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**Critically Exploring the link between privatization and institutional capacity at the
local government level in South Africa**

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Abstract

This study aims to critically explore the link between privatization and institutional capacity at the local government level in South Africa. The study is presented in a user-friendly manner for a wider readership. The central themes explored by the study are local municipalities and privatization. A discussion of the central themes of this paper evolves in the following way. Firstly, the paper outlines the nature of local government in South Africa dating back from the apartheid epoch to the inception of democracy in 1994. It reflects on the local government sphere which is a collective of local municipalities, analysing the nature and structure of this sphere. In its expedition, it particularly focuses on a Category B municipality from Queenstown Eastern Cape. Surveying the outplay in the link between privatization and the institutional capacity in this municipality through the contracting-out of services, particularly water privatization in that municipality.

The reflection on local government is succeeded by the scrutiny of the privatization theoretical framework. The study assesses the root nature of privatization. It investigates its emergence from a global frame of thought, how it has evolved through neoliberalism, and ended up superseding other macro-economic frameworks and being a central policy of governance linked to the institution's capacity. The study further looks at the different frameworks provided by the government to enhance institutional capacity at the local government level, together with the methods and theories that characterize privatization, and the outcomes that underpin it.

The scrutiny of the above central themes leads to a broad analysis of case studies from a global realm, regional arena, and local arena. The study utilized both qualitative and quantitative research methods to gather data for the study to complement the former methods the study used an exploratory research design as it was broadly exploring the link between privatization and institutional capacity. It further used semi-structured interviews to substantiate the theoretical findings. Throughout the paper, explicit examples are provided to substantiate all arguments raised.

Key terms

South Africa

Government

Governance

Local government

Local municipalities

Privatization

Contracting out

Public-private partnerships

Apartheid

Democracy

Constitution

Legislature

Abbreviations

AMA-Accra Metropolitan Assembly

ANC-African National Congress

BCG-Beijing Capital Group

CA-Constitutional Assembly

CBD-Central Business District

CCWL-City and Country Waste Limited

CHDM-Chris Hani District Municipality

CODESA-Convention for a Democratic South Africa

DP-Democratic Party

GDP-Gross Domestic Product

GEAR-Growth, Employment, and Redistribution

IDASA-Institute for Democracy in South Africa

IFP-Inkatha Freedom Party

IMF-International Monetary Fund

KMA-Kumasi Metropolitan Assembly

KWML-Kumasi Waste Management Limited

LED-Local Economic Development
MASWSC-Old Maashan water supply company
MFMA-Municipal Finance Management Act
MIIU-Municipal Infrastructure Investment Unit
NPG-New Public Governance
NPM-New Public Management
NP-National Party
OECD-Organisation for Economic Co-operation and Development
PAC-Pan Africanist Congress
PPP-Public-Private Partnerships
RDP-Reconstruction and Development Program
RFP-Request for proposal
SA-South Africa
SACP-South African Communist Party
SALGA-South African Local Government Association
SOE-State-owned enterprises
USA-United States of America
USAID-United States Agency for International Development
WSSA-Water and Sanitation South Africa
ZL-ZoomLion

Declaration

I declare that '**Critically exploring the link between privatization and institutional capacity at the local government level in South Africa**' is my work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete reference.

H.L.Ralane

05 May 2023

Signature

Date

(Mr. HL Ralane)

Dedication

This dissertation is dedicated to my grandmother Nokuzola Ralane, my mother Yandiswa Ralane, my siblings Siyolise Ralane and Minentle Ralane, and my uncle Pumlani Ralane, for your continuous support and encouragement throughout my academics.

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Psalms 103: 1-2

Bless the Lord, O my soul; And all that is within me, bless his holy name! Bless the Lord, O my soul, and forget not all His benefits.

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1. Chapter One

1.1 Introduction

The focal point of this study is the emotive issue of local government and privatization. It seeks to critically explore the link between privatization and institutional capacity at the local government level in South Africa. In addition, it makes a distinct contribution to the literature. The evaluations on the link between privatization and institutional capacity in local government in South Africa are few and disjointed with many of them assuming an ideological disposition. Existing empirical studies are confined to assessing the effect, efficiency, and corruption that come with privatization, ostracizing the link between privatization and institutional capacity. Based on the above idea of privatization and local government the study felt it relevant to explore the link between privatization and institutional capacity in local government in South Africa. Privatization of public service delivery is a predominant social force in local government in South Africa and the global arena. Greve (2008) claims that contract management has become the core task for public service managers, more so as the “drive to privatize service delivery of public services has gained momentum, too little attention has been focused on the potential impact privatization has on the local municipalities capacity” (Sullivan 1998, 461). This study is, therefore, rooted in critically understanding the factors that link privatization and institutional capacity in the local government realm in South Africa.

In framing the concept of local government, Koma (2010) distinguishes it as the “epicentre of the government delivery system and at the heart of poverty eradication initiatives” (Koma 2010, 111). He further defines it as the “sphere of government located within the communities and well-placed to appropriately respond to local needs, interests, and expectations of communities” (ibid, 113). Van der Walt (2006) on the other hand asserts that the “local government is at the coalface of public service delivery” (Van der Walt 2006, 3). Thornhill (2008) strengthens Van der Walt's frame of thought by asserting that the local government is often the first point of contact between an individual and a government institution. The provision of services which is one of the core responsibilities of the local government is said to be a constitutional obligation. The local government and privatization are the central themes of this study and the gist of this study is around these themes.

Neoliberalism as a global doctrine that is used as “a pejorative term that perpetuates the globalization phenomenon” (Narsiah 2002, 3), has been identified as one of the underlying central features that have characterized development in South African governance since the

dawn of democracy. It has been articulated through the “development policy being facilitated through a series of measures among which are fiscal austerity, export-orientated production and the privatization of public sector services” (ibid). Privatization which is one of the fundamental features of neoliberalism has occurred on a wide scale throughout the sphere of governance in South Africa. The privatization policy in South Africa dates back to the apartheid regime, “it was adopted by the apartheid state during the 1980s and was a political tactic used to satisfy a political constituency” (ibid). Development in governance in the “post-apartheid epoch has been assimilated into a neo-conservative economic philosophy with privatization being the buzzword” (ibid). Narsiah (2002) contends that there is a typology of privatization ranging from pragmatic, tactical, and systemic privatization. She elucidates privatization as the “systematic transfer of appropriate functions, activities, or property from the public to the private sector, where services, production, and consumption can be regulated more efficiently by the market and price mechanisms” (ibid, 7).

The privatization of basic services in local municipalities has become an integral part of local government in the majority of municipalities, with services such as water and sanitation concessions, waste collection, and electricity supply being corporatized into the private sector. In this context “the means of production of services are in the hands of the capitalists who operate facilities based on profit. Processes of concentration, the acquisition of service contracts, outright acquisition of service provision infrastructure, etc, are occurring on an increasing scale with the rationalization of the municipalities” (ibid). To strengthen the core theme of this paper which is to critically analyse openly the link between privatization and institutional capacity in the local government realm, this study explicitly interrogates the nature of privatization to bring forth in detail its essence and further highlight the core elements in privatization.

Narsiah (2002) in her quest to understand the repercussions of neoliberalism through privatization on institutional capacity, exclaims that privatization in local municipalities took a systemic character. She contends that systemic privatization, “was intended to reshape the entire society by fundamentally altering economic and political institutions and by transforming economic and political interests” (ibid). Through systemic privatization, an institutional structure was set up to promote closer relations with the private sector. Such enactments permeated “The Municipal Infrastructure Investment Unit (MIIU) which was instituted to enable the penetration of private capital into the provision of basic services” (ibid). A host of documents relating to public-private partnerships such as the “Municipal Structures

Act and The Municipal Systems Act created space for an increasing role of the private sector in the provision of public services” (ibid). Such measures enabled the devolution of decision-making to the local level. Drawing from the above-provided information, one can explicitly observe that the privatization framework in local municipalities is a blunt example that instituted fertile ground for the promotion and infiltration of privatization in the institutional operation of the municipalities through the above-outlined acts and policy documents. However, it stands to be argued that institutional operation and institutional capacity are interlinked because institutional operation alone can not suffice. Thereupon, in an instance where privatization infiltrates the institutional operation, it is bound to confront its human resource personnel as well. For example, in a case where local municipalities outsource services that were religiously provided by the municipality to private consultants, people in the municipality become subjected to retrenchments, and some are demoted to lower positions, resulting in lower incomes. Such measures therefore ineffectively cripple the local municipalities and their human resources further hampering the municipalities from having their own upskilled individual capacity.

1.2 Background

South Africa contains a ruthless history that was dominated by acts of discrimination and inequality which were impelled by the Afrikanerisation policy, also known as the apartheid policy. This was a policy that was centred on racial, cultural, and political purity, it sought to marginalize and retain the Black people in the periphery, restricting them of liberty, quality education, and active participation in the economy. White individuals exclusively occupied state government positions and administration irrespective of whether one was skilled or contained the required capacity for the position. Such expedients thus impelled a racialized government. The foundation of “apartheid was premised on the formation of artificial black nations or homelands in reserves, these homelands were created based on the language and culture of a particular ethnic group” (Khunou 2009, 82).

Despite, the marginalization that apartheid impelled, the Black people relentlessly fought and directly resisted the regime at the local level thus, conquering it in 1992. When democracy emerged in South Africa in 1994 it was identified as “a struggling democracy because development was distinguished as a mandatory enactment that was a prerequisite for the stimulation of historically disadvantaged areas, where services have been poor or non-existent” (Reddy 2016, 1). Development was further essential in historically advantaged areas as well to

maintain it and even upgrade development where necessary because these areas were an integral factor for financial sustainability in the municipalities.

The “1996 Constitution of the Republic of South Africa divided the country into three spheres of government: national, provincial, and local government” (Monkam 2014, 276). As outlined in the above-provided information this study exclusively focuses on the local government. These spheres of government are said to be operating through a bifurcated structure of government, “establishing direct relations and responsibilities between national government and provinces and, on the other hand between the national government and local government” (ibid). This further resulted in the creation of two separate spheres of sub-national governments in South Africa. Monkam (2014) argues that after the 1996 constitution and the 1998 Local Government Municipal Structures Act, local governments in South Africa were divided into three tiers or categories. These tiers are namely: “metropolitan municipalities (category A), which exclusively cover the large urban areas, local municipalities (category B) which cover smaller and medium-sized jurisdictions located primarily in urban areas; and lastly the district municipalities (category C), which geographically cover several local municipalities” (ibid, 277). In the quest to widely analyzing the link between privatization and institutional capacity in local government, this study utilize a case study of a district municipality in the Eastern Cape, South Africa. Exploring in this municipality how the active use of privatization has tied up with institutional capacity. The name of the municipality is Chris Hani District municipality. Furthermore, in the general review of the workings of privatization and institutional capacity the study will draw on other examples from across the global North and South particularly looking at China and Ghana.

The main purpose of the structuring of local municipalities as outlined in the above-given information was said to provide autonomy to the municipalities, enabling them to manage their administration, budgeting, and planning processes, to give priority to the basic needs of the community, and to promote the social and economic development of the community. Furthermore, it was aimed at propelling participation in national and provincial development programs. Service delivery is identified as the core business of local municipalities and service delivery in this context incorporates the following services: water and sanitation services, refuse removal, electricity, roads, and stormwater management. Monkam (2014, 278) claims that “this assignment of powers for the delivery of services and expenditure functions considerably varies within and across categories of municipalities.” Municipalities in “large urban areas with greater ability and capacity to provide an extensive range of services vary

compared to some category B and category C municipalities with limited ability to independently render few basic services” (ibid).

Following the demise of apartheid and the transition to the new democracy in South Africa, “the new dawn was met with great enthusiasm and expectation by the majority of the people” (Mashamaite 2014, 231). The new dispensation to the voting public meant the alleviation of poverty through “adequate housing, access to water, electricity, sanitation, education, healthcare, decent transportation, economic opportunities-in short, a better life for all as the 1994 election slogan assured the voters” (LiPuma 2010, 565). However, over the years “the excitement that accompanied the new dispensation has been short-lived and later replaced by growing signs of despair with government’s inability to render the basic services promised to all citizens” (Mashamaite 2014, 231). As such, there has been an increase in service delivery protests, with most South Africans displaying their frustrations and impatience over slow poor governance that is negating the living conditions of the previously disadvantaged South Africans. Other protests have been struck by the poor institutional capacities within the local municipalities to provide sound governance and delivery of services. Despite all such enactments, privatization has been a present phenomenon in local municipal governance.

Though privatization is nothing new it has, however, become an increasingly integral part of urban governance in the local, regional, and global spheres. The privatization of public services by government institutions has become a norm. The provision of services such as waste collection and water provision have continuously become a responsibility of the private sector through contractual agreements. Pack (2000, 256) contends that “to some extent, the source of interest in privatization lies in a public sector grown too large.” Too large for the public sector to efficiently govern it because of the lack of the required skilled personnel and density due to their continuous outsourcing of services to the skilled consultants they contract to. Such measures cripple the institutional capacity by further creating some sort of laziness among civil servants. The continuous cycle of contracting out the delivery of services to the private sector to propel sound urban management is the result of this.

History outlined by Warner (2012) makes the following assertion about the privatization framework. Privatization was “heralded as a new reform in the late 1970s by Margaret Thatcher and followed by Ronald Reagan, the idea was that market competition would lead to increased efficiency and more consumer voice in urban service delivery” (Warner 2012, 38). Privatization is a broad concept with no single definition. Pindus (1997) argues that

“privatization covers a broad range of methods and models including contracting out services, voucher programs, and even the sale of public assets to the private sector” (Pindus 1997, 1). The privatization framework is characterized by the elements of the liberal school of thought, which is vehemently concerned with individual interests as opposed to collective interests.

Municipal capacity and the role of the private sector are regarded as pivotal elements that impel effective urban governance. Municipal capacity is underpinned by capacity building which is identified as “activities that strengthen the knowledge, abilities, skills, and behaviour of individuals and improve institutional structures and processes to efficiently meet its goals sustainably” (Bevir 2011, 470). Privatization on the other hand in its narrowest sense happens when “the state sells its assets to a private company along with all of the maintenance, planning, and operational responsibilities that these assets entail” (Ruiters 2005,14). The private sector is said to be a key stakeholder in urban and economic development as it is continuously engaged in the design, construction, and maintenance of infrastructure and the provision of services. Local governance, which incorporates local municipalities together with the private sector, is identified as a key actor and institution of urban governance.

1.3 Study Rationale

The study’s root motive is to critically explore openly the link between privatization and institutional capacity in the local government realm in South Africa. Many municipalities in South Africa are utilizing the private sector as a way of addressing the growing and long-neglected problems of poor municipal service delivery. Research suggests that the contracting out of services to the private sector confronts the capacity of the municipality institutions, furthermore, stimulating unemployment because privatization in some instances propels job loss. It stands to be argued that privatization is not the only component that confronts the capacity of local municipalities, there are a variety of variables such as political deployment, corruption, and nepotism that affect the institution's capacity. However, this study specifically focuses on privatization, as one of the key factors that are tied up to the local municipalities' capacity. To build upon the general investigation on the link between privatization and institutional capacity within the local sphere of government the study has utilized case studies from a global, regional, and local perspective where privatization has been used to provide services, with the quest of understanding its underpinnings to capacity.

1.4 Problem statement

William Avis (2016, 9) argues that “expanding municipal capacity to plan, manage, and finance urban growth is a fundamental component of effective urban governance.” Each level of

government must have enough “capacity to ensure that physical and socio-economic planning processes are well-coordinated, legally enforced, inclusive, and cross-sectoral” (ibid). Economic and social transformation in South Africa has been difficult, “as municipalities have had to expand service provision beyond the white central areas that were the focus of services under apartheid, too much larger mainly black outlying communities” (Aiello 1999, 2). Post-apartheid, history has depicted local municipalities as incompetent institutions with weak institutional capacity in areas such as planning and regulatory control, finance, human and administrative capacity, and in-service delivery. As a result, it has become a norm for South Africans to take to the streets to demonstrate their dissatisfaction with the local municipalities' poor service delivery and the rampant corruption that has plunged these institutions. Such measures have further perpetuated informality within communities impelled by the incompetency of the municipalities.

Despite the incompetence in the local government structures, the vicious cycle continues with the local municipalities actively privatizing their services, through various privatization techniques such as contracting out or through public-private partnerships. Now, the question that arises is, what cultivates and has created fertile ground for the link between privatization and institutional capacity? One can reason that the cycle might have been propelled by the lack of in-house capacity which breeds incompetence in the institutions. However, when incompetence manifests even in the presents of privatization what is it that ties the local government and privatization so firm that it would rather provide substantial amounts to private companies that are rooted in making a profit in revenue returns, whilst it still demonstrates incompetence? Due to the former measures, the study is, therefore, interested in the broad link between privatization and institutional capacity.

1.5 Research Question

Critically exploring the link between privatization and institutional capacity at the local government level in South Africa.

Sub-questions

1. What encourages privatization at the local government level in South Africa?
2. To what extent do local municipalities privatize, do they privatize both operation and administrative services?
3. Does the privatization of operational and administrative services complement institutional capacity, or it ineffectively confronts it?

1.6 Research Objectives

- The core objective of this study is to explicitly understand the underlying factors that propel the link between privatization and institutional capacity.
- Further, distinguish the effect privatization has on institutional capacity at the local government level.
- Another objective of the study is to assess the extent of competency in local government institutions in a context where many government functions have been privatized or outsourced to the private sector.

1.7 Expected Finding.

This study hopes to understand from a wide frame of thought the core factors that tie up privatization to the local municipality in South Africa. It further hopes to understand the essence of privatization and its role relative to institutional capacity. The study is also expecting to find information on the effectiveness of inefficiency that comes with privatization if it has been actively used within the local municipalities.

2. Chapter Two

2.2 Research Methods

This section of the study provides an overview of the research design/methods, approaches, and data collection procedures and analysis that the study utilized. Ngoepe (2008, 23) argues that “academic scholars have a tendency of concentrating on the findings of their research without examining the methodology used.” Describing methods used in a study is crucial to enable other researchers to use the study as a reference, as well as to determine the validity of the findings. This study adopted a basic research approach and by this I mean, the study focused on improving the understanding of the link between privatization and institutional capacity. Additionally, the study also concentrated on contributing to the expansion of knowledge in the field of privatization and the institutional capacity of local municipalities. The study is exploratory in the sense that the researcher was critically exploring the link between privatization and institutional capacity in local government institutions in South Africa.

2.3 Research Design

Research design is considered the structure of research, the concept within which research is conducted that holds all of the elements in a research project together. Akhtar (2016, 68) defines a research design as an “arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy and procedure.” Additionally, the design not only anticipates and specifies the seemingly countless decisions connected with carrying out data collection, processing, and analysis but it presents a logical basis for these decisions. The primary focus of an exploratory research design is to investigate the content and context of the research question and establish new insights about a certain phenomenon. Furthermore focuses on gaining insights and familiarity with the subject area for more rigorous investigation later.

