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# Mangaung State of the Cities Report

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## Acknowledgements

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## Introduction

The last State of Cities Report noted that cities need to transform their spaces and economies, to place accountability and capability at the centre of managing cities and to have the necessary financial and human resources to transform (SACN, 2016). Cities also need their institutional arrangements to support performance, and power and governance structures that enhance the voice and role of local actors.

The 2021 State of Cities Report focuses on governance, which refers broadly to a multiplicity of arrangements between elected leaders, societal actors and service providers.

The segregated and fragmented colonial and apartheid planning created Mangaung, a city that is beset with inefficiencies and inequalities. Addressing these historical problems is no easy task (Marais, 2021), nor is revitalising the city's economy. Mangaung's economy is smaller than that of other metros and, despite being an important regional centre, it lacks any large enterprises or headquarters of national or multinational corporations. This inland city has no significant global connections and no port, and its dominant economic sectors are government services and regional services (an historical function).

This case study assesses through a governance lens three projects that are aimed at addressing the city's spatial and economic legacies: the airport node development, the Waaihoek precinct and the Naval Hill redevelopment. The governance lens focuses on five themes: intergovernmental relations, the capability of the State, an all-of-society approach, political-administrative interface and ethics.

After providing an overview of the municipality's history, demographics and economy, the municipal strategy and governance are described. This is followed by a discussion of the co-created narrative for the three projects, which concludes with an analysis of the governance insights. The final section is a set of recommendations for governance in Mangaung, while the Annexure gives an overview of the report's methodology.

## Municipal Overview

Mangaung is one of eight metropolitan (Category A) municipalities in South Africa and is the capital of the Free State Province. It was formed in 2001, as a local municipality, when Bloemfontein, Botshabelo and Thaba Nchu were merged. Bloemfontein is the core urban area and has always been a regional services centre for surrounding agricultural areas and small towns (Marais & Twala, 2021).

Mangaung is a "microcosm of apartheid planning", comprising Bloemfontein, "one of the ideal apartheid cities"; Botshabelo, "an ethnic city for the Sotho, a catchment area for canalised urbanisation and surplus blacks in the province"; and Thaba Nchu, "an exclave of 'independent' Bophuthatswana" (Krige, 1991: 104–119). After 1969, black people were redirected from Bloemfontein to Thaba Nchu and, a decade later, Sesotho-speaking people were forcefully relocated from Thaba Nchu to Botshabelo. This was because Sesotho-speaking people did not fit into the apartheid state's plan to incorporate the "ethnic city" of Thaba Nchu into the "homeland" of Bophuthatswana.

Apartheid planning resulted in a fragmented spatial form and low densities over an area of approximately 65 km. Suburbs developed according to race and were divided by buffer strips, railway lines and industries, resulting in three industrial development points, daily commuters and long-distance migrants. In 2001, the merger of these three urban areas created the potential for an integrated planning system, as Bloemfontein, Botshabelo and Thaba Nchu had always been functionally one area. However, finding appropriate ways of integration and planning for higher densities remains a challenge.

Following the establishment of the Mangaung Local Municipality, two other events occurred. In 2011, the Municipal Demarcation Board (MDB) declared Mangaung a metro. Mangaung's application to become a metro had gained momentum after the city played a prominent role in hosting the soccer World Cup in 2010 and needed more budgetary independence (Subramanyam & Marais, 2021) – Category A municipalities can negotiate their budgets directly with National Treasury. This resulted in the city losing its link with the broader regional economy because it was no longer linked to a district municipality. However, this rural link was re-established when in 2016, the MDB amalgamated Naledi Municipality (and the small town of Soutpan) and Mangaung. This amalgamation coincided with Mangaung having to write off more than R62-million in 2017/18 (AGSA, 2018).

Mangaung is the birthplace of the ANC, and in 2012, the ANC held its 53rd national conference in the city to celebrate the party's century of existence. These celebrations went hand-in-hand with the upgrading of the Wesleyan Church in Waaihoek, which is the official birthplace of the ANC, and the city had to take advantage of this historical role.

## Space, People and Economy

The current population of Mangaung is 878 834, which is predicted to grow to slightly to over 900 000 by 2021 (Table 1). In 2016, the addition of Naledi (Dewetsdorp, Wepener and Van Stadensrus) and Soutpan increased the population by just over 100 000 people. Most of the population lives in Bloemfontein, which has the fastest population growth in the metro. However, some outlying areas still have a significant number of people living in poverty.

**Table 1: Population growth of Mangaung (1880–2011)**

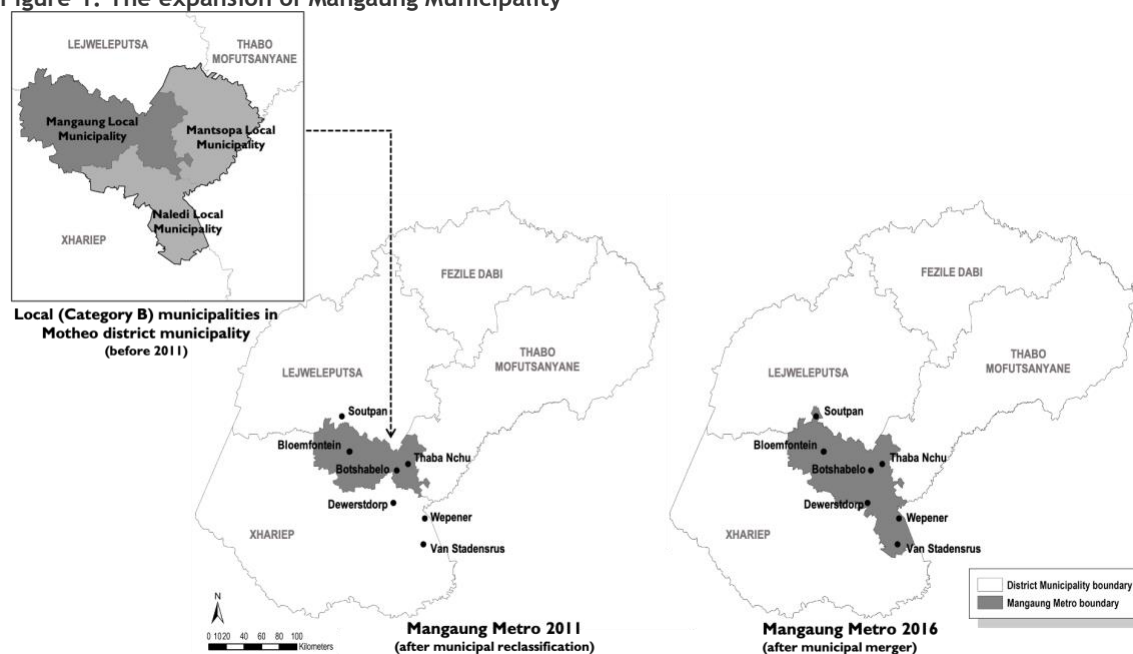
	Bloemfontein	Botshabelo	Thaba Nchu	Wepener/Dewetsdorp/Van Stadensrus/Soutpan	Total
1880	2 567		13 452		16 019
1890	3 379		18 469		21 875
1904	33 883		20 201		54 084
1911	26 925		25 251		52 176
1951	109 367		33 775		143 142
1980	221 080	64 036	56 602		341 718
1985	236 463	148 383	64 034		448 880
1989	270 000	170 000	70 000		510 000
1991	299 708	177 259	62 474		539 441
1996	358 066	172 348	77 455		607 869
2001	405 695	175 561	79 981		660 937
2011	504 657	181 172	73 570		759 399
2016 Community Survey	524 777	246 631		16 522	787 930
2019 Estimates in the IDP	546 568	290 055		42211	878 834 (1.6% Increase)
2021 Estimates					900 000+

