Annexure 1:

A literature review on the performance of local government over the past two decades

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Pegasys Strategy and Development (Pty) Ltd

For South African Cities Network

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Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>ANC</td>
<td>African National Congress</td>
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<tr>
<td>COGTA</td>
<td>Department of Cooperative Government and Traditional Affairs</td>
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<tr>
<td>DAFF</td>
<td>Department of Agriculture, Forestry and Fishing</td>
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<td>DCD</td>
<td>Ministry of Constitutional Development and Provincial Affairs</td>
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<td>DCoG</td>
<td>Department of Cooperative Governance</td>
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<td>DEA</td>
<td>Department of Environmental Affairs</td>
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<td>DFA</td>
<td>Development Facilitation Act, 67 of 1995</td>
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<td>DPLG</td>
<td>Department of Provincial and Local Government</td>
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<td>EPWP</td>
<td>Expanded Public Works Programme</td>
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<td>GDP/GVA</td>
<td>Gross Domestic Product/ Gross Value Add</td>
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<td>HDA</td>
<td>Housing Development Agency</td>
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<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>LED</td>
<td>Local economic development</td>
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<td>LGTA</td>
<td>Local Government Transitional Act</td>
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<tr>
<td>MDB</td>
<td>Municipal Demarcation Board</td>
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<tr>
<td>Metros</td>
<td>Category A or Metropolitan Municipalities</td>
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<tr>
<td>MFMA</td>
<td>Local Government: Municipal Finance Management Act, no 56 of 2003</td>
</tr>
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<td>MSA</td>
<td>Local Government: Municipal Systems Act, 32 of 2000</td>
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<td>SACN</td>
<td>South African Cities Network</td>
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<tr>
<td>StatsSA</td>
<td>Statistics South Africa</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>WHO</td>
<td>World Health Organisation</td>
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<td>WOF</td>
<td>Working on Fire</td>
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NOTE

This literature review has deliberately not included publications primarily sponsored or authored by the SACN (with a few exceptions). These include the ‘State of the Cities’ reports, the publications on secondary cities and the recent housing and transportation publications. However, as the SACN has produced many critical reviews on key areas affecting local government, this omission may result in gaps in the literature.
Executive summary and linkage to SACN SWOT analysis:

This initial section both summarizes this report, and links the findings of this report to the performance areas and foci of the SACN over the previous five year period, as detailed in the SWOT analysis. The intent of this is to show the alignment of the SACN’s work with the needs of local government, as outlined by this literature review, and the areas that potentially need more investigation by the SACN.

The value of this report is it establishes the wider context of local government within which the SACN works and responds. It thus permits us to identify which needs of local government the SACN has adequately addressed, as well as identifying which needs the SACN has not addressed and which could be future areas of research focus for the SACN in the future. This report thus lays the foundation for the SWOT report.

The first theme that this report investigates is that of well governed cities. In this regard, this report has highlighted the following issues:

- There is a discrepancy between the developmental intention and the functions in the constitutional schedules of local government, meaning that metropolitan areas require additional powers (e.g. housing and transport) to fulfil their developmental mandate (De Visser, 2009; Koebble & LiPuma, 2010).
- Lack of confidence in local government and community protests: there is an increasing number of protests around inadequate service delivery and corruption in local government (Powell et al., 2015).
- Municipal management: poor service delivery, corruption, nepotism, political appointments and political failure to deal adequately with corruption (Alexander & Kane-Berman, 2014).
- The sources of ‘own revenue’ are inadequate to deal with the scale of the demand for services, given that small municipalities are dependent on transfers, while metros have reached the limits of tariff increases (Fiscal & Finance Commission, 2013b).
- In terms of administrative capacity, it is clear that there are high levels of vacancies and a shortage of technical skills in the smaller municipalities (Municipal Demarcation Board, 2012).
- With regard to community participation, while the systems and processes are in place the level of true participatory planning is appears to be low as municipalities merely ‘go through the motions’ to comply with legislation, and take limited account of inputs received (Maujtana & Maombe, 2014).
- The sheer size of South African municipalities, with some being territorially larger than US or European states, make service delivery and community involvement difficult (Alexander & Kane-Berman, 2014).
- Intergovernmental relationships are working to some extent, particularly at district level, but some national and provincial departments do not take the effort to align their plans with the local IDP. Furthermore, the monitoring of local government needs improvement (The Presidency, 2014a).
- There is a greater need for differentiation between different ‘types’ of local government, in particular between metropolitan areas and smaller municipalities (Ovens, 2013).
The SACN is addressing these issues through both research and facilitation. It acts as a facilitator assisting with intergovernmental coordination through the various dialogues it arranges. As the latter (between 2009/2010-2013/2014) were attended by both national government (20% of all attendees), member cities (23% of all) and non-member cities (13% of all) there is opportunity for exchange of information and the building of personal networks. In addition, municipal finance has been a major focus of the SACN, with the publication of the State of the South African Cities Finance reports. The issue of capacity building was addressed by the SACN through the publishing of, “Capacity Building through Knowledge Management a Toolkit for South African Municipalities.”

In addition, recognition needs to be given to the work of the SACN with regards to the capacity building of member cities, with in particular the Manguang and Buffalo City Metro Readiness projects and the Managing Low Cost Housing Training Programme playing a vital role in upskilling officials in member cities. Consequently, the SACN has, to varying degrees, responded to all of the aforementioned issues.

In terms of productive cities, this report has highlighted the following:

- The main city regions of contribute over 80% of the GVA to the country and are home to 63% of the population. Thus the metropolitan areas are critical for national economic development (COGTA 2014).
- Despite the constitutional mandate for economic development, LED is not taken seriously or is limited to community development projects in most municipalities (Rogerson 2010).
- While the basic services infrastructure is being expanded, there is insufficient attention given to maintenance of existing infrastructure which will have severe financial and social consequences (Fiscal and Finance commission, 2013b).
- Despite performing considerably better than rural areas, unemployment rates in the cities are still very high by world standards (Turok & Borel-Saladin 2013, Harrison, 2014).

Through the Infrastructure Dialogues, and also the State of the City Finances reports, the SACN has played a prominent role in highlighting infrastructure financing challenges. Furthermore, the Expanded Public Works Program (EPWP) reference group and the related publications has to some extent looked at the challenge of job creation.

It must, however, be noted that in the last five years the SACN has not extensively focused on issues of Local Economic Development, or in particular, on the subsidiary question of how cities can encourage economic growth. Other than the focus on EPWP projects, there has been limited research output focusing on job creation.

In terms of sustainable cities, this report has highlighted the following:

- There has been significant growth in the renewable energy sector, with at least 4,233 MW being procured in South Africa by 2015 by various renewable energy technologies (Joemat-Pettersson 2015).
- South Africa faces numerous threats due to climate change, including reductions in stream-flow, extinction of certain plant species, increasing vulnerability to wildfires and extreme weather events, as well as increased encroachment by alien plant species (DEA 2013a, Ziergovel et al 2014.)
- 16% of all deaths in South Africa can be attributed to environmental factors, with the majority of these deaths linked to poor water, sanitation and hygiene (WHO 2009, StatsSA, 2005 & 2014a).
There are high levels of outdoor air pollution in South Africa, leading to an estimated 4637 deaths in 2000, and 42,219 years lost annually (Norman et al. 2007 & Scorgie et al. 2012).

Invasive alien plant species are reducing freshwater runoff in South Africa by as much as 7% of total annual runoff (DEA et al. 2011).

Land degradation is a serious issue in South Africa, affecting in particular the agricultural productivity of former homeland areas (Meadows and Hoffmann 2002).

The impact of natural disasters in South Africa are poorly understood, but are likely having a severe impact on the South African economy (WOF 2013, Zuma et al. 2012, Pretorius and Smal 1994).

There has been a severe decline in fish stocks in South African oceans, with half of the commercially exploited fish stocks in South Africa being heavily overfished (DAFF 2015).

The SACN has dealt with some of these issues indirectly and directly through its considerable work on climate change, with 9 dialogues focusing on this issue, and directly through its work on energy and the green economy, with 9 dialogues and one publication focusing on this. There is however scope for a much wider focus on environmental issues, such as the severe health impact of poor water, sanitation and hygiene, high levels of outdoor air pollution, the impact of natural disasters on South African cities, the issue of land degradation, and the severe decline of fish stocks in South Africa.

It must also be stressed that there is significant overlap between the sustainable cities theme and the productive cities theme. For instance, renewable energy directly affects the national economy, given the critical importance of increasing the production of electricity in South Africa. The SACN’s emphasis on renewable energy is also an issue that is covered by the sustainable cities theme. Similar comments can be made for dialogues and publications focusing on waste management, green jobs and the green economy, and green infrastructure.

In terms of inclusive cities, this report has highlighted the following:

- There is an indication of declining levels of extreme poverty in South Africa, matched with an increase in access to basic services. This indicates an improving quality of life for the poor. The evidence for this is South Africa’s increasing Human Development Index, which has risen from 0.569 in 1980, to 0.658 in 2013. However, as much as 53.8% of South Africans still live on as little as R26 a day (R779 a month), or less, indicating that we still have a long way to go in addressing this issue (StatsSA 2015a 2015b; & UNDP 2014).
- South Africa has made minimal progress in combating income inequality, with its Gini coefficient rising from 0.59 in 1994 to 0.65 in 2011, indicating an increasingly polarized society (StatsSA 2014a & Harmse 2013).
- In terms of spatial inequality, the situation has not changed much over 20 years. On a national scale, the differentiation is not between rural and urban, but rather between homeland and non-homeland South Africa, with the former having high unemployment, and the latter having much lower unemployment rates. In the metropolitan areas, the vast majority of the city areas (80% of suburbs) are unaffordable to the majority of households (Weir-Smith & Ahmed 2013, Kingdon & Knight 1999, Steedly 2014).
- The housing situation in South Africa is getting worse, not better: between 2001 and 2011 the number of households living in informal settlements grew by 126,502. The added difficulty is that the majority of public housing provided has been on the fringes of the cities, further entrenching the patterns of urban inequality (Turok & Borel-Saradin 2014, Joseph and Karuri-Sebina 2014).
Furthermore, the provision of facilities and amenities, such as police stations and schools, has not kept pace with housing delivery, leading to a number of settlements been deprived of key basic amenities needed for the effective functioning of the settlement.

The poorly performing transport system is highly unequal. For instance, only 14.9% of private motor vehicle drivers exceeded the international threshold of a work trip taking no longer than 60 minutes (one-way), but 26% of passengers who travelled by taxi (26.5% of all work trips) exceeded this international threshold. In total, 22.3% of South Africans spend more than 60 minutes (one-way) travelling to and from work (StatsSA 2014b).

In terms of Spatial Planning and Land Use Management, spatial planners increasing attempt, through the SDF process, to encourage the inclusion of the poor. However, the implementation of these policies through land use management and targeted public investment has been relatively weak, with a few notable exceptions (Du Plessis & Boonzaaier 2015, Harrison and Todes 2015).

This is another focus area in which the SACN has performed admirably. The main focus of this topic area has been spatial planning and land use management, specifically preparing member cities to deal with the promulgation and implementation of the Spatial Planning and Land Use Management Act. There was also emphasis placed on training municipal officials on best practice in the housing sector, and training as well as producing guidelines on township renewal.

In terms of quantity, there has been a lesser focus on public transport and human settlement upgrading publications and dialogues. However this theme area produced two notable books on these topics. It should also be noted that the work on housing affordability in member cities is ground-breaking, given that it was the first spatial assessment of cities housing affordability in the local context.
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Setting the scene

1. Introduction

The transition to democracy in South Africa was accompanied by wide ranging change, particularly with respect to new policy and legislation and the institutions to implement policies aimed towards reducing poverty and ensuring greater equity with inclusive development. Of all the South African governance institutions, local government has perhaps been the most deeply affected and subjected to the greatest transformation. Boundaries, structures, municipal systems and mandates have all seen numerous substantial changes since the interim constitution of 1993. Such changes have occurred in several phases, beginning with a pre-interim phase, then the interim phase culminating in December 2000 with the transition to the current dispensation. While the policy, legislation and structures that gave birth to the new municipal dispensation are in place, the reformed local government institutions are still evolving, with some performing reasonably well, while others are struggling. Size, location and capacity all influence the ability of local governments to fulfil their new developmental mandates. Many smaller, rural municipalities are in crisis, while the large metropolitan municipalities fare better, despite high urbanisation rates and demand for basic services, shelter and livelihoods.

The South African Cities Network (SACN) was established in 2002, as a learning network, knowledge generator and disseminator around good governance and sound management of South African cities. Although its primary focus has been on its member cities – the large metropolitan municipalities – it has not limited its activities to these cities alone. As part of the process of looking to the future, the SACN has commissioned a review of its past performance as well as that of the local government sector in which it functions.

This document thus provides an analysis of the South African local government context, the performance of local government from establishment (2000 – 2005) to transition (2006 – 2011) and subsequent developments drawn from a review of both academic and ‘grey’ literature such as official reports and policy by national and local government. The literature review will be framed within the SACN’s four thematic programme areas: well governed cities, productive cities, sustainable cities and inclusive cities. The literature review is coupled to a review of the performance of the SACN also within the context of the four programme areas.