Given that the previous studies are few and disjointed with many of them assuming an ideological disposition on the issue of privatization and institutional capacity, it was believed that an exploratory research design would be appropriate for this study. Appropriate in the sense that the study sought to explore from the link between privatization and institutional capacity the effect that privatization has on institutional capacity in local government. Following the analysis of the available literature, a case study method was applied to evaluate openly the link between privatization and institutional capacity in local government around the South African case as the study is framed around it. In the studys general review of the

workings of privatization and institutional capacity the study draws examples from other cities merely functioning as global and regional examples and illustrations of key concepts in the study's literature review. Chapter 5 of this study provides information on China which is a global example, China was chosen because it is one of the first countries in the global realm that utilized privatization from its emergency. There is a wide literature on privatization in China at the local government level thus making it easier to study. Ghana serves as a regional example like China, Ghana has a wide literature on privatization which is easy to access furthermore, privatization has worked well in some of its service provision processes. These examples were carried out to draw parallels between the history and workings of privatization and its link to institutional capacity in these two realms of local government. Chapter 6 looks at the local lens by studying the Chris Hani District Municipality as its case study. The study had chosen the Chris Hani District Municipality because it was strategic in that it is my home municipality, I am familiar with the area and officials therefore, it was easier to gather information. The study further conducted semi-structured interviews where the questions of the interviews guided the research design in account of what data was needed to answer the research question. The following questions were posed in the interviews that were conducted;

1. What type of services has been privatized by the municipality?
2. What services are most likely to be contracted out?
3. Who drives the decision to privatize?
4. Are there governance policies/mechanisms that facilitate contracting out?
5. Which method is prevalent in the local municipality's privatization process?
6. Is privatization driven by policy or individuals or parties within Council?
7. How are the privatized services overseen/monitored by the council?
8. Do you feel that the municipality can manage, monitor, and evaluate the privatized services?

The study chose an inductive approach to the research process where it proceeded from specific observations to broader generalization through open-ended exploration. Both the quantitative and the qualitative research methods were used to maximise the theoretical implications of research findings. However, the former was utilized more comprehensively and supplemented with some qualitative data. Such enactments propelled a more detailed understanding further giving a broad-ranging view of the existing mechanisms and dynamics that impel privatization in local municipalities. Ngoepe (2008, 24) suggests that "the best option is for a range of

approaches that will allow flexibility in understanding problems, and offering multiple insights into their solutions.” Each approach adds something fundamental to the ultimate findings.

The study utilized a principal-agent theory as its exploratory lens trying to analyse the contractual relations/ partnerships between the local municipality and the private sector. The principal-agent theory is identified as a natural framework of accountability in political institutions, it focuses on the responsiveness of the agent's decision to the principal's goals. Guston (2003, 303) in his synopsis of the theory defines the theory as a “social relationship, that is, delegation, in which two actors are involved in an exchange of resources, the principal is the actor who disposes of the resources to the agent who accepts these resources and is willing to further the interests of the principal.” In the case of this study from the analysis, the local municipalities were distinguished as the principal and the private sector being the agent.

The study observed some parallels from this theory in comparison to the private-public partnerships as well as the contracting out methods in that both the private sector and the local municipalities are self-interested actors who seek to maximize their interests. Furthermore, the theory qualified the study's findings on the issue of acts such as cheating and lying as case studies have illustrated incidents where there has been information asymmetry as a result of lying and other corrupt acts by the private sector, Therefore, the theory has been an effective tool of analysis.

2.4 Data collection tools

The study utilized a combination of data collection tools, from the first phase, data were collected from a selective review of past publications on privatization, local municipality, and municipal services. Furthermore, through document analysis of figures regarding the extent of privatization, the number of individuals affected and those ostracized. The second phase of the study gathered information through semi-structured interviews together with information on the type of services that are privatized in the municipality and those that are likely to be contracted out. The interviews provided the researcher with the opportunity to seek clarity on issues such as who advocates for the privatization of services in local municipalities and further understand some of the policies and mechanisms that facilitate privatization within the local municipality setting. To strengthen its findings the study alternated the interviews with questionnaires, this made it easy for the researcher to supplement its interviews. In research, “the use of various methods to collect the same data or triangulation is highly commendable” (Ngoepe 2008, 28).

2.5 Qualitative data collection procedure

Each of the eight respondents was communicated with through email and a telephone call to schedule an appointment for the interview, which was to be conducted virtually, further discussing their willingness to participate in the proposed day for the interview. The eight respondents included two government officials from the Chris Hani District Municipality, an official from the Water and Sanitation Services South Africa, Queenstown office, and an official from the South African Local Government Association, East London branch. A representative from the Chris Hani District Business Forum, and three local community members, one from Ezibeleni and two from the Mlungisi location. After the respondents had confirmed their participation in the study through the signing of the consent forms, a guide containing all interview questions was sent out to them before the interview to propel a thorough preparation for the interview. The schedule for the interviews was between forty-five to fifty minutes. To accommodate the interviewees some of the interviews were conducted after hours through Microsoft teams. All interviews were recorded with the consent of the interviewee. Notes were also captured during and after the interviews to ensure thorough data collection.

2.6 Data analysis

All recorded interviews were transcribed before an analysis of the responses was conducted. Thematic analysis was used to analyse the qualitative data and was conducted by organizing the data, generating categories, and coding the themes.

2.7 Population sampling

Ngoepe (2008, 25) describes a population for a study “as that group about whom the researcher wants to draw inferences.” However, with limited time and money, researchers are unlikely to study the entire body of relevant facts about the whole group under investigation. Thus, the findings and conclusions in a survey research are based on information gathered from a limited number of people from whom generalizations can be made about the whole number. This selected group from the population is called a sample. Ngoepe (2008, 26) suggests that when choosing a sample, “the researcher often has to prepare a comprehensive list of all units in the target population which is called a sampling frame.” The study utilized a non-probability purposive sampling technique which was used to select the study's population. The population incorporated individuals working in local government, local government associations such as the South African Local Government Association, water non-governmental organizations, the business fraternity, and community members. Non-probability sampling is often “associated

with case study research design and qualitative research, with regards to the latter, case studies tend to focus on small samples and are intended to examine a real life phenomenon, not to make statistical inferences concerning the wider population” (Taherdoost 2016, 22). Purposive sampling, on the other hand, is identified as a deliberate selection of “particular settings persons or events to provide important information that cannot be obtained from other choices” (ibid). It is where the researcher includes cases or participants in the sample because they believe that their inclusion is mandatory.

2.8 Research limitations

The key limitation in the research process was that during the interview process, many of the government officials were not very explicit in their responses to the interview questions. Even though I tried to seek clarity in some responses that I felt were indistinct they kept on providing vague responses. Such measures affected the study in getting to what it sought to achieve.

2.9 Ethical consideration

The study took mandatory measures to ensure that all possible ethical matters related to the proposed study are strictly adhered to. Since the research project required the participation of individuals through interviews relevant laws and ethical practices were compiled too, to avoid the violation of the participant's rights. The School of Architecture and Planning Human Research Ethics Committee approved the data collection instruments before the actual data collection. Leed (2013, 220) suggests that “there are at least four ethical issues to be considered in a research such as voluntary, and informed participation, right to privacy, harm to participants and honesty.” Consistent with the proposed issues, the study ensured voluntary and informed consent, privacy, and honesty to professional colleagues.

2.10 Conclusion

This chapter provided a detailed outline of how the research methodology of the study was carried out to gather the data for the study. The outline included the research design, methods, data collection tools, population sampling, and ethical considerations.

3. Chapter Three

3.1 Literature Review

This section of the study provides an overview of the relevant literature to address the above-mentioned research question and its subsequent research sub-questions. Compatible literature is organized and presented in key themes and clusters of literature. The first theme probes a detailed outline of the privatization theory underpinned by a broad explicit definition and examples of the concept. Furthermore, it narrates the emergence of privatization and how it has evolved throughout the years in various countries and governance structures through its facilitation by global institutions which include the International Monetary Fund and the World Bank, and the effectual measures these institutions have had on governance in the process of evolution.

The nucleus of the second cluster of literature evaluates the developmental local government concept to exhibit the framework that has been established by the government to guide and promote capacity development in local government. Like privatization, the developmental local government framework's root motive is to stimulate efficiency within areas of service delivery and further establish methods of saving and generating funds for governance through collaborative measures with various stakeholders. Through this review, the paper is trying to show the measures the government has established to encourage and guide capacity development in public institutions.

The final set of literature outlines the different privatization methods that are utilized in the privatization process by the local municipalities. The study understands that there is a conglomeration of privatization methods however, it particularly surveys the contracting-out and the public-private partnership's methods which are the most prevalent mechanisms in the provision of services in local municipalities. It analyses the crux of the two methods in detail and the factors that constitute them. This segment of the chapter furthermore examines the advantages and disadvantages of privatization in its quest to understand the essence of privatization relative to institutional capacity.

3.2 Privatization

The nucleus of this section of the study is on privatization, it provides a brief overview of the historical trends in privatization and how it has evolved from a global, regional, and local perspective assessing the core constitution of the concept of privatization. This section in

addition draws its lens on the different methods under which privatization is conducted, outlining, and analysing the advantages and disadvantages that underpin it. The study also examines the effect it has on local municipalities through neoliberal governance policies exploring its extant in this sphere of governance. With such measures, the study is trying to understand the nature of privatization and the dynamics and mechanisms that facilitate it further assessing the influence that ties it up to the local government sector.

Privatization is one of the major economic phenomena of recent economic history, its frame of thought is characterized by the liberal school of thought which has now become to be understood as neoliberalism, an explanatory term for the contemporary forms of economic restructuring. Dominique Levy (2003, 1) contends that “neoliberalism was understood to refer to the process of opening up national economies to global actors such as multinational corporations and global institutions such as the International Monetary Fund (IMF) and the World Bank.” It is rooted in the interest of the individual with its main objective being restoring and increasing the power, income, and wealth of the upper class. Mathekganye(2019, 44) contends that “neoliberalism focuses on creating a new social and political model, that targets institutions and activities that lie outside the market perimeters, the aim is often to reinvent these institutions in a market-like way or to commodify irreplaceable commodities like water.” One would, therefore, suggest that privatization being influenced by neoliberalism also mirrors some of the elements of neoliberalism. Neoliberalism has been a pervasive phenomenon in governance in South Africa as well, when the country emerged from the colonial epoch it adopted neo-liberal macroeconomic policies which were identified as pivotal for stimulating the country’s economy. The adoption of the “neo-liberal macroeconomic policies meant that the long-awaited freedom brought with it new problems that will torment South Africans for some time to come” (Tshitereke 2006, 98).

Privatization has virtually become a national obsession, a “worldwide economic religion, a magic wand in the brave new world of structural adjustment and stabilization programs” (Adejumobi 1999, 87). Since “1979, many countries have implemented privatization programs that have changed the global economic landscape, privatization has been applied to many industries including those that have never been privately owned” (Pleskovic 2007, 249). It has transformed command economies in post-communist countries into decentralized ones, changing the political balance of power in many societies and revolutionizing global financial markets. However, the intellectual debate on the benefits of privatization is far from over. Research suggests that “the impact of privatization on privatized firms, institutions and on the

economy and society depends on many variables, including political and economic institutions” (ibid).

3.3 Definition of privatization

Nellie (1994) distinguishes the private sector as a mandatory element to perpetuate effective and efficient governance. The private sector has become so deeply embedded in governance to an extent that the line distinction between the private and the public sector has pervasively become so blurred. Privatization is a contested phenomenon with no single definition. Metzger (2003, 1377) contends that on a “social and cultural level, privatization implies an individual’s withdrawal from civic life and reorientation towards the pursuit of self-interest.” He further argues that privatization is not simply a neutral phenomenon because it carries inherent political and ideological implications. In the context of government, the term is conventionally understood to signify a transfer of public responsibilities to private hands. Traditionally privatization has always been understood as “the transfer of activities from the state to private firms shifting the boundary between the public and the private sector thus transforming the relationship between the public and the private sphere” (Samson 2007, 119).

Exploring in detail the concept of privatization Metzger (2003, 1378) claims that privatization as a phenomenon is composed of two concepts which are, ‘priva’- ‘tization.’ The first concept which is that of ‘priva’ he asserts, “involves removing certain responsibilities or assets from the collective realm, the second concept being ‘tization’ involves retaining collective financing but delegating delivery to the private sector.” Savas (2011, 2) on the other hand argues that “privatization is much more than a financial or managerial action, it is a philosophical position concerning the roles and the relationships of society’s private institutions and government.” Greve (2008) writes at length on privatization arguing that privatization is more efficient in that the sector's capacity is composed of up-skilled individuals with context-specific skills further the production process is underpinned by innovation which stems from the continuous up-skilling of its personnel, and the cost-saving element. Due to the efficiency of the private sector, services are provided at cost-effective prices because the sector is forced to compete in the market place this further enables the sector to generate profit for itself and further save money. All this is propelled by innovative structures and the efficiency of the sector. Perhaps one would argue that the projection of these mechanisms of innovation and cost-saving is one of the primary enablers of the consistent promotion of privatization in local government. There is no one criterion on the matter of efficiency, other critical factors include the equity, responsiveness, and responsibility of the sector's capacity. Furthermore what constitutes the

effectiveness of the private sector is the process of working through a set of trade-offs. Drawing from the above-outlined definitions one could thus, conclude that the essence of the private sector is centred on the transfer or delegation of responsibilities to private institutions. The contracting out process could be completely to the private provider or through a partnership with partial privatization.

3.4 Emergence and Evolution of Privatization

While it is now hard to imagine the world without privatization, the process of privatization is still a very recent phenomenon by historical standards, particularly in overt senses. Privatization is identified as one of “the prime outcomes of the neoliberal economic order that found deep roots since its gradual initiation in the early 1960s and late 1980s and early 1990s” (Sandhu 2009, 2). It was vigorously promoted by international institutions such as the World Bank as a tool to reduce the “budgetary burden caused by the state enterprise inefficiencies and, in the case of infrastructure, to improve performance and access to investment capital for modernization and expansion networks” Nellis (2004: 88).

It did not gain wide circulation in politics until the late 1970s and early 1980s. Although there were important “privatization programs in West Germany in the early 1960s and Chile during the 1970s, state ownership of business enterprise was pervasive, and growing in the world economy until a quarter-century ago” (Pleskovic 2007, 250). In the Organisation for Economic Co-operation and Development (OECD) countries, this was a result of the Great Depression, which inspired a profound critique of private ownership. With the rise of conservative governments in Great Britain, the United States, and France privatization became known to mean primarily two things, “any shift of activities or functions from the state to the private sector and more specifically any shift of the production of goods and services from public to private” (ibid). In socialist countries, “public ownership of the means of production was the essential piece of ideology; private ownership was limited to personal consumption goods and in some countries to small agricultural land plots”(ibid). Not surprisingly, given the perceived success of Soviet industrialization and the important role of public ownership in the developed West, many developing countries also adopted state-directed development policies during the post-World War II era. By the late “1970s however, there was growing disappointment with the performance of the state-owned companies, this dissatisfaction coupled with the growth slowdown in the socialist countries, prompted the first privatization attempts by Britain's conservative Thatcher government” (ibid). Since then, privatization has spread to more than “100 countries that collectively have privatized tens of thousands of firms and have raised

almost \$1.5 trillion” (ibid). The sale of state-owned assets reached “\$65 billion in Europe, more than \$27 billion in Latin America, U.S and Canada and nearly \$12 billion in Asia” (ibid). As an illustration of the relevance of this policy, table 1 shows the change in state-owned enterprises' share in GDP between 1980 and 1998 for all the economies in the world, grouped by income level according to the World Bank classification. Even though the change does not only respond to privatization strategies, it is, however, strongly linked to it.

TABLE 1 Change in SOE's activity as a percentage of GDP (Decrease in percentage points of GDP)

Countries (by Income Group)	1980	1997	Change
Low-Income Countries	15%	3%	-12%
Lower Middle-Income Countries	11%	5%	-6%
Upper Middle-Income Countries	10.5%	5%	-5.5%
High-Income Countries	6%	5%	-1%

Source: Estimations based on the World Development Indicators, The World Bank.

In terms of the proceeds obtained from privatization, most countries have been successful and this has promoted privatization as a framework. Between 1990 and 1998, for example, “Brazil, Mexico, and Argentina obtained \$ 53.5, \$28.4 and \$30.4 billion, respectively as a result of the privatization sales” (ibid). Smaller countries like “Peru, Indonesia, and Columbia obtained \$11.2, 6.0, and 8.0 billion, respectively, during the same period” (Lopez-Calva 2003, 2). Table 2 shows the proceeds from privatization for a selected group of countries from 1990 to 1998. Inferring from the provided information and mounting evidence from the tabulated data one would reason that privatization proved to be an effective and influential framework in stimulating economic growth, and because of its effectiveness during these timeframes, it ought to be deemed good hence its influential promotion during this epoch.

TABLE 2
CUMULATIVE PROCEEDS FROM PRIVATIZATION, 1990-1998

	Amount (Million dollars)
Argentina	28,431.4
Brazil	53,566.10
Bulgaria	1,528
Chile	1,288.70
China	20,142.90
Colombia	8,006.30
Cote d'Ivoire	3,54.8
Czech Republic	942.1
Ghana	1,457.20
India	8,315.30
Indonesia	6,008.80
Kazakhstan	7,205.40
Kenya	387.8
Mexico	30,424.20
Pakistan	3,367.60
Peru	11,272.60
South Africa	2,742.10
Thailand	2,117.70
Venezuela	8,002.80

Source: World Development Indicators.

One of the key dynamics of privatization is its identification as the panacea for all economic problems. Nellis (2004, 88) suggests that “it has been a resounding success in improving firm performance and institutional competency in the competitive sector and the infrastructure

sector.” With the inception of the structural adjustment program, privatization has increasingly become an object of public policy. By structural adjustment one is referring to the set of economic policies that are used to describe an interrelated set of “macro and microeconomic reforms these efforts are assisted and encouraged by the international community, most directly through multilateral financial institutions which encompass your International Monetary Fund and the World Bank” (Pritchett 1993, 383). The design of the policies is aimed at achieving price stability and sustainable internal and external balances directed through stabilization, liberalization, deregulation, and privatization. It is hoped that these policies will produce more efficient resource use and higher rates of economic growth.

There emerged a widespread adoption of privatization in the 1990s in developed and developing countries. This adoption was further perpetuated and strengthened by the World Bank when in its World Development Report in 1994 averred that “to promote efficiency and economic rationality in the provision of social welfare services, such activities must be transferred to the private sector or at least have a high infusion of private capital” (Adejumobi 1999, 88). However, in most industrial countries the shift to privatization was motivated in equal parts by “the institutional failure and failures of reforms short of ownership change” (ibid). In its narrowest sense, privatization is said to occur when “the state sells its assets to a private company, along with all the maintenance, planning and operational responsibilities, that these assets entail” (Ruiters 2005, 14). Therefore, drawing from the above-provided information one can explicitly observe that privatization is centred on the shift from the public to the private sector, be it the delivery of services, government planning, or operational responsibilities. It is, however, not a retraction from the government but a different form of government, “one in which private actors wield substantial power over government programs and their participants” (Metzger 2003, 1376). From its emergence, it has illustrated substantial influence in fostering economic growth and such strides propelled it to be identified as good.

