MUNICIPAL BUSINESS RELATIONS AND THE EMERGENCE OF A DEVELOPMENTAL STATE IN SOUTH AFRICA

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DECLARATION

I, Goodwill Gabriel Ditlhage, hereby declare that the work contained in this thesis entitled, *Municipal Business Relations and the Emergence of a Developmental State in South Africa*, is my own unaided work. It is being submitted in fulfilment for the requirement for the degree of Doctor of Philosophy in the University of the Witwatersrand, Johannesburg. It has never been submitted previously in entirety or part for examination or degree at any university.

Signature: ___________________ Date: __________________________

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ABSTRACT

Successful East Asian developmental states achieved remarkable growth in a short space of time. They intervened in their economies and also built constructive relations with business and the capitalists class. South Africa has similarly committed itself to building a developmental state and its local governments have a developmental mandate. However, local governments in South Africa suffer from a plethora of problems. In the constellation of local governments, cities occupy a different position and possess the potential to play a developmental role. The City of Johannesburg is one such city. Its developmental approach including its effort to build relations with business since the dawn of the democratic era, are examined in this thesis. The results present a mixed picture. While positive city-business relations existed, these were not deeply embedded. This was epitomised by the lack of pervasive city-wide feelings of developmental solidarity and narrow agendas that animated city-business relations. However, in line with developmental state theory, especially the twenty-first century kind that not only focuses on growth but also redistribution, the city managed to make certain positive strides. On the anti-developmental side though, the quality of its business-related growth-enhancing services such as investment-attraction lagged behind. Unlike East Asian developmental states, the city also appeared to lack the ability to significantly determine the direction of development, especially investment by the private sector. Overall, the case of Johannesburg reveals the difficulty of emulating East Asian developmental states, especially the challenge of forging lasting city-business relations against the backdrop of informal segregation and huge inherited disparities.

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ACRONYMS AND ABBREVIATIONS

AG – AUDITOR GENERAL

ANC – AFRICAN NATIONAL CONGRESS

ASGISA – ACCELERATED AND SHARED GROWTH INITIATIVE OF SOUTH AFRICA

BEE- BLACK ECONOMIC EMPOWERMENT

BBBEE- BROAD BASED BLACK ECONOMIC EMPOWERMENT

BLA – BLACK LOCAL AUTHORITY

BRT - BUS RAPID TRANSIT

CBD - CENTRAL BUSINESS DISTRICT

CID - CITY IMPROVEMENT DISTRICT

CJP – CENTRAL JOHANNESBURG PARTNERSHIP

CODESA - CONGRESS FOR A DEMOCRATIC SOUTH AFRICA

CoF - CORRIDORS OF FREEDOM

COJ – CITY OF JOHANNESBURG

COGTA - COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

DPME - DEPARTMENT OF PERFORMANCE, MONITORING AND EVALUATION

ECoE - ENGINEERING CENTRE OF EXCELLENCE

GEAR - GROWTH, EQUITY AND REDISTRIBUTION

IDP – INTEGRATED DEVELOPMENT PLAN

IDC – INDUSTRIAL DEVELOPMENT CORPORATION

JBF - JOHANNESBURG BUSINESS FORUM

JDA - JOHANNESBURG DEVELOPMENT AGENCY

JICBC - JOHANNESBURG INNER CITY BUSINESS COALITION

GCRO - GAUTENG CITY REGION OBSERVATORY

GDS - GROWTH AND DEVELOPMENT STRATEGY

LNF - LOCAL GOVERNMENT NEGOTIATING FORUM

MFMA - MUNICIPAL FINANCE MANAGEMENT ACT

MOE - MUNICIPAL OWNED ENTITY

MMC - MEMBER OF THE MAYORAL COMMITTEE

NDP - NATIONAL DEVELOPMENT PLAN

NDR – NATIONAL DEMOCRATIC REVOLUTION

NGP - NEW GROWTH PATH

NP – NATIONAL PARTY

NPM – NEW PUBLIC MANAGEMENT

PPP – PUBLIC PRIVATE PARTNERSHIP

RDP - RECONSTRUCTION DEVELOPMENT PROGRAMME

SACCI - SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY

SACN - SOUTH AFRICAN CITIES NETWORK

SAMWU - SOUTH AFRICAN MUNICIPAL WORKERS UNION

SARS - SOUTH AFRICAN RECEIVER OF REVENUE

SBR – STATE BUSINESS RELATION

SMME - SMALL AND MEDIUM ENTERPRISES

SOA – STATE OWNED AGENCIES

SoCA – STATE OF THE CITY ADDRESS

SoCR - STATE OF CITIES REPORT

SONA - STATE OF THE NATION ADDRESS

UDZ - URBAN DEVELOPMENT ZONE

WTO – WORLD TRADE ORGANIZATION

CHAPTER 1: SETTING THE SCENE

1.1 Aspiration to Build a National Developmental State

South Africa aspires to build a developmental national state. This did not emerge suddenly. The genealogy and use of the term 'developmental state' in South Africa can be traced to the early 2000s as the African National Congress (ANC) began to think intently on its ideas of how to transform the South African society. Through its strategy of the National Democratic Revolution (NDR), the ANC hoped to create "a society where all citizens have equal rights, access and responsibilities – a society free of poverty and underdevelopment" (Gumede 2011: 19). In pursuing the NDR, the ANC was impressed by the rapid success with which East Asian countries attained development and high economic growth. Thus, it began to explore the idea of a developmental state.

In 2001, the late Peter Mokaba made a contribution through an article titled, "The State and Transformation – Observations on the South African Development State since 1998". In this discussion document, Mokaba drew lessons from the newly industrialised countries of East Asia and attempted to spell out a programme for a South African developmental state including the priorities such a state would pursue. At that point the ANC had not yet made any pronouncement on the developmental state.

Later on in 2004, the then president Thabo Mbeki started to talk about the role a "transformative developmental state" could play in changing South Africa (Lodge 2009: 253). Daniels *et al* (2005), in their discussion of the kind of state that was being forged under

Mbeki's presidency, noted that while commitment to a developmental state had not been made around this period, a clear shift towards the building of such a state was in the offing. In its 2007 Polokwane resolutions on economic transformation, the ANC made reference to a developmental state. The 2007 economic transformation policy document even had a section titled "Building a Developmental State as an Instrument of Economic Transformation" wherein it was stated that:

> The developmental state is one that is capable of leading in the definition of a common national agenda, mobilising all of society to take part in its implementation and directing of society's resources towards this common programme (ANC 2007).

Further to this, the same document stated that,

> Our [ANC's] capacity to ensure that the infrastructure programme acts as a catalyst towards the broader development of the economy will be a critical marker of the progress we are making in building a developmental state (ANC 2007).

The ANC's 2007 resolutions document went on to assert that such a state would have to be at the centre of a mixed economy to lead and guide the economy by intervening on behalf of the people as a collective. Moreover, this developmental state will "engage business strategically'' and play a "strategic role in shaping key sectors of the economy" (ANC 2007).

In line with developmental state theory which advances a state of this nature as highly capable, such a state will require that certain capacities be built within the South African state. These include "the creation of an institutional centre for government-wide economic planning" and

> building the human capacity of the state by establishing uniform and high entrance requirements and standards of employment in the public service, emphasising professionalism, discipline and a commitment to serve (ANC 2007).

In building such a state, models from other countries will not be adopted lock, stock and barrel. The country will “build a developmental state that is shaped by the history and socio-economic dynamics of South African society” (ANC 2007). Gumede (2011: 3) notes in this regard that “SA might be the only country that has publicly declared that it wants to be a developmental state”. Other countries were dubbed developmental states only after their marked developmental achievements were observed. The ANC seemed therefore to put the cart before the horse.

Later on, in 2009 during his State of the Nation Address (SONA) as the new president of South Africa, Jacob Zuma also made mention of the need for a developmental state if the country intended to achieve its priorities (Poon 2009). He said at the time, “working with the people and supported by our public servants, we will build a developmental state, improve public service and strengthen democratic institutions” (SONA 2009). President Zuma further mentioned in the same speech that “a developmental state requires the improvement of public service” through the building of the state’s performance monitoring capacity. It was during Zuma’s presidency that the Department for Performance, Monitoring and Evaluation (DPME) was set up.

In its policy conference of June 2012, the ANC affirmed the 2007 Polokwane resolutions on the developmental state, that there is a need for bold state intervention and that

> [t]he changes...will not emerge spontaneously from the 'invisible hand' of the market…the state must play a central and strategic role, by directly investing in underdeveloped areas and directing private sector investment (ANC 2012).

In the same year, South Africa's long-term plan, the National Development Plan (NDP), Vision 2030 was released. It entrenched even further the idea of a developmental state within the South African discourse. "Building a capable and developmental state" (NDP 2012: 26) is among the NDP's six priorities. The NDP states that

> [a] South African developmental state will intervene to support and guide development so that benefits accrue across society (especially to the poor), and build consensus so that long-term national interest trumps short-term, sectional concerns (NDP 2012: 54).

The desire to build a developmental state in South Africa has therefore been unequivocal. Not only has South Africa sought to build a developmental state at the national level but also at the local level in what came to be known as developmental local government.

1.2 Developmental Local Government

The developmental role of local government is entrenched in the South African constitution. Chapter 7, Section 152 of the 1996 Constitution sets out the objects of local government as follows:

a) to provide democratic and accountable government for local communities;
b) to ensure the provision of services to communities in a sustainable manner;
c) to promote social and economic development;
d) to promote a safe and healthy environment; and

e) to encourage the involvement of communities and community organisations in the matters of local government.

Regarding the "developmental duties of municipalities", Section 153 (a) states that a municipality must

> structure and manage its administration and 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 (Constitution 1996).

Nyalunga (2006: 17) observes that "the constitution explicitly mandates local authorities to pledge responsibility to work towards sustainable development".

In developmental local government South African policymakers envisioned a future where the role of local government in the country's development was foregrounded and where local governments would undertake whatever they do in conjunction with the people and communities they hoped to improve the living conditions of. Developmental local government as a notion emerged against the backdrop and the desire to move away from past segregationist policies where there was unequal provision of services between black and white local authorities. This shift away from past practise was aptly captured in the phrase, "break with the past". The inherited unequal treatment of past local authorities created vast disparities in services delivered to white communities compared to their black counterparts. In particular, there were huge backlogs that had developed in those communities designated as black residential areas.

Developmental local government was therefore conceived in light of the need to address these great development disparities among South African localities. It sought to fast track the development of communities that had been excluded from receiving quality service delivery in the past. Under developmental local government, the impetus to drive development or 'developmentalism' received increased attention and became part of government's priority for the local sphere. Among the earliest legislation to be passed in 1995 was the Development Facilitation Act which was squarely aimed at dealing with infrastructure backlogs. There was general recognition going into the democratic era that the status quo could not be left unaltered. Developmental local government therefore referred to a local state that was seized with a sense of mission. This mission concerned speedily reversing the presence of huge infrastructure backlogs and other imbalances in previously excluded communities.

It sought to make a clean "break with the past" by fashioning a new form of local government that did not deliver services based on race but that was focused on addressing the inherited developmental needs of each locality. In this context local governments were given the mandate to promote the economic, social and sustainable development of their localities. They were tasked with the function of promoting democratic and accountable governance by ensuring that they ran new municipalities in a manner that was accessible and transparent to communities.

Developmental local governments were therefore expected to carry out their functions differently to pre-1994 local authorities. They were required to be outwardly oriented and not inwardly focused and, in driving development, they now had to work together with the communities that received and benefited from the services they provided. This was epitomised in the requirement, through legislation, for each municipality to develop, in consultation with communities and other stakeholders, Integrated Development Plans (IDP) which are expected to be reviewed annually. IDPs are defined in legislation as the principal strategic planning documents of municipalities. Some commentators (Cashdan 2002) actually maintain that the requirement for community participation in the planning process was emblematic of “people-centred development”.

A people-centre approach emanated from a state in the past when communities and township residents across South Africa, and under the aegis of civic organizations, took to the streets in protest against the undemocratic and non-representative black local authorities (BLAs). While the language used in official government documents on the IDP process to refer to communities appears to primarily mean residents of localities alone, this should also be understood and applied extensively to mean all social actors including business carrying out their activities in these localities. In fact, today, some municipalities, alongside consulting with communities as part of the IDP process also consult separately with business as critical stakeholders.

As Chipkin (2002: 57) puts it, local government is expected to engage in “building political and strategic alliances”. This is critical because it speaks to the issue that this thesis concerns itself with – that of the developmental state and its specific aspect of state business[1] relations (SBRs), particularly the nature of SBRs in cities. Accordingly, the study is framed within the developmental state framework.

1.3 Research Problem

Developmental state literature largely analyses the state at national level and gives relatively little attention to sub-national levels. This study aims to contribute towards sub-national developmental state research. To do this, Sinah (2003) suggests that we need to rethink the manner in which we study the developmental state by using a multi-level framework. Sinah's analysis of India's developmental state noted that a centralized framework of analysis failed to explain the divergences in the development outcomes of sub-national governments. In its place, this author suggests that we disaggregate the state into its constituent regional and local levels when analysing the developmental state.

> [T]he theory of the state is held hostage to the received nation-centric frame in the theory of economic development. Debates about the proper role of the state in the economy usually assume a centralized national state...it is necessary to pay more attention to the choices and behaviours of regional rulers. Their (unintended) developmental impact on the national political economy emerges as a significant variable in analysing economic policy-making and developmental states (Sinah 2003: 466).

In addition, an assessment of the South African national state against prominent features of the development state reveals that it is lacking in many. For instance, there is no strong coordinating centre to drive economic policy as this terrain is contested. Moreover, while

[1] . The term business is here used interchangeably to refer to the business community, the private sector or what is sometimes referred to as 'capital' or the capitalist class.

local governments were expected to play a developmental role including building relations with business, their ability to carry it out has been in doubt. Local governments suffer from a plethora of problems. While they were expected to conform to the ideals of developmental local government they possess uneven and, in some instances, dismal capacities.

Even though they have undergone significant transformation, local governments in South Africa are at different levels of maturity and have not all gone through the complete anticipated cycle of establishment, consolidation, stabilization and viability that they were all envisioned to undergo (Rogerson and Rogerson 2012). However, cities or metropolitan municipalities, compared to other forms of municipalities, occupy a different position in the national development landscape and have the potential to become developmental.

In studying local governments, therefore, a distinction has to be made between big metropolitan municipalities which wield considerable budgets and resources and small rural municipalities that have miniscule tax bases and are completely dependent on grants from the national state. The former are better resourced and attract highly skilled individuals through the attractive salaries and benefits they offer while the latter lack capacity as individuals migrate from them to cities in search of jobs and better prospects. It is in city governments and their relationship with business that this study takes an interest.

1.4 Research Question and Aim of Study

With municipalities in post-apartheid South Africa having been given the developmental role of reversing the social and economic ills created through decades of inequitable policies, how they leverage their relationship with business to attain much-needed development is critical to them growing into their newly defined role. Accordingly, this research project set out to understand and explore the relationship between local government, in particular cities, and business. This is done with the aim of determining the implications of these relations in creating favourable preconditions for the emergence of a developmental state in South Africa.

The central research question of this study is whether relations between metropolitan municipalities and business create favourable conditions for the formation of a developmental state in South Africa. The study seeks to establish whether relations between metropolitan municipalities and business were conducive or not for the building of a developmental state. Where relations between metropolitan municipalities and business lasted long and were sustainable, what combined set of factors undergirded this durability? Was there complementarity and did each party to the relationship have something that the other needed hence sustained relations?

The level of influence that municipalities had on business, especially in terms of their investment patterns, is also examined. Through resources at their disposal, could metropolitan municipalities direct where development took place and were they able to draw business as partners in this development drive? As shall become apparent in chapter three, the developmental states of Japan and South Korea were strong states that were able to direct where development and investments occurred. Consequently, this study sought to assess if there were instances of joint projects undertaken by local governments and business which resulted in positive developmental outcomes such as job creation for instance.

The South Korean developmental state was characterised by embedded autonomy (Evans 1995) or sufficient insertion of the state in its social environment and its interaction with various actors without losing its sense of cohesion. In this vein, this study set out to assess the degree of intimacy existent between city governments and business to ascertain if it was of a developmental or predatory nature. In the South Korean developmental state, ties and relations of a developmental nature between the state and business resulted in growth and widespread benefits that touched all sectors of society. Those found in non-developmental predatory states only benefitted a few politically-connected section of society at the expense of others.

1.5 Significance of the Study

The significance of undertaking this study lies in the fact that it gives a sub-national focus to the studying of the developmental state. In its analysis, as already mentioned, developmental state theory largely analyses matters at national level. Local government's role and how it connected and contributed to the general understanding of the developmental state is given secondary attention although a shift towards sub-national focus has occurred (Freund 2006). Thus the study sought to contribute to this shift towards giving attention to the local sphere of government within developmental state theory and to further our understanding on the developmental state from this perspective.

> In contemporary analyses, the concept of the developmental state has changed to include (and for some to be superseded by) sub-national units of study, notably provinces and cities (Pierre and Sabel 1984 in Freund 2006: 2).

This study was also necessary and relevant due to the manner in which developmental local government was conceived in South Africa, without any mention or appeal to the notion of a developmental state. The 1996 Constitution had already spelled out the role of developmental local government in the democratic dispensation. So did the 1998 White Paper on Local Government. As already shown in the opening section where usage of and the idea of building a developmental state was traced, pronouncements on the desire to build a national developmental state in South Africa were made long after local governments had been defined as such. To reiterate

> Thabo Mbeki only began to elaborate the role to be played by a 'transformative and developmental state' in changing South Africa at the beginning of his second term, in 2004 (Lodge 2009: 253).

Thus by the time there was talk of a national developmental state beginning with Peter Mokaba in 2001, local governments had already been so defined in the 1996 Constitution. Local governments had explicitly been given a developmental mandate before the developmental state had become common currency at national level. Undertaking this research was therefore also informed by how developmental local government was generally defined in the country to assess if it dovetailed or was in alignment with what was understood to be a national developmental state. The study was lastly informed by the need to ascertain the extent to which democratic local governments in South Africa are autonomous from the higher spheres of government. In this regard, the study set out to ascertain the extent to which the autonomy or non-autonomy of local governments affected their chances of being developmental.

1.6 The Case Study

To examine what SBRs signified for the emergence of a developmental state in South Africa, the study chose the City of Johannesburg as a site for interrogation. Referred to sometimes as the "financial and economic hub" of the continent and country, Johannesburg is the preferred location for large corporates and houses headquarters of some of the biggest firms including South Africa's four big banks. The size of its economy is almost equivalent to that of Kenya. By virtue of its position, therefore, Johannesburg with its dense location of business presented a case worth exploring. The study is qualitative in nature. It solicited views and inputs from both officials in the City of Johannesburg and from representatives of business. Secondary sources were also consulted.

1.7 Sequencing and Structure

This thesis is made up of eleven different chapters. Chapter 1 (the present chapter) has provided the setting and context in which the study was undertaken. It has touched on South Africa's desire to build a developmental state at national and local government levels. It then presented the study's primary research question of what SBRs portend for a developmental state in South Africa including other secondary questions. The capacity challenges of local government and the predominantly centralised nature of developmental state theory in its analysis of the state were also put forward as problems the thesis engaged with. The chapter also discussed the significance of the study which lay in enhancing understanding of the developmental state through sub-national analysis. Johannesburg was also mentioned as the site were the case study was undertaken.

Chapter 2: this chapter discusses the research orientation that the study took. It spells out the methodology, its design and how data was collected. It touches on the interviews with key informants from both the City of Johannesburg and from the business community. It briefly describes the business associations that key informants from business belonged to including the coding or labelling the study utilises to maintain the anonymity and confidentiality of key informants. The triangulation of primary data with information lifted from secondary sources is also discussed.

Chapter 3: chapter three to six contain the literature review. Chapter three focuses on the origins of the developmental state and the factors behind its emergence. Among others it touches on the developmental state's interventionist nature, its nationalistic ideology and the initially narrow goals of industrialization and economic growth such states pursued. It also discusses the authoritarian aspect of earlier developmental states and democracy including whether development is better attained under authoritarian or democratic conditions. This is followed by a discussion on the challenges that today's developmental states have to contend with compared to yesterday's. The chapter then spells out features it considers prominent to developmental states. Criticism of developmental state theory also receives attention. This is followed by a discussion of the potential for the construction of a developmental state, first continentally in Africa and then nationally, in South Africa.

Chapter 4: this chapter discusses local government from a developmental state perspective and what such a local state would look like. It then discusses developmental local government, its meaning and what it entails. This is followed by a discussion on the challenges confronting local governments in South Africa. The potential for cities to play a developmental role is then discussed. The section also discusses the challenges that specifically confront cities.

Chapter 5: this chapter discusses SBRs. The aspect of embedded autonomy that resulted in developmental states forging positive relations with the private sector receives attention.

Chapter 6: this chapter of the thesis discusses SBRs in Africa and South Africa. It points to similarities and differences between Africa and South Africa when it comes to SBRs. The chapter ends by spelling out critical factors the thesis will consider in studying SBRs in Johannesburg.

Chapter 7: chapter seven to ten encapsulate the findings and analysis of the study. Chapter seven is therefore the first chapter with findings. It provides an overview of how developmental local government is understood by officials in the City of Johannesburg. The different aspects of developmental local government such as empowerment, sustainable development, transformation, community involvement and partnership-building are discussed. The difficulties standing in the way of Johannesburg being a developmental local state are discussed.

Subsequent sections of this chapter discuss the city's institutional performance including the transformation it underwent in order to enhance its configuration for the sustainable delivery of services. Some of the institutional innovations the city adopted and implemented are also discussed. In addition, the chapter discusses improvements in the financial governance of the city. The chapter ends with a discussion on the city's performance regarding business-related services.

Chapter 8: this chapter discusses findings on SBRs in the city. It traces the scant involvement business had with the city during the transitional period. The chapter also discusses the need for business to cooperate with the city that key informants underlined in their responses. A discussion on some of the positive relations the city struck with business follow this. The chapter then discusses efforts to rejuvenate the Inner City and City Improvement Districts (CIDs) as examples of positive SBRs. The shifting nature of SBRs is discussed in subsequent paragraphs of the chapter including the role of political leadership in SBRs and the presence or absence of personal ties and networks.

The chapter then goes on to discuss how differences between the city and business were dealt with together with the need for political will and trust. Lastly this chapter discusses perceptions of inaction and failure by the city that business held, the Johannesburg Business Forum (JBF) as a platform of engagement between the city and business, politics and the ideological differences between the city and business regarding its role.

Chapter 9: this chapter discusses the varied ways in which the City of Johannesburg attempts to address the contrasting needs of its residents. These include the needs of the poor in the city compared to relatively well-off suburban communities. The chapter also discusses examples of developmental state-type interventions the city undertook including black economic empowerment and other initiatives.

Chapter 10: this chapter assesses the City of Johannesburg's efforts at influencing, in similar fashion to how other developmental states were able to, the investment patterns of the private sector. It further reflects on the patterns of investment the private sector has actually followed.

Chapter 11: this chapter concludes the study and draws out its implications for understanding the developmental state. It also points out possible areas for further research.

1.8 Findings: A Preview

The findings of this study paint a mixed picture regarding SBRs in the city and their implications for the emergence of a developmental state. They show that the notion of developmental local government is well understood by those entrusted with its implementation. Amongst others, it is understood by city officials and politicians to include basic services delivery, individual and community empowerment, spatial transformation and the building of integrated communities. Interrogating the developmental state sub-nationally indicates that the ability to realise developmental local government in the City of Johannesburg is hampered by the constrained nature of the local sphere which suffers inadequate support from other spheres of government and limited autonomy in actual practise.

From a developmental state perspective, especially in relation to the need for state capacity that it advises, the city undertook efforts to reconfigure its institutional make-up by creating standalone entities for service provision. This institutional reconfiguration witnessed improved capacity and effectiveness in the city. However other services aimed at business such as those meant to attract investments into the city lagged behind. While improved capacity was a positive development poor business-related services signalled negative developments for the emergence of a developmental state.

From the developmental state perspective of constructing positive SBRs, while efforts were made in the city to build good city-business relations, they were not long-lasting and the depth of their embeddedness was shallow. On the positive side, the city did make its intentions to relate positively with business known. It even entered into partnership with business in efforts to regenerate the inner city and through establishing City Improvement Districts (CIDs). Many other unique working relations were forged between business and the city. While the establishment of the JBF, a city-business forum, for regular interaction between the city and business was a positive development some of its participants were not driven by a city-wide agenda. There were therefore no city-wide feelings of solidarity equivalent to the nationalism advocated by developmental state theory.

The collapse of relations with business around the Inner City Charter process due to unmet commitments exemplifies the weak connectedness the city had with business. So was the handling of other differences that arose between the city and business through the courts. In other instances, however, efforts were made to deal amicably with differences by resorting to existing contractual agreements the city had with business. What was evident was that the building of lasting relations is an outcome of political will and the preparedness by parties to remain committed over the long-term. In its relations with business, the city also had to contend with the disparate and often contradictory needs and interests found within it. For instance, the interests of formal businesses such as medical practitioners operating in the city against those of informal business such as hawkers who wanted to trade their wares in the same space in the city.

Certain of the efforts to promote development in the city resulted in the displacement of the poor who had to make way for new developments. This notwithstanding, the city also undertook other initiatives in typical fashion of what is expected of a twenty-first century developmental state that not only focuses on economic growth but also tackles poverty. These included the Jozi@Work programme which empowered individuals, the bus rapid transit (BRT) which relieved households of spending a large part of their income on transportation and enterprise development through the preferential treatment of those enterprises owned by the historically disadvantaged. All these signalled positive developments in relation to the emergence of a twenty-first century developmental state.

In terms of driving the direction of development by influencing where the private sector invested, the city was relatively weakened. Its ability to coordinate infrastructure roll-out by crowding in private investments was poor. In this regard, this was a negative signal for the emergence of a developmental state. The overall result of this study therefore presents a mixed bag tilted in the negative in relation to whether developments favoured the emergence of a developmental state in South Africa.

CHAPTER 2: METHODOLOGY AND RESEARCH DESIGN

2.1 Research Strategy

The research strategy, orientation and methodology pursued in this study is qualitative in nature. An interpretive paradigm was employed to draw on and understand information from human subjects. The interpretivist paradigm "focuses on people's subjective experiences" and accepts that "reality is…socially constructed" (Wagner et al 2012: 126) and can be looked at from several perspectives. Thus the method employed here relied on empathic immersion by the researcher into the subjective world of key informants to access their knowledge and the meaning they gave to it. The study was therefore conducted with an emphasis "on the understanding of the social world through an examination of the interpretation of that world by its participants" (Bryman 2012: 380).

The particular tradition of qualitative research that the study adopted was the case study method because of its potential to provide information-rich analysis. "Compared to other methods, the strength of the case study method is its ability to examine, in-depth, a case within its real-life context" (Yin 2004:1). The particular case adopted here is that of state-business relations (SBRs) in the City of Johannesburg and their implications for the building of a developmental state. Examined here are SBRs since the formation of democratic local government starting in 2000 and onwards until 2016, a period spanning 16 years. SBRs in Johannesburg and what they portend for the construction of a developmental state in South Africa, were specifically selected because Johannesburg represented a "focus of interest in its own right" in case study nomenclature (Bryman 2012: 68-70) with the potential to open new avenues and vistas of knowledge.

The City of Johannesburg is interesting in its own right primarily because it is, more often than not, a star performer and at the forefront of other cities in South Africa. It is always ranked top if not second to Cape Town in various measures and indicators of performance. Johannesburg is also generally considered to be the financial hub of the country and therefore possesses, from the particular standpoint of questions that this study asks, relevant information to unearth. In addition, SBRs in Johannesburg also typify the form of case study known as a "critical case" which is normally decided on as method of research because it "allow[s] a better understanding of the circumstances in which the hypothesis will and will not hold" (Bryman 2012: 70). Existent SBRs in Johannesburg therefore represented a good case for testing developmental state theory and SBRs in order to arrive at the "analytical generalization" (Bryman 2012: 71) of their applicability.

2.2 Research Design

A combination of purposive and snowball sampling was employed to conduct interviews. In terms of purposive sampling where the researcher selects relevant individuals to interview, interviews with key informants were held with senior officials in the City of Johannesburg and representatives of business in the form of heads of business chambers in the city because of their relevance to the issue under investigation. In purposive sampling, individuals are selected "in strategic ways" and "by virtue of relevance to the research question" (Bryman 2012: 418). This was done and determined at the start of the research. Interviews with key informants were conducted over a period of four months, starting in January and ending in April 2017.

Relevant city representatives included officials, among them heads of administrative and line function departments who had an overall sense of the areas where city departments had been involved with business. Heads of entities owned by the City of Johannesburg also formed part of the interviews. Informing this sample choice was also a look at mechanism through which the city interacted with business. Areas where the interests of the city and business converged and where they interacted such as development planning and economic development functions were targeted for examination.

In addition, politicians, both on the executive side, viz. members of the mayoral committee (MMCs) and on the legislature or council side such as chairpersons of council committees were interviewed to gather information from a political perspective regarding the city's relations with business. The snowball sampling method was particularly helpful here. As Barbie (2007:184-5) observed regarding this sampling method, "this procedure is appropriate when the members of a special population are difficult to locate" and at the time of carrying out the interviews some of the politicians were no longer serving as councillors especially since it was shortly after the local government elections and relevant councillors could only be identified by asking key informants who else to interview.

In conducting interviews with key informants representing business, representatives from well established businesses chambers wielding considerable membership and medium to small chambers were interviewed[2]. The views of business regarding its relationship with the city were explored. In this thesis, to ensure the anonymity of individuals interviewed, the identities of key informants, representing both business and the city, were coded through the use of alpha-numerical labels. In the next chapters where the findings of the study are analysed, labels B1 to B8 indicate representatives from business that where interviewed while labels C1 to C12 represent city officials.

The table below matches the key informants from the business sector that were interviewed with the business organization that they represented. While keeping the identity of business representatives that were interviewed anonymous, it briefly describes the business associations that they belonged to in order to give the reader a sense of the nature of their business associations. Aspects of these associations that are relevant to this study are written in italics for emphasis.

Table 2.1: Nature and Type of Organizations Key Informants from Business Belonged to

Code of Key Informant Interviewed	Type and Description

[2] . In Table 1, details are captured on the nature and type of business associations and organizations that the key informants interviewed as part of the study represented. They are provided here as a reference point against which to read the findings contained in the findings chapters (4 to 7).

B1	This informant belonged to an industry association, the South African Property Owners Association (SAPOA) with fifty years existence; it was established in 1966; *it sought to ensure that its voice and the concerns of its members reached government*; it aimed to protect the commercial interests of its members in relation to ownership, management and development; it pursued its objectives based on free enterprise system as a principle; *it intended to remain politically non-biased but to increase relations with government at all levels*; Among others, it stated on its site *that it sought to "enable wider participation in the industry by historically disadvantaged members of the community"*
B2	This informant belonged to a sector-specific association, the Banking Association of South Africa (BASA) that was established in 1992; it united associations that existed separately in the sector into one; it boasted a membership of 33 industry players; *it sought to participate at the highest-level of decision making in the country*
B3	This informant belonged to a chamber of commerce and industry, the Johannesburg Chamber of Commerce and Industry (JCCI) established in the 1800s; it existed to facilitate international trade between the 'tip of Africa' and the rest of the commercial world; *in the past it lobbied government on issues such as taxes, transport, monopolies, and price controls*; its members were drawn from every sector of the economy and they ranged from independent entrepreneurs to large corporates

B4	This informant belonged to a recently established chamber of commerce and industry, the Greater Soweto South Chamber of Commerce and Industry (GSCCI); registered as a Section 21 organization in 2016; it co-opted another long established township-based chamber with a forty years' background; it boasted a membership of 52 businesses and had an array of members that ranged from retailers, farmers, building contractors and electricians but also vendors, viz., vegetable vendors and those operating more in the informal sector
B5	This informant belonged to a chamber of commerce and industry, the Greater Alexander Chamber of Commerce (GALXCOC) established in 1969; it existed to advance the industrial, commercial and local interests of its members; *it aimed to maintain and promote the free and private system on a non-party political basis*; it was affiliated to the South African Chamber of Commerce and Industry (SACCI); *it sought to foster government-to-business relationships* including relations with foreign business relations; *it aimed to advocate on members' behalf to various government levels*
B6	This informant belonged to a business association, the Roodepoort Chamber of Commerce and Industry (ROCCI) that boasted a membership of more than 380 members ranging from small, medium and large-sized companies; it started to exist in 1983; its businesses were from more than 35 industry sectors; *it sought to addresses all the economic, social and political issues affecting the business community*;

	it was apolitical and its mission was to be the voice of business, a SACCI affiliate that sought to uphold a market economy and the private enterprise system; *it aimed to contribute to decision-making in the country*
B7	This informant belonged to an association of businesses, the South of Joburg Business Forum (SOJO) that exist for the uplifting of facilities and for employment-creating opportunities; it began in 1998 with 5 business members and at the time had more than 100 members; it also had a strong tourism focus
B8	This informant belonged to a sector specific private company, The Urban Housing Foundation (TUHF) founded in 2003; it provided effective cost-efficient solutions to the inner city improvement challenge; it empowered clients to catalyse the regeneration of neighbourhoods and communities; it provided access to finance for entrepreneurs; it also provided support, guidance and risk management for new entrepreneurs

Source: Compiled by Author

2.3 Data Collection

In gathering primary information and conducting interviews with key informants, an open ended semi-structured questionnaire was used. This research instrument had the advantage of ensuring that while structured discussions occurred through a set of pre-determined questions, the researcher had the opportunity to explore other issues and themes based on responses by key informants. To further ensure the free flow of discussions between the researcher and key informants without worrying over information that could be lost in the process, an audio recorder was used to record all information. Signed consent was obtained from all key informants regarding this. Recorded information was then translated to written material through transcription and analysed.

Thematic content analysis was carried out on collected data through the noting of categories and by making inferences from the regularity and repetitiveness with which informants responded to particular questions. This was done with the view to arriving at judgements and conclusions based on responses by key informants. The responses were then connected and clustered into categories. The development of categories was done deductively on the basis of theories that the thesis drew from, viz., developmental state theory and literature on SBRs.

Since qualitative research does not deal with "an exact measurable finding but an emerging reality" (Wagner et al 2012: 138), the data from interviews with key informants was triangulated with information from other secondary sources. This was done with the objective of enhancing the credibility and trustworthiness of the descriptions of reality described and analysed in the thesis. In addition, when the collected data was transcribed, an effort was made to capture the data as it was in order to not distort the meaning of what was said. In reporting the findings, in chapters four through seven, and quoting what key informant said, it will become apparent that some of the quotations do not accord with written English. Where this is the case, the use of *sic* in parenthesis is placed next to words to indicate the oddness and the fact that the word was copied as it was in the original. In other instances, words are inserted in square brackets in an effort to make sentences accord with written English.

2.4 Documents Analysis and Review

In addition to primary data, the study supplemented information from interviews with reviews of secondary information, viz., publicly available official documents from the City of Johannesburg. Among these were policy documents such as the city's long-term growth and development strategies, annual reports, term reports and the city's customer satisfaction survey that the city commissions every other year. Additional triangulation was done by reviewing information from other sources such as media reports on the City of Johannesburg, reports from other spheres of government, especially from those departments with the responsibility for performing oversight on municipalities such as the national and provincial departments of Cooperative Governance and Traditional Affairs (COGTA).

Other reviewed sources included reports released by the South African Cities Network (SACN) among which were State of the Cities Reports (SoCRs 2006, 2011 and 2016) including reports from independent institutions such as corruption watchdogs and so forth. To complement the city's own customer satisfaction survey, results from the Gauteng City Region Observatory's (GCRO) Quality of Life Survey (2015) and other independent survey results were considered, especially the perceptions of communities on how the city was generally performing.

To avoid some of the pitfalls that naturally accompany the documents analysis methodology such as arriving at “selective and biased understanding” which leads to “a prejudged perspective” and the risk of imbibing the social, political and economic assumptions of the authors behind the analysed documents, “critical reflexivity” was applied (Wagner *et al* 2012: 148). A critical reading of text through taking cognizance of who wrote the documents, for what purpose and with what intentions in mind, was undertaken. Thus documents analysed and reviewed for purposes of inclusion in the research findings’ section of this thesis were not considered to be “simply neutral artefacts from the past” (Wagner *et al* 2012: 148) but all the required caution was taken to ensure the findings are credible. The next four chapter encapsulate the literature review part of the study.

CHAPTER 3: DEVELOPMENTAL STATE THEORY

3.1 Introduction

The concept or phenomenon of the developmental state has, over the years, become the subject of many studies. This happened as theorists attempted to come to grips with what lay behind the holy grail of rapid development by some countries. Many a scholar has attempted to locate its origin, define its essential characteristics and identify what makes it stand out from other forms of state. Proponents of the developmental state attempted to engage with what led to the success of these states. Developmental state theory attempts to point out the causal factors behind why some countries attain rapid economic development while others do not. In attempting to answer this question, the state itself became the focus of attention.

> The early studies that attempted to understand the causes and conditions which enabled some countries to be developmentally successful compared to other developing nations pointed to the nature of their politics, especially the character of the state (Gumede 2011: 1-2).

Although developmental state theory gives considerable attention to the state, in proffering the underlying factors behind the success of some states, it however departs from the general practise of making a strict separation between the state and the market. It neither advocates sole and complete domination by the state nor calls for market dominance or minimal state intervention in the economy. The developmental state "is often conceptually positioned between a free market capitalist economic system and centrally planned economic system…'conjoining private ownership with state guidance'" (Bolesta 2007: 105, Woo-Cummings 1999: 2).

Chalmers Johnson actually used the term “especially to contrast it with the binary distinction between the USA’s market-based system of capitalism and the completely state-dominated system of the Soviet Union” (Burger 2014: 2). According to Bolesta (2007: 105), the genealogy of the developmental state is “drawn from the theory of mercantilism advocating intervention of the state in the economy”. Kuye and Ajam traces the interventionist element of developmental states “to the German nation building protectionism of Friedrich List in the nineteenth century and the import-substituting industrialization (ISI) of Latin America in the 20th century” (2012: 52).

Developmental state theory does not does not do away with markets but delicately attempts to walk the middle ground by drawing on the positive attributes of both the state and the market to show how they have worked in concert to bring about rapid development. This interaction between political actors in the public and the private sector is at the centre of developmental state theory[3]. This is because the state and the market are inextricably linked. The state in fact played a crucial role in the development of the market as we know it today.

> Looking back at the development of the market system, it does not seem all that surprising that the state should have played such a crucial role in bringing it to life—and regulating it (Menocal 2004: 771).

The market did not suddenly emerge of its own from nowhere. Its fortune has always been bound with that of the state and Menocal (2004) proposes that where there are challenges

[3] . This central feature of developmental states and what it entails is given attention in a separate chapter.

in terms of how the market functions, such as the failure of neo-liberal prescriptions, the suggestion of extreme solutions should be avoided:

> while the state needs to reduce itself as part of the reform package, it also somehow needs to be strong enough to undertake the necessary reforms in the first place and to successfully insulate technocrats to societal pressures (Menocal 2004: 771-2).

It is the role of and the capacity of the state, without diminishing that of the market, that developmental state theory focuses its attention on.

3.2 Developmental States

Developmental states are not uniform in nature nor do they represent homogeneous entities. Although they may possess common features[4], "it appears that there is no single definition of what is a developmental state" (Gumede 2011: 1). "Academic literature displays a similar lack of consensus on what the term 'developmental state' means" (Burger 2014: 2). Historically, these states have existed at different time periods and in different parts of the world. They were there in the era preceding the second world war, post the war and beyond. In the pre-war period there was the German developmental state that existed in the mid to late eighteenth century. There was also Prussia under Bismarck in the early nineteenth century. A developmental state was there during the Meiji rule in Japan. All these states "followed a state designed developmental path" (Bolesta 2007: 105) where the state played a major role in driving their economies towards rapid and sustained growth.

[4] . What are considered prominent features of the developmental state are outlined later in this chapter.

Noting the central role of the state then, Gerschenkron (1962: 17) in his work on economic backwardness maintained that due to the particular economic challenges it faced, in a country like Russia during the late 1800s, what was "basic was the fact that the state, moved by military interests, assumed the role of the primary agent propelling the economic progress in the country". Developmental states were therefore interventionist in nature with the state playing a prominent role in the economy. Caldentey (2008) notes that, before a developmental state is anything, it is first and foremost, an interventionist state. This interventionism is often epitomised in the establishment of a centralised and independent coordinating agency that oversees the role of the state in the economy. In Japan this was performed by the Ministry for International Trade and Industry (MITI).

