of public expenditure in social and economic infrastructure' to meet basic needs. By implication, a reorientation of economic activity is also required, away from large-scale capital-intensive state-sponsored export projects towards a more decentralised, broadly owned, and diverse economy attuned to meeting basic needs.

### ***On The Limits Of The Local State***

What is the connection between the state and the inequality which characterises the MEC? Municipal developmentalism treats the state as set of neutral and more or less autonomous instruments or institutions, whose impact can be altered with the introduction of new policies and/or organisational structures. Marxist state theorists, by contrast, have focused on the *internalisation* of dominant social and economic relations within the state, and its role in reproducing them (see Lemon in this volume). Jessop (1990: 45) characterises the state as a 'system of domination' and *state power* as 'a

complex, contradictory effect of class (and popular-democratic) struggles, mediated through and conditioned by the institutional system of the state'. To the extent that the South African state is now more attentive to poverty, then, this results from changes in the balance of forces between social groups and classes (business and labour, finance and production, urban and rural interests, large-scale capital and smaller enterprises and so on) associated with mass participation in the liberation struggle. The resurgence of vested interests – apartheid and homeland officials, financial and corporate interests (including a small black elite), large landowners etc. – during the negotiated transition curtailed the transformation of the state.

*Local* state power similarly reflects a local balance of forces, but this is severely (and perhaps increasingly) constrained: 'The dislocation between representative institutions and political decisions, between the spheres in which people participate and the spheres in which decisions are made which determine living conditions for those same people, expands with the advance of processes of globalisation' (Vilas, 1997: 20). As economic policy at national and global scales defers to corporate/financial interests and displaces governance into unaccountable bodies (privatised utilities, global financial institutions etc), the power of the local state is circumscribed and the space for local democratic participation is restricted.

Decentralisation of functions (often with inadequate funding) may enable central government to curtail costly services by 'deflecting the blame down the hierarchy' (Dear, 1981, quoted by Lemon in this volume). If the capital budgets of South African municipalities with huge infrastructure backlogs depend on their credit ratings in New York, for instance, the scope for local accountability to poor constituencies is limited.

In comparing the poverty impact of ten decentralisation processes, Crook and Sverrisson (1999: 46) emphasise the politics of central-local relations: '[T]he most successful cases were the ones where central government not only had an ideological commitment to pro-poor policies, but was prepared to engage actively with local politics... to challenge local elite resistance if necessary and to ensure implementation.' Mamdani's analysis of the dislocation between urban and rural governance in South Africa leads him to a similar conclusion: In the absence of broader political alliances, 'all decentralized systems of rule fragment the ruled and stabilize their rulers' (1996: 300).

Restructuring the local state in such a way that it can play a role in transforming the economic relations which perpetuate inequality, then, may require a broader social struggle, dependent for its success on pro-poor political alliances locally, nationally and internationally.

### ***On Civil Society***

The South African struggle against apartheid was led by such an alliance, in the form of the United Democratic Front (UDF), which brought together blacks, coloureds, indians and whites through trade unions, civics, residents' and squatters' associations, rural women's organisations, youth and student groups, stokvels, sports clubs, churches, mosques, temples and many other local, provincial and national organisations. A sanctions campaign developed together with anti-apartheid groupings around the world was also instrumental in forcing the South African state to yield.

In the depoliticised conceptual categories of municipal developmentalism, these groups have become 'civil society stakeholders' to be treated on a par with large corporations or business associations. This conception partly reflects and partly explains the current weakness of such community formations. Civil society is cast in a western liberal-pluralist mould, wherein competition between local 'interest groups' on a 'level playing field' will ensure that power is dispersed and government is accountable (Dahl, 1961). This formulation, according to Ehrenberg (1999: 5) seeks to promote 'stability in the interactions of the local, immediate and small'. Pro-poor governance in South Africa, arguably, requires neither stability, nor the restriction of citizen action to short-term concerns at the local level.

The white paper calls on municipalities to build local 'social capital' which it defines as the trust and open relationships between stakeholders required to generate a sense of common purpose. No attempt is made to specify exactly what kinds of social capital are likely to tip the balance of power in civil society in favour of the poor. The depoliticising effect of categories like civil society and social capital when imported into Africa by development agencies has been much critiqued (Mamdani, 1996, B. Fine, 1998, Harrison in this volume) and Ehrenberg (1999: 5) reminds us that 'states and markets constitute civil society' by shaping the political landscape within which civic norms are adopted and non-governmental groups form. Hence when 'the social totality shaping civil society is a sphere of inequality

and conflict', then 'revitalizing civil society requires heightened levels of political struggle over state policy rather than [the] good manners and "civility" associated with social capital.

South African business has been quick to engage in this political struggle by asserting its rightful place within civil society locally, nationally and internationally, and using this to build alliances in support of its agenda. At municipal level, business has called for a 'multi-class growth coalition' in support of a pro-growth agenda (CDE, 1998). Nationally, leading corporate CEOs have teamed up with influential religious leaders to launch the 'South African Civil Society Initiative'. Internationally, South African business is also very active in lobbying for its interests in regional and international groupings such as the South African Development Community and the World Economic Forum. In all cases, business is using a civil society vantage point to exert influence on the state.

Poor communities, and organisations representing marginalised groups, by contrast, have been less outspoken in calling on municipalities and the national state to construct cross-class coalitions to address poverty, although this might help create the political space required for pro-poor governance.

