

Market Triumphalism at the Buffalo City and Nelson Mandela Metropolitan Municipalities, South Africa

BREAKFAST, Ntsikelelo | OKAFOR, Chukwuemeka | BRADSHAW, Gavin

Abstract

This article is a critique of neo-liberal inspired policies such as Public-Private Partnerships (PPPs), privatisation of services and Broad-Based Black Economic Empowerment (BBBEE) with specific reference to the Buffalo City and Nelson Mandela Metropolitan Municipalities in the Eastern Cape. The two selected municipalities were chosen because both of them are categorized as metropolitan. This will enable the research to make a comparison of the implementation of PPP, outsourcing of services and BBBEE at these metropolises. The article provides an analysis of both municipalities' records

such as policy documents. The central argument of this article is that the neo-liberal inspired policies of PPP and BBBEE that are being applied through Local Economic Development (LED) are not in the interests of the majority of people living in the Eastern Cape. The researchers argue that the local business and political elites through the BBBEE, PPPs and outsourcing of services are using their strong networks (associated political, social and capital resources) in their efforts for personal accumulation, rather than promoting development for the majority.

Keywords: Integrated Development Plan, Local Economic Development, Neo-liberalism, Public-Private Partnership, Broad-Based Black Economic Empowerment

Introduction

The purpose of this article is to examine the Integrated Development Plans (IDPs) of two selected municipalities in the Eastern Cape. This will be done by providing a closer examination of the extent of BBBEE, PPPs and the outsourcing of services in Buffalo City and Nelson Mandela Metropolitan Municipality. Moreover, this will include examining their theoretical underpinnings, and the documents/legislations which set them up, their objectives, the extent of their use, their possible incompatibility and any formal evaluation of them which have been carried out in two metropolitan municipalities in the Eastern Cape. The authors concentrate on PPPs and BBBEE as strategies of local governments to create employment and accelerate economic growth. It must be borne in mind that all the conceptual issues pointed out above are directly linked to the central argument of the article that the neo-liberal inspired policies of PPPs and BBBEE that are being applied through LED are not in the interests of the majority of people living in the Eastern Cape. Again, this article is aimed at examining whether neo-liberalism as a model of development is seen to be able to eradicate poverty, create jobs, and promote development; or only benefit a tiny minority of people (mainly well-connected business people) who are associated with the ruling party in the municipalities under the spotlight in this article. The writer argues that PPPs, outsourcing of services and BBBEE are an application of neo-liberalism at local government level; precisely because they are 'market friendly' and are elevating the role of the 'market forces' over municipalities by promoting privatisation of services.

Neo-liberalism is a model of development which is based on elevating 'market forces' over the state. The neo-liberals believe that only business can bring about development in society. A strong state is regarded as a cause of lack of development in society precisely because it prevents economic growth from occurring. Sometimes neo-liberalism is referred to as 'market fundamentalism'. Neo-liberal policies are meant to attract investment, and stimulate business through deregulation, with the assumption that there will be a trickle-down effect to the poor (Castells, 2000:137).

Neo-liberalism is, among other things, a model for development. It has goals for economic development and poverty eradication. Proponents of the neo-liberal school of thought argue that economic growth through the free market system leads to economic as well as social development, for example poverty relief in society. They believe that this can only happen when there is privatisation, removal of tariffs, policies in trade bilateral

agreements, welcoming of foreign investors from First World countries and a relaxation of labour laws. Supporters of neo-liberal ideas hold a view that 'big government' or a large public sector with heavy state regulation is not the best practice for economic growth and the creation of jobs, because investors are normally not keen to invest in a country that has heavy state regulation (Breakfast, 2013:39). Many governments in the world are encouraged by multilateral institutions such as the International Monetary Fund (IMF) and the World Bank to implement privatisation of services at the municipal level (Chomsky, 2010:91).

Local Government: Integrated Development Plan (IDP)

The African National Congress (ANC) used the Reconstruction and Development Program (RDP) as an election manifesto in 1994 to come to power. The rationale behind this social policy was to address the socio-economic problems created by colonialism and apartheid. The RDP was a 'Brain Child' of the Congress of South African Trade Unions (COSATU), an alliance partner of the ANC and the South African Communist Party (SACP). However a neo-liberal macro-economic policy called Growth Employment and Redistribution (GEAR) was introduced in 1996 to largely replace the RDP. This had implications for all levels of government in terms of the theoretical underpinnings of development (Bond, 2006:253-254).

For instance, this change at macro-economic level meant that local government in South Africa had to have elements of neo-liberalism in the policy framework. There is a link between the GEAR policy and the IDP, both of which were introduced in the same year in 1996 (Growth, Employment and Redistribution, 1996:8-7). The IDP is a five-year strategic planning document for all South African municipalities (White Paper on Local Government, 1998: 26-28).

The IDP is the focus of the South African municipalities in the new South Africa with the aim of intergovernmental planning and proper coordination. Moreover, the IDP was a response to socio-economic challenges facing the post-apartheid government-specifically, the need for a new model of local government. The nature and content of the IDP is strongly restricted by the international debate and practice which prevailed at the time of its policy introduction (Harrison, 2006:186, Asmah-Andoh 2009:104).

The IDP outlines the visions for municipalities with regard to the needs of all the people in the municipality. Municipalities should link their IDPs with the development

plans of the provincial and national government. The IDP should reflect the thinking of the municipal council on how they are planning to end underdevelopment (White Paper on Local Government, 1998: 26-28). The implementation of the IDP requires expert persons who have the technical skills to render services to the people (Malefane, 2009:166, Van der Walt, 2007:60). This is an important aspect regarding service delivery at local government level. It is practically impossible for municipalities to end poverty if they do not employ the right people within their institutions. The whole notion of a developmental state cannot be realized without a committed public service. A developmental state is a state that drives development.