In the post-war period, developmental state theory coalesced around the quick and rapid industrialization of the East Asian countries of Japan, South Korea, Taiwan, Singapore, Hong Kong and Malaysia. Chalmers Johnson (1982) dedicated a whole book to the industrialization of Japan as a developmental state and the role played by MITI as the centre of economic coordination in it. Japan's role as a pioneer developmental state in East Asia was also not an insignificant one as it inspired its neighbouring countries to follow in its footsteps. Its success spurred other East Asian developmental states to emulate it. Among these is Malaysia. Barber (2011: 1) writes that,

> Japan led an active campaign in the early 1990s to export the developmental state to its Asian neighbours and gain the acceptance of this Asian-style capitalism as an alternative to the classical neo-liberalism espoused by the West.

China, by gradually moving away from its strict adherence to socialism through reforms commenced in the late 1970s and early 1980s that saw it slowly embrace capitalism, also increasingly started to exhibit developmental state features (Bolesta 2007). Through these reforms, the Chinese Communist Party has shown its intentions to "overcome backwardness and…to develop faster" and its socialist approach of "heavy industry development" was "replaced by market value added goods production" and party apparatchiks in the bureaucracy were "replaced by civil servants" (Bolesta 2007: 109-10). These developments have contributed to China's recent phenomenal growth and economic take-off.

Developmental states also existed in Europe, especially the Scandinavian countries of Denmark, Norway and Sweden (Chang 2010). France is quoted as a European country that exhibited developmental state features (Loriaux 1999 in Gumede 2011). There was also Finland and Austria which rebuild their countries after the Second World War (Gumede 2009: 6). In Africa, Botswana and Mauritius also represent countries with developmental state features[5]. In Latin America, Brazil is among the known developmental states (Schneider 2015).

With such a broad canvas of states, how then is a developmental state defined? This thesis uses a working definition that regards the developmental state as covering a broad range of states operating under different political settings, democratic and non-democratic but largely within a capitalist economic framework. These are states that mobilised resources and intervened decisively in their economies to achieve rapid economic growth. This definition

[5] . What are considered developmental state features are spelled out later in this chapter. However, a short description of what is considered a developmental state is provided here.

assumes a market-based society albeit with state intervention and leadership of the economy. It therefore excludes socialists and radical Marxist regimes that do not see a role for the market in their developmental efforts. What then led to the emergence of developmental states?

3.2.1 Leading Factors and Underlying Circumstances

Developmental states were motivated by a variety of unique historical factors and circumstances. Among others, there was the backwardness of late industrializers and the need to catch up to the early industrialised countries of the west such as Britain and the United States (US). This desire to catch up to other countries was driven by national ambition. As Gumede (2011: 12) puts it, "developmental states are 'social constructs' by different role-players in a particular society". Japan is a prime example in this regard. In Japan, the basis for a developmental state was laid during the Meiji era starting in 1873. A Japanese delegation that went to the United States and Europe in 1871 received exposure to the advanced technology that these countries had. A scholar of Japanese history writes that, Meiji leaders'

> visit to the West turned out, in retrospect, to be one of the most significant learning missions that modern Japan undertook. Its one-and-a-half-year tour exposed the able leaders in the government to the wealth of Western civilised nations. They were dazzled by the affluence that the people of the West enjoyed…all [Japanese leaders] were stunned to realise in how many aspects Japan lagged behind the Western countries (Saito 2011: 7).

Japan's leaders also absorbed the lessons of Prussia and Germany that they then implemented back home (Kohli 1999). On the economic front, the lessons these leaders implemented entailed

> all the important ingredients of industrialisation, i.e. its economic institutions such as banking, insurance, the joint-stock company and communications systems, on the one hand, and its productive base, 'iron and coal', on the other (Saito 2011: 7).

Another motivating factor to the rise of developmental states was the threat of external aggression in the context of emerging from the Second World War. Those developmental states that emerged in a context of war were heavily influenced by the military[6]. Schneider (2015: 3) notes that East Asian developmental states emerged out of circumstances that included "Japanese occupation (in the cases of Taiwan and Korea), ongoing security threats during the Cold War, and absence of raw material exports". The Cold War also afforded these states, due to "their strategic significance to the West" (Daniel *et al* 2005: xxxv), access to huge capital injection through international aid. For instance,

> [t]he US, between 1950 and the 1980s, poured the equivalent of all the combined aid given to 53 African countries during the same period, into just one country, South Korea (Gumede 2012: 228-248).

Through Japan's colonization of Korea, the military had a pervasive influence on the Korean society (Kohli 1999). In addition, it was actually during Korea's colonization by Japan that the

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[6] . Amsden (1989) actually mentions militarism as among factors that underpinned Korea's success as a developmental state. Writing about the close personal and organizational ties existent in Korea, Evans (1992) similarly mentions that the group that ascended to power during the building of a developmental state in this country was united by their military experience.

basis for the developmental state through positive relations between the state and business, which came to characterise many developmental states, were laid for that country. Kohli writes that, during this era, the Governor-General of the colonial government would often meet with business leaders to discourage them from pursuing shallow "capitalistic profits and commercial interests" (1995: 115).

In Japan, the pioneer East Asian developmental state, Johnson notes that the "situational motivations" included "late development, lack of resources, the need to trade, balance of payment constraints, and so forth" (1982: 8). In Korea, circumstances also conspired in favour of the state playing a central role. At the time, the war left "industrial groups disorganized and undercapitalized, and external resources were channelled through the state apparatus" (Evans 1995: 245). As a result of these circumstances, in Korea and Taiwan, resources were used to "enhance the war potential of manufacturing" and there was a "close coupling of national security and economic strength" (Wade 1992: 313).

More generally and emerging from the Second World War, the developmental states of East Asia had learned the value of possessing military might:

> leaders in these countries were convinced that to defend themselves they had to acquire a strong industrial base in order to buy or, preferably, to make the equipment they needed (Vogel 1991:87).

Already this set the basis for industrialization as an economic development strategy for these countries. The particular circumstances against which developmental states emerged, resulted in these states developing nationalistic ideologies which they drew upon to turn around and reverse their conditions of backwardness. Swilling (in Kuye and Ajam 2012: 52) calls this aspect of developmental states "ideologically opportunist". Developmental states were thus essentially interventionist in nature, where the state played a central role in the economy and were also nationalistic in orientation.

3.2.2 Economic Nationalism and Long-Term Planning

The desire by developmental states to address their own backwardness and achieve growth, Johnson (1982: 17) called "economic nationalism". Driven by nationalistic motivations, developmental states coordinated their efforts towards the implementation of long-term development plans for the general benefit of their societies (Bagchi 2000). They were "plan-rational" as opposed to being "market-rational" (Johnson 1982: 17) states. To implement their plans, developmental states first went about setting goals that needed to be attained. "The developmental, or plan rational, state…has as its dominant feature precisely the setting of such substantive social and economic goals" (Johnson 1982: 19).

Moreover, in developmental states, "politics have assured that power, autonomy and capacity is centralized in order to achieve explicit developmental goals" (Van Dijk 2007: 665). This meant the drive for development and its long-term planning enjoyed the support and endorsement of those in power. In Meiji Japan's developmental state, political elites actually conceived and implemented programmes towards an imagined better future for the country. Leftwich underscores the importance of politics to the success of developmental states by noting that "the political purposes and institutional structures of developmental states have been developmentally-driven, while their developmental objectives have been politically-driven" (1995: 401).

Developmental states were therefore characterized by a focus on the promotion of development (understood as economic growth) and the achievement of specific national goals. They were deliberate in their orientation and targeted in their aims. Johnson termed such a state a "purpose-governed state" as opposed to a "rule-governed" one (Johnson 1982:17-19). Developmental states possessed and were driven by the ambition to see positive change in their countries. They were states driven by the need to reach a particular development destination that they had defined for themselves. Loriaux (in Bolesta 2007: 106) actually describes the developmental state as "an embodiment of a normative or moral ambition…that promotes a certain solidaristic vision of national economy". But not only that, "developmental states demonstrate this ambition with extensive material and institutional investments" (Schneider 2015: 3). Their undoubted political will was reflected in the actions these states undertook. They put their proverbial money where their mouth was.

Since they were never in the business of chopping and changing their long-term plans, developmental states achieved what they set out to do. It is this ability that set developmental states apart from other forms of states – their ability to commit to long-term plans and actually achieve the goals they set themselves. "What differentiates developmental states from other states…is that developmental states are designed to shift a country's global ranking rapidly and permanently" (Schneider 2015: 3). Thus developmental states possessed political will and this was reflected in their ability to follow-through and achieve their set developmental goals.

Developmental states could also implement their plans and goals due to their general acceptability. “The plan-rational system depends upon the existence of a widely agreed upon set of overarching goals for society” (Johnson 1982: 22). The general and widespread acceptability of set developmental goals emanated from conditions existent in different countries during the forging of developmental states. One of the leading conditions and the theme of this study, was the relations these states fostered with the industrial and capitalist class[7].

Other conditions included the extant labour conditions and the presence of low levels of income inequality found in earlier developmental states. These dictated that these states place a focus on economic growth. Extant labour conditions and low levels of income inequality were critical to the manner in which development was viewed narrowly as economic growth in these countries. These prevailing conditions led to the emergence of growth-oriented developmental states in East Asia. These conditions are discussed briefly in the next paragraphs before reverting back to the actual, developmental goals that growth-oriented developmental states set for themselves and pursued.

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[7] . How developmental states where able to build constructive relations with the business class receives dedicated attention later in a separate chapter. For now, only other related factors that supported consensus and the wide acceptance of long-term goals by developmental states are mentioned here.

3.2.3 Legitimacy and Consensus Promoting Factors

The positive relations that developmental states had with the industrial and capitalist class, which contributed to their legitimacy and which are discussed separately later, were themselves made possible by the extant labour conditions in these states. During industrialization in the developmental states of Japan, South Korea, Taiwan, Singapore and Hong Kong there was plenty of new labour force willing to put their hands on deck and work (Vogel 1991). In particular, Korea and Taiwan had no natural resources to rely on, "labour was their only resource; and their populations were unusually greedy for...education" (Wade 1992: 312). "Workers and their families wanted not only wages but skills and careers" (Vogel 1991: 89).

Reliance on one's skills and labour became an important source of earning income. Due to the existence of a huge labour pool and the mechanization effect of industrialization in these countries, there were too many workers but few jobs. As a result, workers were willing to accept low paying jobs. These countries

> initially had a relatively young population, with many young people entering the labour force each year. These new employees had relatively high levels of literacy, making them a highly teachable workforce (Vogel 1991: 90-1).

Education was therefore not an area that led to much concern in these countries by the time industrialization took off. Thus these growth-oriented developmental states did not start from a low base when it came to educational outcomes. As a result, the need for redistributive programs to improve the levels of education were not an issue for them.

In another place, Vogel argues that the Confucian values and attitudes of East Asian developmental states that placed the importance of the group before that of the individual had another resultant effect.

> At the workplace, concern for the group helped create pliant workers, willing to accept a limited role for labour unions and yet ready to exert themselves for the firm without making great personal demands. These values tended to keep down protest movements that might have disrupted industrial production (Vogel 1991: 100).

In the same vein, Huntington (1991: 71) notes that

> Confucian cultural traditions emphasizing hierarchy, authority, community, and loyalty delayed the articulation by social groups of intense demands on the polity.

These countries were therefore not plagued by pressing and particularistic demands that emanate from different sections of society. Calls for redistributive initiatives were not a major concern for these countries and this acted to orient their developmental approach towards the pursuit of economic growth.

In East Asia, governments were under no pressure to respond "to organized labour's demand to legislate a minimum wage" (World Bank 1993: 19). Attention was paid rather to job creation and as a result wages remained close to the labour supply price. Moreover, labour came to the party during the drive for industrialisation in East Asia because it was differently organized. Stand-alone unions were ditched in favour of "company- or enterprise-based unions" (World Bank 1993: 165). Under these arrangements, union and management representatives worked together to craft workplace policies. According to the World Bank

(1993), in Japan workers adjusted their wage expectations in relation to how the economy performed whereas in Singapore “antagonistic wage negotiations” were avoided by giving workers a stake in companies through cooperatives. It could be argued therefore that in these countries there was a taming of expectations.

The World Bank further observes that where it existed “labour radicalism was quickly suppressed” and “labour-management consultations were gradually institutionalized” (1993: 165). The fruit of growth were also widely shared, “in several economies, governments assisted workers’ cooperatives and established programs to encourage small and medium-size enterprises” (World Bank 1993: 14). These arrangements served to promote industrial peace by undercutting disputes. They also represented to some limited extent a form of redistribution. Limited because income inequality was not as great as found in some of the developing countries of today. It was therefore not a major pre-occupation of these countries.

The presence of these labour conditions allowed not only for constructive engagement between the state and private capital but also for widespread consensus. Where these conditions were non-existent, constructive engagement between the state and business would have firstly come up against serious difficulties with demands for higher salaries by the lowly paid working class. Secondly, by failing to engage the industrial class, consensus and the wide acceptance of goals set by developmental states would have also been hard to attain. There was also the existence of low income inequality, together with modest demands by labour. There were no great income disparities among different social classes in the growth-oriented developmental states of East Asia.

This pre-existing initial condition prevented the concentration of wealth in the hands of a rent-seeking class that would have stood in the way of and thwarted the developmental efforts of these states. In its 1993 policy research report titled *The East Asian Miracle*, the World Bank proffers education policies as a factor that contributed to and reinforced low income inequality in these countries.

> [E]ducation policies also contributed to more equitable income distributions...initial conditions helped to set up a virtuous circle: initial low inequality in income and education led to educational expansions, which reinforced low inequality (World Bank 1993: 15-6).

This is significant because these conditions informed the particular developmental approach taken by these countries and their pursuit of economic growth rather than redistribution as their main aim leading to the emergence of a growth-oriented developmental state model.

Moreover, low income inequality created conditions where groups such as labour did not see the need to agitate for redistribution more than it was necessary. It had the effect of narrowing the diversity of interests requiring to be taken into account. The contribution that low income inequality and better educational outcomes made in the push for the attainment of rapid economic growth in these countries must here be underlined. These conditions did not contradict economic growth but rather supported it. They therefore speak to what aspirant twenty-first century developmental states in those countries without these initial conditions must work to achieve in conjunction with the pursuit of economic growth – redistribution. This would lead to a better and more balanced kind of development.

In addition to low income inequality and better educational outcomes, the successful implementation of pre-determined goals by developmental states acted to further entrench their legitimacy. This legitimacy and authority of a developmental state originates from “revolutionary authority”, which Johnson describes as “the authority of a people committed to the transformation of their social, political or economic order” (1999: 53). Through nationalistic ideologies and their unique pre-existing conditions or initial endowments where there was no need for extensive redistribution, growth-oriented developmental states of East Asia were therefore able to achieve consensus on the direction of development in their home-countries including the concomitant national goals to be pursued.

These states enjoyed wide-spread legitimacy even if their consensus around the formulation of development goals were imperfectly contrived. Their process in formulating developmental goals did not necessarily include all critical political actors since their focus was largely in pursuing economic growth. They centred largely on the critical class in this regard, the industrial and capitalist class. Where they attempted to co-opt other societal groups but this proved difficult and there was opposition, some developmental states resorted to authoritarianism. This holds different implications for countries recently democratised or where democratic participation by everyone is the norm. According to

Leftwich (1996) this entails the need by today's twenty-first century developmental states to endure more politics arising out of widespread participation.

3.2.4 Developmental States and Authoritarianism

There is a school of thought within the developmental state pantheon that maintains that the developmental state phenomenon would not have been successful without some form of authoritarianism. South Korea is often cited as an example of such an authoritarian developmental state. In this country, "the authoritarian mode of governance was conducive to facilitating the developmental process" (Moon and Kim 1996: 158). Johnson

> attributes the autonomy and strength of the South Korean state to the authoritarian governance in which a military-dominated single party regime was instrumental in mobilizing and allocating financial resources, disciplining civil society and suppressing political opposition (1987 in Moon and Kim 1996: 141).

Does this therefore imply that in the absence of authoritarianism, developmental states would have failed to emerge? Bolesta (2007) argues that the role of authoritarianism in developmental states was no small one. He maintains that

> [a]lthough there does not seem to be a direct link between a developmental state theory applied and the genus of political system existing in a particular country, the possibility of such a correlation should not be easily dismissed (2007: 107).

While it is true that developmental states also existed in democratic settings, such as in later Japan, authoritarianism played a crucial initial role in the advancement of development by these states, including during Japan's undemocratic Meiji era.

Bolesta (2007) maintains that in democratic Japan, it was actually the de-politicised nature of public service that assisted with development traction in that it was

> the bureaucratic structure which is believed to manage the country's affairs and democratically elected politicians seem to have limited influence on the running of the state (2007: 107).

Having defined democracy as a system where there exist a strongly guarded general right for people to elect whomever they want to govern them, Bolesta is of the view that democracy can exist alongside a developmental state. However, there must be cognizance of the fact that, "in order to maintain a developmental path one needs to curb aspirations of the democratic leadership" (2007: 107). This is necessary because, more often than not, demands of this nature are often sectional and are hardly ever framed to serve the general interest of the public.

Thus, under a democratic system, the probability of shifting commitment to a long-term plan that serves the general interest of society increases rapidly. Democracy is here understood largely as a political system in which individuals enjoy protected and substantive rights. In such a system there is also meaningful deliberative participation rather than merely the procedural version of democracy defined largely through the holding of regular elections. It is only by managing society's urge to go against a country's pre-determined long-term plan that a developmental state would be able to keep its eyes on the ball, as it were, by not constantly veering off its chosen development path but by remaining committed to it and achieving its set goals.

> The danger of democracy is that it may reduce state autonomy by exposing it to short-term populist demands and influence by non-developmental elites, bureaucracies may become politicised, and state capacity may thereby be retarded (Luiz 2000: 12).

The successful achievement of developmental goals thus requires close management of this tendency towards short-termism and the desire to satisfy sectional transient demands. It requires some form of democratic centralism with a centre to ensure a bureaucracy impervious to external sectional influences.

Gumede (2009) notes that some semblance of political engagement and limited democratic participation between the state and the industrial class actually took place in successful developmental states during periods of authoritarianism. That is why Kohli (1999) defines developmental states as "cohesive capitalist" states where the state interacted largely with the industrialist class. According to Gumede (2009), this limited form of engagement with the industrialist class substituted for the lack of widespread popular participation required under democracy. In Brazil for instance, "during democratic and non-democratic periods", Schneider (2015: 4) observes that this developmental state, with its limited successes

> was subject to other channels of political participation, ranging from formal councils (popularly with Vargas during the authoritarian Estado Novo (Diniz, 1978)), to informal consultations (known as the "bureaucratic rings" (Cardoso, 1975)) during military rule to the appointive bureaucracy where many outsiders were nominated to run parts of the developmental state.

Gumede (2009) further argues that the general legitimacy that earlier developmental states enjoyed even under conditions that could be considered repressive was based on the exchange or trade-off between repression and delivery where the state had to balance its performance against its need to deploy coercion for purposes of enforcing and maintaining legitimacy. In this regard the general perception of the state being seen to always act in the interest of the public ensured that developmental states were able to enjoy legitimacy in the eyes of their citizens. Social pacts, such as those with labour discussed earlier, entered into by the state with other stakeholders, also assisted the process.

> Although many of the East Asian developmental states lacked democracy, the social pacts signed between the state, civil society and citizens, in which stakeholders committed to meet specific developmental objectives and in which responsibilities, targets and punishment for lack of delivery were clearly outlined, in some respects made up for formal democracy (Gumede 2009: 7).

The prevailing socio-economic circumstances in these countries especially the lack of extreme inequalities also facilitated these processes. There is actually no cut and dried or neat relationship between authoritarianism and the successes that developmental states were able to attain[8]. Moreover, “a blanket distinction between hardness and softness, in terms of democracy and authoritarianism, is difficult to draw” and in general “it appears that it is not the political regime type which is most important” (Luiz 2000: 12) but the extant capacity of the state which matters. While most developmental states were able to achieve remarkable growth under periods of authoritarianism, the same successes opened up the economies of these countries to global influence and new demands (Gumede 2009).

[8] . Post-independent Africa before 1990 had many examples of failed authoritarian states and other leftist dictatorship that could not go beyond heavy industrialization to cater for the consumer needs of its citizens.

Kuye and Ajam (2012: 53) note that

> the developmental state cannot be a stable equilibrium: if it fails in its quest to stimulate economic growth it loses its legitimacy and is compelled to change; if it successfully stimulates economic development then it will experience pressures from society, including big business, to moderate its heavy-handed, *dirigiste* [direct] approach to economic intervention.

Developmental states therefore possessed the potential to mutate and morph because they "are not static entities" as "their very industrial success creates new interests and organizations, which then could successfully challenge the power, authority, and autonomy of the state, and hence produce further political challenge" (Gumede 2009:3).

The fact that some of the earlier developmental states thrived while using repressive means does not make authoritarianism a prerequisite for all developmental states. This was merely an outcome and function of the gestation of these states in a particular historical epoch. This was a period, as already discussed in the earlier section, characterised by the threat of war and external aggression. Thus the drive for sovereignty and national self-sufficiency became critical, including the ability to withstand any external threat, and this inadvertently resulted in low tolerance for contrarian and divergent views hence authoritarianism. Therefore, developmental states interacted with a confined list of critical actors, the industrial and capitalist class, in the economic space for growth and development purposes.

The effect of this was the rise of a growth-oriented developmental state model but as Kuye and Ajam (2012: 54) observe, circumstances have since changed and today's twenty-first century developmental states require more political capacity and

> instead of engaging with small groups of industrial elites through efficient structures and personal networks as in the classical East Asian models, a democratic developmental state would have to engage with a much broader range of social actors.

Thus, while industrialization and economic growth still remain critical, they are no longer the only priority. This then calls for widespread rather than the limited engagement largely with the industrial class which resulted in a growth-oriented developmental state model. More extensive engagement with other critical political actors for the pursuit of better growth through the accommodation of redistributive concerns is required.

Leftwich (1996) argues similarly that today's developmental states, the twenty-first century kind, will have to endure more politics than earlier ones. This means opening up the political space and extending participation to other critical players such as labour, interest-based organisations and civil society through democratization. Democracy calls for a different form of embedded autonomy.

> Here the state develops strong links with subordinated classes in society, in particular the working class (broadly defined). This involves a wide range of participatory mechanisms, including women's neighbourhood committees, a people science movement, cooperatives, and decentralised planning (Pillay 2007: 90).

This does not imply that growth and development concerns necessarily fall off the radar screen but rather that a more balanced form of growth and development that empowers and lifts individuals out of poverty while promoting economic growth is pursued.

Edigheji (2010) holds a similar view by maintaining that democracy actually brings dynamism in development. Democracy and development are not necessarily at loggerheads. However, this is also not to say democracy necessarily guarantees developmental success. As already indicated, there is no neat relationship between democracy and development. The very impressive achievement of authoritarian developmental states is proof of this. Scholars such as Huntington (1968) actually express doubts on a positive relationship between development and democratization. In his view, democratization may destabilise institutions in their efforts towards development.

> The relation between economic development, on the one hand, and democracy and democratization, on the other, is complex and probably varies in time and space. Economic factors have significant impact on democratization but they are not determinative. An overall correlation exists between the level of economic development and democracy yet no level or pattern of economic development is in itself either necessary or sufficient to bring about democratization (Huntington 1991: 58).

Be that as it may, there is research that is beginning to show a direct link between democracy and growth (Gumede 2009: 7 citing Rodrik 2004, 2006). Other evidence indicates that states such as India have, in the past, performed poorly under democratic conditions. However, its sub-national state of Kerala performed impressively as a democratic developmental state (Pillay 2007). Other known democratic developmental states include the sub-national state of Porto Alegre, Venezuela under Hugo Chavez and Sweden (Pillay 2007, Kuye and Ajam 2012).

The limited participation by the industrial and capitalist class which seemed to suit authoritarian developmental states led to them pursuing a narrow conception of development conceived as economic growth – it resulted in a growth-oriented developmental state model. "Development was focussed on economic growth, where physical infrastructure and the accumulation of capital were the primary objective" (Pillay 2007: 89). This orthodox understanding and pursuit of narrowly defined development as simply economic growth and the strategies employed to achieve it are discussed first in the next paragraphs before spelling out the challenges that today's developmental states need to engage with including their priorities in order to advance balanced growth and development.

3.3 Development as Economic Growth – The Growth-Oriented Model

In pursuing their set goals and objectives, the efforts of earlier growth-oriented developmental states were aimed at achieving the particular goals of industrialization and economic growth. A developmental state is "a state that puts economic development as the top priority of governmental policy and is able to design effective instruments to promote such a goal" (Bagchi 2000: 398). The "most basic element of the developmental state is that its major preoccupation is to ensure sustained economic growth and development on the back of high rates of accumulation, industrialisation and structural change" (Gumede 2009: 38). Economic growth was uppermost in the agenda of most growth-oriented developmental states.

Mkhandawire notes that a developmental state is one "that seriously attempts to deploy its administrative and political resources to the task of economic development" (2001: 291).

“Nearly all [developmental states] seek to promote growth” (Schneider 2015: 3). To achieve this goal, growth-oriented developmental states adopted and implemented particular policies. According to Gumede (2009), it was the industrial policies of growth-oriented developmental states together with their dynamic development strategies that made them effective. Gumede further observes that these states succeeded on the back of their flexible industrial policies which could be adapted and fine-tuned to achieve results. In line with their pursuit of economic growth and industrialization, Blecher (2006: 3) defines a growth-oriented developmental state as

> a state that undertakes an array of industrial policies, such as identifying key sectors, targeting them for and supplying them with capital, and protecting, regulating and promoting them in various ways.

These growth-focused states selected winners among the various sectors of the economy where low hanging fruit could be immediately picked and supported them in a variety of ways. The industrial strategies of earlier developmental states included import substitution industries (ISI) and increased exportation. Their approach “was oriented towards nurturing infant industries, directing investment flows and subsiding labour cost” (Pillay 2007: 88). Protectionism as an industrial strategy thus played an important role to the success of growth-oriented developmental states. In Korea for instance, it was difficult during pursuit of the growth-oriented developmental state for a foreign company to come and establish its business in that country (Amsden 1995).

Local companies enjoyed a high level of protection from government against competition from foreign companies. Gumede corroborates this by noting that

> in South Korea, until the late 1980s, foreign investors were not allowed majority ownership in local companies, except in very restricted circumstances. Foreign investors were restricted to sectors in which South Korea did not have the capacity, but which the country had identified as crucial for long-term development (2012: 247).

More generally, in East Asian developmental states

> the import of products that could be manufactured at home and of luxury consumer goods was heavily discouraged. Companies using locally produced material were rewarded with tax rebates (Gumede 2012: 247).

Thus these "states were 'highly selective in their liberalisation and export-oriented strategies, often ensuring the development of a competitive sector before opening it up'" (UNCTAD 2007, Wade 2003 and Akyuz *et al* in Gumede 2009: 5). There was thus a high level of protectionism pursued by these countries.

The Japanese growth-oriented developmental state used a variety of developmental tools for its industrialization. Among these were low interest funds for targeted industries, exemption from import duties for designated critical equipment and the licensed use of imported foreign technology. Government also built industrial parks and transportation facilities and the state coordinated investment in plants and equipment for select strategic industries. In Korea, the state intervened by getting the relative prices wrong (Amsden 1989). This intervention entailed offering subsidies to private firms rather than leaving this to the market. By intervening to "create price distortions", state intervention shifted "economic activity towards greater investment" (Amsden 1989: 14).

In Korea, the protection and support that government offered to domestic firms was also accompanied by state discipline. Where companies became complacent or were badly managed, the state refused them bailouts. Other dimensions of this discipline by the state included the setting of export targets, government control of banks and limiting the proliferation of new industries through subsidies. “This ensured the realisation of scale economies and the rise of mammoth business groups that the government foresaw as necessary to build basic industry” (Amsden 1989: 17). There were also yearly negotiated price controls to clamp down on the power of monopolies, controls on capital flight and taxes on the middle class.

The Korean growth-oriented developmental state was therefore deliberate and targeted in achieving economic expansion through the building of domestic industries. In this country, “government performed a strategic role in taming domestic and international forces and harnessing them to national economic interests” (Onis 1991: 12 in Gumede 2011: 11). Schneider (2015) also underscores the performance monitoring capacity of government as having played a critical role in South Korea’s development fortunes. The intervention in the economies of earlier (post-World War II) growth-oriented developmental states focused on the building of industries where manufacturing, especially for purposes of import substitution but also increased exporting, played a central role.

These countries initially began by protecting their industries to ensure that growth is driven by domestic consumption but gradually increased their capacity to export to other countries in an increasingly globalizing world. Schneider notes similarly that the evolution of the Brazilian developmental state since the 1970s "include: attempts to substitute for imports, efforts to transfer and develop technology, early failure and missteps, and heavy government subsidy and protection" (2015: 7).

Having said these, different scholars are however agreed that the kind of intervention in the economy by the state that informed earlier growth-oriented developmental states has since shifted. This type of intervention was advocated by Amsden (1989) and Wade (1990), where "states have governed the markets in critical ways, notably by consciously manipulating prices to promote selective sector developments" (Daniel *et al* 2005: xxix). Daniel *et al* disparagingly label this strong intervention of the past by the state in the economy revisionist. This means that in today's modern world with its own unique challenges, the approaches followed by earlier growth-oriented developmental states requires revising.

Also, the definition of development pursued by these states, as alluded to in the preceding paragraphs, was largely focused on a narrow understanding of development as economic growth using metrics such as change in the gross value added (GVA) (Pillay 2007). Gumede (2009: 12) contends that earlier growth-oriented developmental states could concentrate on economic growth because "their populations had reasonable levels of equality" hence they "could focus unencumbered on achieving growth". Huntington notes similarly that

> rapid economic growth in Korea and Taiwan took place in the context of relatively equal patterns of income distribution. The latter resulted from a variety of causes

> including land reform programs in the late 1940s and early 1950s and early attainment of high levels of literacy and education (1991: 71).

In these growth-oriented states more focus was therefore placed on economic growth because other pressing social needs such as literacy levels and income inequality had already been addressed or were at satisfactory levels not to cause rupture. Rapid economic growth occurred in a context of relative equity where redistributive issues were of no major concern. In the growth-oriented developmental states of East Asia, economic growth and equity therefore occurred alongside each other and not in mutual exclusion.

In developing countries however “relative depravation…is often a trigger to a popular insistence on redistributive growth and social justice” (Gumede 2009: 12). Evans notes similarly that the

> [e]arlier version of the developmental state emerged in small countries where levels of investment in human capital were already high and the immediate overall economic impact of increasing manufactured exports was likely to be larger (2007: 59).

In developing countries this scenario does not prevail. The focus in today’s developing countries would therefore not only be on economic growth alone. Other pressing socio-economic concerns such as high income disparities and poor social outcomes that plague developing countries would also form part of the package of developmental goals that need to be addressed.

In line with the above observation Gumede notes that "[a] different perspective, which emphasizes broader development, is [today] presented by other leading scholars" (2011: 12). Looking at China's unique brand of the developmental state, Bolesta (2007: 110) writes that

> the means to development will probably be less and less dependent on industrialization of the states and more at developing services. It is an inevitable consequence of the post-industrial era.

With the services sector of the economy now being the driving force behind today's growth and wealth creation, it becomes necessary for countries to possess skills relevant in this space.

In concurrence, Rics (2014) drawing from Williams (2014:8) enumerates four challenges that developmental states in the twenty-first century will need to tackle.

> [F]irst, the challenge of *global economic restructuring*, the shift towards the so called bit-driven economy, where the engine of growth is the knowledge and service sector. Second, the changes in domestic policies, for a large part of the developing countries this means the *process of democratization*, but also factors such as the need for deeper embeddedness, extended public deliberation and participation are included. Third challenge is the so called *ideational and epistemic shift* in understanding of development: the new paradigm of development based on Amartya Sen's concept, the human-capabilities approach. Finally, the *ecological limits of development* become more and more visible, and the surge for environmental justice cannot be ignored.

Kuye and Ajam (2012) argue similarly that in a world where the services sector of the economy has become important, it will be critical for individuals to possess the necessary knowledge to drive such an economy.

> In the 21st century, therefore, an aspirant developmental state will have to discharge two broad roles effectively. First is to create incentives for individuals to invest in their own capabilities through a distribution of basic rights and social support for education, healthcare, etc. Second, in addition to achieving societal goals, developmental states will act as the platforms for defining developmental goals and making hard choices (Kuye and Ajam 2012: 54).

A good example in this regard is the Malaysian developmental state where significant redistribution occurred and was achieved under democratic conditions. In this country there was positive discrimination for the native Malays, through the *bumiputera* (son of the soil) and investment in social provision, especially the provision of housing, education and health. This means the development priorities of today's developmental states, including the means and ways to achieve them, especially those of developing countries are and will have to be different from those of the earlier growth-oriented ones.

3.4 Priorities of 21st Century Democratic Developmental States

Edigheji (2010), following the same line of thought as above, differentiates between twentieth-century developmental states that focused on industrialization and twenty-first century ones that also have to focus on human development. In terms of the latter, 'developmentalism' became key. Under the rubric of developmentalism, a developmental state

> aims at achieving an industrialisation through industrial policy, whilst simultaneously implementing policies to redistribute income to promote education, and to achieve other social and political goals (Edigheji 2010: 10).

Such a state pursues development of a balanced nature resulting in a qualitatively different form of growth that is sustainable.

In Edigheji's view, developmental states pursuing holistic and balanced development should thus not concern themselves with attaining economic growth through industrial policies only but also through social ones. The development strategies of such countries must also seek to expand the freedoms and capabilities enjoyed by individuals as expounded by Amartya Sen (1996) in his seminal work on poverty and development. According to Sen development is about individuals experiencing freedom through the maximization of their capabilities. It is in the context where individuals have been empowered through educational attainment, health care provision and access to the basic necessities of life that they can actualize their freedom and potential to fully participate in life.

Therefore, today's developmental states need to have a clear grasp of the required social policies in order to attain a qualitatively more balanced type of development not skewed in favour of economic growth only. Social policy "comprises the 'collective interventions' in the economy to influence access to and the incidence of adequate and secure livelihoods and income" (Edigheji 2010: 10). Twenty-first century developmental states should then be known by their move away from just a narrow focus on industrialization and economic growth to include other numerous redistributive goals such as the reduction of poverty and inequality. These states would essentially also concern themselves with securing individual well-being and improved quality of livelihoods including skills expansion and good quality health care. The table below is a simplified schematic contrast between a growth-oriented state and a 21st century one.

Table 3.1: Growth-Oriented v/s 21st Century Developmental State

	Growth-Oriented	**21st Century**
Orientation	Increased economic growth	Inclusive growth (redistribution)
Main Driver	Industrialization	Human capabilities development
Critical Sector	Manufacturing	Services
Metrics	Gross Value Added (GVA)	Human Development Index (HDI)
	Balance of payments (BoP)	Mortality rate
	Employment	Literacy levels
Typical Programme	Exporter development	Poverty alleviation

Source: Compiled by Author

At this point a caveat is necessary. The human development approach that today's developmental state needs to adopt is not without problems.

> [T]here are risks to using investment in human capital as a development policy…if highly trained workers do not get commensurate jobs, if they migrate, or if individual returns exceed social returns (i.e., individuals gain higher salaries but do not add much to overall productivity) (Schneider 2015: 10).

Moreover, investment in human capital is generally long-term and the result may not be immediately observable. As an approach, Schneider notes that investment in human capital requires other supporting policies that will ensure the immediate absorption of trained and skilled individuals into industry. Essentially meaning that in pursuing development that is inclusive of improved individual capabilities, sight must not be lost of still doing this alongside the pursuit of economic growth. Pursuing economic growth and pursuing redistributive programs should thus not be viewed as mutually exclusive but as mutually reinforcing.

This will ensure a qualitatively different form of growth and development. In this context, it is in a growing economy that the very increased human capabilities will be put to use. Accordingly, the type of growth and development achieved by twenty-first century developmental states will therefore not be based on building SBRs alone to the neglect of other social priorities especially when this neglect may lead to the possibility of political instability from unaddressed cleavages. This therefore implies that to avoid this possibility, twenty-first century developmental states must seek to achieve inclusive growth at the same time as they pursue the building of growth-oriented SBRs. The next section focuses on what this study considers prominent features of a developmental state.

3.5 Characteristics of a Developmental State

Having hitherto discussed the developmental state at length, what then would be its defining features? For purposes of this study, six features are distilled and briefly discussed in the next section. They are:

- Visioning and long-term planning;

- Nationalism and cohesive values;
- State discipline of the private sector;
- Bureaucratic capability and coherence;
- Marshalling of capital and finance by state institutions;
- Networks of embeddedness

3.5.1 Visioning and Long-Term Planning

Developmental states were states in touch with their reality, plight and circumstances. They drew up visions of where they wanted to go and rallied their societies behind these visions. They defined a common purpose and sense of direction (Turok 2010). According to Leftwich (2008), the first feature of a developmental state is commitment to agreed socioeconomic and political goals by a determined group of political elites. Turok (2010) similarly mentions that developmental states plan ahead and plan for long-term. Gumede (2011: 2) notes in support that "[a] successful democratic developmental state requires political will, long-term vision and a determination".

These were countries determined to remain committed over the long path of development. They did not just plan for now but toward a desirable end state in the long-term. As Turok (2010) observed, developmental states made a concerted effort rather than accommodate trends. Nationalism and cohesive cultural values also led to the success of many developmental states.

3.5.2 Nationalism and Cohesive Values

While acknowledging that in some developmental states there was opposition from some sections of the population such as the youth movement, with South Korea being a prime example here, overall these states were blessed with and had the good fortune of value cohesion in relation to their long-term visions. Nationalism was particularly important here and played a critical role in forging the unity that emerged in developmental states (Amsden 1989). “[T]the majority of East Asian developmental states had a long experience as distinct nations and cultures” (Gumede 2011: 2). The earlier paragraphs have already alluded to the contribution of Confucian values for instance. According to Vogel (1991) these values acted to suppress extreme individual ambition.

Gumede (2011: 12) mentions that there were “three ‘cultural areas’ in the case of East Asia: the Japanese communitarian approach, the Korean patrimonial logic and the Taiwanese patrilineal logic”, which contributed to their success. These national values knitted these nations together and underlay the manner in which they conducted their politics. This is not to imply that developmental states are necessarily impossible under countries boasting ethnic heterogeneity. Malaysia is an example of a developmental state that achieved rapid development without national homogeneity.

3.5.3 State Discipline of the Private Sector

Developmental states were also disciplined and disciplining states. They did not only exercise discipline on others but were themselves disciplined states. In these states, civil servants were required to conduct themselves ethically so that they could not fall victim to outside influence

(Wade 1992). According to Wade, by disciplining themselves, developmental states could also discipline other sections of society. In particular, developmental states in their effort to mobilize society, managed to discipline the private sector to align with their development drive through the use of market-conforming instruments (Wade 1992). Polidano (2001) lists state guidance of private sector investment to priority areas and government utilization of incentives to influence private capital as elements of developmental states.

The use of market-conforming instruments by developmental states included subsidies, credit and export licenses for well-performing firms (Amsden 1995). Non-performing firms were denied these in an act of discipline. Beyond this discipline by the state on the private sector, “there was the discipline of the market and private property” (Wade 1992: 312). Sensitive to market conditions and based on the control of major productive assets by private capitalists, developmental states acted in disciplined and cautious fashion towards this class, wary of the negative impact their decisions may have on it. Further dimensions of state discipline on the private sector in Korea involved government control of banks, annual and negotiated price controls to curb monopoly power and controls on capital flight (Amsden 1989).

As already mentioned, state discipline was also exercised over labour either through repression or through “company and enterprise-based” unions that promoted collaboration between employers and employees in the crafting of work place policies (World-Bank 1993: 165). Related to the ability to exercise state discipline was bureaucratic autonomy and capability which made the public service impervious to external influence.

3.5.4 Autonomy and Bureaucratic Coherence

At the base of or behind the capable bureaucracies of developmental state was an education system that not only ensured a constant supply of highly educated individuals to the public service but a generally highly literate population able to meet the requirements and needs of industries. According to the World Bank, developmental states placed a premium on foundational education, especially primary education. Good education and training also ascended high up on the structure of the state. Wade notes that in developmental states

> there was the discipline of a rapidly growing pool of technically educated manpower...This rapidly growing pool provided the civil service with an ample supply of well-educated managers and professionals (1992: 313).

Therefore, the highly capable bureaucracy was an outcome of huge investment made in education (Amsden 1995).