Sources: Krige (1991); Mangaung Metropolitan Municipality (2020a)

Note: The population figures take into account the substantial change in the boundaries of Mangaung which only formally came into being in 2001.

The expansion of Mangaung meant that, in addition to serving more people, the city had to provide services over a larger geographical area (Figure 1).

Figure 1: The expansion of Mangaung Municipality



Source: Subramanyam and Marais (2021)

Economically, Mangaung has always played an essential regional services function, which currently reaches into Lesotho, the Northern Cape and the northern parts of the Eastern Cape. Founded initially as a trading post, the city served surrounding agricultural areas and small towns, while higher-order services (education, sports, events and healthcare) have become important in recent decades. The city is home to private and public hospitals, two universities and various boarding schools that attract people from the rural hinterland far beyond the boundaries of Mangaung. Table 2 provides an overview of the contribution and growth of the different economic sectors in Mangaung.

Table 2: Economic and employment trends in Mangaung (1996–2018)

Economic Sector	Gross value added (GVA)			Employment			
	%	%	Growth <sup>#</sup>	1996 (n)	2018 (n)	% 2018	Growth <sup>#</sup>
Agriculture	3	1	0.6	13 412	9 290	4	-1.7
Mining	2	2	7.8	1 563	3 761	2	4.2
Manufacturing	7	5	2.4	16 911	12 738	6	-1.3
Electricity	4	2	1.4	1 386	2 440	1	2.6
Construction	3	3	3.2	10 178	11 792	5	0.7
Trade	22	21	3.1	24 674	37 651	17	1.9
Transport	11	12	3.9	6 551	8 427	4	1.2
Finance	16	22	4.6	26 919	32 819	15	0.9
Community service	32	32	3.2	44 321	72 601	32	2.3
Households	n.a	n.a	n.a	14 591	31 949	14	3.6
Total	100	100	3.4	160 505	223 470	100	1.5

Note: <sup>#</sup>Annual growth, 1996–2018

Between 1996 and 2018, GVA grew by 3.4% per year, which was similar to economic growth rates in other metropolitan areas in South Africa. The trade, finance and community services sectors experienced considerable employment growth.

The city governors have always aspired to develop an industrial base for the city. The first significant attempt was in the early 1980s, when the apartheid government provided decentralisation subsidies to encourage industrial development. The result was the development of industrial parks in Botshabelo and Thaba Nchu and an envisaged industrial development at Bloemindustria (halfway between Bloemfontein and Botshabelo). However, when the post-apartheid government phased out these subsidies, the Thaba Nchu industrial park collapsed and Bloemindustria never got off the ground. The industrial park in Botshabelo continues to operate, but manufacturing activity levels have dwindled. The Department of Trade and Industry has contributed extensively to revitalising this industrial park, and a second phase of this project is in the pipeline.

## Strategy

Three primary documents guide strategic thinking in Mangaung: the Integrated Development Plan (IDP), the Built Environment Performance Plan (BEPP) and the Spatial Development Framework (SDF). Mangaung does not have a growth and development strategy.

### The IDP

The IDP's vision is for Mangaung to be "globally safe and attractive to live, work and invest in", which will be achieved through five broad strategic outcomes (Mangaung Metropolitan Municipality, 2020a: 27):

- Providing democratic and accountable government for local communities,
- Ensuring the provision of services to the city's communities in a sustainable manner,
- Promoting social and economic development to the residents of the Mangaung,
- Promoting a safe and healthy environment, and
- Encouraging the involvement of communities and community organisations in the matters of local government.

Each strategic outcome describes a specific goal but does not include particular indicators. Mangaung identifies five developmental priorities: spatial transformation, economic growth, service delivery improvement, financial health improvement and organisational strength. The use of a range of catalytic projects to address spatial change and economic growth is central to the repositioning of the city.

### The BEPP

Mangaung compiles a BEPP, which all Category A municipalities must do in order to access the human settlements, urban development and infrastructure-related grants. To achieve Mangaung's strategic objectives of balancing the provision of well-located serviced land to poor communities and ensuring economic growth and job creation, the BEPP includes the following objectives (Mangaung Metropolitan Municipality, 2019: 71):

- Identifying appropriately located land which can be serviced cost effectively,
- Creating sustainable human settlements through undertaking housing developments with secure tenure, which establish and maintain habitable, stable and sustainable public and private residential environments,
- Ensuring viable households and communities in areas, allowing convenient access to economic opportunities, health, educational, social amenities, potable water, adequate sanitary facilities and domestic energy supply,
- Correcting spatial disparities through cautiously planned developments and ensuring integration between housing and other service sectors, such as the economy, infrastructure development, roads, transport, education, health, safety and security, as well as a myriad other municipal services.

The IDP and the BEPP identify several catalytic projects that are mostly aimed at increasing densities in order to implement a public transport system. Although the municipality has made little progress in implementing a public transport system, the higher densities should benefit middle- and low-income households in terms of money spent on transport.