Another factor which is a problem pertaining to the IDP is that it is market driven. The IDP was an idea that emanated from the International Monetary Fund (IMF) and World Bank during the early 1990s. The IMF, World Bank, USA, England, Germany and academics local and international coined the concept of the IDP by encouraging municipalities on a global scale to privatise their services (Blakely and Leigh, 2010:215, Phutiagae, 2007:133). Neo-liberalism is at the heart of the IDP (Harrison, 2006:188). This means that the private sector should take the lead with regard to development at local government. The assumption is that this will lead to a trickling-down effect. However, the reality shows that the implementation of the IDP leaves much to be desired at local government level because poverty is increasing in many communities to a large extent.

Corruption is another cause of underdevelopment. This means that the money that is allocated for services for the people ends up in the back pockets of officials and politicians. There are many factors that cause officials in local government to engage in unethical behaviour. Firstly, municipalities in the new South Africa are perceived by many people to be a terrain of accumulation for personal wealth. Secondly, due to a consistent increase of the scale of salaries of public officials and politicians, a number of people see this as an opportunity of living a good life (Bond, 2002:4).

It must be noted that this does not imply that people must not be rewarded for their hardwork. However, this should not happen at the expense of the majority of the people. With reference to corruption, according to the Auditor-General (2008/9), only four municipalities out of 284 throughout the country obtained clean audits or unqualified reports. More specifically, in the Eastern Cape 94 percent of the municipalities had unauthorized, fruitless and wasteful expenditure in the 2010/2011 financial year (Auditor-General, 2010-2011:48). All the municipalities (45) in the Eastern Cape received unclean

reports (Auditor-General, 2010-2011:48). This shows the extent of corruption within the context of local government in South Africa. The National Planning Commission Diagnostic Report (2011:25) acknowledges that corruption is embedded in the public sector in South Africa, particularly at local government level. Among other things, this is due to a shortage of critical skills in areas such as financial management, a lack of good work ethic and poor leadership (National Planning Commission Diagnostic Report, 2011:25). The next area of discussion will focus on the LED policy and how it is implemented in parallel with the IDP at local government in South Africa.

Local Economic Development (LED)

By and large, LED is the coming together of business, community-based organizations and government with the aim of tackling unemployment, accelerating economic growth and the eradication of poverty at the municipal level. Within the South African context LED refers to initiatives undertaken at local government by different partners to address socio-economic problems, *etc.* LED has of late become the responsibility of municipalities working alongside different sectors of the society. LED is concerned about the economic stability of municipalities. Furthermore, LED in the main focuses on the creation of jobs by attracting foreign direct investment in order to meet the needs of the inhabitants (Blakely and Leigh, 2010:215, Phutiagae, 2007:133).

According to the White Paper on Local Government (1998: 26-28), the LED strategy is meant to provide high level short and medium-term economic interventions to address the socio-economic problems in the South African municipalities. This economic strategy is informed by the IDP. This implies that LED is implemented alongside the IDP, and that LED is an outcome of IDP. Over and above, the IDP is a broad-policy framework and LED is a strategy for economic development.

There are five key objectives of LED:

- Creating employment for the inhabitants.
- Stimulating income levels of the employed in order for them to pay service charges.
- Improving the quality of the lives of people of a particular municipality.
- Improving human resource development of government departments at the municipal level.

- Growing the economy in order to meet developmental challenges (IRI and NBI, 1998:3).

Against the above background, the policy objectives of the LEDs in South Africa are not realized due to corruption and market friendly policies at the municipal level. Market friendly in this context refer to policies that are meant for acquisition of wealth by few individuals. It must be borne in mind that the LED is linked to the GEAR-neo-liberal policy because municipalities throughout South Africa are outsourcing or privatizing services. The GEAR policy supports privatization, fiscal discipline, flexible labour laws through deregulation of the market and trade liberalization (removal of tariffs from imports coming into the country) and public-private partnerships. It is a business-friendly policy focusing on attracting foreign direct investment to grow the economy with the assumption that there will be a trickling-down effect. Foreign direct investment was to be attracted by lowering taxes paid by private institutions (Growth, Employment and Redistribution, 1996:8-16).

At government level, this means that neo-liberalism is at the heart of LED; because of the connection between the GEAR policy and LED as pointed out above. The assumption is that if the local economy grows, that will filter down to the inhabitants of a particular area. According to Blakely and Leigh, economic growth and the creation of jobs are not a problem. However, they go on to say that '...it is a great mistake to equate economic growth with economic development' (2010:74). This means that the economy can grow even though poverty and unemployment are not reduced.

The application of neo-liberalism within the context of local government is also influenced by the IMF and World Bank via the LED among other things. For instance, municipalities are expected to reduce their government expenditure through privatization of services (Breakfast, 2013:25). The notion of privatisation of services is rooted in LED strategies. Poor communities are not able to access free services due to privatisation of services. The concept of free-services is disappearing in South African municipalities due to elements of neo-liberalism (McDonald and Pape 2003:28; Bond 2002:4).

Broad-Based Black Economic Empowerment Policy

This section will examine the economic strategy of the ANC to redress the imbalances of the past. The writers will, among other things, discuss how this strategy links to LED. This

policy is called Broad-Based Black Economic Empowerment. The rationale behind BBBEE was to enhance the economic participation of black people. The ruling party was given a mandate by the people to redress the disparities created by the previous regime. The main aim of BBBEE is to distribute wealth equitably in post-apartheid South Africa (Department of Trade and Industry, 2004:3-7). In as much as outsourcing of services and PPPs are part of a dimension of neo-liberalism, BBBEE is not easily associated with it. For instance, municipalities may retain similar formal procurement procedures and policies without privatizing services, and may add an extra provision concerning procurement. It is a business-friendly policy meant for maximization of profit and individual acquisition of wealth, but it has been applied in conjunction with some distinctly different policies in respect of racial preferences, and very strong labour protection. The link between the business and political elites with regard to BBBEE deals will be indicated through evidence-based material in this section and will be further highlighted in other sections in this article as well.