3.5 Developmental local government

It is interesting to note that since the inception of democracy development in South African local municipalities has manifested through the promotion and the continuous use of privatization for the delivery of services. Institutional capacity is given little attention because it has become a normative mechanism to delegate all service delivery measures to the private sector to carry out. Such enactments have impeded context-specific institutional development within this realm of governance and this has propelled institutional deficiencies. The 1996 Constitution of the Republic and the white paper on local government (1998) provide an

explicit framework that can be utilized as a model of how a developmental local government can be achieved. This segment of the chapter outlines the constitution of that framework. With this section, the study is trying to unleash one of the primary roles of local government furthermore exhibiting that policies are there to cultivate and guide institutional capacity in local municipalities. Therefore, development cannot be framed as a concept that can only be mastered through its promotion by the private sector alone, with the correct measures and structures local government institutions can impel sound institutional capacity too.

Since its usage in the official literature on the transformation of local government in South Africa, “the concept of a developmental local government has become an important subject that enthuses scholars mainly in the fields of Public Administration and Political Science” (Maserumule 2008, 437). This concept of developmental local government has been understood to essentially refer to the capacitation of local municipalities to advance the imperative of a system of developmental local government. Local municipalities in South Africa are assigned a developmental role that is underpinned by the commitment of the local government to work with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs and improve the quality of their life. The white paper (1998) confirms that it is in the interest “of the nation that local government is capacitated and transformed to play a developmental role, the national government is committed to providing support to enable municipalities to make themselves more developmental” (The white paper 1998, 23). Developmental government is intended to have a major impact on “the daily lives of South Africans, where municipalities do not develop their strategies to meet community needs and improve citizens' quality of life, the national government may have to adopt a more prescriptive approach towards municipal transformation” (ibid).

The fundamental objective of developmental local government is said to achieve sustainable development, which is about the attempt to meet the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development is based on three pillars, namely “economic growth, ecological balance, and social progress” (Maserumule 2008, 437). In terms of their developmental role municipalities are required to put in place a range of strategic socio-economic interventions to secure investment, encourage growth and deal with issues of social exclusion and poverty.

A developmental local government is characterized by four critical development imperatives which include; “the maximization of social development and economic growth, integration and co-ordinating, the democratization of development, and leadership and learning” (ibid). About the maximization of social development Maserumule (2008) claims that social development is concerned with the provision of “basic services such as water and electricity to ensure that the members of the local communities maintain at least a minimum standard of living” (ibid). Social development can also be promoted by municipalities through arts and culture, the provision of recreational and community facilities, and the delivery of services. The white paper (1998) suggests that to achieve economic growth municipalities “should play an active role in guiding local economic development by mobilizing the available resources and direct them towards the realization of the local government development goal” (The white paper on local government 1998, 24). This could be achieved through local economic development (LED) strategies to support small, medium, and micro-enterprise development and business retention, expansion, and attraction.

Another fundamental development imperative is that of integrating and co-ordinating development, this element is concerned with the importance of providing leadership in engaging different sectors with a critical role to play in the attainment of local development goals. “Coordination is about aligning the activities of different sectoral organizations and focusing them towards achieving the local development goals” (Maserumule 2008, 438). The importance of coordination and integration in government is “underscored in Section 41(i) (h) of the Constitution, 1996, which provides that all spheres of government and all organs of the state within each sphere must co-operate with one another, assisting and supporting one another, informing one another off and consulting one another on” (ibid). It is further argued that municipalities must further explore ways of cooperating with other organizations and sectors that are not part of the government but could play a critical role in assisting them in realizing their developmental goal.

It is further suggested that “one of the most important methods for achieving greater coordination and integration is integrated development planning” (Maserumule 2008, 439). Democratizing development is distinguished as a pivotal aspect that facilitates developmental local government, it is concerned with the involvement of local communities in matters of local government. It is about community participation. Ababio (2004, 273) writes that “the concept community participation has a variety of meanings, which could describe the relationship between local government and the community, while on the other hand, it could describe the

extent to which the community influences decisions that affect their well-being.” Section 152 of the Constitution, 1996 requires that municipalities should “encourage the involvement of communities and community organisations in matters of local government” (Maserumule 2008, 439). The Constitution further suggests that the people's needs must be responded to and the public must be encouraged to participate in policymaking, to give effect to the foregoing constitutional provisions. It is clear from the “foregoing that the meaning of community participation, as referred to above and the context of developmentalism is not just only about the relationship between municipality and community but more importantly includes informing, consulting, involving, collaborating, and empowering community members” (ibid).

Leading and learning are also regarded as fundamental elements in developmental local government. Binns (2003, 165) argues that one of the key features of the “late twentieth and the early twenty-first centuries is the apparent re-definition of the role and place of the city within national and global economics as necessitated by the global imperatives.” As a result of the phenomenon of globalization, “municipalities are becoming central to economic developments, they are increasingly taking the role of focal points of economic growth and are amenable to a myriad of influences that emanate from the global environment” (Maserumule 2008, 440). Such measures thus necessitate that the leadership of a developmental municipality should be dynamic, learn from the best international practices on matters of local government; think globally and act locally. Drawing from the above-provided information one could, therefore, conclude that institutional development is a central theme of local government the can be no sound governance nor sustainable government without development.

Drawing from the above-provided information one can explicitly observe that central to the function of local government is institutional capacity. The constitution mandates institutional capacity and provides guidelines as to how the local government can go about it. Therefore, like privatization, the developmental local government concept encourages innovation, up-skilling, collaboration-coordination, and sustainability because it is fully aware that such measures are mandatory for effective governance.

3.6 Privatization methods

Greve (2008) asserts that the world of public service delivery has been dramatically changed by the contractual age and its influential dynamics. In recent times public service delivery used to be as follows; “public organizations would deliver public services to citizens, public organizations would enjoy a de facto and de jure monopoly of service delivery, the governance model followed a hierarchical chain of command” (Greve 2008, 13). Public organizations

would not be inclined to combine their forces with other organizations, independent regulation was not needed so much, as ministers and governments would make the decision and be held accountable if anything went wrong. If not, it would be a matter for the courts, either the administrative courts or the ordinary courts. However, this is no longer the case, competition for service delivery is widespread taking hold of public sectors everywhere on the globe. Public services are now increasingly put out to tender, contracted out, and delivered by private sector providers.

John Bennett (2004, 1) contends that if “privatization is implemented appropriately it may play an important role in generating growth because the use of conventional privatization methods together with sound political and economic governance institutions can propel efficient results.” Privatization is conducted through a variety of forms, “in some instances, it represents the government's withdrawal from a field of activity or from a responsibility for providing services” (Metzger 2003, 1370). One of the common methods of privatization includes contracting out, or the private sector partnerships/public-private partnerships which have become a standard procedure in the services provision processes in government, this section will thus, explicitly survey these two mechanisms unravelling the crux constitution of the two concepts. Succeeding this introduction will be a detailed outline of contracting out followed by that of the public-private partnerships.

3.7 Contracting out.

Contracts and contractual relationships have become the predominant dynamic of organization for public service delivery in recent years, and successful management of contracts has become the core task for public service managers. Carsten Greve (2008, 4) claims that “contracting has become a central feature of modern government, and one of the key institutions to deliver public service to the citizens and build new infrastructure.” It has been a feature in the ongoing reforms, often associated with the phenomenon of the New Public Management (NPM) that is inspired by private organizations' management values and practices. Dufour (2005, 579) distinguishes NPM as a set of administrative techniques that “implies values and administrative culture, the values associated with NPM are effectiveness, efficiency, economy, service, dynamism, and flexibility.” The best-known practices of the New Public Management policy are privatization, decentralization, merit pay, partnerships, management by results, and customer orientation. New Public Management is more concerned with the value for money and results achieved than the process of achieving the results.

Greve (2008) asserts that a contract is a key document around which the communication between the purchasers and providers revolves, it is much more than a formal agreement because it contains rules that can either enable or restrain human action. It is identified as a formal written agreement between a purchaser and a provider enforceable by the law. Oliver Williamson (1996, 379) observes a contract is an “agreement between a buyer and a supplier in which the terms of ex-ante change are defined by a triple: price, asset specificity, and safeguards, and which assumes that quantity, quality, and duration are all specified.” It is true that “there is a body of contract law and that a contract is a legal instrument, even so, great latitude is left to the contracting parties to shape the agreement and decide how it will be operated.” (Cooper 2003, 13). In that sense, contract law in its traditional private law form is facilitative, supporting the ability of parties to an agreement to have the tools to fashion and implement it. Negotiations resulting in the meeting of minds are the dominant dynamic in most contracts. Contrarily Greve (2008, 5) argues that “not everything in a contract is contractual, there are norms and expectations about behaviour that cannot be put into writing and the other rule systems on which the individual contract is dependent.” How the legal system works in a particular country is of importance to how contracts are implemented and understood.

Contracting out which is also referred to as outsourcing is said to be the design and implementation of contractual relationships between the purchaser and supplier. The contract state on the other hand is distinguished as a public sector that relies on contracting and collaboration with the private sector providers as one of its main institutions for the delivery of public services. Bevir (2011, 237) asserts that “a contract specifies the good or service being procured and typically includes information about price, schedule and the definition and the amount of the service or product being delivered.” The main reasons that propel contracting out are understood to be “to save money, get value for money, be innovative, and help a country’s industry in getting orders; contrarily the hindrances for contracting are the risk of fear of quality degradation, changed accountability structures and lack of transparency” (Greve 2008, 4). Cooper (2003, 12) perceives that “contracts in the business world operate on a horizontal model, based not on authority but on a foundation of negotiations, the rules of the relationship are established by mutual consent and can be enforced by either of the parties to the agreement” He further contrasts this approach with a vertical approach where the following occurs. The political process that “produces the decision to contract, the appropriations to be used for that purpose, and the techniques of accountability to be employed to maintain oversight of contract operations come from a vertical, authority-based process starting from the

Constitution and flowing down through legislative processes and administrative agencies to the point where contracts are made and managed” (ibid).

Each country's “tradition and rules for settling disputes is important when contractual agreements are made and carried out, contracts have a broader context, understanding a sector or a country’s contract culture is important when designing or working in a contractual environment” (Greve 2008, 5). The contracting culture is embedded in both the formal legal framework, the political and business culture, and the informal ways that purchasers, providers, employees, and the users of services view and practice contracting. Contracting out is part of the New Public Management (NPM) approach that encourages governments to be more efficient and responsive by applying market strategies to public service provision. It focuses on “competition (marketization) and adopting management techniques from the private sector which enables a results-based management system but is also a part of the wider New Public Governance (NPG) agenda that specifies relationships between government and society” (Greve 2008, 3). Awortwi (2012, 886) argues that contracting out is “generally justified on the principle that as governments contract out part of their responsibilities in service provision to private agents, they harness the power of market competition which leads to efficiency in service provision.” This stems from the ideology that service provision from the market contrary to that of the government's hierarchy tends to be more effective at lower costs because they are forced to compete in the marketplace. With the contracting out method the government delegates power to the private hands, “it can privatize an activity by contracting with a private organization, for-profit or non-profit, to perform the work” (Savas 2011, 3). The government utilizes a variety of techniques to select contractors but the most common ones are the, sealed bid and the request for proposal (RFP). This is the most common form of privatization in the United States, used by the federal, state, and local governments, and the most direct form of delegation.

The contracting mechanism has been used to achieve the best quality for the lowest cost. Cooper (2003, 13) argues that when contracting “government must know what they want to buy, who to buy it from and later assess what they have bought, undoubtedly this continues to be a key focus for many governments around the world.” Contracting is a strategic management tool, not just a technique to achieve better and cheaper products or services in the short term. Strategic contracting sets contracting right at the centre of any government's public management strategy. This means that “top executives in the public sector must be aware of contracting as a phenomenon and cannot always delegate that responsibility to the lower line

managers, strategic contracting fits well with the main principles of the NPM movement” (Greve 2008, 6). With contracting out the government is the principal, and the contractor is simply the agent diverse services are contracted out by government institutions ranging from water provision, and electricity supply to waste collection. Bevir (2011) claims that some of the factors that perpetuate local municipalities to contract out incorporate the following. When a “needed good or service cannot be provided by in-house staff, another related reason is to access distinct competence that is available in the marketplace such as cutting-edge technology, an environmental expert, legal or financial specialist” Bevir (2011: 238). Even though contracting out delegates power to the private sector, however, warrants the government to capacitate its employees for elements such as contract management to undertake performance measures thus, ensuring efficient delivery of services from the private sector. Therefore, the delegation of power to the private sector comes with responsibility.

The decision to contract out can be argued for in many ways, often the arguments serve as legitimization for choosing the contract option instead of in-house production. Reasons for contracting out change over time, innovation has taken over from saving money. Johnston (2002, 425) commented that “research suggests that ideology, cost-saving, and load shedding are the primary factors behind the most decision to contract government services.” However, the key factors that are distinguished as the root factors for contracting out government services include the following: reducing costs, accessing expertise not available in-house to meet one-off needs, accessing expertise on a long-term basis to be able to vary its quantity and mix over time and, to replace current government operations in extreme cases where their provision is unsatisfactory. The following paragraphs will explicitly survey the claims about, saving money, and innovation being the chief propellers of contracting out public services.

3.8 Saving money.

A classic argument for contracting for public service delivery is that it will save the government money. Savas (2000, 119) places “reduce the cost of government at the top of his list of reasons why governments should want to use the private sector for public service delivery.” In his summary of many studies, Savas (2000, 149) concludes that “there is by now a lengthy list of quantitative studies demonstrating quite conclusively that, in general, contracted services cost less and are at least as good in quality as corresponding services produced in-house by government agencies.” Savas (2000) believes that the savings do not come from firing people, but rather they work harder and better under private management than under a public management regime. The productivity gains through “contracting result in general, from more

work performed per employee per unit time, not from lower wages” (Savas 2000, 157). People believe that the market is more efficient than hierarchy, therefore, providing services on the market will mean more competition which again means that prices will be set at a competitive level. The objectives of privatization as “contracting out or outsourcing appear to have become a moving target, the extent to which this has occurred as a result of the organization now viewing contracting out in a more sophisticated way, or as a result of a changed organizational learning from unmet early expectations of sizeable cost reductions, is uncertain” (Hodge 2000, 25). Cooper (2003, 5) asserts that “it is still true that the primary argument most often given support to contracting out by the government for goods and services is that it will save money.” It stands to be argued that the former assertion is fine in theory however, in practice it does not always work like that. First, it depends on what service is in focus because it is easier to plan savings for cleaning a building than it is for a municipality to buy fifty waste collection trucks. Second, the amount of savings is also dependent on how well run the service already is. An efficient public service production may mean that there is little a private provider can do to save money.

The argument about saving money “is often coupled with a belief that quality can be maintained even though money is saved” (Greve 2008, 9). The chief argument for this is that private companies have more efficient ways of organizing work and that they create value for money, therefore, they can both save the government money and make themselves a profit. Greve (2008) claims that trade unions often argue against this, claiming that money cannot always be saved without sacrificing the level of quality. The “value-for-money argument is probably the most widely used argument for contracting out, the argument is easy to communicate from politicians to citizens, and it remains the most powerful dynamic the government has when they want to contract out services” (ibid). In some instances contracting may be used to boost activity in the private sector. For industrial policy reasons, governments may wish to encourage growth in a certain kind of sector or among certain groups of companies. Using “contracting to allow private companies to win more contracts is a well-known technique for government, some companies or industries become almost dependent on the willingness of governments to contract for services and products” (Greve 2008, 10). One would, therefore, conclude that the saving-money mechanism is believed to work best only in the private sector because the private sector makes the public sector believe that it is only through their management that quality efficient, cost-effective production can take place.

Arguably, the efficiency of the outcomes is not solely dependent on the sector's work-ethic and financial management alone because privatization outcomes are heavily affected by the institutional setting in which divestiture takes place as well. The institutional capacity includes a set of conceptually appropriate, functioning legal and economic institutions that support and guide market operations as well as a strong regulatory capacity. Therefore, even if a public institution would privatize the provision of its service, if the institutional capacity is poor the outcome is bound to be sub-optimal because efficient outcomes of privatization are interlinked with sound institutional capacity. Additionally, institutional capacity is not the only impediment to efficient outcomes, corruption also confronts privatization outcomes and when corruption is involved principles such as saving money are not adhered to. An explicit example that proves the private sector's efficiency to be real is the case of Guinea, one of Africa's poorest countries and thus, one of the poorest countries in the world. From Independence in "1960 through the end of 1980s, Guinea's state-owned and operated infrastructure companies (SOEs) in telecommunications, energy, and water provided consumers with an inadequate quantity of low-quality services" (J. Nellis 2005 , 4). As of 1989, only 38% of Guineans had access to piped water, almost none in rural areas. Those connected suffered a frequent interruption of service, "water quality was poor and unhealthy diseases were the main cause of death for infants and there were periodic cholera epidemics" (ibid). The price for the few connected customers was low, US\$ 0.02 per cubic meter-m³ until 1986 and \$0.12 per m³ thereafter but half or more of the water sent into the system vanished and was never billed. In 1989, "Guinea entered into a lease agreement with a private provider to deliver water in the capital, Conkray, and 16 other towns" (ibid). Under this scheme, the government retained ownership of the assets, and responsibility for setting policy and tariffs, marshaling investment finance, and expanding the network. A private firm was selected to operate and maintain existing facilities, and bill and collect payments from customers. Over the next "seven years, major improvements took place, connections increased from 12,000 to 23,000. The percentage of metered private customers rose from 5 to 93% and 100% for government customers" (J. Nellis 2005 , 5). The percentage of the population with access to water rose from 38 to 47% and the pace of increase was greater than it had been under public ownership. Significantly, water quality improved greatly. From this example, one can explicitly observe the impressive improvement in the efficient provision of water through the involvement of the private sector. The outlined figures show that the efficiency of this mechanism is real.

Contrarily the efficiency of privatization and the principle of saving money can be confronted by corruption. In Guinea, there is a widespread suspicion that the proceeds from sales have been unreported and misused. Through such enactments, the beneficiaries are the “rich, the foreign, the agile and the politically well-connected at the expense of the poor, the domestic, the honest and the unaffiliated” (J. Nellis 2005 , 15). Various acts of corruption have been visible from a conglomeration of municipalities where the outcomes have not been effectual as a result of corruption measures. An explicit example includes the case of wastewater pumps which has been highlighted in Chapter four of the South African case study on privatization. From the above provided two examples, one can observe the dynamics that underpin privatization in that the so projected mechanism of saving money is two folded in that efficiency can be achieved through it, alternatively, corruption can still take place under the banner of saving money.

3.9 Innovation

Arguments about contracting were once about saving money, while that argument is still heard it is not so common anymore. In this era of globalization of the economy, governments also use contracting to secure or boost local industry. One of the more recent arguments is that contracting enhances innovation. Innovation has been a highly popular concept in the public sector in recent years. Innovation may be thought of as “the introduction of new elements into a public service, in the form of new knowledge, a new organization, and/or a new management or processual skills, it represents a discontinuity with the past” (ibid). Public organizations are learning to be more innovative alongside their counterparts in the public sector. There are at least “four core values connected to the innovation organization according to Paul C. Light (1998) a leading US expert on the field, and those values include trust, honesty, rigor, and faith” (ibid). Innovation needs not only to take place within a public organization, by collaborating public and private organizations can learn innovative ideas from each other. Often “public and private organizations will collaborate in various forms of public-private networks, public organizations obtain better services from it, private organizations may learn from the public sectors need for specific services” (Tiesman 2004, 15). Instead of focusing only on savings, contracting becomes a way to renew the services, improve the quality, and explore new ways of providing services that neither of the parties may have thought of before.