### The SDF

The SDF provides six broad spatial objectives aimed at achieving "a balance between development and the environment" and ensuring that "growth is spatially just, economically viable and environmentally sustainable" (Mangaung Metropolitan Municipality, 2020b: 81–84):

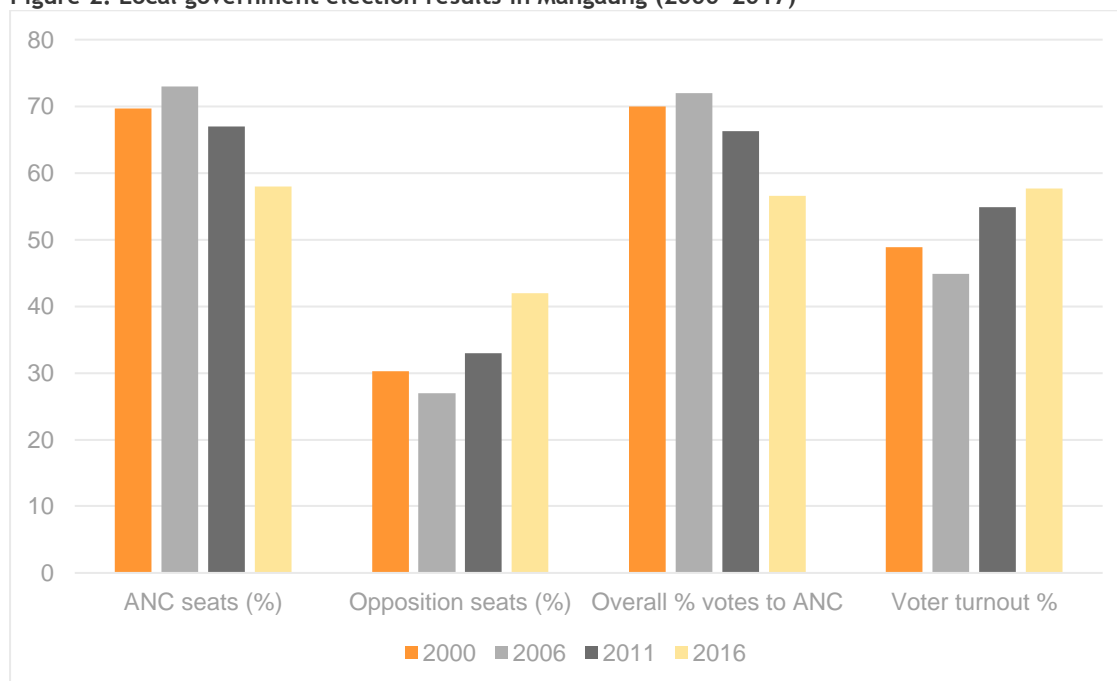
- Facilitate the protection and sustainable management of natural environmental resources.
- Direct and align growth to capacity, resources and opportunities in relation to a metropolitan settlement hierarchy.
- Optimise regional connectivity and mobility, as well as local access and accessibility, via a comprehensive movement network.
- Facilitate the establishment of sustainable human settlements in all identified nodes.
- Align metropolitan infrastructure maintenance and construction programmes with spatial development initiatives.
- Identify and optimally utilise economic development opportunities in a sustainable manner.

Overall, Mangaung appears to have appropriate strategies in place, suggesting adequate institutional planning capacity. However, the BEPP's emphasis on urban management inefficiencies show that urban management concerns remain. These concerns are likely to have profound long-term financial and economic implications and are already visible in the municipality's state of finances.

## Governance Overview

In 2016, the ANC convincingly won the local government elections, taking 56% of the vote, while the DA received 26%, the EFF 8% and the VF+ 2%. The ANC won 37 of the 50 wards contested and held 57 of the 93 seats, while the DA and the EFF won 27 and 8 seats respectively. However, support for the ANC has deteriorated, from 70% in 2000 to 56% in 2016. In contrast to the national decline in voter turnout, in 2016, Mangaung had the highest voter turnout (at 57%) since the 2001 local government elections.

Figure 2: Local government election results in Mangaung (2000–2017)



If the decline in support for the ANC continues, the party could lose its majority in the 2021 local government elections. Furthermore, the declining number of seats have brought the ANC's divisions to the fore and contributed to the municipality's governance problems. Three events have had consequences for the current governance situation in Mangaung:

- i. In December 2019, the provincial government placed Mangaung under administration, making it the first Category A municipality to be placed under administration. This decision was taken because of concerns over the lack of progress in implementing the voluntary and council-approved financial recovery plan agreed to between Mangaung and the National Treasury in mid-2018. Several reasons contributed to the decision: a rising municipal financial deficit, underspending of conditional grants and urban inefficiency concerns (mostly around water losses), all of which had been reported in the municipality's audited financial statements (AFS). At the time of writing, the benefits of placing Mangaung under administration were unclear. The provincial government did not dissolve the council, and some interviewees suggested a tug of war between the municipal manager and the administrator.
- ii. In January 2020, Moody's downgraded Mangaung's investment rating, mainly due to the city's inability to service loan payments to the Development Bank of Southern Africa and Standard Bank, following National Treasury withholding of grant funding in 2019. Moody's highlighted that Mangaung's liquidity problems were the result of inadequate revenue collection, increased operational expenditure, poor governance, water shortages and a rising population due to urbanisation (Moody's Investor Services, 2020).
- iii. In August 2020, the council passed a vote of no confidence in the mayor. The opposition had tabled the motion of no-confidence that was supported by several ANC councillors, which points to opposing factions within the ANC caucus. At the beginning of October 2020, the former mayor also appeared in court in a case related to corruption from when she was a MEC in the Free State provincial government.

These governance concerns point to an institution in administrative, financial and political distress. They remain a challenge, although the rest of the case study deals with governance in the context of three specific projects.

## The Co-created Narrative: Economic Revitalisation and Spatial Integration

The co-created narrative deals with three projects (the airport node development, the Waaihoek precinct and the Naval Hill redevelopment) that seek to deal with apartheid's spatial legacy and to revitalise the local economy. These projects form part of the municipality's attempt to increase densities; improve transport; create an industrial base; and link economic development, residential development and heritage (Figure 3).

Figure 3: Location of selected projects in Mangaung



### Technical

Although discussed separately, these projects are all part of the municipality's objective of integrating settlements and economic development in the east of the city.