Globalisation and localisation tend to lead to (at least the appearance of) a dispersion of political decision-making from the central state to a more polycentric arrangement (Chalmers, 1996). At the same time the particular interests of the poor, vulnerable and marginalised are fragmented as the search for competitiveness pits localities, ethnicities, genders and other identities against each other. Municipal developmentalism resolves this by offering everyone an equal place as a local stakeholder in developmental projects. But local equality is illusory, since some players have the economic power and spatial reach to 'play beyond the local' by influencing governance arrangements nationally and internationally and thus to manipulate the local 'terms of engagement'.

Pursuit of pro-poor municipal governance will require ways to be found to address these imbalances within civil society through new political alliances amongst the poor and marginalised, aimed at restructuring the state. These will have to reflect the polycentrism of the state, the ease with which capital can restructure at a global scale, and the fragmentation of oppositional identities. Re-cohering the identities of the poor and marginalised will have to

transcend the individualization of 'voters' and 'consumers' or liberal-pluralist collective categories such as 'stakeholder'. A conception of local citizenship will be required which invokes solidarity locally, nationally and internationally, linked to the power to hold state institutions accountable to the poor. And *local* state institutions, far from being autonomous operators in the market, will have to secure a more substantial share of national wealth for local people through alliances with higher-level state institutions.

The particular forms such alliances might take in South Africa requires further investigation. Analysis from other regions undergoing economic and political transitions should be examined, such as the work on Latin America by Chalmers et al (1996) which identifies 'associational networks' as a new form of popular representation linking civil society to the state. Case studies of the implementation of municipal developmentalism in South Africa are beginning to emerge. The theoretical questions raised in this paper might be helpful in analysing these case studies, to examine the political and institutional form which successful pro-poor alliances are taking, or might take, in South Africa.

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**ENDNOTES**

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<sup>1</sup> For the full analysis see Cashdan, 1998a.

<sup>2</sup> Illegal reconnections may partly explain the low reconnection rate.

<sup>3</sup> The Consolidated Municipal Infrastructure Programme received 49% of its budgeted R1.2bn for capital subsidies in 1998/9. Recurrent subsidies will drop by around 10% in real terms from 1.9% to 1.7% of national revenue after interest (RSA, 1998b: 25).

<sup>4</sup> In 1996/7 the Infrastructure Finance Corporation (INCA) lent R700m to municipalities at an interest premium of over 2%.

<sup>5</sup> Based on Bond, 1998. Stutterheim is well known for its peaceful political transition and the establishment of a local economic development programme.

<sup>6</sup> E.g. Johannesburg's Interim Strategic Framework (1992-4).

<sup>7</sup> Two Brazilian cases illustrate pro-poor planning: the long-term commitment to environmentally friendly public transport in Curitiba and the popular participation in budgeting in Porto Alegre.

<sup>8</sup> Through price subsidies for water provided to commercial farmers and electricity to energy-intensive industries.

<sup>9</sup> The International Finance Corporation expects a 26-27% dollar rate of return on an investment in the Standard Bank South Africa Infrastructure Fund.

<sup>10</sup> In Odi in the former Boputhatswana, a partnership between the municipality and Rand Water Board is planned. In Cape Town, a redeployment of staff to repair leaking pipes is at the heart of a 'worker turnaround' (information from the South African Municipal Workers' Union). Cutting out the slumlords in central Johannesburg has worked for the co-op housing residents who now pay rent to themselves. Where communities have helped design and build rural water supplies in return for equity, projects have been more successful.

<sup>11</sup> Goods whose enjoyment by one person does not preclude (and may actually result in) benefit to others, and for this or other reasons is not suited to individual billing.

<sup>12</sup> In the Community Water and Sanitation Supply programme of the Department of Water Affairs and Forestry, when villages have been provided with communal standpipes, people have broken into main supply pipes to connect pipes into their houses, leading to leakage. People have also refused to pay for the inferior communal service.

<sup>13</sup> Nelspruit's chief executive cited finance (a 6% cap on the growth of municipal capital expenditure, and non-availability of public or private loans) as the factor behind a decision to privatise. Yet when private lenders were hesitant to finance a private concession, a public utility agreed (provisionally) to invest in the private project (Kotze, 1999: 643).

<sup>14</sup> E.g. People's Dialogue or Cape Town's Victoria Mxenge project

<sup>15</sup> Household income must be below R800 per month (RSA, 1998b).

<sup>16</sup> Financial deregulation, advances in transport and communications, deindustrialisation, etc. For discussions of what is really new see Harvey, 1995, Arrighi & Silver, 1999.

<sup>17</sup> The failure of the OECD's *Multilateral Agreement on Investment* and the World Trade Organisation's *Millennial Round* in Seattle was due to popular opposition to the domination of global trade and investment arrangements by corporate interests.

<sup>18</sup> The rand slipped from 5 to 6.3 to the dollar, and GDP fell for a few months at an annualised rate of -2%. Growth was 0.5% for 1998 (IDC, 1999).

<sup>19</sup> See Mayekiso (1996) for a traditional civic argument stressing community control and Swilling (1997) for a 'new democratic African approach to urban management'.

<sup>20</sup> Interview with Hilary Armstrong, UK Minister for Local Government.

<sup>21</sup> Deconstruction of the political role of developmental discourses/practices are contained in Ferguson, 1990, Escobar, 1995.