

**Rents and Repurposing in Two South African
Cities:** Towards a typology of city governance
regimes

Crispian Olver

September 2019 / PARI Working Paper

PARI Public Affairs
Research Institute

Rents and Repurposing in Two South African Cities

Towards a typology of city governance regimes

Crispian Olver, Research Associate at Public Affairs Research Institute and Researcher in Politics Department, University of Witwatersrand

September 2019

Abstract

The systemic nature of corruption in local government needs to be understood in terms of the social and economic forces acting on the state, particularly the formation of new classes and elites within the dynamics of the South African political transition. Through case studies of two metropolitan municipalities, Cape Town and Nelson Mandela Bay, the paper explores the way in which the economic advantages at the disposal of local government, referred to as rents, are distributed according to the changing power relations in cities. The research conducted by the author into the City of Cape Town is the subject of a forthcoming book, *A House Divided – The Feud That Took Cape Town To The Brink*, to be published in November 2019. Governing regimes form and wield effective power through an informal coalition of political, institutional and entrepreneurial actors. The regimes are distinguished in terms of the way that power is structured, the nature of the rents that are allocated, and their developmental outcomes. Cape Town's 'growth machine' model, founded on intimate relationships between developers and political leaders, exercises centralised control over land rights which are allocated to established property interests. The weaker 'clientelist' regime in Nelson Mandela Bay distributes an ever-decreasing pool of procurement rents to sustain a decentralised patronage-based model. The paper suggests that the two regimes constitute the opposing poles of a spectrum of local governance arrangements. Despite the better development outcomes of growth machines, neither regime specifically advantages the urban poor. The paper concludes by suggesting ways in which socially inclusive urban regimes can be constituted and rents directed to better serve public interest.

The problem of corruption in local government

In the post-apartheid era, few corruption cases have captured the public imagination as did The Great VBS Bank Heist, in which a little-known mutual bank was turned into an enrichment scheme for some 53 'persons of interest' who irregularly received approximately R1,9 billion between 2015 and 2017 (Motau 2018: 140). Among the thousands of mostly rural and poor depositors who were defrauded, 14 municipalities from Gauteng, North West and Limpopo provinces irregularly invested R1,5 billion in VBS¹. Municipal officials and councillors were incentivised through a system of 'commissions' brokered by politically connected middlemen in order to secure deposits. (Motau 2018:15) The incentives were sufficient, in one instance, for a municipal manager to order a

¹ According to the Minister of Finance in a written reply to a parliamentary question on 16th March 2018, a total of R1 565,5 million was invested by 14 municipalities in Gauteng, North West and Limpopo, with a further four municipalities' investments having 'matured' and not been renewed.

subordinate to deposit R50 million into a VBS account within 30 minutes, the rush occasioned by VBS's first 'liquidity stress event'.²

Egregious as the VBS case may be, it is symptomatic of a broader decay of institutional controls and financial accountability in local government. Approximately two thirds of municipalities have material findings regarding their supply chain management processes, mainly uncompetitive and unfair procurement processes. The Auditor General picked up R2,075 billion in prohibited awards to state officials, and false declarations of interest made by 1 400 suppliers, usually to hide connections to municipal or state officials. (Auditor-General 2018: 22) The overall quantum of irregular and unauthorised expenditure shows an exponential increase in the last few years, reaching a highpoint in the 2016/17 financial year with R28,4 billion of irregular expenditure.³ (Auditor-General 2018: 39) Procurement in metropolitan municipalities has suffered similar problems to the rest of local government; despite their better levels of capacity and financial control, the scale of opportunities in large cities presents an obvious target for rent seekers.⁴ Perceptions of corruption are widespread – over a quarter of South Africans consider local government politicians to be corrupt, while more than half consider corruption to be widespread among traffic police. The resultant instances of service delivery failure reflect in public opinion surveys, with only a third of South Africans considering local government to be performing its functions well. This reflects a deep crisis of legitimacy for local government (Struwig et al. 2014; Nala 2018).

Various commentators have linked the seemingly growing tide of corruption in local government with the rise of patronage-based politics, in which the state is viewed as the primary locus of accumulation for a new elite. Access to networks of public authority is often the only means by which individuals and communities can navigate the structural inequality of post-apartheid South Africa (Beresford 2015: 21). The state is where the jobs, revenue, contracts, tenders and licensing are located, and the contestation for the rents that are available is intense (von Holdt 2019: 37). The barriers to entry in becoming a councillor are extremely low, but once elected, councillors gain substantial political power and access to resources. Election as a councillor is viewed as the key to rapid upward mobility and the ability to create a patronage network. Battles over the control of rents arising from state power fuel internal factional contests within the ruling ANC (Moerane, Gounden and Potgieter 2018). For von Holdt, the formation of a new black elite is the defining process of the post-apartheid political economy. Within this process, corruption plays an important role as a mechanism of class formation, which challenges our normative judgements about morality or criminality (von Holdt 2019:37).

The commonly accepted definition of corruption – the use of public office for private gain, which deviates from the accepted rules of conduct – is elastic (Khan 1996:12). Rules of conduct shift during the modernisation process, and previously accepted behaviours, such as favouring family relations or acts of patronage, are no longer acceptable. Huntington famously noted that corruption in a modernising society was not so much the result of the deviance of behaviour from accepted norms as it was the deviance of norms from the established patterns of behaviour (Huntington 2006: 80).