#### Airport node development

In April 2013, then Mayor, Mr Thabo Manyoni, opened the airport node development with the following words:<sup>1</sup>

All the talk of the N8 Corridor development in Bloemfontein is something of the past; it is now a reality [...] When it comes to this development, the intention for us is to reposition Mangaung economically and financially. When this project is fully functional, the estimates were that it would be an investment of R100 billion into Mangaung's economy.

The project envisaged 11 000 job opportunities and included an international convention centre as one of the main developments. The airport node was the first significant development of the N8 Corridor project, which dates back to the first Mangaung IDP and Free State Provincial Development Plans. The N8 Corridor had to link several nodes: the central business district (CBD), the airport node, Mandela View, Botshabelo and Thaba Nchu. Although developing the N8 Corridor has always been a high priority for Mangaung, the conceptualisation and much of the initial work on the airport node development occurred during the 2011–2016 term of Mayor Manyoni.

The reasons for developing the airport node include:

- To undo the legacy of apartheid. Under apartheid, settlement planning occurred to the south of the N8 and industrial planning in the Ooseinde industrial area. Creating new settlements to the north of the industrial area represented a rethinking of the historical legacies of apartheid planning.

<sup>1</sup> Kock O. 2013. New town to rise near the airport. *Courant*, 24 April 2013, p. 1.

- To create economic activity and human settlements in the eastern part of the city.
- To provide a high-density area, as developing a public bus transport system requires nodes with higher density settlements to make it financially viable.
- To prevent further sprawl to the east, by developing settlements in this area.
- To develop an industrial base for Mangaung.

The focus on developing both new industrial stands and human settlements provided an integrated approach and focused capital investment on Bloemfontein’s eastern side. As one interviewee explained, “The city is exploring opportunities for transit-oriented development linked to socio-economic and job creation opportunities along the N8 Corridor on public land that promotes integration”.

The airport node development comprises two main components: the development of industrial stands around the airport and residential development at Estoire and Raceway Park (a private sector development). A conditional grant from National Treasury provided the original investment for the industrial stands’ infrastructure, while the private sector is fully responsible for developing Raceway Park. Approximately 4000 residential stands will be developed in Estoire. The project is still in the process of township establishment, a task being undertaken and funded by the Housing Development Agency. The industrial stands are available to the private sector, but to date very few have been sold to private-sector investors.



## Waaihoek precinct

Waaihoek precinct has substantial heritage value, being the first black settlement area in Bloemfontein and from where the first resettlement (to Batho) of black people in Bloemfontein took place. It is also home to the Wesleyan Church, where the ANC was officially born in 1912. The first phase of the project entailed upgrading the church and developing a small museum in time for the ANC's centenary festival and national conference in Mangaung in 2012.

The project is expected to take 12–16 years and takes advantage of heritage to revitalise the southern part of the CBD. Similar to the airport node development, the focus is on integrating economic and settlements initiatives, preventing further fragmentation, increasing densities and creating an inclusive city. A particular focus is on creating high densities in an interchange zone, linked to heritage and tourism. The overall intention of the project is:

- To improve linkages and accessibility to the precinct.
- To provide incentives for the private sector to stimulate commercial development.
- To accommodate informal trading.
- To provide a diverse range of housing on a large scale, both subsidised and free market-driven.
- To unlock the heritage potential of the precinct
- To provide municipal services to the area.

The plan is to use the Waaihoek Precinct as a catalytic project to develop other heritage sites, create business development opportunities and increase the residential component of the CBD, which remains low. The area will see the addition of 6500 residential units through a combination of state subsidisation and private-sector development. The project's precinct and residential components align well with the Mangaung SDF, which envisages an increase in the residential component of the CBD to the north and south.

The project is funded through the Neighbourhood Development Partnership Grant from National Treasury, but progress has been slow. About 2% of the planned project has been completed, and the current focus is on upgrading the public infrastructure around the precinct, walkways, greening and negotiating with the taxi industry for space for parking. Expenditure on the project has been slower than expected and Mangaung has not always used the allocated funds from the Neighbourhood Development Partnership Grant (AGSA, 2018). The project requires a range of complicated arrangements with existing business interests and land arrangements, and further delays are expected because of COVID-19.

## Naval Hill

In 2011, the Mangaung Council officially approved the Naval Hill redevelopment, which was identified as one of the city's flagship projects in the 2016 State of Cities Report (SACN, 2016). The overarching aim of redeveloping Naval Hill is to create a world-class tourist attraction utilising the game reserve's natural and cultural value. The project includes a range of initiatives: establishing a digital planetarium; developing the Mandela Statue on Naval Hill, restaurants and walkways; and upgrading viewpoints from Naval Hill.

The project is funded through a small portion of external grants. Progress has been slow, although the restaurant and kiosk have opened. Naval Hill attracts numerous visitors, with over 500 000 people visiting the site in 2019, and the reserve is popular among joggers and walkers. The digital planetarium, developed under the auspices of the UFS Department of Physics, which has capabilities in astrophysics, is only the second digital planetarium in Africa and builds on a long history of an observatory on Naval Hill and later at Boyden, 25 km outside the city.

## Synthesis

Both Naval Hill and Waaihoek build new economic opportunities using existing local historical and heritage assets, while the airport node development has a national and international link. Although such connections are essential, over-emphasising the city's role in the national economy could be dangerous. The rationale for both the airport development node and the CBD is creating higher densities, which are seen as crucial to the city's future, but at least one interviewee (a councillor) questioned whether these two developments are not in competition with one another and, therefore, counterproductive.

Several interviewees expressed concerns about the slow progress of all three projects, which have been catalytic projects of the municipality for nearly a decade. Despite the strategic importance and support from other government spheres, progress of the airport node development and the Waaihoek precinct have been particularly slow. As one councillor noted, despite extensive spending, the airport node development "still has not taken off". Reasons for the slow progress vary and, according to the

interviewees, include political interference, inappropriate spending and capacity problems. However, as discussed later, concerns were also raised about planning projects without taking into account the economic realities of a smaller metro. This point applies to the airport node development, which assumed that providing the infrastructure would automatically result in private sector investment.