Contracting can play a part in the innovation process. A contract is a key institutional device that can connect public and private organizations, and through the contract, the different strengths and weaknesses of each organization can be specified. Innovation through contracting

means that “the private sector providers can get an opportunity to show their different innovative suggestions from improved public service delivery” (Greve 2008, 10). For public sector employees to engage in innovative dialogues, they have to have contract management capacity and individual competencies. The private providers have found that better conditions of innovation in collaboration with public purchasers are best found in public-private partnerships. Greve (2008, 11) contends that “synergy between public purchasers and providers is the attraction from both the public sector and the private sector, more pragmatic governments can use this argument. It is not really about public or private providers, the argument runs more about creating a new environment where innovation can flourish and ideas flow more freely.

3.10 Capacity for contract management

There are significant management challenges for governments in moving to a market-type mechanism model, especially separating the role of the purchaser and provider of services. Traditionally government performed these roles concurrently. Contrarily due to the contractual age that has taken hold of the public sector, the government is forced to “invest in capacity for specifying services and contract management skills that they have not typically possessed in the past” (Greve 2008, 50). Such measures concern both new technical skills and overall cultural change in the public service. Contract management is observed to be relatively easy at first glance, if only contract managers had access to all relevant information and could process all the information, they could make intelligent informed decisions. Kettl (1993, 13) asserts that “contract management is most likely to take place in a world of limited information available, restrictions on competition and hard-to-obtain performance data which makes the public governance of the private markets more often than not a real challenge.” Contract management capacity may be defined as the “capacities which governments need when they contract with others to deliver public service” (Potoski 2006, 324). Government capacity is usually considered in the context of governments both ordering and producing public services, the contractual age has altered this situation the capacity of governments today needs to include contract management capacities in addition to the traditional governance capacities.

The task of building a contract management capacity is said to be demanding in that “public management capacity requires personnel with contract management experience, policy expertise, negotiation, bargaining, and mediation skills, oversight and program audit capabilities, and the necessary communication and political skills to manage programs with third parties in a complex political environment” (Van Slyke 2003, 297). Contract management has always been perceived to be something of a routine matter that could be left to middle

managers or specialized managers once the big decision to contract out was taken. Potoski (2006) disputes the former claim arguing that contract management capacity should not only be a matter of middle managers but rather be an integral factor of governance capacities.

What kind of capacities are needed to ensure effective contract management? Potoski (2006) identifies three forms of capacities that are linked to the process of capacity management and they incorporate the following. Feasibility capacity; “is the capacity to determine whether to make or buy a good or service, the other form is the implementation capacity, which is the capacity to bid the contract, select a provider and negotiate a contract, the last being the evaluation capacity, which is the capacity to evaluate the performance of the contract” (Potoski 2006, 155). He also considers two additional capacities that he regards as pivotal and they are, the capacity to make or shape markets, and the capacity to share information about contracting with other purchasers. One additional capacity is the need to “communicate decisions about contracting and to relate to stakeholders in government, the market and among civil society organizations, the task of communication cannot be left to a crisis situation if the contracting process is to be successful” (ibid). Communication must be integrated into the strategy from the beginning. Greve (2008) affirms that contract management does not exist in a vacuum, but will always be situated in a particular institutional context. Therefore, it is paramount that governance institutions further cultivate accountability capacities in contract management to allow institutions to conduct an independent arm’s-length evaluation of both the provider performance and the performance of the government as purchasers.

Drawing from the above-provided information one can explicitly observe that contract management requires constant improvement to be able to respond to problems. However, it stands to be argued that governments that invest in the feasibility assessment, implementation, and evaluation capacity are not immune to the problems that can undermine contract performance. Nonetheless with the capacitation government will be better positioned to avoid contractual threats and be able to prevent full-scale contracting disasters.

3.11 Public-private partnerships

The public-private partnership mechanism is best seen as a smart way of contracting rather than a completely new alternative to contracting, they are best viewed as a “continuation of the policy of integrating the private sector in public service delivery” (Greve 2008, 100). Traditional contracting for public services has often been associated with hard, principal-agent contracting with an emphasis on narrow performance targets, the movement towards softer, relational contracts has emphasized mutual trust and cooperation as essential features-and

extensions of this kind of contract may be found in the debate on public-private partnerships (PPPs).

The public-private partnerships, or partial privatization, “are defined narrowly as a complex relationship, often involving at least one government unit and a consortium of private firms” (Savas 2000, 1). This type of privatization is also known as delegation and “requires a continuing active role for government, which retains responsibility for the function while delegating the actual production activity to the private sector” (ibid). In this instance, the government may continue to finance but not operate services, or it may continue to own but not manage assets. Privatization may, therefore, dilute government control and accountability without eliminating them. Privatization partnerships may include the “transfer of operational and managerial functions to private companies these include functions such as meter reading, personnel management, strategic personnel or maintenance” Ruiters (2005: 14). The public-private partnerships are not defined as community-level, in general, the term refers to forms of cooperation between public authorities and the world of business that aims to ensure the funding, construction, renovation, management, or maintenance of infrastructure or provision of a service. Greve (2008) provides a different perspective defining public-private partnerships as “cooperation of some sort of durability between public and the private actors in which they jointly develop products and services or products and share risk, cost, and resources which are connected with these products” (Greve 2008, 102). He argues that public-private partnerships are distinct from contracting in that their constitution is centred on six factors, and they encompass: cooperation, durability, joint production and/or development, sharing of costs and resources, risk, as well as gainsharing or blame sharing. With regards to cooperation Greve (2008) claims that as opposed to contracting, partnerships are not formed around competition but cooperation. Cooperation is the keyword in any definition of partnerships, it means “we have to look for other types of relationships than principal-agent relationship, to begin with, one may say that both the public partner and the private partner are ‘principles’ in some sense because they both have something to contribute to the partnership, they are agents in theory because they will both be expected to be engaged in the implementation process one way or another” (ibid).

Durability is also distinguished as a pivotal element in PPPs in that cooperation is supposed to take place over a certain period of time, and private-public partnerships contracts are expected to last for a longer period. Theoretically, “there is no fixed period that could define a PPP, empirically, PPP contracts typically run from 15 to 20 years up to 50 to 60 years” (ibid). This

length of time in PPP contracts is a result of the fact that private capital becomes available for building public projects, and in writing off the debt and paying an interest rate, there has to be sufficient time to do that. So durability is more empirical than theoretically defined. As outlined in the above-provided information joint production and/or development are integral factors in the PPP contracts, public and private actors commit themselves to do a project that could not be done by one of them alone, the process is underpinned by synergy effects, and innovation.

Sharing of costs and resources is a pivotal factor in public-private partnerships, sharing here is really about altering how purchasers and providers split the bill or find out about the financial arrangement. Greve (2008, 103) argues that in PPPs, “the government requires private finance to build a new piece of infrastructure (e.g. a school, a hospital, a prison), the private partner provides the capital, builds the infrastructure and sometimes manages the infrastructure afterward, and the role of the government is more of an arranger of services and as a dialogue partner.” The sharing of resources in most partnerships is related to the private partner providing the financing, and the government coming up with the initial project outline and the loose specifications for what the final product or service might look like. It is important to note that the government will repay for the projects eventually, it is not as though the PPP projects are paid for by the private sector, the private sector delivers financial resources, but the money has to be paid back over the 30 years or so. Greve (2008) argues that private companies “often claim that they have a lot to offer in terms of innovation, but they are not allowed to divulge their knowledge to the public sector due to the strict performance measures” (ibid). In PPPs, the private sector can get into a dialogue with public sector organizations. Public sector organizations and private sector organizations continue to work together on issues of implementation matters in partnership arrangements whereas that is not always the case in traditional contracting. Innovation concerns both new organizational processes, and also the services themselves, new ways of delivering services are at the heart of the PPP approach, saving money is not always important, but making innovation in public service is. Risks are a central theme in the PPPs, and sharing them is one of the key characteristics associated with PPPs. Risks may be anything from financial risks to construction risks to governance risks. It is not as though there was not any risk in traditional contracting, it is more the case that the risks were recognized silently beforehand, ignored, or not focused upon. With PPPs identifying and managing risks is a key part of the partnering process.

Gain-sharing or blame-sharing is the last of the six factors that underpin PPPs as per Greve’s (2008) frame of thought. Implicit from the above definition and facts of the PPP is that “both

parties have a stake in the final result which also means that they assume responsibility, if the project turns out to be successful, both parties should be able to show visible gains” (Greve 2008, 104). If the project goes wrong, both parties should be prepared to take some of the blame, what is not often remembered in PPP definitions is that there may be a need for an outside arbitrator or a regulatory system that backs up the partnership agreement. In PPPs the “public role is not so much a strategic purchaser as an interested partner, the key insight from theories of PPPs is that both partners are not sure of the output they want to reach, but they want to leave some space to find out what the exact output is going to be in mutuality” (Greve 2008, 110). It is a mutual task for public and private partners to find out what they want, therefore, both partners are strategic purchasers in a sense, and it is not a role reserved for only the public part. In theory, “the partners must find out in common what they want to achieve, in practice, it will often be the government which has some idea for a project” (ibid). In a PPP, the provider is not always the private organization alone but often fulfills its job in close cooperation with the public organization, In other instances, there may still be a private provider, but one that works in cooperation and partnership with the public part. Greve (2008, 113) argues that PPPs are creating more value for money according to many official presentations, some claim that the verdict on PPPs is mostly positive on balance.” Projects are delivered on time and the economics of infrastructure building has been improved in many developed and developing countries. Pollitt (2005, 226), a Cambridge University economics professor, has analysed cases in the United Kingdom, and he argues that “PPP projects are more cost-efficient and are delivered on time and makes room for innovations.”

Drawing from the above-provided information on the methods of privatization, contracting, and public-private partnerships, it stands to be argued that privatization can be demand-driven. Starr (1988) argues that “shifts from publicly to privately produced services may result not only from deliberate government actions such as the sale of assets but also from choices of individuals or firms that a government is unwilling or unable to satisfy or control” Starr (1988: 15). In this instance, therefore, privatization becomes demand-driven due to the government's inefficiency in satisfying the needs of its people. Explicit examples to substantiate the former assertion include the private demand for education, health care, or public service provision due to the failure of the government to efficiently satisfy the large populations within provinces and municipalities. Therefore, the government could contract out services or engage in partnerships because of demands that it cannot efficiently address from its citizens.

3.12 Advantages and disadvantages of privatization

The idea that private ownership is inherently more efficient, and that it induces better public sector financial health is not a new frame of thought it has always been a present conception. In 1776 Adam Smith wrote, “In every great monarchy in Europe, the sale of the crown lands would produce a very large sum of money which, if applied to the payments of the public debts, would deliver from mortgage a much greater revenue than any which those lands have ever afforded to the crown” (Lopez-Calva 2003, 4). When the crown lands had become private property, they would in a few years, become well-improved and well-cultivated. One can explicitly observe that the private sector has always been perceived as the best mechanism to propel efficiency and development.

Different authors hold a variation in perspective concerning the advantages and disadvantages of privatization. Nellis (2004, 88) argues that privatization improves “profitability and efficiency in enterprises and institutions further increasing returns to shareholders, particularly for firms in competitive or potentially competitive markets.” This is especially so as the scope of competition becomes larger when the size of the market increases, and the economy is open to international trade and technological developments. Such enactment thus propels an “increase in aggregate surplus by increasing output and lowering prices (allocative efficiency) permeated by the efficient use of resources within the sector (productive efficiency)” (Lopez-Calva 2003, 3). Thus, fostering microeconomic efficient outcomes for both the providers and the purchasers, therefore, stimulating and improving economic growth.

It is further argued that privatization enhances innovation this is a result of the fact that the private sector capacity is composed of up-skilled individuals who are continually up-skilled parallel to market needs. This then enables the sector to remain on par in providing services. Conversely in the public sector, there is political interference in the deployment of politicians to critical positions disregarding the matter of whether one has the capacity or not to fulfil the duties of the position. These acts cultivate a culture of poor monitoring of public institutions thus distorting efficiency in these institutions. However, Nellis (2004) expostulates that even though privatization enhances enterprise efficiency, “the bulk of the benefits accrue to a privileged few which includes, shareholders, managers, domestic or foreign investors, and those connected to the political elite” (ibid). Whereas the costs are borne by the many, particularly taxpayers, consumers, and workers, thus reducing overall welfare.

Lopez-Calva (2003, 11) contends that another pivotal advantage of privatization is that it “improves the public sector's financial health in that privatization allows the government to

raise funds in the short term and eliminates the need for permanent subsidies to previously publicly owned enterprises.” An additional advantage is that the private sector accelerates the allocation of resources and service provision to other key areas of government activity (usually related to social policy). Kolderie (2000, 288) contrarily claims that “the government has better control when it owns its operations” however when privatization emerges it confronts the power dynamics within local municipalities resulting in some permanent employees losing their jobs.” He also affirms that another disadvantage of privatization is that when a service is contracted out it loses its public purpose through the process of the commodification of the service. Further, state-owned enterprises pursue objectives that differ from those of “private firms and with faceless monitoring, not only are the manager's objectives distorted but the budget constraints they face are also softened” (Lopez-Calva 2003, 3). For example, in an instance where the local municipalities have corruptly or unwisely utilized the state funds, it is always in the interest of the government to bail them out using the public budget now this bailout can spread over the taxpayers further confronting them.

Bevir (2011) on the other hand suggests that the human resources sector is one of the sectors of government institutions that are vehemently confronted by privatization. For example, he claims that contracting weakens the public workforce in that instead of capacitating the present workforce and having permanent workers that have the appropriate skills the government institutions opt for privatization. Delegating power through the adoption of neo-liberal policies from the private sector consequently gets to dictate governance in public institutions. Such enactments further weaken the power of public employee unions because private entities wield greater power and access to resources over the public employees and their unions thus, crippling the public sector.

3.13 Conclusion

Key takeaway chapter concepts

The essence of the private sector is centred on the transfer or delegation of responsibilities to private institutions. The contracting out process could be completely to the private provider or through a partnership with partial privatization. Privatization is more efficient in that the sector's capacity is composed of up-skilled individuals with context-specific skills further the

production process is underpinned by innovation which stems from the continuous up-skilling of its personnel, and the cost-saving element. Privatization has effectively impacted governance propelling economic development throughout the African region and Western countries. An explicit illustration on page 29 with South Africa included was provided. The developmental local government concept is a constitutional framework that mandates and provides guidelines as to how local government can strengthen institutional capacity in South African local government. Local municipalities in South Africa are assigned a developmental role that is underpinned by the commitment of the local government to work with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs and improve the quality of their life. A developmental local government is characterized by four critical development imperatives which include the maximization of social development and economic growth, integration and co-ordinating, the democratization of development, and leadership and learning. Therefore, like privatization it is aware that sound governance requires, upskilling, learning, and coordination. Privatization methods include contracting out and public-private partnerships. With the quest of understanding openly the link between privatization and institutional capacity this section of the study also explored the advantages and disadvantages of privatization. Saving money, and innovation coupled with context-specific skills were top on the list as one of the advantages of contracting out. Job loss was identified as one of the disadvantages of privatization

4. Chapter Four

4.1 Privatization practices from the global and regional lens

4.1.1 Privatization in Governance

Local municipalities operate within an institutional environment “in an institutional environment, the institution conforms to implicit or explicit rules and requirements that determine the structure and processes” (Pouder 1996, 104). When local governments privatize, the institutional dynamics change further changing the structures. Services formerly provided within local government are now provided by a contractor using a “market-based contract as the structural alternative thus, privatization shifts a service transaction from an institutional environment to a market environment” (ibid). Inferring from the previous chapter it has been highlighted that some of the core functions of local municipalities is to provide for its people and this incorporates the following functions, “policy-making, deciding, buying, requiring, regulating, franchising, financing and subsidizing” (Kolderie 2000, 286). The second and distinctly separate activity of government is to “produce the services it decides should be provided and this includes the following functions: operating, delivering, running, selling and administering” (ibid). Therefore, the key roles that reinforce local municipalities in service provision administration are policy decision-making and the administrative factor in service provision. Therefore, with privatization, the municipality could either privatize the policy decision-making factor or the administrative factor in service provision. Alternatively, the entire role of service provision can be contracted out having both the policy decision-making factor and the administrative factor managed by the private sector. From the former assertions, one can rightly observe the change in dynamics because of the privatization mechanism.

Reflecting on the antecedent in chapter four it has been outlined that municipalities have a variety of functions and that there are different methods and techniques that local municipalities can utilize to privatize service delivery. One can rightly argue that there is a variation in the range at which local municipalities could privatize their services, for example, it could only contract out the administration, planning, and service provision while it remains the sole financier. Explicit examples, to substantiate the former include the Pikitup company where the City of Johannesburg metropolitan has contracted out its waste management collection. Another example is the Zoomlion company, which is a waste management company in Ghana, the municipalities in Ghana have contracted out the waste management services to this company. However, in another instance where privatization has taken a partnership route, the decision-making could lie within both the private sector and the local municipality whilst the provision and the financing of the services are conducted by the local municipality. Undoubtedly, it is clear from the above-provided description that with privatization comes a

lot of dynamism that is linked to the operation of the local municipality. As part of a general overview and a comparative analysis of the history, workings of privatization, and institutional capacity, this chapter explores practices of privatization in China and Ghana. This is done to explore the links between privatization and institutional capacity from a global and regional perspective.

4.2 Privatization in China

Inferring from the above-provided information privatization has always been a world phenomenon along with the globalization process and has been applied by a variety of countries as one rational and even strategy. Its promotion and utilization stem from global institutions such as the World Bank and the International Monetary Fund that had promoted its application within countries in the early 19th century. Shirley (1992, 23) claims that the “World Bank’s interest in privatization stems from its fundamental goals to help its borrowers achieve efficient growth with equity while reducing poverty and protecting the environment.” Many countries thus, adopted privatization reforms through neo-liberal governance frameworks which include your New Public Management, Growth, Employment, and Redistribution (GEAR) which we have seen present in South Africa in all three tiers of governance. This segment of the study explores privatization in China a state that had adopted and has been utilizing this framework from its emergence. It surveys the crux that had propelled the application of this mechanism and looks at the link between privatization and local governance in China and the dynamics that were brought forth by privatization in the process of water service provision.

Privatization is identified as a significant component of China’s economic reform and restructuring it has impelled vast economic growth and efficiency in public service delivery that has been cascaded from national to local government. Pannell (2015, 273) argues that the privatization of various “public services and economic sectors in China is believed to have led to greater productivity of service delivery, factors of production, increased profits based on incentives for workers and entrepreneurs.” Some of the services that have been privatized include water provision, waste collection, transport services as well as electricity supply. Such measures were perpetuated to improve operational efficiencies of ill-performing public utilities and leverage private sector capital. Despite the variation in the different services contracted out, this section of the study surveys only the privatization of water provision. Water privatization is understood to refer to all the “practices and initiatives which are meant to decrease or limit government responsibilities in using water resources, water supplies and water

services, to instead increase responsibilities of private water firms in these areas” (Fund 2008 , 1).