Bureaucratic capability afforded developmental states the ability to deliver on their vision and plans. These states had the capacity to implement policies since their bureaucracies were led by highly capable individuals that were hired based on merit and competence. Developmental states recruited talented individuals from within their institutions of higher learning to lead their bureaucracies. These were talented individuals who stood out from their peers. This crème de la crème, selected from a pool of highly educated individuals, underwent rigorous entrance exams to establish their capabilities before they could be admitted to work in the higher echelons of government (Johnson 1981).

An individual that applied for a job in government and was interested in becoming a civil servant was admitted only after doing well in these exams. This inculcated a strong sense of pride and bureaucratic coherence amongst the civil service. Bureaucrats employed in developmental states enjoyed long-term career advancement and rewards. This offered bureaucracies in developmental states autonomy. They could act on their own. These bureaucracies had the capability to not only formulate policies but also the ability to implement them.

In earlier developmental states, being a public servant was nothing to be ashamed off; instead it was a cherished and highly esteemed profession. As a result, the bureaucracies of developmental states enjoyed autonomy and could not be subverted by particularistic and sectional interests. They had the ability to make independent policy decisions and were not beholden to any particular grouping.

The autonomy of developmental state bureaucracies was also a result of history and was built over a long period of time. Developmental states were thus characterised by intensified "stateness" (Leftwich 2008). They were "strong states" states (Haggard in Vogel 1991: 87). In these states, "the civil service could draw on an endowment of long experience of state-rule and well-institutionalized procedures" (Wade 1992: 313). In the absence of such a "tradition of state or central authority longevity", argues Leftwich (2008), developmental states would not have emerged. It is against this long history of institutional building that these states developed autonomy and bureaucratic coherence as an institutional feature.

3.5.5 Marshalling of Capital and Finance by the State

Developmental states also had capital at their disposal that they used to transform their countries and achieve growth. Preceding paragraphs touched on the access to international aid that some of these states benefitted from in the context of the Cold War. They utilized these huge sums of resources at their disposal to support and fund those industries that they viewed as critical to their economic success. These states intervened extensively in their economies through the capital they had. They controlled banks and availed credit for the development of industries they viewed as holding the key to getting their countries out of their backwardness and could help them catch up to other advanced countries.

Finance therefore played a very important role in the ability of developmental states to achieve their goals and objectives (Weiss 2000). These state exercised "control over key resources such as finance" (Weiss 2000: 24). In most instances developmental states would even establish a central agency with enough resources to play a coordinating role in driving economic development by allocating funds to those industries that needed it. The most famous one being the MITI in Japan which carried with it extensive authority and influence over industrial policy.

While finance was available and used to woo the capitalist class or the business community by developmental states, it was not disbursed arbitrarily. Rather its disbursement was strategically used by developmental states to draw commitment and goodwill from the business community. It was only businesses that performed well that were entitled to receiving more funding for their activities (Amsden 1989). This was a form of subsidization –

only it was done in a transparent and accountable fashion (World Bank 1993). In this way business excesses were kept in check or disciplined as it were.

3.5.6 Networks of Embeddedness

Developmental states were also implanted or embedded within their societies (Evans 1995). In particular, these states enjoyed constructive relations with the capitalist class, business or the private sector. "The East Asian developmental states formed dynamic alliances between 'political powers and the private sector'" (Gumede 2011: 3). Through the resources at their disposal they wooed this class to buy into their visions by allowing them to participate in and invest part of their own resources in the achievement of these nations' long-term plans. These relations between developmental states and their business class inhered in the networks that individuals in leadership positions within the state had with those leading in the business sector.

These elite networks were either based in similarity of background such as having had similar upbringing or having attended the same school, university and having received the same training. This crisscross of relations between individuals employed in the state and those in the business sector may also have emanated from the sharing of similar political background, ideology and outlook. Thus elite networks buttressed the embedded nature of these states. The existence of these networks served to lubricate relations between individuals in the state and those who were part of the capitalist class. As a result of these networks, in Japan, individuals working for the state could, at retirement, easily cross into the business sector (Johnson 1981).

Good and constructive relations between developmental states and their business classes were evidenced by the many platforms of engagement that existed between the two (World Bank 1993). These platforms of engagement and forums were either formal or informal. Since developmental states possessed highly capable bureaucracies that could formulate, plan and execute policies, they found ready partners in the business sector or the capitalist class who were attracted by the certainty that this capability offered.

In turn, the way the business community was itself organized into peak associations[9] also reduced the transaction costs on the side of government. The state was spared the need to spend time and resources undertaking extensive consultations. All these served to strengthen relations between the state and the business community. With these being features that characterise developmental states, how does South Africa measure up seeing that the aspiration to build such a state has already been expressed. To respond to this question, the ability and potential for a developmental state in Africa is discussed first. Before that however, criticisms of developmental state theory are briefly discussed.

3.6 Criticism of Developmental State Theory

The theory of the developmental state has not been without critics. Commentators such as Radice (2008) have criticised the theory for not advancing any further understanding on development or saying anything new but of still advocating and operating within the neo-

[9] . Peak associations are high level organizations formed in a given social sector with the aim of enabling its members to speak with one voice, especially when engaging government and other stakeholders. They exist to advocate the cause and interest of their members. In addition, a peak association may exist for the governance and handling of matters pertinent to a specific sector.

liberal framework of capitalist exploitation. Another criticism is that the type of state described by the theory seems to include all and every state that has achieved rapid development and therefore can mean anything leading to the lack of a precise definition. Perhaps the most immediately relevant criticism against the developmental state theory concerns its exportability. The argument here is that the developmental state cannot be imported by other countries since their domestic circumstances are quite different from those that prevailed in East Asian developmental states for instance.

> Peter Evans has warned that treating the 'developmental state' as a model that can simply be emulated is to conjure away the unique historical context in East Asia after the second world-war: the dissolution of land-owning classes and weakly organised capitalists that enabled the state to direct investment in key, strategic sectors (Chipkin undated: 32).

These circumstances do not necessarily hold in other countries.

In particular, the developmental states' link to authoritarianism is untenable under today's conditions where democracy prevails and where individual rights are vehemently protected. This was discussed earlier and the existence of a developmental state under democratic conditions was shown to be viable. Another argument linked to the difficulty of countries importing a developmental state approach is where they are expected to follow protectionist policies. This is made difficult by today's prevailing global trade conditions. Today's countries are signatories to the World Trade Organization (WTO) and are expected to keep their economies relatively open for trade with other countries (Mkhandawire 2001). Developing countries are particularly vulnerable in this regard.

In addition, there is no Cold War taking place anymore which created a situation where some countries could access considerable aid funding based on their strategic role to the US. Furthermore, in East Asia "Cold War conflict and alliances…played crucial roles, and were simply unavailable to the vast majority of countries in the Third World" (Ali 2010: 5). In the past decade, low levels of economic growth had almost become the norm, adding to the vulnerability of developing countries.

3.6.1 Developmental State Theory in Light of Other Theories

Developmental state theory has also been criticized from other perspectives. This is because the theory speaks to the conceptualisation of development and power. "[M]uch of the [developmental state] literature falls into two schools: a political school and an economic school" (Ali 2010: 2). The economic school focuses on how development is attained. Developmental state theory presupposes linear development of a similar nature to modernization theory. In order to develop, developing countries, must simply adopt similar policies to those that East Asian developmental states adopted from the west. In this way "the developmental state…the capitalist developmental state, becomes a universal paradigm" (Ali 2010: 4). Post-development theories have been particularly critical of this universalising approach to development which they regard as reductionist.

Influenced by post-colonial and neo-colonial theory, post-development theories question the neutrality of development as defined by modernity (Ahorro 2008). Post-development theorists such as Escobar (1985) and Sachs (1992) challenge the imposed nature of development from outside on developing countries. This definition of development is viewed as ideologically biased in favour of western countries. According to post-development theories the attainment of improved living conditions and increased incomes through development can be achieved in many ways. Post-development theory argues for the recognition of alternative ways to development that acknowledge local cultures and the voices of the poor, the subaltern and of feminists. A definition of development “based on the teleological path of the industrialized world” (Ahorro 2008) is thus eschewed.

Developmental state theory is also criticised from the perspective of other theories of the state which have to do with power and its locus, especially Marxism. By attempting to explain how development was attained, developmental state theory inevitably focuses attention on the state just as theories of the state such as elitism, pluralism and Marxism do. Under developmental state theory, the state “exercise a certain degree of dominance” (Ali 2010: 2). This already indicates where power is located as per developmental state theory. However, the theory does not end here, it shares particular aspects with other theories of the state for seeing power also as being located at the state-society nexus. In this sense it shares traits with pluralism which recognises the role of different interest groups in decision-making.

But in its efforts to elucidate how rapid development comes about, developmental state theory does not answer the question of on whose behalf does the developmental state acts. It takes the existence of a bourgeois capitalist class operating within a capitalist paradigm as a given (Ali 2010). Looked at from a Marxist perspective through class analysis, the developmental state, especially the East Asian variant, forges relations with the industrial and capitalist class in order to maintain the interests of the political and economic classes within a capitalist mode of production. Other interests that seek to challenge this status quo such as those of labour are repressed and quelled by the state under his theory (Ali 2010).

3.7 Summation and Conclusion

This chapter began by first attempting to define what a developmental state is. Developmental states existed in different time periods and in different parts of the world. The eighteenth century German, Meiji era Japanese, post-war East Asian and other European developmental state were mentioned. So did African and Latin American ones. Developmental states were said to be interventionist states that pursued a nationalistic ideology aimed at addressing their backwardness relative to other states. Moreover, developmental states were said to have existed under authoritarian but also democratic political settings.

Earlier developmental states were able to set for themselves the developmental goals of industrialization and economic growth which they pursued vigorously. They pursued protectionist policies, built industries but also relied on increased exporting. They were able to do this through their narrow, instead of wider, engagement and interaction with the industrial and capitalist class. The chapter also showed however that today's developmental states can no longer focus on development narrowly-defined only as economic growth but must also focus on human capabilities development under democratic settings. This was as a result of today's prevailing conditions such as the increased importance of the knowledge-driven services sector of the global economy.

The chapter then proceeded to lay out the features or characteristics it considered essential for a state to be regarded as developmental. These features were visioning and long-term planning, nationalism and cohesive values, state discipline of the private sector, bureaucratic coherence and autonomy, the marshalling of capital and finance by state institutions and networks of embeddedness. Developmental state theory and its criticisms were also discussed. These criticisms included the difficulty of exporting the developmental state to other countries with completely different histories and circumstances, post-development theory that suggests alternative ways to development and Marxist class analysis that sees the developmental state as acting on behalf of one particular class to the exclusion of others.

CHAPTER 4: AN AFRICAN AND SOUTH AFRICAN DEVELOPMENTAL STATE

4.1 Introduction

Except for the more successful states of Mauritius and Botswana which have exhibited developmental state features, the potential for constructing a developmental state in Africa seems limited (Sindzingre 2004). Compared to East Asian developmental states, African countries had no prominent and successful example to emulate. The success of Japan in building a cohesive developmental state that rapidly attained high levels of economic growth is among the historical factors that spurred other East Asian developmental states to emulate its success.

4.2 A Developmental State in Africa

In Africa only Mauritius and Botswana stand out in exhibiting features of a developmental state. Their favourable comparison to East Asian developmental states is attributed, *inter alia*, to "coalition-building"[10] and the "rotation of high offices among a few elite" (Kiiza 2007: 296). According to Kiiza however, a more critical factor to the success of these states was institutionalized developmental nationalism. Through this institutionalised developmental nationalism, Mauritius and Botswana succeeded at constructing developmental states because according to experience from other countries

[10] . Coalition government can, in the long run contribute to agreements between business and government (Hall and Soskice 2001, 49 in Schneider 2005). Political organizations that are part of coalition governments are often forced by the imperative to keep the balance of forces favourable to themselves to involve as broad an array of participants, including business, in important policy-making processes. This has the effect of ensuring the future electoral success of these political organizations. In the process, positive state business relations (SBRs) are built as the coalition government makes business part of its decision-making fold.

> [e]vidence clearly shows that nationalism as an ideology plays an insignificant developmental role unless it is institutionalized in some form of state bureaucracies (Kiiza 2007: 283).

Evans (2007) make a similar point by noting how state-building efforts created an appropriate context for Botswana's positive development. He mentions that in Botswana

> development seems instead to have depended on the ability of Botswana's leadership to build a state apparatus that avoided the coercive concentration of property rights and focused on building the capacity to provide effective infrastructure (Evans 2007: 44).

In particular, the continuation of cultural practises from the colonial era such as cattle ownership ensured that there was wide distribution of wealth among the people of Botswana. Some of the individuals that became part of the political class already possessed this wealth by the time power was in their hands. This worked against the creation of clientelism and undermined the temptation by those in leadership to engage in corruption.

Emmanuel (2014), writing on Botswana underscores that, its success at developmentalism was underpinned by the continuation of traditional institutions from the precolonial period into the postcolonial period founded on the legitimacy of chiefs. This was further strengthened by the alliance of Botswana Democratic Party with traditional rulers including commercial practises such as individual cattle ownership and respect for property rights. These augured well with the capitalist system. According to Emmanuel (2014), the continuation of this congenial cultural practise with capitalism is the one that makes

Botswana comparable with East Asian developmental states where culture also contributed to the success of these states.

> [T]raditional Botswana culture proved uniquely beneficial to economic development after colonialism in the presence of a market system and prolific opportunities. That is, Botswana developed a culture (Tswana) before and during the early days of colonialism with features similar to those of the developed countries which scholars frequently emphasize as possible explanations why, for example, the industrial revolution started in Europe, when the required technology was in place (Emmanuel 2014: 16).

Ethnic homogeneity also contributed to Botswana’s development success. In this country, unlike in other African countries at independence, there was “cooperation existing across Tswana tribes and the inclusion of non-Tswana minorities in tribal life” (Emmanuel 2014: 15). In addition, through good leadership, Botswana made good use of its dependence on a single mineral resource, diamonds, through its exporting. Through a “broad electoral alliance”, the Botswana Democratic Party “invest[ed] mineral revenues for national development” and “government played an important role in kick-starting Botswana‘s economy” (Emmanuel 2014: 14). In this regard however, Botswana does not compare positively with the East Asian model of development based on industrialization but with those of well-managed resource agricultural goods exporting countries such as Canada, Australia and New Zealand.

In other African countries, conditions for the building of developmental states were not present. Most African countries, as a result of colonialism, have had a very different experience of state formation. Moreover, the ethnic groups comprising these state initially existed separately before coming together as unified countries. On its own this experience made the construction of developmental states through appeals to nationalistic development ideology difficult in Africa.

> An important precondition for establishment of a successful developmental state: a tradition of national social cohesion and identity is a powerful force of legitimating and may help to mobilize the population around a national development project (Beeson 2004: 36).

Mkandawire contends that after independence "for most of the first generation of African leaders 'development' was certainly a preoccupation" (2001: 295). This was true of both the African socialist and subsequent Afro-Marxist regimes. However, development was undermined by excessive reliance on the state, marginalization of domestic private sectors, excessive ideological dogma (for example in implementing land collectivisation), over-ambition, dependence on aid and patronage from external powers, social polarization and civil war, amongst others.

Based on the gap created by ineffective development ideology, Mkandawire citing Ake (1996), asserts that in Africa efforts to formulate an ideology of development were exploited by leaders as a tool for maintaining political hegemony.

> The lack of ideology of development is evidence of the cultural rejection of development by African leaders and their followers…the quest for an ideology to guide development process inspired African leaders to propound their idiosyncratic and often incoherent ideologies (Mkandawire 2001: 295).

African states have also had to contend with the challenge of patrimonialism and its weakening effect on the state. As a system, patrimonialism was a system in which an individual and central figure with access to state resources used it to disburse benefits to clients. In countries such as Ghana, Kenya and Zaire with the indigenisation of the bureaucracy, networks of this kind were used as "a means of facilitating moral, social and economic support among the indigent rural people" (Singh 1999: 467, Fransisco 2010). The modern form of patrimonialism, neo-patrimonialism "is a political regime based on the personal use of one man or party of public resources and the preferential (instead of meritocratic) appointment of civil servants" (Francisco 2010: 3). Under neo-patrimonialism "ancient systems of personal patrimonial power [become] recreated within the semblance of a modern legal state" (Olver 2016: 11).

Under this "economy of affection" (Hyden 1983: 21), the state exists in a "myriad of invisible micro-economic networks" (Hyden 1983: 21) that are founded on "blood, kin, community or other affinities" (Hyden 1983: 9). Through the flow of benefits from the patron to his or her clients, loyalty from beneficiaries is secured. An exchange takes places between the two and the "morality of the political system is reduced to that of the market" (Olver 2016: 13). Neo-patrimonialism has negatively affected the developmental effectiveness of African states. Under it the state serves narrow particularistic interests rather than the collective development of all citizens. Instead of intensified stateness, the African state became weak and the bureaucracy uninsulated. In this context playing a developmental role is not possible.

The global economic environment that ushered since the 2008 recession and its attendant low growth scenario also represents another hindrance to the construction of developmental states in Africa (Edegheji 2010). For instance, the small Sub-Saharan countries rely on a few commodities. The economies of these countries are thus characterised by

> the dominance of the primary sector - agriculture, oil and minerals - partly as a result of inability of the African state to foster an environment for high value-added economic activities, secondly, low domestic capital formation and declining direct foreign investment, foreign aid dependence, heavy indebtedness, high unemployment and the informalisation of economies where the majority of its people live in poverty (Edegheji 2010: 53).

According to Edegheji, the resultant effect of all this has been the inability by the continent to participate fully in the global economy in the twenty-first century leading to Africa's limited integration into the world trade system.

Moreover, in this context, these state cannot implement protective industrial policies in a largely globalised world that requires them to open up their economies (Sindzingre 2004). Refusing to liberalise their economies may turn these states into pariah states in an increasingly globalised world with an open trade environment. Other challenges inhibiting the construction of developmental states in Africa include ethnic conflict, corruption and a deficient state machinery. In this context, the emergence of a developmental state recedes. However even with these challenges, it is not all gloom and doom in terms of the potential for constructing developmental states in Africa. Mkandawire (2001: 310), writing on developmental states notes that

> [a]s difficult as the political and economic task of establishing such states may be, it is within the reach of many countries struggling against the ravages of poverty and underdevelopment.

Viewing the success of East Asian developmental states as an outcome of "specific institutional arrangements", Mkandawire (2001: 309) believes African countries can through hard work and steely determination turn their states into capable administrative machineries.

> The way forward does not lie in the whole sale neglect of existing capacities in the quest for 'new' ones, but in the utilisation, retooling and reinvigorating of existing capacities including reversing the brain drain and in the rebuilding of the educational and training institutions in light of long-term developmental needs (Mkandawire 2001: 309).

Evans (1989) observes in the same vein that building capable bureaucracies does not imply perfection or the existence of flawless institutions. Rather it means subduing venality in critical parts of the civil service machinery. Critical to Evans is the willingness and efforts taken to constantly improve conditions and the workings of the bureaucracy such that its general performance is more positive. It is this more realistic achievement that other aspirant countries can emulate from successful developmental states. In line with his observations Grindle (2007) coins the concept good enough governance.

According to good enough governance the idea is not to address all governance deficiencies before significant developmental progress can be made by countries. Good enough governance seeks to use the most minimal conditions to undertake needed intervention. It affords countries, even African ones, the opportunity to ask relevant questions regarding extent capacities within their institutions and to suggest appropriate solutions. It therefore has implications for the content of interventions selected by countries.

> Good enough governance, as a concept suggests that not all governance deficits need to (can be) tackled at once, and that institutions and capacity-building are products of time…Good enough governance means that interventions thought to contribute to the ends of economic and political development need to be questioned, prioritized, and made relevant to the conditions of individual countries…good enough governance directs attention to considerations of the minimal conditions of governance necessary to allow political and economic development to occur (Grindle 2007: 554).

The World Bank's 1997 Report argues in similar vein. It maintains that the roles of states should be matched to their capabilities instead of expecting states to do beyond their capacities.

> Matching role and capability is not a simple message of dismantling the state. In some areas much greater focus is badly needed to improve effectiveness: choosing what to do and what not to do is critical. But this involves choosing how to do things – how to deliver basic services, provide infrastructure, regulate the economy – and not just whether to do them at all. The choices are many and must be tailored to the circumstances of each country (World Bank 1997: 3).

By taking selective and appropriates steps relevant to their conditions, African states can begin inching towards being building administrative and bureaucratic capacities necessary for developmental action.

In similar fashion to other African countries, the South Africa state was built from a long history of colonialism, repression and separate development. As a country, South Africa is characterised by racial disjuncture. The country therefore lacks a sense of cohesive nationalism. Its economy has been historically dependent on mining and was built to serve the interests of the white minority to the exclusion of the general population. This set the basis for the subsequent development of the democratic state characterised by a split between political and economic power.

4.3 A South African Developmental State

Drawing from some of the elements found in Africa above and utilizing developmental state features discussed in the previous chapter, the next paragraphs assesses whether South Africa is or can be a developmental state. From this perspective, characterizing the South African state as developmental seems problematic for a number of reasons. In relation to the feature of having a vision and long-term planning, a history of segregation and the injustices of apartheid calls for the state to play a central role. It makes it a key institution in the drive for development through redistribution. Already this indicates that it will not only be narrowly-defined development as economic growth that is pursued but also human capabilities development through redistribution in South Africa.

For the new nation to emerge that is based on democratic ideals, social justice and that enjoys legitimacy from all citizens, there must first be a levelling of the playing fields through deliberate state efforts. This is of acute importance especially when viewed in light of the fact that in other developmental states, the levels of inequality were not as extreme as they are in South Africa. Thus reversing the inherited legacy of inequality and dispossession is not something that can be left to market forces alone. This requires state leadership and the casting of a vision towards a desirable end state where inequality would have been greatly reduced, including a necessary long-term plan for achieving this.

The ANC has already resolved that the state is an important agent for redress and change in the post-apartheid era. State minimalism is therefore out of question since the state is expected to be actively involved in driving the country's vision and development. Ha-Joon Chang (2010) correctly observes that immediately after 1994, the ANC enjoyed massive support and this gave it the rare opportunity to craft a long-term vision and transformation programme so necessary for a country like South Africa with a divided past. Attempts to define a desirable end state and destination has been made several times in South Africa however imperfectly. There was the Reconstruction and Development Programme (RDP) in 1994 which was aimed at widespread social transformation (Freund 2010), the Growth, Equity and Redistribution (GEAR) in 1996, the Accelerated Shared Growth Initiative of South Africa (ASGISA) in 2004, the New Growth Path (NGP) in 2010 and finally the NDP in 2012.

The strategies and plans preceding the NDP were all short-lived and had no long-range planning horizon. For instance, the RDP was replaced by GEAR even before it had been extensively implemented (Luiz 2011). While commitment to a long-range plan has posed a challenge, the adoption of the NDP by government in 2012 was a welcome move. On this score South Africa began to mould itself as a developmental state. In Gumede's view, the RDP, GEAR, ASGISA and the NGP "are among many policy instruments that demonstrate political will and dedicated leadership towards building a developmental state" (2011: 23) albeit they were all formulated under a period of no less than twenty years. However quickly each may have been dispensed with, there has at least always been a conscious awareness of the need for a comprehensive long-range plan.

Regarding the appeal to nationalism and possession of cohesive values, South Africa comes from a divided past where different race groups lived separately and were not even allowed to mix. In the earlier days of South Africa's democracy there was talk of a rainbow nation in the effort to build a new nation. It has since disappeared from national discourse. The country therefore appears to lack a common national identity. This stands in stark contrast to what other developmental states such as South Korea had the fortune of possessing, a long history of national unity. Expressing concerns regarding the seeming erosion of a common national identity, Gumede avers that

> [c]learly the best way forward for South Africa is not the nationalism of any one group, whether Afrikaners, African or Zulu, but what Michel Ignatieff describes as "civic nationalism". In 'civic nationalism', equal rights and shared democratic culture, values and institutions are the glue that holds the country together, rather than ethnic identity. A common South Africanness must be woven around the country's constitution, democratic values, rules and institutions (2016: 43).

To further entrench this civic nationalism, inequality also needs to be arrested. The effects of past racial segregation in a context where some seem to be doing well to the exclusion of others and the disjuncture of apartheid which is still a lived experienced for some citizens works to undercut the spirit of nationalism.

For those living in townships and informal settlements with their depressed economic conditions including poor to non-existent basic services, the dividends of freedom and democracy are yet to be experienced. “South Africa is now one of the most unequal societies in the world” (Gumede 2011: 2). Inequality is now more intra-racial and acute within race groups than inter-racial and between race groups. As Netshitenzhe (2012: 5) puts it “the aggregates on the racial income gap conceal the income inequality within the Black community”.

In this context of continuing inequality even the values encapsulated in the Constitution such as the progressive realization of socio-economic rights, which imply the delayed fulfilment of expectations and were aimed at promoting national and social cohesion, may become difficult to abide by. Evans (2010) observes that a history of dispossession represents a major hurdle for any country aspiring to become a developmental state as it makes the attainment of consensus regarding the appropriate course of development the country must take difficult. Developmental state literature confirms this by showing that the existence of low levels of inequality in earlier developmental states were among factors that made them successful. In South Africa with its extreme levels of inequality, achieving the mean feats of earlier developmental states will be difficult unless arresting inequality itself becomes the target of such a state.

It must however be noted that in terms of dealing with inequality, the South African state has made considerable efforts. Today the state provides social grants to more than 17 million beneficiaries and the impact of these in reducing household poverty have been positive. The state has also undertaken a massive construction programme were it built more than 2 million low cost housing since the dawn of democracy. Regarding these state efforts, Freund (2010: 11) writes that

> [t]here is substantial evidence to show that the state seeks to improve the lot of the poor...It has constructed a great deal of housing in new neighbourhoods with new community facilities, it has extended the provision of electricity and water substantially, and it has created or improved amenities in established black townships.

Other state efforts include consumption-smoothing programmes and relief against loss of income such as the expanded public works programme (EPWP) as part of government's extensive capital infrastructure projects which provide individuals with temporary employment. At local government level, water and electricity rebates are offered to poor households through the expanded social package (ESP) policies. When combined together, all these efforts make a serious dent on inequality. In this regard Gumede observes that

> improvement in people's lives is attributed to…government's poverty alleviation initiatives, amongst others, provision of basic services to indigent households, social assistance support and better housing (2011: 18).

These efforts by government while necessary considering the history of South Africa, have not been without criticism, especially the fact that they are unsustainable and entrench dependency on the state instead of individual self-reliance. They are thus imperfect solutions to a pressing problem. A more sustainable solution that involves a virtuous cycle characterized by the right balance between redistribution-promoting initiatives and concurrent efforts to grow the economy is required.

In terms of the developmental state feature of state discipline, the South African state has both pockets of excellence and areas of malfeasance. In terms of economic and fiscal policy, the National Treasury[11] long enjoyed a reputation as the centre of well-thought out policies whereas other departments, especially at provincial levels, have a reputation for inefficiency and maladministration (Luiz 2011). Many have developed the habit of failing to spend their allocated budgets and rolling-over their budgets with some eventually being placed under the administration of national government. The Eastern Cape and Limpopo provinces have already been under the administration of national government for the poor management of their finances.

Corruption in the awarding of state tenders has led government to establish the National Procurement Office in an attempt to stem this tide. In addition, concerns on the state of the public health system and harrowing stories about the poor conditions of many hospitals often make news headlines. The events of Life *Esidemini* where mental patients died after the Gauteng Health Department placed them in non-governmental organizations without the requisite capacity is still fresh in the minds of many South Africans. Lodge (2007) observes

[11] . The highly publicised efforts to 'capture' and gain control of the National Treasury by the forces of corruption supposedly under Jacob Zuma's presidency wherein those at its helm in the form of Ministers Nhlanhla Nene and Pravin Gordhan were removed from their positions including the alleged bribery of its then Deputy Minister, Mcebisi Jonas also serves to confirm its Weberianness and autonomy as an institution.

that, judging by its educational and health outcomes, the South African state cannot be regarded as developmental. All these reflect a state that has not yet developed the necessary capacity or inculcated discipline as an ethic that other non-state actors could learn from and emulate.

Bureaucratic capability and autonomy also does not hold much promise in South Africa. Capacity is unevenly spread among departments and tiers of government and actually becomes worse as you move from national to local government (Pillay 2007, Makgetla 2011). For some time and under the tenure of Pravin Gordon as the Commissioner, the South African Receiver of Revenue (SARS)[12] had built a reputation for itself as a state institution with requisite bureaucratic capability whereas the Department of Home Affairs was the opposite.

In the past, the efficiency of the former resulted in increasing revenue collection year on year while weak and poor systems including corruption in the latter through the production of fake and duplicate identity documents[13] witnessed a growing concern in South Africa with identity theft becoming a real problem for many citizens. For SARS, things have since been

[12] . This was the case prior to it being taken over by Tom Moyane as the Commissioner (head) and subsequently embroiled in the controversy over allegations that it had established a rogue unit (during Pravin Gordan's tenure as the Commissioner) to deal with those evading tax. Recent reports in the media indicate an institution with declining capacity that has failed to achieve its annual tax collection targets. A much publicized book by Jacque Pauw has since revealed that the reason behind accusations levelled at SARS of a rogue unit were a smorgasbord intended to prevent particular damning tax information on President Jacob Zuma from being publicly known.

[13] . In one instance things came spectacularly to a head in a much publicized incident where officials at this department were held hostage at gun point by a young male that had recently completed his matric and was looking for employment but could not find it because of the torrid time the department gave him in processing his application for an identity document.

spectacularly unravelled with the institutions having become a former shadow of itself and suffering attrition of capable staff.

Prior to the adoption of the NDP as the overarching plan for the country and the earlier adoption by government of the NGP in 2010 to promote economic growth and job creation, presumption of state capacity was among the major criticisms levelled at the latter immediately after it was launched. As Luiz (2011:141) stated it then, the problem with the NGP was that "it does not address the structural weakness of the state apparatus". Writing on the capabilities of the South African state, Levin (2007: 8 & 19) similarly observed certain state weaknesses by mentioning that "there is still a great deal of fragmentation in the macro-organization of the state" and "that challenges still existed, such as the capacity to drive poverty reduction programmes in integrated and sustainable manner".

However, the government's cluster system where departments are grouped and forced to meet regularly and work together represents an attempt at coordination and integration.

> The cluster system…plays an important role in policy formulation and monitoring and evaluation. It…remains a work-in-progress as it is continually being adjusted in order to address the challenges of the specific administrations in South Africa (Gumede 2011: 25).

In similar fashion to the strong performance monitoring capacity that the South Korean developmental state had, South Africa, at the commencement of Jacob Zuma's presidency established a department specifically meant to deal with performance monitoring and evaluation issues. Concern has however been raised with Zuma's ascendance to power on the size of the state that it was too large. Be that as it may, this does not veer from the fact that the capacity of the South African state could be enhanced through strong coordination between departments and spheres of government. In particular, national government would do well to "engage local planning processes and give their own planning a spatial dimension" (Levin 2007: 14). A developmental state in South Africa would thus require the existence of capacity across and within the different spheres of government.

However, with the adoption of the NDP in 2012, care was taken to ensure that state capacity is not merely assumed to exist but that the need for its development was recognised and prioritised in the implementation of the plan. State capacity has now been elevated as critical in the building of a developmental state in South Africa through the establishment of the National School of Government[14] for public servants. The public service also does not stand up to the scrutiny of bureaucratic autonomy as the distinction between the party and the state is often blurred with cadre deployment often pointed as responsible for creating a bureaucracy beholden to the ruling party. Anecdotal evidence indicates that provinces and municipalities suffer from nepotism and favouritism (Makgetla 2011).

[14] . The school was established after the President of the Republic of South Africa approved, in 2014, the National Public Administration Act. Under the Act, the establishment of a school of government was called for. The school exists for the sole purpose of building a public service that boasts capability, professionalism and that is responsive as part of the developmental state.

Concerning the marshalling and availability of capital and finance, South Africa is not necessarily without adequate resources. The good and stellar work carried out by SARS during Gordhan's tenure when it comes to tax collection has already been alluded to although it has since been lost under Moyane[15]. The actual challenge is allegedly not the availability of funds but the ability to spend them and spend them effectively (Levin 2007). In terms of building a developmental state, institutions such as the Development Bank of Southern Africa (DBSA) and the Industrial Development Corporation (IDC) actually possess the financial capacities to drive development (Chang 2010) and could be roped in to assist state departments struggling to spend their budgets. The marshalling and availability of capital and finance therefore poses no major problem but it remains difficult to characterise South Africa as a developmental state since available capital and financial resources are not effectively spent.

In relation to the state being implanted and having networks of embeddedness especially with capital or the business community, the South African state can hardly be regarded as having SBRs of a developmental state type (embedded autonomy). In the past the apartheid state managed to establish relations with capital around the mineral-energy complex (MEC) (Fine 2010). According to Glaser (2001) the MEC included the state, mining capital and the associated heavy industries responsible for providing services to the minerals and energy producing sectors. The South African state, in the past, actually exhibited behaviour akin to that of developmental states albeit with limited success.[16]

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[15] . Today a shortfall of R50 billion is the figure mentioned as a deficit plaguing the country's national fiscus.

[16] . The historical development of the South African state, including its developmental efforts are discussed at length in the next section where SBRs are given separate attention. Brief mention is made here.

It built parastatals and implemented protectionist policies to safeguard industries. For instance, Glaser (2001) writing about developments in the early years of the South African state, the 1920s, under the ‘Pact’ government when the National Party (NP) had forged an alliance with the South African Labour Party observes that industries were supported by government through tariffs, by establishing state run enterprises for steel production such as Iscor in 1928 and through increased aid to agriculture. Gumede (2009) similarly writes that in this regard

> [t]he South African state has had one advantage in that it has prior experience – during the apartheid era – of managing East Asian-style economic reforms. However, the apartheid developmental state was unsustainable because it was premised on excluding the black majority, leaving the apartheid state virtually bankrupt by the late 1980 (2009: 9).

Although it implemented protectionist policies, Glaser (2001) notes similarly to Gumede that South Africa’s growth was muted in the later 70s and 80s and was not comparable to those of other middle-income countries. It did not achieve the spectacular growth obtained by East Asian developmental states in the post-war period. South Africa’s forays in building an export driven economy similar to other developmental states also did not yield exceptional results. Pre-1994 South Africa did not develop a capital goods sector and remained technologically dependent. It built its secondary industry mainly on the basis of import substitution industries (ISI) rather than on the basis of exports. This prevented its manufacturing from achieving economies of scale and left it vulnerable to competition from other countries after its economy was opened in the 90s.

With the onset of democracy and by liberalizing and becoming a signatory to WTO, the country opened itself up to stiff international competition. For some time in the democratic era, it endured a growing trade deficit where it was importing more than it was exporting. It relied on the export of primary goods and commodities in order to generate needed foreign exchange. Its manufacturing sector and industries have bled as a result of cheap imports from countries such as China. Today, South Africa's poultry sector faces serious challenges with the dumping of chicken from Brazil. It also failed to invest in the successful education of the majority of its population. These and other factors meant that despite some successes white-ruled SA did not bequeath a successful development state.

The post-1994 era has however not been all gloom and doom as certain successes were achieved. An example is the automotive industry which has enjoyed government support through incentives. This has seen increasing investment by companies in the sector. However, the South African automotive industry is a high investment low volumes sector with limited potential. South Africa has also attempted to promote industrialization and to capitalize on its comparative and competitive advantage through the Industrial Policy Action Plan (IPAP) which, inter alia, calls for beneficiation in minerals production and the promotion of new sectors such as the green industry. IPAP has now gone through numerous reiterations to keep it updated and relevant to changing conditions. South Africa has therefore had its fair amount of challenges in trying to build and protect its industries and has made efforts to weather global economic storms.

Going back to the subject of SBRs, the connection between the state and business that used to occur in the MEC has since been lost.

> What has happened to the MEC since the demise of apartheid? The interests of conglomerate capital have not been galvanized by the state for internal developmental purposes. On the contrary, conglomerates have successfully pressed for their own strategy of corporate globalization and financialization and, first and foremost, the export of their domestic resources and control. This has governed the role played by the state in its macroeconomic policy…Any prospect of a developmental state has been subordinated to such macroeconomic policy (Fine 2010: 17).

Even under white rule state-capital relations were tense because Afrikaners controlled the state while the English controlled the economy. According to Seekings and Natrass (2011), in the democratic era relations between the state and white capital have remained shaky.

The connection to business largely exist in sectors where black economic empowerment is strong (Lodge 2009). This is because government has sought, through black economic empowerment (BEE), to create a "like-minded" class of black capitalist along similar lines to what was done in Malaysia where the state deliberately targeted native Malays for empowerment (Freund 2006: 11). However, even with the adoption of BEE, black ownership of assets on the Johannesburg Stock Exchange (JSE) as a proxy for measuring the size of a black capitalist class is still low rendering the existence of a large black business class negligible. The limited connection with business was due to the fact that

> when the ANC came to power in 1994, it had very little direct business representations at all, no Establishment voice within its direct ranks. The Reconstruction and Development document which served as a kind of election manifesto had little to offer business except for very small-scale entrepreneurs (Hirsch 2005 in Freund 2006).

The democratic government could not resort to a non-existent black business without first building it because the apartheid state had not created conditions in which black business could flourish. Handley (2008: 33) notes that prior to the onset of apartheid, as far back as the late 1800s and early 1900s alongside Afrikaners, “Africans, had established small businesses in the cities”. This however was not equal to or of similar extent as their white counterparts. In fact, the need for cheap labour in the mines led to blacks being separated from the one means of subsistence they had which was land (Handley 2008: 34-5).

Subsequent to this and with apartheid in full swing, in 1963 the state strengthened its repressive forces to ensure the non-survival of black business. Black business was confined to “small-scale trade in daily products such as soap, bread and tea” and in townships to “petty commerce and, in particular, mini bus taxis” (Ponte, Robert and Sittert 2007: 939-940). Thus black business was noticeable by its weakness and limited presence. A different pattern emerged in former Bantustans were blacks were confined by the apartheid state for self-rule.

In an attempt to implement its grand policy of separate development against an increasing groundswell of opposition, the apartheid state created a number of institutions.

> This led to the proliferation of political and administrative institutions for each of the population groups, and to the emergence of the bureaucracies and local elites they spawned (Lipton and Simkins 1993: 8).

Thus the Bantustan system that was introduced by the apartheid state resulted in the formation of an enclave of black elites and businessmen. These included the children of traditional leaders and chiefs who went to missionary schools (Freund 2006). The formation of development corporations in these Bantustans also contributed to the formation of a black business class albeit to a limited extent. On the score of forging relations with the business class, therefore, the odds are stacked against regarding South Africa as a developmental state. The relationship between the South African state and business is taken up again later in a separate chapter.

4.4 Summation and Conclusion

This chapter began by examining the chance and potential for developmental states in Africa. It discussed some of the challenges that African states have to contend with and how these negatively affect their ability to be developmental. These challenges include a history of colonialism and the lack of ethnic homogeneity, ineffective ideologies of development and patrimonialism which has had the effect of weakening the state. The chapter then went on to assess the South African state's chance at being developmental. Scrutinizing the South African state through the lens of the distilled key developmental state features showed that it was wanting in most of them. The next chapter attempts to establish if local governments can perform a developmental function. It starts off by first discussing a developmental role for local government and what such a role would entail.

CHAPTER 5: DEVELOPMENTAL LOCAL GOVERNMENT

5.1 A Developmental State Perspective on Local Government

While developmental state theorising suffers from an excessive focus on national states, examples of sub-national analysis exist. In the Chinese developmental state, the role played by local governments in its economic success (Ong 2012) provides a good example of the developmental role the local state can play. The rapid growth and transformation of the economy of the Chinese developmental state has been attributed, *inter alia*, to a change in the organizational capacity of local government.

> The local state in China has followed in the footsteps of the East Asian developmental state. In Japan, Taiwan and South Korea, economic bureaucrats selected industries that they regarded to be of importance for future development and directed capital into these industries, whereby they gained competitive advantage…In China, the local state has also targeted certain sectors, enterprises and projects for promotion (Edin 2003: 288).

In what was known as "local state corporatism" (Oi 1992: 101), it was the ability of local government "to monitor and intervene to promote the development of township and village enterprises" (Nee 2009: 3) that contributed to China's success. Local government provided support to enterprises by coordinating infrastructural projects, establishing industrial parks and industrial zones where enterprises could locate.

As a result, positive developmental outcomes were attained in China due to local government having a reputation for efficient and timely bureaucratic procedures, building industrial parks with the necessary infrastructure and providing services without fail (Nee, Opper and Wong 2004). In South Korea, with the passing of time urban local governments also increasingly began to play a developmental role by mobilizing support from the business sector and through the forging of growth coalitions (Bae and Sellers 2006).