## Governance Themes

The following reasons have contributed to the slow progress of the three projects:

- Despite cordial intergovernmental relations, these relationships seldom resulted in joint planning and implementation.
- Despite grand plans, local capacities have not been able to drive the implementation of these projects in accountable and effective ways.
- Despite all projects making room for the private sector, none had co-founding arrangements in place.
- The political-administrative interface has largely made government officials wary.

## Intergovernmental Relations

Intergovernmental relations have seldom contributed to joint planning and implementation of the projects. For instance, the municipality took a unilateral decision to develop the airport node. In the case of Waaihoek, joint planning takes place but implementation progress from the municipality is slow. This reality prevails despite relationships among government spheres being largely cordial.

Cooperative decision-making and implementation lie at the heart of cooperative government. In practice, cooperative decision-making appears to take place but is made more difficult by the poor state of Mangaung's finances. The danger is that, in practice, these projects become a means of securing funding from other government spheres, rather than being co-designed and co-implemented or contributing to national development goals.

Little animosity exists between Mangaung and other government spheres, but intergovernmental cooperation goes beyond having good relationships. Mangaung has no pending court case with another sphere of government and complies with the broad legislative environment related to intergovernmental relations. A few interviewees complained about a big-brother attitude or interference from other spheres of government, but this was not a general concern.

The lack of cooperative decision-making has been detrimental to the projects. During the initial phase of the airport development project, Mangaung and the provincial Department of Small Business, Tourism and Environmental Affairs had a good relationship; and Airports Company South Africa, SANRAL and the provincial Department of Human Settlements were involved. However, during implementation, the project became an internal municipal project. Substantial investments took place without a systematic assessment of the market or engagements with other government spheres. A broader market assessment occurred only after the 2016 elections, with the appointment of a new Director for Economic Planning and Rural Development. Once National Treasury's City Support Programme became more directly involved, a more systematic response was introduced. Cooperative government requires the various government spheres to cooperate in developing and funding plans. During the initial phase, cooperative government was present for funding, but not for planning and joint decision-making. One respondent also spoke about the power relations between the provincial government and Mangaung, suggesting that the provincial government held funding back.

Cooperative governance requires priorities, policies and budgets to be coordinated across interrelated functions and sectors. Many interviewees spoke of a siloed approach to governance and management in the municipality.

- **Coordination between the city and other spheres of government.** The airport node development originated from thinking on the N8 Corridor contained in various versions of the Free State Growth and Development plans. This alignment with the Free State Growth and Development Strategy shows some form of coordination, and the provincial government financially supported initial investments in the upgrading of the Wesleyan church in Waaihoek.
- **Coordination within the municipality.** This seems to be more problematic. As one of the interviewees suggested, "information on the airport node development was withheld and not

shared". Developing infrastructure requires integration between different municipal departments, but the initial phases of the airport Node Development did not involve other relevant departments.

- **Budget alignment.** The underspending on the Waaihoek project created problems of budget alignment with National Treasury. Aligning budgets over multiple years is difficult, despite attempts to better align priorities and policies.

## Capability of the State

Municipal capacity to plan, manage and finance urban growth are core to good urban governance, which assumes a capable state. A capable state refers to both institutional capacity and staff competencies. Most interviewees suggested that, despite a generally competent staff complement, public sector red-tape and political interference inhibits progress.

## Institutional Capacity

The logic and rationale of the three projects, to contribute to spatial integration and economic development, have been well-designed. The projects imagine an integrated future and attempt to deal with the spatial legacy of apartheid. Most municipal respondents adequately explained the rationale and the integration of ideas about economic development and spatial integration, and highlighted the importance of higher densities. In the airport node development and the CBD, the higher densities are needed to support a viable public transport system and to prevent urban sprawl. The airport node development integrates economic development and human settlements, to ensure easy access to work, and the envisaged infill development and higher densities are in line with current planning wisdom. If Mangaung implements these aspects effectively, it will contribute significantly to addressing the spatial legacy of apartheid planning.

The good rationale for these plans was also visible through their continuity. Despite being developed in 2011–2016, they continued under new leadership (although the council remained dominated by the ANC). However, for some interviewees, the continuity could have been better, as one councillor noted: "projects restart every time a new council is elected". Nevertheless, the projects both had an appropriate rationale and were maintained, pointing towards appropriate institutional capability. As one interviewee explained, "we have made sufficient progress with these projects that it was impossible to change direction". What this reveals is that, despite political and strategic adjustments every five years, having good planning and implementation linked to an appropriate rationale enable projects to contribute to long-term planning, although this should not be an excuse for the slow implementation of projects.

However, there is also evidence of institutional capacity concerns. For example, Mangaung planned the industrial park within the airport node development without doing proper demand study and business plan, which was a concern for National Treasury's City Support Programme. This raises another concern about planning in smaller metros: that it is possible to overestimate the economic potential of a city that primarily played a regional services function over more than 150 years. Over the last 50 years, attempts to build an industrial base have had mixed results. Furthermore, both the airport node and Waaihoek developments make assumptions about the demand for housing, which may be valid but have no evidence base. Planning and governance require more than adequate vision and imagination; they require an appropriate knowledge base for making decisions. Simple technical exercises, such as a cost-benefit analysis and potential impact, have become increasingly important in public decision-making and governance.

Another concern is that all three projects are far behind schedule and the Waaihoek precinct has not used all its funds from the Neighbourhood Development Partnership Grant. These projects are complex and managed over multiple years and, although the required project management skills appear to be present, the complexities of the projects require a broader institutional response. For example, municipal procurement processes must function appropriately to ensure continuity in procuring services for the projects, and institutional integration (and financial contribution) are required to ensure that the necessary infrastructure-related investments are made timeously, so as not to hamper progress.

Some interviewees suggested that municipal staff are not always clear about their institutional roles, as one interviewee noted: "The challenge is whether these officials are allowed to do what they are supposed to do". Interviewees mentioned that some employees, especially those with skills, were marginalised, which had a determinantal effect on achieving strategic goals. The institution could use staff's primary functions more appropriately and more directly.