It is not the intention of this paper to make a case for corruption. The most deserving clients do not access public resources, confidence in the institution of property rights is eroded and the resultant economic effects are mostly disastrous. But there are some interesting exceptions where economic growth has remained high despite the prevalence of corruption. While it is difficult to draw a line

²Amil Umrau, 2018. Huffington Post. https://www.huffingtonpost.co.uk/2018/06/25/everything-you-need-to-know-about-the-vbs-bank-drama_a_23467065/

³ While irregular expenditure is not necessarily corrupt, it is in breach of legislation or supply chain prescripts, which the AG notes are either due to poor planning or deliberate attempts to favour a specific supplier.

⁴ Irregular expenditure in metros jumped from R2,8 billion to R12,5 billion in 2016/17⁴ (constituting approximately 6,4% of total expenditure of R195 billion, compared to 7,8% for local government as a whole)

between acceptable and unacceptable levels of corruption, it may be easier to distinguish between forms that are compatible with different development outcomes (Khan 2000). In studying 'growth with corruption' exceptions in south and south-east Asia in the 1980s and 1990s, Mushtaq Khan noted that rent seeking activities could be value creating or reducing, depending on the nature of the rights that were allocated and the extent to which the rents were productively employed. We tend to speak loosely about political corruption, but a narrow focus on the illegality of corruption distracts us from the more pervasive phenomenon whereby politicians use control over state resources to build power bases. Lifting the analysis beyond corruption to the full spectrum of economic advantages within these regimes enables us to understand how the distribution of rents supports particular *political settlements* in Khan's terminology.

Urban political economy paper locates political battles over state power within broader contests over the way in which processes of production, distribution, and consumption are organised, particularly within space, and how the benefits attached to localities are distributed to social classes (Molotch 1993: 31). Within modern market economies the state has little control over these economic processes, and does not, on its own, have the capacity and authority to govern effectively. Instead urban regimes have to be actively produced through a process of intertwining government and private interests and capacities around shared goals (Stone 1993). Applying Khan's political settlements approach to urban regimes may allow us to distinguish between them based on whether rent allocation processes are growth-retarding or value-promoting. Urban governance regimes can be distinguished according to the way that social forces and political power are constituted within them, the economic advantages (rents) they generate and the corresponding impacts on the organisation of the local state.

Amongst the 257 municipalities that make up the South African local government system, there are eight metropolitan municipalities which are home to over 40 per cent of South Africa's population, a massive concentration of people and economic activity which is serviced by a combined municipal expenditure of some R200 billion (Auditor-General 2018: 57). The dynamism of these megacities drive complex interconnections between social classes, political interests and business elites, and result in governance arrangements that, in turn, shape their political economies. This paper examines two of these municipalities, Cape Town and Nelson Mandela Bay, from the perspective of the way they are governed and the benefits they dispense. The analysis so far directs us to look beyond the confines of the local state at the coalition of political, institutional and entrepreneurial actors who wield effective power, and how the spectrum of economic advantages that can be allocated by municipalities is deployed to sustain the regime. Apart from the merits of a taxonomy of governance regimes, analysis of urban regimes and the way in which they produce divergent developmental outcomes points us towards some solutions.