In line with the above and other developmental state features discussed so far, a developmental local government would then imply local governments that are vision-driven and that can rally everyone behind their vision. These local governments would work towards a clearly defined long-term agenda by building the necessary alliance for its execution. The vision and agenda would be one that seeks to grow the local economy and place it on a development path, a path where the needs of its citizens would be addressed. In order to unite all, developmental local governments would need to have relations with business and to enjoy support from this sector. They would be responsive and externally oriented rather than be internally focused and non-responsive.

From a developmental state perspective, developmental local governments would also need to have capable bureaucracies and administrations if the visions they have set for their localities are to be realized. Individuals in the employ of developmental local governments would have to boast the right set of skills so that they are able to drive their plans and visions without fail. These would be municipalities filled with technical and professional personnel that are impervious to external influence and are driven by the desire to implement policies towards achieving the long-term vision of the municipality. In these municipalities there would be a clear distinction between bureaucratic and political functions. Therefore, municipal bureaucracies and administrations would be autonomous and capable.

In addition, developmental local governments would be local governments that are able to command enough capital and financial resources to fund their developmental plans and long-term visions. They will have the ability to leverage on these financial resources to build strategic partnerships with the private sector in particular for the economic advancement of their localities. Does developmental local government as conceived in South Africa fit this mould? The next section discusses the creation of developmental local governments in South Africa and assesses if they can play a developmental role as envisioned.

5.1.1 South African Local Government

Local governments in South Africa are traceable to the 1600s. They were initially established to deal with disputes among farmers and later on for the management of local affairs (Binza 2000: 72). From the 1800s to 1910, the British introduced their system of administration in South Africa and began describing the role of local authorities in legislation (acts, ordinances and by-laws).

> It was in terms of the Cape Municipal Ordinance, 1836 (Ordinance 9 of 1836), that provision was made for the existence of local authorities in the four provinces demarcated by the then apartheid government, namely: the Cape in 1836, the Natal in 1847, the Transvaal in 1853, and the Orange Free State in 1856, now abolished (Marais 1989:64 in Binza 2000: 74).

Binza further notes that the types of local governments that came to exist at the time included rural, peri-urban and urban local authorities. All local authorities in South Africa prior to 1994 had to implement the segregationist policies of the apartheid state. Through legislation, the Natives Act, passed in 1923 and in the effort to control the free movement of blacks, the framework for control by central government on black local government was put in place.

> The Act empowered municipalities to establish segregated locations for Africans, to implement a rudimentary system of influx control, and to set up advisory boards, bodies which would contain African elected representatives and which would discuss local issues affecting Africans, but without any power to change policy. The Act also required municipalities to institute native revenue accounts, into which would be paid all income derived from beer-hall sales, rents, fines and fees levied from Africans (Maylan 1990: 66).

Through this legislation, "[a]dvisory committees for black townships were established under the auspices of white municipalities and remained effective until 1971" (Binza 2000: 74). The legislation also entrenched "a self-financing system which shifted as far as possible the burden of reproduction costs on to urban Africans themselves" (Maylan 1990: 67). Due to their non-representativeness and the financial burden they imposed on communities, local governments in black areas contended with a lot of resistance. They were democratised after 1994.

Post-1994 local governments are an outcome of the Local Government Negotiation Forum (LGNF) which was an offshoot of the main negotiations in the form of the Congress for a Democratic South Africa (CODESA) that led to the first democratic elections in 1994. In contrast to the main negotiations where a national democratic settlement was discussed, local government negotiations sought to discuss pertinent local government issues (Swift 2004). In many ways, the current local government system in South Africa is an outcome of the political history of the country especially when viewed against the notion of making a "break with the past" (Nyalunga 2006: 17), an undesirable past in fact, where the majority of citizens were excluded through discriminatory apartheid policies.

Politically, they were an outcome of the ANC's desire to avoid a divided past and to build strong unified localities but they were also a result of smaller political parties' strategy to have a political system with federal features (Steytler 2005). These parties believed that under such a system they would have a fair chance at political survival. As such local governments were the result of a compromise.

Historically, the majority of black citizens did not enjoy the same levels of services as their white counterparts. Local governments that initially existed in black areas, before their reform, were presided over by special bodies which were white-led but appointed to look after black interests (De Visser 2009). Thus, they were not truly representative of the communities they served and were viewed by communities with scepticism and cynicism. When this was reformed through the appointment of black councillors in an effort to make BLAs representative, communities protested in opposition to what they regarded as 'window dressing' and collaboration with the apartheid state. The local state became the site at which community dissatisfaction against apartheid was vented. This was either through protests at increasing rental rates or as part of the overall strategy by liberation movements to make the country ungovernable.

At the dawn of democracy BLAs had inherited huge infrastructure and service delivery backlogs (Koma 2010). In crafting a new local government system, the intention was therefore to tackle these challenges head on and reverse this state of affairs in what was referred to as a clean break with the past. A clean break also meant doing things in diametrically opposed fashion to the past by providing services equitably to all – something that was not the practise in the past. The aim was to create strong local governments, what came to be known as "developmental local government" that would be seized with the mission to promote development in their localities and doing this in partnership with communities. Chapter 7, Section 153 of the Constitution maintains that in terms of its developmental functions, a municipality must

> structure and manage its administration and 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.

This means the institutional configuration of local governments had to be primarily aimed at fulfilling their developmental function. According to Atkinson (2003), the 1998 White Paper on Local Government identified four characteristics that were critical to developmental local government. These included maximizing social and economic development, integrating and coordinating the development activities of various agents, democratizing development through meaningful community participation and providing leadership including promoting the building of social capital.

In pursuit of their developmental function, legislation today requires that each municipality, in conjunction with the community and other stakeholders annually develop an integrated development plan (IDP) that lays out the projects each locality intends to undertake in an effort to promote and achieve development. The developmental focus of new localities was therefore clearly in view from when they were crafted at inception.

5.1.2 The Content of Developmental Local Government

Developmental local government therefore entails municipalities that have their sights set on addressing the basic needs of communities. As such communities' basic needs had to remain top of the agenda in everything municipalities did. In the words of the Municipal Systems Act of 2000, this implies using "the resources of the municipality in the best interest of the community". According to Koma (2010: 111) this places "local government at the epicentre of the government delivery system and at the heart of poverty eradication initiatives". This means local governments are responsible for improving the lives and restoring the dignity of citizens.

In addressing the basic needs of communities, developmental local governments are expected to involve communities in developmental processes meant to benefit them. This means unlike in the past where communities where not involved in the governance of municipalities, giving communities voice and agency in development by democratizing its process. This would ensure that the aspirations of communities are factored in and responded to in the process of driving development within a locality.

Developmental local governments were also expected to promote social and economic development. In this regard they needed to increase access to economic opportunities by communities and they also had to come up with innovative programmes that empowered individuals to do things on their own and for themselves. This they had to do in a sustainable manner, meaning they had to deliver services in an effective and efficient manner (Institute for Local Government Management 2009). This called on local government to explore varied models of service delivery and to establish what works and what does not. As Edegheji (in Luiz 2011: 139) correctly observes, the provision of basic service requires capacity that was unlike that of coordinating industrial development which needed the state and business to work together. Providing basic services required even more stakeholders and complex coalitions.

Developmental local government therefore require of municipalities to possess the ability to interact and manage multi-layered relations. As such they needed to have “effective leadership”, “functional service delivery” and “financial and fiscal stability” (Edegheji in Luiz 2011: 139). Developmental local government required of municipalities to possess capacity in its totality – individual, institutional and environmental – in order to deliver on their mandate (Koma 2010). According to Koma, leaders in municipalities need to be clear on the visions they had for their cities and towns. These municipalities needed to have “strategic planning and strategic visioning” (Institute for Local Government Management 2010: 3). Their administration required personnel with skills, competency and knowledge. Atkinson (2003) maintains that to deliver on their developmental role, local governments also needed to have management and development capacity.

Rather than being involved in local economic development projects themselves, developmental local government needed to provide management support towards this. By factoring the provision of business development support services for instance, into their local economic development strategies, developmental local governments would live up to their policy intent (Rogerson and Rogerson 2012). The two Rogersons believe local economic development provided an ideal area where local governments could forge partnership with the private sector. By aligning their local economic development strategies with the needs of small businesses in their localities, local government would create a favourable environment where small businesses would thrive. This would augur well with developmental state theory which emphasizes the state's recognition of the private sector as an important ally and partner in development.

But Rogerson and Rogerson (2012) decry the parlous state of local government and the "disconnect" of their local economic development strategies with small business development. They further point to the inability of local municipalities to carry out basic economic analysis of their areas in order to leverage on their competitive advantage. On its own this compromised local municipalities' ability to promote economic development which is an essential element of their local development function. Rogerson and Rogerson (2012: 55) write at length on the relationship of distrust between municipalities and the private sector.

> Throughout most of South Africa, the private sector either has been left out or chosen not to be involved as a result of the mutual suspicion that exist between public and private sectors, making dialogue between the two groups extremely difficult...Mistrust premised on divergent ideological beliefs and, correspondingly, on different priorities. Essentially, the public sector believes that business is anti-poor and business believes that government is welfarist and anti-profit in outlook...Private-sector apathy towards local government-led LED has been further enhanced by its experience of local government bureaucracy, red tape and unproductive "talk shops" where much is promised but little of benefit to the private sector is actually produced...the inherent tension between public and private sectors are compounded

> by the need to transcend the apartheid legacy of a mainly white-owned and controlled private sector and predominantly black public sector. The core problem is a need to construct "...the necessary 'soft factors' of cooperation – trust and social capital".

With this being the general state of affairs regarding relations between the local state and the private sector, it is of critical research interest to understand what the situation is in the city of Johannesburg and whether this spells good things for the building of a developmental state.

5.1.3 Challenges Confronting Developmental Local Government

Effort to build and entrench developmental local governments confronts many challenges. For instance, evidence shows that when it comes to IDPs, many municipalities relied on consultants to carry out the IDP process even though this practise has waned somewhat as some of them have managed to develop the capacity[17] to handle this process on their own (De Visser 2009). Atkinson (2003: 5) writes at length on the poor quality of some of these IDPs and asserts that they were infrastructure plans or spatial development plans developed by engineers or town planners and that, they did not engage with critical developmental issues such as "poverty alleviation strategies, SMME promotion, or investment attraction". The Institute of Local Government Management (2009: 9) similarly observes that

> [t]he importance of the Integrated Development Plan (IDP) as a strategic document has been down played if not frustrated or compromised by the introduction of other systems of planning such as the City Development Strategy (CDS).

[17] . In relation to this, the former Chairperson of the South African Local Government Association (SALGA), Thabo Manyoni, recently noted that when it comes to public participation, "many municipalities have strong public consultation and participatory mechanisms in place and these are continually being refined" (2017: 18).

While they are expected to be developmental, constitutionally, local governments operate within a system of cooperative intergovernmental relations (Chapter 3, Section 40 of Constitution, Act 108 of 1996). As a sphere, the local state exists on the same plane with provinces and national government. Similarly, to other spheres of government, local governments have both legislative and executive powers. In this system of cooperative intergovernmental relations, the three spheres of government are "distinctive, interdependent and interrelated" (Constitution, Act 108 of 1996).

The Constitution enjoins the three spheres to cooperate with each other. In this way, the local state is part and parcel of, and should exist within a web of relations with other spheres of government and not in isolation. "[I]nterrelatedness and interdependence of the spheres of government referred to in the Constitution...suggest that local government executes its functions within a national and provincial policy" (Madumo 2012: 44). Whatever it undertakes to do, the local state is obliged to and must always take into consideration the effects of its actions on other spheres of government and seek their consultation.

This can be both constraining and advantageous to the developmental function of local government. Constraining because the local state does not have the freedom to act unhindered but must always consider the impact of its actions and consult with provincial and national governments when necessary. This places an added burden on local government and does not guarantee success out of this consultation process. The intergovernmental system put in place for managing these cooperative relations has not helped the situation.

> [T]he system is viewed as poorly supported by the intergovernmental structures established to drive cooperative governance...the existing cooperative governance model in South Africa has not succeeded in striking the correct balance between securing national policy interests and protecting local government autonomy (Rogerson and Rogerson 2012: 46).

Where it happens however, intergovernmental consultation can be advantageous to the local state because from this consultation it stands to benefit from the support and extra capacity of these other spheres of government – assuming this support can be provided. As an example, municipalities in Mpumalanga were assisted by the intervention of higher spheres when they experienced major service delivery failures (Rogerson and Rogerson 2012). Sections 139 and 154 of the Constitution actually require provincial and national governments to support and intervene in any municipality that struggles to provide services to communities.

Thus in attempting to realize the developmental function of local government, institutional measures were put in place to ensure that where local municipalities failed, other spheres of government could intervene and provide support.

As part of their developmental mandate, Chapter 7 of the Constitution requires of local governments to run their affairs in a democratic and accountable manner, achieve participatory and transparent governance, promote social and economic development and provide services in a sustainable manner. In making their developmental role a reality, local governments have undergone a long and arduous transformation process. They have so far gone through four democratic elections already, viz. 2000, 2006, 2011 and 2016. A battery of legislation was drafted which included the Municipal Demarcations Act of 1998, the Municipal Structures Act of 1998, the Municipal Systems Act of 2000, the Municipal Financial Management Act of 2003 and the Municipal Property Rates Act of 2004.

Their boundaries have been demarcated and re-demarcated to make them viable. Mobility, demography, infrastructure and other factors such as whether areas are under the control of traditional leaders or not, were taken into account in effecting demarcation. As we write there are currently 278 local municipalities in South Africa – having been whittled down from more than 800. On its own, this placed a huge challenge on the ability of local governments to run their affairs smoothly and efficiently. The mammoth administrative integration this entailed was never fully acknowledged by policy makers (Atkinson 2003).

This creation of new wall-to-wall municipalities across the length and breadth of South Africa over just a period of two years was bewildering and the first in the world (Ovens and Associates 2013). The scale of this process was so big it could not have been completed within such a short period of time without presenting serious challenges. Some of the municipalities have been found to be unwieldy (Joffe 2003). The demarcation and re-demarcation process has also not been without challenges and has, in some instances, elicited anger and created a wedge between the state and communities as the latter resisted being removed from one province for inclusion in another. The protracted battle between the state and the community of Merafong, which protested against being moved from Gauteng and being placed under the North West, is a case in point[18].

There are currently three types of municipalities according to the Constitution and the Municipal Structures Act. There are metros, ordinary municipalities and districts that the Municipal Structures Act respectively labels Categories A, B and C. Major differences exist between these municipalities in terms of capacity even though in terms of the local government legislative framework they are all expected to perform at similar levels. A comprehensive and officially endorsed differentiated approach that treats municipalities differently based on their divergent capacities has not yet been developed (Ovens and Associates 2013, Rogerson and Rogerson 2012).

In terms of a differentiated approach, the Report on the State of Local Government in South Africa (cited in Koma 2010: 118) noted that

> cities such as Cape Town, eThekwini and the Gauteng complex (City of Johannesburg, the Ekurhuleni and City of Tshwane), may require special legislation and functional planning authorities to maximize their role in building the national economy, whilst rural municipalities in former homeland areas for example, need to be released from

[18] . Other instances include the destabilisation of the Vhembe District in Limpopo where communities protested the demarcation process and went on a rampage to destroy community infrastructure, viz., the much-publicized burning of 18 schools that left the nation shocked. Another concerns the demands by the African Independent Candidates (AIC) party after the 2016 local government elections, which has entered into a coalition government with the ANC in Ekurhuleni metro based on the agreement that national government will not go through with the demarcation of Matatiele from Kwa-Zulu Natal to the Eastern Cape. Although the ANC has promised to ensure that this happens, the demarcation process is not something determined politically and whether this will happen remains to be seen.

the complexities of compliance with an integrated development plan that far surpasses their capacity to implement.

Metros or Category A municipalities are big cities and centres of economic activity that wield huge budgets and attract the most skilled individuals to their administrations through the competitive salaries they offer. These possess a fair amount of autonomy and are able to raise the required revenues necessary for the running of their operations even if inefficiently so. They therefore have the potential to play the envisaged developmental role.

Districts and other ordinary municipalities or Category C and B municipalities are often made up of rural and small municipalities that rely on national grants in the form of the Local Government Equitable Share (LES). Without a big tax base, these municipalities are unable to raise enough own revenue and often their administration lack adequately or even skilled individuals (Municipal Demarcation Board 2011). Facing this resource and capacity constraint greatly reduces their ability to play a developmental role.

In addition, the two-tier system where some municipalities are part of a larger municipality, a District or Category C municipality has resulted in additional complications. Under this two tier system, certain functions such as the provision of bulk infrastructure are performed by districts whereas the municipalities falling under them carry out ordinary municipal functions. In terms of legislation, district municipalities have also been given the responsibility to assist municipalities falling under them with capacity issues where this is lacking. In some instances, district municipalities have, themselves, been found to be without any capacity.

District municipalities have also struggled to coordinate their functions with those of municipalities falling under their remit. The Municipal Capacity Assessment Report of the Municipal Demarcation Board (2011) found that there exists duplication between districts and municipalities falling under them. Under these circumstances it is difficult to see how these municipalities will become developmental. Since they still have to contend with these internal issues, their developmental function of prioritizing and delivering basic services to communities including promoting social and economic development often gets compromised due to not being given adequate attention.

Further to this, local governments in South Africa have been involved in a tussle with other spheres of government over responsibility for certain functions. Clarity over responsibility for housing and other emergency health care services has been a bone of contention between local governments and provinces as to where they should be best located. As Rogerson and Rogerson (2012: 46) puts it, “there is uncertainty about provincial government’s role in service delivery, the consequence is intergovernmental conflict and competition over powers and functions between provinces and their local governments”.

A rational system for dividing powers and functions is yet to be developed (Ovens and Associates 2013). Thus the current institutional arrangements place a hurdle in the ability of districts and local municipalities’ ability to play a developmental role.

Service delivery protests have also become a characteristic feature of the South African local government political landscape. A number of explanations have been proffered for these including local ward political factions, involvement of a third force and poor service delivery (Mathekga 2006). An explanation that stands out however concerns the failure by municipalities to engage and communicate with their communities (Institute for Local Government Management 2009: 8). Municipalities have been found to fail at one of their most fundamental developmental function of drawing in and involving communities and residents in their affairs and operations. They have been found to be inaccessible and to carry out their functions at arms' length. They have therefore not shifted from being internally oriented to being outward and responsive. As such they cannot be regarded as embedded in their communities, which is an important feature of developmental states.

As a result of frustration at the existing distance between themselves and their municipalities, citizens across the country often take to the streets in protest, sometimes even destroying the very facilities built by municipalities for their benefit such as libraries, clinics and municipal offices including barricading the roads and making it difficult for other road users to traverse them. In some townships, the destruction of traffic lights by protesting communities has become a frequent occurrence. In other instances, pupils are forced to miss innumerable days and weeks of attending school as protesters turn them back home in the effort to attract the attention of those holding political authority.

As per the Constitution we have intimated that South African local governments operate within a cooperative intergovernmental relations system. In this system national and provincial governments have been given the responsibility to support and intervene in those municipalities that struggle to perform their functions. In fact, up to date a number of municipalities have been brought under the administration of provinces. “The number of municipalities under administration has remained high” (FFC 2013: 119). Even with the institutional arrangements in place to ensure that the local state performs its developmental function, overall support to local governments from other spheres has been less than adequate.

> [M]ost national and provincial departments with supervisory and regulatory responsibilities over municipalities, are not playing their role of specifying regulatory norms and standards, specifying processes of monitoring and supervision, collecting regular performance information (Municipal Capacity Assessment Report 2012: vii).

The Institute for Local Government Management (2009: 5) notes in similar vein that

> [n]ational and provincial government have also either failed or are hamstrung by legislation in assisting municipalities to deal with the developmental expectation of local government, as many, including the national department are suffering from the same challenge of incapacity and inexperience.

In another place, the Financial and Fiscal Commission (2013: 150), writing on the poor support given to rural municipalities mention that, “interaction and support from higher spheres of government to most rural municipalities have been poor”. Under these circumstances, it is difficult to see how local governments in South Africa can grow into their developmental image as the challenges that they still have to contend with appear almost insurmountable.

As per what was envisioned, developmental local governments are supposed to be well-run local governments that take the lead in driving development within their localities. These would be local governments that are run transparently and where communities enjoy access to municipalities concerning all local issues they may want to raise. Together with their communities, developmental local governments would forge the necessary partnerships that would put them on a path towards their growth and development. These would be municipalities that have the financial wherewithal and other resources essential for the attainment of that elusive goal of development.

Where they fail, developmental local governments would also stand to benefit from the support coming from other spheres of government which would ensure a seamless provision of services to communities. Ideally, developmental local governments would possess progressive institutions and be outwardly oriented. These would be local government that responds to their citizens' concerns, respond creatively to problems and challenges and be at the forefront of formulating innovative responses and solutions. With the challenges that they face, local governments are finding it increasingly difficult to grow into this expected developmental image. As Atkinson (2003: 11) puts it

> [f]or the model of 'developmental local government' to be realised in practice, more funds as well as sustained institutional mentoring need to be provided.

However, cities or metropolitan municipalities as earlier intimated, hold far greater promise than other forms of municipalities to can grow into and play a developmental role.

5.2 Cities and Their Developmental Role

The 1998 White Paper on developmental local government gave "three compelling reasons" as to why the metropolitan form of government was necessary (SoCR 2011: 122). These included a more equitable distribution of resources, spatial integration through strategic planning and investment coordination and lastly, the development of coherent policies that would lead to the better performance of cities. Cities are critical to the country's economic development through the position they occupy. "Metro economies are more self-sufficient and robust than rural economies, which rely heavily on transfers from urban areas" (Turok 2013:11). The role of cities in national economic development is also an uncontested one.

> Factors that economists call the 'agglomeration effect' mean cities are inherently more efficient and generate more economic growth than rural areas…This has been true for centuries. Before the modern conception of the nation state, cities were at the centre of development (De Vos 2015: par 5).

Freund notes in similar vein that "cities in South Africa have long been involved with economic growth initiatives" (2010: 3). In particular, cities have a role in national development through urbanization. In South Africa where people in the past never enjoyed freedom of movement, "the creation of post-apartheid cities will assist in terms of the flow [migration and general movement] of people" (Kgosana 2017: 10). Drawing from the 2011 Census, Karuri-Sebina (2016: par 4) notes that

> cities are already making tremendous economic and social contributions in South Africa. Our cities host the highest population concentrations, with the estimated populace of the eight metros alone comprising 40% of the total national population.

In addition, through “localized external economies of scale” and the resultant ‘’knowledge spill overs’’, cities offer industries a “powerful incentive to cluster” (Henderson 2010: 515-540). From an access and rights perspective, there is room for an enhanced role of local government especially cities, within the developmental state paradigm. “[T]he concept of the rights-based city offers innovative ways of advancing debate about the developmental state and places a more empowering agenda on the table” (Parnell and Pieterse 2010: 149). In addition, “the urbanization of poverty also underscores the imperative of downscaling the emerging debate about the developmental state to the city scale” (Parnell and Pieterse 2010: 146).

The contribution of South African cities to the national economy is already an immense one. The five largest metros contribute almost 60% to the country’s gross valued add (De Vos 2015). Karuri-Sebina (2016: par 4), having assessed their economic contribution, concludes that “urban centres must be acknowledged as important assets for our country’s economic development and social cohesion.”

Their strong economic position has also made cities politically important. “The trans-nationalization of economic activity, and the shift to a service based economy have all increased the political centrality of the city” (Tilly in Heller and Evans 2010: 434). Moreover, cities are also terrains in which political power is contested. “Cities can be deeply divisive settings” and historians “have stressed the urban context in looking at the origins of segregation and apartheid". (Freund 2005: 12). Heller and Evans corroborate this by further noting that

> these massive urban concatenations showcase the most durable and disturbing forms of contemporary inequality. They are also homes to the most vibrant and promising forms of democratic contestation, sites for the construction of citizenship (2010: 433).

Beyond their economic and political importance, cities are also areas in which different cultures find expression. Large metros "also serve as cultural centres, with a large uninhibited culture industry, with thousands of often young people engaged in fashion design, architecture, art, and theatre" (Henderson 2010: 515-540). In essence, cities are attraction-drawing and identity-forming in nature and in South Africa as "cultural calabashes"

> cities were also places where people came together... cities drew South Africans closer in values, ideas and customs…there is some common South Africanness that emerged as a result. In the cities, men became excited about sport and gambled on horses. The city is indissoluble from the diffusion of modern media. The whole population was transfixed by the cinema…Newspapers are quintessentially urban creations. Isn't it in the city that black people created flytaal with all its Afrikaans and English borrowings? South African argot which straddles different languages must be in good part an urban creation. Isn't jazz an urban art form which holds quite deep meaning to many South Africans of different cultural origins? It is no doubt in certain kinds of urban spaces…that common experiences (inclusive of conflict), helped to shape consciousnesses (Freund 2005: 12).

Critical as they are economically, politically, culturally and eventually developmentally, South African cities are not without problems.

5.2.1 Challenges Confronting Cities

The challenges confronting cities in South Africa include those related to their autonomy, functions and finances. A decade after their establishment, the South Africa Cities Network (SACN) noted in one of its State of the Cities Report (SoCR) that

> metropolitan government has struggled to cope with the competing demands placed upon it and to address the fundamental challenges of social and spatial inequality, unemployment and poverty. The many signs of systemic stress and vulnerability include political instability and factionalism; institutional capacity constraints and mismanagement; insecure revenue streams and under-investment in infrastructure and services (2011: 139).

De Vos (2015) similarly bemoans the inefficient manner in which South African cities function, their unintegrated nature and the fact that while they contribute a large proportion to South Africa's gross domestic product, their total budget allocation pales in comparison. In De Vos' view, the allocations of functions between cities and other spheres is problematic. For instance, "regular policing is best done at a city level. Instead, we have a situation where policing is organised nationally without reference to local government" (De Vos 2015: par 13). Furthermore, when it comes to their autonomy, "most of the important functions performed by our cities are prescribed by national legislation and there is very little latitude" (De Vos 2015: par 13). The autonomy of cities is highly circumscribed.

In terms of the revenue and finances, De Vos notes that the largest revenue source of cities is the property rates tax and it is the only tax they can raise. Cities therefore do not have much space for raising revenue. Karuri-Sebina (2016) similarly notes that

> South Africa's largest cities manage R20-40 billion worth of revenue annually…Consistent with their relative economic strength, our cities generate over 80% of their revenues through service fees and property rates, and receive less than 10% of the national equitable share distribution despite their majority GDP contribution (2016: par 4-6).

There is thus no incentive for the city's good performance in terms of the country's fiscal framework[19].

De Vos (2015: par 18) concludes by stating what must happen for cities to play a central role in development:

> if we are to reform the structure of government, we should start by acknowledging the right of large cities to plan, with the rest of government taking its cue from these plans. We could confer those powers already held by provinces to our metros and then go further and include some functions that are currently a national government competence to our metros as well. But if this is to be effective, the cities' revenue model has to change and include a share of income generated within the city boundaries. If this were to occur, a number of additional opportunities present themselves. Instead of relying on current income and national government grants, cities could tap into the capital/debt markets and use long-term borrowing to support necessary capital investments in economic infrastructure.

Karuri-Sebina (2015) maintains that there is much to be hopeful for regarding the performance of South African cities. She asserts that there is much positive to look for in cities with the majority of them having put their affairs in order as attested to by the majority

[19] . Kgosana similarly notes that "some of the challenges facing municipalities arise out of the fiscal framework which needs to be reviewed" (2017: 11).

getting unqualified audits when it comes to the management of finances. Kgosana similarly observes that, on a more general scale, “while there has been some stability in the last financial years, a number of municipalities, about 50 percent of them, now boast unqualified audits” (2017: 12). Karuri-Sebina (2016: par 11) concludes by stating that, “for cities to work as real drivers of growth and development, there is a need to put the levers (financial leverage linked to the local economy) and tools in their hands.” Even with their challenges however, cities possess great potential for playing a developmental role compared to other types of municipalities.

5.3 Summation and Conclusion

This chapter began with a discussion on the developmental role of local government. It then proceeded to discuss what a true developmental local government would entail and look like. The historical origin of developmental local government in South Africa was then discussed. The requirement by local governments to address the inherited backlogs and needs of communities was underlined including their integral nature to service delivery. Mention was made of the need by local governments, in playing a developmental role, to involve communities in their own development efforts, to pursue sustainable socio-economic development and for them to develop particular capacities. These capacities, *inter alia*, included the ability to explore varied service delivery models, the ability to engage in multi-layered relations and interactions, strategic planning and the need for them to possess the capacity for development management.

The state of local governments was assessed including the challenges they contend with. Among these were the poor capacity some municipalities possess, their operation in the context of cooperative intergovernmental relations which limits their autonomy and the effect of the massive changes they have gone through, which continue to affect their institutional performance. Further challenges included a tussle by the local sphere with other spheres for particular functions, increasing services delivery protests and the poor intergovernmental support they suffer from.

The conclusion was that South African municipalities are yet to become developmental. Cities or metros however have the potential to can play a developmental role. They contribute immensely to the country's economy. Cities were also important for their political and cultural roles. They however have their own challenges to contend with such as inadequate resources for their infrastructure needs.

CHAPTER 6: STATE BUSINESS RELATIONS

6.1 Developmental States and State Business Relations

Developmental states, as intimated earlier were not antithetical to capitalist development or opposed to the attainment of collective economic objectives but attempted to pursue economic growth together with diffusion of its benefits at the same time. On the market side, developmental states drew in and gained the cooperation of the private sector such as the capitalist class in order to advance their objectives and project of accumulation and economic growth. Developmental states achieved these constructive relations with business, through the feature of embedded autonomy (Evans 1995).

6.2 Embedded Autonomy and State Business Relations

In contrasts to predatory states which lacked embedded autonomy and "extracts... investable surplus", "provides little in the way of collective goods" and "impede economic transformation", developmental states because of embedded autonomy, "foster long term entrepreneurial perspectives among private elites by increasing incentives to engage in transformative investments" (Evans 1989: 563-4). Zaire, under Mobutu Seseseko, where clientelistic relations held the regime together, is mentioned by Evans as an example of a predatory state. In this state, which was an aberration of the developmental state[20], ties to outside agents existed but there was no internal autonomy of the bureaucracy and this served to undermine the effectiveness of the state.

[20] . Having said this, it must be added that developmental states were not necessarily states without venality or graft. As Evans mentioned, such states "may not be immune to rent-seeking or to using some of the social surplus for the ends of incumbents and their friends than those of the citizenry as a whole. Yet on balance, the consequences of their actions promote rather than impede economic adjustment and structural transformation" (1992: 147-8).

There was embeddedness and immersion of the state without autonomy whereas what was actually required for developmental effectiveness, according to Evans, was embedded autonomy. Under embedded autonomy, which according to Evans was a key feature of developmental states, the state was both able to maintain its autonomy from being held captive by sectional interests such as the rent-seeking classes while at the same time it managed to remain connected to society at large. The autonomy part of the state speaks of its internal characteristics and structure.

> The internal organization of developmental states comes much closer to approximating a Weberian bureaucracy. Highly selective meritocratic recruitment and long-term career rewards create commitment and a sense of corporate coherence. Corporate coherence gives these apparatuses a certain kind of "autonomy" (Evans 1995: 12).

Evans wrote in the case of Japan's effective state that

> if MITI (Ministry of International Trade and Industry) were not autonomous in the sense of being capable of independently formulating its own goals and able to count on those who work within it to see implementing these goals as important to their individual careers, then it would have little to offer private sector (Evans 1992: 154).

It was therefore the autonomy of the state to pursue its goals that allowed and assisted it to engage with the private sector. Wai (1998) argues similarly that the autonomy of the state becomes apparent in its interaction with other societal actors, especially the private sector and is not purely based on bureaucratic culture alone. It is only in its interaction with society that the autonomy of the state could be ascertained. Autonomy of the state is thus a function of "complexity and stability of its interaction with market players" (Wai 1998: 37). In interacting with non-state actors, the autonomy of the state became actualized and apparent.

As Evans put it, autonomy in the form of the states' internal coherence was "an essential precondition for the state's effective participation in external networks" (1992: 154). This organizational and structural feature of the state was critical to what a developmental state was able to achieve.

According to Evans however, having the qualities of autonomy alone was not enough and did not give the state the capacity it needed. In order to have capacity, embeddedness was also required hence embedded autonomy. Autonomy and embeddedness needed to occur together because without autonomy embeddedness would be impossible because it was autonomy in the form of bureaucratic coherence that gave the state the ability to engage appropriately with other social actors especially the private sector. As Evans (1992: 179) put it, "embeddedness represents a different solution to the shortage of capacity".

Embeddedness as a concept represented Evans' attempt to address the challenge that confronted statists of explaining the leap from autonomy to capacity, the move from the state's 'despotic power' or its ability to act alone to its 'infrastructural power' or state's effectiveness achieved in alliance with other social actors through embeddedness (Kjaer, Hansen and Thomsen 2002). The concept was used by Evans to point out how state effectiveness came about. Therefore, embedded autonomy "softens the assumption of a direct causal link between autonomy and state capacity" (Kjaer, Hansen and Thomsen 2002: 14).

Embedded autonomy as an apparently rare and contradictory feature of developmental states afforded developmental states the ability to share information and engage in "continual negotiation and renegotiation" (Evans 1995: 12) with different non-state actors as policy got implemented. By being embedded, the state was able to receive needed information that helped it to fashion an appropriate policy response. For, if the state was only autonomous without being embedded it would intervene in an inappropriate and imposing manner – in a manner that is developmentally harmful and not in the interests of general collective development.

Thus the power of embedded autonomy lay in the fact that it focused attention on the kind of intervention the state needed to make (Wai 1998: 37). In interacting with society, the state comes face-to-face with both opposing and collaborative forces and gets to understand what is implementable and what is not. Knowing how to intervene helped states to attain developmental effectiveness that led to rapid growth and industrialization. By joining autonomy of the state to its embeddedness in society, embedded autonomy brought to the fore the limiting role played by social actors such as the private sector on the possible excess of a strongly autonomous state.

To illustrate embedded autonomy, Evans studied state industry relations in Brazil[21], India[22] and Korea. The latter was found to be more developmental than the other two. Evans did this in the information and technology sectors of these different countries. He set out to understand how the different roles played by the state accounted for rapid industrialization. He did this by examining the interaction between the state and industry or the private sector. He maintained that the question is not whether the state should play a role but rather whether the type of role it played was conducive for rapid industrial development or not. Thus, how states intervened was critically important to their developmental effectiveness. Evans postulated four forms of roles that could be performed by the state.

The first he labelled “custodian” and referred to the regulatory function of the state while the second he termed “demiurge” and involved the state engaging in some production of collective or public goods such as infrastructure. The third form or role that the state played Evans termed “midwifery” since it concerned the state promoting and bringing into existence some enterprises. The fourth role of the state he called “husbandry” and had to do with the state providing support through substantive involvement in research and development for instance. Evans argued that the latter two forms of roles that could be played by the state were important for creating conducive conditions for rapid take off by any country. Thus

[21] . In this country Evans found practices that were contrary to those found in developmental states, viz., jobs were based on connections individuals had instead of on merit and careers were bound to changing political fortunes with no long-term commitment. There was also no pressure to develop relevant policy expertise but pockets of excellence also existed in the bureaucracy.

[22] . According to Evans, this country similarly exhibited non-developmental features. There was no encompassing developmental project. Large rural landowners contended with industrial capitalists. The country was also heterogeneous and had no dominant coalition that could drive growth and development.

where relations between the state and business where characterised by embedded autonomy developmental effectiveness was attained.

Weiss (1998) similarly refocused attention on state capacity and embedded autonomy. According to Weiss, by maintaining a proper balance between embeddedness and autonomy, East Asian states succeeded in achieving industrial expansion. According to Weiss, the state's transformative capacity, its ability to cooperate and collaborate with the private sector in the implementation of policy was what led to successful industrial development and adjustment by countries such as Japan and Taiwan. Through having relations with private sector industry, these developmental states were able to adjust to pressure exerted from outside and attain impressive growth.

These states did this through the manner in which they used institutions to govern economic process. As Weiss (2000: 24) puts it "[i]nstitutional linkages with organized economic actors" were a critical ingredient to the definition of developmental states. In East Asia, "formal institutions, called deliberation councils" between the state and business were pervasive (World Bank 1993: 61). These institutions undergird the policy making process of countries such as "Japan, Malaysia, Singapore, and Thailand" (World Bank 1993: 61).

This linkage with outside actors by the state solved the informational challenges of the state and facilitated the implementation of policy. The World Bank (1993: 61) goes further to maintain in similar fashion to Evans that the presence of these institutions helped in dealing with "informational problems inherent in real world market". Weiss calls this arrangement "governed interdependence" where the state worked with the private sector to coordinate economic policy. Also, more important was the aspect of business organizing itself into associations which had the effect of facilitating the interaction between private industry and the state.

> In the Republic of Korea, concentration of business and the highly diversified interests of the *chaebols* [conglomerates] obviated the need for organised collective action. Instead, business-government relations were managed through direct firm level and even personal consultations between the *chaebols* and state institutions (Mkandawire 2001: 302).

Extant deliberation councils brought with them legitimacy as private sector consent was sought by the state from the business community. Secondly, they made the environment in which policy was made certain for business and induced it to engage in long-term investment. In Korea these circumstances created a propitious environment in which local businesses could thrive.

In Japan, the pioneer East Asian developmental state, the relationship between the state and business was central to its success. Johnson writing on the same country puts it, "the fundamental problem of the state-guided, high-growth system is that of the relationship between the state bureaucracy and privately owned business" (1982: 309). He labels this relationship a "cooperative management scheme" which "avoided an emphasis on either private profit or the state's socialization of wealth" (Johnson 1999: 57). This cooperation between the state and the private sector in Japan at least, was achieved after attempts by each to dominate the economy failed. More relevantly for this thesis, Johnson notes that this management of public-private cooperation was perfected after the enlisting of "extraordinary labour commitment" (Johnson 1999: 58-9). It was not therefore that labour or other voices were unimportant political factors but that they had already acquiesced and agreed to the goals set by a developmental state.

The cooperative outcome between the Japanese state and its private sector Johnson attributed to the state's pervasive nature in East Asia as similarly articulated by Kohli when analysing Korea's colonization by Japan, where the distinction between private and public, formal and informal and governmental and market remained blurred. However, beyond this Johnson (1999: 60) maintains that the Japanese state and the private sector found that "both entities need each other"[23] and in the process "each side uses the other in a mutually beneficial relationship to achieve developmental goals and enterprise viability". In Johnson's explanation the reason for cooperation between the state and business appears more political than anything else since working together served as the best way to advance the interests of each. This also speaks to complementarity.

Johnson goes on to stipulate some of the features that characterised the relationship between the state and business in Japan that underpinned this country's rapid economic rise.

[23] . Evans makes the same point in the case of Korea after a coup, where the leader of the military junta that took over, Park Chung Hee "realised that he needed to harness private entrepreneurship and managerial expertise to achieve his economic goals…ties between the regime and the largest *chaebols* (conglomerates) became so tight" (1992: 157).

In interacting with the private sector, the state used “market-conforming” instruments to woo the private sector. These included government financial institutions, tax incentives, and formal views-exchanging forums among others. More importantly, government would in some instances give certain functions to private and semi-private organisations. Among these variety of methods to engage the private sector, Johnson singles out that of “administrative guidance” which was intended to help business avoid being encumbered by administrative and legal detail. The state took extra effort to ensure that business or the private sector was not hamstrung in its activities by putting special administrative arrangements in place for it. It is these practises that made Japan’s rapid economic development a success.

Kohli (2004) is also another author, as intimated in the earlier sections that writes within the developmental state paradigm and regards SBRs as critical to what the Korean developmental state could achieve. He views a developmental state as deriving its effectiveness from having a narrow social base. He calls a state with such a base “cohesive-capitalist”. Such a state is developmentally effective because it does not seek to please everyone by having connections with all social groups but a few, in particular the capitalist class. It is this narrow social base that gave this state the ability to focus on a few implementable goals.

> In general, states with a narrow commitment to economic growth, a close alliance with capital-owning groups, tight control over other interest groups from above...tend to be more capable of defining and implementing an agenda of industrial transformation (Kohli 2004: 21-2).

This connectedness to the capitalist class, according to Kohli, afforded the state the ability to see its policies through by implementing and achieving them rather than seeking connection to all sectors of society. Leftwich (2002: 14) similarly mentions “few and independent economic interest in society” as an important factor to the emergence of developmental states in East Asia. It is important to here underline the non-dependence of the economic class on the state since it is a theme that comes up over and over in literature on SBRs. In the relationship the state forges with business, labour and other social groups are not necessarily non-existent but in some instances they were co-opted if not downright suppressed.