The report is structured in three parts that include seven sections. The first is this, the introduction, while the second section provides a background and overview of the context of local government and is followed by past ten years or so. The second part of the document contains sections three to six that comprise the review of local government in terms of the SACN themes. Part three and section seven, the conclusion, includes a summary of the key challenges facing local government over the past fifteen years or so.
2. Context

The purpose of this section is to describe the transformation of local government from 1993 to its 2000, and well as indicating the context in which local government operates.

External forces acting on South African cities

Globalisation and reintegration of SA economy created opportunities for local businesses, but at the same time exposed the local economy to greater competition (Turok & Borel-Saladin 2013). As part of a global network of trade, tourism and communication, South Africa is exposed to the ripples throughout the system, such as the economic crises of 2008/2009 that devastated western economies (Ovens, 2013). While buffered to some extent by the 2010 Soccer World Cup and demand for commodities from growing economies in Asia, there were still detrimental effects. These included lower demand for exports due to decreased markers as well as a reduction in tourism (UN Habitat, 2014). Although trade relationships with India and China have had advantages, there have also been drawbacks, such as the undermining of the South African textile industry through cheaper imports from China (UN Habitat, 2014).

However, a low global recovery is forecast for the next few years, with better prospects in the USA than Europe and emerging markets. Although the outlook for sub-Saharan Africa is healthy, there are still concerns regarding the volatility of commodity exports, weak demand from major importers such as Europe and security concerns (National Treasury 2015).

While not immediately affected by terrorism driven by the rise of radical Islam (and associated terrorist groups such as El-Shabaab), this issues does have the potential to become more serious (Solomon, 2012). The effects of any perceived instability can curtail the country’s lucrative tourism industry as well as reducing investor confidence in the country. A health threat such as Ebola can seriously damage economy in the short and longer term (Bax et al, 2014).

Climate change is another global threat that is already affecting Africa, and in particular Southern Africa. Sea level rise and flooding associated with storm surges are issues that coastal cities must deal with, while many South African cities are faced with drought and dwindling water supplies. While some areas may have increased precipitation, this may be in the form of more intense storms leading to localised flooding. Furthermore, increased temperatures, and more erratic rainfall will affect food security (UN Habitat, 2014).

The economy

South Africa’s recovery from the global recession has been slow and more in line with Europe than the more dynamic BRICS countries. This is compounded by high unemployment and electricity supply limitations (OECD, 2013). Other concerns for the economy are declining commodity prices, linked to shrinkages in the mining sector, reduced investor confidence and the challenges associated with the current energy crisis (National Treasury, 2015).

According to the 2015 budget speech, the current electricity crisis is damaging the economy, but should this issue be addressed then the economic outlook will be better. South Africa’s economic growth is projected at 2% for 2015 (0.5% lower than 2014) but to slowly rise to 3% in 2017. The current exchange rate will assist in the competitiveness of exports and the lower oil prices should boost the South African economy (Nene, 2015).
Furthermore, manufacturing – traditionally a driver for economic growth (UN Habitat 2014) – has not grown and is expected to be detrimentally affected by the energy crisis (National Treasury 2015). Other reasons for South Africa’s sluggish economic growth include an undiversified export profile, insufficient savings and investment levels and the poor quality of the basic educational system that provides inadequate skills and by default excludes many from well-paid employment (Bhorat, Cassim & Hirsch, 2014; Musvoto, 2014).

Overall, unemployment remains high at 24,3% (or 34,6% if discouraged job seekers are included), while youth unemployment (15-24 years) is 48.8%. However, there are wide differences in the rate of employment between municipalities from 14% to 50% (Alexander & Kane-Berman 2014). Most new jobs were created in the public sector, with the private sector contributing only about 40% to new employment. Key sectors such as mining and manufacturing have seen job losses, but in 2014 this was partially offset by gains in agriculture. However, there has been a general decrease in labour intensity, which restricts the uptake of new job seekers in the labour market (National Treasury, 2015). There appears to have been a stagnation of real wages over the past few years, but due to social grants there has also been a decline in poverty (The Presidency, 2014a). In South Africa, as in other African states, there is limited capacity to raise taxes due to a limited tax base, slow economic growth and endemic poverty (Pieterse & Parnell, 2014).

Demographic changes

South Africa is currently experiencing urbanisation and a demographic transition that is fuelled by both in-migration from rural South African and neighbouring countries as well as natural growth (Fox 2014). Although urbanisation is predicted to take place in secondary cities and towns in most countries of the Global South (UN Habitat 2014), currently the most rapid growth appears to be occurring in the large metropolitan regions (Turok & Borel-Saladin, 2014).

Much of the urban population growth is in the ‘townships’ and informal settlements and it is particularly the latter that have grown the fastest, “being the first recipients of rural (and foreign) migrants in search of work” (Mahajan, 2014: 8). In addition to the expansion of informal settlements, many households are renting in backyard shacks (The Presidency, 2014c).

In addition to the absolute increase in numbers of people in cities, household sizes have also decreased. Nationally this decrease is from 4,5 in 1996 to 3,6 in 2011. The most urbanised province, Gauteng, has the smallest average household sizes (3,1) a typical reduction of household sizes as a consequence of urbanisation (StatsSA, 2012). The reduction of household sizes implies a concomitant growth in the number of households and subsequently an increase in the number of households (Van Zyl et al, 2008). The increase in both absolute numbers of people, and the reduced size of urban households has had profound implications for cities, such as an escalating demand for housing within metropolitan areas.

Cities in South Africa

South Africa has one of the biggest economies in Africa and accounts for a substantial proportion of the continent’s product including mineral commodities (Chikulo, 2013). While the large city regions may not vie with world cities, they can certainly compete with their African counterparts (Pillay, 2004; Van Huyssteen et al, 2009). The four biggest metropolitan regions (Gauteng, Cape Town, eThekwini and Nelson Mandela Bay) account for over sixty percent of the population and the majority of population growth in the country (Turok & Borel-Saladin, 2014). The Gauteng, Cape Town and eThekwini regions constitute an inner core of urban areas that are responsible for
approximately 72% of South Africa’s gross domestic product (GDP) (Van Huyssteen et al., 2009), with the remaining metropolitan cities and large cities together accounting for some 14% of the gross value add, while the remaining urban areas make a limited contribution to both population growth and production. This is clear evidence of the primacy of the metropolitan regions of the country (De Visser, 2009; Harrison, 2014).

The high levels of growth recorded by the main urban centres are driven by both in-migration and natural increase (Pieterse & Parnell, 2014; Fox, 2014). This population growth of predominantly the urban poor has a number of consequences, such as pressure on already strained water resources, the provision of basic services provision, dealing with pollution, waste production and environmental degradation (Van Huyssteen et al., 2009; Turok & Borel-Saladin, 2014).

In-migration is not only domestic, but attracts international migrants as well, an accordance that has led to violent xenophobia (Vale, 2002; Murray, 2003; Hayem 2013), which has international reverberations. So too did the Marikana Massacre, that can be partially attributed to deep levels of poverty and the stark inequalities prevailing in South Africa cities. Not only has South Africa remained one of the most unequal countries in the world (Chikulo, 2013), but the human development index has also decreased since 1995 (Kotze & Taylor).

However, despite the urbanisation of poverty, the largest cities still offer potential: unemployment, though high, is lower than in the rest of South Africa and is possibly keeping pace with urbanisation as is the provision of urban infrastructure (van Huyssteen et al., 2009). According to Turok & Borel-Saladin, “there have been substantial improvements in the availability of basic services in the metros over the last decade. Despite their enlarged populations, the big cities have enhanced their position in terms of service delivery. Progress has been most apparent in relation to piped water, flush toilets and refuse removal” (2014: 682). Furthermore, despite their size, South African ‘uni-cities’ have a major advantage over their European and American equivalents in that they have a single government and are not fractured into multiple (competing) jurisdictions (Wheeler, 2009).

Smaller urban centres also appear to have performed reasonably well in providing basic services, particularly with respect to water provision. While there has been an overall improvement in the provision of sanitation and refuse removal the gains are not as great as in the water sector. The smaller rural municipalities (B4) are faring the least well in service delivery (The Presidency, 2014).

As with many African cities, there are strong urban-rural linkages, particularly through circular migration (Pieterse & Parnell, 2014). In addition, there are also sprawling informal settlements (although at a lesser scale than other African countries) (UN Habitat 2014). According to StatsSA (2012), over 13% of all households were living in informal dwellings in 2011, a reduction from the previous census. However, the majority of these are in the metropolitan cities (Van Huyssteen et al, 2009). According to the Housing Development Agency (2013), this proportion appears to have stabilised; nonetheless, the metros still have large backlogs of informal areas without access to basic services, formal dwelling structures or secure tenure.

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**Figure 1 - The classification of municipalities**

The Constitution (RSA 1996) defined three categories of municipality: A, B and C. These have since been further defined as:
A: Metropolitan municipalities (metros)  
B: Local municipalities (LM)  
C: District Municipalities (DM). There are several local municipalities within a district municipality and local government functions are divided between them In terms of Section 84 of the Municipal Structures Act, 1998 (Ovens. 2013).

The local and district municipalities have been further divided into the following categories:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Number</th>
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<tbody>
<tr>
<td>B1</td>
<td>Local municipality with large or intermediate cities</td>
<td>21</td>
</tr>
<tr>
<td>B2</td>
<td>Local municipalities with large towns, substantial urban populations</td>
<td>29</td>
</tr>
<tr>
<td>B3</td>
<td>Local municipalities with no single urban core but several small towns and a significant urban population; mostly commercial agriculture</td>
<td>111</td>
</tr>
<tr>
<td>B4</td>
<td>Local municipalities that are rural with small town and villages and areas under traditional authority</td>
<td>70</td>
</tr>
<tr>
<td>C1</td>
<td>District municipality: Not a water services authority</td>
<td>25</td>
</tr>
<tr>
<td>C2</td>
<td>District municipality that is a water services authority</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: The Presidency 2014b: 4

Transformation of local government

From the outset, local government was identified as a critical sector to change to implement the Reconstruction and Development agenda, to reduce poverty and to provide basic services to the communities who had long suffered without even basic amenities (De Visser, 2009, Powell, 2012, Chikulo, 2013, Eskridge 2014). Thus the Local Government Transition Act, 209 of 1993 (RSA 1993b) (LGTA) followed shortly after the promulgation of the (interim) Constitution (RSA 1993a). This Act not only identified local government as an autonomous sphere of government (De Visser, 2009) but provided the framework for the ‘pre-interim’ phase of local government that would be in effect until the ‘interim phase’ commenced with the first fully democratic elections in local government (Powell, 2012; Ovens. 2013). The Administrator of a province had the responsibility for determining the functions and seats of the transitional councils. Furthermore, the LGTA provided for the establishment Local Government Demarcation Boards for each province.

The pre-interim phase focused on negotiation forums around future municipal councils while the interim phase concerned transitional local government. Provision was made for interim structures such as metropolitan councils and their sub-structures, local councils, district councils as well as also representative councils and rural councils. These could include areas under traditional authority. Fifty percent of the councillors were “non-statutory,” drawn from the South African National Civics Organisation (SANCO) the remainder comprised the representatives the segregated local government authorities (Koma, 2012). Some 842 municipalities emerged from the interim phase (Powell, 2012).

The mandate and structure of local government was set out in the new Constitution (RSA 1996). Instead of the multiplicity of structures of the interim phase, the Constitution defines only three

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1 According to Ovens (2014), there were 843 traditional councils
categories, A, B and C, where category A municipalities have exclusive legislative and executive power, while category B and C share executive and legislative authority and a category B municipality falls within the area of a category C municipality (Section 155(1)). The responsibilities of local government, as set out in Section 155(1) are:

a. to provide democratic and accountable government for local communities;
b. to ensure the provision of services to communities in a sustainable manner;
c. to promote social and economic development;
d. to promote a safe and healthy environment; and
e. to encourage the involvement of communities and community organisations in the matters of local government.

The White Paper on Local Government published in March, 1998 (Ministry of Constitutional Development and Provincial Affairs. 1998 (DCD)) expounded on the mandate and structure provided by the 1996 Constitution (RSA 1996). This document defines developmental local government “local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives” (DCD, 1998:17) and furthermore identifies four responsibilities of local government drawn from the Constitution; namely, social and economic growth, integration and coordination, deepening democracy and leading and learning. Thus the Constitution and the White Paper compel local government to expand its role from merely providing essential services to taking additional responsibilities for social and economic development, a safe and healthy environment and building democracy (Kotze & Taylor, 2010, Chikulo, 2013).

Following the publication of the White Paper on Local Government, the Local Government: Municipal Demarcation Act, 17 of 1998, the Local Government: Municipal Structures Act, 117 of 1998 the Local Government: Municipal Systems Act, 32 of 2000 (MSA) and the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA) were enacted to provide a comprehensive legislative framework for local government. In addition the Intergovernmental Relations Framework Act (13 of 2005) was passed to provide mechanisms and structures for improved relationships between the three spheres of government (Powell, 2012).