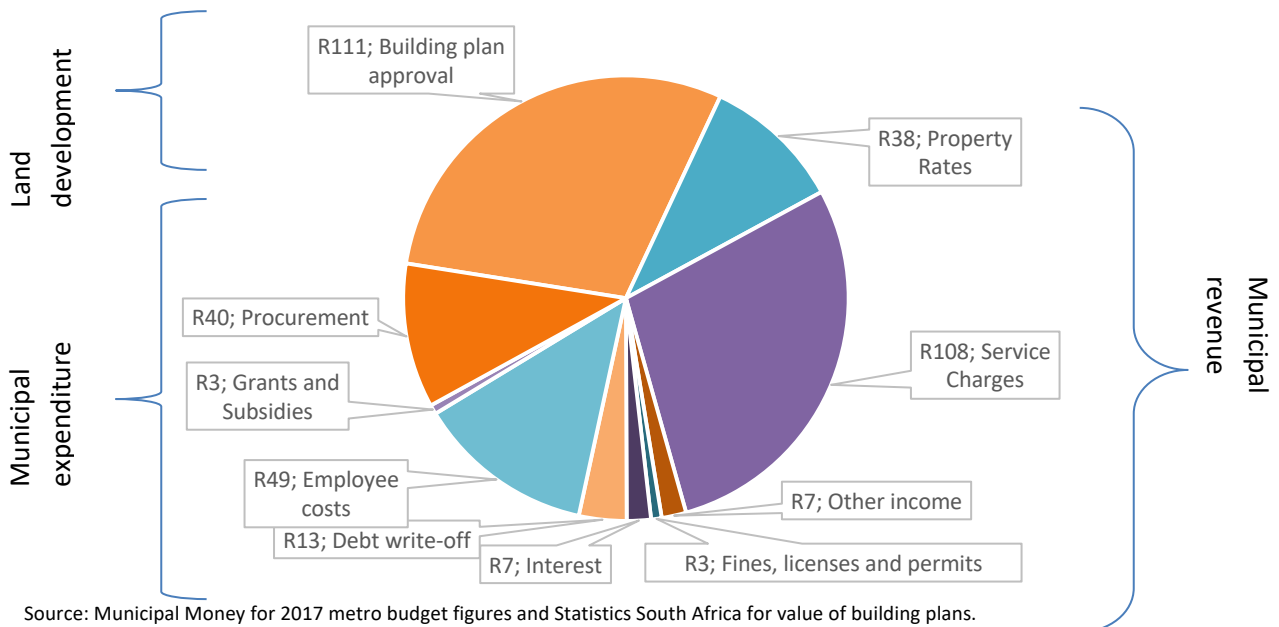
Rents in local government

In terms of classical economics, *rents* are the income derived from the ownership of land or natural resources which are in fixed supply. Neo-classical economists extended the concept to other factors of production, at the same time as focusing it on the level of return required to keep the factor in it in its present employment (Worcester 1946: 263). The concept enjoyed a renaissance from the 1970s in the voluminous literature on rent seeking, even if its meaning became increasingly imprecise. For the purposes of this paper, rents are understood as an excess or surplus return, after the costs of production and a 'normal' profit have been made. Usually such returns are created because the supply of the goods (which may include regulatory or allocative decisions in the case of local government) is limited, either by nature or through human intervention.

Rents are generated through municipal decisions relating to land use zoning or building plan approval, the awarding of contracts (procurement), appointments of staff or the allocation of social benefits. There are well-defined processes governing such allocations in local government, for

instance planning approval processes, supply chain management, recruitment procedures or housing waiting lists. For the most part allocation processes are tightly regulated, and discretion is circumscribed through a system of checks and balances. But rents can be created by manipulating the allocation process. For instance a contract to deliver a service at a market price, determined through a competitive bidding process, does not itself contain a rent; instead the contractor has to be able to underdeliver on the contract or secure a higher than market price, usually through bribing an official or politician. But procurement is by no means the only area in which rents can be generated. Municipal personnel budgets are substantially larger than procurement budgets (constituting 24,1 per cent of total expenditure as opposed to 19,5 per cent for procurement), and rents can be generated by manipulating appointment processes in exchange for bribes or ongoing 'political assessments', or through aggregating rents with a commission on total payroll using outsourced personnel recruitment agencies. There are also opportunities for rent generation on the income side, for instance by offering reductions in service charges (which make up 53,2 per cent of metro income) or lower property valuations and rate rebates on property rates (which constitute 18,8 per cent of income).⁵

Figure 1: Comparative value of metropolitan allocation processes⁶ (R billions)



Rents are more easily generated through regulatory decisions, such as when the value created by increased land rights exceeds the costs of applying for the right and paying the development charges. More than any other sphere of government, local government has a profound impact on property values, which it achieves through allocating development rights to property, providing bulk infrastructure such as water, sewage and electricity mains or road networks, and controlling the development of surrounding property. Each of the land enablement steps progressively lifts the value of the land and any development on it. The advantage of regulatory decisions is that no municipal monies are transferred and auditors cannot easily measure the value that is created for a third party. As an indication of the scale of this process, in the larger municipalities the value of building plans approved (which constitutes only one of the steps in the land enablement process)

⁵ Figures based on own calculations using Municipal Money data for metropolitan income and expenditure for the 2016/17 financial year.

⁶ The figure is based on the total value of each allocation process, not the rents that can be derived from it, which will constitute a variable percentage of the value of the allocation process.

was R111,4 billion in 2018, the bulk of it for residential purposes, but some R24,3 billion of it for commercial, retail and industrial purposes (Statistics South Africa 2019). This feeds into the overall value of the property sector in South Africa, which was valued at R5,8 trillion in 2014/15, an increase of R1 trillion from a baseline study done four years previously (Property Sector Charter Council 2018).⁷

Some rents are explicitly redistributive and are referred to in the economics literature as productive or beneficial rents, because they are designed to achieve social goals (Fischer 2007; Khan 2000). Examples in the local government context would be programmes such as Free Basic Services, where municipalities subsidise the cost of a core package of services to indigent households; municipal housing programmes where low income households are given state-built basic RDP houses funded through the national housing subsidy; or Black Economic Empowerment in municipal procurement, where companies meeting specific empowerment criteria are given additional points in the scoring of bids for contracts. Beneficial rents become unproductive when they are captured by interest groups outside of social objectives, who use political power to hold on to rents even when they are no longer productive (Bhorat et al. 2017). For instance, criteria-based BEE is frequently subverted by rent-seeking *tenderpreneurs*, or rents in municipal housing programmes are appropriated by stakeholders such as land owners, contractors and community leaders involved in the housing allocation process, decreasing the value to final beneficiaries.

Informed by the political economy of urban regimes and the understanding of municipal rents outlined above, we turn now to the case studies which are the focus of this paper.

Lessons from Nelson Mandela Bay

An earlier study of patronage-based politics and corruption in the Nelson Mandela Bay municipality, based on research conducted in the city in 2015 and 2016, documented a local form of 'state capture' which echoed what was taking place at a national level (Olver 2017). The city of Port Elizabeth has historically depended on the motor industry, supported by two industrial ports which process motor vehicle and manganese exports. Both the motor industry and the city's economy have been in a protracted process of decline. The metro enjoyed a heyday under its first black mayor, Nceba Faku, who championed an ambitious redevelopment of the city known as Vision 2020, anchored around catalytic urban property developments. In the build up to the ANC national conference in 2007 (at which then President Mbeki was defeated by a resurgent Zuma-led faction), the ANC structures in the city became a battle ground for contending groups. A left-wing alliance of industrial unions, communists and ANC nationalists coalesced into the anti-Zuma 'Stalini' faction, which was particularly effective at building a political machinery and resourcing it through access to state resources. Ultimately this cohered into a clientelist network based on patronage exchanges between hierarchy of political bosses and clients.