The particular ability of the Korean state to engage constructively with the capitalist class, according to Kohli’s analysis, is historical and had its roots in this country’s colonization by Japan as earlier intimated. The colonization of Korea by Japan laid the basis for subsequent positive SBRs later on. Korea’s colonizers left

> a state-dominated alliance of state and property owners for production and profits, and repressive social control of the working classes (Kohli 2004: 61).

This strong connectedness to the capitalist class later proved critical to Korea’s economic fortunes. This connectedness between state and the capitalist class proved to be almost exclusive of other social groups.

It is important to note here the almost exclusive relationship between the state and the capitalist class was exclusive to the state and business. Dissension by other groups, especially labour, was clamped down. As indicated earlier, the working class had to be suppressed in order to make the implementation of limited goals possible. This meant the inclusion of labour and possibly many other social groupings, broader civil society perhaps, in the relationship between the state and business would have led to immobility when it came to reaching consensus on a set of developmental goals for implementation and achievement hence their exclusion. Subsequent paragraphs give extended attention to labour but it suffices to mention here that the management of diverse interest was also critical to the success of developmental states.

Alice Amsden (1989, 1995) represents another voice within the developmental state discourse that sheds lights on the form of SBRs that characterised economically successful states, especially in Korea. In a paper she wrote in 1995, she provides insight into the different forms of SBRs in different East Asian countries. One central feature of SBRs that stood out and accounted for the success of East Asian countries such as Taiwan, Korea and Thailand was the increased level of state intervention and the discipline government exercised over private capital regarding the support it provided to this class in the form of subsidies.

> In East Asia…governments allocated subsidies according to the principle of 'reciprocity'—nothing was given away for free, even if targeted subsidies to specific industries and firms were given (as elsewhere) to political favourites. Subsidies were allocated with performance standards attached that were then monitored (Amsden1995: 795).

In an earlier book on Korea titled *Asia's Next Giant*, Amsden observes that

> the discipline exerted by the state, and the rise of big business, were interactive. Big business consolidated its power in response to the government's performance-based incentives. In exchange for stunning performance in the areas of exports, R&D, or new product introduction, leading firms were rewarded with further licenses to expand, thus enlarging the scale of big business in general (1989: 14).

The relationship between government and business was a symbiotic one. The economies of these countries were export-driven and targets for increased exporting were agreed to by government together with particular industries. In instances where a firm benefitted from a subsidy but failed to achieve the agreed-to target, the subsidy would be taken away and given to another better performing firm. As the World Bank (1993: 62) puts it, in Korea "the government allocated rents, i.e. the subsidies, in a systematic and transparent (rule based) way". In the case of Taiwan for example, subsidies to exporting companies were handled by an industry association which in turn was accountable to an agency of government. The association collected fees from members and gave bonuses to best performing export firms.

It is "by using exports as a performance standard for subsidies, East Asian trade became a mighty engine of growth" (Amsden 1995: 796). Of importance to underline here is the organized nature of business through the existence of an association which made for easy engagement between business and the state. The technically-capable bureaucracies of East Asian developmental states that where filled with highly trained public servants could monitor the performance of selected strategic industries. In the desire to catch up to other countries and emerging from the second world war, these states made sure that when it comes to economic policy they succeeded.

They focused their attention on the particular industries that helped them ward off any potential attack from outside that may have arisen. Thus business or the private sector became important to the state for political reasons and helped the state to shore up its own position. Wade mentions that in these countries, “the state created a variety of channels of information feedback about private sector capabilities and preferences” (1992: 314). Therefore, these states did some serious homework on the private sector and reduced the possibility of failure. According to Wade (1992: 315) this led to what he calls a “governed market” which is “a system of mostly private enterprises cooperating and competing under state supervision”. Essentially, the state took genuine interest in business and the private sector and made certain it understood what went on in that sphere of human activity.

6.3 State Business Relations in Africa

Before proceeding to discuss SBRs in South Africa, the nature of SBRs in Africa is first given attention. This is because, SBRs in both Africa and South Africa where influenced by a colonial past. In both Africa and South Africa, colonialism created conditions where there was no strong indigenous business class at independence. However, in deviation from what prevailed in other African states at independence, in South Africa the extant capitalist class was strong and highly developed but constituted by a minority race group – setting in motion a different dynamic when it comes to SBRs.

In other African countries, the small, weak and almost non-existent indigenous business class could be ignored or even easily dismissed but not so in South Africa. Furthermore, in South Africa’s case compared to other African states, the historical development of the capitalist class occurred against the backdrop of a strong state. African states on the other hand have been labelled weak, soft and patrimonial in reference to their generally vulnerable conditions as bequeathed by colonialism. The development of the capitalist class in Africa and South Africa therefore took different paths.

In Africa, the weak economic position of business and the divorced nature[24] of the state from society combined to determine the kinds of SBRs that emerged in the continent. It was a combination that undermined positive SBRs from arising. The World Bank observed that

> various forms of socialism, communism representing one extreme, has led many non-western governments toward a paranoiac view of private business: businessmen are concerned only with private gain, in whatever way it can be generated, and cannot be trusted to promote the overall welfare of society. In this view, private business activity has to be heavily controlled if not eliminated altogether. Hence central planning becomes necessary (World Bank 1996: 61).

What is immediately apparent here is the role that political ideology played in determining the attitude of governments towards business in developing countries. This was an ideology opposed to colonial capitalist development and it viewed business with suspicion, as being driven by nothing else except the selfish profit motive. Relations between the state and business were also shaped, influenced and informed by the weakened position of business, especially domestic business, in post-independent Africa. As Goldsmith (2002: 42) puts it, "African business associations are sometimes accused of being underfunded, dependent on foreign aid donors, and having little impact of policy-making". As already stated in the

[24] . This can also be characterised as a lack of embedded autonomy.

preceding paragraphs, the extent of how dependent or independent business is on the state, contributes to the type of relations it forges with the state.

In a survey of eight African countries that he undertook which included Ghana, Kenya, Madagascar, Malawi, Senegal, Tanzania, Uganda and Zambia, Goldsmith (2002) mentions the generally unhappy relationship of business executives with government officials which characterised SBRs in these countries. Among the reasons for this was "too much red tape, which diverts firm resources from other pursuits" (2002: 43). Business associations in these countries felt that government did not understand their concerns. Moreover, in testament to poor SBRs in these countries, Goldsmith's findings indicated that there was less interaction between the staff belonging to business associations and politicians in those countries he surveyed.

In attempting to provide an answer for the weak position of business Kennedy (1988) gives an account of several factors, from the colonial era right into the independence period, which have inhibited the rise of a strong African capitalist class. In doing this he also touches on the way in which post-independent states have treated their business classes. Colonial states in Africa, through different forms of restrictions ensured that there was no strong capitalist class existing at independence.

Independent African countries through policies of indigenization developed bloated states that were not necessarily effective. The theory of the overdeveloped post-colonial state explains how this came about (Alavi 1972). According to this theory, formerly colonised states are modernized states yet have traditional economies and societies. In these state, the development of society trailed behind that of the state. The theory of the overdeveloped state also postulates than in order to perform regulatory functions large states were then created. This is because

> the particular bane of African development has not been the emergence of a dominant class, but rather its often parasitic character as a political class feeding off the revenue of a swollen state (Kwabata 2006: 9).

In this way, the development of a dominant class took place through the state.

Thus, at independence, the centrality of the state remained a key feature of the African political landscape (Kennedy 1988: 86). This statist approach to economic development involved a deep "dislike of market forces" and "distrust or even fear of individual private enterprise" (Kennedy 1988: 74). Kennedy mentions Ghana as an example in the 1960s where this was the case. Instead of allowing private enterprise and individual businesses to thrive, there was "preference for extensive bureaucratic regulation and an expanding public sector" (Kennedy 1998: 78).

Instead of putting special measures in place such as "administrative guidance" that characterised SBRs and eased conditions for business in Japan, the opposite occurred in Africa through over-regulation of business. In those countries where a commitment to socialism was made in reaction against colonialism and its association with capitalism, "many governments seemed antipathetic, if not downright hostile, towards most forms of private, local capital"

(Kennedy 1988: 66). Some of these countries included Mali, Ethiopia and Mozambique among others. Many countries, as a result of their adherence to the ideology of socialism, "remain[ed] suspicious of domestic capital as a possible base for opposition" (Brautigam, Rakner and Taylor 2002: 153). As a result, there was no courting of local business by independent African states. Instead where socialism was purported to have been favoured such as in Kenya, a preference for foreign business and capital developed (Sandbrook 1975).

In sum therefore, opposition to colonialism shaped the form of SBRs that emerged in Africa at independence. In particular, it resulted in dominant states that were bloated through indigenization policies and were ineffective and where business was weak and viewed with suspicion.

> In most African countries local business groups had little to offer ordinary people, not much chance of gaining widespread sympathy for their specific needs...and little hope of competing for power effectively with politicians (Kennedy 1988: 92).

Under these circumstances, the development of constructive SBRs did not stand a chance. An evenly spread balance of power between two strong actors in the form of the state and business is an important ingredient that acts as a catalyst necessitating cooperation. In this regard, Handley opines that "states may be stronger (more developmentally effective) when they are weaker (constrained in policy-making)" (2008: 4). The existence of relative strengths between business and the state was the case in Korea as earlier observed by Wade where the capitalist class controlled economic resources and this led to the state working with business.

This goes back again to the economic and resource base of business as an important factor in the type of SBRs that emerge anywhere. The internal characteristic of both the state and business in Africa therefore created a situation where cooperative relations could not happen. Thus, instead of business being viewed as a partner in the advancement of development and economic growth, African governments regarded it as a potential rival with no intention of promoting the general interest of the nation as a collective or it was considered as being of no consequence to the desired development destination because it had no strong resource base. Instead reliance on foreign rather than local business was preferred.

This is because at independence political power in Africa was "an independent variable" with those in power not being there as result of their "high social status" and "economic privilege" (Sandbrook 1975: 13). Political power emerged unattached to any economic interests. This led to this group using its position to enhance its status by developing interests such as having a business or acquiring property, a phenomenon Sandbrook refers to as "embourgeoisement of the ruling elite", which led to "the intertwining of the interest of the indigenous political class and big (i.e., foreign-controlled) business" (Sandbrook 1975: 13). Consequently, at independence the ruling elite began to court foreign business and capital and saw its future as a group as being based in investments coming from this section of capital. The resultant effect of this was poor (non-developmental) SBRs with domestic business.

Finally, Brautigam (2002) and others find that in Africa the exposure of a country's business class to exporting is important for its sustainability since it brings with it needed revenues. This exposure can however not be short-circuited through speedy trade liberalization but requires a long lead time before it can really benefit domestic capital.

6.4 State Business Relations in South Africa

SBR's in South Africa were influenced by two principal factors. The first factor is the historical development of capitalism in the country and its tenuous relationship to apartheid. The second factor revolved around acrimonious relations between the Afrikaners and the English which animated this historical development of capitalism. The first factor of influence which had to do with capitalism and its relationship with apartheid was a contest on choosing between maintaining authoritarianism and embracing democracy. The second factor on the hostile relationship between the Afrikaners and the English was about the survival of national capital over supposedly foreign capital or vice versa.

The historical development of capitalism in South Africa witnessed mining and agriculture becoming dominant sectors of the economy. The discovery of gold in the Witwatersrand which required considerable capital investment before it could take off was supported with capital that originated from Britain and which was meant to assist local settlers of English descent (Handley 2008). On the whole, the discovery of diamonds and gold was a boon for the state.

> The wealth generated by diamond and gold mining transformed the revenue-generating potential of regional states, stimulating state-led railway provision in the

> Cape and Transvaal and paving the way for the much extensive and interventionist state of twentieth-century South Africa (Glaser 2001: 73).

The resultant effect of gold mining and its support by foreign capital was to evidence the then state, the Union of South Africa maintaining an accommodating stance towards business (Handley 2008).

In terms of the development of the South African state, the British had more influence. Glaser notes that

> [i]t was…the British model of parliamentary government and rule of law which, more or less, prevailed over the whole of (white) South Africa following the 1899-1902 British conquest of the Boer states (2001: 75).

According to Glaser, other influences on the development of the South African state that existed prior to the Union government, the African and the Dutch influences, had no major influence or a well-developed form of bureaucratised administration compared to the British. The latter came to have a lasting impact on state development in the country.

Deployed by the British imperial government, Lord Milner was on a mission to stamp British administrative design and influence on the South African colony (Picard 2005). During British colonialism of South Africa and with his team of young advisors, Lord Milner among others “doubled the number of railway and road miles and established new institutions of local government” (Picard 2005: 26). In terms of state development during this period

> [t]he predominant tendency in the white-dominated core over the century state (as in many modern states) was towards the concentration of power in the central executive at the expense of both parliament and local government (Glaser 2001: 75).

Lord Milner also “made English the language of government”, extended the Cape administrative system across the country and introduced segregationist policies towards black Africans (Picard 2005: 27). Some of Milner’s policies led to differences with the Afrikaners although the latter continued with some on assuming power in 1948. In 1905 Milner was asked to return to Britain and a Union government was installed in South Africa in 1910.

During the Union government leadership of Louis Botha and Jan Smuts, business enjoyed state support “given the [mining] sector’s overwhelming contribution to government revenue” (Handley 2008: 35). In another place Picard (2005: 28) writes that “Louis Botha, and his deputy…Smuts, represented a centrist element with strong support in the Cape and among business interests”. After Botha’s demise, Smuts “maintained the centrist policies of the Botha period, seeing the business and mining communities as essential to his support” (Picard 2005: 29). Immediate developments witnessed business benefitting from state support.

The support of mining by capital from outside the country set the foundation for the independence of business and placed the English business class in a better position compared to their Afrikaner counterparts. In this regard, “the discovery of gold therefore had somewhat contradictory effects for the Afrikaners of the Transvaal” and resultantly “laid the basis for an ethnically charged contest over economic power more broadly" (Handley 2008: 33). This rivalry came to characterise political relations between the English and the Afrikaner sections of society in subsequent periods. The social and economic standing of Afrikaners including the low manner with which the English viewed them set them on a course to fight to reverse this. The resultant effect was the rise of Afrikaner nationalism.

Political power was eventually won by the Afrikaners in 1948 whereupon they set to improve their social and economic standing (Natrass and Terrablanche 1990 in Handley 2008). Once in power, the NP government pursued the policy of grand apartheid by intensifying segregationist laws but also established parastatals and corporations for the country's industrialization. "Afrikaner nationalists in power presided over a large expansion of state bureaucracy" (Glaser 2001: 76). Among the parastatals and corporations, they established were Iscor, Eskom, the Industrial Development Corporation (IDC) and Sasol. In this period, developments witnessed increased state intervention and successful inroads by the Afrikaners in an economic arena that had largely become the preserve of the English business class.

Noting developments around this period, Lipton (1985) writes how a sizeable portion of economic power shifted to Afrikaner businessmen.

> The Nationalist used their powers of patronage to favour Afrikaans business interests. Central and local government authorities shifted their accounts from English to Afrikaans financial institutions such as Volkskas. Government contracts were steered to Afrikaans companies. The IDC…entered into joint enterprises with private Afrikaans

> companies…The expanded state sector, and parastatals such as Iscor, Foscor and Sasol, were used as training grounds for Afrikaans entrepreneurs (Lipton 1985: 283).

"The new government established an 'industrial development machinery [that] aided Afrikaner entrepreneurs'" (Picard 2005: 40). These developments acted to further sour relations between the Afrikaners and the English. On SBRs during this period, Handley (2008: 44) notes that

> [w]hile the NP came to power threatening to nationalize large swathes of industry, its actual policies were more moderate than might have been expected, as successive governments reached accommodations with the existing business community. In many ways, those governments had to. After all, South Africa had what many of its fellow African economies did not: a robust, pre-existing, market-based business sector.

Glaser (2001), in his analysis of the Marxist approach to the study of the South African state mentions that the reason for the modest policies by Afrikaners was because:

> Afrikaner anti-capitalist rhetoric was a cover for an Afrikaner elite determined to win a place for itself and its constituents in the capitalist sun, and in power that elite dedicated itself, with brilliant success, to building an Afrikaner bourgeois middle class (2001: 77).

Lipton notes similarly that instead of destroying the South African economy, the "Nationalist wanted national industrial expansion" (1985: 285). In particular, they responded positively to calls by business during this period for increased protection. Protectionism as a policy in

South Africa began in an earlier period though. “South Africa…did…from the mid-1920, join other late industrial developers pursuing tariff-based import-substitution industrialization” (Glaser 2001: 92). In addition, in power nationalist “began to appreciate the need for foreign technology” (Lipton 1985: 286). They also closely watched movement by foreign capital. These actions by the apartheid state, which were akin to what developmental states undertook, resulted in positive developments after 1960. As Lipton puts it

> [e]xpansionary economic policies were adopted to encourage manufacturing and build up a capital goods sector. Manufacturing replaced agriculture as the favoured sector: in addition to protection, domestic procurement, and cheap raw materials and capital goods, steel and food prices, previously above world levels, now kept below international levels (Lipton 1985: 303).

Even with these positive developments however, soured relations between the Afrikaners and the English continued. The requirements of capitalism in the country also added the conundrum of labour costs to the grievances that business already had, especially English businesses. On this, Lipton avers that, “the economic boom intensified the costs of apartheid and increased their pressures against it” (1985: 304). Prominent individuals in the business community such as Michael O’Dowd of Anglo-American began expressing the incompatibility of apartheid with capitalism (Picard 2005: 43). “O’ Dowd, believed that under the pressure of industrial modernization the country would be induced to rejoin the path of ‘normal’ (European liberal capitalist) history” (Glaser 2001: 84 citing O’ Dowd 1978).

In South Africa, business has always been strong as a result of its historical control of mining and mineral resources. As a result of this, Handley notes that

> the size and sophistication of the private sector, and the extent of its autonomy from the state, meant that the economy was able to function largely under the influence of market-driven incentives, largely without recourse to a vampiric relationship to the state (2005: 235).

Dependency by business on the state and rent-seeking was historically never pervasive. Increasing opposition to apartheid, however, especially after the 1960 Sharpeville massacre, led to business forging some close relations with the state. Lipton and Simkins note that in the case of South Africa

> the external threat also drove South African business into a closer, though uneasy, working relationship with the government…some influence was accorded to business…Business used this to leverage to press for reform (1993: 12).

Business used its influence, during the apartheid era, to call for reforms around the preferential labour policies which favoured white workers in terms of treatment and salary scales compared to black labourers. The policies suffered criticism from “businessmen who wanted to employ cheap blacks rather than expensive whites” (Lipton and Simkins 1993: 5). Some Afrikaans businesses also joined in around the 1970s to complain about “the cost attached to apartheid labour policies” (Lipton and Simkins 1993: 7). Business in South Africa therefore was not as weak as compared to what prevailed in other African countries.

Handley's (2005) analysis of SBRs in South Africa actually posits a strong role for the market and therefore business albeit big business in particular.

> [I]t is clear that in South Africa, the state cannot disregard private sector interests. The market is an important economic and political player (2005: 236).

While this is so, today SBRs in South Africa can be characterized as a varied combination that moved from cooperation to acrimony and to accommodation (Seekings and Natrass 2011). Seekings and Natrass point to how SBRs changed between the Presidencies of Nelson Mandela and Thabo Mbeki by moving from cooperation to suspicion and acrimony then to fickle engagement[25]. Similar to the experience of other independent African countries, the new democratic government also seemed to favour foreign business rather than domestic business as it oriented the economy towards the former by liberalizing it.

In their analyses, Seekings and Natrass also underline the strong position occupied by labour in South Africa and its mediating effect on SBRs. They point out to how difficult it has been to reach developmentally effective agreements as a result of this situation. Haggard cited in Wade (1992) observed similarly in his attempt to account for how development was achieved in East Asia but not in Latin America by maintaining that in the former, development could be achieved while in the latter it could not due to, among others, labour as one of the domestic political forces that placed a constraint on policy choice.

[25] . Under Jacob Zuma's presidency, the country has been reeling from an apparent 'too close' for comfort relationship with business, in particular, business that is purportedly South African but with foreign roots. President Jacob Zuma has also not shied away from making overtures to business on public platforms by inviting business to support the ANC and in this way secure its own future as business (Beresford 2014). This form of SBR is predatory and anti-developmental.

6.5 Conclusions on State Business Relations

What then can be concluded on relations between the state and business? Literature showed that SBRs are influenced by the political instrumentality of each party to the other. Where those in control of the state did not see business as serving their interests or the other way around, constructive SBRs were unlikely to emerge. Literature also considered political ideology as an important factor. It was the nationalist ideology of growth and development that brought the state and business together whereas socialism as an ideology acted to create a wedge between the state and business in independent African states. Literature pointed to how the power of the state and authoritarianism was used to achieve the cooperation of and even suppress or co-opt labour in some instances. In Africa the power of the state was instead used to suppress private enterprise.

Literature further gave attention to the nature of the state as a factor in SBRs. The capacity of the state and its competency acted to facilitate positive SBRs. In Africa literature pointed to the bloated and ineffective nature of newly independent African states. Literature mentioned the plethora of forums of engagement which undergirded positive SBRs while in those countries where constructive SBRs failed to emerge they were glaringly absent. In addition, literature underscored the important role of organized business especially the existence of business associations. In developmental states, business associations were noticeable by their relative strength and involvement with the state. Literature also emphasized the resource base of business as an especially important factor to SBRs.

In developmental states, business or the capitalist class had developed an independent resource base that necessitated constructive SBRs. In Africa, the absence of an independent economic base and the weak position of business contributed to poor SBRs. Developmental state had effective ways of dealing with diverse political interests, especially the interests of labour. Labour was either suppressed or its interests managed in a variety of ways including through giving them a stake in companies or organizing them differently through employer-employee schemes as mentioned in the earlier sections.

Where labour and its interests represented a powerful force as in the case of South Africa, it posed a unique challenge to the building of SBRs. Last but not least, literature underscore the importance of elite networks. Therefore, this study in exploring SBRs at local government level and what they portended for the emergence of a developmental state, among others, considered the following:

- The ideology of the political class
- The existent capacity of the local state
- The economic independence of business
- The organizational extent of business
- The presence or absence of forums of engagement
- The management of varied and contrasting needs/interests
- Elite networks

6.6 Summation and Conclusion

This chapter began with a discussion on developmental state theory and SBRs. It discussed embedded autonomy as a critical feature of developmental states that led to their effectiveness. Through embedded autonomy, which is a combination of institutional coherence and sufficient immersion of the state in society, developmental states were able to engage in relations with the private sector that led to them intervening in their economies in developmentally appropriate and positive ways.

The chapter then proceeded to discuss other favourable conditions to the success of developmental states such as the existence of deliberation councils. Subsequent paragraphs discussed SBRs in Africa and the poor state thereof. This was shown to be due to the ineffectiveness of the state in most African countries and the political ideology of socialism and its viewing of capitalism with suspicion as a creation of former colonial powers. The weak state of business in Africa and its lack of an independent economic base were also discussed. Lastly, SBRs in South Africa were discussed and shown to have changed. The independent economic resource base of business in South Africa was also underlined.

CHAPTER 7: JOHANNESBURG AS AN EFFECTIVE DEVELOPMENTAL LOCAL STATE

7.1 Introduction

This chapter and subsequent ones discuss the findings of this thesis. The earlier chapter showed that where they existed, developmental states were characterised by different achievements. East Asian developmental states achieved high economic growth driven by a focus on industrial development through increased manufacturing and exporting. The particular era in which these developmental states emerged was epitomised by internationalization and integration of the said countries into the then globalizing world. Japan, as already mentioned was a forerunner among East Asian developmental state. Subsequent to it, other developmental states also achieved impressive results. South Korea and Singapore here come to mind.

Today's developmental states are expected to perform well in all areas and not only in the sphere of economic growth but also along a gamut of other areas including those in the human development sphere and other areas along the social justice continuum such as health and gender. This chapter explores what practitioners think a developmental local state entails and it assesses what the potential is for Johannesburg to become such a state.

7.2 The Developmental Local State: Practitioners' Perspectives

A developmental local state or developmental local government is understood in particular ways by those vested with the responsibility for its implementation. Most key informants interviewed, especially city officials, understood the notion of developmental local government to emanate from and to be a product of policy and legislation. Among the critical documents they alluded to and believed to underpin developmental local government was the country's 1996 Constitution where developmental local government is defined. What developmental local government entailed was also regarded as articulated in the 1998 White Paper on Local Government. The latter fast-tracked creative ways of running local governments such as ward committees and introduced service delivery-democratising measures such as the integrated development plan (IDP) (Smith 2006).

In addition, the National Development Plan (NDP) was mentioned by some key informants as having articulated the country's vision of the kind of local state desired. Key informants such as politicians and former members of the mayoral committee (MMCs) including senior officials that headed particular functions in the city, were of the view that to build a developmental local state implied taking all the relevant policies and legislation, interpreting them and defining in concrete terms what they meant for the City of Johannesburg as opposed to other cities which would also have to define developmental local government for their particular circumstances. There was a belief therefore that a one-size-fits-all approach did not work but that policy and legislative prescriptions had to be tailored to fit the unique challenges facing the city.

Developmental local government was also said by one key informant, a senior official (Interview C6) in the city, to be theory-based on different proponents. One of the theories mentioned was the new public management (NPM) theory which proposed how local governments should be run along private lines. NPM as a theory here needs to be underlined since attempts to follow its prescripts in Johannesburg will become apparent in subsequent sections. It is briefly discussed because of its putative positive effect in reducing government involvement and improving the provision of public services.

Among others, the tenets of NPM include performance accountability, privatization and strategic planning and management (Gruening 2001). NPM also introduced the language of inputs, outputs and outcomes in public service. It also brought decentralization and the contracting out of government services to non-governmental actors. Other theories from which it was drawn include public choice theory. According to NPM, those benefitting from government services, could, as customers choose the level of services they prefer through the amount of user-charges they are willing to pay. Traceable to the United State and New Zealand, NPM was introduced with the view to curb wastage, bring efficiency and promote professionalism in the public service. It may however be controversial in a developmental context.

NPM also introduced the use of technology in the rendering of public services together with standardization, services monitoring and a customer-centric approach (Seedat 2005). By "marketising" public services and increasing the management span of public servants through "decentralization to provider units", NPM severed the accountability of politically appointed public representatives "through a shift [of service responsibility] to other actors" (Seedat 2005: 28). While its principles of efficiency and frugal spending are noble, in the context of a twenty-first century developmental local state that has to advance redistribution through service expansion the adoption of NPM can present some challenges.

The running of some local government functions along private lines is discussed under the *iGoli* model in the next chapter but linked to this was an understanding by key informants, especially city officials in the environment and town planning space, of developmental local government as having to do with sustainable development – in this instance ecological sustainability. This understanding of developmental local government by city officials as entailing sustainable development is in line with what the Constitution spelled out as among the objects of local government especially environmental and financial sustainability.

According to this understanding, developmental local government entailed the city undertaking comprehensive development but in the process factoring in sustainability in its planning efforts. Practically, this meant balancing between expanding services to communities and residents that in the past never had them while still maintaining the same standards for those who always enjoyed access to the same services. Such a local state was therefore believed to be a state that used its resources equitably by distributing them to achieve equitable service delivery – essentially achieving financial sustainability in the delivery of basic services.

As one key informant, a senior official in the city who boasted long experience in the town and regional planning space put it, developmental local government is about *"satisfying or making sure that you do [undertake] development now but also [be] forward looking in terms of ensuring that future development actually has a much more transformative impact"* (Interview C7). In one's view, transformation can mean many things but it is here understood as the radical alteration of prevailing circumstances. In the city's context and against the inherited legacy of separate development, an understanding of the developmental state as a local state that pursues transformation is discussed at length in a later section of this thesis, especially spatial transformation.

According to city officials interviewed, in developmental local government a new governance model was envisioned by policy makers. This model entailed the adoption of a service delivery model that empowered individuals and communities. In support of this perspective, Turok (2013: 3) says this on developmental local government:

> [i]t was not about delivering services to passive beneficiaries or atomised consumers. Service provision was an enabling condition for development, and municipalities were expected to build human capabilities and strengthen community organisation to support this.

The empowerment of individuals and communities is very much the stuff of what todays twenty-first developmental states are expected to undertake (empowerment as a theme receives separate attention in a later section of this thesis). This understanding of developmental local government is therefore in line with developmental state theory as earlier discussed.

The new model pursued under developmental local government, called for new interrelationships among all stakeholders in the city including communities, business and unions. One key informant (Interview C11), in this case a politician and a former councillor in the city, mentioned in addition that a developmental local state was especially evidenced by the introduction of IDPs were all stakeholders took part in defining the kind of development they wanted to see in the city. This is in harmony with the new and wider form of embeddedness that today's twenty-first century developmental states are expected to display. While still on this matter, this invites us to move to the community aspect of developmental local government.

Under this aspect, developmental local government or a developmental local state was viewed by both senior officials and politicians in the city as primarily being community-facing in nature. Such a local state existed to serve the interests of the community. This means the city giving communities a greater say in its future plans and vesting communities with the responsibility to develop their localities through co-decision making between themselves and the city. This is essentially about extending the state's embeddedness beyond limited interaction with the capitalist class or business. A developmental local state also ensured beneficiation to local communities through job creation for instance.

Moreover, according to the response of key informants, developmental local government was understood as the city seeking to build integrated communities and achieving racial integration. It also includes drawing from the skills and talents that may already be resident among this diversely comprised community for the creation of developmental opportunities. All these, especially improved participation by communities in their own development efforts where mentioned earlier as some of the functions that today's twenty-first century developmental states are expected to undertake.

According to key informants, a developmental local state sought equal access for all by giving everyone, not just a few individuals, a stake in the city. whether it was a student who was there to study or a worker who had come to the city to offer his or her services. It was essentially an "*egalitarian*" (Interview C5) state. A developmental local state also entailed implementing a pro-poor agenda through the provision of free basic services for instance and delivers these to assist communities get out of poverty. Even where services were freely given to the deserving and destitute, a developmental local state was believed by key informants to do this with the view to unshackling individuals from the poverty trap. The City of Johannesburg's success at addressing the conflicting interests of different stakeholders including those of the poor receives attention later in a separate chapter.

A developmental local state was also said by key informants to be a state that advanced the dual mandate of basic service delivery and transformation. Its first mandate was ensuring that the normal basic services such as water, electricity and roads are maintained for functionality, accessibility and mobility. While addressing these basic needs of households, such a local state in the process also addressed the concerns of business by ensuring a reliable supply of energy and water to them. Thus a developmental local state was understood to also be about the provision of reliable services and infrastructure for investment-attraction for economic growth.

A senior official that dealt with infrastructure issues rhetorically put it this way, "*at the end of the day, if there is no security or quality of supply in respect of water, electricity even solid waste...basic services, why would you [as business] want to invest?"* (Interview C5). It was therefore not merely about pushing the redistributive aspect but also the economic growth agenda for the achievement of balanced development of the city. In terms of the second mandate of pursuing a transformation agenda, in concrete terms this meant spatially transforming the city by moving and bringing people closer to work and into the city's mainstream of economic activity.

It also meant 're-stitching' a formerly divided city by densifying areas with lower populations and in the process making business viable. Most key informants, especially politicians, made historical reference to the legacy of apartheid and the imperative to reverse its consequences. *"You must also remember there is an apartheid legacy here. The spatial challenges that we have where the poorest have to stay far"* (Interview C10), a former MMC stated. Another key informant, a senior official in this instance, referred to the Corridors of Freedom[26] (CoF) programme as an example of *"using transportation as the backbone of development or using it to link spatially this [envisioned] integrated city"* (Interview C7). These sentiments are in harmony with the aspirations of a twenty-first century developmental state that desires to achieve growth and redistribution on many fronts and in an interlocked fashion.

In the human settlement space, developmental local government was seen as entailing the building of mixed-use residential areas and a move away from building houses at the periphery but in the infrastructure-rich core of the city. In the transport space, developmental local government implied interventions to introduce public transport services and a move

[26] . Corridors of Freedom refers to the City of Johannesburg's spatial vision unveiled during Parks Tau's tenure as the Executive Mayor. It was based on transit oriented development (TOD) characterised by well-defined transport arteries that linked high density mixed-development nodes to employment opportunities (CoJ 2017).

away from reliance on private cars thereby relieving the city of congestion. This would also relieve households or young people who are studying at universities such as the universities of Johannesburg and Witwatersrand, situated distant from place of residence, from the burden of spending a large portion of their income commuting to work and school. In essence therefore, developmental local government entailed addressing and meeting the needs of all sections of the population. Thus, developmental local government was understood by key informants as a local state that caters for the needs of all with widely dispersed benefits and not just a privileged few.

In the economic development space, developmental local government was understood to be about partnerships – where the local state facilitates partnerships between big established business and small upcoming business. Here it involved the city matching established businesses with young and upcoming entrepreneurs[27]. This understanding of developmental local government takes it for granted that the city already enjoys good relations with established big business. Furthermore, developmental local government entailed taking concrete decisions about the particular form of industrialization the city needed to pursue. With Johannesburg being the financial services hub of the country, this meant not just relying on the services sector of the economy alone but also building needed industries. It therefore meant building the city's economy in a balanced fashion.

[27] . It is appropriate while still on this matter to mention here the city's disposition towards upcoming business. A study by the Centre for Development and Enterprise (CDE) entitled "Young Soweto Entrepreneurs" issued in 2007 showed that there was no sufficient and regular interaction between municipalities and young business owners. In particular, the study found that programmes meant to assist young entrepreneurs were not connecting with them in the manner they needed to. Johannesburg's approach was found to be overly top-down, bureaucratic and not taking the concerns of entrepreneurs to heart by really listening to their concerns including giving them appropriate support.

It also meant pursuing developmental intervention that was aligned to the long-term growth of the city, in priority economic zones as per the city's economic development strategy. Senior officials mentioned establishing business hubs in these zones to assist with SMME registration and their setting up as an instance. All these different perspectives by city officials on developmental local government chime with what the twenty-first century developmental states of today are expected to undertake. With such an understanding of developmental local government already held by those responsible for its implementation, does Johannesburg stack up well in terms of being a developmental local state?

7.3 Prospects, Possibilities and Obstacles Facing a Developmental Johannesburg

Most key informants, both in the city and in the business community, voiced the view that the building of a developmental local state in South Africa faces more hindrances than favourable circumstances. For one, local government is overly circumscribed in what it can achieve. National government[28] possesses more space to be creative and play a developmental role compared to local government. As a senior official in the city put it that, "*our role is in the scheme of things is limited. Yes, it's limited because we have a hell of a lot of checks and balances"*[29] (Interview C9). This, even though the three spheres of government purportedly enjoyed equally protected rights of existence in the constitution.

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[28] . The South African Cities Network (SACN) noted similarly in its State of the Cities Report (2016: 114) that "cities…need to work closely with national government…as the hard economic investment and real money lies at this level".

[29] . De Vos (2015) made the same point that "most of the important functions performed by our cities are prescribed by national legislation and there is very little latitude".

As the senior official went on to say, *“with the three tier system the constitution say that they’re all equal. There wasn’t a hierarchy command of the apartheid regime. Well the reality is they’re not”* (Interview C9). Almost expressing a sense of frustration with the scenario. In the official’s view, developmental local government was recognized and existed only in law but not in practise. The essence of what the senior official above was saying is that a truly developmental local government meant allowing the city to make and take full responsibility for all the decisions that affected the city. In South Africa however this was not the case.

> W*e have province, we have national, and then there’s the international community, but city-states like Singapore had Singapore and their international community. It didn’t have a national government, it was its own national government, it was its own regional government, the man at the helm made all the decisions that affected Singapore* (Interview C9).

The construction of a developmental local state in South Africa is also made difficult by the apparent misallocation of functions. The delivery of housing is a classic example where the function was allocated to provincial government but could be better performed, as per the principle of subsidiarity, at local government level where most of its related services are delivered. As one key informant, a senior official in the city asserted, *“the challenges are when you look at the legislative framework the mandate of development does not only reside with the local government but it resides with a lot of other organs of state”* (Interview C9). Another key informant, a former head of department in the city made the exact some point that

> *[a] lot of these things don’t sit within the remit of the city, so from a developmental state [perspective] of the city, certain things fall within the mandate and power of the*

> *city and they can do that but a lot of the issues that are pre-requisites sit elsewhere* (Interview C2).

Thus in a variety of ways, the city is limited in some of the things it can attain.

Even with the seemingly anti-developmental factors discussed above, a developmental local state in Johannesburg might still emerge from the effort to turn Gauteng into a global city region (GCR). This refers to work being implemented by the provincial government. Under the GCR idea, the province was exploring ways to link the three metros in Gauteng, viz., Johannesburg, Tshwane and Ekurhuleni with the districts of Sedibeng and the West Rand through the different economic corridors existent across the province. In this regard the city has already embraced the idea by expressing its support of it (SoCA 2006, CoJ 2013). However, it is not clear what concrete initiatives have been undertaken in the city to realise the objectives aligned to building a GCR.

Furthermore, in the city's long-term growth and development strategy, the GDS 2040, the city's performance within the GCR context and its institutionalization were given recognition (CoJ 2015). In relation to the GCR, jointly with other cities and districts, the city would be in a much stronger and more influential position but on its own Johannesburg seemed not strong enough to become a developmental local state. The second factor that made it difficult for the City of Johannesburg to grow into a true developmental local state was the seeming cross purpose at which national, provincial and local governments were working. The three spheres appeared to pull in different directions and were not working in unison.

As one key informant, a senior official from the city with considerable experience of having dealt with partnership issues at national government put it, *"the problem at national, provincial and local is you (sic) just haven't pulled the teams together"* (Interview C2) to structure a well-coordinated developmental state programme. In addition, continued this former senior official from the city, there were *"too many ministries competing with each other, the province with the city"* (Interview C2). In the end all these factors had the effect of undermining the cohesiveness of the state and sent mixed messages to business which made it difficult for the latter to commit to any agreements. This clearly goes against the grain of developmental state theory which reiterates state cohesiveness and central coordination.

The third factor that stood against the emergence of a developmental local state in Johannesburg was its context and the prevailing circumstances which were different from those that existed in East Asian countries around the period when developmental states where constructed. Among these favourable factors in East Asia was cultural homogeneity. Johannesburg is a culturally diverse city with a divided past unlike what prevailed in the developmental states of Korea and Taiwan. A key informant who confessed her familiarity with the idea of a developmental state explained. Having being involved with local governments for long and once a chairperson of different portfolio committees in the Johannesburg City Council, this informant mentioned that Johannesburg's social and political situations where different from those found in other developmental states (Interview C12). The net effect of this lack of propitious circumstances was to undercut the building of trust, social capital and cooperation between the different race groupings comprising the state and business.

As the politician continued, in Johannesburg, one was dealing with *“business men who were previously advanced”* and at the same time the city had *“black business men [who needed] to become entrepreneurs, to become business people”* (Interview C12). This made the city’s ability to build positive and healthy SBRs characterised by multiple platforms of engagement and permeable state-business boundaries difficult. *“I think it’s a whole kaleidoscope of issues that you had to deal with almost simultaneously”* (Interview C12), went the politician to characterise the nature of the problem. In particular, the city had to contend with resistant forces born from a divided past. As a senior official in the city bluntly put it, in South Africa *“people don't like each other and business is white and government is black”* (Interview C2).

This observation confirms the view that the difference in the ethnic identity between those controlling the state and those commanding the heights of the economy plays an important role in shaping the kinds of SBRs that are likely to emerge in any country. Handley (2008: 21) observes that

> where the ethnic identification of the business class differs from that of the political class, this can serve to separate out a country’s political and economic elites, not only in terms of specific individuals who comprise each community, but also in terms of the logic, modes of social organization, and how they understand their economic and political interests.

Bernstein (2010: 260) similarly maintains that “where the ethnic character of the political elite coincides with business organization, a preferential relationship is likely to exist. Where it differs, tension may well develop”. Different ethnic and racial identity between those controlling the levers of state power and those in command of business can therefore act to generate distrust between the two and render the building of positive SBRs difficult.

These differences between the city and business were expressed in the chasm notable between business and the state where, *"a lot of people in the public sector have no idea how business functions"* (Interview C2) and expected it to do things for free while business or the private sector on the other hand did not understand and questioned the need for empowerment and transformation. Empowerment as a theme, as earlier mentioned, receives attention in a later section of this thesis. Of importance to underscore now is the opposition it elicited from a predominantly white business community. In the words of a former senior official in the city

> *there's the part of business, who just does not agree with the concept at all because philosophically this transformation thing as far as they are concerned is just all racist* (Interview C2).