The privatization of water was carried out through different forms of private sector participation in water supply, however, public-private partnerships were the most prevalent. Table 3 below represents the different forms of private sector participation in China’s water sector illustrating the various privatization methods that have been utilized in the marketization of water. The contracting-out of water started as an experimental approach, in the mid-1990s” (Chan 2015, 2). Much privatization also occurred through foreign direct investment as a result, employment at state-owned industrial enterprises fell by half during the 1990s. The government allowed foreign investment in the development of water processing plants and sewage processing plants, leaving all pipelines under government regulation. The Chinese government delayed the full privatization of their state-owned enterprises out of fear of high unemployment and the attendant negative political implications. Full-fledged marketization reform of the public water sector commenced as early as 2003 aiming at promoting the involvement of private investors in the provision of water services in urban cities and concession practice to fasten the transfer of formal public entities to for-profit companies. From inception, one can observe the change in dynamics in the service provision process from an institutional environment setting to that of the market environment. Consequently, the public water service sector in China was partly changed into a for-profit private sector till the present.

Table 3 Different forms of private sector participation in China’s water sector
(Lijin Zhong 2008, 878)

Form of private sector participation	Asset ownership	Capital investment	Operations & maintenance	Contract period
Commercialization of governmental enterprises/utilities	Public	Public	Public	Indefinite
Management contract	Public	Public	Private	3–5yr
Lease contract	Public	Public	Private	8–15yr
Greenfield (BOT-type)	Private/ public	Private	Private	20–30yr
Concession	Public	Private	Private	25–30yr
Joint venture	Shared	Shared	Shared	Indefinite
Sale or full divesture	Private	Private	Private	Indefinite

The marketization of water was said to address the serious water crisis faced by China which consisted of four major challenges. The first challenge was a water shortage, “China is freshwater resource-poor, with the availability of freshwater per capita only one-fourth of the world's average” (Danqing 2010, 1). In addition, water resources were distributed unevenly in China, about 44% of the population lived in the north but had access to only 15% of the water resources. More than “60% of the 669 cities in the country had problems with water shortages and the situation in 110 of those cities was categorized serious” (ibid). In addition, 24 million rural people had insufficient drinking water, secondly, the water shortage was exacerbated by serious water pollution. The discharge of urban sewage and industrial wastewater was distinguished as the main sources of contamination in the rivers. One can explicitly observe that water shortage and contamination became key obstacles in cultivating sustainable development of the Chinese community further threatening public health and the life of its citizens. Alternatively, they could be distinguished as the core mechanisms that underpin the introduction of privatization in the water sector.

The third confrontation to water provision in China was tied to water-related natural disasters, floods are said to have cost the country about \$10b each year and it kept on growing because more than 10 million Chinese live in flood land inundated areas. Low use efficiency of water was another great challenge in the country, in “2000 the use efficiencies of irrigation water and industrial water were 0.43 and 0.55 respectively” (Fund 2008 , 3). The leakage rate of water pipes in big cities is said to have reached 27%, while in middle and small-sized cities and towns it was high as 35%-42%. The Sewage-water treatment business became the first step for private water firms to get involved in the contracting-out process of water in China.

As per historical records, the Chinese government provided citizens with water services as a sort of public welfare. Water was supplied free of charge in China before 1965, even after 1965, the water tariff was still very low and not connected with the supply cost. The water supply was called then self-flowing water by the people. Water pollution was not an issue for a very long time, “in 1978 there were only 35 sewage-treatment plants in China which were all invested and built up by the state” (Fund 2008 , 3). From the early 1980s to the middle 1990s, China’s water sector experienced rapid growth, the municipal water sector grew fast in terms of the capacity of water supply, improvement of drinking water quality, water services, technology, and management. Towards the end of the 1990s to the year, 2000’s a transition emerged in the water sector, water pollution became more serious and caught more attention. This propelled a brisk development of the urban wastewater treatment sector. By the end of 2002 “there were 537 sewage-treatment plants in 254 cities during the same period, the average water tariff in 35 large and middle-sized cities soared from 0.14yuan/m³ to 1.26yuan/m³” (ibid). Notwithstanding, the rise of water tariffs, sewage treatment, and water resources costs were not included as part of the water tariff. As the “major investor in the water, municipal governments started to seek financing channels to solve the shortage in financial resources” (ibid). Foreign water firms began to enter China’s water sector by introducing the technology of sewage treatment and establishing sewage treatment plants. Nonetheless, due to limitations in Chinese policies, foreign firms expanded slowly during this period.

4.3 Privatization Application in China

In 2003 China officially opened public utilities including the water sector to private investors. It requested “formally state-monopolized sectors to open the market and introduced the competition mechanism” (Fund 2008 , 4). The privatization of water was now in full motion, water supply was no longer provided by the state instead it had turned into a commercialized service. The transfer of all operations\assets of public water systems into private hands was accelerated by the World Bank and the Asian Development Bank, working in collusion with local governments and global water corporations. It was believed that “the private sector participation in the water sector would bring in much-needed investment and improve service coverage, quality, and efficiency by replacing conventional public-sector systems suffering from under-investments and inefficiencies due to excessive political interference and rent-seeking behaviour by vested state and bureaucratic interests” (Lijin Zhong 2008, 263).

The privatization of water in China meant more than just handing the water business over to for-profit companies, it most of all meant building economic incentives and logic, safeguarding

enough financial capital for infrastructure investments, and widening the service area.” Over and above that, private sector participation in China’s water management was not just a matter of privatization, it was part of a much wider and more complex modernization program in urban water governance. The modernization of the water sector incorporated, “water tariff reforms, where costs of drinking increased including full costs but came along with safeguards for low-income households to continue access to drinking water” (Fund 2008 , 11). It furthermore included transparency, accountability, and control of the government, decentralization of the water tasks, and responsibilities to the local level. For many municipal governments shedding off a load of investment for public water infrastructure was the leading underlining principle.

4.4 Results on the privatization of water in China

The privatization of water in China was carried out in the following cities “Beijing, Ha’erbin of Heilongjiang province, Chengdu of Sichuan province, Lanzhou of Gansu province, and Urumqi of Xinjiang” (Fund 2008 , 7). A research survey that was conducted in the former cities presented the following findings, it had become apparent that the citizens in these communities were never informed about the privatization of water as a result they did not understand the rapid hike in tariff prices. In Beijing “the hike was more dramatic: between 1989 and 2003 water rates were raised 9 times, from 0.12 RMB to 2.9 RMB, a 23-fold increase” (Danqing 2010, 2). From this factor, one can rightly observe that it is possible that citizens were never consulted before the marketization of this service, and such measures reflect information asymmetry and unequal poor relations between the service provider and the citizens at the receiving end.

Despite the tariff hike, water shortage and contamination persistently remained a big challenge even though tariffs could not resolve it in its entirety. However, Danqing (2010, 3) contends that “a water hike is good news for businesses in profit-making, hence foreign capital flocked in China to grab a share of the private water market.” Another issue in the findings was that the rise of water tariffs limited affordability. Fund (2008, 8) in his report outlines that “the rise of water tariffs generated greater impact on the low-income families, particularly those in developed areas.” This resulted in some families having restricted access to the water due to the unaffordability of the water. Still, accessibility was a problem, however, strengthened by privatization this time around. The report further established that the various purification plants that were built through foreign aid had resulted in little improvement, drinking water was still

contaminated with the majority of people using other means of filtered tap water demonstrating their suspicion about the safety of tap water.

Despite the hiccups that have confronted the privatization process, one can rightly argue the marketization of water in China led to radical changes in the country's water management institution. In 2004 a partnership between the "old Maanshan Water Supply Company (MASWSC) a state-owned enterprise and Beijing Capital Group (BCG) a private company constructed a water supply plant in Beijing" (Lijin Zhong 2008, 870). The plant sold purified water to the Beijing municipalities in 2005 this act was expanded to Chengdu where they sold water to the government of the area as well as a result of the efficiency in the supply of water. The water was purified, and Beijing and Chengdu residents were satisfied with the quality of the water. Due to such measures the plant, the partnership was awarded a 30-year concession right, furthermore it "beard responsibility of investment, operation, and maintenance of the water plants excluding the pipe networks and service obligations which were solely under the watch of the government" (Lijin Zhong 2008, 877). Undoubtedly, the tariffs kept on hiking further restricting the poor.

4.5 Privatization in Ghana

Privatization in the African continent prevailed as early as the twentieth century. Inferring from the above-outlined information it has been confirmed that the adoption of privatization in developing countries emerged in the 1990s. The emergence was propelled by the increasing realization that developing countries lack the capacity, and resources to deliver public goods and services solely. Thus the private sector was drawn upon these countries through myriad means to provide these services by injecting capital, expertise, technology, and flexibility among others. Ghana is one of the first countries in the African region where the "World Bank and donor agencies inspired the introduction of market-driven sector reform policies including that of the new public management (NPM) approach in the mid-1990s to revive ailing public sector and services" (Awortwi 2012, 886). It has utilized privatization since its advent.

The nucleus of this section of the study uniquely surveys privatization in Ghana Accra, examining the application of privatization in local municipalities in Tema and Kumasi. In the quest for the study's focal point in understanding the link between privatization and institutional capacity in South African local government, the study explores Ghana's frame observing for any explicit parallels about the links between privatization and local government. The service explored in this case study is waste management services. Research informs us that in "2006 the Ghanaian government-contracted waste management services to Zoomlion Ghana

Limited to augment the efforts of the metropolitan, municipal, and district assemblies across the country to ensure quality and proper collection and disposal of waste and general environmental cleanliness” (Yahaya 2012, 68). The need for privatization was promoted by the fact that municipalities were unable to manage the waste generated efficiently over the years. Zoomlion Ghana is regarded as an expert company, “it was founded in 1992 as Changsha Hi-tech Development Area, a Chinese manufacturer of construction machinery and sanitation equipment which later became Zoomlion Construction Mechanical Industry” (ibid). The role played by this reputable company as a waste expert over the years around the globe cannot be underscored. Some of the services rendered by the company range from solid waste collection and landfill management, and landscaping for beautification. In “pursuance of excellence in proper waste management and sanitation, Zoomlion collaborated with international waste companies in South Africa and Germany for technical cooperation and capacity building” (ibid). It further partnered with China for modern equipment and Denmark for research into biogas systems.

4.6 Application of privatization in Ghana

The drive towards privatization in Ghana was promoted by the importance of international finance organizations like the World Bank and the International Monetary Fund attached to the process in its lending guidelines. In the past two decades, “Ghana is said to have engaged in economic reforms to promote economic growth, at the forefront of these reforms was the privatization of the State-Owned Enterprises (SOEs), which have been plagued with poor performance and high levels of debt” (Adams 2011, 237). Improved sanitation is distinguished as an essential component of development, Frimpong (2013) claims that the government of Ghana had failed to impel development through sanitation. Broadly the state was perceived to be lacking the capacity and resources to solely fulfill public services, such measures thus restricted development in the state.

To address the issue of underdevelopment the state engaged in privatization through public-private partnerships with the belief that the private sector will yield improved service delivery. These partnerships were implemented by both local and central governments in Ghana. Privatized “solid waste collection became part of Accra Metropolitan Assembly's (AMA) official policy in 1995 even though the first experience with a privatized collection of household waste in Accra started in 1977” (Frimpong 2013, 116). In July 1999, the Tema municipality contracted City and Country Waste Limited (CCWL) a Canadian-Ghanaian joint venture partnership, to provide sanitation services in the AMA. The AMA was to procure new

collection and disposal equipment on a five-year lease for CCWL. The contract, again, enjoined AMA to relinquish all its collection trucks, equipment, and workshops to CCWL. Yet less than 70% of the waste generated daily was collected. In 2000 Kumasi Waste Management Limited (KWML) was contracted by the Kumasi Metropolitan Assembly (KMA). Although “solid waste collection rose dramatically it, however, fell sharply a month later and stabilized at a level slightly higher than when refuse was directly collected by the KMA Waste Department; the waste collection was about 58%” (ibid). Despite the romanticized perception of the private sector as the engine of growth and development, PPPs in Ghana for the provision of sanitation services before ZL failed.

The following factors explicitly explain the failure of earlier PPPs in the sanitation area. To begin with, “politics of patronage was a prominent factor in the awards of contracts. Competitive tendering for fair competition and transparency was sidestepped” (ibid). Additionally, it is suggested that contracts were awarded to cronies and party loyalists, and waste management contracts were politically protected businesses given out as political favours. Many private agents were given an absolute monopoly to operate, the state, therefore, merely shifted from public monopoly to private monopoly. The “AMA, for example, was virtually compelled by the national government to award a monopoly contract for the collection of all solid waste to CCWL” (ibid). Consequently, there was a lack of political sustainability in waste management contracts, and PPPs were highly vulnerable to changing political circumstances. Moreover, the previous PPP’s failure to resolve Ghana’s sanitation problem was attributed to a lack of strategic communication. Being a top-down approach, neither the local people nor their representatives, that is, assembly members were involved in the waste management contractual arrangements. Weak state capacity is said to have played a crucial role in the failure of the above-outlined partnerships, failure by the state to monitor and regulate partnership contracts as a result of a lack of logistical capacity, understaffing, and lack of monitoring experts. From the above claims, it is evident that the delegation of duties and responsibilities by the municipalities to the private sector alone is not enough. Post delegation the municipalities need to ensure that their responsibility to monitor and manage private partnerships is carried out to propel efficiency. Such measures thus warrant effective capacitation of the local municipalities' personnel to enable monitoring and evaluation thus, avoiding the failure of partnerships.

4.7 Privatization with ZoomLion

In 2006 privatization was already a predominant modality in Ghana. The Tema, and Kumasi municipalities had ventured into a public-private partnership with ZoomLion. It is argued that the ZoomLion (ZL) company had positioned itself to fill the void of weak municipal capacity in the following ways. First apart from “hiring experts and experienced waste management professionals, ZL embarked upon the human capacity building of its employees” Frimpong (2013:117). This was conducted through staff exchanging ideas with staff from experienced waste management companies which included companies such as “Nehlsen in Germany, Hubei, and Zoomlion in China, and Mahindra Truck company from India” (ibid). Additionally, the ZL staff received in-service training on waste management thus getting practical experience in this discipline. Furthermore, the company placed a huge emphasis on managerial competency and technical capacity this was strengthened by its procurement of essential logistics and vehicles. One can explicitly observe that the former company made an enormous emphasis on capacity building because it believed that the only way it could provide efficient solid waste management services is through well-up-skilled personnel and resourced company.

The services contracted out to ZL included waste collection, street sweeping, and drain cleaning. These services were rendered in the Tema and Kumasi municipalities and they include areas such as the “Central Business District (CBD), as well as the ceremonial and strategic roads” (ibid). Zoomlion hauls the refuse collected from sweeping and households to temporary storage containers or treatment and final disposal sites. In a survey that was conducted in Kumasi and Tema communities, Frimpong (2013) asserts that the majority of the community residents were happy with the Zoomlion services. With “69.8% of the respondents even willing to pay for Zoomlion services” in an instance where the local municipality could financially be unable to sustain the partnership. (ibid). Drawing from the above-provided information, one may have identified that one of the key factors that have impelled improvement in the delivery of services in Ghana through the partnerships incorporates capacitation and sufficient resources. When an entity is well-capacitated and fully resourced it can operate efficiently.

4.8 Privatization results

The above case study provided a detailed narration of privatization in Ghana. One may have observed that the World Bank and the International Monetary Fund were the prime institutions that promoted and encouraged privatization in Ghana through their foreign aid policies and governance policies. From this measure one can observe a pattern in that even in China it was

the two institutions that promoted this neo-liberal policy therefore, such enactments qualify the assertion that privatization was continuously promoted by the global arena. Again, one may have observed from China's case study, on the inception of the policy there were hiccups that the case study had explicitly outlined. With Ghana, the hiccups resulted in failed partnerships which incorporated the City and Country Waste Limited and the Kumasi Waste Management Limited. However, the failure of the former partnerships was underpinned by various institutional incompetences and acts of corruption. However, with the ZoomLion company, the case study presents it as a saving agent through accelerated and efficient service delivery as a result of well-capacitation and up-skilling. Therefore, one can conclude that poor institutional capacity, and lack of funds, are some of the prime mechanisms that promoted privatization in Ghana. Consequently, the private sector came with a variety of dynamics that required the active participation of the municipality in areas of monitoring and evaluation of contracts.

5. Chapter Five

5.1 Context Chapter

5.1.1 Local government in South Africa

Governance in South Africa has been marked by the ruthless history of the apartheid regime that has left stark indelible imprints of issues of inequality and racism that have become part of the nation's psyche. One cannot begin to explicitly address the nature of local government in South Africa without partially exploring the apartheid policy due to the vast repercussions it has had on governance in the country and on the formation of democracy and the Constitution that governs it. Dubow (2014, 1) asserts that “apartheid was the electoral slogan which brought radical Afrikaner nationalism to power in South Africa in May 1948.” The system had its roots in 350 years of religious, land, and labour conflicts. It was characterized by racial segregation which permeated racial discrimination that impelled inequality between white and black people. A European settlement was first established at the “Cape of Good Hope by the Dutch East India Company in 1652, for the provisioning of its ships bound for the East” (Hofmeyr 2017, 1). As the settlement grew into a colony and expanded northwards, bringing the colonist into conflict with the indigenous population, European dominance was gradually extended and entrenched. During the centuries that followed, “black people were mostly excluded from representative government and many of the rights and privileges enjoyed by the country’s white inhabitants” (ibid).

Maylam (1990) claims that the apartheid system vehemently detested black people. It only valued their “hands which were needed for work, if some mysterious arrangement could be devised whereby only their hands could be daily brought to town for purposes of labor and their persons and faces not seen at all, that would have perhaps suited the white master better” (Maylam 1990, 57). Despite the element of segregation that it enforced in the country, it stands to be reasoned that apartheid was not the beginning of geographic, institutional, and social separation at the local level in South Africa, segregation was already a policy by the time apartheid was introduced in the country in 1948.

Before the advent of democracy, “local government in the apartheid South Africa comprised of small, fractured municipalities that were organized along racial lines, giving effect to the policies of the highly centralized apartheid state” (Steytler 2005, 183). Governance at the time perpetuated segregation through “the Group Areas Act this piece of legislature instituted strict residential segregation and the compulsory removal of Black people to ‘own group’ areas” (The white paper on local government 1998, 3). Such measures impelled financial shortfalls

into local government for Black communities because they barred most retail and industrial developments in black areas. This “limited the tax base and forced residents and retailers to spend most of their money in white areas” (ibid). Municipalities in black areas were, therefore, deprived of the means to meet the needs of residents.