## Individual capacities

Even the more critical interviewees said that the municipality employs many capable and competent individuals. The problem lay in managing, integrating and giving room to these capable individuals to operate. The reality is that the municipality could build on existing capacities but several concerns remain:

- Since 2016, management changes had eroded management capacities in Margaung, which had harmed the continuity of these critical projects. While this may not be true in every case, changes in management hampered continuity in thinking and planning, despite handovers.
- The inability to implement large-scale capital projects because only one or two people in the municipality possessed the necessary project management skills for large construction projects. A broader spread of project management skills is necessary to deal with the complexities of these projects, and spatial restructuring requires practical project management skills.
- The inability to integrate projects and work effectively across departments in the municipality.
- The dominant role of one senior municipal official who drove the airport node development from 2011 to 2016, seemingly on instruction by the mayor. This resulted in limited interdepartmental cooperation within the municipality and various planning concerns, such as adding the residential component later in the project, which created financial and political accountability problems. The AGSA found that spending on the project by the municipality was fruitless expenditure and not value for money. Municipalities need project implementers and champions, but when they leave, project and institutional memory is lost.
- Planning capacities, as municipal planners did not pick up several planning concerns in the airport development node, despite using an outsourced planning firm. However, it is unclear whether this was due to inadequate planning capabilities in the city or to how the city managed the initial planning phases of the project.

Respondents from outside the municipality questioned the lack of progress in developing the airport node after more than 10 years, and felt that the slow progress reflected negatively on staff capacities. Some interviewees expressed concerns about the lack of succession planning, project management skills and economic skills. However, the municipality appears to have adequate project management skills but perhaps not throughout the institution.

## Financial management

Financial management capabilities are central to good management and governance. The poor state of municipal finances is highlighted by Margaung's inability to obtain clean audits and being placed under administration. The AGSA (2018) found that the airport development node project did not give value for money, with little correlation between the large amount of money spent and the on-the-ground deliverables. As the Naval Hill project does not receive any substantial funding from other spheres of government and is funded by the municipality, progress has been slow due to the dire state of municipal finances. The following are possible reasons explaining the financial management problems:

- The limited political will to prioritise municipal finances. The municipality's inability to adhere to the turn-around strategy shows the limited political will to prioritise financial management. Further evidence is ongoing disputes between the administrator and the municipal manager about financial management issues.
- Limited financial controls and oversight on projects.
- The expectation that another sphere of government will bail out the municipality.

The research team was unable to answer the question of whether deliberately not attending to financial management might be to ensure unethical financial behaviour.

## Urban efficiencies

Good urban management also requires high levels of urban efficiencies, and all three projects are intended to improve urban efficiencies, through higher urban densities and infilling. Urban efficiency concerns in Margaung include water losses reported in the AFS and maintenance, which is closely associated with cash flow issues and financial management.

## All-of-society Approach

Three aspects of an all-of-society approach related to the three projects are: working with communities, working with the private sector and the involvement with the knowledge industry.

### Working with communities

Most interviewees explained that community participation takes place through a formal, legislative process, as part of the IDP process, and most officials thought that the process provides a framework for their work. That this bureaucratic process of participation does take place is a positive aspect, but gauging the effectiveness of such an approach is difficult. Other research has shown that these processes are consultative and aimed at legal compliance, rather than participatory.

- In the Waaihoek precinct, public participation seems to be extensive, with regular meetings with the minibus-taxi industry, informal traders and formal shop owners. There is also an excellent relationship with the relevant ward councillor who is extremely helpful in unblocking project problems. Yet this participation process also hampers the speed at which the project can proceed.
- In the airport node development, public participation takes place through the involvement of ward councillors and seems to be adequate. However, one interviewee noted that the functioning of ward committees has digressed.
- The municipality's public participation processes are mostly through ward committees, as Mangaung has limited civil society organisations, and the focus is often about achieving compliance.

### Working with the private sector

Evidence of working with the private sector is mixed. The municipal human settlements department was adamant that the private sector was central to most housing developments, as working with the private sector provides more flexibility and sharing of risks, attracts more private sector development and speeds up development efforts. For other departments, working with the private sector was part of their modus operandi, but the emphasis on the value of the private sector was not always as explicit. For example, a councillor interviewed questioned the outsourcing of work by the municipality, while another councillor argued that outsourcing only takes place when a connected individual can benefit. Keeping work inside the municipality was a way to improve the municipality's financial situation. Although outsourcing to the private sector was accepted practice, three aspects remained problematic:

- Outside of the housing function, the role of the private sector is not well defined. For example, on Naval Hill, the process of outsourcing the restaurant and kiosk took too long.
- Consistent contact between the municipality and organised business is limited. Much more is possible to ensure adequate contact and share ideas. The relationship with the Mangaung Chamber of Commerce seems to be at a low point. According to the Chamber's President, Mangaung is no longer regarded as one of the Chamber's institutional stakeholders. Non-responsiveness from Mangaung has resulted in the Chamber bypassing the metro and raising any concerns with provincial and national government. In contrast, an interviewee from the Free State Black Business Chamber felt that the city has opened for black business but wanted to see black business involved in mega projects, such as the airport node development and Waaihoek precinct.
- Respondents said that the municipality ensures the private sector's involvement through advertising of bids, which is a good starting point. However, an appropriate governance response would be to ensure that the municipality benefits from the private sector in various other ways. Nobody mentioned public-private partnerships or engagements to understand economic trends or business concerns. This raises the question of whether a closer relationship between the private sector and the municipality would have enabled the planners of the airport node development to better understand the market and develop responses appropriate for Mangaung's economy. The industrial sites need to be marketed in alliance with the private sector, but no such arrangement exists. One business respondent also noted that the municipality used to discuss its budget with the business organisation but no longer does. Business provides very little, if any input into the municipality's economic development strategy and direction.

### Working with the knowledge sector

Despite memorandums of understanding and regular contact between the two universities (UFS and CUT) and the municipality, working with the knowledge sector is not institutionalised. One councillor noted that "We have two universities in the metro [and] do not optimise the knowledge and research basis available". While the municipality does work with universities, for example the development of the Digital Planetarium with UFS, it has made minimal effort to include the CUT in tourism-related issues. Despite CUT's excellent tourism programme, neither the Waaihoek precinct nor the Naval Hill redevelopment had any essential links to the CUT. Once again, the issue is not to outsource work to one of the universities,

but to build the appropriate formal and informal relationships for the municipality to benefit from the knowledge sector. Of course, the two universities can also do more to ensure relevance and make a meaningful contribution to the knowledge base of the cities. Yet, such a relationship has been somewhat elusive. One interviewee from the municipality noted that concerns about ethics at the municipality might also deter the two knowledge institutions from working with the municipality.