Other factors arguably favourable to the emergence of developmental states in East Asia were authoritarianism and a long history of state building. In these countries, the centre held and had ways of co-opting if not repressing dissident voices such as labour and vociferous student movements. These governments clamped down on dissenting voices where these were recalcitrant. Not only this but the long history of institution building these states enjoyed afforded them a pedigree of efficiency and delivery. Contrary to all these, the City of Johannesburg is a democratic local state and was, in its current form where it served a larger population compared to the past, recently established and was not too long in the making.

Parnell and Pieterse note along the same lines that "in post-colonial contexts…local and provincial government are rather belated constructions, with limited fiscal and human capacity and with incomplete administrative systems at their disposal" (2010: 150). The City of Johannesburg contends with capacity issues and did not have a long history of institution building[30] that was attended by a reputation for excellent performance to an even larger population. As a senior executive of a private company mentioned where he compared Singapore's approach with South Africa's

> *one thing about their [Singapore's] authoritarian ways, because it certainly worked for them, they're long on civil discipline and short on civil rights, we [South Africa] are long on civil rights and very short on civil discipline* (Interview B8).

With Johannesburg therefore not moving from an authoritarian but democratic basis, its developmental challenges are more complex. Not only were the Singaporeans strong handed and authoritarian in approach, their government was lean and efficient. *"In Singapore, they don't have an enormous government, but it's…competent"* (Interview B8), the senior member of a private firm went on to assert. A senior official in the city similarly observed that in China, the focus in public service performance was primarily on whether programmes where being successfully executed rather than on corruption. In South Africa however, the focus was largely placed on compliance and the need to account for every rand and cent instead of how successful projects were. In the senior official's view, this needed to change to ensure that projects are delivered.

[30] . In relation to this observation, Parnell and Pieterse further note that, "embryonic post-colonial local state structures, unfunded decentralization and privatization all militate against strong urban government in the global South." (2010: 148).

In the words of this senior official[31], this left South Africa in a quandary

> *because there's no need to do anything more as long as you are compliant. So [in] the public service, anyone who is innovative, who's good, who's smart, will stay do something for a short while and then leave* (Interview C2).

Thus, the prevailing public service ethos did not incentivise individuals for long-term careers. From this vantage point, it was not much of a surprise for there to be lack of excellent public service performance in the country. The senior executive representing a private business believed the benefits to society of the city's big administration was thus poor. In his view, what the city spent in terms of resources dedicated towards employees did not match the benefits accruing to society in terms of service delivery.

In particular, the city exhibited an inconsistent urban management approach. An example of this entailed work carried by the city in areas such as Rockey-Raleigh Street in Yeoville, in the east-centre of the city where a campaign to clean up and revamp the area was successfully carried out but could not be sustained because of the city's failure at maintaining a proper urban management approach. According to the senior official, the area ended up being worse than it was before the city's intervention. In the senior official's view, the city had capacity but was weak on delivery. Its performance therefore needed to be improved and applied consistently. It was not so much that the city suffered incompetence or widespread deficiency

[31] . This senior official went on at length to provide details on South Africa's failed efforts at building a developmental state. In particular, the poor choices made in the country during the process of formulating the National Development Plan (NDP), where models from other countries that had long-term development plans were borrowed. In the official's view, countries such as Malaysia were very focused and direct in building a developmental state. Their plan was brief and far shorter than South Africa's long NDP. The commissions driving the implementation of these plans also had real authority and teeth unlike South Africa's Planning Commission which was advisory in nature.

in skills, it was because it had a problem of moving from planning to execution and structurally configuring itself to perform efficiently at city level.

The senior executive of a private company that was heavily involved with property management in the city mentioned that while previous mayors Parks Tau and Amos Masondo had attempted to introduce various efficiencies (e.g. performance score cards) these, "*rarely got a much higher productivity out of the city*". Therefore

> *I don't think we can accept that the structure of city, and the make-up of people…is that effective yet* (Interview B8).

In the next section we look at the city's bureaucratic configuration and its performance in more detail.

7.4 Governance and Bureaucratic Cohesion

From a governance perspective, Johannesburg as a city has gone through an arduous process of transformation and a continued refinement of its governance framework to achieve effectiveness. It is a product of fourteen to fifteen local authorities that were dissolved in 1994 (SoCA 2004). These local government structures were then replaced with a Transitional Metropolitan Council that was democratically elected and installed for the first time in 1995 (SoCA 2005). It had four local substructures that started to function in July 1996. Among the challenges that attended this two-tier governance structure was role duplication and a fight over limited resources (Smith 2006). Freund (2006: 305), tracing the governance of cities from around this time observed that, in governing cities, there was a "promotion of elite alliances (civic militants, business figures, officials) in large cities" reflecting the first time since the demise of apartheid where cities interacted with business.

In Johannesburg this new alliance took the form of the Central Wits Metropolitan Chamber where the future of the city was deliberated on. Writing on what was transpiring at the time, Freund states that

> cities were now being administered by an uncomfortable combination of bureaucracies from the old regime, sometimes very competent but only within the purview of serving a relatively affluent population along familiar lines, and an inexperienced newly-arrived officials and elected representatives who often came from a struggle tradition. These latter figures may have had a little sense at first of what was feasible (2006: 305-6).

The process of bringing together all the different local authorities saw the different by-laws that applied to each being brought together in a complicated and unwieldy process (SoCA 2003). This had a negative impact on the administration and governance of the city at the time. As one key informant with a long experience of involvement in the city and a former MMC said about the results of the amalgamation, the city was confronted with *"a whole lot of resistance* [to] *policies"* (Interview C10). For example, employees belonging to different pension schemes feared for their monies where these were combined into one scheme. So, "*you had different people fighting for their pensions*" (Interview C10).

The city was now bigger than before and covered an increased population spread within its boundaries. Challenges were bound to arise in providing services and around 1997-1998, the city experienced a fiscal crisis. "A major feature of the crisis was the continued non-payment of electricity bills" (Freund 2006: 306). The crisis also emanated from the city's attempt to equitably provide services without giving due consideration to the fiscal impact this would have (Smith 2006). As a result, reserves and operational expenditures in the city's budget were taken from, according Smith (2006), hence the crisis.

In the end the city failed to pay its creditors for a period of three months (SoCA 2010). In the effort to address the challenge and to avoid it from happening again in future, the result was reconfiguration of the manner in which the city ran its affairs. This was another effort since the dawn of democracy to improve and refine the city's governance framework for the achievement of necessary efficiencies. The outcome of this reconfiguration was to ring-fence budgets for electricity, waste and roads by establishing several municipal entities (Bradlow 2015). These were precursors to today's municipal-owned entities (MoEs).

The year 2000 was a watershed moment for local government that represented what those who were involved in the local government transition process called 'a clean break' with the past and a move towards the 'one city one tax base' slogan. "The unicity democratic elections in December 2000 finally ushered in a non-racial, democratic municipal council and government" (SoCA 2003). Not only this but "by this time the city was formally amalgamated into a metropolitan municipality, which unified the tax bases of poor and rich areas" (Bradlow 2015: 3). Turok (2013: 2) notes that "this was a long drawn-out process because of sensitivities surrounding the incorporation of separate racial communities and resistance from established interests." Around 2002 yet another process of refining how the city was governed, known as the *iGoli* 2002, was begun.

iGoli 2002 "was based on the idea that local government should function in a manner that would be sustainable and ensure effective delivery of services" (SoCa 2003). It sought to deal with five problems, viz., financial stability, service delivery, frameworks of accountability, administrative efficiency and political leadership through decentralization (Smith 2006). *iGoli* 2002 represented another effort by the city to ensure an effective administration and bureaucracy. It primarily brought "together financial planning and management, and service infrastructure planning and management into the same business process" including giving managers total "control over both the costs and customer/revenue base associated with the service" (Smith 2006: 8).

Under this service delivery model basic services such as water, electricity and waste removal where performed by entities run along business lines in similar fashion to NPM theory.

> COJ, through the iGoli 2002 process, opted for a service delivery model consisting of independent, board controlled, municipal owned entities. The result was fifteen municipal entities, consisting of three utilities, two agencies and ten corporatized entities; all wholly owned by the City of Johannesburg Metropolitan Municipality (Cogta 2016: 222).

Ideally these were intended to be "self-supporting and self-sustaining units" (Freund 2006: 306). Other results of *iGoli* 2002 beyond the creation of utilities for water, electricity and waste removal included agencies for parks and cemeteries and roads and storm water together with corporatized entities for the civic theatre, the zoo and bus services. Complete privatization was effected for the airport and the utility providing gas (Smith 2006). Further to these, eleven administrative regions were then established across the city.

iGoli 2002 was essentially a neo-liberal approach according to some observers (Freund 2006: 306) that reflected a solution giving primacy to the "private sector and the emphasis on internationally modelled governance solutions". Although not implying a full handover of government functions to private entities, these agencies of the local state "were intended to run as though they operated within the private sector" and their "strategic partnership with business were strongly encouraged" (Freund 2006: 306), an approach that was largely market friendly and chimed with NPM principles. Attesting to this, one of the key informants interviewed, a senior executive who headed one of the city's agencies stated that

> *what you want you say you run [municipal owned entities] along business lines in order for you to serve this clientele and to propel growth in Johannesburg you must act and think like business, but on behalf of a municipality. So I am a 100% supporter of iGoli 2002 and what it actually brought in terms of municipal entities and utilities* (Interview C3).

The introduction and infusion of market-friendly and private sector approaches to the delivery of public services is attributable to the role played by the Development Bank of South Africa (DBSA) and the Municipal Infrastructure Unit during the restructuring period of local governments (Smith 2006). According to Smith, the two introduced build, operate, train and transfer (BOTT) schemes including management contracts as answers to some of the challenges local governments were facing at the time.

***Table 7.1**: Timeline of Events/Initiatives in the City of Johannesburg*

Year	Event and Initiative	Mayoral Tenure
1993	The Local Government Transitional Act is passed	Transitional period
1995	Transitional Metropolitan Chamber is installed	
1997-1998	The City of Johannesburg experiences a fiscal crisis	
2000	First democratic local government elections are held • ANC achieves electoral victory Metropolitan bus service is corporatized into Metrobus	Amos Masondo's two terms of tenure as Executive Mayor 2000-2006 and 2006-2011
2001	Establishment of the Johannesburg Metro Police Department (JMPD)	
2002	Adoption of *iGoli* 2002 • Basic services' utilities are established • 11 administrative regions are established Launch of the Johannesburg 2030 long-term strategy	
2005	The City's Human Development Strategy is released	
2006	Second democratic local government elections are held • ANC achieves electoral victory Approval of the Separation of Powers Governance Model to strengthen oversight on the executive Administrative regions are reduced to 7 in number	
2007	The Inner City Charter is signed	
2008	The city, jointly with a business chamber (JCCI), starts an exporters' programme	
2011	The Inner City Property Scheme (ICPS) is launched to address dilapidated buildings The third local government democratic elections are held • ANC achieves electoral victoryPassword1 Review of the city's long-term strategy is initiated	Parks Tau's tenure as Executive Mayor of the city 2011-2016
2012	Approval of the GDS 2040 long-term strategy Adoption of the City's Financial Development Plan	
2013	Introduction of the Jozi@Work service delivery model Corridors of Freedom programme is introduced	
2015	*Vulindlel' e Jozi* programme to address youth unemployment is launched	
2016	Fourth democratic local government elections are held • No outright majority. ANC loses power as DA takes over based on a working relationship with EFF	

Source: Compiled by Author

Private sector or market-friendly thinking along NPM lines in Johannesburg did not end with these. The city's long-term growth and developments strategy, Johannesburg 2030, launched in 2002 continued in the same vein. It sought to create a city that had a "strongly outward oriented economy" (Rogerson 2005: 9) and a pro-growth approach. The subsequent release, only later in 2005, of the Human Development Strategy (HDS) with measures to tackle poverty was a clear indication of a shift from focusing on economic growth alone. The then Mayor, Amos Masondo confirmed the lack of a pro-poor approach in the Joburg 2030 Strategy. He asserted after the launch of the HDS, that it extended the city's focus from economic development issues alone. HDS also included issues relating to access to, *inter alia*, skills and health (SoCA 2005), underscoring the fact that these were initially missing in Johannesburg 2030.

The advantages of the *iGoli* 2002 service delivery model was operation at arm's length which was believed by its architects to offer MoEs focus in delivering particular services, implementation flexibility and a bureaucratically small, not overly hierarchical structure and quick decision-making. Disadvantages included "the increased cost that municipal owned entities come with including the establishment of boards of directors and management teams" but this was trumped by the fact that "it has the potential of providing the municipality with a definitive competitive advantage" especially through the leadership-sensitive nature of the model which, if properly governed, "has the potential of leveraging the advantages pertaining to speed, efficiency, professionalism and sustainability" (Cogta 2016: 224).

When initially implemented the model had to contend with issues of distance between the boards of entities and the city where the latter as the client emphasised equity and the former as the contractor tended to focus on narrow efficiency objectives (Smith 2006: v). Through the model, political pressure was also severed from operational concerns but "oversight is inherent to the model since the government is both client and owner" (Smith 2006: 5). With cities having to contend with a groundswell of movements opposed to NPM principles such as privatization at the time, the model "may well have been more politically palatable than a privatization model" (Smith 2006: 6). The model was thus attractive and adopted because of its ability to offer solutions confronting the city at the time.

MoEs have continued to exist since the heydays of *iGoli* when they were initially established. However, the ascendance of the Democratic Alliance (DA) as the governing political party in the city after the 2016 local government elections has added a new dynamic which, among others, threatens the existence of MoEs and generally questions the ANC's purported clean governance when it was in power. The DA installed its new executive mayor of Johannesburg, Herman Mashaba, through a working relationship with the Economic Freedom Fighters (EFF) after the 2016 local government elections. The DA believes the current number of MoEs is cumbersome especially since these come with boards.

It believes by re-absorbing these MoEs into the city's administration would result in "savings of at least 18m from the salaries of no-executive board members alone" (Magubane 2017: par 2). SAMWU, the South African Municipal Workers' Union welcomed the decision as it believed this will do away with split bargaining arrangements that proliferated under MoEs.

As this thesis is being written, a process to re-integrate MoEs into the city was approved by council and initiated. This process was however since abandoned amid allegations of tender irregularities.

Arriving on the local government scene with a promise to fight corruption in the city, the new mayor Herman Mashaba came into direct conflict with two MoEs, Pikitup and City Power. With a neo-liberal and free-market background, including having been the chairperson of the Free Market Foundation, Mashaba had promised to break down the waste collection entity of the city, Pikitup, into smaller parts. His move never saw the light of day and faced fierce opposition from the unions. In relation to City Power, when corruption claims were levelled against its managing director but was never suspended by the board, the DA government decided not to renew the term of office of the whole board serving at the time for what in its view was failure to deal with corruption (Koza 2017).

This saw the chairperson of the board, the reputable former director general in the presidency (Mbeki's presidency), Reverend Frank Chikane, making news headlines as a result of the rift. Herman Mashaba then instituted a forensic investigation, which revealed "breaches of procurement and contractual obligations and the contravention of the Municipal Finance Management Act [MFMA]" (Mailovich 2017: par 2). The managing director of City Power was found to have "issu[ed] discretionary allowance…without a budget for it and for an "irregular instruction" to issue the allowance to the six officials" (Mailovich 2017: par 7). He was then removed from his position by the city. Thus even with what seemed to be improved governance that was claimed the establishment of MoEs would bring, there were alleged acts of graft that occurred precisely because of their operation at arms' length from the city.

The adoption of the separation of powers model is another effort the City of Johannesburg undertook to enhance the performance of its administration and bureaucracy via oversight on the executive. The model ensured that there was enhanced performance by the city's administration through improved accountability of the executive. It converted council committees from portfolio committees to oversight ones. Under the model, the role played by the City Council was clearly separated from that of the Executive or the Mayoral Committee, with the former performing legislative oversight on the latter. The City of Johannesburg was the first in Gauteng to adopt this model which "improves Executive accountability for service delivery" (Cogta 2016: 220) reflecting its desire for performance excellence. In this sense, the City's administration and bureaucracy was disabused of any notion that poor performance would be allowed because under the model, slack and under-performance were always under spotlight.

In another effort to ensure that the city performs to the best of its ability, especially in those skills the country lacks such as engineering (SACN 201: 219), a centre of excellence was established. Municipalities "were losing engineering personnel to the private sector because of politics in local government" and this affected their project management capacity in relation to infrastructure rollout (CoJ 2010). Against this backdrop, the City of Johannesburg established what is known as the Engineering Centre of Excellence (ECoE) with a view to having a better handle on the availability of professionals with this skill (Cogta 2016: 60).

ECoE's major responsibility was "to provide for the oversight and coordination of the professionalization, development, retention and optimal utilization of engineers throughout the city" (Cogta 2016: 113). The city has therefore on a continuous basis refined and tweaked its bureaucracy and administration with the view to achieving efficiency and improved performance.

Having undertaken all these efforts, it still behoves one to ask of the performance dividends the city has reaped based on its governance framework. The answer to the latter is crucial to addressing the thesis question, not the least because "the mode of governance determines the level of trust between the municipality [and] the private sector… and thus the ability to negotiate outcomes and get results" (SACN 2016: 203). The next section discusses the city's public service performance in various areas in an attempt to assess whether its institutional configuration has yielded results.

7.5 The City's Public Service Performance

The best place to start in any assessment of the city's performance is with the provision of basic services. The table below provides results of responses given by communities on basic service delivery in Johannesburg that a city-commissioned survey asked them about. As can be observed, communities are generally satisfied with the delivery of water, electricity, sanitation and waste removal. The table also provides results of how satisfied communities in Johannesburg were with the local sphere of government in general. Measures of satisfaction with service delivery and the measure on general satisfaction with local government are related because "the quality of public services is a foundation for public trust and a measure of municipal effectiveness" (Turok 2013: 18). One would expect satisfaction with basic services to be followed by satisfaction with the sphere of government providing them.

***Table 7.2**: Johannesburg's Performance on Particular Indicators and Dimensions*

Indicators and Dimensions	2009	2011	2013	2015
Water is usually always clean	84.1%	94.4%	91.7%	96.5%
Flush toilet connected to sewage	94.5%	80.8%	85.2%	88.0%
Water piped into dwelling	72.9%	77.0%	76.8%	86.0%
Has access to electricity	95.4%	86.1%	89.5%	92.0%
Refuse is removed by municipality	96.3%	93.0%	90.6%	93.1%
Satisfied with local government performance	**45.6%**	**29.9%**	**35.9%**	**34.3%**

Source: Adapted from GCRO's Quality of Life Survey 2015

However, the above results represent an anomaly where communities were satisfied with particular services provided by the city but not with the city's administration which was responsible for their provision. Turok noted in 2013 that in fact "there has been no improvement in popular support for local government over the last decade" (2013: 20). In another recently conducted independent survey, the satisfaction levels of residents in South Africa's eight metropolitan municipalities declined to their lowest in three years reflecting worsening performance (Chamber 2017). As part of the very survey, Johannesburg's own performance similarly declined from a satisfaction index of 60.2 in 2015 to 54.7 in 2017 (Shezi 2017).

The major reason proffered for this was the gap between expectations the residents had and what the city was actually able to deliver. Other areas of concern that were raised by households in Johannesburg and that were drawn from the 2016 Community Survey by Statistics South Africa, revolved around the cost of electricity and the lack of employment opportunities. A related concern to electricity cost is billing, a vexing issue that has plagued the city for a considerable period and remained intractable for the longest of times[32]. The concerns by households were no different from those business had with the city, especially those which related to the cost of tariffs.

All key informants that represented business as part of this study mentioned billing and the cost of utilities as a major concern they had with the city. As the key informant, from one of the bigger business association in the city mentioned, *"the billing problem [are] a big problem for business"* (Interview B3). Another key informant, from a predominantly black township-based business association complained that

> *we have had like a number of serious concerns from SMMEs who find electricity being a problem in terms of the tariffs, water supply, and so [there is] a lot of down time because of infrastructural issue* (Interview B5).

Related to the issue of downtime around service disruptions, business pointed to the city's long processes and turnaround times in addressing their queries and concerns regarding this. A former head of department in the city said that businesses *"are concerned about the length*

[32] . Billing has historically given the city a torrid time and is an area that opposition parties in the city have, in the past, also consistently levelled as a criticism against the former executive mayor, Parks Tau, whom they attributed its challenges to, including that these took place under his watch and during his tenure as the MMC for Finance – a tenure that was not short in their opinion. Interestingly, the Democratic Alliance as a former opposition party that has ascended to form government in the city still contends with the same challenge.

of time that it takes to sort out things [billing queries]…because that affects their bottom line" (Interview C2). One key informant, from a well-established and predominantly white business association in this instance, described as a very exasperating experience attempting to engage the city

> *if you've got issues with your account, to go to the actual [customer service office]…firstly you can't phone them…you don't even try and phone them because you will wait one or two hours* (Interview B6).

Business also believed that, while the supply of electricity and water issues had become reliable in the city with the receding of load-shedding[33], if there was to be an upswing in the city's economy, the prevailing reliability of services would be proven inadequate. *"I think crunch time will come, because obviously it's [Johannesburg is] the hub of Africa, it's the economic hub"* (Interview B1), said a senior executive involved with property issues in the city. The same key informant went on to state that *"where the challenges are to be faced it is with services, with water issues, with electricity issues"* (Interview B1). In a sense business doubted the city's preparedness or available capacity to deal with an upswing in the economy should this happen.

Another area where the performance of the city's administration can be assessed is in relation to how it has managed its resources, especially finances. A blunt indicator for this is by looking at the audit outcomes the Auditor General (AG) has annually given the city.

[33] . Load-shedding involved scheduled and ongoing electricity stoppages that allowed for power to be shared across the country due to limited and insufficient supply.

In general, the management of finances in South African municipalities has been disconcerting. For several yes now, the AG's office has made scathing findings on the state of finances in South African municipalities. For instance, in the financial year 2009/10 "only seven of the 237 municipalities (in five provinces) received a clean audit. This included only one city (Cape Town)" while in the following year it was only 13 municipalities (Van Vuuren 2014: 7). The AG also staggeringly found that "in 2010-11 almost R800 million was awarded in tenders to municipal officials and their families" (Van Vuuren 2014). These findings reflected a worsening state of affairs.

Since the fiscal crisis of 1997/98, the city had set itself to achieve an unqualified audit by 2005. In 2003 the city received a disclaimer with concerns being expressed by the AG about the lack of controls around transactions the city undertook. In 2004, the city began participating in financial markets through the issuing of two municipal bonds and by 2006 this had increased to four indicating signs of an improving financial position.

In 2007, a qualified audit was attained by the city with the AG this time expressing concerns around the accuracy of revenues and the number of customers owing the city money for water. While there were still concerns, this signalled improvements around the city's financial governance. Unqualified audits were then achieved by the city in 2009/10, 2012/13, 2013/14 and 2014/15. It seems therefore that the city has gradually improved its financial governance. However, since taking over as the new mayor after the 2016 elections, Herman Mashaba has expressed a different opinion and cast a pall on the financial governance of the city under the ANC.

In his first speech to the City Council, Mashaba noted that

> [t]here was over R5 billion in unauthorised, irregular, fruitless and wasteful expenditure over the last administration's term in office (Mashaba 2016: 17).

To address this, Mashaba promised to institute an investigation by "conduct[ing] a forensic audit, targeting expenditure and tenders that have raised suspicion" (Mashaba 2016: 17) to ensure that those who are responsible are held accountable. While these are the views of the DA administration regarding financial governance, in other performance areas that are especially relevant to business, business has maintained that not many positives could be highlighted concerning the old administration's achievements.

Experience in other developmental states reveals that the local sphere was quite effective in attracting business through the building of business parks where the required infrastructure was already installed. Moreover, developmental local states in other countries even instituted special administrative arrangements for business to ensure their ease of operation. According to business representatives that were interviewed, their existence in the city warranted their being given good services in light of the positive fiscal effects that accompany their presence in Johannesburg rather than anywhere else. As the senior executive of a private property company put it, with investment from business, "*the biggest beneficiary is the state, it gets increased values, therefore increased rates and taxes, increased revenues through business VAT*" (Interview B8). However, business seemed to be of the view that it was not getting excellent services from the city in return for their investments.

Business was unanimous regarding the city's performance when it came to investment attraction. Mention was made of other neighbouring African states that were offering much better comparative environments[34]. "*If you compare ourselves to other countries in Africa, it is easy [in those other countries] to open a business, easy to set up business, it is easy to get funding for business*", the president of a predominantly white business association said. He went on to indicate that there was over-legislation where business was concerned. An executive member of a township-based and predominantly black business association concurred by suggesting that as a solution "*policies or some legislation could actually be eradicated, or they could be…revised so that black businesses become direct beneficiaries to (sic) some of these policies*". There was thus the view that the city was not doing enough in relation to persuading business to stay in the city or from moving out of Johannesburg.

This view also seemed to had found its way to city officials. A departmental head in the city acknowledged that the city did lose some of the businesses that were based in Johannesburg, which chose to locate in the city of Cape Town instead. Another former senior official in the city went on at length to describe the poor and archaic state of the institutional arrangements[35] he found in the city in relation to dealing with investors[36] and in keeping track on their applications, especially those relating to development permits and electricity. He indicated that, in "*Joburg people because they are not from a business background or from*

[34] . According to the World Bank's Doing Business Report of 2015, South Africa's nine metropolitan cities and port areas were compared based on six indicators, viz., starting a business, construction permits, getting electricity, registering property, enforcing contracts and cross boarder trading. The findings showed that Johannesburg only led in the two areas of starting a business and registering property (cited in SACN 2016).

[35] . In comparison to other cities, Johannesburg had no systems or dedicated computers even, to track and deal with investor applications while the likes of Cape Town were already handling these online.

[36] . This senior official provided details of how he introduced the Fast Track Committee as a concept and structure when he first arrived in the city, which was established with the view to speed up the city's turnaround times in relation to development applications of large projects with prospects for sizeable job creation.

any investment promotion background did not appreciate" (Interview C2) the importance of quick turnaround times when dealing with applications from business. City-business relations are given attention in the next chapter but it suffices to state here that there was a disconnect between what business needed and what the city provided.

Among the problems that plagued the city's performance when it came to dealing with business, especially investors, was its work ethic. The city's former senior official put it thus, "*the [work] culture of the city…to be friendly to investors, has to be massively reconfigured*" (Interview C2). The core administrative team dealing with these issues did not see anything wrong with holding meetings over and over again without making any discernible progress regarding investor applications. There was, in the senior official's view "*no critical mass*" (Interview C2) in the city's administration to tip the scales in favour of service excellence. In this key informant's views, both city officials and politicians were not overly concerned about the city's inefficient process and poor turn-round times when it came to investor planning applications.

In actual fact, according to this key informant who was a former head of department, city officials were in a pretty strong position and "*they could not be bothered*" (Interview C2) to do what they were really employed for – a view exactly similar to that expressed by the senior executive of a private company in the city that there was entrenched union protection enjoyed by city employees to the extent of compromising service delivery in the city. In terms of developmental state theory therefore, there was no bureaucratic autonomy and insulation of the city's administration from external influences. Furthermore, this underlines the strong nature of labour interest under democratic settings. Labour is among critical actors that also requires engagement from the city's attention and not just business alone as was largely the case in East Asia.

From a developmental state perspective which prescribes bureaucratic capability and state leadership, there seemed to be no desire to correct and attend to areas of concern in the city. This was not only a problem in Johannesburg but in South Africa generally where efforts to build a capable developmental state were never pursued with the gravity and determination they required. As the former senior official and head of department in the city went on to mention, "*to be the DG [director general] in Singapore is a big deal*" (Interview C2) and public servants earnestly immersed themselves in their work. Public servants were even rotated among different functions such that "*by the time we (sic) get to your portfolio, you have seen it from the other person's perspective and you're highly trained. Top of the class*" (Interview C2). The building of state capacity in Singapore was thus a serious matter unlike in South Africa.

The only effort at local government level that resembled anything close to what transpired in other developmental states where public officials underwent rigorous training was the Municipal Finance Management Act (MFMA) training run by the National Treasury, which is required for all those in positions of management within municipalities. With the city's performance fraught with challenges, business was not short on proposing some of the ways through which matters could be improved. A senior executive member of a predominantly white business association suggested that the city could hire more people with project management experience. This would help with turning things around "*because it is easy to get all these brilliant ideas but [difficult] to focus [remain resolute] and to implement them*" (Interview B6) is not. steadfast

The representative of a small township-based business association thought it would serve the city well to "*consider businesses that are competent to do the job and give them that opportunity to do the job*" (Interview B4) when carrying out development – implicitly suggesting that the city was not positively exploiting their relationship with business. This reflects another area of city-business disconnect. Another business representative, also from a predominantly black business association that had a long history, maintained that:

> *if you are asking me how I would go about changing the way we do things, I'd say for every political deployment there should be an academic deployment, because it informs, you know, the academic side of things. I don't believe that if you go through the ranks of being a comrade the next thing you are sitting at a prominent position of authority and you do not have the very necessary skills to do certain things. I mean we've seen MMC's and MEC's and they say this person is MEC of economic development…Because the head should be the one that understands the process itself* (Interview B5).

All the proposals above pointed to how the capacity of the city could be enhanced, which in the view of business was inadequate.

What can then be concluded from the preceding discussion is that in some areas such as getting its financial matters in order as judged by the Auditor General's reports, the city has performed quite well including introducing institutionally needed mechanisms and innovations (the separation of powers model, the Centre for Engineering Excellence and

Municipal Owned Entities). These were therefore in line with the need for a state with capacity as prescribed by developmental state theory. The newly formed government of the DA however thinks differently about the past ANC administration and its so-called clean governance. Business also pointed to areas of lack and these included lacklustre performance around business-related services geared at attracting investments and a poor work ethic accompanied by the failure to generally inculcate public service excellence which seemed to go against the prescriptions of developmental state.

7.6 Summation and Conclusion

This chapter began with a discussion on the views that those responsible for and entrusted with implementing developmental local government understood it to be. Practitioners of developmental local government believed what it entailed to have been defined in policy and legislation. Among these was the 1996 Constitution, the White Paper on Local Government of 1998 and the NDP of 2012. In particular, it was stated that implementing developmental local government meant taking all these documents, interpreting them and making them relevant to the specific circumstances and challenges peculiar to the City of Johannesburg. Developmental local government was said to also be theory-based and informed by theories such as NPM which advocates business-like approaches and financial sustainability.

A developmental local state is also an egalitarian state that provided services equitably to all. It was a local state that expanded services to the formerly excluded without compromising the standard of services to those who always had access to them and historically benefited from them. A developmental local state was also understood as calling for a new governance model that empowered communities through participation. In a developmental local state, communities were co-deciders with the state and the primary beneficiaries of its initiatives. This fits well with the role of a modern twenty-first century developmental state that operates in a democratic setting unlike developmental states of yester years that operated under authoritarian circumstances.

In addition, a developmental local state pursues a pro-poor agenda by helping lift individuals out of poverty. This is a role that chimes with that of a redistribution-oriented and twenty-first century developmental state. Furthermore, a developmental local state pursued the dual mandate of normal basic service delivery such as waste removal or the provision of water to residents but also transformation. In concrete terms the latter meant, *inter alia*, building integrated communities and pursuing partnerships where small businesses were matched with big ones. This partnership-building aspect assumed positive relations between the city and established business. It was argued in this section that these perspectives on developmental local government held by city officials fitted with the redistributive roles that a twenty-first century developmental state is expected to undertake.

The chapter then proceeded to discuss the potential for Johannesburg to be a local developmental state. Some of the challenges working against the city's potential at being developmental were shown to entail the local state's overly circumscribed nature which limited its autonomy. In certain instances, the inefficient allocations of some functions stood in the way of Johannesburg's potential at being a developmental local state. Operating within a system of cooperative intergovernmental relations and the non-integrated nature of the entire state made circumstances difficult for the city to be developmental. The different circumstances that faced Johannesburg compared to other developmental states, for example Singapore, such as the lack of a common identity and cohesive values, the lack of a long history of institution building, especially where providing services to a larger population was the norm and democracy, made for no easy way at being developmental.

Subsequent paragraphs discussed the city's governance and bureaucratic cohesion. The long and arduous institutional transition the city went through was mentioned. The *iGoli* process and the institutional innovations it brought about were discussed. The creation of MOEs, the adoption of the separation of powers model which entailed detailed scrutiny by oversight committees instead of portfolio ones and the ECoE were mentioned. Discussion on the city's improved financial governance followed this. The chapter showed the general satisfaction communities had with the delivery of basic services by the city but also the generally low level of trust they had in local government as a sphere. Business concerns around the cost of utilities were mentioned including the city's unsatisfactory performance on growth-oriented services related to the ease of doing business and investment-attraction. In the next chapter, primary focus is placed on SBRS in Johannesburg and other issues related to it.

CHAPTER 8: STATE BUSINESS RELATIONS IN THE CITY OF JOHANNEBURG

8.1 Introduction

Relations between the city and business in Johannesburg present a mixed picture with a tilt toward the negative. They reflect the city relating positively with business and striking valuable partnerships in particular areas including the establishment of a forum and platform for continual engagement. However, they also reflect the existence of negative relations where processes collapsed and where matters ended up in court. In addition, developments in the period under review show that there was a period of little to no interaction and another of increased city-business engagement. State business relation (SBRs) in the city were thus not uniform or consistent in their nature and almost tended towards the negative.

8.2 The City's Willingness to Positively Relate with Business

The city's desire to work with business and the private sector is underlined in a number of areas. For instance, the city's long-term strategy Johannesburg 2030 released in 2002 had a partnership element. It spoke to how this long-term strategy was going to be implemented, especially where it concerned how the city aimed to enhance its skills base. This was later evidenced by the partnership the city struck with Investec, a private investment bank, which sought to assist small businesses through establishing what was called the Business Place (Rogerson 2005, CDE 2007). The latter had an office in the central business district (CBD) where businesses could walk in and receive information including referrals on where else they needed to go for further assistance.

Again back in 2008, when launching its economic development plan to businesses in Soweto, among its planned interventions, the city promised to build an improved institutional environment where business would thrive. At the time of launching the said plan, the city, applauding its own overtures and efforts at reaching out to business observed that the launch of the plan "heralds the first official engagement of all Soweto businesses under one umbrella body, the Greater Soweto Business Forum[37], with the City of Johannesburg" (CoJ 2008). This signalled yet again the city's resolute intention to engage and partner with organized business. The then Mayor, Amos Masondo, mentioned at the time that the idea behind the engagement was to go beyond the narrow interest of business and commit to a common objective that serves the broader society. Meaning the city intended to partner with business in driving far-reaching, extensive and city-wide development to the benefit of everyone, not only particular sections of society.

In 2011, as part of the consultative process around its long-term strategy, the Growth and Development Strategy (GDS 2040), the city consulted widely with the business community. During this process the city asked business what it expected from the city in order for business itself "*to be able to meet its obligations as an important cog of a developmental local government*" (Interview C3), to quote the senior executive of an agency of the city who was interviewed. The city's desire to woo business as a partner in development has therefore been

[37] . In doing research as part of this thesis, attempts to contact this business association bore no fruits. Records indicated that at some point during its formation and at inception, the city together with the Johannesburg Chamber of Commerce and Industry (JCCI) provided this association with much-needed capacity including assisting it to set up office. A key informant of another township-based business association who was interviewed mentioned that he was in the process of making efforts to individually contact former executive members of the Greater Soweto Business Forum in order to come and join their recently established chamber of commerce and industry. All these indicated the fluid nature of black business associations at the local level.

clearly expressed. In its 2015 annual report, the City of Johannesburg mentioned that in tackling infrastructure backlogs, it would do this “with the help of the private sector that has balance sheets capable of investing about R20 billion a year” and that by “partnering with private developers and investors”, the Inner City would be regenerated.

Further to this, the city mentioned that it aimed to reduce housing backlogs by “working with the private sector to innovate solutions” (CoJ 2015: 5), signalling a strong intention to relate constructively with business and the private sector for widely-dispersed benefits. The recently installed new mayor, Herman Mashaba has also expressed a desire to create a business-friendly environment that would assist in achieving the city’s target of five percent economic growth and create employment. In his inaugural speech, the new mayor said,

> we [the DA] understand that the actual role of local government in job creation, is to create an enabling environment for businesses to establish themselves, flourish, and thereby create permanent jobs (Mashaba 2016: 4).

This DA’s approach to development is akin to that of a growth-oriented developmental state.

Having said that, the DA does not place driving development in the city within the context of building a developmental state. The party is on record for having criticised it, especially the sincerity of the ANC’s commitment to it. When, as part of his 2015 State of the Nation Address (SONA), President Jacob Zuma presented his nine-point plan for revitalizing an economy battered by job losses and poor growth, the DA stated that this was nothing else but

> a plan to enrich and entrench the ANC and his [Jacob Zuma’s] network of loyal cadres. It is an insider enrichment scheme disguised beneath the mantle of the so-called

> “developmental state”, a word which in ANC-speak, means precisely the opposite of what the English language intended it to (DA 2015: par 4).

In support of this view, the DA pointed to the poor management of state-owned agencies (SOAs). There would, according to DA, resultantly be more use of the term “developmental state” as the role of SOAs was intensified in subsequent developments. However, continued the DA, “before we [South Africa] have a developmental state, we have to have a capable state” and “a state that is used…as an employment bureau…can never serve the developmental needs of our nation” (DA 2015: par 20).

Prior to this, after the ANC’s 2009 policy conference held in Gallagher Estate, Midrand where it signalled greater state intervention in the economy, Hellen Zille commented that the poor management of SOAs and their frequent bail outs, “tells you all you need to know about the ANC’s ‘developmental state’” (Dodds 2012: par 14). Zille’s comments actually underscore her views on the importance of separating between the party and the state which, in her own autobiography, she repeatedly accuses the ANC of flouting. Having said these, the city’s intention to relate positively with business were clear. Whether these intentions accorded with its actions over the years remains to be proven. Is there evidence from the city attesting to the realisation of its expressed desire to forge constructive relations with the business community?

8.3 Building State Business Relations

Evidence shows that since the transition to democratic local government, the city and business have interacted with each other on an ongoing basis and they did this utilizing a variety of platforms. The platform mentioned by most key informants interviewed was the Johannesburg Business Forum (JBF) but prior to the establishment of this platform, instances of the city engaging with business on an ongoing basis included the Inner City Partnership Forum that was established as part of the Inner City Charter. In 2007, the City of Johannesburg together with business and other stakeholders signed the Inner City Charter which was targeted at turning around the dilapidated state of the CBD and other proximate areas.

At the time the CBD area had rapidly mutated after large-scale businesses took flight from it and relocated to what could be described as 'safer havens' situated in the northern parts of the city. This development occurred as large swathes of the population, primarily black, flocked to cities in the 1990s and immediately in the years that followed the abolishment of influx laws in 1987. The charter was developed with the aim of pulling back the Inner City from the dark abyss it was descending into and precluding it from spiralling further into a state of dilapidation. The Inner City as an area of major intervention is discussed at length in a subsequent section of this chapter. What is critical to underscore though is that, under the charter, space was created for ongoing and regular interaction between the city and business including the opportunity by all stakeholders to report back on all actions implemented in pursuit of commitments made to rejuvenate the Inner City.

During the transition period and prior to the emergence of the above forms of engagement with business, instances of specific businesses engaging and interacting with the city were also found. One particular business, the Rand Mining Company with vast amounts of mining land under its ownership, took the initiative at individual company level to get involved with the city during the local government transition process. Behind such individual business involvement with the transition process seemed to be the uncertainty the political transition held. So to counter the uncertainty brought by the transition including a potential political backlash, this specific individual business took it upon itself to participate and be involved in deliberations that transpired during the local government transition process. A key informant who was part of this process put it thus,

> *we could see the change was coming, and we took the strategic decision that we needed to get into the processes and understand what was happening, where were the changes, how would they affect us as a business, and we ended up as the only private company that was actually recognized in the Johannesburg Negotiating Chamber for the transition and amalgamation of the new order of Johannesburg* (Interview B7).

This involvement by business with the city was significant as it reflected city-business interaction just before the dawn of democracy. As Bradlow (2015: 3) puts it in relation to private developers with initiatives in the city that he interviewed, "the overwhelming majority report next to no interaction with city authorities on planning matters prior to the amalgamation". The outcome of this interaction was to witness business engage together with the city in joint vision around land use and its impact on the future development of Johannesburg. This was because the business in question owned vast amounts of land. Thus, while the decision involved cooperation and participation in the new dispensation, it was essentially initiated to preserve the interests of the business in question since it wanted to protect its large land assets.

Therefore, the initiative by some businesses to participate in the transition process and interact with the city seemed not to emanate from the desire to encourage city-wide development but grew out of the political motivation to achieve their own ends and goals. The interest to engage with the local state was therefore borne out of the instrumentality it served when viewed from the perspective of business rather than out of business suddenly seeing the need to become part of the city-wide development agenda. In other developmental states, SBRs were forged in an environment that balanced the desire by business for profits with society-wide development needs.