In rural areas discrimination and segregation were equally stark, “water and electricity were supplied to white residents in rural areas at enormous cost, while scant regard was given to the needs of the rural majority” (ibid). Crisis and collapse were inevitable. The Black majority of South Africans were merely passive citizens in their own country, they could not question the power of the state nor participate in state governance, they were just recipients of governance. Apartheid “fundamentally damaged the spatial, social and economic environments in which Black people lived in, worked, raised families and sought to fulfil their aspirations” (The white paper on local government 1998, 3). Black people started to display loathe for the apartheid regime, and civic and other community bodies started protesting against this distorted system through uprisings. Their rallying cry “was the appalling social and economic conditions in townships and bantustans which had been permeated by the racial government” (The white paper on local government 1998, 4). The chief weapons were the “organized boycott of rents and service charges and consumer boycotts” (ibid). It is during these years of the “1970s and 1980s, that local government became one of the principal battlegrounds in the struggle against the apartheid regime” (Pycroft 1996, 234). It is from this grassroots level that apartheid was disintegrated by the Black majority.

The crisis opened up by the collapse of the apartheid local government system eventually led to the realization that a new democratic system was needed due to the collapse of the apartheid regime “in South Africa this meant the end of an authoritative regime, a regime that defined itself against the needs and wishes of the majority of the population” (Buccus 2006, 11). Following the abolishment of the apartheid regime, SA was given a rare and historic opportunity to transform local government to meet the challenges of the next century, and this meant there was a mandatory enactment to put new institutions into place to ensure that the democratic order would be implemented. This new transformation was guided and driven by vast governance acts, white papers, and the 1996 constitution of the Republic of South Africa. The ideal “democracy upon which the anti-apartheid movement was launched contained strong elements of the culture of participatory democracy” with community development and the upskilling of the previously disadvantaged Black majority being the focal point (ibid).

5.2 Objectives of local government

Local government is underpinned by the following objectives that are meant to be fulfilled by the local municipalities:

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

5.3 The evolution of local government in South Africa

In the last decade of the 20th century, after a long struggle to achieve equal rights for all, change was realized across different domains. In a historic speech at “the opening of parliament on 2 February 1990, president FW de Klerk announced the unbanning of the principal liberation movements, including the African National Congress (ANC), Pan Africanist Congress (PAC), South African Communist Party (SACP) and the release from prison of the ANC leader Nelson Mandela” (Hofmeyr 2017, 1) Following the release of “Nelson Mandela and the unbanning of the ANC in 1990, a system of representative government was negotiated, leading to the national elections in 1994 which placed the ANC in power” (ibid).

The 1994 elections were preceded in 1991 by a Convention for a Democratic South Africa (CODESA), which was a process of negotiating a transition from a repressive and discredited apartheid state based on racial segregation to a constitutional state with a justiciable bill of rights and a legitimate democratic government. The convention was composed of “238 delegates representing 19 political parties and organisations that gathered for the first plenary session of the convention and they included, the National Party (NP), Inkatha Freedom Party (IFP), Democratic Party (DP), SACP, South African Indian Congress, Coloured Labor Party, ANC and others” (Jolobe 2014, 1). There was a sense of progress as the major parties, the ANC and the National Party government, agreed on several fundamental details about the constitutional structure of the post-apartheid state. These included “the establishment of a multi-party democracy in a unitary South Africa and a supreme Constitution with an entrenched Bill of Rights to be adjudicated by a Constitutional Court” (Hofmeyr 2017, 3). Optimism was heightened when on “the 17 March 1992, a whites-only referendum voted overwhelmingly in favour of continuing on the negotiations path” (ibid).

In mid-1992, the above-stated process halted many contentious issues including concerns about the body that would be empowered to draft South Africa's new Constitution. Two key concessions enabled the stalemate to be overcome: "the ANC's acceptance of a 'sunset clause' put forward by the Communist Party chairman Joe Slovo, providing for executive power-sharing with the National Party government for five years after the first democratic elections, and the government's acceptance of a democratic constitution-making process" (ibid). By agreeing that the new constitution would be drafted by an elected constituent assembly, rather than by negotiation in CODESA, the government made it possible for the ANC to agree to the adoption of a negotiated interim Constitution which would entrench a government of national unity for five years and ensure the legal continuity the government required. As the name indicates, "the interim Constitution was not intended to be a final Constitution for SA, the new parliament, constituted under the interim Constitution was to play the dual role of the legislature and Constitutional Assembly (CA)" (ibid).

The Constitutional Assembly had the task of adopting a final constitution for South Africa within two years of its first sitting, and it was bound to produce a Constitution that conformed to the 34 Constitutional Principles that have been agreed on during the 1991-1993 political negotiations. The 34 principles "were legally binding and centred on a commitment to a unitary state with a common citizenship, racial and gender equality, and constitutional supremacy" (Hedling 2011, 6). The principles were entrenched in the interim Constitution and they served not only as a foundation for the Interim Constitution but also as the framework for negotiating and drafting the 1996 Constitution. The constitution-making process incorporated public participation engaging the public in a range of activities designed to involve the public in the constitution-making exercise. This process was succeeded by the adoption and certification of the final Constitution process where the Constitutional Court had to decide whether the final Constitution complied with the 34 Constitutional Principles agreed upon during the process of negotiations. A first draft "was adopted by the CA on 10 May 1996, but the Constitutional Court found that it did not comply with the 34 principles in all respects and consequently referred it back to the CA" (Hofmeyr 2017, 4).

The CA adopted an amended Constitutional draft on "11 October 1996, this version was subsequently certified by the Constitutional Court" (ibid). On the 10th of December 1996, President Nelson Mandela signed the 1996 Constitution into law at Sharpeville. Sharpeville was one of the local communities in Johannesburg that was the battleground against the apartheid regime. Hofmeyr (2017) contends that the choice of Sharpeville, "where apartheid police had

opened fire on an unarmed crowd of pass-law protestors in March 1960, was both a symbolic gesture to the memories of the 69 people killed on that day and a statement of the country's determination to turn its back on a past marked by racism and the gross violation of human rights" (Hofmeyr 2017, 4). On the 4th of February 1997, the new Constitution came into effect as the final Constitution of the Republic of South Africa.

5.4 The legal framework governing South African local government

Democracy and transformation were the core tasks post-1994. The process of transforming the institutions of the South African state was premised on the fact that "the new democratic state had a specific mission, of meeting the new developmental objectives which will help to create a better life for all" (The white paper on local government 1998, 7). Such measures were thus driven by the newly established 1996 constitutional models for a new South Africa that safeguarded the government's mix of individual and minority rights. In 1994 government further adopted the "Reconstruction and Development Programme (RDP) as its socio-economic policy framework and spelled out key pillars of delivery, including meeting basic needs and developing human resources" (Krugell 2010, 307). Subsequently, macroeconomic policy frameworks such as "Growth, Employment and Redistribution (GEAR) 1996, and the Accelerated and Shared Growth Initiative for South Africa (2006) were put in place to meet the RDP commitment" (ibid). Since 1994 great strides have been made to redress past social inequalities and create a better life for all South Africans, implementation however seems to be the problem.

The local government is identified as one of the pivotal spheres of government because it is the government closest to the people. Governance in this arena is regulated and guided by a host of legislative laws that were promulgated and ushered in a fundamental policy shift, to enhance the status, role, and functions of local government and they include the following policies and laws. Chapter 7 of the Constitution embodies the core principles that inform the basis for developmental local government in South Africa. The Municipal Systems Act (32 of 2000) that defines "the legal nature of a municipality and provides for how municipal powers and functions are exercised and performed" (South African Local Government Association Guidelines 2011, 4). Another legal framework is the Municipal Structures Act (Act No. 117 of 1998), which provides for "the establishment of a new generation of municipalities and

essentially lays the foundations for a new system of local government” (ibid). It further divides the power and functions between the categories of municipalities and regulates matters connected with the local government its systems and structures. The last legislature is the Municipal Finance Management Act (MFMA), “it is intended to ensure sound and sustainable financial management in municipalities and deepens the budgetary process in municipalities by making community involvement compulsory” (ibid). One of the most important objectives of the MFMA is that of developing sound financial governance within every municipality. This means developing a comprehensive system clarifying and separating the responsibilities of mayors, councilors, and officials.

The constitution of the “Republic of South Africa, 1996 (Act 108 of 1996), section 151 provides for the establishment of the local government sphere as a distinctive sphere of government closest to the people it democratically governs” (Binza 2005, 69). A sphere of government that is interdependent and interrelated with the provincial and national spheres of government. On the other hand, the Local Government: Municipal Structures Act, “1998 (Act 117 of 1998), as amended, provides for the establishment of local government following the requirements relating to categories and types of municipalities to be in line with the vision of democratic and developmental local government” (ibid).

RDP, GEAR, and Privatization

In South Africa, there has been a movement from a development policy with a socialist resonance-the Reconstruction Development Programme (RDP) to one decidedly neo-liberal in form and substance, the Growth Employment and Redistribution (GEAR) policy. The GEAR policy as a macroeconomic framework was vehemently contested by labour unions as it was understood to be privatization facing widespread opposition among communities. Several attempts have been made to explain the purported shift in the African National Congress (ANC) development policy. The question that is most often posed is: Why did a liberation movement with a largely socialist agenda shift so quickly to a neoliberal position? One school of thought suggests that “multilateral institutions such as the World Bank brought discursive power to bear on the ANC thus, converting the organization to neoliberal orthodoxy” (Narsiah 2002, 4). Briefly, the argument goes: “during the early 1990s, the World Bank sent some missions to South Africa; ANC researchers and policy advisors were targeted by these missions, senior ANC officials were sent for training to the Washington headquarters of the World Bank and the International Monetary Fund (IMF)” (ibid). The World Bank in particular was highly

successful in assimilating the ANC into orthodoxy. The influence of the World Bank was apparent in ANC policy which emerged between 1992 and 1993, furthermore, the policy networking initiatives of the World Bank paid dividends when the ANC assumed power in 1994.

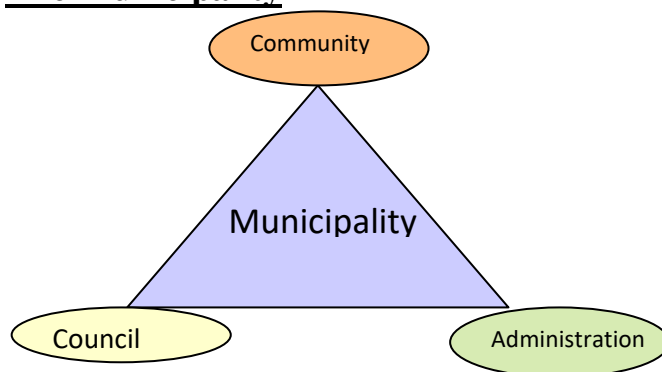
Another influential school of thought suggests that the ANC had no alternative, but to change its policy because it was clear that it is going to inherit a budget deficit, and a socialist program would have hastened the decline into ruin and economic isolation. As highlighted in the above-provided information the RDP was the election manifesto of the ANC. When the ANC assumed power in 1994, the RDP was translated into policy. The RDP white paper showed a significant departure from the principles of the RDP base document, Narsieh (2000) suggests that even before the RDP was adopted neoliberal ideas were dominant within the ANC. In “1996, the new vision of development began a movement from social heterodoxy to neoliberal orthodoxy” (Narsiah 2002, 5). South Africa was formally subsumed into a neoliberal, free-market paradigm in 1996 with the adoption of the Growth Employment and Redistribution program. Particular policy positions were adopted as a consequence, promoting fiscal austerity, export-oriented development, and privatization. With the publication of GEAR, the ANC’s neoliberal morphosis was complete. The GEAR policy was a combination of the standard IMF and World Bank stabilization and structural adjustment policies, it formed the substrate for government privatization policy. The policy has been criticized for its lack of integration and overreliance on the private sector to promote development.

Another policy framework that cultivated fertile ground for the application of privatization in SA is the Municipal Infrastructure Investment Unit (MIIU) which was set up in 1997 through the United States Agency for International Development (USAID) funding and the South African government. MIIU’s overall purpose was to promote “private sector involvement in service delivery, distinctly, its mandate was to facilitate private sector investment in municipal service delivery through partnerships” (ibid). The investments it advocated for took various forms which incorporated; corporatization, public-private partnerships, private sector financing of municipal debt, and contracts requiring the private sector to design, build, finance, and operate assets and services. The MIIU is said to have played a pivotal role in promoting and facilitating the privatization and marketization of municipal water services in South Africa.

Inferring from the above-provided information one can explicitly observe that with the adoption of the formerly outlined policy frameworks the government qualified privatization in

South Africa because these policies solely advocated for privatization. Such enactments came with a vehement link to the government institutions that are untieable which propelled a shift from a communal governance frame of thought to an individualistic perception because privatization is embedded in individual interests therefore with its application the government was forced to change its lense. Such measures therefore tied privatization and government institutions together with their capacity. It goes without argument that one of the prime mechanisms that stimulated the adoption of privatization in South Africa was the insufficiency of funds to govern the country. With the backlog the country had this deficiency forced them to the World Bank, through the aid of the World Bank privatization was inevitable because it was one of the key cardinals in foreign aid. Therefore, based on the implementation of these neo-liberal policies and the formation of the MIU one can affirm that the privatization of services in South Africa was applied as part of a system set of policies.

5.5 The Municipality



(South African Local Government Association 2011, 5)

The local sphere of government in “South Africa is assigned a developmental role, this means that municipalities are no longer purely instruments of service delivery, but are also assigned a role as agents of economic development” (Maserumule2008, 437). Municipalities are identified as the core institutions and the strategic nexus within the local government arena they are centred at the heart of service delivery in the local communities. They are appropriately positioned to play a catalyst role in the pursuit of the country's development priorities. They are composed of the council/political structures, administration of the municipality, and the community within the municipal area. The diagram provided above gives an explicit illustration of the interlink between the three pivotal elements that underpin local municipalities. The Municipal Systems Act (No. 32 of 2000) asserts that the local municipality “is an organ of the state within the local sphere of government exercising legislative and

executive authority within an area determined in terms of the 25 local government: Municipal Demarcation Act, 1998” (Municipal Systems Act 2000, 18). They consist of “ a municipal council which is a body consisting of directly or indirectly elected councilors/members. A municipal council is thus, one of the political structures of a municipality” (South African Local Government Association Guidelines 2011, 5). The municipality is a much broader concept and a more inclusive collection of institutions or structures than a municipal council, the municipality, and the council is not synonymous with each other. A municipality, “has the right to govern, on its initiative, the local government affairs of its community, subject to national and provincial legislation as provided for in the Constitution” (Hofmeyr 2017, 88).

Section “156 of the Constitution establishes three distinct categories of municipalities and provides that national legislation must define the different types of municipalities that may be established within each category” (ibid). These categories range from categories A, B, and C, category A are metropolitan municipalities that contain the exclusive authority to make rules over their area of jurisdiction. Metropolitan areas are large urban settlements with “high population densities, complex and diversified economies, and a high degree of functional integration across a larger geographic area than the normal jurisdiction of a municipality” (The white paper on local government 1998, 51). Metropolitan municipalities were established to “create a basis for equitable and socially just metropolitan governance, further promote strategic land-use planning and coordinate public investment in physical and social infrastructure”(ibid). Category B municipalities “share authority with the district municipality in whose area it falls and they are distinguished as the district municipalities. Their roles include; “integrated development planning, infrastructural development, technical assistance to municipalities and direct service provision at the local level” (ibid). Category C, on the other hand, “contains authority to administer and make rules in areas which include more than one local municipality” (South African Local Government Association Guidelines 2011, 7)

5.6 The role of the municipality

According to the guidelines provided by the South African Local Government Association (SALGA), it asserts that the municipality has a right to govern on its initiative the local affairs of its community. To govern means “to exercise governmental authority, governmental authority is the authority to make rules that apply in principle to everybody within the area of the body that made the rules and to enforce those rules” (South African Local Government Association Guidelines 2011, 8). Governmental authority is typically composed of three distinct powers which incorporate; legislative, executive, and judicial power. A municipality

“exercises its legislative power by making and administering bylaws for the effective administration of the matters that it has a right to administer, it has the right to administer the local government matters that are listed in the Constitution and any matter assigned to it by the provincial and national government” (ibid). The Constitution vests the legislative and executive authority of a municipality in its municipal council. Municipalities do have “pure judicial powers like courts, a municipal council makes decisions concerning the exercise of all the powers and the performance of all the functions of the municipality” (ibid).

A municipal council's decision-making is limited “to those matters that are expressly by law assigned to the municipality or the council itself and matters reasonably necessary for and incidental to those assigned matters” (ibid). It cannot make decisions regarding matters that had by law been assigned to another body or person. The local government policies together with the constitution oblige municipality councils to strive within their administrative and financial capacity to provide without favour or prejudice democratic and accountable government. They further encourage “the involvement of the local community in governance and encourage that municipal services should be provided to the local community in a financially and environmentally sustainable manner” (Municipal Systems Act 2000, 20). As part of its role, the municipality is warranted to consult “the local community about the level of, quality, range, and impact of municipal services provided by the municipality, either directly or through another service provider” (ibid). It is the role of the municipality to also ensure that members of the community are provided with equitable access to the municipal services to which they are entitled.

Municipalities are further required to structure and manage their administrations, budgeting, and planning processes in such a manner that they “prioritize the basic needs of the community, promote social and economic development and participate in provincial and national development programs” (South African Local Government Association Guidelines 2011, 9). Concerning the imposition of taxes and services charges the guidelines assert that the municipality must establish a “sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality and where applicable a service provider” (ibid). It is the role of the municipality to establish mechanisms for users of services and ratepayers to give feedback to the municipality or other service providers regarding the quality of the services and the performance of the service provider. It further needs to ensure that “reasonable steps are taken to inform the users of the services about the costs involved in service provision, the reasons for

the payment of services fees, and how the monies raised from the services are utilized” (ibid). Creating a safe and healthy environment is identified as another crucial role of the municipality, the Municipal Systems Act further asserts that the municipality must promote gender equity in the exercise of the municipality’s executive and legislative authority.

5.7 The role of municipal administration

A municipality’s administration is governed by democratic values and the 15 principles embodied in section 195 (1) of the Constitution. The 15 principles incorporate the following, “a standard of professional ethics: efficient, economic and effective use of resources; a development- orientation and impartial, fair, equitable and unbiased services provision” (South African Local Government Association Guidelines 2011, 10). The following roles are further identified as fundamental elements in the role of the municipality’s administration; “accountability; transparency by providing the public with timely, accessible and accurate information; good human-resources management; and career development practices to maximize the human potential” (ibid). The municipality's administration is mandated to encourage representativity, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation. The legislation requires the administration to be “responsive to the needs of the community, further facilitate a culture of public service and accountability amongst staff, take measures to prevent corruption and establish clear relationships and facilitate co-operation and communication, between it and the local community” (ibid).

The white paper on local government (1998) sets out core administrative capacities to support development in the local municipalities. These capacities incorporate; strategic capacity, integrating, and community orientation capacities. With strategic capacity, the paper claims that strategies are fundamental “to assess, plan, and develop innovative programs to meet the local needs, if municipalities are to meet service demands and make a significant contribution to social and economic development, they will have to become far more strategic in orientation” (The white paper on local government 1998, 80). Strategic capacity means developing the ability to be “open and flexible to new demands, to prioritize carefully based on a clear understanding of existing resources and medium to long-term objectives and to move quickly and effectively to meet the demands at the highest level” (ibid). Integrating capacity on the other hand is essential to coordinate and integrate inputs from inside and outside the administration to ensure developmental outcomes. Integrating capacity means “directing capacity and resources from both inside and outside the municipality to common, directed

programs of action” (ibid). The vertical integration of national and provincial programs with municipal administrative systems may be a particularly effective way for rural municipalities to build their administrative capacities.