The local government elections in December 2000 heralded a new dispensation for local government and the implementation of the vision of ‘one city, one tax base’ (Eksridge, 2014). The model implemented in December 2000 included the following transformations:

- The creation of ‘wall-to-wall’ municipalities through the amalgamation of over one thousand municipal structures into some 283 new municipalities (de Visser, 2009) and with it a substantial increase in the area or size of each municipality as new structure could contain numerous previously smaller institutions;
- A broadening of the local government mandate (Kotze and Taylor, 2010) to include, in addition to the equitable and sustainable provision of basic services on a non-racial basis, social and economic development, healthy environments, and “democracy that would allow citizens ... to shape the agenda and actions of municipalities” (Pieterse et al, 2008: 3; Chikulo 2013) but simultaneously overlapping responsibilities with provincial

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2 This number has changed since 2000 as municipal boundaries have been amended. Currently there are 278 municipalities: 8 metropolitan (category A), 44 district (Category C) and 226 local (category B) municipalities. Local Government Handbook, 2015 available from http://www.localgovernment.co.za
government for certain functions such as health, public transport, and emergency services; the

- New governance structures based on an executive mayor and mayoral committee appointed by the ruling party with a Municipal Manager responsible for the administration along with departmental heads appointed on limited term contracts reporting to the municipal manager; and

- New administration and financial management systems required by the MSA and later the MFMA.

The key instruments for local government to deliver on the new mandate are integrated development planning, community participation and performance management, which can be traced back to concepts related to ‘New Public Management’ and ‘networked management’ (CDC, 1998, Harrison, 2006; Schmidt, 2008). The integrated development plan (IDP) ties all three together, as it is the mechanism for integrated planning, the basis for performance management and the medium for community engagement on development (Harrison, 2008).

The concept of integrated development planning was not entirely new as it had been introduced in 1996 with the Local Government Transition Act, Second Amendment Act, No. 97 of 1996 (Harrison, 2006) and followed shortly after the introduction of Land Development Objectives (LDOs) in the Development Facilitation Act, 67 of 1995. However, the MSA expanded on the content and process of the IDP as well as its primacy in municipal planning, budgeting, expenditure and even organisational structure. Furthermore, the integrated development plan was intended to integrate the plans of national and provincial governments and state owned enterprises acting within the municipal area (De Visser, 2009).

As local government has been viewed as a key institution in development and democracy, it has been the object of radical transformation in an effort to enable it to deliver on the developmental mandate of government. However, it does not operate in a vacuum: there are various forces influencing and impinging on local government. Many of these are local such as expectations from residents and other spheres of government and other global, including forces over which local government’s economies have limited control.

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3 These will be discussed more fully in section 3 on Good Government
Local government from 1994

Introduction

The first part has sketched a brief background to transformation of local government and the context in which local government functions. This part will focus on the issues facing local government and its performance over the past fifteen years. It contains four sections corresponding to the SACN themes. Section 3 evaluates ‘Good government’ which will consider general governance aspects including mandates and capacity, financial management, integrated development planning and service delivery, intergovernmental relationships and community protests. The section on Productive Cities examines urban/municipal economies, including urban and rural linkages and infrastructure investment. Section 5, Inclusive Cities, reflects on the major themes of spatial planning and land use management, human settlements and housing, and urban mobility and transport. The final section, Sustainable Cities, evaluates local government responses around climate change, water and wastewater management and urban sustainability in general.

3. Good government

Introduction

Much has been written about local government over the past fifteen years, including a number of papers on ‘service delivery’ protests by disgruntled communities. Rather than enumerating this literature, the approach taken here has been to identify the key issues facing local government. From the overview of the literature it is a clear that there is consensus on the progress of local government and the nature of the problems that beset this sphere of government. Thus the section is structured around the progress, successes and problems of local government.

The path from 2001 to the present

The process of transforming local authorities from racially based municipalities to ‘wall-to-wall’, non-racial democratic local governments that began with the Local Government Transition Act (RSA 1993) reached a major milestone when the new system was implemented in December 2000. However, the transformation is still ongoing, with both successes and serious problems.

It was anticipated that the major transformation in local government would take a few years to settle down and the new systems become fully functional. However, by 2004 there were signs that the new system was not performing optimally and particularly rural municipalities were ‘in distress’. Project Consolidate was devised to address these concerns (DPLG 2004, Powell, 2012). However, this project did not resolve the problems of local government as the State of Local Government report (CoGTA, 2009) attests. The ‘Turnaround strategy’ (2009) developed to address these problems was been followed by a ‘Back to Basics’ (2014) strategy has been implemented to improve governance (Powell, 2012; Auditor General, 2015).

Despite the litany of problems surrounding local government evidenced in citizen dissatisfaction and community protests (Powell et al., 2015) the new system of local government is not a failure (Alexander & Kane-Berman 2014). The new system of local government took time to settle down but most municipalities are now functioning (RSA 2014a; Chikulo, 2013).
The legal framework is now in place that on the one hand provides local government authority and considerable powers and on the other a regulatory context to conduct its affairs. The policy of free basic services has been implemented to alleviate poverty and with it equitable share funding (RSA 2014b; Ovens, 2013; Kroukamp, 2014).

Policies and programmes have been put in place to support local government, to build capacity such as the Siyenza Manje programme and deal with corruption (RSA 2014b). Regulations have been passed to ensure competent senior management (Powell, 2012). Integrated development planning has been established and with it the structures for community participation such as ward committees (De Visser, 2009). There has been a steady improvement in audit outcomes (Auditor General, 2015) and extensive gains in service delivery (RSA, 2014b; Chikulo, 2013, Turok & Borel-Saladin 2014; Alexander & Kane-Berman, 2014).

What are the current issues?

Despite the progress in establishing the new system of local government and the improved performance of many municipalities, there are persistent problems, many already identified in 2004. Table 1 below is a summary of the issues identified, clearly indicating the systemic nature of many of the problems. These issues will be discussed in more detail in the following paragraphs.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Source</th>
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<tr>
<td>Political appointments in senior positions</td>
<td>The Presidency: 2014: 20 year review of local Government</td>
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</table>
According to De Visser the “Constitution combines a strong expression of autonomy for municipalities with a weak definition of the areas that they are responsible for” (2009: 19). This leads to uncertainty and conflict regarding which sphere is responsible for which functions and who should budget for them. While responsibilities such as social and economic development are implied in section 152, the functions in the Schedules of the Constitution appear to paint a different picture. This implies that local government – in principle – cannot be a developmental or have the type of impact expected of it. (Community Law Centre, 2007).

There have been re-allocations of functions between district and local municipalities (Ovens, 2013), but the uncertainty regarding responsibility for functions such as ‘municipal health’ and primary health care clinics remains (Fiscal and Financial Commission, 2011). Functions have also been delegated to municipalities “by a range of national departments as envisaged in various white papers, and also a wide range of functions where creeping delegation can be seen. In both these latter cases the function is being envisaged but often without concomitant transfer of funds, or allocation of a capacity-building mechanism. .... municipalities often end up bearing the hidden overhead costs associated with the function” (Community Law Centre, 2007: 11).

An analysis of unfunded mandates by the Fiscal and Financial Commission indicated that most libraries are administered and funded by municipalities although this is provincial function (Schedule 5A) function. Health services provided by municipalities are generally done in terms of an agency agreement but with inadequate funding (Fiscal and Financial Commission, 2011).

A third area of contention is housing. While municipalities may not pass legislation or administer housing subsidies, they are expected to “work towards the realisation of the right to access housing” and provide alternative housing as a result of evictions (Fiscal and Financial Commission 2011: 271) which implies a large component of the housing function. However, according to the Fiscal and Financial Commission, this duty emanates from the Bill of Rights in the Constitution and is therefore not an unfunded mandate. Only the provision of subsidised housing is outside the local government mandate, while the provision of serviced sites or the provision of shelter for the
homeless is a municipal responsibility. For this reasons, as well as the influence of housing (and the broader concept of human settlement development) has on the structure of the city, the provision of basic services and other social and physical infrastructure, the links to transport and the municipal budget, the metros a pressing national and provincial government for the delegation of this function. Discussions on the ‘accreditation’ of metros for housing functions have been ongoing and need to be finalised (CoGTA, 2014; RSA, 2014c). A similar assignment of transport to metros is required for effective and integrated transport systems (De Visser, 2009).

From the analysis by the Fiscal and Financial Commission metros perform provincial functions without receiving the full funding to do so. In some cases the Provincial departments do not sign the service level agreements or do not adhere to the funding conditions of the agreements while in other cases functions are “devolved to municipalities without consultation and additional funding” (2011:273). The implications of these ‘unfunded mandates’ extend beyond the agreements to equitable share arrangements and local government’s ability to finance and deliver services.

**Lack of confidence in local government and community protests**

Although service delivery protests have occurred since 2004, there has been an increase in the number of protests since 2009, and these protests are becoming more violent (Kotze & Taylor, 2010; Powell et al., 2015; Fiscal and Financial Commission 2015). It appears that communities find protests a more effective way of voicing their discontent than formal participatory structures (Powell, 2012).

By far the most common grievances are related to municipal services and administration. Among the main complaints are the following:

- Inadequate service delivery or poor quality of basic services such as water and sanitation (Chikulo, 2013) or lack of access to a service such as electricity due to ‘load shedding’ and the price increases Kotze & Taylor, 2010; Alexander & Kane-Berman, 2014)
- Maintenance of services (Akinboade et al., 2012)
- Municipal mismanagement and corruption (Alexander & Kane-Berman, 2014);
- Non-municipal functions such as education and policing (Powell et al., 2015)
- Socio-economic issues such as lack of employment (Akinboade et al., 2012)

These protests do not appear to be closely linked to elections, as approximately as many protests took place in the months after 2014 election there in the month before (Kotze & Taylor, 2010). Despite the service record of the metropolitan city regions, they recorded the most protests, with the most recorded in Gauteng, while Cape Town was the city with the most protests between 2012 and 2014 (Powell et al., 2015). Furthermore, there appears to be a low correlation “between the size of the poor population and the prevalence of protests in general” (Powell et al., 2015: 13).

**Municipal management**

As mentioned above, many protests relate to municipal management including political leadership, accountability and corruption. National government has also noted concerns as indicated in Table 1 above (CoGTA, 2009; The Presidency: 2014a; Auditor General, 2015). However, this is not a problem unique to local government and if these “problems within local government are to be fixed, they must also be fixed at the provincial and national levels” (Alexander & Kane-Berman, 2014:17).
Problems pertaining to leadership include political appointments of senior managers who may not have the skills or experience for the post (De Visser, 2009; Ovens, 2013; Alexander & Kane-Berman, 2014) point to the policy appointing of public servants in terms of political party affiliation in order to gain control over all state institutions applies in all levels of government. The dominance of one political party in an area creates conditions ripe for nepotism and corruption (Koelbe & LiPuma, 2010).

Other leadership issues concern political interference with the administration including poor role definition (Koelbe & LiPuma 2010; CoGTA, 2009; De Visser, 2009). The regulations relating to qualifications for senior management will address this, should they be implemented (Koelbe & LiPuma 2010; Alexander & Kane-Berman, 2014).

A lack of accountability of local government, including politicians, to their constituencies is noted by several authors (Koelbe & LiPuma 2010; Khale & Worku, 2013) as well as by national government (DPLG, 2004; CoGTA, 2009; Auditor General, 2015). Accountability is compromised when there is low fiscal autonomy but a heavy reliance of intergovernmental grants (Manyaka, 2014). Only when local government and the political leadership is held accountable to their constituencies and not the party, can service delivery improve (Alexander & Kane-Berman, 2014).

While national policy documents bewail the high levels of corruption in local government, it appears that in some cases the ruling party prizes political allegiance over a clean administration, for example in Tlokwe, in fact, the ANC did not simply fail to stamp out corruption within its ranks – it mobilised its top leadership to stamp upon those who tried to stamp it [out] there” Alexander & Kane-Berman, 2014: 26). A similar case is reported in the Harry Gwala district where a whistle blower was sanctioned (Keegan, 2015d).

Municipal Finances: Revenue and Management

Municipalities have the power to generate revenue from property taxes (rates) and use charges on the distribution of services (services charges) and also receive transfers and grants from national government. As the municipal fiscal base is dependent on the local economic base, municipalities with growing economies are able to collect more own revenue that those with a weak economy. Thus metros are able to generate a large proportion of their own revenue, while many smaller municipalities are dependent on transfers (Ovens, 2013; Koelbe & LiPuma, 2010; Powell, 2012).

From the literature it is apparent that revenue collection is a challenge in local government. At the end of March 2015 the total consumer debt owed to municipalities was R104 billion with households owing two thirds of this amount (Keegan, 2015e). The recent report released by the Auditor General (2015) points to declining fiscal health of municipalities and debt collection is part of the problem. The underlying reasons for poor revenue collection include a long-standing culture of non-payment, a high percentage of indigents who cannot afford to pay, losses due to lack of maintenance, illegal connections and an unwillingness to enforce disconnections (Kroukamp, 2014; Manyaka, 2014; Alexander & Kane-Berman, 2014).