From 2011 onwards, the faction enjoyed an extended period of dominance, accompanied by much more robust political involvement in administrative decisions, which focused on large spending programmes, such as public transport and housing. Informal networks of political control enveloped the main decision making points relating to procurement, housing and land rights, and disrupted normal lines of accountability. This was facilitated by a raft of administrative appointees who were sufficiently incentivised to enable the uncritical execution of decisions, allowing contracts and remuneration to be rapidly processed through procurement, legal certification, authorisation and payment. However state officials were by no means the only protagonists, at times playing subordinate roles to political entrepreneurs and party bosses. Emerging empowerment players were

⁷ Of which R3,9 trillion is residential and R1,3 trillion is commercial. <https://www.ultraresidential.co.za/single-post/2017/07/12/South-African-Property-Market-worth-403-billion>

instrumental in engineering larger schemes around the public transport system, while housing contractors and SMMEs played an essential counterpart role in the Human Settlements Department.

The subordination of the municipality to external interests went hand in hand with its weakening. The micromanagement of local government decision making by political bosses outside government structures had a particular deleterious effect on institutional integrity. This phenomenon has been widely reported elsewhere, for instance in the Free State, North West and Limpopo provinces (Myburgh 2019; Lediga 2015; ANC NEC Task Team 2009). There were also similarities with the way in which national institutions were reorganised to serve purposes different to their formal mandates, despite the anti-Zuma stance of the Stalini faction in Nelson Mandela Bay. For instance, the governance, management and operational structures of national state owned enterprises such as Eskom, Transnet and Denel were weakened to allow control over strategic procurement opportunities (Bhorat [et al. 2017: 9](#)). This was facilitated by a network of well-placed individuals in the most significant centres of state power, able to influence and direct particular allocation processes. ([Bhorat et al. 2017: 20](#)).

In Nelson Mandela Bay the Stalini regime was ultimately unable to sustain itself. Despite its outward commitment to a 'developmental state', as the fiscal integrity of the municipality eroded, service delivery failures became commonplace. Short-term interests predominated, while large swathes of the municipality, where rents were negligible, were neglected. A diminishing set of exchanges took place around the declining fortunes of the municipality, the patronage machine deflated and divisions arose over the scale of the looting and the way in which rents were allocated. Various ANC interventions failed to stem the bitter contestation between groups over resources and the steady loss of electoral support, and the ANC dramatically lost power in the city in the 2016 local government elections.⁸

If clientelist regimes such as Nelson Mandela Bay constitute one pole of a spectrum of governance arrangements, we are challenged to define what constitutes the other pole. Is it a land of opposites, defined by the absence of behaviours such as political interference, rent seeking and corruption? Or is it a land of normative values, in which due process, fair distribution and institutional integrity reign? Research into the City of Cape Town, conducted during 2018, disabused either notion, and revealed some surprising dissimilarities and continuities with Nelson Mandela Bay.

Property rights and the social production of space in Cape Town

The City of Cape Town's performance relative to its peers makes it an obvious good governance candidate. It scores highest on the Citizen Satisfaction Index⁹ which measures the public's level of satisfaction and trust in service delivery.¹⁰ Cape Town also leads in Statistics South Africa's composite service delivery index that measures the quality of a basket of core municipal services.¹¹ It also leads in the Good Governance Africa governance ranking based on 15 indicators that measure administrative performance, economic development and service delivery (Government Performance Index 2019). With respect to the land enablement process, the World Bank's Ease of Doing Business

⁸ The decline had started in the 2009 national elections with an alarming fall to 50,1% of the vote, linked to the regional factional fallout after the Polokwane conference and the formation of COPE. Some recovery took place in the local government elections in 2011, but this was followed by a fatal fall to 41,5% in the 2016 local government elections, placing it in the opposition for the first time.

⁹ Based on a randomised and stratified sample of 2506 interviewees in the eight metros.

¹⁰ Consulta, 2019. <https://blog.consulta.co.za/citizen-satisfaction-index-shows-sharp-decline-in-citizen-trust-across-sas-largest-metropolitan-municipalities/>

¹¹ Based on the 2016 Community Survey.

report indicates that Cape Town is the best performer in terms of the efficiency of issuing construction permits, even though its overall efficiency rating dropped between 2015 and 2018.¹²

Cape Town has a diverse and mostly buoyant economy due to the clustering of financial and business services, tourism, agricultural exports and shipping which contribute almost 10 per cent to the national GDP. The unemployment rate in Cape Town is ranked as the lowest across the metros (City of Cape Town 2017). The city has been governed by the Democratic Alliance (DA) since 2006, which achieved a highpoint with 61 per cent of the vote when Patricia De Lille stood for her second term as Mayor in 2016. De Lille was credited with bringing a more racially inclusive, pro-poor focus to the metro, and she championed a spatially integrated city in which the urban poor had better access to well-located land closer to transport routes and jobs.