The third element of administration development that the white paper identifies as crucial is that of community orientation. The white paper contends that “to inform a user-friendly, relevant and quality service to local communities, municipalities need to develop mechanisms to interact with community groups to identify services needs and priorities” (ibid). Such enactments thus, warrant municipalities to develop mechanisms to ensure that their delivery systems are inclusive and accommodate groups that tend to be marginalized. Therefore, frontline workers who interact with communities daily will need to be capacitated to correctly assess, rapidly communicate, and effectively respond to service needs.

The Municipal Systems Act (No.32 of 2000) on the other hand asserts that the secondary role of municipal administration is to align “the roles and responsibilities of its political structures, political office-bearers, managers and other employees with the priorities and objectives set out in the municipality’s integrated development plan” (Municipal Systems Act 2000, 15). The administration should further establish clear relationships, and facilitate co-operation, co-ordination and communication, between its “political structures and political office-bearers and its administration and between its political structures, political office-bearers, and the administration and the community” (ibid). It should further perform its functions through operationally effective and appropriate administrative units and mechanisms including departments and other functional units and when necessary, on a decentralized basis. The administration must assign clear responsibilities for the “management and coordination of administrative units and mechanisms, hold the municipal manager accountable for the overall performance of the administration, and maximize the efficiency of communication and decision-making within the administration” (ibid).

Despite these policies and the governance frameworks that have been established since the dawn of democracy, many administrations are still organised in much the same way as before, and most have not made significant progress concerning transforming service delivery. Many municipal administrations “are still characterized by hierarchical line departments, poor coordination between line departments, and authoritarian management practices” (The white paper on local government 1998, 17). To strengthen the former assertion Visser (2010) argues that still there has been a modicum of transformation in local municipalities, the only change

has been on the face of the municipality where it is no longer white but black now. Other than that black communities remain on the receiving end of poor service delivery as a result many “communities and residents see their municipalities as a locus of underperformance, corruption, and inaccessibility” (Visser 2010, 87). Front-line workers remain de-skilled and disempowered, and women and black people are not adequately represented in management echelons. In many cases, the lack of performance management systems and poor internal communication contribute to inefficiency in service delivery. One could, therefore, reason that significant support and investment are mandatory to build administrative capacity to perpetuate the efficiency of the local government system.

5.8 Human resource development in local municipalities

Service delivery protests have been a prevalent phenomenon in local municipalities since the inception of democracy such measures are said to be driven by the inadequacy of institutional capacity in the municipalities. Taylor (2013, 825) contends that many “South African municipalities lack adequate capacity to plan strategically, to translate strategic plans into budgets, to engage civil society effectively in the strategic planning process and to manage the implementation of strategic plans.” In this regard capacity, building initiatives are imperative to strengthen and improve governance functions in the municipalities and municipal leadership roles. Human resources are one of the crucial cardinals that make up a municipality, the effective operation and sound governance in a municipality are partly dependent on its human resources. The Employment Equity Act, of 1998 claims that “municipalities must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration” (The Municipal Systems Act 2000, 33). This is said to include the recruitment, selection, and appointment, of persons as staff members; service conditions of staff; the supervision and management of staff, and the monitoring, measuring, and evaluating of staff performance.

Capacity building is identified as a pivotal aspect of maintaining efficient human resources in local municipalities. It has been one of the central notions in the sustainable development agenda with the understanding that “the ability of a municipality to follow sustainable development paths is to a large extent determined by the capacity of its people and its institutions” (Meyer 2005, 3). The municipality is said to “develop its human resources capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way, and for this purpose must comply with the Skills Development Act, 1998” (ibid). A municipality may in addition to any provision for

a training levy in terms of the Skills Development Levies Act, 1999, make provision in its budget for the development and implementation of training programs. A municipality “which does not have the financial means to provide funds for training programmed in addition to the levy payable in terms of the Skills Development Levies Act, 1999 may apply to the Sector Education and Training Authority for local government established in terms of the Skills Development Act, 1998 for such funds” (ibid).

To ensure efficiency and sound service delivery, the Municipal Systems Act provides the local government sphere with a framework to establish a performance management system for its administration. The act asserts that “a municipality must have a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators, and targets contained in its integrated development plan” (Municipal Systems Act 2000, 46). The performance management system further warrants the local government administration to promote a culture of performance management among its political structures, political office bearers, and councilors and in its administration and administer its affairs in an economical, effective, efficient and accountable manner. The act guides the administrations to “set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact with regards to the municipalities development priorities and objectives set out in its integrated development plan” (ibid).

The white paper on local government (1998) outlines a set of mechanisms that the municipal administration could utilize to improve performance and they include; “empowering and enhancing the skills of the front-line, decentralization of operational management responsibility, and developing strategies together” (The white on local government 2000, 76). With regards to empowering and enhancing the skills of the front-line workers, the paper claims that “the frontline workers interact with the community and end-users of services daily, as such, they need to be empowered to provide information, services, and advice to the community” (ibid). The frontline workers, therefore, need to be continuously up-skilled with considerable knowledge and skills that respond to the present context so that they can provide context-specific solutions to propel effective operations.

5.9 Municipal Finances

On the inception of democracy, the amalgamation of previously divided jurisdictions massively “increased the population which municipalities must serve, without a corresponding increase in the tax base” (The white paper on local government 1998, 16). Combined with service backlogs, collapsed or deteriorating infrastructure, and deteriorating creditworthiness

and borrowing capacity, municipalities were experiencing a financial crisis. However, a legal framework was established to govern the finances of the municipalities and it was identified as the Municipal Finance Management Act 56 of 2003. As one may have observed in the above-provided information on the municipal legal framework, the MFMA is “intended to ensure sound and sustainable financial management in municipalities and deepens the budgetary process in municipalities by making community involvement compulsory” (South African Local Government Association Guidelines 2011, 4). Local municipalities generate their revenue through trading services which include water, electricity, and sanitation. In aggregate, “revenue from trading services accounts for over 60% of local government revenue, electricity, for example, constitutes the largest revenue source for many municipalities” (ibid). While the surplus derived from the sale of electricity is not large, it remains an important source of income for many municipalities.

According to the white paper on local government (1998), the major source of “tax revenue for municipalities is property rates, these generate around 20% of the total revenue” (ibid). The Regional Services Council and Joint Services Board levies levied by District and Metropolitan Councils bring in an additional 5%. The following are distinguished as the core principles for the local municipality’s system and they include; revenue adequacy and certainty, sustainability, effective and efficient resource use and accountability, transparency, and good governance. In account of revenue adequacy and certainty, the white paper asserts that “municipalities need to have access to adequate sources of revenue, either their resources or intergovernmental transfers to enable them to carry out the functions that have been assigned to them” (ibid). Therefore, municipalities should be encouraged to fully exploit these sources of revenue to meet their developmental objectives.

The second principle is that of sustainability, “financial sustainability requires that municipalities ensure that their budgets are balanced income should cover expenditure” (ibid). Given revenue constraints, this involves ensuring that services are provided at affordable levels and that municipalities can recover the costs of service delivery. Therefore, it is the responsibility of the political leaders to ensure that they set realistic budgets, however, there is a need for subsidization to ensure that poor households, who are unable to pay for even a proportion of services costs, have access to basic services. The other pivotal principle in municipal finance that is deemed to impel sound operation is that of effective and efficient resource use. According to the white paper on local government (1998) “economic resources are scarce and should be used in the best possible way to reap the maximum benefit for local

municipalities, however, there are no mechanisms available to ensure that municipalities' decisions will indeed lead to an effective allocation of resources" (ibid). Through the formerly outlined principles, the white paper contends that local municipalities can be able to impel efficient and sustainable delivery of services.

5.10 Objectives of local government

Local government is underpinned by the following objectives that are meant to be fulfilled by the local municipalities:

- f) to provide a democratic and accountable government for local communities;
- g) to ensure the provision of services to communities in a sustainable manner;
- h) to promote social and economic development;
- i) to promote a safe and healthy environment, and
- j) to encourage the involvement of communities and community organisations in matters of local government.

5.11 Conclusion

This chapter provided a detailed outline of the constitution and policies that govern local municipalities in South Africa intending to provide good practice procedures for the implementation of service delivery. From the review, the study gave an explicit narration of what municipalities are, their primary role, and what is expected of them together with the different sectors in this sphere of government. Additionally, the study gave a precise description of the legal framework and the policies that guide and regulates this sphere of government, and key amongst these are chapter seven of the Constitution of the Republic, the Municipal Structures Act, and the Municipal Systems Act. Furthermore, this chapter also explored the RDP and the GEAR policy frameworks which are some of the policies that are actively used in local governance. In addition, it becomes clear that institutions such as the World Bank, and International Monetary Fund and frameworks like GEAR facilitated the link between privatization and institutions of government cascading down to the local government. Inferring from the above-given information one may have identified that up-skilling and institutional capacity development are distinguished as essential protocols for sustainable developmental local government and effectual delivery of services. From the review, it has become apparent that the legislation governing local government in South Africa allows privatization it further provides a set of paradigms as to how the government should go about contracting out. Either through collaborative partnerships or complete privatization. Therefore,

one can conclude that the privatization of the delivery of services in South Africa is encouraged and supported by its legislation framework merely because development is understood to be more effectual through collaborative measures.

6. Chapter six

6.1 The South African case study

6.1.1 Privatization in South Africa

The transition to democracy in South Africa led by the African National Congress was trumped by the transition to neoliberalism. The new “ruling elite and the beneficiaries of the old apartheid regime had already made common cause after the ANC came into power in 1994,

cementing their alliance with the corporate raiders in the advanced capitalist world” (Khan 2003, 33). As already outlined in chapter four, the World Bank met with ANC leaders frequently throughout the early 1990s to ensure that, when in power, the post-apartheid government would indeed apply the neo-liberal policies of the Washington Consensus. Mike Muller the then Director-General of the South African Department of Water Affairs and Forestry confirmed that “they were being visited ten times a year by international agencies, not coming to ask them ‘how do you want help to run water’ but, ‘we will show you how to use the private sector to provide water” (ibid). Institutions such as the “African Development Bank worsened the situation by insisting that the only way to tackle the “water and sanitation crisis on the continent is through privatizing public water entities and resources and making everyone pay the full cost” (Satgar 2020, 66). A leader of the South African Water Crisis Committee puts it succinctly: “privatization is a new kind of apartheid. Apartheid separated whites from blacks, privatization separates the rich from the poor” (ibid).

The apartheid regime had left 12 million South Africans without access to water and 21 million without sanitation at the time the ANC came into power in 1994. Such measures warranted well-capacitated and fully resourced institutions together with sound legislation and policies to enable an efficient response to this enormous quantity of needs. Therefore institutional capacity and legislation were essential factors for ideal governance. In pursuit of the study's root motive in comprehending extensively the link between privatization and institutional capacity in local government in South Africa, this case study reconnoiters the following. The practice of privatization in Chris Hani District Municipality in Queenstown, Eastern Cape, exploring what has facilitated it and the effect of the practice relative to the municipalities capacity. It distinctly surveys the privatization of the water provision service.

For South Africa’s local municipalities which are quantified to “278, neoliberalism meant intensifying budget constraints, cost-recovery principles, lower levels of services, and unprecedented cutoffs of services (including water and electricity) to those residents not able to pay their municipal bills” (Bond 2000, 1). The desperate need to resolve massive backlogs of basic municipal services-water, sanitation, electricity, housing, and roads- was sacrificed on the altar of neo-liberalism through marketization. The apartheid government introduced legislation in the late 1980s allowing for the privatization and deregulation of services. Shortly after coming into office, “the ANC released its first statement in the White Paper on Water Supply and Sanitation of November 1994 that showed that water delivery was going to be open to private sector involvement in the post-apartheid era as well” (Khan 2003, 34). The South

African legislation and policy paved the way for privatization, explicit examples that illustrate this policy pavement incorporate the following, the White Paper on Water Supply and Sanitation of November 1994. The framework of this policy is identified as one of the first pieces of legislation that showed a significant departure from the Reconstruction and Development Program (RDP) which was a grassroots governance framework that emphasized the central role of government in the provision of services in South Africa. The white paper outlined the following role of the private sector in service delivery: “the department will consider proposals for the private sector to provide services where these may be in the public interest and where this approach is supported by the community concerned” (ibid). In addition, the dialect of the document presented a startling indication that neo-liberal policies would prevail over the crucial water sector, rather than the mandate of the RDP.

As highlighted in chapter four, in 1996 South Africa formally positioned itself within the neo-liberal framework through its adoption of the Growth, Employment, and Redistribution Strategy (GEAR) which is distinguished as South Africa’s own home-grown structural adjustment policy. The “central principles of GEAR were based on standard neo-liberal policy recommendations, including increased exports, cut in government social spending, trade liberalization, accelerated privatization and lowered corporate taxes” (Khan 2003, 36). Unlike the RDP, GEAR did not offer redistribution targets and did not offer a sound basis for closing the gap between the rich and the poor in South Africa. It was the “GEAR policy that firmly placed meeting the basic needs of water and sanitation within the neo-liberal framework for South Africans, as a result of GEAR, the water became a privatized essential service” (ibid). Another policy framework that cultivated fertile ground for the application of privatization in SA is the Municipal Infrastructure Investment Unit (MIIU) which was set up in 1997 through the United States Agency for International Development (USAID) funding and the South African government. For example, “the 30-year concession led by multinational Biwater for the city of Nelspruit’s water and sanitation delivery was set up with the assistance of the MIIU” (Khan 2003, 38).

6.2 Privatization Application in South Africa

South Africa like China is a water-scarce country, “whose situation is worsened by climate change and by the politics of water, naturally, the country is characterized by low levels, of rainfall, with an average annual rainfall of 490mm, which falls well below the world average of 860mm a year” (Satgar 2020, 58). Climate change furthermore affects the country’s rainfall patterns, causing longer, harsher droughts on the one hand and extreme flooding on the other.

Satgar (2020, 60) contends that the scarcity of water in South Africa is also a “political issue in that it is impacted by the structure of South Africa’s economy (i.e. neoliberal policies and thus exacerbation of developmental deficits) and finally its governance (i.e. corruption, patronage, and political deployment).” Water privatization in South Africa began in the late-apartheid regime and accelerated with the new ANC government. Table 4 below provides a particular illustration containing three small towns in the Eastern Cape where the first application of privatization at the local level took place. This was succeeded by the Department of Water Affairs and Forestry’s extensive privatization of rural areas in the Eastern Cape, KwaZulu-Natal, Mpumalanga, and Limpopo provinces in 1996. The then South African Department of Water Affairs and Forestry which is now known as the Department of Water and Sanitation “actively promoted privatization in 1995, encouraging municipalities to contract out infrastructure-related services to the private sector through public-private partnerships” (Khan 2003, 41). Another visible trend that was adopted by the government was corporatization which is partially different from privatization in that its nucleus involves changing public institutional structures to private sector principles in the provision of services. It is further understood as a process of “creating a service entity fully owned and operated by the state but which is ringfenced financially and managerially from other services” (Bond 2000, 5). The underlying private sector ethos is to recover costs to run a corporatized entity along commercial lines. In 1998 the Constitution and the National Water Act of 1998 provided a national policy that “each person should get a basic, and free allowance of 25 liters per day or 6000 liters per household” (Satgar 2020, 67). This policy was a response to an outbreak of cholera in 2000 that spread from KwaZulu Natal to five provinces including the Eastern Cape, resulting in 256 deaths. One can observe the contradictions in the above policies.

Table 4 Water privatization in South Africa

Location	Timeframe	Main Multinational	Type of Privatization
Queenstown	1992 (25 years)	Suez (WSSA)	Concession
Stutterheim	1994 (10 years)	Suez (WSSA)	Lease
Fort Beaufort	1995 (10 years)	Suez (WSSA)	Concession nullified in 2001

Eastern Cape (many rural locations)	1996	Consortium	BOOTs
KwaZulu-Natal (many rural locations)	1996	Consortium	BOOTs
Mpumalanga (many rural locations)	1996	Consortium	BOOTs
Limpopo (many rural locations)	1996	Consortium	BOOTs
Nelspruit	1999 (30 years)	Biwater (Greater Nelspruit Utility Company)	Concession
Dolphin Coast	1999 (30 years)	Saur (Size Water)	Concession
Johannesburg	2001	Ondeo Services (Suez group)	Management Contract

(Khan 2003, 41)

Patrick Bond (2002) suggests that South Africa's municipal privatization has been a supply-side-led phenomenon where local municipalities are just on the receiving end of privatization that has been embedded in their institutional capacity. The study expands on this matter by analyzing the Chris Hani District Municipality in Queenstown in the Eastern Cape, exploring the link between privatization and institutional capacity in this municipality. Privatization of water in the former municipality commenced as early as 1992 under the apartheid regime facilitated by the legislature of the time that propelled a supply contract between Lyonnaise des Eaux a domestic firm and Water and Sanitation South Africa (WSSA). The Lyonnaise des Eaux company had "strong colonial ties, with extensive businesses in North Africa (especially Morocco and Tunisia) and central Africa (Togo and Congo)" (Bond 2000, 6). In 1976 Lyonnaise des Eaux was bought by a French company, Compagnie Financiere de Suez.

In findings in a paper by Patrick Bond (2000) on 'Contradictions in Municipal Transformation from Apartheid to Democracy' privatization is distinguished to have been efficient in Chris Hani. Despite, the racial segregation at the time of commencement, the partnership between the municipality and WSSA is said to have brought access to water to the community. Bond (2000, 3) suggests that "3,400 houses in the whites areas had water connection and only 400 households in the blacks areas had a connection." However, accessibility in the black

household areas meant one water tap was shared by three households. The provision was efficient in that water was accessible and free from contamination, nonetheless, the fact that access to the tap had to be shared amongst three households could be identified as a constraint to efficiency when observed from a lens of inequality. Community members that had access to water commended WSSA for the service furthermore, they were satisfied with the tariff prices. However, the detrimental aspect was that in an instant where you failed to make the tariff payment the municipality discontinued the provision immediately. With the socio-economic setting of the time which had the black majority on the periphery marginalized from actively participating in the economy only a handful of individuals could afford to make water payments therefore, the cost factor restricted accessibility.

Post-apartheid the contracting out of the water service continued facilitated by the constitution, the RDP, and the emergent GEAR policy frameworks that were carried as policies of governance from national cascading down to local government in South Africa. Post-apartheid over 76% of the Chris Hani communities had access to water. A nationwide investigative journalism project undertaken by Eyewitness News in 2013 found that “millions of people do not have access to any drinkable water while others report queuing for almost a day to get a single bucket of water” (Satgar 2020, 68). In addition, most of the country's key river systems such as the Vaal, Olifants, and Crocodile, are severely affected by salinity, which has been attributed to mining activities. Groundwater is being polluted and over-abstracted with very few checks and balances, furthermore, the government has allowed farmers and private homeowners to drill borehole wells, thus creating a borehole bourgeoisie as it is mostly rich landowners who can afford it. Post-apartheid service delivery has also been characterized by rampant water wars as a result of privatization that saw large-scale protests and a court case to challenge the installation of pre-paid water meters. These water wars manifested in what has come to be known as service delivery or community protests. According to the Social Change Research Unit at the University of Johannesburg, “there have been approximately 71000 police-recorded protests between 1997 and 2013” (Satgar 2020, 69). This equates to about 11 protests a day over 15 years, these protests are more prone in urban and rural areas.