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4 The monthly The SA Local Government Briefing compiled by Clive Keegan and published by the SA Local Government Information Centre contains short section entitled Corruption Watch that reports on allegations and reports of corruption in local government.
Large cities have shown an improvement in their financial position (Savage, 2013) but may not be able to extend their revenue sources (Fiscal & Financial Commission, 2013c). As the service tariffs are increasing above the inflation rate, municipalities are reaching ceiling on what they can charge. Furthermore, these are disproportionately affecting low income households who need to spend between 11% and 19%, whereas higher income households only spent 2-3 percent more for the same package of services (Savage, 2013).

The average collection rate is in the region of 80 percent and households are responsible for more than 63 percent of municipal debt that was R87 billion by June 2013 (Alexander & Kane-Berman, 2014). According to the Fiscal & Financial Commission, smaller municipalities only manage to collect about half of what is owed (2013a). The problem is particularly acute where large parts of the municipality are under traditional leadership and no rates are payable and where no revenue can be generated from electrical services charges as ESKOM provides the service directly (Fiscal & Financial Commission, 2013a; Manyaka, 2014). For this reason there are growing numbers of municipalities in financial difficulty (Monkam, 2014; Fiscal & Financial Commission, 2013c).

Fiscal autonomy – or the reduced reliance on transfers and grants - has had a positive effect on service delivery (Krugell, et al., 2010; Manyaka, 2014). Revenue collection is not only critical for cash flow, service delivery and maintenance but the payment of creditors. Earlier this year it was noted that “total municipal arrear debt greater than 30 days was R4.67 billion. Of this amount, the top 20 defaulting municipalities owed ESKOM about R3.68 billion for the bulk supply of electricity” (Keegan, 2015d).

In addition to inadequate revenue collection, local government has been accused of poor financial management (Khale & Worku, 2013). However, there has been an improvement since 2008, but this is unevenly spread. “Metros and district municipalities should be leading by example in the local government sphere, but only two metros (25%) and 12 district municipalities (27%) obtained clean audit opinions” (Auditor General, 2015: 7). Reasons for poor financial management are the lack of skills of senior financial managers (Monkam, 2014), and poor enforcement of regulations (Koelbe & LiPuma, 2010; Alexander & Kane-Berman, 2014).

These problems are reflected in under-expenditure of grants (Fiscal and Financial Commission 2014; Keegan, 2015b). Other problems related to grants are the conditionality that requires municipalities to provide infrastructure that does not necessarily add economic infrastructure to support the economic and by implication the rates base. Furthermore, notwithstanding the legislated priority of the integrated development plan, national departments grant administrators dictate grant investment towards their department’s priorities, rather than those of the municipality Fiscal and Financial Commission 2014).

Administrative capacity

The amalgamation of many small, under-resourced authorities into the new wall-to-wall municipalities left all but the biggest municipalities with shortages of critical skills. This has been a consistent comment relating to financial management, service delivery and maintenance of infrastructure (Municipal Demarcation Board, 2012; Khale & Worku, 2013; Ovens, 2013; Koelbe & LiPuma, 2010; Powell, 2012). Of particular concern are the vacancies in senior positions municipalities and municipal entities and the high turnover of Chief Financial Officers (Auditor General, 2015).
Two authors have also noted the constraints that the sheer size of many municipalities and the distances to be travelled has on service provision and community participation (De Visser, 2009; Alexander & Kane-Berman, 2014).

Community Participation

Another consistent concern regarding local government relates to the quality of community participation and involvement in decision-making. Poor communication with residents, including lack of feedback on promises, has been cited as a reason for community protests (Kroukamp, 2014; Koelbe & LiPuma, 2010).

National legislation and policy call for local government to be democratic and developmental; working with communities and participating as voters, consumers and development partners (Kotze & Taylor, 2010). To this end, formal community participation structures and processes have been developed (Tau, 2013, Cash & Swatuk, 2011). In most cases the structures and processes are in place, but they do not realise real participation (Mautjana, & Maombe, 2014). However, in other cases there was little or no participation, and the processes did not follow the rules (Auditor General, 2015). According to de Visser (2009) the institutionalisation of the community participation process has reduced any incentive for innovation in involving communities. There is also low public awareness of these participatory processes and structures (Powell, 2012).

Intergovernmental relationships

The South African governance framework with its three spheres of government is complex and has given rise to numerous difficulties regarding coordination and cooperation (Harrison, 2008, CoGTA, 2009). The integrated development plan (IDP) was intended to be the mechanism for integrating and coordinating government service delivery within the municipal space. According to De Visser (2009:22):

The IDP is expected to integrate the planning of all municipal departments under the umbrella of a united strategy for the municipal area. Importantly, the IDP must go beyond planning rhetoric and be the basis for the municipality’s annual budgets and its spatial planning. Furthermore, the municipality’s senior managers must be held accountable regularly, through a system of performance management, for the realisation of the IDP. As if this configuration is not sufficiently ambitious, the IDP is expected to integrate not only the municipality’s plans but also the plans of all national and provincial departments and parastatals (such as electricity-generating and telecommunication utilities) in that municipal area.

Clearly, this is a tall order and requires commitment, budget and capacity to achieve these intentions. Many local municipalities rely on consultants to prepare the IDP but the quality of the documents was less than ideal (Subban & Theron, 2012; De Visser, 2009, Harrison, 2008, Reddy, 2010). It has not achieved the intergovernmental integration that was desired (DPLG, 2008; Subban & Theron, 2012) nor has it had much “success either in promoting social integration or in altering the power dynamics reflected in spatial arrangements” (Cash & Swatuk, 2011:22).

The evaluation by the DPLG (2008) indicates that there is improving alignment between the plans of the three spheres of government and that the system instituted by the Intergovernmental Relations Framework Act (RSA, 2005) is beginning to function, with the most effective forms being District Forums due to the decision-making powers of the executive mayors. This potential is confirmed by Goss et al., (2008) () on the basis of a pilot project in thirteen district municipalities.
Nevertheless, the Presidency (2014a) expresses concern about the state of inter-governmental relationships and the need for improved alignment.

The involvement of Traditional Leaders in local government remains problematic, as they believe that they are ignored or sidelined (Ovens, 2013; Bikam, & Chakwizira, 2014). This is a critical issue in municipalities whose area contains large areas under traditional authority.

Provincial governments have a duty to monitor and support municipalities, a responsibility that has been neglected according to the national government reviews of local government (DPLG, 2004; CoGTA, 209, RSA, 2014b). However, Kroukamp (2014) notes that when it comes to grants, provinces have little influence or input on the payment or expenditure of the grants, as these are paid directly to municipalities. Nonetheless, both national and provincial government are accused of not giving enough attention to the problems in local government (Koeble & LiPuma, 2010).

One of the areas where misconstrued mandates, conflicting agendas and self-interest is played out is spatial planning and development, where

“Government departments pursued their own interests and policies without concern for some broader agenda or their impact on migration and urbanisation patterns ... [so] that all sorts of programmes (housing, healthcare, industrial development initiatives, social welfare policies, migration to name a few) have all taken place in the context of the relevant departments with little coordination and oversight from the political and administrative centre.... Local municipalities, the lowest and newest of the new governing institutions, ended up with the responsibility of implementing a myriad of ‘developmental policies’ without a coherent framework or coordination from the national and provincial levels of government and, increasingly, at the expense of their democratic role and purpose” Koeble & LiPuma, 2010:578-579).

A failed experiment?

The transformation of the local government system has been a continuous process over the past twenty years and has deeply affected the nature of municipal governance. The positive, even exciting message of the White Paper on Local Government in 1998, has become one of ‘consolidate’, ‘turnaround’ and ‘back-to-basics’ in the following years. Most of the concerns noted in the status quo of the 1998 White Paper on Local Government (DCD, 1998) still apply: racial segregation, financial constraints, protests and an incomplete transition (Koeble & LiPuma, 2010, Powell, 2012).

Local government is failing the poor located on the periphery of the city regions who are excluded from the city by the fragmented spatial landscape, the distances to economic opportunities and social facilities, and the scale of the demand for services. Equally are the residents of the smaller municipalities. The citizens of the small towns, and in particular the rural municipalities, have also been failed by local government in that they do not have the financial or administrative capacity to deliver on the developmental mandate. There is a clear distinction between the ability of the large metros such as Johannesburg, Cape Town, Tshwane, and eThekwini (and possibly Ekurhuleni) to raise revenue to govern and provide the basic needs of their growing populations, and the remainder of South African cities. Even the second tier of metros such as Ekurhuleni, Nelson Mandela Bay, Buffalo City and Mangaung are not in the same league in terms of economic base or governance capacity (Chitga-Mabugu & Monkam, 2013). While some of the intermediate cities such as Rustenburg and Emalahleni are currently growing due to mining activities, many other mining towns are facing decline and severe economic and environmental problems.
The nature of the problem is different for different cities; thus the plans and solutions should be different (Kruger, 2012).

Perhaps a new approach to local government is required. Or perhaps it is merely a matter of improved oversight due to distrust in the ability of local government (De Visser, 2009) or that where “the mechanisms of government oversight, accountability and the enforcement of rules are at best rudimentary and, at worst, non-existent across the spectrum of municipal government. While the legal structure is certainly in place, the implementation of the rules and regulations to ensure financial oversight, accountability, and responsiveness to the citizens is rudimentary” (Koeble & LiPuma, 2010: 586)?

If local government is to be the delivery arm of government, then a re-appraisal of the mandates and funding is required. At present local government receives the smallest share from central government coffers based on the assumption that cities can raise revenue from property taxes and services charges (Fiscal & Finance Commission 2013b). However, this is proving to be a largely unfounded assumption for all but the largest cities – and they are the municipalities with the greatest growth rates and hence the escalating demand for services (van Huyssteen et al 2009).

4. Productive cities

Introduction

This overview will focus on the economy of cities in South Africa. While detailed economic data is available at national and provincial level, unfortunately the same quality of data relating to employment, industrial structure, investment, and skills at municipal level – even for the large metros – is not readily available which constrains the level of analysis possible. Consequently, this section provides a broad overview rather than detailed discussions on local economies.

The section will firstly consider the relative productivity, employment and incomes of different types of cities based largely on the work of Harrison (2014) and Turok & Borel-Saladin (2013). This will include a comment on the economies of the largely rural B3 and B4 municipalities including the role of small towns. Some reflections on the informal economy in urban areas will introduce a short discussion of Local Economic Development to complete the first part of this section. The final part of this section will evaluate infrastructure investment and maintenance along with some of the key successes and concerns.

Relative performance of South African Cities

National economic development and growth has long been linked to the productivity of cities (Glaeser, 2011), however, this is not necessarily true of the majority of South African cities (Turok & Borel-Saladin 2013). This is certainly true of the largest metropolitan municipalities (metros) that are growing faster than the rest of the country, generate over 70% of South Africa’s GDP and exports (Van Huyssteen et al, 2009, Turok & Borel-Saladin 2013). The Gauteng metros (Johannesburg, Tshwane and Ekurhuleni) Cape Town, eThekwini and Nelson Mandela Bay (Port Elizabeth) provide services to a region far wider than their municipal boundaries. These metros have the highest levels of skilled labour, research and development that along with agglomeration economies contribute to regional competitiveness. While there are still pockets of deep deprivation with some 24% of the population living in poverty, employment rates - including youth employment - and incomes are generally higher than in rural areas (Van Huyssteen et al, 2009).
From the analyses by Harrison (2014) and Turok & Borel-Saladin (2013), it is clear that the economic performance of cities differs greatly. Harrison (2014: 23-24) classifies the urban structure into the following:

- **The inner core consisting of:**
  - A metropolitan urban core comprising the city regions of Gauteng (ie the three metros mentioned above), Cape Town and the eThekwini / Kwa-Zulu Natal coastal belt;
  - Secondary cities and areas such as Nelson Mandela Bay, Mangaung, Buffalo City, the Free State Goldfields, Polokwane, Mbombela, the Kimberley, the Cape South Coast tourism towns.

- **An outer core that comprises:**
  - Large towns with strong service functions and established infrastructure eg Upington, Newcastle, Grahamstown and Kroonstad;
  - Medium-sized mining economies, such as Ba-Phalaborwa and Thabazimbi, that fall outside the primary mining belt;
  - Poorly serviced areas with high population density or former Bantustan areas that are functionally linked to the core;
  - Densely populated areas with populations similar to secondary cities by small such as Mthatha, Thohoyandou and Mmabatho.

- **A periphery containing:**
  - A semi-periphery with small towns that have some economic activity, or secondary mining areas, or areas where the economy is stimulated due to population densities in former homeland areas;
  - A periphery with small service centres, home land areas with moderate population densities or small mining economies and stable to negative population growth;
  - Deep periphery with very small scattered service centres (eg Pofadder or Tarkastad) or former homeland areas with low densities and little economic activity.