However the dynamics around property developments in the city suggest that the city was headed in a different direction. De Lille championed seven large property developments, clustered together as 'catalytic projects' in Cape Town's integrated development plan.¹³ The catalytic projects were driven politically and given City approval and funding despite significant technical concerns from officials (Cape Times reporter 2013; Furlong 2016; Knoetze 2018b; 2018a; McKune 2015; van der Merwe and Heidi Swart 2017). The Foreshore Freeway project, which was intended to ambitiously reconfigure the foreshore area of the city and complete the long unfinished freeways, came unstuck when two whistleblowers reported undue influence allegedly because the Mayor favoured a particular proposal. While De Lille denied any involvement, she prevented disciplinary action against the implicated official and instead instructed that the whistleblowers be fired (Kesson 2017; van Voore 2018:9). The project was eventually abandoned due to concerns about the procurement process.

Similar problems emerged around the Maidens Cove development, which came about after two business connections presented De Lille with a proposal for a multi-use exclusive development on publicly owned land. The city proceeded to dispose of the public land despite substantial opposition from residents and local stakeholders. An official involved in the development had allegedly been 'warned' not to oppose the development because it was 'a mayoral project'. Suspicions were raised when it was reported that one of the businessmen had made donations to charities suggested by De Lille (McKune 2015). The sale of the land was eventually overturned due to a defective public consultation process.

Property developments in the Philippi Horticultural Area flew in the face of official advice. Studies commissioned by the City of Cape Town had recommended the PHA's conservation and protection for food security and the recharge of the Cape Flats aquifer (Battersby-Lennard and Haysom 2012; Philippi Horticultural Area Task Team 2009). However the Mayor favoured alternative land uses and supported two large mixed use developments – Oakland City and the MSP/Uvest. The linkages between De Lille and one of the developers raised cause for concern – the main players behind the Mvelaphanda Group, which had financial interests in Uvest, were known as close allies of De Lille (van der Merwe and Heidi Swart 2017). When planning and housing officials pointed out the technical flaws in the proposals, pressure was exerted on them to change their opinions. Those that resisted discovered that they had to reapply for their jobs in an organisation restructuring process. The eventual removal of the management of the human settlements and planning departments

¹² Between 2015 and 2018 the time taken to obtain approval of building plans in Cape Town dropped from 45 to 37 days. However the magnitude of local tariff increases and the addition of new regulatory steps outside the building plan approval process made business conditions worse. Building plan approval fees, along with the cost to connect to water and sewerage went up by more than half over the last three years, far exceeding the rate of inflation for the same period.

¹³ The property developments included the foreshore freeway project, Maiden's Cove, the Philippi horticultural area, Paardevlei and the Bellville CBD. ([City of Cape Town 2017:113](#))

resulted in a collapse of the city's housing and infrastructure service delivery programmes (Olver 2019).

The emphasis on land development and property values in Cape Town suggests the heightened importance of spatial dynamics and land rents in the Cape Town political economy. The property industry's interests had been actively facilitated by a network of business and government players represented in the influential Western Cape Property Developer's Forum. Developers and construction industry professionals engaged with key officials from provincial government and the City through informal networks as well as multiple advisory committees. Developers in Cape Town spoke fondly of the way that De Lille and her Mayoral Committee intervened on their behalf. In turn, developers were invited to DA fundraising events and many of them gave generously to the party that defended their interests (Herron 2019). This is not a low-rent economy – while some of the property developments (Wescap and Oakland City, in particular) were based on questionable financial arrangements, on the whole they appeared to involve the distribution of long-term rights to established development players. De Lille had started to introduce black empowerment players into this mix, however these interventions did little to advance the racially inclusive city that De Lille championed. As shown by other authors, the same levels of access and land-use rights did not extend to the urban poor who continued to be marginalised institutionally (Parnell and Pieterse 2010: 159).

In terms of organisational structure, the City of Cape Town has a hierarchical organisation with strong vertical accountability, particularly in management echelons. The administration is largely corruption free and supply chain procedures are tightly regulated, but staff are risk averse, obsessed with compliance within a 'clean audit' culture. The Organisational Development and Transformation Plan, implemented in 2016, comprehensively modernised the administration with market-friendly managerial reforms. However, it was overlain with efforts to entrench political control over particular allocation processes relating to land and property development. This involved a substantial centralisation of power in the Mayor's office, with the creation of a powerful Strategic Policy Unit which took the policy initiative away from line departments. The ODTP was also used to remove officials who had opposed particular initiatives. An internal DA enquiry criticised the centralisation of power and the level of political interference and patronage-based appointments in the political and senior management staff (Steenhuisen et al. 2017).

As in Nelson Mandela Bay, internal battles fractured the regime and led to De Lille's demise. The DA political machinery is tightly controlled and run along business lines which constrain patronage relationships. However concerns over the direction of the De Lille administration pitted her supporters against the so-called DA 'old guard'. Councillors spoke of 'the command culture' established by the Mayor and her team. The DA caucus became 'an arena of massive contestation, acrimony and abuse' in which 'many Councillors do not feel that they should raise their heads above the parapet for fear of being cut down to size by either the Mayor or the Chairperson [of the caucus]' (Steenhuisen et al. 2017). Following De Lille's resignation in October 2018, the political fallout caused DA support in the 2019 elections to drop to 55,7 per cent in Cape Town, a fall of 5 percentage points.¹⁴

Despite their obvious differences, Cape Town shares some striking features with Nelson Mandela Bay; both regimes combine government and private actors through informal networks around shared economic objectives; both regimes are sustained by a particular pattern of rent distribution; in both instances repurposing of the local state seeks to enclose rent distribution within a seemingly natural order; and neither regime appears to specifically advantage the urban poor. To what extent

¹⁴ On the national ballot the DA fell from 22,23% in 2014 to 20,76% in 2019, while on the Western Cape provincial ballot they fell from 59,38% to 52,39%, and in Cape Town metropolitan area from 61,50% to 56,66%.

are these features intrinsic to the character of local governance, or is it possible to ensure the distribution of rights that create value for a broader constituency?