## Political-administrative Interface

Good governance requires an appropriate political-administrative interface that provides political oversight but with enough room for municipal officials to operate. Interviewees explained that an extensive process of informing and ensuring political buy-in, support and monitoring of projects is in place. However, what is less clear is if the system allows for critical assessment of projects, projects plans and long-term goals. Governance systems should also ensure that decisions to invest in projects such as the three under consideration are critically appraised.

One councillor questioned the wisdom of including a residential component in the airport node development, as it would further drain the CBD. Furthermore, as mentioned earlier, the demand for houses in the airport node is unclear because of the lack of an appropriate market study. However, a phased development approach is most likely to show slow market growth. Of greater concern is that the councillor did not fully understand the overall logic of infill development and higher densities, indicating that the rationale for these projects may not have been well communicated to councillors.

Other concerns raised were the lack of appropriate institutional oversight and administrative commitment to these projects and generally in the municipality. With proper oversight, the placing of Mangaung under administration by the provincial government could have been avoided, and the apparent maladministration of money for the airport node development could have been prevented. One interviewee described the lack of oversight and the accompanying micro-management of the administration, as “officials pander[ing] to the whims of politicians”, adding that “some senior political office-bearers do not know the distinction between ‘intervention’ and ‘interference’”. Another problem mentioned was the “politicised working environment”. Indeed, officials were concerned about being dictated to from the outside and experiencing interference as opposed to oversight. The political deployment of officials was also criticised. For officials, dealing with these issues was difficult and often resulted in them having to compromise between direct instruction from political roleplayers and their day-to-day work.

The research team found no evidence of structured interventions from other spheres of government or adequate responses from the municipality (for example concerning the AGSA reports) aimed at addressing these concerns. To some degree, officials accept the status quo and try to manage within its limitations.

## Ethics

Various allegations of corruption were made during interviews, although the scope and aim of this report makes investigating such allegations impossible. Nevertheless, various claims were made about unethical behaviour in relation to the finances of the airport node development (including the involvement of a former head of department) and about the provincial government controlling most of the financial decision-making on the project. Interviewees also questioned the amount of money spent on the airport node development, which the AGSA (2018) described as not being value for money.

A deeper problem is that the municipality has not had an unqualified audit since the 2016/17 financial year, despite receiving clean audits in 2014/15 and 2015/16. Although a qualified audit is not proof of corruption, it does point to financial management problems – the poor state of municipal financial management was the underlying reason for the city being put under administration. According to the AGSA, minimal remedial action was taken to address concerns from previous reports, and senior management and governance structures appeared not to take these corrective actions seriously. Other concerns raised during interviews were “a disregard for internal auditing functions” and not listening to advice from National Treasury.

More problematic is the lack of accountability. No court cases ensued following the AGSA's reports, and one interviewee explicitly stated that the political leadership ignored a range of National Treasury concerns calling for greater accountability. This suggests the need for consequence management and reflects the absence of appropriate administration and management. These behaviours could be due to poor financial management and controls and/or to intentions to act in unethical ways.

## Governance Insights

The main governance insights from the case study are as follows.

### Political stability is necessary for good governance

Mangaung shows that, with appropriate plans, it is possible to have continuity between different political-administrative regimes. Although conceptualised before 2016, all three projects in Mangaung have remained prominent since 2016. This is partly because of the progress made in implementing the projects between 2011 and 2016, but mostly because the municipality developed an appropriate rationale and vision for these projects, i.e. to restructure the apartheid legacy and revitalise the local economy. Yet, despite project handovers and continuity, the arrival of a new administration in 2016 affected the momentum of these projects. For some interviewees, the change in municipal leadership hampered continuity but also led to greater transparency, as in the case of the airport node development. There is a fine line between continuity and change. The post-2016 period appears to have focused predominantly on change, but continuity was ensured thanks to the overall planning approach and progress made on the project.

### Political stability is vital for staff and administrative operations

Political uncertainty underlay many of the concerns about the projects. The perceived lack of political support for the projects creates uncertainty and inhibits support from across departments. This uncertainty plays out in the political-administrative interface, with officials having to deal with interference from political roleplayers, which takes their focus away from the overall direction of spatial restructuring and economic revitalisation. If politicians interfere with daily operations, officials have to be careful about how to respond and react, and there is simply not enough space for officials to do their work properly. The political instability was also evident in the relationship between the municipal manager and the administrator.

### Poor municipal finances inhibit local responses and affects service delivery

Over the last five years, Mangaung's financial situation has deteriorated, which has prevented appropriate self-funding of projects (apart from some funding on the Naval Hill project), and may deteriorate further due to the consequences of COVID-19. Mangaung has become overly dependent on external grant funding for both land development and infrastructure investments: "Mangaung relies mainly on national government grants". This overdependence on conditional grants results in the municipality losing independence and its ability to steer development. Financial management also extends beyond the finance department, to include (for example) the procurement system, and all these systems require appropriate financial management for the more extensive system to function well.

Interviewees suggested a substantial deterioration of basic service delivery, and various media reports have recorded the current service delivery problems in Mangaung.<sup>2</sup> The service delivery problems are the result of the deterioration of the municipality's financial situation, as well as a lack of governance and management focus on providing essential services. Good governance requires a focus on some primary urban efficiencies, which the economy depends upon, and they need careful monitoring and the financial means to maintain them.

### Market studies must inform planning and decision-making

All three projects pointed to the governance of planning and decision-making. Market studies to inform decision-making would have made a significant difference in the planning for the industrial stands at the airport node. The problem extends to decisions made around large infrastructure projects that should spell out the risks of not spending public money appropriately. Good governance requires decision-makers to have internal and external systems in place to review proposals with large public investments.

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<sup>2</sup> News24, Municipalities struggle to deliver services, 2 October 2019, <https://www.news24.com/news24/SouthAfrica/Local/Express-News/municipalities-struggle-to-deliver-services-20191001>; Tandwa L. How ANC factions led to the decay of the Mangaung Municipality, *News24*, 20 August 2020, <https://www.news24.com/news24/southafrica/news/how-anc-factions-led-to-the-decay-of-the-mangaung-municipality-20200820>

Internally, such a review requires councillors to ask tough questions about these investments and be able to assess the assumptions and risks associated with projects. An independent, external review could be helpful in appraising the investments by, for example, determining a return on investment. The council should have a system in place to deal with the rationale for large infrastructure projects, and spending large sums of public money without understanding the risk or potential benefit could have political repercussions down the line. Good governance requires a transparent technical process for evaluating large public-funded projects.