The inner core contributed over 80% of Gross Value Add (GVA) in 2011 while all the other areas declined. The Gauteng Municipalities of the periphery have limited economic growth and thus contribution to GVA as “almost all local economies struggling in the face of a depressed agricultural sector and the effect of outmigration in the service sector” and “natural population increase is only just compensating for outmigration” (Harrison, 2014: 33).

A similar classification is adopted by Turok & Borel-Saladin (2013) who identify six categories: the city regions of Gauteng, Cape Town, eThekwini and Nelson Mandela Bay; free standing cities such as Bloemfontein (Mangaung), Pietermaritzburg (Msunduzi) and East London (Buffalo City); regional service centres (e.g. Welkom, Witbank, Klerksdorp and Tzaneen), service towns, small towns and rural areas.

**Table 2: Population and economic activity per type of settlements, 2011**

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<tr>
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<tbody>
<tr>
<td>City-regions</td>
<td>56.8</td>
<td>42.2</td>
<td>3.04</td>
</tr>
<tr>
<td>Free-standing cities</td>
<td>8.5</td>
<td>7.5</td>
<td>2.62</td>
</tr>
<tr>
<td>Regional service centres</td>
<td>11.0</td>
<td>14.1</td>
<td>1.89</td>
</tr>
<tr>
<td>Service towns</td>
<td>4.2</td>
<td>5.3</td>
<td>3.07</td>
</tr>
<tr>
<td>---------------</td>
<td>-----</td>
<td>-----</td>
<td>------</td>
</tr>
<tr>
<td>Small towns</td>
<td>6.0</td>
<td>8.7</td>
<td>1.81</td>
</tr>
<tr>
<td>Rural areas</td>
<td>13.5</td>
<td>22.2</td>
<td>0.58</td>
</tr>
</tbody>
</table>

Source: Turok & Borel-Saladin (2013: 28)

However, in the discussion on productivity, employment and incomes, only three classifications are used namely: metropolitan municipalities, a group of 22 secondary cities and the small towns and rural areas (rural regions).

**Productivity**

In terms of production the city regions or inner core dominate, and in Johannesburg in particular, whose economy is twice as large as any other metro. The Gauteng city region, along with buoyant mining areas, the Sundays River Municipality and the Cape South Coast saw economic growth of over four percent per annum between 1996 and 2011. However, as the latter occurred from a low base, it does not contribute much (Harrison, 2014). Together the metropolitan municipalities grew twice as fast as the rest of the country, accounting for 65 percent GDP growth, while the secondary cities showed a mediocre performance (Harrison, 2014). Of the secondary cities, George and Rustenburg grew the fastest, while the economies of the mining towns Matlosana (Klerksdorp) and Matjhabeng (Welkom) shrank - indicative of the decline of gold mining (Turok & Borel-Saladin 2013, Harrison, 2014, Marais, 2014). However, not all metropolitan municipality are faring as well as the three city regions; Nelson Mandela Bay, Mangaung and Buffalo City have troubled or stagnant economies. This is true too for the Vaal industrial complex cities as well as mining dependent cities on the West Rand and Free State Goldfields (Harrison, 2014).

However, outside the core, the growth is limited. Most of the peripheral areas have slow population growth and economic growth. Some new mining areas (e.g. Sekhukhuneland) have demonstrated moderate economic growth of about three percent per annum. Former Homeland areas, including previous capitals and previous industrial growth points have slow growth rates of two percent per annum or less. Only where new mining is occurring are these growth rates higher. Furthermore, due to the decline in agriculture low growth has been experienced in a "large swathe of low growth across much of the central interior of South Africa – including much of the Free State, Eastern Cape, North West and KwaZulu-Natal" (Harrison, 2014: 37).

When measured as GVA per person, it is again the metros that have achieved the highest outputs, with perhaps the exception of Ekurhuleni possibly due to de-industrialisation or lack of a significant presence of government headquarters (Turok & Borel-Saladin 2013). Although the majority of the secondary cities have grown, five have outperformed the others: Steve Tshwete (formerly Middleburg), Govan Mbeki (Secunda) Emalahleni (formerly Witbank), Sol Plaatje (includes Kimberly) and Rustenburg (Turok & Borel-Saladin 2013). Other towns experiencing growth are the tourist towns on the Cape South Coast and those along the N1 northwards to Zimbabwe (Harrison 2014).

**Employment**

In respect of employment growth, the metros have grown twice as much as the rest of the country and account for about 70 percent of job creation (Van Huyssyeen et al, 2009; Turok & Borel-Saladin 2013). Of these Johannesburg and Tshwane grew the fastest, followed by Cape Town and eThekwini. As mentioned previously. Ekurhuleni has been affected by the 2008 recession and de-industrialisation. The smaller metros, Mangaung, Nelson Mandela Bay and Buffalo City have not grown much with de-industrialisation affecting the latter two municipalities.
Secondary cities and rural areas showing much the same limited levels of growth. Secondary cities on the whole performed less well than rural areas, only accounting for some ten percent of new employment nationally: they have clearly “failed to reap the agglomeration advantages associated with their size” (Turok & Borel-Saladin 2013:19). Of the secondary cities, Rustenburg had the greatest rate of employment growth in the country, followed by George and uMlathuze (Richards Bay region), while the declining mining areas and manufacturing areas of the Vaal Triangle, West Rand and free State Goldfields all saw substantial job losses.

Although the small towns and rural areas contributed 15 percent to net employment growth (Turok & Borel-Saladin 2013), Harrison (2014) points out, there are vast differences within the rural areas with some settlements growing and others locked in poverty.

**Industrial structure**

Turok & Borel-Saladin (2013) examine the broad industrial structure of the cities’ economies using four categories: manufacturing, trade, finance, and community services.5 There is a significant difference between the cities, but similar trends. Manufacturing has generally declined, but more steeply in the metros. Trade has grown moderately overall, although faster in the metros and slowly in rural areas. Community services have grown throughout the country, but most strongly in rural regions but absolute numbers are much smaller. While secondary cities had some growth in finances, rural regions show a decline, and the large metros have had substantial growth of about 750 000 jobs and in the case of Johannesburg and Tshwane, it is the dominant sector. However, manufacturing remains the most important sector in eThekwini, while trade (including the hospitality industry) is most important in Cape Town (Turok & Borel-Saladin 2013). The decline of manufacturing in Nelson Mandela Bay, Buffalo City and Ekurhuleni has meant severe job losses. Community services appear to be far more important that finance for the smaller metros, particularly that of Mangaung that hosts the Supreme Court of Appeal and provincial government – in stark contrast to Ekurhuleni (Turok & Borel-Saladin 2013).

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**Table 3: Change in employment per sector for SA settlements**

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5 These correspond to the following Standard Industrial Classification codes (SIC): 3 =Manufacturing; 6=trade, 8=Finance, insurance, real estate and business services and 9= Government, defence and personal services.
Employment rates in metros are far higher (between 40 and 45 percent) than those in rural areas where employment rates can be as low as twenty percent (Turok & Borel-Saladin 2013, Harrison, 2014). The metros have a slight advantage in unemployment rate but those of secondary cities and rural regions are much the same at roughly 26 percent.

Of the metros, Johannesburg, followed by Tshwane and Cape Town, has the most positive employment rates, while those of the three smallest metros lag behind at around 30 percent. This is indicative of poorly performing economies and serious poverty. Similarly the secondary cities demonstrate a range of employment rates with Rustenburg exceeding fifty percent and Emfuleni uMhlathuze below twenty percent. According to Harrison (2014) the peripheral areas have unemployment rates ranging from the national average of about 24 percent to over forty or even fifty percent in former Homelands.

From the above discussion, it is clear that with the exception of a few cities such as the major city regions and some secondary cities such as Rustenburg, local economies are not performing particularly well and are therefore unable to provide employment to the growing pool of job seekers. Deindustrialisation of the economy, and the downscaling of mining have led to job losses and depressed economies in many cities with concomitant social consequences. However, despite the bleak outlook of many urban areas, the large metros still offer more opportunities than rural areas where the economic prospects are worse.

### The rural landscape

Rural areas in South Africa range from sparsely populated areas in the Northern Cape, commercial agricultural areas and former homelands. Therefore any discussion on rural economies must either be very broad, or very specific. This section takes the former approach, building on the information presented in the section above.

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6 "The rate of employment measures the proportion of the working age population (aged 15-64) with a paid formal job. The unemployment rate is the proportion of the economically active population aged 15-64 who are able, willing and actively looking for work" (Turok & Borel-Saladin 2013: 25)
Just over a century ago South Africa was mostly rural, with a few port cities and some small towns scattered through the interior that were established as administrative centres for either the church or the state, or both (Floyd, 1960). The discovery of diamonds, then gold, and subsequent industrialisation, along with the enforcement of segregationist policies dramatically altered the landscape with urbanisation on the one hand and the creation of reserves or ‘Homelands’ or ‘Bantustans’ (Turok, 2012; Musvoto 2014).

Urbanisation is continuing while many rural areas – with the exception of rapidly expanding mining areas – experience slow or negative population and economic growth. This is particularly acute in the peripheral areas where there is a limited economic base (Harrison 2014). For many such areas social grants and remittances are the main sources of income (COGTA, 2009; Manyaka. 2014). With limited opportunities, such areas find it difficult to attract and retain professionals and other skilled people (Alexander & Kane-Berman, 2014).

Not only are the former homeland areas under pressure, but commercial farming regions have also seen shrinking economies. “Rural employment fell by close to 1.5 million in the past decade because of losses in the commercial farm sector and the collapse of homeland agriculture, which sharply reduced self-employment opportunities there. As a result, only one out of every four persons of working age in rural areas is currently employed, generating a growing reservoir of surplus labour that looks toward urban areas for job opportunities” (Mahajan, 2014: 8). In considering the prospects for rural areas, Wessels (2012) notes that many residents trapped in rural areas have already emotionally urbanised, and concludes that skills development that will enable people to find work in a non-rural context is the most important intervention required for areas with limited economic potential.

Small or rural towns are viewed as important service points in the rural landscape. There is a growing literature on their role and prospects. Toerien and Seaman (2010, 2012a, 20102b, 20102c, 2014) have described the regional enterprise system of small towns and Toerien (2015) has recently examined the economic profile of Free State towns where agriculture (10.3%), followed by services (10.1%) are the dominant economic activities while the decline in mining has led to a reduction of some 147 000 jobs. Other work on small towns in South Africa include Donaldson and Marais (2012) with chapters that inter alia examine the economy of small towns, including case studies of Beaufort West, Calvinia, Clarens, Knysna, Prince Albert, and Richmond. One of the key themes of these chapters is the importance of small towns in their locale as service providers. Other authors include Xuza (2005) and Etienne Nel (eg McKibbin, Binns, T. & Nel (2012); Nel, Taylor, Hill, & Atkinson, D. (2011) Nel & Binns (2003). Many of these case studies are in the commercial farming areas, and few appear to be in areas under traditional authority or in the north of the country.

Local economic development

The Constitution requires local government to promote social and economic development. Thus local economic development (LED) and with it small, medium and micro enterprise (SMME) development has been an important policy consideration by national government for local government and are intended to be part of the integrated development plan (IDP). Two distinct approaches, market-led and top down and pro-poor or bottom-up, have been adopted in preparing LED strategies (Rogerson 2011, Muvoto, 2014). Market led strategies seek to enhance the local economy’s competitiveness, and often include large property led development (eg The Gauteng Blue IQ projects, international conference centres (ICC) and facilities for hosting mega
events (Mosvoto, 2014), or concerned attracting investment to a city, such as Industrial Development Zones (IDZ) (Xuza, 2007). The larger cities tend to focus on market led strategies and developing institutional frameworks (Rogerson, 2010). Pro-poor or bottom-up strategies emphasise local self-reliance and poverty reduction. Such strategies tend to be favoured by smaller municipalities (Musvoto, 2014; Rogerson, 2010, Xuza, 2007).

In his review of the effectiveness of LED Rogerson (2011: 164) indicates that the “achievements of LED in South Africa have been, at best, modest, particularly outside of the major cities”. Nel et al echo this view (2009). Among the reasons for poor performance noted by Nel et al. (2009), Reddy & Wallis, (2012), Rogerson (2010, 2011) and Xuza (2007) are:

- Improved economic data at local level for a better understanding of the local economy.
- The lack of success of projects, particularly community development or social welfare projects undermines the standing of LED;
- A poor institutional framework with limited involvement of provinces and private sector partnerships;
- The lack of knowledge centres or platforms to develop and disseminate good practices;
- LED is not considered as important as basic service delivery and therefore does not receive the focus that it should;
- Poor capacity that is linked to the low status of LED
- Insecure funding linked to grants (from government and donors)
- Differential scales: large cities and small municipalities (Heideman, 2011).

However, there are some successes, including the support of the informal economy by local governments through LED (Rogerson, 2011, 2013).  