According to Bond (2005:39), BBBEE is an application of neo-liberalism because it is meant among other things to promote privatization of services or PPPs in the public sector. More often than not in South Africa both BBBEE and PPPs are hybridized. For instance, PPPs often involve BBBEE enterprises. The South African government established a Code of Good Practice for BBBEE in PPPs at local government (National Treasury RSA, 2005: 43-44). Hence, the writers argue that BBBEE is not neo-liberal per se, it is inspired by neo-liberalism in its practice in the sense that it is meant to create a large middle class in order for this class to run the economy. The assumption is that the economic benefits of economic growth will be felt by the poor on the ground. By so doing, jobs and poverty will be addressed by the trickle-down effect. Large businesses in South Africa hold a view that there is a need to create a big black middle class as a buffer against socialists or communists. This concept of creating a black middle and a capitalist class was also associated with the former President of South Africa, Thabo Mbeki. The motivation behind this idea was to create proper lines of communication between big business and politicians (Butler, 2009:76; Pottinger, 2008:214).

BBBEE is one of the broader strategies of the ANC government, intended to deracialize public institutions, create employment, reduce poverty, speed up land reform and accelerate service delivery at all levels of government. BBBEE has been justified by the ruling party in South Africa in order to bring about the deracialization of the

economy. The government standpoint is that BBBEE should be a way of transforming the South African economy (Balshaw and Goldberg, 2005:73, Turok, 2008:140, Butler, 2009:75).

According to Balshaw and Goldberg (2005:21), Broad-based Black Economic Empowerment has seven pillars which are:

- Enterprise development
- Preferential Procurement
- Skills development
- Employment equity
- Management and control
- Equity ownership
- Resident element

The BBBEE policy was signed into law by the former president of South Africa, Thabo Mbeki, in early 2004. The acceptance of BBBEE was aimed at reducing poverty, unemployment, and disparities between the rich and the poor and, amongst other things, the aims of BBBEE included 'to change the racial composition of ownership and management structures of enterprises... and increase ownership and management by communities, workers and cooperatives'. The above assertion explains why the South African government saw a need to develop a broad-based approach of Black Economic Empowerment. This policy has the Department of Trade and Industry to introduce the 'Codes of Good Practice', which provide a framework on how the Broad-based Black Economic Empowerment Act should be implemented. Government has introduced a scorecard to measure companies (Department of Trade and Industry, 2004:3-7, Gumede 2008:298, 2005:231, Turok, 2008:148).

The Black Economic Empowerment scorecard is used to measure companies when they want to do business with the government of the day. The scorecard is also applied when it comes to procurement of state services at all levels. With respect to BBBEE recipients it includes Africans, Indians and Coloureds (Balshaw and Goldberg, 2005:73). These are the components of BBBEE in terms of the implementation of the policy.

It is of paramount importance to ask whether BBBEE has achieved its policy intentions or not? There has been a public outcry by all political parties across the political spectrum with reference to BBBEE. These political organizations have argued

very strongly that BBBEE is benefiting only those who are close to the ruling party. Interestingly, the ANC has on a number of occasions acknowledged that this policy does not produce the expected outcomes. The Minister of Higher Education and Secretary General of the South African Communist Party has publicly criticized BBBEE as inspired by neo-liberalism. His argument has been that this policy only creates a tiny minority of rich black people.

According to Houghteling (2010:20) citing Robinson, 'as a 2004 report by Time magazine reported, 8 of the top 10 largest BEE transactions in 2003 involved just three men, all with ANC connections'. Moeletsi Mbeki follows the same line of thinking when he points out that BBBEE has benefited a few people who are all politically connected. He goes on to say that BBBEE has turned ANC politicians into overnight millionaires and billionaires in the new South Africa (2009:61). Companies that are well connected politically are the real recipients of BBBEE. The BBBEE policy has been a mechanism for the personal enrichment of individuals having links with the ruling party. For instance, a company called KopanoKeMatla with strong links to COSATU benefited from the Gauteng Freeway e-tolling system through a BBBEE and PPP deal which costs 20 billion rands (Ndlangisa and Rossouw, 2012:2). COSATU has shares in this company that benefited in the construction of toll roads in Gauteng with Raubex (also a construction company) (ibid).

It must be borne in mind that COSATU is in political alliance with the ruling party and the SACP. This means that if COSATU does business or benefits from BBBEE and PPP that is tantamount to corruption because of its political relationship with the ANC government. The Gauteng e-tolling system was introduced without any process of public participation. Concerned citizens in Gauteng took the provincial government to court, challenging the decision to introduce the e-tolling system. The court ruled that the government should put its plan with regard to the e-tolling system on hold and start the process of public participation.

WaAfrika and Hofstatter state that the Gauteng e-tolling system also benefited companies with strong political links with the ruling party. Among others, this includes Valli Moosa's company (former minister and senior member of the ANC). There is a new syndrome amongst people in post-apartheid South Africa of getting rich quickly at all costs. However, this does not mean that all black people think along these lines. Those who are politically connected, who do not work hard to acquire wealth are sending the

wrong message to the black youth that one can get rich without working hard, precisely because they see from the older ones how they have acquired wealth.

It is evident that BBBEE has not reduced the gap between rich and the poor, because it has benefited a few people who have strong liberation credentials or family or friends within the state machinery. According to research conducted by Holborn (of the South African Institute of Race Relations), the Gini co-efficient (a parameter that examines disparities) indicates that inequality in South Africa has increased since 1996. She goes on to say that the Gini co-efficient was 0.62 when the GEAR policy was adopted in 1996. However, in 2009 it increased to 0.65. Additionally, in 2009 the racial group with the lowest Gini co-efficient in South Africa was white people with a measure of about 0.45. Disparity was worse among black people, with a co-efficient of about 0.68 (2010:181). Moreover, the measurement for economic development used by the United Nations, known as Human Development Index, indicates that South Africa's HDI is 0.619; this results in South Africa being ranked 123 out of 187 countries in the world (UNDP, 2012:5). This signifies the extent of underdevelopment in South Africa despite the fact that anti-poverty strategies such as BBBEE and PPP have been introduced in the new South Africa to promote development.