Comparing governance regimes

In comparing city governance regimes between Brazil, India and South Africa, Patrick Heller characterised South African cities as *growth machines* which stand in contrast to the more socially inclusive Brazilian model which 'embedded' local government in civil society (Heller 2018). Heller's argument draws on the US literature on growth-orientated urban regimes that redeveloped urban space to serve coalitions of business interests and political constituencies. Molotch in particular criticised the way in which growth machines projected growth as normatively desirable, as if it was a public good, despite it not easing a myriad of social problems such as unemployment, inequality, housing or fiscal constraints ([Molotch 1993: 32](#)). Heller worried about the insularity of urban governance in South Africa, driven by neo-liberal reforms which had 'managerialised' decision-making processes and reduced the quality and scope of participatory processes. This had not only undermined the capacity of the local state to deliver on complex, integrated policy areas, it had also led to a crisis of legitimacy (Heller 2018). This characterisation resonates with Parnell and Pieterse's assessment of local government as a belated construction with limited fiscal and human capacity and incomplete administrative systems. They bemoan the focus on 'neoliberal outcomes' with unequal enjoyment of land-use rights, which marginalises the poor institutionally and pushes them to the urban periphery ([Parnell and Pieterse 2010: 159](#)).

Heller's and Parnell and Pieterse's characterisations usefully highlight the pervasive insularity and hierarchical nature of city administration, the dominance of audit and financial management practices, and the persistence of policies which replicate apartheid spatial patterns. But our metropolitan bureaucracies and regimes are more complex and heterogeneous than either Heller or Parnell and Pieterse admit. Municipal public administration combines elements of new public management, social redistribution and overweening aspects of the 'developmental state', even if the latter is realised more in the breach than in practice. Given the state of South African local government, *growth machines* seems like an unduly optimistic assessment – Cape Town may come closest to the description, while others may have qualified at certain moments.¹⁵ Certainly, the growth-machine analogy falls apart as we move further down the scale of city governance and competence.

There have been other suggestions made about non-clientelist models of urban governance. While Beresford (2014) viewed patronage politics in South Africa as pervasive, he argued that it could be bent to developmental purposes if rents were directed productively to 'grow the pie' of the national economy. Beresford proffered the *developmental neopatrimonialism* of Paul Kagame's RPF government in Rwanda as an alternative, in which the RPF's ties to business interests were subordinated to long range economic planning with tight control over state capacity and rent seeking ([Beresford 2014: 18](#)). This bears some resemblance to the *patrimonial* South-East Asian regimes described by Khan, whose centralised control kept subordinate factions and external political competitors in check. The stability of such regimes allowed a longer term calculus and an interest in maximising the net present value of rents, while allowing them to impose more stringent criteria in the bargaining process with clients (Khan 1996: 24).

In clientelist regimes, on the other hand, the state's control over rights allocations was weak, and instead rights were distributed based on the relative bargaining power of competing groups and factions rather than their productive capacity. This resulted in rights being allocated to less efficient

¹⁵ For instance the City of Cape Town, the City of Johannesburg and the City of eThekweni under Mayor Mhlaba established effective growth oriented partnerships around inner city revitalisation.

entities, even becoming locked in by factional allegiances and power. Because of its weakness, the state was unable to impose performance criteria on businesses or to protect rights, and rival protection rackets arose. Clientelist groups organised to launch their own bids for rights, and the range of rights being contested increased, decreasing their overall value ([Khan 1996: 27](#)).

The two cases discussed in this paper appear to define opposite ends of a local governance spectrum, sufficient to suggest a tentative typology. The key distinguishing features appear to be the structures of accountability, the characteristics of the administration, the nature of the rents which are allocated, the focus of repurposing initiatives and the anticipated development outcomes. Drawing on Khan, the table below summarises the characteristics evidenced by the *growth-machine* model of Cape Town and the *clientelism* of Nelson Mandela Bay.

Table 1: Comparing urban governance regimes

Growth machines	Clientelist regimes
Hierarchical organisation with strong vertical accountability in management echelons; established networks of interaction with property industry	Organisation is atomised, and replaced by informal networks, with outward accountability to party bosses and political entrepreneurs
Managerialism, efficiency, focus on reporting and audit, playing things by the book	Hollowed out 'developmental state', repurposed around contested rents
Property ownership and its development is main vehicle for accumulating and transferring long term value, dominated by landed property interests	Short term rights - procurement & personnel appointments, kickbacks on rates rebates or service charge reductions. Some low rent land transactions
Repurposing uses new technologies and managerial practices at the same time as centralising decision making around land & development	Repurposing seeks to control SCM and HR decision making environment, staff forced to choose between collusion or unemployment
Competitive economy, but trickle down policies without strategy for urban inclusion push poor to urban periphery	Economic decay; populist policies which are fiscally unsustainable lead to service delivery collapse.