**The informal economy**

No discussion on the economy of South African cities can be complete without comment on the informal (or second) economy (Toerein, 2015). There is an extensive literature on the informal economy (see for example Gërkhani, 2004, Simone, n.d, Simone & Abouhani) and the importance thereof in Africa, but the scope of this research does not permit a detailed discussion; thus the following paragraphs will provide a synopsis of key issues.

There are a number of definitions of the informal economy, but the most common feature is a lack of regulation (Gërkhani, 2004; Van der Heijden, 2012). However, the range of activities is wide, including informal (street) traders or hawkers, mini-bus taxis, and informal producers.

There is a complex interaction between the formal and the informal economies (Davies, & Thurlow, 2010). Van Heijden (2012) points out that the informal economy is important to the formal as the former sources its products and spends earnings in the latter.

According to Davies, & Thurlow (2010), South Africa’s informal economy is smaller than similar middle income countries but has still created the most employment in the previous decade: in 2004 roughly thirty percent\(^7\) of employment – depending on the definition – could have been in the informal economy. However, a more recent survey indicated that the contribution to employment was roughly 16 percent in 2014 (Visser, 2014) and some over ten percent of all

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\(^7\) According to StatsSA 2012, the total number of employed people was 13 180 077 and of those about 12% were in the informal sector ie 1 613 078.
incomes, of which sixty percent is from labour in private households. (Wills, 2009). The relative share of the informal sector by province indicates some correlation with the unemployment rate, supporting the idea that for many people the informal sector is the alternative to unemployment.

Estimates of the contribution of the informal sector to the economy range from about five percent (in 2013 according to Stats SA) (Visser 2014) to over thirty percent (Van der Heijden, 2012), which is more than the contribution of agriculture or construction (Stats SA, 2014b). Informal trade in Bloemfontein alone was worth R431 million in 2010 (Ntema & Marais, 2010). This significant contribution to the economy has important policy implications for local economic development, spatial planning and urban design (Van der Heijden, 2012; Siqwana-Ndulo, 2013).

The informal economy is not the preferred form of employment in South Africa, but is viewed as an alternative to unemployment (Visser, 2014). This is supported by correlation between the unemployment rate and relative share of the informal economy (Van der Heijden, 2012).

Conversely, entry into the informal economy is not much easier than the formal due to barriers to entry such as limited credit, crime and “reservation wage inflated by social transfers” (Davies, & Thurlow, 2010: 438). These barriers are confirmed by Mahajan (2014), who states that in ‘townships’ the competition by national chains have “crowded out local production and street trading through price competition” (2014:10).

From a study on township and informal settlement enterprises, an opportunity has been identified to “enable South Africa’s growth engine to fire on two cylinders” of the formal economy and a modernising informal sector (Mahajan, 2014: 20), through economy-wide competitiveness, improved urban management and targeted interventions in ‘townships’. The latter will require improved infrastructure, a more-enterprise friendly regulatory environment, reducing crime, and better access to finance and financial services as well as improved skills through better quality education. Furthermore, according to Smit & Musango (2015), there is potential for more sustainable growth through ‘greening’ of the informal economy.

However, despite the acknowledgement of the importance of the informal economy in poverty alleviation - without the contribution of the informal economy the employment rate would double— “almost complete absence of reference to the informal economy in official IDP and LED strategy documents. The informal economy is most often considered by municipal planners as a spatial problem (i.e. where to locate informal trading zones) rather than as an integral part of the local economy, and a key factor preventing even higher levels of unemployment” (Van Heijden, 2012: 9).

Infrastructure

The Development Bank of Southern Africa’s Infrastructure Barometer emphasises the importance of sound infrastructure for social and economic growth as “Infrastructure planning and provision underpin spatial planning, access to services and economic opportunities, and productivity” (Nicolaou-Manias, 2012: 6). This short section will provide an overview on the state of infrastructure provision in South Africa around the provision of basic services and issues of investment and maintenance. The discussion about more sustainable or ‘green’ infrastructure is in a separate section linked to the sustainable city.

Service delivery and infrastructure
Few will dispute that South African cities have made major gains in the provision of basic services in the past 20 years (StatsSA, 2012, Turok & Borel-Saladin, 2014). Alexander & Kane-Berman (2014: 24) state that:

Between 1996 and 2011 the total number of households in South Africa increased by 60%, or 5.4 million and the population by 28%, or 11.4 million. In the same period, the number of households using electricity for lighting increased by 135%, or by 7.1 million. The number of households with access to piped water increased by 82% or 5.9 million. The number of households with access to flush or chemical lavatories has increased by 99% or 4.4 million, and the number of households who have their refuse removed by their local authority by 90%, or 4.3 million.

The metros have been consistently performing better than the local municipalities in all areas of service provision despite the much greater populations that they service, with particularly the rural (B4) municipalities lagging behind in relation to all four major services, while the B2 and B3 municipalities provide between sixty per cent and seventy percent of their households with sanitation and municipal waste services and over 90% of households with water. Overall, the greatest progress is with respect to water provision and the least is sanitation (RSA, 2014a).

Generally the rural municipalities are struggling to provide basic services and they face the following problems:

- The sheer size of the municipal area: many municipalities are larger than states in the USA or European countries which creates difficulties in servicing all areas (Alexander & Kane-Berman, 2014; De Visser, 2009);
- The economic viability of providing waterborne sanitation and electricity in low density or mountainous areas (Nicolaou-Manias, 2012);
- Lack of capacity, particularly with respect to the shortage of technical skills such as planning and engineering (MDB, 2012; Nicolaou-Manias, 2012; Ovens, 2013);
- The low level of economic activity, which translates into, limited revenue and a strong reliance on intergovernmental transfers (Manyaka. 2014; Nicolaou-Manias, 2012).

These issues are also reflected in the Blue Drop and Green Drop ratings of drinking water and waste water treatment respectively, where the urban provinces generally performed better than the rural ones. However, some local municipalities outperformed the metros according to the 2012 Blue Drop report (Department of Water Affairs, 2012) and the latest Green Drop report (Department of Water Affairs, 2015) but rural municipalities generally do not perform well (see Department of Water Affairs, 2015). However, nearly forty percent of municipalities’ ratings fall within the High – to Critical Risk category (Department of Water Affairs, 2014a).

While the of Department of Water Affairs is monitoring the performance of municipalities that are water authorities, there is concerns regarding the quality of water treatment, where in many cases the water quality is poor, the supply of potable water is unreliable. The extent of water loss – a national average of 35 percent – in a water scarce country is of deep concern (Nicolaou-Manias, 2012). eThekwini is spending millions annually to deal with water losses due to leakages and overflows at storage points (Keegan. 2015b).

Similar concerns arise regarding sanitation systems. In 2009 only seven percent of waste water treatment plants were at an acceptable standard and again it was generally the metros that achieved the highest scores. There has subsequently been improvement in the average performance by municipalities with scores rising from 37 percent in 2009 to 46.4 percent in 2013.
The shortage of adequately trained staff in rural towns contributed to the poor performance of many smaller wastewater treatment works. Furthermore, the lack of maintenance of many wastewater treatment facilities means that they require recapitalisation (Nicolaou-Manias, 2012).

There is little information regarding the maintenance of the sewer networks and the management of water from when it leaves a tap to arrival in a waste water treatment plant.

Roads constitute between fifteen and thirty percent of a city (UN Habitat, 2013) and are expensive to build. The burden of building and maintaining roads increases outside the metros with the greatest “capital priority” in rural municipalities (Savage, 2013: 8).

Nationally there has been a deterioration of roads with about half needing urgent attention. Poor roads have cost implications for the economy such as delays, higher fuel costs, increased maintenance and repairs to vehicles and environmental damage (Tetly et al, 2011). At municipal level there is an urgent need for asset management systems, to ensure timeous maintenance and rehabilitation (Nicolaou-Manias, 2012).

The investment in infrastructure over the past twenty years has been enormous. Most infrastructure investment in local authorities has been financed by intergovernmental transfers (Nicolaou-Manias, 2012) with the exception of ICT that is funded by Telkom and private companies. The Fiscal and Finance Commission estimate that some R141 billion in capital grant transfers between 2001 and 2011, while in the 2013/2014 financial year alone some R35 billion was transferred (Fiscal and Finance Commission 2014).

There is a clear relationship between space, urbanisation and the demand for services infrastructure (Harrison, 2014). While the absolute numbers are highest in the metros as they are the recipients of the greatest part of national population growth, the current funding model “tends to be punitive towards well performing municipalities and provinces, owing to the redistributive approach underpinning the funding transfers. Instead, funds should be allocated where citizens decide to settle” (Nicolaou-Manias, 2012: 271).

However, approximately R120 billion per year is required among all the municipalities to cater for service delivery backlogs, urbanisation and economic but only about ten percent is required for backlogs, while the remaining ninety percent is needed for expansion and maintenance respectively (Savage, 2013).

Maintenance

While there has been a major capital investment in providing services, there are nonetheless growing concerns regarding the maintenance of these assets, as mentioned above. Alexander & Kane-Berman (2014) assert that there is a link between the inability of municipalities to maintain their infrastructure and the consequent decline in the condition and function of services, and service delivery protests (see also Akinboade et al, 2012). Other commentators also express concern regarding the growing urgency for infrastructure maintenance (Ovens, 2013, Fiscal & Finance Commission. 2014, RSA 2014b) as poor maintenance of expensive assets can undermine service delivery and create new backlogs. Unfortunately, when budgets are tight infrastructure maintenance is a ‘soft target’ for budget cuts and maintenance is thus deferred (Fiscal & Finance Commission. 2013d)

In a report on municipal maintenance of infrastructure the Fiscal and Finance Commission (2013d) states that municipalities do not budget enough and then underspend on maintenance by some
twenty percent per annum. While they should be spending at least R4 billion per sector on maintenance and capital renewal, actual spending is only in the order of R700 million per annum. The deferred maintenance costs mean that every six years one year’s maintenance is foregone. The implication of deferred maintenance is that within five years the deterioration of the water and sanitation, and electricity infrastructure will deteriorate to such an extent that a “much greater capital renewals programme will be needed to restore [the infrastructure] to acceptable standards” (2013d:3). This then translates into funding for replacement of infrastructure that could have been used to provide other much needed services (Fiscal & Finance Commission, 2015). A further problem relating to maintenance is a matter of priorities. Which is more important: sustainable transport plans or basic maintenance of stormwater drains, repairing potholes and traffic lights (Alexander & Kane-Berman, 2014)?

Fortunately the Fiscal and Finance Commission’s concerns have been recognised and provision has been made for some funding within the 2015 budget (National Treasury, 2015).

5. Inclusive cities

Introduction

This section examines the progress towards creating inclusive cities and local government in South Africa. The argument made here is that local government has made some progress towards creating inclusive cities, but by and large the overall situation remains dire and in urgent need of reform.

Human Development

As the chart above shows, there has been some improvement in overall human development in South Africa, but bizarrely most of this progress occurred between 1980 and 1990, while there has been little change between 1990-2011 (besides a dip in 2005) (UNDP 2015). This on one hand reflects the imp act of HIV/AIDS but worrying, may indicate that the improved access to basic service (Turok & Borel-Saradin 2014) is having minimal impact on overall levels of human development. It should also be noted that in 2011 as much as 53.8% of South Africans still live on as little as R26 a day (R779 a month), or less. This indicates the need for serious revision of current efforts to combat poverty.
In terms of income inequality, South Africa has become worse over the past twenty years, not better, as the above graph shows. Specifically, at the time of transition to democracy South Africa had high income inequality with Gini score of 59.3, but this worsened to 67.4 by 2006, just prior to the financial crash, and following the 2008 financial crash, it dropped to 63.14 in 2009. Given the rise over the last two years to 0.65, this indicates yet again an increasing trend of income inequality in South Africa (UNDP 2015).

Harmse (2013) investigated the causes of this by interviewing a number of experts. The three leading causes were the historical legacy of apartheid marginalizing the African population in
South Africa, the poor education system in South Africa, and the severity of the un- and under-employment situation in South Africa. The recommendations for this argue that the notions in the National Development Plan are accurate, but what is lacking is the effective implementation of them, in part due to capacity and competence issues within government. There was also a call for reform of legislative barriers that impede the smooth functioning of business, reform of the educational sector and a focus on economic inclusion. This later aspect emphasised a need for government not to focus on trickle-down economics, but to make it as easy as possible for business to create jobs at the lower end of the spectrum.

Spatial Inclusion and inequality

There are two scales with which this can be looked at, national and at settlement scale. At national scale there is a distinct difference between the former homelands areas and the dense urban areas, as shown by the maps from Weir-Smith & Ahmed (2013). They found that between 1991 and 2007 the Moran Score for unemployment clustering increased from 0.61 to 0.71. This indicates an increasing clustering of unemployment in South Africa, as opposed to a random dispersed pattern.

This finding is the corollary to Harrison and Todes’s study (2015) which has found higher growth in absolute number of jobs in primarily Gauteng, which represented 43% of new jobs in South Africa between 1996-2011. They also found that the GVA increased albeit marginally in the inner core urban settlements between 1996 and 2011, shifting from 79.4% of GVA in 1996 to 81.4% in 2011, while every scale other settlement decreased in GVA during this period. This indicates that employment is increasingly clustering, primarily within the larger metropolitan areas and secondary cities.