In an article by Estell Ellis (2021) she outlines some of the reasons that propelled the water cuts. Ellis (2021, 1) claims that “a third of the municipalities wastewater treatment works are not fully functioning and this propelled raw sewage flows into the local rivers, this is after a contract was given to an individual to fix the pumps which the total cost charged by the contractor was R1,7 million where other contractors could have done it for R200,000.” In 2018

and 2019, the municipality received a warning that the sewerage structures for Queenstown had collapsed and had led to the pollution of the environment and the local river. In this instance, it is evident that there had been a lack of efficiency in water provision, furthermore, corruption might have taken place because it cannot be that from an R 1,7 million contract, water pumps are unable to function. Such enactments demonstrate the shortcomings of privatization which are a result of corruption that consequently affects the community. In this demonstration, it is not only the factor of accessibility that is challenged but the community's health, the environment, and food security because contaminated water is central to all social forces.

6.3 Interview findings

The qualitative data obtained through semi-structured interviews incorporated interviews with officials from the following bodies. The Chris Hani District Municipality, the Water and Sanitation Services South Africa, Queenstown office, an official from the South African Local Government Association East London Branch, and community members from the Queenstown area including one from Ezibeleni, Sada, and Mlungisi location which are communities under the CHDM. In addition, the Chris Hani District business forum as well. All the interviews as chapter two had already highlighted were conducted virtually using both English and isi Xhosa as the medium of expression.

From the interviews with the government officials, it became visible that the policy framework and the guidelines that are used to govern local municipalities in South Africa are central to the link between privatization and institutional capacity in local government institutions in South Africa. The Municipal Manager of the municipality had put it succinctly that the policies themselves advocate for privatization. The content of the policies warrants municipalities to privatize and therefore privatization has become a cardinal in the local government process, and because of this, the institution's capacity is affected too. Therefore, she agreed with the assertion that the legislature together with the legal framework and guidelines governing local government in South Africa do encourage the use of the private sector in local governance. Furthermore, she highlighted that private-public partnerships are the most prevalent methods that the government applies when contracting out. This claim has also been qualified by the study as one may have identified from the Chinese case study and Ghanian study that both the Tema and Kumasi municipalities had partnered with ZoomLion on the waste management service. From the interview, it was also apparent that the public-private partnership model plays a pivotal role in the promotion of the privatization of local services because the PPP method

enforces cooperation between the two sectors, joint production, and development, sharing of costs, resources, and risks as well as gainsharing or blame sharing. As a result of these shared benefits, each sector identifies itself as a principle because of the shared authority between the two sectors. Furthermore, the study found that the extension of privatization in municipalities goes as far as contracting out the service provision/production element while the administration and financing remain under the watch of the municipality. However, in an interview with the official from SALGA, he did highlight that concerning the extent of privatization, in the partnership the legislature mandates an equal division of responsibilities. However, some municipalities tend to delegate all the duties to the private entity they have privatized leaving the municipality with little to no work to do. Both Chris Hani and SALGA officials agreed to the claim that privatization complements the institution's capacity with the assertion that, in most instances, the private sector brings to the table more polished skills characterized by innovation to complement the municipality needs, particularly around skillset. Chris Hani municipal manager added to say in most cases the private sector has impelled efficiency in service delivery even though they do have cases where there were hiccups.

From the interviews with the government officials and through the study it became apparent that water provision and waste management are the top two most privatized services in local government. The interviews informed us that politics in conjunction with policy and municipal management are the ones that tend to drive privatization in municipalities, the act of privatization is not a phenomenon that can only be impelled by one factor, it is driven through a culmination of the former factors. The local municipality together with the SALGA officials alluded to the fact that government provides a detailed legislature through the Municipal Systems Act (2000), white paper on local government (1998), and the SALGA Governance Framework (2011) outlining the guidelines that should be followed by the municipality to oversee privatization. Therefore, from their perspective government institutions are well-capacitated in the matter of monitoring and evaluation. The business fraternity from the Chris Hani District had a unique perspective on privatization, firstly from the interview, they made it clear that privatization is orientated with corruption and that their main aim is to maximize their interests. However, they also made it clear that they understand privatization is inevitable because the policies themselves governing local municipalities encourage privatization and therefore it is a link that cannot be avoided. Regarding the wastewater pump issue in the municipality that propelled water cuts, the business forum claims that such measures confronted their businesses and when they engaged the municipality on the matter no one was

there to account. So, the narrative that privatization propels accountability is a myth according to the business forum additionally, privatization does not always yield efficiency. They also distinguish privatization as a tipping point for further socio-economic instability and conflict because when their businesses are unable to efficiently run because of water supply that affects the profit-making in the business consequently confronting the employees in the business. The community members had made it clear that there has been an inconsistent supply of water with many water cuts throughout the day, such measures ineffectively affected them. As a result, many households have bought water tanks to store water as access to water is slowly becoming a problem.

6.4 Results on privatization

Drawing from the above-provided information analyzing acts of privatization in South Africa through the Chris Hani District Municipality to determine its link to institutional capacity. The active use of privatization in the Chris Hani Municipality is reflective of the link between privatization and institutional capacity facilitated by the policies governing and guiding local governance. One could reason that like Ghana the privatization process in South Africa has had hiccups with little to no consistency in privatization efficiency, the process has been characterized by a variety of shortcomings. Nonetheless, one can rightly argue that through privatization the municipality managed to improve accessibility statistics as the case study suggests that over 76% of the community had access to water post-apartheid. However, in 2013 a different perception was provided where millions of individuals still did not have access to water. Furthermore, there had been water wars manifesting in communities. It stands to be argued that privatization does not always propel an efficient institutional capacity, in some cases the capacity can still be inefficient with the presence of privatization. In referring to the case of the municipality the case study presented some signs of corruption that confronted the accessibility which led to water cuts thus deteriorating the accessibility statistics. From such acts, one could identify a lack of efficiency consistency furthermore, with the issue of corruption in wastewater pumps one can observe that the so-called projection of the private sector as this saving agent that is embedded in the cost-saving factor is not fulfilled in this case. For the mere fact that it could cost R1,7 million to fix water pumps, there is no cost-saving involved there. Therefore one can conclude that privatization has partially worked to a certain extent underpinned by shortcomings.

7. Chapter Seven

7.2 Finding's interpretation and analysis

Chapter two of this study probed the choice of research methodology and data collection tools that the study had utilized to gather the information that had been reviewed in chapter three and was vertically surveyed through case studies in chapters five and six. The purpose of this chapter is twofold: it provides an analysis of the data collected and discusses the findings relative to the research question of the study.

As one may have observed the study sought to critically explore the link between privatization and institutional capacity at the local government level in South Africa. To strengthen the study's survey the research question was underpinned by the following sub-questions:

1. What encourages privatization at the local government level in South Africa?

2. To what extent do they privatize, do they privatize both the operation and administrative services?
3. Does privatization complement institutional capacity, or it ineffectively confronts it?

7.3 Study findings and analysis

The qualitative data obtained through the questions described above and the literature that was reviewed preceded by a theoretical analysis of the concept of privatization suggests the following findings. From the study's inception, one may have identified that research claims that privatization is a neo-liberal framework, a global phenomenon that is embedded in individual interests, commodification, downsizing, and unbundling. It is a cardinal factor of the regulatory policies and the terms and conditions in the foreign aid process by the World Bank and the International Monetary Fund. From the study, it has become apparent that most countries, particularly in Africa, did not undertake privatization as a preference, in most instances the status quo enabled it leaving no room for an alternative because it was embedded in governance policies thus the link to the institutions and its capacity.

Inferring from chapter three, the study provided an array of examples where privatization has had an effectual impact on the state economy, as chapter three claims, between 1990 and 1998 "Brazil, Mexico and Argentina obtained \$53,5: \$28,4 and \$ 30,4 billion, respectively as a result of privatization" (Pleskovic 2007, 250). Smaller countries like "Peru, Indonesia, and Columbia obtained \$ 11,2, \$6.0, and \$8.0 billion" (Lopez-Calva 2003, 2). The study highlighted that privatization alone cannot impel efficiency, it needs to be coupled with sound institutions, effective policy implementation structures, and a context-specific skillset. It could be that what propelled privatization to work in the above countries is a result of the efficient coordination between its well-capacitated implementation structures and policies. In the case of South Africa, you find that the country has effective policies to carry out service delivery but when it comes to the implementation structures, they tend not to complement its policies. Therefore, the good coordination among the parties involved in the privatization process could be identified as one of the factors that may have propelled influential privatization in these western countries.

The study has put forward that the prevalence of privatization in South African local municipalities stems back from the apartheid epoch of the early '80s. The case study provided in chapter six of the Chris Hani District Municipality (CHDM) qualifies the former assertion as one may have seen, water provision in the municipality was already supplied through a

partnership between the municipality and WSSA. Therefore, the link between privatization and institutional capacity has always been there, nonetheless, the new democratic dispensation migrated with privatization factors characterizing its new governance. Having analysed the case of the Chris Hani District Municipality. The case study explicitly outlines that the democratic epoch was preceded by an enormous backlog in service delivery, particularly access to basic services such as sanitation, housing, and electricity, and such measures required a substantial budget. It is important to note that the democratic government had incredible strength in governance policies and capacity at the national level about recreating an inclusive democratic state. For example, as outlined by the study it had the Reconstruction and Development Programme as its macro-level policy document with a socialist character that was needed to address the backlogs in water and sanitation access that were the reality for many South African communities. Specifically, “the RDP promised to provide all households with a clean, safe water supply of 20-30 litres per capita per day within 20 meters, in the short term, and on-site supply of 50-60 litres per capita per day of clean water in the medium” (Khan 2003, 35). The long-term goal of the RDP was to provide every South African with accessible water and sanitation. One can, therefore, rightly argue that the democratic government had a governance plan further underpinned by capable individuals such as Nelson Mandela, Oliver Tambo, Winnie Madikizela-Mandela, Steve Tshwete, and other capable individuals that could efficiently implement the policy. Nonetheless, there was a deficiency when it comes to funding the implementation process of the policies and sustaining this process, and such measures forced the national government to the altar of foreign aid. Through foreign aid, they were then trapped in the privatization phenomenon because the terms and conditions of foreign aid required alignment with the privatization concept hence the adoption of GEAR by South Africa. Therefore, one can firmly assert as suggested by the study and the interviews with the government officials that the legislature, policy framework, and guidelines that govern local government in South Africa do encourage and enable privatization because they are advocates of privatization through the influence from the global realm. As a result of such measures privatization is then tied up to the institution's capacity because the framework enables the link.

In the case of the Chris Hani District Municipality, one might have distinguished from the case study that post-apartheid the water service was still supplied through a public-private partnership, the RDP element of water provision in this municipality was never fully carried out and the issue of funding can be identified in this matter as an underlying mechanism that propelled the former act. Chapter three in defining privatization succinctly claims that

privatization comes with commodification, marketization, and unbundling. Now, when a municipality contracts out a service there is a change in dynamics in that the service provision process alters from that of an institutional setting to that of a market setting because it is no longer distinguished as a basic service but is reduced to a commodity hence the regular inflation on prices.

The second mechanism that the study distinguished in the link between privatization and institutional capacity is the conception of privatization impelling sound institutional capacity. In reference to the CHDM case study, it is affirmed that in 2021 a third of the municipality's wastewater treatment was not fully functioning furthermore, contractors were hired from the private sector to fix the pumps on a contract of 1,7 million after the contract was issued out wastewater pumps were still not functional. It stands to be argued that such measures are aligned with the factor of poor institutional capacity. With regards to institutional capacity, one might have observed from chapter three that the national government provides a developmental government framework for institutional up-skilling at the local government level and how it should be undertaken. With the CHDM scenario, institutional capacity is characterized by a variety of factors when it comes to local municipalities, it cannot only be underpinned by the issue of skills shortage/incompetence. Decentralization is one of the factors that impel poor institutional capacity. In the context of South Africa, you will find that the national government is well-capacitated and polished with the appropriate monitoring and evaluation procedures for overseeing the contracts and partnerships between the private and the public sector. Nonetheless, when you cascade down to the local level one will observe that, first, there are unreliable channels of information and communication flows between the three tiers of governance on imperative frameworks such as monitoring and evaluation frames and contractors' selection. For example, it could be that the national government has promptly communicated with the provincial government unpacking the policies that ought to be followed when regulating and assessing the act of contracting out, further up skilled them with the necessary skills to conduct the regulation. However, when it comes to communication and coordination between the provincial government and the local government you will find that is where the miscommunication transcends. There is a conglomeration of elements that manifest this miscommunication or slow information relay, the first one could be the issue of local government arrangement. One may understand that local government in South Africa is categorized into three tiers, category A which includes the metropolitan municipalities, category B consisting of district municipalities, and category C composed of local

municipalities. With such measures comes unevenness in terms of the priority given to the distinct categories, you will find that the provincial government promptly necessitates priority to category A municipalities, only after a while will it then communicate with the municipalities in category B. This unevenness not only manifests in information relay but further includes the apportioning of funds and operating budgets of the municipalities and such enactments affect the institution's capacity. In this regard in a public-private partnership, the private sector would be performing well whilst the public sector would be identified as incompetent because of the above-listed issues such measures thus, affect the efficiency of the partnership.

Additionally, because many of the local municipalities distinctly the category B and C municipalities are in the rural areas in the periphery, young skilled individuals tend not to want to work in these areas their preference lies more in the centre in the cities. Through such acts, a skills deficit manifests leaving the local municipalities in provinces such as the Eastern Cape with poor capacity. Another factor underpinning institutional capacity is that of corruption, corruption is broad because it ranges from nepotism, patronage, and bribery, to lobbying, patronage, and parochialism. Now when such a phenomenon is existent within an institution it becomes strenuous for the institution to fulfil its ideal mandate because the act of corruption always appeases the individual carrying it out leading to the suffering of the institution and the community on the receiving end. Inferring to the case of the Chris Hani municipality, one can rightly argue that the case study provides evidence of poor institutional capacity because it cannot be that from a 1,7 million contract, not even a single wastewater pump is functional corruption was obviously at play there. In addition, a skills deficit that can be underpinned by decentralization is also present in this case because it cannot be that a third of the municipality's water pumps are not working. If there was regular servicing and maintenance of the infrastructure, the pumps would not have been faulty in the first instance. However, still, if there was proper monitoring and evaluation during the contracting out process the issue of pumps not functioning post-contracting could have been avoided. Therefore, one can firmly conclude that the link between privatization and institutional capacity does not always manifest in an effective public-private partnership.

The third finding relative to the research questions quests in understanding openly the link between institutional capacity and privatization is the issue of politics. It stands to be reasoned that one cannot separate politics from policy because it is the politicians together with the technocrats who formulate and establish governance policies. Therefore, politics have an

influential role in governance policies, and in most instances, policies such as privatization get to be driven by the political dynamics of the state. Such acts are evident in the case of South Africa, in chapter six under the theme of privatization in South Africa the study claims that the World Bank frequently met with the African National Congress leaders in the 1990s to ensure that when in power, the post-apartheid government would apply the neo-liberal policies of the Washington Consensus. Mike Muller the then Director-General of the South African Department of Water Affairs and Forestry bears testament to the former assertion, confirming that “they were being visited ten times a year by international agencies, not coming to ask them ‘how do you want help to run water’ but, ‘we will show you how to use the private sector to provide water’” (Khan 2003). In this case, politics of patronage were at play, and it is those politics that led to the South African government adopting policies such as the New Public Management, and the Growth and Redistribution Programme which has been cascaded to the local governance.

Apart from the government having adopted neo-liberal policies, it continued to encourage privatization through policies that it had established. In chapter four, the context chapter gave a detailed narrative of some of the legislatures that mandates the local municipality to privatize through a set of guidelines in the white paper on local government (1998) and the Municipal Systems Act (2000). These are legislation frameworks that were specifically constituted for the local municipalities in South Africa by South African political leaders therefore, through such measures it becomes evident that political dynamics promote the privatization of municipal services. Therefore, politics characterize the link between privatization and institutional capacity.

From the study privatization is inevitable furthermore, it cannot be separated from governance and government structures because it is embedded. Additionally, the government has fell to the private sector’s trap that, through them innovation, efficiency, and cost-saving manifest. My only suggest would be that government needs to revise its developmental frameworks to complement privatization framework because public-private partnerships are yet to still exist. Thus, to impel efficiency the public sector needs context specific guidelines to the current setting of privatization so that in the partnership the principal can complement the agent.

7.4 Conclusion

The above chapter highlighted the findings that the study had identified in its research on the broad exploration of the link between privatization and institutional capacity. This chapter presented the following findings on the link between privatization and institutional capacity.

The legislature, policy frameworks, and guidelines governing local government in South Africa encourage and enable the link between privatization and the institutions capacity, furthermore the link between privatization and institutional capacity does not always propel sound outcomes, and effectiveness is not always guaranteed because efficient outcomes require well-polished capacity from both parties. Therefore, if the institutional capacity remains poor instead of complementing the private sector with the same standard of skillset, there are limited results on efficiency. From the study and interviews, it was also discovered that the most prevalent method of privatization in local government is public-private partnerships and that the extent of privatization of each is determined by the contract of the partnership. The last and fourth findings on the link between institutional capacity and privatization is the influence of politics. Drawing from the above-provided information the study has answered, the what, and the how further highlighting the obstructions to the links.

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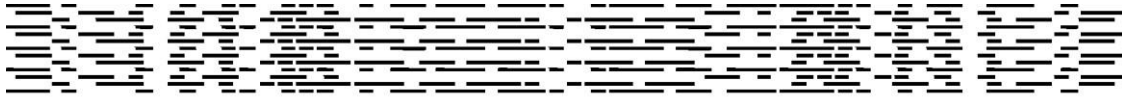
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Appendix A



**SCHOOL OF ARCHITECTURE AND PLANNING
HUMAN RESEARCH ETHICS COMMITTEE**

**SCHOOL
OF
ARCHITECTURE
&
PLANNING**



CLEARANCE CERTIFICATE

PROTOCOL NUMBER: SOAP081/06/2020

PROJECT TITLE: Exploring the effect privatization has on urban institutions' capacitation policies and how it confronts urban governance in South Africa.

INVESTIGATOR/S: Ralane Hluma (Student No: 1438556)

SCHOOL: Architecture and Planning

DEGREE PROGRAMME: Master of Urban Studies (**MUS UM**)

DATE CONSIDERED: 05 August 2020

DECISION OF THE COMMITTEE: Approved

CHAIRPERSON

(Dr Brian Boshoff)

DATE: Signed under lockdown: 10.8.20

cc: Supervisor/s: Neil Klug

DECLARATION OF INVESTIGATORS

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to endure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee.

Signature

Date

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