BBBEE does not benefit the poorest of the poor in particular in rural areas. Instead, it leads to tender corruption at all levels of government. A number of BBBEE beneficiaries hold senior positions in the ruling party. Sometimes ANC politicians, ministers and public servants use BBBEE to become board members in different private companies while they are holding public office (Turok, 2009:163). According to Brummer and McKune, the BEE consortium associated with Mvelaphanda Holdings also has strong political links with Human Settlements Minister Tokyo Sexwale and won a R10 billion tender due to the political influence of Sexwale; and his Director-General Thabane Zulu who served on the tendering committee. This tender was awarded by the South African Social Security Agency in January 2012 (ibid).

Similarly, the Pillay Commission found that four senior politicians of the ruling party (Stone Sizani, Makhenkesi Stofile, Enoch Godongwana and Mcebisi Jonas) had been involved in corruption. More specifically, the families of these politicians according to the Pillay report were alleged to have benefited by about R200-million illegally while doing business with the Eastern Cape Development Corporation (ECDC) then headed by Mcebisi Jonas (Pillay Report, 2008:1-5). Again, tenders amounting to R62 million in the

Eastern Cape municipalities were awarded to companies that have links with public officials and politicians in the 2010/2011 financial year (Auditor-General, 2010/2011:64). This shows that the business and political elites through the BBBEE, PPPs, and the outsourcing of services are using their strong networks (associated political, social capital resources) in their efforts for personal accumulation of wealth. Again, this shows the linkages of such practices to the construction and reproduction of neo-liberal discourses at different levels of government. The next section will examine the PPP model and how it is implemented alongside BBBEE in the South African context.

Public-Private Partnership (PPP)

There has been an increase in the frequency of the use of the PPP model in post-apartheid service delivery. This model is embraced by ASGISA (Accelerated and Shared Growth Initiative of South Africa) and the Department of Finance component of National Treasury. The increase of the usage of the PPPs in South Africa is a result of the Public Finance Management Act which was passed in 1999, and which supports the implementation of PPPs.

It must be noted that at local government level the practice of PPPs is supported by the Municipal Finance Management Act 56 of 2003 through its guidelines. The motivation behind the PPP model was to make service provision cheaper. Instead of government itself rendering the services, it gives some of its responsibilities to the private sector in terms of services delivery (National Treasury RSA, 1996:83). The South African Government has developed a policy framework that makes it possible for municipal, provincial and national institutions to engage in Public-Private agreements. A Code of Good Practice gives clear guidelines about each element of private companies' BBBEE equity structure, management, subcontracting, and local socio-economic development (National Treasury RSA, 2005: 43-44).

Furthermore, the PPPs emanate from GEAR, the macro-economic policy of government. This policy is premised on the fact that economic development can only be promoted by the private sector. Blakely and Leigh argue that the PPP concept has permanently entered the language of local government. They go on to ask two interesting questions: What is meant by the PPP concept? Why is this model used for economic development? (2010:401). Responding to these questions, PPP is the coming together of both public and private institutions with an aim of rendering services to the

people. Business takes the lead in providing services and does the work for profit. Secondly, the use of PPPs signifies that governments across the globe who are following market-fundamentalist policies subscribe to the notion that economic development can only be brought about through market forces. There are a number of municipalities in the new South Africa that are employing the PPPs with respect to service delivery. This model is normally used in the construction of roads, installation of electricity, sanitation, water supply and waste disposal sites (IRI and NBI, 1998:20).

There are five countries that have influenced the PPP model. These countries include England, United States of America, Ireland, Australia and Canada. Governments in many parts of the world are turning to private institutions for service delivery for their people. The model of PPP is normally a long-term arrangement between government and private institutions. The South African Government in the post-apartheid South Africa era has supported the implementation of PPPs for service delivery in all spheres. Throughout the country, municipalities within their LED plans are embracing the PPPs. A number of functions that were previously provided by government are now carried out by private institutions (Freund and Lootvoet, 2006:267, Binza, 2009:42, Dutz, Harris, Dhingra and Shugart, 2010:1).

This approach signifies that the government of the day depends on the private sector for service delivery in post-apartheid South Africa. Private institutions enter into these agreements with the aim of maximization of profit. PPPs are at the heart of the LED strategies of municipalities. Municipalities in South Africa are rendering services such as infrastructural development, installation of electricity, water reading and recovery of debt payments via the private sector (Freund and Lootvoet, 2006:267, Blakely and Leigh, 2010:401). This implies that municipalities in the new South Africa are largely being run like commercial institutions. This also means that poor people will not access certain services because they are poor and do not have money to pay for services rendered by private companies.

South African and international private companies are normally the participants of PPPs through the creation of consortia. This is done to promote the implementation of BBBEE at all levels of state institutions (USAID, 2010:24). There is an interesting phenomenon in this regard, in that a number of private white-owned companies are 'fronting' or using black people in order to enter into PPPs. This means that sometimes black people in townships and informal settlements are given positions in white

companies to become directors despite the fact that they have no say in the company[s]. Nonetheless, this does not mean that all white private companies are doing fronting.

This is precisely because BBBEE requires a certain number of black people in private companies. Against this background, one can conclude that PPPs and BBBEE create the scope for rampant corruption. For example, Coega's former chief financial officer, Allan Young, was fired for reporting that the CEO Pepi Silinga owes Coega about R170 000 for money that was paid to his trust for consultancy work that his company claimed to have done for Coega, despite the fact that his trust was deregistered at the time (Sokana, 2009:1). This shows that neo-liberalism in practice is contradictory in nature as it involves the allocation of state resources to politically influential individuals rather than promoting economic development for the majority. It must be noted that Coega is a PPP model of development.

The next section will examine specifically the socio-economic conditions of both Nelson Mandela Metropolitan Municipality and Buffalo City; because these two metropolitan municipalities in the Eastern Cape are used as case studies in this chapter. The two selected municipalities in this chapter were chosen because both of them are categorized as metropolitan and this will enable the researchers to make a comparison of the implementation of neo-liberal inspired policies at these metropolises.