These economic trends mirror population movements. The Western Cape and Gauteng increasing their proportion of total population, and every other province decreasing their proportionate share (Harrison 2014). These trends are relatively positive, as it points to an aligning of population location with economic location, two phenomena which were artificially separated by apartheid. The future role of the homelands and rural areas remains a question.

Within settlements the story is bleaker. Steedley (2014) has reviewed the location of affordable houses in the South African metros. She found that in the majority of metros, these houses were located on the periphery public and had limited access to cultural amenities and centres of employment. Thus while on a national scale there is a growing alignment between population and jobs, within the settlements themselves the poor and working class are largely marginalized.
Financial Inclusion

In terms of financial services, we have seen a radical shift in banking services provision in South Africa between 2004 and 2014, with overall access to banking services increasing by 29% (Finmark Trust 2014). There are a number of reasons for this. Firstly, a number of the banks have made a concerted effort to expand into previously disadvantaged areas. Secondly, a number of retail outlets have begun to offer banking services (ibid). Thirdly, the increased access to cell phones and launch of cell phone banking has helped increase access to financial services (Shambare 2011).

![Figure 5 - Financial Inclusion (Source: Finmark Trust 2014)](image)

Shelter and inclusion

Housing is a relatively problematic area within South Africa, given that from 2001-2011 the number of households living in informal settlements grew by 126,502 (Turok & Borel-Saradin 2014) despite the provision of 2.8 million subsidised houses in South Africa between 1994-2014 (RSA: The Presidency 2014c). There have been a number of criticisms of the South African housing program with a number of studies indicating a dissatisfaction with the quality and final housing product delivered as part of the subsidy housing process (Tomlinson 1999, Charlton & Kihato 2006, Darkwa 2006, Tissington 2010, and Aigbavboa and Thwala 2013). Subsidy houses have in some cases been identified as being worse than shacks, resulting in particular in higher levels of diarrhoea and worsening TB (Govender 2010, 2011a & 2011b). In addition, these housing developments have largely been built on the periphery of settlements, away from job opportunities and urban amenities (Harrison & Todes 2013).
What is equally worrying is that while there is increasing rhetoric on shifting to focusing on informal settlement upgrades, the evidence does not support the notion that this is actually happening in practise, as shown by the adjacent graph. The latest annual report indicates that this trend has continued, with only 41 224 serviced sites delivered in 2013/2014, and only 103,130 top structures built in this period.

The one area of note has been the revival of social rental housing, with 55,339 units built during 1 April 2010-31 March 2014. While this is only two thirds of the target set for this house program, it is a definite step forward from past post-apartheid housing practise, which largely ignored rental housing.

**Urban transport**

South Africa similarly has a poorly performing transport system, which is highly unequal. For instance, only 14.9% of private motor vehicle drivers exceeded the international threshold of a work trip taking no longer than 60 minutes (one-way), but 26% of passengers who travelled by taxi (26.5% of all work trips) exceeded the international threshold of a work trip taking no longer than 60 minutes. In total, 22.3% of South Africans spend more than 60 minutes (one-way) travelling to and from work (StatsSA, 2014c).

One of the key issues in this regard has been an overemphasis on municipalities attempting to begin public transport service providers through creating Bus Rapid Transport (BRT) systems, as opposed to assisting existing operators such as muni-bus taxis. The decisions of municipalities in this regard have been relatively questionable, with in the case of Cape Town (one of two municipalities to actually launch the BRT service by 2015), the overall share of public transport trips taken on the BRT service is relatively low, and the overall cost recovery model failing (Ugo 2014, Behrens and Grey 2013; Tennant 2015).

However, to understand the failings of this model, one must also consider the missed opportunities that could have been followed. The most obvious of these was the much simpler and cheaper route of designating existing freeway lanes as bus and minibus priority lanes, as occurred in 2007 in Cape Town along the N2. This relatively low cost initiative resulted in a saving of 19.16 minutes for busses and taxis using this lane, and for general vehicles not using this lane, they also saved approximately 5.15 minutes (Tichauer and Watters 2008).

This comparison between a simple, cost effective intervention which works with existing operators, and which has had a major impact both on private and public transport in Cape Town, versus the very costly and relatively ineffective myciti initiative is a significant lesson for other South African municipalities.

Another key issue within the transport sector is that of road accidents which were responsible for the death of 13 923 people in 2010, and accounted for 2.54% of all deaths in South Africa in this
period (Denoon-Stevens 2014). This is a serious area of concern which at present is not been given the attention it deserves, in particular with regard to the design of road layouts (Jobanputra 2013)

Inclusive Cities and Urban Safety

High crime rates and the perception of South Africa as a dangerous place have affected social life and the structure of cities (CoGTA, 2014). According to Petrella (2007), after Brazil, South Africa is the country where people most fear walking home at night. In particular, the metropolitan central business areas were in 2007 some of the most dangerous areas in South Africa with regard to violent crime (Lancaster, 2007). However, it is generally impoverished areas that have the highest violent crime rates, while wealthy residential areas have a high incidence of robberies, burglaries and carjacking (Brodie: online.)

In response to crime the large metros have adopted crime prevention and management programmes (Gotsch et al., 2013, Van Huyssteen & Oranje, 2003) with variable degrees of success. While some of the secondary cities such as George mention safety in their IDPs, the commitment in terms of strategy and budget is low (Gotch et al, 2013). Work undertaken by the CSIR on participatory approaches to crime prevention demonstrates that such methods hold potential (Liebermann & Coulson, 2004; Landman & Lieberman, 2005).

While the state’s approach to dealing with crime is more effective and visible policing, crime prevention and community involvement (Gotch et al, 2013), many citizens have opted for gated communities. These range from ‘urban villages’ or security complexes constructed as an entity to ‘enclosed neighbourhoods’ what entail the closure of public streets and places (Landman & Schönteich, 2002). When large areas are ‘gated’ including the contiguous enclosure of smaller areas, there are disruptions to the urban system; traffic patterns are changed with longer trip times, pedestrians and cyclists are disadvantaged, emergency services are unable to reach people in need quickly and certain services such garbage removal are compromised (Landman, 2004). In addition, they contribute to social exclusion and a new form of separate development (Duriington, 2006). Effective policy to manage not only the cause (crime) but also the response (Landman, 2004).

Another response to ‘crime and grime’ are city or business improvement districts in an effort to retain the value and attractiveness of the area to shoppers, residents and investors. Such districts are geographically defined areas where the property owners have agreed to contribute a special levy. This levy is used for ‘top-up’ services, i.e. over and above provided by the local authority and generally includes additional security, information through security guards, street cleaning and waste/litter removal and removal of illegal signs and posters and physical improvements such as street lighting. Some City Improvement Districts provided additional services such as the support of homeless communities. The management of the city improvement districts is undertaken by not-for-profit companies especially established for this purpose and are intended to work in partnership with the municipality. In 2008 there were thirteen city improvement districts in Johannesburg, Cape Town, Tshwane and Durban (Heimann & Oranje, 2008).

The introduction of city improvements districts has been criticised as a neo-liberal plan to regain control over inner cities and compensate for the lack of municipal services, (Didier et al. 2012, Didier et al., 2013) and a means of “the city business district from unsavoury persons (Miraftab,

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8 According to the Gauteng City Improvement District Act, 12 of 1997, 51% of property owners, representing 51% of the property value must consent to the CID.
The private policing of public spaces is another concern, particularly where there are multiple agencies responsible for security (Berg, 2004). Paasche (2012) confirms the creation of spaces such as city improvement districts are created by differing values. Here public spaces are controlled by private ‘governments’ (i.e. the management companies) that exert authority by excluding some (e.g. street children and sex workers) and control others such as parking attendants. Thus, while some argue that without these policing schemes, large parts of the middle and upper classes would not make use of public space at all. In these terms, the old [apartheid] segregation order is not only evident in the gated community and the shiny mall, but also in public spaces with a private government; meanwhile, the vagrant population and undesirables cumulate on the borders” (Paasche, 2012: 55).

The healthy city

Over the past three decades there has been a growing amount of literature on healthy cities. Besides the links between clean water and effective sanitation, there is a recognition of the role of local government in the health of residents (Werna et al, 1998; Kenzer, 1999; Dannenberg et al. 2011; Coburn, 2013). This includes problems associated with urban sprawl and reliance on motorised transport, and private cars in particular as well as the effects of inequality on urban health (Smit & Watson, 2011; Coburn, 2013, RTPI, 2014). However, there is very little South African literature that reviews programmes for healthy cities, let alone local government programmes for improved urban health.

6. Sustainable Cities

Introduction

The aim of this section is to overview the key factors currently affecting the sustainability of local government, specifically looking at physical and environmental attributes.

Renewable energy

This is one area in which South Africa is making steady progress with a number of notable achievements in implementing renewable energy generation options. The intention is to have 45% of energy coming from renewable energy sources by 2030 (Papapetrou 2014). Already, (2015) as much as 4,233 MW (which is roughly equivalent to 2.35 times the output of Koeberg) has been procured in South Africa through various renewable energy technologies (Joemat-Pettersson 2015).

Currently, South Africa has the capacity to produce 784 MW of Solar Power, ranking it 10th in the world for solar power generation (Solar Wiki 2015), and 570 MW of wind power (the wind power 2015), placing South Africa 34th in the world for overall wind power generation (Wikipedia 2015).

Climate Change

While the exact impacts of climate change are still to be seen, it is estimated that South Africa will face the following trends:

- Warming of the interior regions by as much as 5°-8° C.
- Wetter conditions in the east of South Africa.
• An increase in extreme rainfall events and extreme droughts.

With regard to specific adaptation strategies, there is evidence of a number of municipalities adopting climate change adaptation policies. However, that there is less evidence that these plans are being implemented (Ziervogel et al 2014). For coastal municipalities this is in particular an issue of concern, given the current impact of sea level rise and increased severity of flooding events.

**Environmental Health**

In terms of environmental health, South Africa faces a quandary: despite increasing provision of basic services, in particular water and sanitation, there has been no reduction in diarrhoea related deaths, which is one of the main proxies for poor sanitation (Pegram et al 1998). For instance, in 2013 as many as 15 670 deaths were attributed to diarrhoea, which comprised 3.4% of total deaths in South Africa. In 1997, there were only 6,236 deaths due to diarrhoea, which amounts to 2.5% of all deaths in 1997 (derived from StatsSA 2005 & 2014a). Based on this, it appears that environmental health issues have grown worse since 1997, despite a supposed improvement in basic service provision.

The reasons for this are not altogether clear; however, some possible causes are indicated in the literature. Firstly, the use of river water for drinking, cleaning or recreational purposes. In particular the issue here is that many wastewater treatment plants are inadequately treating sewer water, and the outflow from these plants still contains pathogens that can lead to diarrhoea (Momba et al. 2006 & Okoh and Olginosa 2010). Any individual using this water is thus susceptible to disease. Secondly, the growth in informal settlements (Turok & Borel-Saradin 2014) in South Africa may indicate an increased exposure to unsanitary conditions, despite the presence of taps and toilets. Thirdly, Govender et al (2010, 2011) have clearly shown that the sanitation practices of state subsidy housing recipients, and the structural failures and poor design of sanitation infrastructure of the RDP housing settlements sampled were likely a major contributor to the prevalence of diarrhoea in these settlements.

**Air pollution**

The state of air quality in South Africa is still a major area of concern, but in some respects there has been some relatively major progress. For instance, as the adjacent graph shows, SO$_2$ levels have been decreasing since 1996 and are currently, on average, well below the international threshold for good air quality.
However, the battle that is been lost is with regard to fine particulate matter (PM10), where high levels can lead to worsening respiratory symptoms, more frequent medication use, decreased lung function, recurrent health care utilization, and increased mortality (DEA 2013b). At present, average PM10 levels in South Africa are around the National Ambient Air Quality Standard, indicating that in parts of South Africa it likely that this threshold is being exceeded on a regular basis, which is a major issue of concern, given that air pollution caused an estimated 4637 deaths in 2000, and 42 219 years lost annually (Norman et al. 2007).

In terms of the source of pollutants, it is estimated that household fuel burning was responsible for 68% of health costs, vehicle emissions 13%, industrial and commercial fuel burning for 13%, and power generation for about 6%. It must however be noted that this is highly variable, with certain parts of South Africa having as much as 88% of pollutants coming from industry, commercial and mining, with other areas having almost no emissions from these sources (Scorgie, 2012).

**Water**

Of all the issues related to sustainability, this is potentially the area of greatest concern. There is no longer any doubt that South Africa is facing a water crisis, with demand already surpassing what is regarded as a sustainable level of supply, with all available freshwater resources already being fully utilised. Thus it is highly likely that water scarcity will both impede future economic growth, as well as lead to frequent water shortages across the country (Hedden and Cilliers 2014). Specifically, it is estimated that by 2030, the gap between supply and demand of water will reach 17% (Boccaletti et al 2010).