8.3.1 A Shared and Intertwined Fate

A feature of the city is that it places municipal government in proximity to a significant amount of business. The location of headquarters of major corporations within the city and the fact that Johannesburg is the "financial hub" of the country naturally implied easy access to the business community. As one key informant, an executive heading one of the city's agencies put it

> *that is an advantage in that you actually have got business within your boundary and the captains of that business within your boundary. So it is very easy to actually call upon, as a government to business and engage, and there's been lots of engagement that is actually taking place* (Interview C3).

Whether this necessarily translated into generally healthy and positive SBRs in the city is open to question at this point but there was ongoing engagement and interaction as a result of this locational density by business in the city.

Beyond facilitating interaction and access to business by the state in the city, the location and concentration of major corporations and financial giants within the borders of the city also carried with it the potential for building SBRs that were typically found in developmental states. As one key informant, a former senior official in the city with partnership-building experience at national government under his belt argued, with the levels of inequality currently plaguing the country, South Africa *"needs a national economic compact, there must be an agreement. This must happen, but it is not happening"* (Interview C2) due to lack of a firm relationship between business and government at national level [38]. According to this key informant, the chances of this happening at provincial level are slim but at city level this is possible because "*the difference with the city is, it's very practical [in the way it functions]. The city can build an economic accord, at a localized level"* (Interview C2).

Among reasons for this is that, *w*ith the fifty-five billion Rand budget at its disposal, its very own budget for that matter unlike province which depends on the national tax pool for a large

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[38] . The same view was corroborated through responses given by a business association with a national footprint. The CEO of Business Leadership South Africa (BLSA), Bonang Mohale, confirmed this in a nationally televised interview (Under the Skin) with John Perlman, a well-known radio talk show host, that was shown on the 20th of September 2017 on ENCA, channel 403 Dstv. Among his responses when asked about the estimated R1,3 trillion that business was purported to be seating on and reluctant to invest, Mohale said that it was not that business was refusing to invest because the forging of partnerships was among the pillars of BLSA's strategy. What business was simply asking for from government was regulatory certainty. He further mentioned that business was concerned with government's wasteful and fruitless expenditure which was estimated to be around R80 billion per annum. Steven Friedman (2014: par 4) corroborated the same by observing that "low trust between business and the government makes it difficult to negotiate compromises that would serve SA's interests".

portion of its budget, including having major corporations within its jurisdiction, the city could be argued to possess some level of influence. Moreover, presented with a proposal to partner and co-invest by a local state amassing and wielding resources of this magnitude would leave business with no choice but to cooperate. In the words of a key informant, a former head of a line function department in the city

> *we don't have to be ANC, DA or whatever, we [have to] agree, [that] we're in this together, otherwise this area is messed up and it's your money and you'll do enough of those [necessary decisions] to tip the scales* (Interview C2).

From a development theory perspective, this sentiment speaks to an equivalent of a nationalistic spirit albeit at local government level. Thus, pursuing wider development goals due to their shared and intertwined fate should have inexorably led to convergence of thought and the building of constructive relations between the local state and business at city level. From this perspective it can therefore be argued that circumstances seemed to conspire towards positive or constructive SBRs in the city.

The interwoven and intertwined nature of the state and business at city level was borne out in most interviews with key informants. In one interview, a key informant who was a politician and also served as an MMC in the city in the past mentioned that all efforts to partner with business by the city were undertaken with the understanding that *"the success of business in Johannesburg is the success of the city as whole" (Interview C10)*. In another place, a key informant who was an executive of a business association in the property sector expressly stated that *"the city is not going to be successful unless business can develop and deliver"* (Interview B1). Further drawing attention to the fact that the fate and fortunes of business and those of the city are wrapped up in or with each other. Thus the two had of necessity to engage and cooperate. There is no place where this was truer than when viewed from the perspective of revenue collection.

Viewed from the city's vantage point, ensuring that business thrives was in its interest and the city was acutely aware of this. As one senior city official put it regarding the city's attitude towards business, *"you cannot kill the geese that lay the golden eggs, our rate-paying base"* (Interview C5). To corroborate this, another city official, an executive director of a line function department stated that, *"mindful of the fact that we needed to move a lot of resources to poor areas, the city was very conscious not to compromise services in richer areas and where business is"* (Interview C1). Thus, in driving development, the city ensured that it continued to maintain a positive disposition towards business. It ensured it met business needs by also pumping resources into those areas considered rich and where business was concentrated such as Sandton for instance. This was because this had implications for its revenue and fiscal health.

Business similarly expressed its dependence on the city where its own development projects and initiatives were concerned. For instance, any planned development by business would not take off unless the city as a regulator had offered business the rights to develop particular areas they were interested in by giving their plans a thumbs up of approval. One key informant representing the voice of business stated it bluntly that *"if there is no service delivery, then business won't be able to survive"* (Interview B1). From this perspective therefore, the city's relationship with business could be described as inherently reciprocal and complementary. Under these circumstances therefore, positive SBRs seemed like a natural progression.

8.4 Positive State Business Relations

There are instances of healthy SBRS being struck in the city. The Inner City Charter has already been mentioned. Healthy relations between the state and business as per developmental state theory are characterised by the existence of general consensus between the state and business on development priorities. In healthy relations, the state and business do not pull in opposite directions but work in unison. Secondly, according to literature, healthy SBRs are characterised by mutual benefit for both the state and business. Neither the state nor business loses out where SBRs are at their healthiest. Thirdly, healthy SBRs are seen by the multiplicity of intersecting points between the state and business such as joint development ventures, periodic extended conferences and deliberation councils where issues are thrashed.

In Johannesburg, positive SBRs existed to the extent that unique arrangements were entered into by business with the city. In one instance of a healthy relationship between business and the city, an export support programme assisting small and medium enterprises (SMMEs) was jointly run from 2008 by the Johannesburg Chamber of Commerce and Industry (JCCI) and the city for a period of no less than five years. In another instance, a predominantly black business association, the Greater Alexander Chamber of Commerce (GALXCOC) and the city had a signed memorandum of understanding that governed how they related with each other. In yet another unique arrangement, the city deployed its own resource in the form of an official from a regional office to sit in monthly meetings of a predominantly white business association, the Roodepoort Chamber of Commerce (ROCCI) to hear their concerns and regularly provide feedback.

In the social and community development space, a healthy lifestyle programme was being delivered in partnership with the private sector (Discovery Health). The initiative entailed defeating vulnerability to diseases through the promotion of a healthy lifestyle where communities actively participated. The programme also had a "corporate focus" and together with the private sector, the city awarded a best practise excellence award to companies that encouraged healthy lifestyles (CoJ 2016: 48). Further to this the city had a programme targeting young people of school-going age that was facilitated in partnership with, a private sector company, Discovery Vitality.

In the early 2000s, in his State of the City Address (SoCA), the then Mayor, Amos Masondo, alluded to some of the partnerships[39] the city had forged. He stated that,

> successful urban regeneration depends on strong and successful partnerships. The City has developed key partnership with a range of public and private sector stakeholders. Through the Johannesburg Inner City Business Coalition and the Central Johannesburg Partnership the business community is actively involved in a number of initiatives, both at a policy and project level, that are promoting urban regeneration. These range from support to the process of reviewing by-laws and the planning regime

[39] . While these collaborations between the city and business seemed to signal the beginnings of an urban regime type of governance, subsequent developments tended to move away from this initial approach as the sense by the city and business of generally considering themselves partners in the tackling of developmental challenges quickly dissipated and was never entrenched. This was typified in what one key informant, a senior executive of a long established and relatively large business association said about her visit to Texas, US where she witnessed the mayor of the city of Houston holding a leader of business by hand and pronouncing publicly that they were joined at the hip in everything they did. The key informant mentioned that she saw nothing of that kind in South African cities.

> to investment in the upgrade of the public environment at, for example, the Anglo American Precinct, Gandhi Square and Fox Street. (SoCA 2003)

Other positive SBRs at city level entailed the city enlisting the help of the private sector in particular areas of service such as revenue services. At a time when it needed to strengthen its project management capability, the city brought in Price Waterhouse Coopers, a private company to work on quarantining its client data and improving its operations. In the same speech he delivered in 2003, mayor Masondo mentioned how the partnership between the city and Business Against Crime (BAC) significantly reduced crime through the installation of close circuit televisions across the city and how plans were afoot to install more.

In attesting to such partnerships in cities, the South African Cities (SACN) network asserted similarly at the end of the first term of the democratically elected local government that

> service delivery partnerships that did emerge [in cities] tended to be very specific and often related to new technology. For example, a number of cities entered into service partnerships with private companies around traffic enforcement cameras and close-circuit television monitoring (SACN 2006: 55).

Other areas where positive SBRs were struck in the city included "co-operative planning between various Transnet and private sector players and the City of Johannesburg around the City Deep facility" (SACN 2006: 11). A key informant with a long tenure as an MMC in the city who was still serving as a councillor at the time this cooperative relationship was struck alluded to the same partnership and related how this came about.

At the time national government wanted to close a facility that was considered an inland port by the city, situated in the south eastern part of it, just off the national road to and from one of the country's major harbour, Durban. According to this key informant, together with business, the city joined hands to avert this intention by national government to do away with the said facility since it made business operations in the city convenient by connecting it to the outside world. According to the key informant,

> *this was with regards to Kazerne. We [the city] took a joint delegation that went to national, motivated, made representation, [with] the Mayor involved in ensuring that we stopped national from doing that [closing the inland port] and we've been successful* (Interview C10).

The existence of complementary efforts between the state and business have been shown to be critical for developmental partnerships. Bergh (2008) maintains that complementarity and co-production promote useful state-society synergies. By complementarity Bergh means "a clear division of labour, based on contrasting properties (comparative advantage) of public and private institutions" and by co-production, "the process through which inputs used to produce a good or service are contributed by individuals who are not 'in' the same organization" (Bergh 2008: 3-4). In this regards, the City of Johannesburg has made efforts in the past through public-private partnerships (PPP) to forge relations with business or the private sector.

Among other PPPs the city was involved with in the past is the outsourcing of its fleet line, the processing of solid waste in an environmentally-friendly manner and the already-mentioned acquisition of surveillance cameras for crime detection. The Inner City Property Scheme (ICPS) was another good example of co-production between the city and business in relation to doing away with dilapidated buildings. It was launched in 2011 and entailed the city entering into a developmental lease with private sector companies for the refurbishing of buildings. These were buildings that the city had appropriated through abandonment agreements with their owners for failing to pay rates and taxes.

New owners were given these buildings under the agreement to bring them up to an acceptable standard with the option to buy once the city was satisfied with their refurbishment progress. In the end the refurbished buildings would bring revenues to the city through rates and taxes but the effort also dealt with crime and grime. One can continue ad nauseam[40] to provide instances of projects where the local state and business have partnered and cooperated at city level but the Inner City and City Improvement Districts (CIDs) are discussed as two prominent examples.

8.4.1 The Inner City

The inner city was invariably mentioned by all key informants as one ongoing project and area that the city, in partnership with business, had made great efforts and strides to significantly transform. At the time of finishing his term of office, the then mayor Amos Masondo believed that the city had done well in "successfully creating partnerships by regenerating the inner

[40] . According to a senior official in the city, there were other good relations the city had with business to the extent that several businesses (Discovery/JP Morgan/Coca Cola) came on board and contributed to the training of individuals including contributing financially and committing to doing this over the medium term. Other areas of cooperation included initiatives in the social development terrain on work done around lifestyle diseases where the city together with established food retailers (Wimpy/Spur/Ocean Basket) pledged "to raise the level of healthy offerings across the food retail sector" (SoCA 2015).

city" (Seggie 2011). The focus given by the city to the inner city was born out of the urgent attention that was required then to "bring the gloss back" to this defined space as it was experiencing accelerated deterioration from uncontrolled population influx with businesses in the area feeling threatened. The resultant effect was "massive capital flight in the 1990s" (DPME 2014: 47).

In the words of a key informant, a former committee chairperson in council and an ANC councillor at the time, *"the inner city looked terrible because it was almost like everybody just jumped [left abruptly]. It really degenerated very fast"* (Interview C12). Explaining what was happening to inner cities at the time, the Department of Performance Monitoring and Evaluation (DPME) states that

> [i]n the 1990s, many inner cities went through a troubled period, as formal business left for decentralised urban nodes. In the most extreme cases, such as Johannesburg, the primary function of the historic central business districts (CBDs) changed from business to a mix of high-density residential and informal activity. The rising densities in the inner city allowed a growing number of people, especially the urban poor, to move closer to the core of the city. The change was, however, poorly managed, with slumlords dominating the residential sector, and the management of the building stock deteriorating (DPME 2014: 47).

To address the challenges that inner cities were presenting, DPME mentions that initiatives involving partnerships led by the private sector were undertaken by cities toward the end of the 1990s. However, around early the 2000s "new models of engagement between the public and private sectors emerged" (DPME 2014: 47). Referring to its own approach in the inner city, the City of Johannesburg stated in one of its public documents that its “approach to Inner City regeneration involves building partnerships and relationships with investors, property owners, businesses and residents to implement capital works projects” (CoJ 2016: 65).

In the city’s view this approach was necessary to precipitate and accelerate investment by the private sector based on the city’s initial investing. The city believed that by putting its money where its mouth was as it were, business would also be encouraged to invest. It was also especially necessary because the city’s challenge in the inner city was mammoth. Comparatively speaking, “Johannesburg has the largest and most complex inner city of all South African cities” (DPME 2014: 47). A key informant who was a senior official in the city dealing with planning issues put it this way, *“the inner city is a challenging space. It is an extremely big space”* (Interview C7). Another key informant, a senior official in the human settlement sector, referring to the Johannesburg inner city, called it one of the most infrastructure-rich spaces in southern Africa.

In embracing business and the private sector as a partner, there was a realization by the city that the development challenges it was confronting could not be handled by the local state alone and investment by the private sector was also necessary. With the Inner City boasting *“a lot of infrastructure and assets…It is about finding and attracting investment that can realise its potential”* (Interview C7), asserted a key informant who was also a planning consultant in the private sector. The city’s ability to drive the direction of development through private sector investment receives attention in a later section of this thesis.

Efforts to revive the inner city began with the signing of the Inner City Charter by all stakeholders in 2007 reflecting again the then mayor's desire, Amos Masondo, to partner with business. At the time it was begun, the signing of the charter was applauded as "the bravest action the City has ever embarked on" since there was "no other city in the country that has been prepared to set out aspirations for its inner city, developed together with the private sector and civil society, in such clearly quantifiable and measurable form" (CoJ 2007). With the launch of the Inner City Charter, "revitalisation efforts have been led by a broad-based Inner City Partnership" (DPME 2014: 47). In this instance the state and business sang from the same hymn sheet and there was agreement on what needed to be done. This was very much in line with what growth-oriented developmental states did in concert with business.

Subsequent to the Inner City Charter there was the Inner City Road Map of 2013. Most recently there is the Inner City Implementation Plan (ICIP) as was mentioned by a key informant who was a senior official dealing with human settlement matters in the city. Initiatives implemented in the inner city are captured in the city's End of Term Report 2016. These included the delivery of social housing, the building and upgrading of recreation facilities for liveability and the construction of infrastructure such as cycle lanes. The city's account of its work in its end of term report point to the positive results achieved to regenerate the inner city through healthy SBRs struck at the time.

Behind the successful relations between the state and business in the inner city seems to have been the convergence of both the city's and business' goals. Business wanted to conduct its activities in a clean and safe environment whereas the city wanted deal with crime and grime through the revitalization of infrastructure in the inner city. The same seems to have been the underlying factor behind CIDs which are discussed below. Thus the city and business related well based on political reasons, viz., based on the need to achieve their own goals and ends.

Another contributing factor seems to have been the efficacy brought by the way business was organized as part of the Inner City Charter process. Business clubbed together under the Johannesburg Inner City Business Coalition (JICBC), a structure that was formed to interface with the city on behalf of business (JDA 2017). The JICBC was a member and signatory of the Inner City Charter and looked after the interests of business. This organization by business afforded it efficacy during engagement on all inner city issues since they could speak with one voice.

Schneider (2005) makes important observations about the composition of business associations such as the one mentioned above. Economy-wide associations of this nature boast more effective capacity. The capacity of business in the form of the technical knowledge it possesses and the resources it wields, both organizational and political resources, determine how effective business will be in its engagement with the state.

> [O]rganizational and political resources are important both for reaching consensus among membership…The more representative an association is, encompassing a wide range of business, the more likely it is to support policies that are generally good for economic stability and growth rather than narrower, rent-seeking goals (Brautigam, Rakner and Taylor 2002: 522).

Moreover, “the more encompassing the organization representing business, the more likely business influence will push policy toward the public-regarding end of the policy continuum” (Schneider 2005: 31). In another place Schneider’s (1998) mentions that collaboration between government and business arises when business is more diversified.

> [L]eaders of encompassing multi-sectoral organizations are more likely than particular sector of firms to focus on what is best for industry or the economy as a whole. Multisectoral organizations, like cross-cutting cleavages, break up Olsonite distributional coalitions. Encompassing associations can further assist collaboration between business and government by resolving intersectoral disputes in-house (1998: 111).

Therefore, the clubbing together of business in the city under the JICBC during the Inner City Charter process had some of the above-mentioned benefits.

The positive nature of SBRs epitomised by the inner city as a locus for converging interests can only be judged by the achievements accomplished in efforts to renovate it. A few are listed here. The then Mayor, Amos Masondo expounded on some of them in his 2004 speech. They included increased attendance at cultural and entertainment venues. Echoing the same sentiment, a key informant, an executive in the banking sector actually mentioned that *“if the inner city is to be successful it needs to be the playground of people, unless people come to inner city to play at night and on the weekends then it’s not working”* (Interview B2). Increased attendance at cultural and entertainment venues reflected this outcome.

According to the city, other successes included increased approvals of development plans by the city which signified that the rejuvenation efforts were really taking place in the inner city at the time. It improved vacancy rates which meant buildings were no longer suffering low occupancy rates and that confidence in the inner city was returning. The then mayor also observed at the time that “new investment into the city from the private sector - commercial and residential - continues to flow in what one journalist has described as 'the new gold rush'” (SoCA 2004).

Considerable funding was invested by both the city and business in the inner city over the years. In 2012 and 2013, the city in partnership with a private sector company, Propertuity, jointly contributed funds and upgraded the streets in Maboneng precinct, an area located downtown and eastward of the city, which has been turned into an attractive and vibrant location boasting restaurants and apartments (CoJ 2016: 65). As the JDA (2017) puts it, underlining both the city’s and business’ contributions,

> joint ventures between the City and the private sector totalled R10-million and included the High Court precinct, Jewel City, Hoek Street Linear Market and the Retail Improvement District Strategic Upgrade project. Private businesses, including joint ventures between the City and the private sector, have invested R27,4-million in public space.

Similar to the turnaround achieved in Maboneng, that of Braamfontein, which is located westward of the inner city, was even more significant. Together with the Braamfontein Improvement District (BID), the city jointly contributed funding to the upgrading of alleyways in the area. Vacancy rates in the area also improved considerably over a period of time. The role of the BID, which was a public-private partnership acted to further enhance the turnaround witnessed today in Braamfontein as an area. As a key informant who was a politician and former MMC for several portfolios in the city observed, *“most people will put down the fact that Braamfontein has developed so well through the fact that we had a business improvement district”* (Interview C11).

The BID undertook a number of interventions which, *inter alia*, included the patrolling of streets by safety ambassadors and “an urban management system that tracks incidences of crime and service breakdowns in a coherent and systematic manner” (CoJ 2017). Speaking about how the city together with business achieved the turnaround in Braamfontein, the then general manager of the business coalition (JICBC) said:

> it is about more than complementing the City's overstretched services - it is a critical private-public partnership. The one cannot exist without the other and…the relationship between the City and the private sector is "a genuine partnership" with both committed to maintaining the regeneration effort (CoJ 2017).

Another key informant, representing the voice of business, corroborated these positive relations between the city and business around the Inner City by saying *“we’ve participated hard in the Inner City Charter, we have a very good relationship with the inner city politicians”* (Interview B2).

Be that as it may, efforts to renovate the inner city area were never plain sailing or without problems. “There has been tension in the rejuvenation process, with high-profile legal contests on the displacement of inner-city residents” (DPME 2017: 47)[41]. The impact of

[41] . This reflects the city’s battles with whether it becomes a growth or redistribution-oriented developmental local state.

development initiatives and how the city has managed to deal with the diverse and conflicting interests receives attention later. Other hurdles experienced during the implementation of the Inner City Charter were around visible policing, development permits turnaround times, linear markets for accommodating informal traders, rates and taxes and the availability and rollout of broadband network - issues that actually mattered more to business than they did to ordinary residents of the city or politicians concerned with winning the next cycle of electoral contest.

At the time of implementing charter commitments, there were instance of business being disgruntled about what it perceived as superficial engagement. They complained in one instance that it "felt as if the mayor was not always fully informed of the stumbling blocks because discussion times were always cut short in the forum meetings" (CoJ 2009). The charter process eventually fell apart due to unmet commitments. It can be argued therefore that the level of embeddedness achieved between the city and business was not deep enough. For the city however, the inner city remains a priority. As one key informant, an executive director of a line function department in the city put it, *"there has always been an attempt to keep this thing [the inner city] alive even now. There is an Inner City office"* (Interview C1).

The inner city remains on the city's key priorities because its challenges cannot be addressed all at once. A key informant, who was an executive in the banking sector, talking about the inner city summed it up thus, *"the biggest [inner city] challenge that a municipality faces is how to put back that holistic [integrated] infrastructure"* (Interview B2). Work on the inner city continues unabated but as an area the inner city placed the city and business on a cooperative path albeit only to later fall apart.

8.4.2 City Improvement Districts

Another area of positive and durable SBRs in the city had to do with city CIDs. These were entities formed through partnership between the public and the private sectors. CIDs collected taxes among businesses comprising the CID for the improvement of the vicinity in which businesses carried out their operations (Peyroux 2006). The South African Cities Network observes that

> [o]ne of the reasons for the success of the city improvement districts (CIDs) in cities such as Cape Town and Johannesburg is the emphasis placed on building robust partnerships between the various stakeholders, and incorporating the concerns of the private sector (SACN 2016: 293).

Thus CIDs nourished the spirit of cooperation and partnership that typically pervaded healthy SBRs in growth-oriented East Asian developmental states. This cooperative and partnership spirit that CIDs nourished emanated from "a convergence of interests" between the city and business of improved property values and increased revenues which CIDs could potentially bring (Pyroux 2006: 11). Applauding their positive effect, the city wrote that CIDs, "demonstrate physically what can be done when non-government stakeholders are energised and are enabled to enter into collaboration with government" (CoJ 2007: 4).

However, CIDs are a voluntary initiative by business or the private sector started[42] in 1994 (SoCA 2003). Due to their voluntary nature a different and opposite view considers the existence of CIDs as an indictment on the local state's poor capacity reflecting its inability to successfully deal with urban management problems. "CIDs illustrate the trends towards public infrastructure and urban streets being handed over to commercial and profit-seeking organisations" (Pyroux 2006: 9). They therefore emerged out of business and private sector efforts to close the gap left by the local state where business took matters into their hands and through a coordinated process among themselves, establishing CIDs run by management bodies. A key informant in the form of a senior executive of a private sector company who was heavily involved with property issues in the city articulated it in this manner

> *the reason that they [CIDs are] mushrooming is because of the breakdown in urban management. Take the Outsurance points man. This is private sector's assuming responsibility for state functions* (Interview B8).

In the final analysis however, whether it is business or the state that came up with the initiative, critical to this thesis is that CIDs opened up the space for the local state and business to interface, engage and interact on an ongoing basis. Pyroux (2006: 12) maintains that in terms of dealing with crime in the inner city, CIDs led to "weekly meetings being organized" between the city's policing services and CID management bodies. As one key informant, a

[42] . Pyroux locates the genesis of CIDs in the pre-1994 period by stating that "the transposition of the CID model in Johannesburg is the result of an efficient lobbying by business and property owners of the inner city belonging to the CJP [Central Johannesburg Partnership] that started before the 1994 transition" (2006: 11). This engagement of the city by business therefore represented another of the rare interaction between the local state and business just prior to the transition. Pyroux actually argues that CIDs reflected a renegotiation of relations and "frustration" with political expectations around community participation brought about by the dawn of democracy. They therefore reflected a form of limited engagement with the private sector typical of growth-oriented developmental states instead of the extended embeddedness of twenty-first century ones.

long time serving member of the mayoral committee (MMC) in the city put it, explaining the history through which CIDs came about, business approached the city's administration wanting to form an improvement district, it negotiated with council and a whole legislative process was started with certain areas being declared CIDs. *"Of course that creates a very good platform for deep discussion between business and the city" (Interview C11)*. CIDs in similar fashion to the Inner City Charter, were instrumental in creating that space for engagement between the city and business.

Their popularity was reflected in the rate at which they were established, especially their proliferation in the city. In the early 2000s, the Inner City already had 7 CIDs that covered some 40 odd blocks (SoCA 2003). Fully fledged CIDs were established and ran in certain parts of the city while others were in the process of being established even at the time of conducting interviews for this study. There were CIDs in Fordsburg, Newton, Braamfontein, Sandton and Wynberg to name a few (SoCA 2005). "In 2006, there were 10 legislated CIDs, 6 "informal" voluntary improvement districts and 4 precinct projects" (Pyroux 2006: 2006). The quick take up attested to the confidence business and the city's administration placed in them. At the time of conducting interviews with key informants for this study, especially those representing business, some indicated they had begun the process of setting up CIDs. A network of 11 CIDs was in the offing and intended for the South of Johannesburg at the time.

The impact of CIDs was mostly felt in the sphere of crime and safety. Speaking of their effectiveness in the city, Amos Masondo as the then mayor mentioned that, "independent surveys in 1994 established a mugging rate of 28-30 per month pre-establishment of the

Central Improvement District. We have seen significant declines, reportedly a 50% reduction" (SoCA 2003). Economically, CIDs resulted in job creation through the employment of safety ambassadors and the placing of guards at strategic points throughout the city. Not only this

> [s]ome CIDs also include social programmes such as in Rosebank (creation of a Homeless Association, development of income-generating activities and a car guard scheme employing the homeless) (Pyroux 2006: 10).

While these were not their main focus, the extension of these redistributive aspects would have taken CIDs a long way in terms of entrenching their legitimacy to all and sundry.

Successful as they had been, CIDs were found to have been unconstitutional. Legislation at provincial level was found to be at odds with and prevented CIDs from continuing to operate in the form that they were in[43]. Legislatively, only a municipality has the right to collect rates and taxes and not the management body of a CID. This legislative conundrum had to first be corrected before CIDs could continue running their operations. In fact, this legislative challenge struck at the heart of what CIDs seem to represent, a takeover of government functions[44]. This is especially reflected in the solution that was propounded which rearranged

[43] . In Case No. 451/2013 between the Randburg Improvement District and West Dunes Properties and the City of Johannesburg, it was found that in terms of the Gauteng CID Act 12 of 1997 the approval of a CID was not a responsibility that could be delegated by Council to a Mayoral Committee by reason of s59(2) of the Local Government: Municipal Systems Act 32 of 2000 read with s160 (2) (c) of the Constitution. In particular, the levies imposed by the City Improvement District were not validly formed and could not be recovered. In any event such levies violated s229 of the Constitution as imposed by Provincial legislation.

[44] . Other examples exist of proposals made by business to the city which the city never took on board. A senior official in the city related how, with the billing crisis that the city contended with, the banks approached it to say they can help since they dealt with huge data sets and were willing to assists with the needed development of technological systems for this. The city's response was not welcoming of the offer. Still on the same billing issue, the executive of a predominantly white business association mentioned how they offered to assist the city with credit control through the use of candidate lawyers that were serving articles and were at their disposal. This proposal was also never well-received or acted upon by the city. The city was thus wary of allowing business to undertake some functions for fear of being seen to be without capacity.

their operation. This rearrangement ensured that the city remained responsible for the collection of levies.

In future, city administrations will continue collecting rates including additional contributions meant for CIDs. These extra contributions by businesses would then be given back to the management bodies of CIDs only once they have been collected by the local state itself. This reaffirms the role of the local state. Other challenges that attend CIDs included the creation of “porous boundaries” between the state and business, “fiscal exclusivity” and the “splintering” of the management of urban areas (Pyroux 2006: 12). Moreover, writes Pyroux, CIDs tend to be elitist and less democratic as they left the governance of cities in private hands.

> [E]nforcing more control and surveillance of public space according to profit-driven strategies is seen as a potential source of discrimination and exclusion for certain segments of the population, in particular marginal social groups – street vendors, sex workers, the homeless – who rely on public space for their material maintenance (Dinges and Sack 2000 in Pyroux 2006: 12).

Thus from a developmental state theory perspective, CIDs had the disadvantage of resembling a growth-oriented model where the city’s embeddedness was limited to the business class and excluded other social groups. More positively though, even with these challenges however, where they were established, CIDs operated well and evidenced continuous and regular engagement between the city and business in tackling urban management problems such as crime and grime.

8.5 Shifting State Business Relations

From what has been discussed so far it is apparent that relations between the state and business in the city were never stagnant or static but tended to shift over the years. This view was reflected in interviews with key informants from both the city and business. The limited or lack of regular engagement and interaction prior to the establishment of democratic local government alluded to earlier was echoed by key informants. *"I have the experience of pre-1994 where business was not really connected much to the city but after 1994, I saw the development [of increasing interaction]"* (Interview C12), a key informant and former oversight committee chairperson in the City Council stated.

It was only in the last two terms of mayoral tenure according to this key informant, from the 2006-2011 and 2011-2016 terms of office, that there was a discernible and positive shift in the manner the city related with business. This period traversed both Amos Masondo's and Parks Tau's tenures[45] as mayors underscoring their leadership approach. The same was echoed by another informant and former MMC for several portfolios in the city who witnessed that *"over the last five years the relationship with business [was] really improving quite dramatically"* (Interview C11). These views may sound self-congratulatory since they were expressed by city officials. However, the views from business were not very different.

According to a key informant who represented business in the banking sector, in the recent past *"a concerted effort"* was made by municipalities in the country *"to actually engage the business community"* (Interview B2). Prior to this, business, in a contrary view to the earlier

[45] . See the table in Chapter 7 reflecting the time line of events and initiatives in the city.

view expressed by politicians which averred that relations changed immediately after 1994, referred to a period of silence spanning fifteen years since the establishment of democratic local government, an interregnum as it were, where the city was just not listening to business or seriously taking their concerns to heart. Developments subsequently changed for the better. It becomes of interest then to determine what key factors lay behind these changed and improved city-business relations. The contribution of leadership and personal networks are discussed below.

8.5.1 The Leadership Contribution

Attesting to good relations between the city and business, a key informant who was a senior official and an executive director of a department said about the city, *"it is very interesting now that we are such an attraction for business. We have worked with some of the brightest, brightest minds in business"* (Interview C1). When probed on the underlying reasons for this improved SBRs in the city, this senior official mentioned that it was as result of the manner in which the city positioned itself when it came to implementing development initiatives. *"It is what we [the city] said to business and business sees (sic) how they can come into it…We are not asking them to give us money…We are more about them coming in and helping us address gaps that we have identified"* (Interview C1).

In this key informant's view, a head of department in city, business was more willing to contribute and supplement efforts by the city after the city had shown business what it was attempting to do and where it was running short. Business was thus willing to work with the city where there was a clear demonstration of complementarity. At the heart of the ability to do this was the city's leadership role. The role of leadership in contributing positively to SBRs in the city was reflected in responses proffered by key informants. Key informant after key informant alluded to the leadership styles and contribution of Amos Masondo and Parks Tau as mayors in helping to cement city-business relations with business. As one key informant, an executive leading an agency of the city, referring to the quality of political leadership put it,

> *we actually have been fortunate in Johannesburg, particularly in the last three mayoral terms [Amos Masondo's last tenure and Parks Tau's two] to have had a very amenable administration in terms of leadership and talking to business. Starting with councillor Masondo and councillor Parks Tau* (Interview C3).

This effect of leadership on SBRs in the city began with Amos Masondo as mayor in the year 2000[46] up till 2011. Masondo's role was especially critical since he was at the helm of the city during a precarious period where the city was emerging from a divided past. His background as a former trade unionist came in handy because *"he knew how to negotiate, to make the other party to be at ease"* (Interview C3). Thus the quality of leadership in the city during this period helped assuage relations with business. After Amos Masondo came Parks Tau as the mayor from the year 2011 onwards.

On Parks Tau's leadership abilities, one key informant and former MMC said, *"I think the mayor, Parks Tau, is very focused on developmental local government, and…I think he led us very well in terms of those processes [interaction sessions] with business"* (Interview C11). Parks Tau as a mayor was said to be proactive in engaging business and insisted that the city

[46] . See the table in Chapter 7 in terms of time lines in the city including different mayoral tenures.

meet with business consistently. In other instances, he would be the main speaker himself in an effort to convince business to see matters from the perspective of the city.

Detailing how Parks Tau operated, another key informant, an executive director of a department said*, "typically how he worked, he would say to business I agree. He would call the heads, MMC and say to business these people will work with you and see to it that this happens"* (Interview C1). As a mayor, he was eager to ensure that agreements entered into happen and are followed through[47]. The same key informant continued to mention that, at *"his level he had a huge network, he spent a lot of time getting business to understand where he is coming from and I think business they (sic) liked what he said, he made a lot of sense to them"* (Interview C1). The amount of time he spent engaging with the South Africa Property Owners Association (SAPOA) which ended taking the city to court was mentioned as an example of the level of effort the mayor took to build relations with business.

In another place, mention was made by a former senior official and head of department in the city of how the city intended and was planning for Parks Tau to have *"organised sessions with particular industries or value chains. All (sic) the executives of the beverage and hospitality companies"* (Interview C2). Parks Tau was also visionary in his approach. *"He was taking a broader view of economic inclusion and the skills [the development thereof]"* (Interview C2), remarked the same key informant. He was also interested in new things and

[47] . Parks Tau's achievement in building partnerships between the city and business are evident in the number of project collaborations attained between the city and business during his tenure as the Executive Mayor of Johannesburg from 2011 to 2016. These include collaborations with Massmart (retail company), VW (vehicle manufacturer) and Tsogo Sun (hotelier) to train SMMEs for their inclusion in the supply chain of these companies. In addition, was the partnership the city struck with SAP, a technology giant, to train unemployed graduates and last but not least was the involvement of Avis (car rental) as a mentor under the Jozi@Work programme that assisted with efforts to develop township-based auto-mechanics.

it was through his leadership that the city entered into a partnership with Microsoft to train approximately one million youth so that they are made work-ready. There was therefore a great effort made during Parks Tau's tenure as mayor to woo business and implement typical initiatives of a twenty-first century developmental state model with redistributive aspects.

The leadership effect however did not end at the level of the mayor but also extended to the administration somewhat with experienced individuals such as the former city manager, Trevor Fowler who also led at national government level in the past. Leadership in the city therefore played no small role in helping to build positive SBRs.

8.5.2 Personal Ties and Networks

In other developmental states, personal ties and networks played a crucial role in lubricating relations between the state and business. Personal ties and networks refer to the mishmash of relations forged out of the crucible of everyday living. These may include relations built from having similar social backgrounds such as having being born in or brought up from the same area, speaking the same language or having attended the same school, college or university. These may also include relations of a sexual nature or having worked together in the past or being part of the same professional body and having spent time in same circles. In addition, personal ties and networks may result from paths that crossed each other's in the sphere of politics or relations built from sharing a similar political outlook and ideology. Were these present in Johannesburg in the period under review and did they contribute in any way to relations between the city and business?

As already intimated in the preceding section, the former mayor, Parks Tau boasted a good measure of personal networks with business at his level. This was attested to by one key informant representing business, who mentioned that he had personal access to then mayor and was able to call him at any time. According to this business executive, this was built through the stakeholder management efforts the city made to relate with business in general. Personal ties and networks however, while not completely absent, did not seem to be pervasive in the fostering of positive SBRs in the city. Relations between the city and business did not appear to be infused with widespread personal ties and networks. An obvious explanation for this could be because of economic and political power in South Africa being in the hands of different race groups, both with different outlooks and orientation. The lack of pervasive personal ties and networks was evidenced by some of the responses proffered by key informants, especially city officials.

When asked about the Johannesburg Business Forum (JBF), a senior city official who headed a line function department emphasized the need for caution in how one related with business because in his view, *"potential capture by business"* (Interview C1) is a concern and that once there is interaction, business "*may want other things, side deals that may raise eyebrows"* (Interview C1). This tendency to pursue personal agendas by some of the businesses participating in the JBF was disparaged by a number of key informants. Another key informant who was a councillor and a former MMC of several portfolios and had held a high profile position in the city in the past, expressed a similar sentiment to say, *"I think as politicians, you had (sic) to be careful… I had to be very careful about being fair to everybody"* (Interview C11), reflecting an acute sense of awareness on the implications of too close an association with business more than was necessary.

In other instances, personal ties and networks were absent to the extent that individuals in the city and business that led and drove similar programmes in a particular sector were not interacting at all. In fact, one business representative and an executive head of a private company bemoaned the fact that with his long experience and involvement of approximately ten years with matters that he considered crucial to and at the centre of the city's service delivery (affordable rental housing), he never met, even once, either the political or administrative heads of that function. *"We were even in the same building as them"* but *"not one of them has (sic) come and offered me any help, [to] find out what I'm doing, how can we co-operate [or] anything like that"* (Interview B8), this key informant said. As much as they were not pervasive or existent at particular levels, where personal ties and networks existed, it was on the basis of the personal knowledge forged in different contexts outside state-business platforms that individuals in the city and in the private sector had built on their own.

A closer look at sectors such as development planning and human settlement revealed that individuals working in the city and those coming from business were able to build personal ties and networks among themselves based on their commonality of interest and constant interaction. Responding to a question on personal ties and networks where there was constant interaction with other city officials, a key informant who was a consultant and was privately working in the development planning sector put it this way

> *over that period [of working in the same space] we have built a very strong friend-relationship, professional relationship and mutual trust and respect. And I think that's*

a very, very important concept which we've got to build, as a business, as city politicians and officials. We actually benefit from a mutual trust and respect situation (Interview B7).

The existence of these personal ties in the development planning sector was corroborated by another key informant's (a politician and former MMC in the city) response although in a disparaging manner saying that in some instances they created an 'old boys club' and the expectation by predominantly white developers and planners to have their development applications approved without proper scrutiny and far quicker than those of others who may have applied before them. In this sense it was negative. *"I still discovered though while I was in the department, it's still much easier for old white development companies to get plans approved"* (Interview C11), said this key informant who was a politician and a former MMC of several portfolios in the city.

Within the human settlement sector, the existence of personal ties and networks were also notable. *"I have colleagues of mine who seems (sic) to know everybody and, so one of my colleagues, in fact…was at school with [Johannesburg's mayor] Herman [Mashaba]"* (Interview B8), an executive of a private company in this sector remarked. Although this was observable, the same key informant went ahead to discount reliance on personal networks as necessary for dealing with the challenges plaguing the city in the human settlement space and instead called for programmatic support. On their own personal ties and networks are not to be completely eschewed as experience in other countries has shown them to have lubricated relations between the state and business.

This is not to say they are incapable of turning into patrimony, cronyism and corruption. Beresford (2014: 8) found that

> reports into the functioning of local governments regularly cite issues of corruption, nepotism and cronyism around local development projects as primary obstacles to their successful completion particularly where the whims and interests of powerful individuals prevail over an impersonal and formalised distribution of public goods.

Personal ties and networks can be subverted to become venal. To prevent personal ties of a corrupt nature, they must occur within an institutional setting that promotes accountability and transparency through anti-corruption laws, conflict of interest rules that prevent government officials or their friends, family or relatives from conducting business with the state and by having ethics and integrity commissioners to sanction anyone that violates these rules. This will ensure that where they exist, personal ties and networks are made to align with public interest through regulatory constraint.

Overall, and as part of this study, there did not seem to be widespread, close and harmful relations between the city and business. Some instances of overly intimate and negative relations between city and business officials were reported in the media where officials in the city's revenue department colluded with some businesses to overcharge residents.

> One of the cases where corruption has been uncovered saw city officials working with private business people to devalue properties…Another case involves legal firms deliberately duplicating invoices while helping the city to collect municipal revenue from residents (Wittle 2016: par 8-9).

In an earlier case it was discovered that, municipal officials were found to have negatively used the billing system by co-operating with "high end users" such as "malls, hotels, real estate and car dealers" in an effort to avoid paying for services such as water and electricity

(Friedman 2014: par 1). In this instance corrupt and predatory kind of relations between individuals in the city and businesses were found.