The socio-economic conditions of the Nelson Mandela Metropolitan Municipality and Buffalo City

Nelson Mandela Metropolitan Municipality

According to the Nelson Mandela Municipality (2010:7), the Municipality has a total population of 1,1 million inhabitants. By and large, the population of the metro is constituted by a majority of young people, with 37% of residents between the age of 15 and 34 years, indicating that education and job creation require serious attention. Altogether 26.2% of the population is below the age of 15 years, while 5.3% is 65 years and above. The male-female ratio of the population is 48:52 (ibid). The city has two economic strengths. First and foremost, it has two automotive industries (General Motors South Africa and Volkswagen South Africa). Secondly, the Metro has a seaport which transports goods locally and internationally (ibid). Binza (2009:154) argues along the lines

of the IDP of the Nelson Mandela Metro when he asserts that the city has over 40 percent unemployed individuals who are struggling to find employment.

According to the Nelson Mandela Municipality (2010:8), unemployment (40%) and poverty (32.5%) have reached high proportions. Holborn (2010:239) of the South African Institute of Race Relations states that, on the whole unemployment in the Eastern Cape Province constitutes 41.5% at the moment. According to the Nelson Mandela Municipality (2011:12-14), in the early 1990s the municipality had 0% of outsourced services and PPPs, however, at the present moment outsourced services are about 60%, and 30% of the services are effected through the PPP model in the metro. Moreover, after the creation of the Nelson Mandela Metro in 2000 there were about 13 000 employees, while at this juncture there are only about 7 000 employees (ibid). This shows that there has been a decrease in terms of employment in the metro since the implementation of outsourced services and the PPPs. The bulk of the work is done by private companies instead of the municipality for the whole metro. This is the hallmark of the application of neo-liberalism, elevating the business community above the state. With regard to service delivery, according to Lebone (2010:591), of the South African Institute of Race Relations, 7.4 % of people are using a bucket system, 13.7% of people are living in informal houses, 9% of the people still do not have electricity and 98.4% have access to water in the Nelson Mandela Metro. This indicates that much more needs to be done with regard to service delivery.

The application of neo-liberalism is rooted in both, the IDP and LED plans of the Nelson Mandela Metropolitan Municipality, because PPPs are perceived by the local political elites to be a strategy of poverty eradication, job creation and service delivery as outlined in the IDP document of the NMMM. However, as stated earlier in this section poverty (32.5%) and unemployment (40%) are very high in this metro (IDP of Nelson Mandela Municipality, 2010:8). There are township areas in the Nelson Mandela Metro such as Kwazakhele where unemployment is over 50% (Cherry and Haines, 2010:12). This implies that the PPPs are not achieving their intended policy objectives. According to Dimant (2010:109) of the South African Institute of Race Relations, in 1996 poverty in Nelson Mandela Metropolitan Municipality was at 29.9%, however at the moment it is 32%. This means that poverty in this municipality has increased since the 'GEAR project' was introduced by the South African government.

Buffalo City Metropolitan Municipality

According to Buffalo City Municipality (2011:1), this municipality was established in 2000 during the transitional phase of a number of municipalities in South Africa. Buffalo City includes the political integration of East London (it has a number of economic activities such as automotive sector, Daimler Chrysler South Africa, which manufactures Mercedes Benz); King Williams Town and Bisho (the political centre of the administration the Eastern Cape provincial government) (see also the 'Integrated Development Plan Review of Buffalo City 2010-2011'). 'About 880 000 people live in Buffalo City. More than 80% are African, approximately 10% are white, 6% are Coloured and just under 2% are Asian. Another interesting fact is that the population comprises of 48% men and 52% females which is the same as for the country as a whole. Critical features of the region lie in glaring demographic realities of a high rural population (35%), 73% of the people of Buffalo City are poorly paid and there is a high unemployment rate (53%). As a consequence, the gross domestic product is substantially less than the national average (Buffalo City Municipality, 2011:3).

According to Maphazi (2012:23), 73% of the people of Buffalo City think that the municipality is failing to render services to its inhabitants. This speaks volumes about the state of affairs with regard to services delivery in Buffalo City. The majority of the people of the municipality believe that the municipality is failing them in terms of service delivery. According to Buffalo City Municipality (2011:24-27), in the early 1990s the municipality had 0% of outsourced services and PPPs, however, at the present moment outsourced services are at about 55%, and 20% of the services in the metro are delivered through the PPP model. Moreover, after the creation of the Buffalo City Municipality in 2000 there were about 11 000 employees, however, at the moment there are about 6 000 employees in the metro (ibid).

The PPPs in the Buffalo City Metropolitan Municipality are used as an economic strategy by the powers that be to grow the local economy, create jobs and render services. However the 2010/2011 document of the IDP of Buffalo City outlines that poverty (35.3%) and unemployment (50%) as indicated above in this section are very high in this area. Again, the utilization of the PPPs in this metro signifies that the political elites of Buffalo City are employing neo-liberalism as a model of development. It is worth noting that PPPs are implemented alongside BBBEE. According to Dimant

(2010:109) of the South African Institute of Race Relations, in 1996 poverty in Buffalo City was 33.5%, however at this juncture it stands at 35.3%. This implies that poverty in Buffalo City has increased since the 'GEAR project' was introduced by the South African government.

Conclusion

The purpose of this article was to examine the state of affairs of local government in post-apartheid South Africa. Coupled with this was a closer examination of policies such as BBBEE and PPPs. It must be noted that in as much as PPPs certainly are an element of neo-liberalism in the public sector, BBBEE is not easily associated with it. Municipalities, in terms of government policy, may retain the same formal procurement procedures without necessarily outsourcing more than before, and add further provisions that BBBEE enterprises should receive preferential treatment in the allocation of outsourced contracts. As such this represents greater government regulation not less, and cannot be unproblematically equated with neo-liberalism, though they may be heavily influenced by it.

Various documents demonstrate that both BBBEE and PPPs have benefited only a tiny minority of people linked to the ruling party (the ANC). Neo-liberalism in practice is contradictory in nature as it involves the allocation of state resources to politically influential individuals rather than promoting economic development for the majority. Privatisation of services at local government level has influenced the rise of anti-neo-liberal social movements throughout South Africa after the ushering in of democracy.