Given that physical interventions around increasing water supply are either no longer feasible (e.g. new dams), or highly costly (e.g. desalination), the most logical way forward is to reduce demand. And there is adequate opportunity for this. For instance, as mentioned earlier in this report, a conservative estimate is that as much as 35-45% of irrigation water is being lost in the process of transferring water from the dam to fields, and at least 36.8% of municipal water is being lost, largely through pipe leakage. This means that simply by reducing water losses, current water supply could be increased by as much as a third (Hedden and Cilliers 2014).

Secondly, South Africans in general use more water (235 litres per day) than the global average (173 litres per day). Noting this, there are a number of ways that freshwater usage can be reduced.
For instance, treated sewerage water could be used for agricultural and industrial purposes, and for domestic irrigation purposes (e.g. golf courses) (Hedden and Cilliers 2014). Other ways water usage can be reduced is through requiring that new developments have a greater building coverage, and thus smaller gardens to water, or plan low water demand gardens. Another major opportunity is the replacement of sanitation systems with either waterless, or water efficient devices, and encouraging the usage of grey water systems.

As such, local government will in the years to come have an increasingly significant role to play in reducing water losses and encouraging more efficient water usage, given that they would be logistically and constitutionally the best placed public sector agency to drive these initiatives.

Alien invasive plants

The most recent estimates of alien invasives we have places the total invasion by these plants at 1.813 million condensed hectares in South Africa in 2008. The impact hereof is of great concern, as they are estimated to consume a total of 3.3 million cubic litres of freshwater, which is 6.7% of total freshwater resources in South Africa. Furthermore, these alien species, which are not palatable to livestock, reduce the overall grazing area / potential in the arid and semi-arid regions of South Africa, and provide a greater fuel load to wildfires, increasing the intensity and severity of these burns (van Wilgen et al., 2012). The economic cost is estimated at ZAR 6.5 billion in 2008 (De Lange and van Wilgen 2010).

While the Working on Water program has had some notable successes in clearing alien invasive plants, with one estimate indicating a possible reduction of impacts from ZAR 41.7 Billion to the previously stated R6.5 billion (De Lange and van Wilgen 2010), on the whole this program has been ineffective at stopping the spread of alien invasives (van Wilgen and de Lange 2011). Given this, urgent action is required to counter this very real threat to agricultural productivity and freshwater resources.

Land degradation

It is estimated that as much as 41% of croplands and 55% of forest land is classified as degraded, resulting in an average loss of net primary productivity (NPP) of 29 kg/C/ha/year (Bai et al., 2008). There is also a clear correlation between the location of the former homeland areas and areas of land degradation which are also usually areas of high poverty (Wessels et al, 2004). However, land degradation is not confined to these areas (Bai et al., 2008).

Natural disasters

Worryingly, there is very little data on the overall impact of natural disasters in South Africa, with most of the information being anecdotal. Roughly, we know that there are on average 30,000 wildfires burning 3 million hectares of land in SA every year (WOF 2015). In terms of floods, we know that the risk of serious flooding in any one year is 83.3%, with 1067 lives lost in the 77 major floods between 1982-2010 (Zuma et al 2012). In terms of droughts, there is minimal conclusive evidence of the cost to the South African economy. One of the more worrying estimates places the impact of the 1991 South African drought as decreasing economic growth in that year by as much as 1.8% (Pretorius and Smal, 1994). Clearly, substantial more research and effort needs to be put into understanding natural disasters in South Africa.
Currently, there are moves afoot to amend the National Disaster Management Act, with these amendments increasing the impetus for local municipalities to build capacity, draft disaster management plans and be involved in disaster management. It should also be noted that currently the National Veldfire Amendment Bill is currently being processed by the Minister of Agriculture, Forestry and Fisheries. If the bill is passed in its current form, it will compel municipalities and public entities to join Fire Protection Agencies where their land is at risk of wildfires, and also compel Municipalities and Traditional Leaders to establish Fire Protection Associations if deemed necessary by the minister. It will also enable municipal peace officers and traditional leaders to enforce the act.

Given this, it will become increasingly important for municipalities to take account of natural disasters in the years to come.

Not all disasters are large scale: many are small, ‘everyday disasters’ that disproportionately affect the poor. These small events such as traffic accidents or flooding with loss of assets or illness where rainwater mixes with sewerage and pollutes wells (Pelling & Wisner, 2009; Hamdi, 2004). These small events may not be noted or enumerated, but their cumulative effect on households and livelihoods can be overwhelming (Pelling, 2003).

**Fish stocks**

In terms of commercial line fishing, 68% of species caught are considered to have ‘collapsed,’ and 11% are considered fully overexploited. Offshore resources are faring better, with only 14.8% species counted as being overexploited, and no species have collapsed, but noting that 29.6% of fish species status remains uncertain. Given that 127,000 people in 2008 were directly or indirectly working in the fisheries sector, and the fact that fisheries make up 0.5% of South Africa’s GDP, this is a critical sector to monitor and assist so as to prevent the overexploitation and degradation of this valuable resource.
What does this mean for local government?

“It’s easier to break something than create it.” — Marie Rutkoski: The Cabinet of Wonders

Introduction

The importance of South Africa’s large cities to the wellbeing of the nation cannot be underestimated. The metros alone are home to over 40% of the population but their contribution to the economy is significantly higher. Most growth in employment has also occurred in the larger cities and on aggregate, incomes are higher (Turok & Borel-Saladin, 2013). Local government is also viewed as being closest to the people and is thus regarded as the most appropriate sphere of government for implementation of the development agenda as reflected in the Constitution.

Given the extent of the local government transformation and the constraints under which it has to function, the results that many municipalities have accomplished are impressive. Building a new system, with new responsibilities, new geographic areas, new legislation, policies and systems cannot happen overnight. Rebuilding a defective system, located in dysfunctional spaces, is far more difficult than creating a new one de novo. It has demanded local government to move from one trajectory or attractor to another; a move that requires considerable energy to achieve. There is therefore reason to celebrate the successes of local government – particularly of the large cities that play such a pivotal role in the country.

As critical as local government is for the development of South Africa as an inclusive, equitable, sustainable and productive nation, so are the challenges it is facing. These problems do not belong to local government alone but are the responsibility of the entire nation. Solving them will require a long-term commitment to appropriate strategies, built with a long range vision of the future that moves away from a myopic fixation on ‘quick and visible, low hanging fruit’.

The discussion that follows will firstly draw together the key issues drawn from the preceding literature review and then links these to the SACN outputs.

7. The key issues

Although this review has identified a number of problems facing local government, this section will be devoted to the five key issues that will influence the future and thus drive the SACN knowledge generation and dissemination initiatives. These are, the failure of basic service delivery to influence socio-economic development in South Africa, the current electricity and impending water crisis, recognising, mitigating and preparing for natural disasters, urban economic development, and governance.

The failure of basic service delivery to influence socio-economic development in South Africa

There is a conundrum in South Africa that at present that despite increased access to basic services, and increased access to goods, the main development indicators (HDI and Gini coefficient) and the proxies for improved sanitation (percentage of deaths attributable to diarrhoea) have either remained unchanged, or have deteriorated in the last decade. The cause behind this disjuncture is not yet clear, but needs to be investigated. If we are not seeing any
measurable improvement in people’s lives after providing basic services, then there is clearly something fundamentally wrong in how we are providing basic services in South Africa.

**The current electricity and impending water crisis**

Without water and power, it is highly unlikely that South Africa will be able to attain the economic growth it needs to attain in order to foster socio-economic development and a sustainable economy. Yet, at present it is unlikely that Eskom will resolve the power crisis soon, and it is equally unlikely that there will be access to any new freshwater resources in short to medium term.

Given this, the challenge to local government is to find new ways to procure electricity, potentially through the use of small-scale embedded electricity generation, and to encourage energy efficiency in both public investment and through the regulation of private industry. In terms of fresh water, the challenge to local government is to reduce municipal and irrigation water leakages, to encourage waterless and water efficient sanitation, and to encourage water wise behaviour by consumers.

**Recognising, mitigating and preparing for natural disasters**

The toll of natural disasters in South Africa is at present very unclear, but what is clear is that the annual toll of these phenomena (floods, fire and drought in particular) runs well into the billions of Rands. Local government has a pivotal role to play with regard to preventing and mitigating natural disasters. It can do this by ensuring its land holdings and investments do not pose a threat, prudently considering the threat of natural disasters, as well as through regulation, ensuring that households and the private sector adequately mitigate against natural disasters, for instance, preventing building within flood zones or requiring an adequate fire break for fire prone properties.

**Urban economic development**

One of the mandates of local government is the promotion of social and economic growth. Notwithstanding the slow growth of the national economy, the largest metros and some intermediate cities have growing economies that, to a large extent, support the remainder of the country. The rate of employment growth has been in step with population growth in the metros and throughout the country, but is not sufficient to absorb the job seekers (Turok & Borel-Saladin, 2013; Harrison, 2014). Consequently there has been little change in the unemployment rate which influences the levels of poverty.

In declining local economies, the economic prospects are much worse; the unemployment rates and the poverty levels are higher. As property rates are determined by the local economic base, a depressed economy means reduced income from property taxes and an indigent population cannot pay service charges. These municipalities require innovative and effective strategies to attract investment, generate wealth and create employment. However, they are generally the municipalities least able to do so due to human and financial resource constraints.

The metros, despite their positive economic growth rates, also need to grow their economies in order to expand their rates base and fiscal base to meet the demands posed by the growing population for services and shelter. With poverty rates between 27 percent and 46 percent (Alexander & Kane-Berman, 2014), cross subsidisation from more affluent residents and
businesses will be essential to fund these demands. In promoting economic development an inclusive approach that woos big business, courts and supports small enterprises in both the formal economy and the home-based business and craft enterprises and survivalist street traders in the informal economy is required.

Many of South Africa's secondary cities have failed to profit from the agglomeration economies and potential of their local economy (Turok & Borel-Saladin, 2013). They clearly have much to benefit from economic development, and there are numerous case studies of successful development or regeneration of a local economy (Donaldson & Marias, 2012). Smaller centres and rural areas that have limited economic growth potential may have less options and may need to focus on social development, creating the skills that residents require to succeed in a more urban environment (Wessels, 2012; RSA, 2003).

The Constitutional mandate does not differentiate between metros and rural areas in its obligation to that local government promote social and economic development. The Municipal Systems Act (RSA 2000) requires municipalities to include their local economic development aims and initiatives in the integrated development plan. The phrasing of this requirement is vague enough to avoid the necessity of undertaking locally specific research, preparing and implementing effective and appropriate local economic development strategies for the municipality in question. The limited emphasis on local economic development and the lack of personnel with the necessary skills to undertake this work are among the reasons for the limited success of LED in local government (Rogerson, 2011). However, the promotion of economic development is not an optional extra according to the Constitution.

The failure of local economic development and the need to grow the economy and create jobs that can absorb the unemployed demands a more concerted effort by the state to build capacity within local government with respect to promoting economic development (Rogerson, 2011). There is a clear role for the SACN in this arena.

(Not so good) governance

The litany of problems besetting local government in the literature review paints a dismal picture. Even the 20 Year Review of Local Government (RSA 2104a) uncharacteristically opens with a policy summary of the areas that need attention rather than emphasising the successes over the past twenty years. Table 1 demonstrates that the same systemic problems that local government was designed to solve still hamper effective local government at present. After fourteen years, many of the same solutions to the same problems are being presented: improve revenue collection, co-operative governance, management and operational capacity, and deal with political interference and corruption (RSA 2014a, Auditor General, 2015). But if these plans have not worked (yet), will pursuing the same strategy yield different results?

One option that is being considered is the revision of municipal categories and functions (Ovens, 2013, Kruger, 2012). Others that may not be politically acceptable but may stimulate a conversation are mentioned below.

Reducing the physical area of some local municipalities may result in more functional municipal boundaries and more effective service delivery. Reducing the size of the municipality may increase the number of wards and enable more direct contact between councillors and the electorate. Furthermore, it may enable councillors to focus on the needs of specific constituencies rather than trying to manage the conflicting demands of different groups (De Visser 2009).
To increase accountability to citizens, the percentage of proportional representation councillors could be reduced (subject to provision being made for minority parties and traditional leaders) with the majority being ward councillors. This may swing the accountability to the community rather than the party (Alexander and Kane-Berman, 2014).

Perhaps local government has fostered dependency and not development. “Since 1994 there has been a growing culture of dependency on the state. Communities in townships and informal settlements have increasingly sat back, expecting the state to provide everything for them” (Chikulo, 2013: 52). “South Africa has become an entitlement state. People have come to expect that the State will provide them with houses, water, electricity, free education, and the like. When people see their neighbours obtaining these things, their own dissatisfaction mounts as they become impatient for their own turn to come” (Alexander & Kane-Berman, 2014: 25). Local government need to deal with the culture of entitlement and dependency that limits agency and responsibility to become government that works with communities to find sustainable ways of improving their lives.
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