Khan has opened up our understanding of the way that rents are distributed in support of particular polities, and how the ability of regimes to bargain over rents and impose performance criteria on economic actors can translate into economic competitiveness and better development outcomes. Such models may be less relevant in a local government context with its limited economic instruments, in which locational decisions are predominantly dictated by national economic factors. Deepening this analogy requires further analysis of the nature of rights and rents in the cases cited, as well as consideration of the multiple variables behind these observations.

To summarise: effective governance in cities appears to be achieved through the melding together of state and private capacities around shared objectives, constituting an urban governance regime; regimes take clientelist or patrimonial forms depending on the class forces that make them up and on their internal configuration of power; this in turn dictates the nature of the rents allocated by municipalities, and the development outcomes produced by the urban regime. In both Nelson Mandela Bay and Cape Town the rise of internal factionalism and external political competition corresponded with deteriorating municipal performance and financial management, and in the case of Nelson Mandela Bay at least, an escalation in collusive and corrupt practices.

We are left wondering whether another model is possible. As indicated by the case studies, rent appropriation and distribution can have socially negative, neutral or positive effects, which depend on the way that the institution of local government is repurposed, and the ultimate use to which the

appropriated rents are put (consumptive vs. productive). Is there space for a real politics of inclusion, in which meaningful participation in city governance leads to a more equitable distribution of rights and socially inclusive growth? There are ways in which rents can be made more explicit and transparent, which disincentivises more deleterious practices. The real challenge is to insulate them from capture by interest groups outside of social objectives, and direct them into more progressive and inclusive forms. This requires strong leadership with long term planning horizons which extend beyond the limited five-year term of politicians. In the fractious world of local coalition politics in South Africa, such leadership seems in short supply. Perhaps the challenge is not whether one or another party gains power, but whether the unstable world of city coalitions can be embedded in enduring urban regimes that advance a socially inclusive agenda.

References

- ANC NEC Task Team. 2009. "Political and Technical Overview of North West Province." Report to NEC. Johannesburg: African National Congress.
- Auditor-General. 2018. "Consolidated General Report on the Local Government Outcomes: MFMA 2016/17." Audit report. MFMA. Pretoria: Auditor General of South Africa. http://www.agsa.co.za/Portals/0/Reports/MFMA/201617/GR/MFMA2016-17_FullReport.pdf.
- Battersby-Lennard, Dr Jane, and Gareth Haysom. 2012. "A City Asset or Potential Development Node?" Land use assessment. Cape Town: Rooftops Canada Foundation Inc. – Foundation Abri International in partnership with the African Food Security Urban Network.
- Beresford, Alexander. 2015. "Power, Patronage, and Gatekeeper Politics in South Africa." *African Affairs* 114 (455): 226-48. <https://doi.org/10.1093/afraf/adu083>.
- Bhorat, Haroon, Mark Swilling, Ivor Chipkin, Mbongiseni Buthelezi, Sikhulekile Duma, Lumkile Mondli, Camaren Peter, and Mzukisi Qobo. 2017. "Betrayal of the Promise: How South Africa Is Being Stolen." Unpublished. <http://pari.org.za/wp-content/uploads/2017/05/Betrayal-of-the-Promise-25052017.pdf>.
- Cape Times reporter. 2013. "Cape Town Planning Officials Slam Property Development, but Politicians Disagree." *Cape Times*, March 27, 2013. http://www.iolproperty.co.za/roller/news/entry/row_over_plan_to_house.
- City of Cape Town. 2017. "Five Year Integrated Development Plan July 2017 - June 2022." City of Cape Town. <http://resource.capetown.gov.za/documentcentre/Documents/City%20strategies%2c%20plans%20and%20frameworks/IDP%202017-2022.pdf>.
- Fischer, Pius. 2007. *Rent-Seeking, Institutions and Reforms in Africa: Theory and Empirical Evidence for Tanzania*. Springer Science & Business Media.
- Furlong, Ashleigh. 2016. "Wescape: Why Build a New City for 800, 000 People More than 40km Away from Cape Town? | FUTURE CAPE TOWN | OUR FUTURE CITIES." Future Cape Town. June 14, 2016. <http://futurecapetown.com/2016/06/wescape-thriving-new-city-or-failed-development-future-cape-town/>.
- "Government Performance Index 2019." 2019. Johannesburg: Good Governance Africa. <https://gga.org/wp-content/uploads/2019/04/GGA-GPI-2019-FINAL-25-April-2019.pdf>.
- Heller, Patrick. 2018. "Urban Governance in Brazil, India and South Africa: Explaining Variation in Trajectories of Development." In . Hesburgh Center C103 Notre Dame, IN 46556 United States: Kellogg Institute For International Studies. <https://kellogg.nd.edu/lecture-patrick-heller>.
- Herron, Brett. 2019. "Address by Brett Herron to Cape Town Press Club." presented at the Cape Town Press Club, Cape Town, February 26.
- Holdt, Karl von. 2019. "The Political Economy of Corruption: Elite-Formation, Factions and Violence." Working paper 10. Johannesburg: Society, Work and Politics Institute.
- Huntington, Samuel P. 2006. *Political Order in Changing Societies*. Yale University Press.
- Kesson, Craig John. 2017. "Affidavit under the Provisions of the Protected Disclosures Act No 26 of 2000 ('PDA')." Unpublished. <file:///C:/Users/Crispian/Downloads/COUNCIL%20OF%20THE%20CITY%20OF%20CAPE%20TOWN%20IN-COMMITTEE%20MINUTES%20-%2021%20NOVEMBER%202017.pdf>.