List of References

- African National Congress, 2004. *Affirmative Actions and the New Constitution*. www.Anc/policy/aff/document. (Accessed on 2004 September).
- Aiello, J. 2004. The Framework for PPPs. Issue 19 August-November 2004. [www.africanbusinessjournal/trade investment](http://www.africanbusinessjournal/tradeinvestment). (Accessed on May 14, 2009).

38 Africa's Public Service Delivery & Performance Review

- Alternative to Neo-liberalism in South Africa (ANSA). 2007. *'Towards a People-Driven Development Agenda'*. Harare: Avondale.
- Asmah-Andoh, K. 2009. 'Implementation of developmental local government for alleviating poverty and inequality'. *Journal of Public Administration*. April. Volume 44, number 1.1.
- Asmah-Andoh, K and Binza, M.S. 2009. *'Managing municipal service partnership'*. *Journal of Public Administration*. April. Volume 44, number 1.1.
- Auditor General. 2010/2011. 'Consolidated General Report on the Audit outcomes of Local Government'. <http://www.agsa.co.za/reports%20documents> (Accessed on 24 July, 2012).
- Auditor General. 2010/2011. 'General Report on National Audit outcomes'. <http://www.agsa.co.za/reports%20documents> (Accessed on 24 July, 2012).
- Auditor General. 2007/2008. *'Consolidated General Report of the Auditor-General on MFMA Audit Outcomes 2007-08'*. <http://www.agsa.co.za/reports%20documents> (Accessed on 24 July, 2011).
- Balshaw, T and Goldberg, J. 2005. *Cracking Broad-Based Black Economic Empowerment*. Cape Town: Human and Rousseau.
- Basson, A., Pauw, J and Saba, A. 2012. *'Thuli blasts Juju's tender'*. City Press. 23 September.
- Beal, J and Fox, S. 2009. *Cities and Development*. New York: Routledge Taylor and Francis Group.
- Binza, M, S. 2009. 'A Public-Private Partnership model for the improvement of Local Economic Development in South African Metropolitan government'. Unpublished D.Phil thesis (Public Administration). Nelson Mandela Metropolitan University.
- Bond, P. 2006. *Elite Transition: From Apartheid to Neo-liberalism in South Africa*. Pietermaritzburg: University of Natal Press.
- Bond, P. 2002. *Fanon's Warning: A Civil Society Reader on the New Partnership for Africa's Development*. New Jersey: Africa World Press, Inc.
- Bond, P. 2002. *'Local Economic Development Debates in South Africa: Municipal Services Project'*. Occasional papers No.6
- Breakfast, N.B. 2013 'Market Triumphalism and the South African State: A Case Study of Local Government in the Eastern Cape'. Unpublished D.Phil thesis. Nelson Mandela Metropolitan University.

- Brummer, S and McKune, C. 2012. 'Sexwale's prints all over R10bn tender.' Mail and Guardian. 23 March.
- Buffalo City. 2011. *'Introduction and Overview: City Profile'*. www.buffalocity.gov.za/municipality/keydocs (accessed on 25 August).
- Buffalo City Municipality. 2010-2011. *'Integrated Development Plan Review'*. www.buffalocity.gov.za/municipality/keydocs (accessed on 25 August).
- Butler, A. 2009. *Contemporary South Africa*. London: Palgrave MacMillan
- Butler, A. 2007. *Cyril Ramaphosa*. Johannesburg: James Currey.
- Blanch, M. T, Durrheim, K and Painter, D. 2006. *Research in Practice: Applied Methods for Social Sciences*. Cape Town: University of Cape Town Press.
- Blakely, E, J and Leigh, G. N. *Planning Local Economic Development: Theory and Practice*. Fourth Edition. London: Sage.
- Breakfast, N.B. 2013. 'Market Triumphalism and the South Africa State: A Case Study of Local Government in the Eastern Cape'. Unpublished PhD thesis. Nelson Mandela Metropolitan University.
- Castells, M. 2000. *The Power of Identity. Volume 2. The Information Age: Economy, Society and Culture*. Oxford: Blackwell.
- Cherry, J and Haines, R. 2010. *'The Developmental State and the Decline of the Industrial Working Class: The Case of Nelson Mandela Bay'* (Forthcoming). 'This paper was presented at the colloquium 'Race, Class and the Developmental state' in honour of Martin Legassick, held at the Red Location Museum on 15 November 2010'. Nelson Mandela Metropolitan University
- Chomsky, N. 2010. *Hopes and Prospects*. London: Penguin Books, Ltd.
- Coetzee, J, K, Graff, J, Hendricks, F and Wood, G. 2004. *Development Theory, and Practice*. Cape Town: Oxford University Press.
- Colclough, C and Manor, J. 1993. *IDS Development Studies Series: State and Market? Neo-liberalism and the Development Policy Debate*. New York: Oxford University Press.
- Constitution of the Republic of South Africa. 1996 (Act 108 of 1996). Parliament: South Africa.
- Department of Trade and Industry. 2004. 'The Code of Good Practice on Black Economic Empowerment: Phase One and Phase Two'. The South African Government.