In addition, the danger for smaller economies such as Mangaung is that imagining the future might originate from a tendency to over-plan and overstate the market demand. The industrial development in the airport node is one such an example. Good economic planning should build on assets and requires a thorough understanding of the current role these small centres play in the national economy.

## **The private sector is an important partner**

In Mangaung, the understanding of the private sector's role is uneven, with some interviewees hesitant and others outright in favour of involving the private sector in the developments. The private sector's role in housing was evident, as the municipality has various such agreements in place. Yet there are no examples of public-private partnerships in which the private and public sectors share risks, costs and profits. Most interviewees referred to the relationship with the private sector in terms of outsourcing of work. However, the private sector can also be a source of information for decision-making, which requires informal and formal connections outside the procurement system. The private sector could have provided some market information for the airport node development, such as assisting in understanding the rationale and approaches of the manufacturing industry or how specific investment will benefit the private sector with or without its direct involvement. Municipal decision-making about investment requires the information and contribution from formal and informal interaction between the private sector and municipal officials and councillors outside the procurement system.

## **Working transversally within the municipality is a challenge**

Working across municipal departmental boundaries remains a challenge. Although the Department of Economic and Rural Development has done well in creating a project management team that can implement projects, this remains a challenge in practice. There does not seem to be much antagonism between departments, but merely different line functions that operate in silos. Good governance requires appropriate goals and multi-departmental commitments within a system, with clear roles and responsibilities. Although it was difficult to assess the effectiveness of community participation and the functioning of the ward committees, a significant positive was the role of ward councillors in projects. They have been extremely responsive in dealing with project processes for the Waaihoek precinct and airport node developments.

## **Recommendations**

The report has highlighted the achievements associated with three large projects in Mangaung. All three projects represent decent attempts to restructure the space and economic legacies of the city. They are good examples of thinking about spatial transformation, aligning planning with transport systems and settlements with economies, and are proof of institutional capacity to reimagine the spatial legacies of apartheid. However, overall the municipality had made slow progress with implementing these projects. The slow progress is due to complex reasons, which include insufficient project management capabilities, a focus on grand plans, unethical behaviours, an inability to attract the private sector to share costs and benefits, high dependencies on other spheres of government, limited political and financial oversight and political interference. The poor state of municipal finance also did not assist.

In relation to the challenges experienced, the following recommendations are made, viewed through a governance lens.

### **Improve financial management and oversight**

The overall financial management of the municipality needs urgently to be improved. Although being placed under administration is one step in the process, much more should be done, as all indications are that COVID-19 will put further pressure on local government's finances. This unsatisfactory state of finances will make the municipality increasingly dependent on intergovernmental grants and less flexible

in making its own decisions and steering developments in the right direction. The improvement of financial management processes should also include a focus on internal controls and internal auditing.

### **Assess feasibility and impact of large projects**

Information, intelligence and knowledge have become central concepts in management. New plans require a careful assessment to ensure projects are technically viable and have an appropriate market that exists. The projects all required pre-feasibility reviews. The quest for such information is essentially a governance requirement to understand viability and potential pitfalls, and may mean paying attention to possible adverse of projects.

### **Ensure transparent, internal and external oversight**

Large public investments can be risky. While pre-feasibility assessments are an important starting point, some of these assessments require internal oversight. Investment in large infrastructure projects originate from imagining how the future might be, but the validity of the assumptions around these projects are often not considered.

### **Focus on urban efficiencies**

Urban governance in Margaung should pay substantially more attention to the system of urban efficiencies, beyond these three projects. Any new project must be evaluated in terms of such efficiencies.

### **Mitigate political interference**

There is room to improve current understandings of the roles of officials and the political oversight role of politicians.

### **Build formal and informal relationships with the private sector and knowledge institutions**

The current approach to the private sector is primarily based on outsourcing. Appropriate outsourcing is a vital starting point and can bring substantial advantages, as with housing. However, the municipality can do more to ensure formal and informal networks with business, which are not only about how business can benefit from outsourcing in the city but rather about improving urban efficiencies and helping to imagine appropriate and practical futures.

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## Annexure: Methodology

The project team divided the project into seven phases.

Phase 1 entailed getting acquainted with the ToR, getting the research team to understand the project and its requirements and ensuring that Mangaung is onboard with the process. Mangaung appointed Dr Nepo Masithela as the liaison officer, but receiving formal endorsement of the process from the municipality took some time.

Phase 2 involved identifying potential projects in the municipality, starting with a meeting with the IDP manager, who referred the research team to the IDP. The IDP contained a list of 254 projects. These projects were divided among the research team, and each member had to identify five projects based on its relevance and contribution to the IDP's objectives. Having identified their five projects, each team member completed one interview per project and a project summary.

Phase 3 involved the team members presenting their projects to the rest of the team and the municipality's liaison officer, and indicating whether or not specific projects should be considered. During this phase, the team interviewed 13 individuals, most of them at the municipality, via the internet or telephone (due to COVID-19). The project team then had to decide between informal settlement upgrading and a combination of three projects, which present elements of economic and spatial transformation. The team and the municipality's liaison officer decided on the three projects: the airport node development, Waaihoek precinct and Naval Hill redevelopment.

During Phase 4, two team members completed 21 interviews (via telephone or the internet) of people involved in the three projects, including officials, councillors, private sector roleplayers and representatives from the knowledge sector.

Phase 5 entailed the writing-up process. The lead author collected the information and analysed the overall governance dynamics in Mangaung, and then assessed the interviews and developed the first draft of the report.

Phase 6 entailed the technical roundtable, which allowed some of the senior managers to provide input to the report and created the opportunity for an open discussion. The team then made final adjustments to the first draft of the report and made it available to the staff who had participated during the technical round table.

During Phase 7, the project team tried to conduct a political round table. The municipality cancelled two attempts at the last moment. The project team then decided to make the report available to the Mayor, Speaker and Municipal Manager for comment. However, by the deadline, the project team did not receive any feedback from the political actors.

Phase 8 was about gathering the feedback from the participants at the technical round table through three different interactions, after which a second draft report was submitted to the roundtable participants for comments. No further comments were received.

Phase 9 entailed submitting the report to the SACN.