- Khan, Mushtaq H. 1996. "The Efficiency Implications of Corruption." *Journal of International Development* 8 (5): 683-96.
- Khan, Mushtaq H. 2000. *Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia*. Cambridge University Press.
- Knoetze, Daneel. 2018a. "Did Cape Town Lose Millions on Foreshore Land Sale?" GroundUp News. September 13, 2018. <https://www.groundup.org.za/article/did-cape-town-lose-millions-foreshore-land-sale/>.
- . 2018b. "GroundUp: City of Cape Town Fails to Explain R140m Property Sale Bungle." *Daily Maverick*, September 20, 2018. <https://www.dailymaverick.co.za/article/2018-09-20-city-of-cape-town-fails-to-explain-r140m-property-sale-bungle/>.
- Lediga, Sello. 2015. *Tenders and the Fall of Limpopo*. https://www.goodreads.com/work/best_book/48502102-tenders-and-the-fall-of-limpopo.
- McKune, Craig. 2015. "De Lille and the Contentious Clifton Scenic Reserve Megaproject." *Mail & Guardian*, June 10, 2015, On line edition. <https://mg.co.za/article/2015-07-09-de-lille-and-the-contentious-clifton-scenic-reserve-megaproject/>.
- Merwe, Marelise van der, and Heidi Swart. 2017. "Cape Of Storms To Come: Part 2." *Daily Maverick Chronicle*. 2017. <http://features.dailymaverick.co.za/cape-of-storms-to-come/cape-of-storms-to-come-part-1.html>.
- Moerane, Marumo, Vasu Gounden, and Cheryl Potgieter. 2018. "Report of the Moerane Commission of Enquiry into the Underlying Causes of the Murder of Politicians in KwaZulu-Natal." Commission of Enquiry. Durban: Moerane Commission.
- Molotch, Harvey. 1993. "THE POLITICAL ECONOMY OF GROWTH MACHINES." *Journal of Urban Affairs* 15 (1): 29-53. <https://doi.org/10.1111/j.1467-9906.1993.tb00301.x>.
- Motau, Terry. 2018. "VBS Mutual Bank - The Great Bank Heist: Investigator's Report to the Prudential Authority." Forensic report. Johannesburg: Werksmans Attorneys. <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/8830/VBS%20Mutual%20Bank%20-%20The%20Great%20Bank%20Heist.pdf>.
- Myburgh, Pieter-Louis. 2019. *Gangster State - Unravelling Ace Magashule's Web of Capture*. Cape Town, South Africa: Penguin Books.
- Nala, Ntombifuthi. 2018. "Public Opinion: Performance of Local Government Report." Quarterly opinion survey. GCIS Tracker. Pretoria: Government Communication and Information Service.
- Olver, Crispian. 2017. *How to Steal a City - the Battle For Nelson Mandela Bay*. Cape Town: Jonathan Ball.
- . 2019. *A House Divided - The Feud That Took Cape Town to the Brink*. Johannesburg: Jonathan Ball Publishers.
- Parnell, Susan, and Edgar Pieterse. 2010. "The 'Right to the City': Institutional Imperatives of a Developmental State." *International Journal of Urban and Regional Research* 34 (1): 146-62.
- Philippi Horticultural Area Task Team. 2009. "Report to Planning and Environment Portfolio Committee." Research findings Plan 07/08/09. Cape Town: City of Cape Town. <http://gctca.org.za/wp-content/uploads/2013/07/RECOMMENDATIONS-OF-PHILIPPI-HORTICULTURAL-AREA-TASK-TEAM.pdf>.
- Property Sector Charter Council. 2018. "2016/17 State of Transformation Report for the South African Property Sector." Mandatory report in terms of Property Sector Charter. State of Transformation of SA Property Sector. Johannesburg: Property Sector Charter Council.

- Statistics South Africa. 2019. "Selected Building Statistics of the Private Sector as Reported by Local Government Institutions (Preliminary)." Statistical release P5041.1. Pretoria.
- Steenhuisen, John, John Moodey, Patricia Kopane, and Karen Smith. 2017. "Report of the Subcommittee Established to Enquire into the Tensions in the City of Cape Town." Cape Town: Democratic Alliance Federal Executive.
- Stone, Clarence N. 1993. "Urban Regimes and the Capacity to Govern: A Political Economy Approach." *Journal of Urban Affairs* 15 (1): 1-28. <https://doi.org/10.1111/j.1467-9906.1993.tb00300.x>.
- Struwig, Jaré, Benjamin Roberts, Mercy Ngungu, and Steven Gordon. 2014. "City Support Programme: A Survey of Corruption Issues: 2013." Democracy, Governance and Service Delivery. Pretoria: Human Sciences Research Council.
- Voore, Randall van. 2018. "Report: Investigation into Allegations Involving the Executive Mayor Alderman Patricia De Lille." Forensic report. Cape Town: Bowman Gilfillan.
- Worcester, Dean A. 1946. "A Reconsideration of the Theory of Rent." *The American Economic Review* 36 (3): 258-77.