40 Africa's Public Service Delivery & Performance Review

- Dimant, T. 2010. 'The Economy'. In the South African Institute of Race Relations. Johannesburg: South African Institute of Race Relations.
- Du Toit, J, Tomlinson, R and Pillay, U. 2006. *Democracy and Delivery: Urban policy in South Africa*. Cape Town: Human Science Research Council Press.
- Dutz, M, Harris, C, Dhingra and Shugart, C. 2006. 'Public-Private Partnerships Units: What are they, and what do they do'. *The World Bank: Financial and private development vice presidency*. Note November 311.
- Eastern Cape Province of Local government and Tradition Affairs. 2011. '*Consolidated Legal opinion on findings of the forensic investigation in NMM Bay Municipality*'. Bisho: Phalo Avenue.
- Farlam, P. 2009. '*Nepad Policy Focus Series: Working Together: Assessing Public-Private Partnerships in Africa*'. The South African Institute of international affairs.
- Fine, B. 1995. 'Privatization and the RDP: A Critical Assessment'. *Transformation*, 27 (5).
- Fox, W and Van Rooyen, E. 2004. *The Quest for Sustainable Development*. Cape Town: Juta Co. Ltd.
- Freund, B and Lootvoet, B. 2006. '*Local Economic Development: Utopia and Reality-the Example of Durban, KwaZulu-Natal*'. In Padayachee, V. 2006. *The development Decade? Economic and Social Change in South Africa, 1994-2004*. Cape Town: Human Science Research Council.
- Gevisser, M. 2007. *The Dream Deferred: Thabo Mbeki*. Cape Town: Jonathan Ball Publishers.
- Gevisser, M. 2009. *The Dream Deferred: Thabo Mbeki. Updated International Edition*. Cape Town: Jonathan Ball Publishers.
- Growth, Employment and Redistribution Document. 1996. The South African Government. The department of Finance: Pretoria.
- Gumede, W. 2002. '*Down to Business, but Nothing to Show*'. In Jacobs, S and Calland, R. *Thabo Mbeki's World: The Ideology of the South African President*. Pietermaritzburg: University of Natal Press.
- Gumede, W. M.2008. *Thabo Mbeki and the Battle for the Soul of the ANC*. New Edition. Paarl: Zebra Press.

- Gildenhuis, J.S.H. 2004. *The Philosophy of Public Administration: A Holistic Approach. An Introduction for Undergraduate Students*. Stellenbosch: Sun Press.
- Hadland, A and Houghteling, W. 2009. *'Growing Black Diamonds: The Role of the Government in Small Business Development and Black Entrepreneurship'*. Cape Town.: Human Science Research Council.
- Harrison, P. 2006. *'Integrated Development Plans and Third Way politics'*. In Du Toit, J, Tomlinson, R and Pillay, U. 2006. *Democracy and Delivery: Urban Policy in South Africa*. Cape Town: Human Science Research Council Press.
- Hart, G. 2006. *'Post-Apartheid Developments in Historical and Comparative Perspective'*. In Padayachee, V. *The Development Decade? Economic and Social Change in South Africa, 1994-2004*. Cape Town: Human Science Research Council.
- Hindson, D and Vacente, V. 2005. *'Whither LED in South Africa South Africa? A Commentary on the Policy Guidelines for Implementing LED in South Africa'*. Eastern Cape Socio-Economic Consultative Council. Working Paper series.
- Holborn, L. 2010. *'Employment and Income'*. In the South African Institute of Race Relations. Johannesburg: South African Institute of Race Relations.
- Hosking, S. 2002. *'The Development of Underdevelopment in Mandela Metropole: Coega's Economic, Social, and Environmental Subsidies'*. In Bond, P. 2002. *Unsustainable South Africa: Environment, Development and Social Protest*. London: The Merlin Press.
- Hosking, S and Lloyd, H. 2004. *'Economy'*. In Pretorius, D. *'Port Elizabeth and Uitenhage Metropole: Socio Economic Monitor'*. University of Port Elizabeth. Institute for Social and Systemic change.
- Hoppers, C. O. 2010. *'Transformation Leadership and the Humanization of the Academy: Towards the Integrative Paradigm Shift'*. Nelson Mandela Metropolitan University: Centre for the Advancement of non-racialism and democracy.
- Houghteling, W. 2010. *'Growing 'Black Diamonds': The Role of the Government in Small Business Development and Black Entrepreneurship'*.
- Hugo, Noble. 2003. *'Local Government and Sustainable Human Development: Local Government as Development Agent in the Promotion of Local Economic Development'*. Unpublished D.Phil thesis. University of Stellenbosch.

42 Africa's Public Service Delivery & Performance Review

- International Republican Institute (IRI) and National Business Initiative for Growth, Development and Democracy (NBI). 1998. *'The Local Authority's Role in Economic Development: A handbook for councillors and officials'* Durban: Artworks.
- Johnson, C. 1982. *MITI and the Japanese Miracles*. Stanford: Stanford University Press.
- Khalo, T. 2007. *'Municipal Supply Chain Management'*. In Van der Walddt, G. 2007. *Municipal Management: Serving the People*. Cape Town: Juta and Company Ltd.
- Landsberg, C. 2005. 'Towards a developmental foreign policy? Challenges for South Africa's diplomacy in the Second decade of liberation'. *Social research: Fall*, Vol (72) 3.
- Lebone, K. 2010. 'Living Conditions and Communications'. Johannesburg: South African Institute of Race Relations.
- Malefane, S.R. 2009. 'Structuring South African municipality for effective Local Economic Development (LED) implementation'. *Journal of Public Administration*. April. Volume (44). number 1.1.
- Mangcu, X. 2008. *To the Brink: The State of Democracy in South Africa*. Johannesburg: Jacana Media (Pty) Ltd.
- Maphazi, N. 2012. 'A Critical Analysis of the role of Public Participation in Governance and Service Delivery with specific reference to the Buffalo City Municipality'. Unpublished D.Phil. thesis. Nelson Mandela Metropolitan University.
- Marias, H. 2011. *South Africa Pushed to the Limit: The Political Economic of Change*. Cape Town: University of Cape Town Press.
- Marais, H. 2008. *South Africa limits to change the political economy of transition. Revised and Expanded New Edition*. Cape Town: University of Cape Town Press.
- Marais, H. 1998. *South Africa Limits to Change the Political Economy of Transition*. Cape Town: University of Cape Town Press.
- Mbanjwa, X. 2012. 'Report reveals R113m of tenders were awarded to relatives'. City Press, 5 February.
- Mbanjwa, X. 2012. 'E-tolling: time for more talking'. City Press, 23 September.
- Mbeki, M. 2009. *Architects of Poverty*. Johannesburg: Picador Africa.
- McDonald, D. 2008. *World City Syndrome: Neo-liberalism and Inequality in Cape Town*. New York: Routledge Taylor and Francis Group.

- Munroe, M. 2008. *In Charge: Finding the Leader within you*. New York: Fairwords.
- National Planning Commission. 2011. Diagnostic report: An overview perspective. The department of Presidency: Pretoria.
- National Planning Commission. 2012. 'The National Development Plan 2030: Our future-make it work'. <http://www.npc.gov.za/MediaLib/Downloads> (Accessed on 17 August, 2012).
- National Treasury of the Republic of South Africa. 1996. Public-Private Partnership. The department of Finance: Pretoria.
- National Treasury of the Republic of South Africa. 2005. '*Treasury Regulation for department, trading entities, constitutional institutions and public entities*'. The department of Finance: Pretoria.
- National Treasury. 2009. '*Municipal Service Delivery and PPP Guidelines*'. The department of Finance: Pretoria.
- Ndlangisa, S and Rossouw, M. 2012. '*Tolls: COSATU cashes in investment arm has shares in investment arm has shares in firm that won a tender*'. 1 April.
- Nel, E and John, L. 2006. '*The Evolution of Local Economic Development in South Africa*'. In Du Toit, J, Tomlinson, R and Pillay, U. 2006. *Democracy and Delivery: Urban Policy in South Africa*. Cape Town: Human Science Research Council Press.
- Nelson Mandela Metropolitan Municipality. 2009. '*IDP/Budget Public hearing*'. Port Elizabeth.
- Nelson Mandela Metropolitan Municipality. 2009. '*Integrated Development Plan (IDP): March report 2009*'. Port Elizabeth.
- Nelson Mandela Metropolitan Municipality. 2004. '*Integrated Development Plan: Executive Summary*'. Third Edition. Port Elizabeth.
- Nokaneng, L and Harmse, C. 2009. '*Economic Policy: Some Lessons from Southeast Asia*'. In Parsons, R. 2009. *Zumanomics: Which Way to Shared Prosperity in South Africa? Challenges for a New South Africa*. Johannesburg: Jacana Media (Pty).
- Nzimande, B. 2010. '*The trouble with tenderpreneurs*'. City Press. 27 June.
- Padayachee, V. 2006. *The Development Decade? Economic and Social Change in South Africa, 1994-2004*. Cape Town: Human Science Research Council.
- Parsons, R. 2009. *Zumanomics: Which Way to Shared Prosperity in South Africa? Challenges for a New South Africa*. Johannesburg: Jacana Media (Pty).

44 Africa's Public Service Delivery & Performance Review

- Phutiagae, K. 2007. *'Local Government Development and Municipalities in South Africa.'* In Van der Waldt, G. 2007. *Municipal Management: Serving the People.* Cape Town: Juta and Company Ltd.
- Pillay, R. 2008. *Corruption in the Eastern Cape Province.* Eastern Cape Provincial Government: Bisho.
- Pottinger, B. 2008. *The Mbeki Legacy.* Cape Town: Zebra press.
- Republic of South Africa. 1996. 'Constitution of the Republic of South Africa'. Act 108 of 1996. Government Printers: Pretoria.
- Republic of South Africa. 1998. *'The White Paper on Local Government.'* Government Printers: Pretoria.
- Republic of South Africa. 2003. 'Local Government: Municipal Finance Management Act. Act 56. Government Printers: Pretoria.
- Republic of South Africa. 2000. 'White Paper on Municipal Service Partnership'. Government Printer: Pretoria.
- Roodt, M. 2010. *'Politics and Government.'* In the South African Institute of Race Relations. Johannesburg: South African Institute of Race Relations.
- Roodt, M. 2010. *'Business and Labour.'* In the South African Institute of Race Relations. Johannesburg: South African Institute of Race Relations.
- Roodt, M. 2010. 'Education'. In the South African Institute of Race Relations. Johannesburg: South African Institute of Race Relations.
- Rogerson, C. M. 2006. *'Tourism Policy, Local Economic Development and South African Cities.'* In Padayachee, V. 2006. *The Development Decade? Economic and Social Change in South Africa, 1994-2004.* Cape Town: Human Science Research Council.
- Turok, B. 2008. *From the Freedom Charter to Polokwane: The Evolution of ANC Economic Policy.* Cape Town: Picasso Headline.
- United Nations Development Program. 2012. 'International Human Development Indicators- United Nations Development Programme'. hdrstats.undp.org/en/countries/profiles (accessed on 2 May).
- United States Agency for International Development. 2005. *Building Public-Private Partnerships.* South Africa P3 Final Report.

- Van der Waldt, G. 2007. *Municipal Management: Serving the People*. Cape Town: Juta and Company Ltd.
- Van der Walt, C. 2007. *'The Statutory and Regulatory Framework for Local Government'*. In Van der Waldt, G. 2007. *Municipal Management: Serving the People*. Cape Town: Juta and Company Ltd.
- Venter, A. 2007. *'Integrated Development Planning as an Approach to Sustainable Development'*. In Van der Waldt, G. 2007. *Municipal Management: Serving the People*. Cape Town: Juta and Company Ltd.
- WaAfrika, M and Hofstatter, S. 2012. 'ANC link to e-toll profits: Political connected companies stand to benefit from contracts'. Sunday Times.
- World Economic Forum, Competitiveness Index Report (2010-2011). 2011. 'The Global Competitiveness Report 2010-2011-World Economic Report'.
- World Bank Economic Update. 2012. 'South Africa Economic Update: Focus on Inequality of Opportunity'<http://www-wds.worldbank.org/external/default>. (Accessed on the 4 September).

AUTHORS' CONTACT:

BREAKFAST, Ntsikelelo Dept of Political Science Faculty of Military Science University of Stellenbosch Email: breakfast@ma2.sun.ac.za	OKAFOR, Chukwuemeka School of Public Admin University of Fort Hare Email: cokafor@ufh.ac.za	BRADSHAW, Gavin Dept of Pol. Science & Conflict Studies Nelson Mandela Metropolitan University Email: gibrad@mweb.co.za
---	---	--