Other forms of corruption in the city entailing nepotism and the employment of friends by senior managers and political leaders were also reported in the media in the past. In one instance in 2014, an MMC in the city was alleged to have employed close personal friends and relatives. In another case, an entity of the city responsible for electricity distribution, City Power, was alleged to have given an electricity metering contract worth millions to a friend of its executive director. Investigation by the city itself, during Parks Tau's tenure as mayor, found that as many as thirty businesses were involved in corruption that led to the city losing R200 millions of possible revenue (Corruption Watch 2014). According to reports "alleged fraud involved some of its [the city's] employees, employees of its power utility, City Power, as well as private contractors" (Corruption Watch 2014: par 3).

The flouting of procurement rules such as allocating work to companies linked to city officials were also found in the past. In the 2011-2012 financial year, tenders were found to have been awarded by the city to ten of its employees (TransformSA 2013). Other procurement and tender irregularities involved the winning bidder of a waste-to-energy tender allegedly "seeing tender documents six months before the contract was advertised" (Rawoot and Ntsaluba 2010: par 1). Corruption Watch reported in 2013 that "[t]he highest number of corruption reports concerning metros implicated the City of Johannesburg" (par 8). Where they were discovered, instances of corrupt SBRs in the city were thus exposed.

Since assuming office in the city, the newly-formed DA government has also revealed other forms of venality and corruption in the city. Herman Mashaba as the city' new mayor representing the DA has indicated that there were "more than 2 000 cases totalling over R16 billion under investigation" (Mashaba 2017: par 8). Other media reports indicated that as part of these investigations a number of senior officials in the city chose to resign from their positions instead of remaining and facing the allegations of corruption levelled at them. Through these investigations, hundreds of individuals, including employees of the city, were arrested (Manda 2017). It was not therefore that personal ties and networks of corruption were completely absent.

However, the limited fieldwork undertaken as part of this study, including the fact that it was not aimed at investigating corruption per se could not identify nor determine the extent to which these corrupt ties and networks went. The existence of negative networks and personal ties are concerning. Especially considering the national outcry, the country has been contending with of an alleged close relationship between the office of the president, the presidency, and private businesses owned by a family of supposedly naturalised foreign nationals. The influence by this family was believed in many quarters to have a deleterious effect on the economy and sovereignty of the country. Having up to now discussed SBRs in the city, the value of any relationship lies in and is judged by its ability to deal with and to mediate differences between the parties involved whenever these arise.

8.6 Mediating Differences between the State and Business

Differences and disagreements have been dealt with differently at various times by the state and business in the city. In addressing differences, city officials tended to view the city's relationship with business formally through the prism of the legal contract they had signed with them. Where differences with business arose, especially around service delivery agreements, the approach by city officials was always to revert to what they agreed to with business as part of the legal contract that existed between them. This reflected a willingness and desire on the part of the city to continue with and not mar their engagement with business. *"We do understand that whatever initiative we undertake is based on contracts, so we go back to the terms of engagement in the contract"* (Interview C4), an executive member of one of the entities in the city said.

In similar fashion to the city's general relations with business around contractual agreements, city officials were of the view that relations with business are an essential part of standard consultative processes. An example include inputs received from critical stakeholders whenever there is a new initiative such as the development of a new policy for instance. This is a normal aspect of consulting and including all those affected by the said policy. Thus in the view of city officials, engaging with business was conceived as part and parcel of the standardised critical stakeholders' consultation routine. Together with reverting to contractual obligations when confronted with differences from business, they could be interpreted as a reflection of the city's desire to keep relations with business intact and ongoing.

This came out clearly through comments that preceded the response on reverting to contract. The senior official that led operations in one of the city's entities believed that by resorting to contractual obligations, they were resolving matters "*in an amicable manner"* and respecting *"the skills, the experience"* of business through a *"negotiated process"* (Interview C4). Therefore, in its formal relations with business around policy development for instance and contract, the city made it certain it does not harm the rapport it has already established with business.

Resorting to law was not a response taken by the city alone but also by business. In one instance, the South African Property Owners Association (SAPOA) took the city to court over an increase in tariffs that they considered unlawful. The courts found in favour of business. At the time, the city had already publicly declared its tariff increases for the year under consideration only to later realise it would have a budget shortfall whereupon it increased the tariffs even more. In business' view, while the city and business disagreed on the matter and this led to a resort to the courts. This did not lead to a deterioration of relations though. *"I think it's one of the signs of a healthy democracy where you can test things in court"* (Interview B1) a key informant and the head of a well-established business association boasting considerable membership said.

There was therefore nothing untoward with the decision as all this *"depends [on] how one handles it, and a lot of it is based on relationships actually, on building very strong relationship up front before you find yourself in court"* (Interview B1). The ability to continue having healthy relations even after involving the courts was, in business' view, testimony to solid relations it had built with the city. Theirs was a relationship of contestation and cooperation. Resort to law was however also disparaged as ineffective by some. *"Yes, some people will go* *in with the legal stuff straight off, and then all you're doing is paying the lawyer's fat fees"* (Interview B7), remarked another key informant - a consultant of a business association.

Not all soured SBRs in the city ended in the courts or had recourse to the courts. Other relations ceased to exist completely. Relations established around the Inner City Charter exemplify this. Engagements between the city and business around the Inner City Charter eventually broke down due to inaction from the side of the city. In the words of a key informant who was an executive in the banking sector talking about the Inner City Charter,

> *there was an action list that eventually grew to sixty items which the City needed to address to actually make that environment conducive for business to move in and stay there and…eventually there was little or nothing being done by the City with the result that the engagement forum actually collapsed* (Interview B2).

Similarly agreeing to the breakdown, another key informant attributed it to the city's general lack of accountability. A broader issue raised by business for the inability to resolve particular issues concerned the city's failure to create a conducive environment in which business could thrive. Business bemoaned the city's incorrect conflation of roles where it wanted to play both the role of creating a platform for business to perform while at the same time being the implementing agent. In another case where the city even had a written memorandum of agreement with a business association (GALXCOC) for example, differences arose on what the respective roles of the city and business should be and this effectively nullified the written agreement they had in place resulting in a stalemate of inaction. This ideologically laden difference receives more attention in the section below.

From the city's perspective, the breakdown of relations between the state and business around the Inner City Charter were as a result of business going overboard on some of their requests. Among others, business was expecting the city as part of the charter commitments to now carry out certain functions which in the city's view were within the ability of individual businesses to do, such as cleaning their frontage areas. "*We differed and we argued and we fought quite a lot in that five years. There were lots of tensions and lots of problems"* (Interview C10), remarked a key informant who enjoyed multiple tenures as an MMC and councillor in the city.

Again here mention was made by key informants that during all these differences and tensions, these were understood as necessary and happening in an effort to achieve the good of city. This is yet another instance exemplifying the complex nature of SBRs that involve contestation and cooperation. Although there was willingness by the city to relate with business, the breakdown in relations around the Inner City Charter reflects the shallow embeddedness of their relations.

8.6.1 Political Will and Mutual Trust

Other views on relations between the state and business at city level, especially how differences needed to be mediated were more temperate in tone and regarded a tolerant attitude as necessary to the building of solid relations because often what one sets out to do never comes out exactly as intended, especially where another party is involved. Thus when the city engaged with business, *"if you go there wanting to impose your view, then your relationships are going to crumble"* (Interview C7) said a senior city official involved with spatial planning issues. Where different outcomes, positive and sustainable outcomes were achieved in the way the city related to business, mention was made of deliberate, targeted and focused effort such as was the case with the Inner City Charter prior to its breakdown.

Business actually decried the tendency by the city of, in some instances, asking it to only get involved in initiatives at the end of the process rather than at their inception and planning stages. It attributed this to some of the differences they have had with the city in the past. More critical was the failure by all, especially the city, to learn from their previous experiences of successful partnerships and how they were built. The reality is that, solid and lasting relations do not happen overnight, they are a result of much effort and hard work just as in any typical relationship. In the words of one key informant who was a former oversight committee chairperson in the city, where success was attained *"it was a cycle of a number of work that had to be done (sic) in terms of meetings, in terms of delivery...I think many things take time"* (Interview C12). There is therefore no short-circuiting the process of relationship building.

In another place a key informant and consultant of a business association made mention that collaborative relations were a result of patience and time. *"It's more hard work, it's more time consuming, but you're building that mutual trust and respect. And I think that's very important"* (Interview B7). In the words of yet another key informant, a former executive that headed a functional department, the building of partnerships is not something to be approached cavalierly. *"You've got to build your partnerships, carefully"* (Interview C2). The collaborative and contested nature of SBRs in the city renders the building of mutual trust and respect even more critical because in its absence there will not even be a semblance of such. The following observation by a key informant who provided consulting services to a business association and was also a planner, captured this fact more eloquently

> *the relationship is a two-way process, it's important to realize that there are resources both ways, but there's resistance both ways, and that the key to that is that mutual trust and respect, that we will both benefit by building that mutual trust and respect, and help each other actually win at the end of the day* (Interview B7).

However, trust does not arise by accident and is not a product of chance. It is a product of repeated interaction where parties have proven their bona fide. According to business, developing trust in the local state is preceded by a reputation for delivery. Where a solid track record of delivery by the city had existed, business would have similarly reciprocated and SBRs would have been cemented. In business' view the lack of commitment and delivery by the city over the years had been glaring.

8.7 Government Failure due to Inaction and Non-execution

When it comes to the city's ability to commit and execute plans, business did not speak in positive terms. In their view, the city suffered from making promises without actually following them through. Business pointed to instances where the city of its own accord approached it in an effort to try and understand their concerns and made a lot of promises but nothing eventually came out of those engagements. The suspicion by business was that either the voluntary initiative by the city to approach it was done to appease superiors or it was merely done as a checkbox exercise for compliance purposes.

Among the reasons proffered for this state of affairs was either lack of knowledge and understanding of how business functions from the city's side or poor to non-existent capacity by those charged with the responsibility to execute initiatives. A typical example was the project to establish economic hubs which would, among other things, assist small businesses. What became apparent during the execution and implementation of this project was lack of knowledge and a poor understanding on what was intended to be achieved. A once intimately involved key informant and an executive of a predominantly white business association, providing the perspective of business asserted that

> *our business is one of these hubs and there's a lack of knowledge...It is almost like people have been a given a little handbook and they went through the handbook and there is no real knowledge* (Interview B6).

The typical manner in which the city addressed, if at all, the concerns of business reflected this general lack of understanding. Examples were proffered by business on what transpires in other countries where the state understood business needs and dealt with it informed by such an understanding. In these countries, Dubai was mentioned as an example, foreign business intent on investing in those countries interacted with just one person, one face of government, across all the levels of government.

An executive member of a historically black business association described the malaise and prescribed the necessary solution by saying:

> *you deal with this particular person, I'd say, in [a] certain department there at the City of Joburg for an example, then after some years you find that guy has moved,*

> *somebody else comes in, he's got his own agenda, he's got his own thing. You know each one comes with his own thing. So we were saying, change of guard all the time, so that disrupts your programmes, that disrupts quite a lot of things that you were intending to do or you were doing with the previous people. If they could see to it that the people who were dealing with these things are employees, not necessarily councillors, I think things could go smooth but now the things change often. There is no continuity* (Interview B4).

In some instance, such as during the Inner City Charter process business felt SBRs were not enjoying the importance that other priorities did. It felt SBRs were given scant attention by the city, especially the time and frequency with which they were attended to. In the view of business there was no sustained engagement between the city and business and where they did engage, business felt it was on a stop-start approach. In business' view, relations could be improved through consistent, unfailing and continuous engagement. All the city needed do was to stay the course and remain in attendance of SBRs. The head of a business association put it thus,

> *there are instances where the City of Johannesburg says yes, let's partner now with this project, but it's a once off influence. It happens once off, we're in the press, we get the ward councillors together and look what we've done for the day, and then there's no continuance and no sustainability* (Interview B7).

Business spoke in unison concerning the city's failure to follow through on its commitment. They were unanimous in affirming that the city did listen and gave attention to their concerns. The city created space and enough room for business to raise matters and place them on the table. These included roundtable discussions, one-on-one meetings and other broader platforms. However, beyond this stage not much happened. Some of the city's platforms were for that matter too superficial in terms of promoting engagements and healthy SBRs in the city, especially the IDP process. As one key informant responsible for operations at a predominantly black business association mentioned, "*the city comes and gives us this IDP, when they've already created it*" (Interview B5), meaning there was no meaningful participation by business. The embeddedness was therefore shallow and not deep enough.

Where interaction and engagement happened, the managing director of a long established black business association felt, it was not genuine or robust. In some instances, even the stakeholders invited were inappropriate for the matter under discussion with no real or significant input to make. As a key informant from a long established predominantly black business association put it that, *"the only people that you find [in the city's engagement sessions] is people that really don't give you the intellectual capacity that you may require to get an engagement to address things"* (Interview B5).

Business believes that for effective and genuine engagement to occur, a distinction had to be made between everyday ordinary engagement that concerned urban management issues and long-term strategic engagement. The latter might require a smaller group of participants and could occur over an extended period of time akin to the more deliberate and iterative process followed during the Inner City Charter process. Business therefore felt its efforts to engage the city could have been improved with more sustained and painstaking engagement. Did the JBF as a platform of engagement offer succour?

8.7.1 The Johannesburg Business Forum (JBF)

The JBF was established during Parks Tau's tenure as the Executive Mayor of Johannesburg. It developed against the backdrop of complaints from business to the city. Business complained about issues such as rebates, the city's turnaround times where property transfers were concerned, the length it takes to pass development applications, the functioning of street lights, safety and so forth. A decision was then taken to establish a common platform, the JBF, where the city sat with business, where they met monthly and where it was chaired by the MMC for economic development in the city. The forum had five other sub-committees (Tourism, Transport and Freight, Sustainability, Finance and Revenue and Economic Development).

Representatives of different business chambers met with senior members of the city's administration to discuss a diversity of issues. Initially, it was largely focused on issues in the economic space but with time it expanded to include other issues. Among the major issues that received attention in the JBF was billing. At some point, thirteen business chambers[48] sat in the JBF. *"The whole point of it is really to have a conduit between businesses and government where there is that communication"* (Interview C7) said a key informant and senior official in the city about the JBF. All key informants that represented business and were interviewed in pursuit of this study indicated that they were members of and sat in the JBF. In the city's view, the forum was necessary for ensuring that whenever it communicates its plans, business developed the much-needed confidence in it.

[48] . A former Member of the Mayoral Committee that used to chair the JBF mentioned briefly some of the chambers that sat in the forum. They included chambers of commerce and industry from Johannesburg and Soweto. The forum also included businesses from other forums, sectoral forums, which insisted on being part of the JBF.

In terms of its effectiveness, the JBF was regarded as a necessary platform by all. Certain of its features however made it an ineffective instrument for building the type of SBRs similar to those found in developmental states. In particular, chambers that sat in JBF, while some boasted many businesses as members, *"they were groups of small businesses"* (Interview C2) as observed by a former head of department with long national government experience. Big players dominating particular sectors[49] of the economy were not represented and that was what was required. There was also the view that in relation to its effectiveness the JBF was relatively young and nothing big could have been expected. At the time of carrying out this study, it was five years in existence.

The other problem with the JBF was its propensity to want to accommodate everyone. *"There seems to be no seriousness on their part to take chambers as real partners. So far they seem to want to accommodate everyone who says he represents business"* (Interview B4), said an executive member of a predominantly black township-based associations. This was confirmed by another key informant, a former MMC who used to chair the forum that they "*did not chase away any person that claims that they are an organised business group. Even others that might be specific sector based*" (Interview C10). In addition, the type of members that attended the forum seemed more interested in promoting their own businesses than having an interest in the general and collective development of the city. *"So at the end of the week*

[49]. Judging by the size and types of business involved, the nature of likely relations with the state can almost be predicted. As Schneider puts it, "[d]iversified conglomerates have more encompassing interests which, combined with their huge size and small number, should in principle facilitate collective action and coordination" (2005: 4).

they will come and chat to you about their business deal" (Interview C2), said a former executive director of a department.

Another city official similarly observed that, *"now the other thing is potential capture by business"* in relation to the JBF particularly once relations have been established because "*when you look at them they want other things, side deals that may raise eyebrows"* (Interview C1). All these put a brake on the effectiveness of the JBF and somehow showed that a nationalistic ideology or city-wide interest had not yet sunken or taken root as found in other developmental states.

Business believed the JBF was ineffective because it had become a mere "talk shop" with no result to pride itself of. The forum, according to some, seemed to exist for ticking the MMC's compliance box of stakeholder engagement. The forum's effectiveness was captured when a key informant from a predominantly black business association with a long history of existence said that "*the JBF name to some extent do (sic) not serve its purpose"* (Interview B5). In this key informant's view, the forum was not a real city-business deliberation platform. An even more scathing attack from a predominantly white business association considered the forum *"a waste of time"* that was always attended by *"people with their own agendas"* (Interview B6).

The forum therefore inspired no confidence. A more telling criticism levelled at the JBF by the same informant was however one that described it as resembling and *"coming across as a* *political rally"* (Interview B6), meaning it is more politically focused and full of speech-making rather than meaningfully engaging business on their concerns. A description that in essence reflected different ways in which business viewed matters compared to other politically conscious individuals - a disparaging view of politics to be precise.

8.8 Politics in State Business Relations

What became immediately clear was that politics was viewed by business as destructive. Business still viewed itself as playing an apolitical role and as requiring no need to develop any acumen and sensitivities around politics and political engagement. The below views from the representative of a predominantly white business association with long establishment captured its belief on the negative effect of politics in the JBF and on SBRs in general:

> *If they take the politics out of it and that's not going to happen. They need to keep the politics [out], like I said earlier you know, everyone has got their own personal agenda and it's politically motivated…so if they keep the politics out of it as a proper business forum (sic)* (Interview B6).

However, it was not clear how this key informant envisaged this to happen. This view by business meant it saw no need why it should develop the necessary skills and capabilities to help it engage better with politics at the city level. This was borne out in a number of interactions with politicians where business resorted to taking the backseat in projects happening on the ground as discussed below.

Business proffered examples of projects being implemented on the ground where they were involved with the blessings of the JBF but came into sharp disagreements with councillors who felt threatened by their involvement. Instead councillors preferred that they themselves be regarded as responsible for the success of such projects. This was the case with a predominantly black business association which ultimately had to withdraw its participation in a township mall-building project committee even though the association believed it had better project management knowledge to assist expedite this particular project. In business' view, ward councillors saw them as a threat to their political ambitions and goals of being re-elected as councillors.

Business maintained that politicians tended to view them as competitors. Instead of being viewed by politicians as a resource, business was worried about their being regarded as some form of resistance. One key informant from a predominantly white business association put it thus, "*yes, we may look as though we're resistance, but we're actually a resource, because we know what's important on the ground*" (Interview B7) – pointing to the informational advantage business could provide to the city. Business was also of the view that when dealing with them, the city tended to regard business as potential violators of the city's regulations. *"I think business see the city as a…not from the point of assisting but more enforcing"* (Interview B6), a business representative from a predominantly white business association said.

One business representative from a predominantly black business association attributed poor relations between their chamber and the city to political meddling and interference by politicians. This is because, in this key informant's view, the existence of organized business was perceived negatively by politicians. As the representative from this predominantly black business association put it, *"we are a business organization, and to some extent we feel hard* *done by virtue (sic) of being a mutual body, it may create some discomfort in the political space"* (Interview B5). Another key informant from a long-established largely white business association mentioned that, *"business is of the view that, many, not all, many politicians see business as an enemy instead of embracing them as partners and working with them"* (Interview B3).

In one instance relations between the city and a township-based business organization became so strained that the organization opted to continue without expecting or seeking any form of political support from the city for their development projects. At the base of these poor SBRs seemed to lie ideological differences between the two.[50]

8.8.1 Ideological Differences

Business did not only think differently about politics and its negative effect but also about the state. In business' view, the state is there to create a conducive environment in which business could thrive, create employment and grow the economy - a view that essentially calls for minimal state involvement and non-interventionism. As one business representative from a long established black township-based business association put it, *"government is supposed to create a platform, not implement, they're not implementers. But they want to be*

[50] . When probed further, the representative of this predominantly black business association reluctantly speculated that another reason could have been due to the fact that, historically, their association was founded by politicians and now that they were no longer involved with it but moved to the City Council, they knew its strength and the challenge it could pose to their political fortunes. The representative went on to mention that their association was getting very little support from city politicians but were instead being sponsored for some of their project by international donors.

the ones that create the platform and implement" (Interview B4). Accordingly, the role of the state should be a minimal one where business is left to run its affairs without much constraint.

The ideological difference between the city and business is a natural outcome emanating from the diametrically opposed motives that drives each. As one business representative put it, business is *"capital driven"* while a *"politician has got an electorate that he is trying to satisfy"* (Interview B4). The two objectives are not always in harmony and as a result of these different agendas, the state and business often find themselves pulling in opposite directions. No wonder business came into sharp conflict with a ward councillor in the township mall-building case referred to earlier. From the interviews conducted with key informants, different views emerged regarding the extent to which business should be involved in driving city-wide development initiatives but as a determining factor the need for business to always make profit was corroborated.

Key informants representing the voice of the state expressed dissatisfaction with how business sometimes placed its interest above those of society in general while others asserted that it is in the nature of business to do so. The requests by some business during the Inner City Charter process for the city to take care of their frontage area was a typical example of business looking primarily after its own interests. An executive head of one of the agencies in the city, in response to certain expectations by business, maintained that some of the expectations essentially entailed *"concessions that basically…are very unreasonable, concessions that are going to be detrimental to the bottom line of a municipality"* (Interview C3). In this officials' view, business needs to know that as much as the city *"want [them] to* *come but there are certain non-negotiables that a local government cannot concede on"* (Interview C3).

A similar view was expressed by another city official that business needed not to always look at its interests and those of the city as mutually exclusive. A senior official and the head of a line function department in the city mentioned at length that it was inherently in the interest of business to take interest in the city's development. This was because if it did not, its own stability would be compromised. A large 'pocket of poverty' would be created that might eventually threaten its existence. Ensuring stability here meant addressing poverty and high unemployment. In his words,

> *the same way that business was invested in creating a black middle class, it wasn't Thabo Mbeki's project, business was very interested because if you have a black middle class then sure we are in for good times, if not a buffer from the majority who are poor* (Interview C1).

One can therefore surmise that business needed to change their ideological orientation to realise that they are part of the broader inclusive development agenda. This is a development agenda that is not solely focused at simply achieving economic growth alone. As a former MMC with long tenure in the city put it in reference to business

> *the more they cooperate with this agenda, the developmental agenda, the more benefits [for business] ultimately…surely Sandton can benefit if Alex is developed* (Interview C11).

This observation strikes right at the heart of the argument made earlier that the distinction between the pursuit of economic growth and redistribution need not be mutually exclusive.

Pursuing inclusive growth accompanied by redistribution will lead to qualitatively better outcomes.

The approach that business can always benefit without giving back was disparaged. Even banks, which had shown themselves more eager and willing to work with the state since the dawn of democracy, were viewed as doing far little compared to what they could potentially offer. "*I really think banks should be playing a much bigger role in helping government develop"* the city (Interview C11), asserted the politician and former MMC. Where banks got involved, the general feeling was that this was based purely on how much more customers they were likely to add to their market share rather than on the desire to create a just and equitable society through addressing the huge development disparities prevalent in the city.

Other views contended that it would be naïve to expect business to get involved in driving city-wide development for just the good sake of it. *"It's about money, it has to have a rate of return to that decision"* (Interview B3), an executive member of a long established white business association mentioned. Another key informant, a senior official in the city captured business' approach to city-wide development succinctly by saying that:

> *I've heard business say they want to get involved, they want to partner but I've never got the impression that they will do it just without some kind of [benefit]…just as an act of complete altruistic social responsibility, to say we need to partner up, with no strings attached, with a not-for-profit or no-profit paradigm in mind, an ideology* (Interview C5).

A senior official of an agency in the city similarly averred that where business got involved, "*it's not mainly a charity kind of arrangement*" (Interview C4) and for win-win outcomes the city needed to always engage business with this perspective in mind[51]. With business being driven by a what's-in-it-for-me mentality, how then has the city balanced this with all the other diverse interests constituting it? Before addressing this in the next chapter, a summation is here necessary.

8.9 Summation and Conclusion

This chapter discussed both the positive and negative aspects of SBRs in the City of Johannesburg. It started with a discussion that reflected the city's intentions to build positive relations with business. Subsequent paragraphs touched briefly on some of the regular interactions the city had with business over the years such as the Inner City Partnership for instance. The chapter then went as far back as the local government transition period to show that there was almost an absence of regular interaction between the city and business. It mentioned the singular recognition of the Rand Mining Company as the only business that participated in the Johannesburg Negotiation Chamber during the transition period. It underscored the self-preserving rather than equity promoting nature of this participation.

The chapter then discussed the reciprocal and complementary nature of relations between business and the city including how their location in the same space made positive relations

[51] . This view of seeing business as being largely driven by capital is in line with the one expounded by Schneider (2005). As capital, business "can have an indirect, uncoordinated, impersonal effect on policies as policy makers try to anticipate policies that are likely to keep and attract capital" (Schneider 2005: 3). Under this capital-driven view of business its interaction with the state is intentional and it engages the state with the pure aim of furthering its own interest as capital. However, treating business purely as capital and nothing else has the disadvantage of making the state vulnerable to its whims.

between them imperative and likely. It also underlined their dependence on each other when it came to revenue collection on the city's side and the approval of development applications on the business side. It also touched on the practicality of implementing a state-business pact at city level compared to doing this at provincial and national levels. The next paragraphs discussed examples of positive and healthy SBRs in the city. These included the partnership against crime struck by the city with business where CCTV cameras where installed in the city to deter acts of criminality, a jointly run city-business export programme for SMMEs and the soliciting of capacity from business by the city in the area of revenue collection.

The rejuvenation of the Inner City was subsequently discussed in detail as an area where the city and business forged good relations. It was shown that the positive relations struck between the city and business pertaining the Inner City were as a result of the mutuality of benefit they both stood to enjoy from the revitalization of this area. The clubbing of business under one umbrella body, the JICBC also facilitated its interactions with the city. The chapter also touched on achievements and challenges encountered during attempts to resuscitate the area. After the Inner City, CIDs were then discussed as another area of positive SBRs in Johannesburg. CIDs were shown to be a voluntary initiative by business and an arrangement that the city acceded to and legislatively set in motion to secure.

The success of CIDs was attributed to the spirit of partnerships between the city and business they promoted. They addressed crime and crime, issues that both the city and business were concerned about. Their positive developmental impact of job creation and crime reduction were also mentioned. So were some of their negative aspects such as their fragmenting of urban management efforts in the city. While some CIDs attempted to include redistributive and poverty alleviating aspect in their efforts, they fitted largely within the growth-oriented model of limited embeddedness with the business class.

The next paragraphs discussed the shifting nature of SBRs in the city. It was argued under these paragraphs that the intensity of relations between business and the city shifted from being weak to being relatively strong with the passing of time. Subsequent paragraphs showed how business was willing to work with the city after the city had articulated to them what it was doing and where business could assist. The city thus had to demonstrate how business could complement their efforts. This ability to woo business was attributed to leadership as a factor – the leadership of mayor's Amos Masondo and Parks Tau in particular. Personal ties and networks were discussed as another factor in SBRs and were shown not to be pervasive or necessarily absent in the city. Instances of business colluding with city officials were mentioned.

The chapter then proceeded to discuss some of the ways in which differences between the city and business were handled. These included a resort to contracts the city had signed with business, approaching of the courts for intervention and the total breakdown of relations in some instances. The shallowness of city-business embeddedness was underscored. This discussion was followed by one on the need for political will and mutual trust. It was argued here that where relations were enduring, it was because the processes followed were characterised by targeted and deliberate effort that did not try to achieve instant results but lasting relations. Solid relations were thus viewed as the result of patience and focused hard work that involved business meeting with the city over and over again to thoroughly iron issues out.

The paragraphs that followed the above discussed perceptions of failure and inaction by the city that business underlined. Business attributed this failure to poor capacity in the city and the lack of knowledge by city officials on how business actually functioned. The constant change of guard in terms of who business dealt with in the city was bemoaned as a problem. Discussions also showed that business enjoyed access to the city through different means of engagements that included one-on-one meetings and round-table discussions but that beyond these not much happened. Engagement with the city often appeared superficial. There was thus lack of sustainable engagement, promises made by the city were not followed through and SBRs seemed to not be a priority in business' view.

Subsequent paragraphs in this chapter discussed the JBF as an example of the city's engagement with business including the promises it held for SBRs. The effectiveness of the JBF was undermined by the type of associations that sat in it. These were made up of groups of small businesses. The forum could also not build an effective city-business coalition due to the personal agendas that most of its members had. The JBF was also shown to be a forum without consequences and somewhat of a talk-shop. The next paragraphs discussed how business negatively viewed politics and as seeing no need to develop mastery of engagement in it. Discussions further revealed that business felt politicians tended to treat it as a potential threat rather than as potential partners. The chapter concluded with a discussion on the ideological differences between business and the state. It was argued that business is capital and profit driven in nature and expecting it to participate in the drive towards city-wide development for the mere sake of it was naïve.

CHAPTER 9: DEVELOPMENT TRADE-OFFS, INTERVENTIONS AND DRIVING INVESTMENT

9.1 Addressing Varying and Contrasting Needs

Balancing between the varying and contrasting needs of the constituencies and residents that make up the city has not been easy. Strategies and plans to tackle the many and often contrasting interests have also been difficult to grasp and define with the result that in cities, "the debate between pro-poor and pro-growth strategies remains unresolved" (SACN 2006: 8). The difficulty is also compounded by the magnitude of the challenge cities face especially the varied interests they need to satisfy. A simple glance at households in cities reflects this.

> Data collected by the CSIR shows what an extremely differentiated citizenry inhabit South African cities. No less than 28 types of households, each making decisions differently, cannot be thought of as an undifferentiated whole (Reflection on Spatial Transformation of Cities Report 2013: 5).

With such a household composition and the plethora of interests requiring satisfaction by the City of Johannesburg, deciding on where to focus and which service delivery areas to make the most impact on can be difficult. Given this, things were bound to be difficult.

In its public consultation process as part of the Corridors of Freedom (CoF) initiative, which was introduced in an effort to "stitch together" or link up disconnected townships to core urban centres across the city through investing and building assets along particular activity corridors, the City of Johannesburg came up against serious opposition (Raborife 2015). "In Orange Grove, the land acquisition process did not proceed well, with opposition from low density and higher income communities" (SACN 2016: 347). Expressing her experience and frustration with this process, a politician and former member of the mayoral committee (MMC) in the city put it this way:

> *I can tell you now that generally, people [suburban communities] don't want it, the people that live in those areas don't want that transformation. They want to stay on their big properties; they don't what to have people [former township dwellers] live on the corridors, they don't want that integration necessarily. So it was tough* (Interview C11).

In this instance, the city found itself hamstrung by democratic processes of having to consult and exercise patience even where it was clear that, due to arguably misplaced fears, potentially transformative developmental initiatives were being opposed. In other developmental states, the state enjoyed a critical mass of support or devised other ways for such support even somewhat forcefully, by being authoritarian in instances of protracted dissent. Rather than enriching the process of development as Mkhandawire (2005) suggests could happen under a democratic developmental state, one can here venture to say the need to cater for different interests and all voices appeared to stifle development from progressing. This however is in line with Leftwich's view that today's developmental states will have contend with a lot of politics.

Appreciating the difficult position that cities find themselves in, another key informant stated that, to run a city is not an easy exercise. In particular, *"it's a very difficult job to balance the needs of the private sector versus that of the poor".* As observed by the South Africa Cities Network (2016: 347), this is especially the case because the level of influence that the private sector can potentially wield when it comes to advancing development through transformation is substantial.

> The private sector (and in some instances private/public collusion) and even private individuals display a certain amount of power over decisions about the built environment, which can slow spatial and social integration. This manifests as NIMBYism (Not in My Back Yard) displayed in certain middle- and higher-income suburbs, or opposition to public transport interventions, such as the case of the Rosebank community in Johannesburg objecting to a BRT route through the area (RMD, 2011).

Attesting to this state of affairs, a key informant who used to serve in the capacity of an MMC in the City of Johannesburg also related the challenges the city encountered in poor communities when consulting on issues. Here the city needed to do a lot of hand-holding in order to get a signed petition from township residents. In suburbs comparatively it was easier to have a submission and signed petition by all residents. In the city's experience, there was more work to be done in the former due to literacy levels than in the latter.

In attempting to address the disparate and varied needs, the city found itself in the unenviable position of having to extend services to historically excluded communities while at the same maintaining the level and quality of services to those communities that had historically enjoyed access. This meant that other communities that could have immediately benefited from the city's expansion of services needed to wait even longer as available resources had to be shifted somewhere else. The unintended consequence of this was to continue the inherited patterns of advantage and disadvantage:

> [h]istorically advantaged (former white) areas have benefited from proportionally more private and public sector investment. For example, between 1991 and 2003, all but three of 27 new shopping malls were located in Johannesburg's northern suburbs (Heller, 2015). Richer suburbs have the tax base, which brings in valuable city income, attracts private sector investment, and both private and public sector resources. The complex challenge for cities is how to lift the quality and provision of services in poorer areas that do not have a significant tax base (SoCR 2016: 228).

In the housing space, evidence shows that gentrification or the displacement of the poor by development initiatives that catered only for individuals with higher incomes was inevitable. The South African Cities Network (2016: 147) notes that contributing factors to this included "complex institutional arrangements and many actors, the politics of urban spaces and the cost of financing" more inclusivity. As a result, the renewal of decaying areas in the city has been driven by the private sector with developmentally negative consequences. The Department of Performance Monitoring and Evaluation (DPME) noted how property markets in the Inner City were revived around the early 2000s including the renovation of old buildings. "However, in the process of regeneration, many occupants of these buildings were displaced, with evictions provoking long legal battles" (DPME 2014: 47).

Disparaging this development, a senior official in the city maintained that, *"you can't plan away the poor"* (Interview C9) and indicated that they too should be able to live anywhere in the city if they so wished. As a result of the skewed development that took place where the poor were not accommodated but continued to live far away from their places of work, those that were unable to afford expensive transport cost such as *"people that work in town in filling* *stations"* ended up *"sleeping rough under bridges, because they can't afford to go home, they go home over weekends"* (Interview C9). However, if the city had taken it as its responsibility to advance balanced inclusive development, a win-win situation could have been achieved including more equitable access to the city rather than the alienation of particular sections of the city's residents. These developments reflect how the city contended with whether to follow a growth-oriented rather than a redistribution-oriented model.

Underlying the uneven development in the city were factors that drove investment by the private sector. Having acknowledged the critical role that the private sector could play in helping to change South Africa's inherited spatial form, the South Africa Cities Networks (2016) noted these underlying factors. Among these was "perceived risks" where particular areas and communities were regarded as "less proven" to invest in and others as "safe". The other factor was "market demand" which specified the kind of product to be delivered. The demand for products such as shopping centres and townhouses shaped the form of spatial and land use patterns that emerged. According to the South African Cities Network, "the difficulty with this approach is that the poor on the margins of the city are often excluded from influencing these broader, market-led spatial trends." (2016: 285).

As a result, efforts by cities to implement urban renewal initiatives resulted in losers and winners. Work carried out by the South African Cities Network went on to further show that initiatives by cities that relied on culture and crafts to transform urban spaces such as the urban developments that occurred in the Newtown and Maboneng precincts of

Johannesburg, which were transformed into active art and culture enclaves for instance, were not to everyone's benefit as the poor had to be moved to accommodate such:

> there are signs that not everyone benefits. Gentrifiers, who are able to pay higher prices, alter the character of areas, displacing low-income residents and disrupting the social spaces of original tenants (SACN 2006: 48).

However other views, especially from the city, acknowledged that some form of gentrification could not be avoided. As the executive head of agency in the city stated it, *"gentrification is sometimes…let's say…desirable. Ok, some part of gentrification is desirable"* (Interview C3), but there was no total gentrification. According to this key informant, investment partnerships between the city and business *"did not leave out poor people"* (Interview C3). Inclusion of the poor was achieved by the city taking into account the need for affordability in order to accommodate lower income groups in those areas that underwent urban renewal and development.

Informal trading is another area of conflict where the disparate interests of stakeholders inhabiting the city came up against each other. At its first ever engagement with organized business in Soweto, the city encountered an expression of conflicting interests when formal businesses complained about informal traders.

> Business delegates made ample use of the platform to air some of their grievances to senior city officials, with some robust debate ensuing. The removal of informal traders from certain areas was a sore point (CoJ 2008).

Informal trading and the removal of hawkers became such an emotive issue in the city to the extent that the courts had to, at one time, intervene by issuing a constitutional order that stopped the city from dragging hawkers away from the streets where they plied their trade.

This placed the city in a difficult positon as it tried to balance the opposing and varied needs of all stakeholders. This was epitomised in a statement made by a city official in the media who said, “informal trade was part of the mix of an inclusive economy but it should not be done to the detriment of other businesses” (Dlamini 2016). Shop owners and individual business offering professional services such as medical doctors with private practice in the city complained that street traders carried out their activities just outside the doorstep of their businesses making it difficult for patrons to reach their establishments. As one of them put it, “no one is saying we don’t need informal traders but we are saying that they should be in a designated area” (Dlamini 2016).

Balancing the interest of business vis-à-vis those of labour is another area of concern for the city. One key informant, a senior executive of a private property company bemoaned the strong position enjoyed by the South African Municipal Workers Union (SAMWU) in the city, which in his view, has led to poor performance by the city’s employees due to the protection they enjoy. In this senior executive’s view, the ANC’s political leadership was giving the union too much leeway in its governance of the city. This was reflected in one of the longest strikes (five weeks long) by employees at Pickitup, the city’s waste collection entity, in 2015 which left the central business district (CBD) sprawled with potential health-threatening waste for days on end (Sihle 2017).

Views on how to address the varied and conflicting needs and interest within the city were expressed but the need for maintaining balance between diverse needs when driving development initiatives was put forward by most key informants. As Bradlow suggests, “a city that moves towards more ‘just’ outcomes anticipates both conflict and collaboration with representative groups of various segments and interests of society” (2015: 2). This anticipation entails developing the required ability to balance among all the various interests found within that society and where difficulties arise being able to negotiate an amicable way out.

The need to balance among the various divergent interest was regarded as necessary because assuming a rigid stance would in the end *“kill the goose that lays the golden egg all the time because investors will leave”* (Interview C5). The golden goose in this instance was not only investors but the general tax and rates paying base. A senior official and head of a line function department in the city captured this approach eloquently:

> *in my view, you need money from businesses to run the city, you need those taxes whether you like it or not. Remember we generate our own revenue and the bulk of it comes from business so you are very sober as you do your business to say yes our agenda is to address and redress imbalances so we going to take money invest there but at the same time we need business to grow in Joburg so it can create more jobs. So the way it was run was to say as much as we have this interest, just make sure you address development in poor areas but also make sure in providing good conditions for business to thrive* (Interview C1).

The city had to therefore balance the tension between the redistribution pull against the growth one.

This approach by the city to try and address all the conflicting needs to everyone’s benefit was corroborated by other key informants. An example of the bridge that the city was busy building at the time of conducting the interviews for this thesis to connect Alexandra township, a very poor area, with Sandton, a wealthier area, was mentioned by a former MMC as a typical case that reflected the city's approach. The focus here was said to be on *"developing linkages between Alex and Sandton, which is really to the benefit of everybody"* (Interview C11). The city's approach was therefore to say *"people should actually benefit. It is not only about profit making"* (Interview C11) because government had its own objectives and where business and the private sector came to the party, there had to be cognizance of these objectives. In the words of an executive from a private property company, *"when you do your cost-benefit analysis you look at the greater benefit of the project to the community and that should take precedence"* (Interview B8).

However, where things came to a head as is often the case where diverse interests are involved, the city dealt with this in various ways. A former MMC and currently serving councillor put it that, among business *"there are those who are vocal because they are issue interested but who would be making the loudest noise, they are the people with the most money"* (Interview C10). In dealing with intensely conflicting interests, the city's response was *"to discern what is best for the city for the future"* and *"extrapolate it and it needs to be matched with the city's strategy goal"* (Interview C10). Thus in responding to hard and pressing situations, the city would assess whether what was being requested was *"within the overall developmental trajectory"* (Interview C10) of the city. If not such requests would not be supported.

Other views, by city officials, insisted that through its consultation processes and its ability to communicate its plans, the city managed to reconcile diverse interests. These consultation processes and ability by the city to communicate were regarded as adequate to stem any protracted engagement that could have derailed development efforts. A city official that advocated this view insisted that the city could only deal with diverse and varied interests by communicating its plans and by convincing different stakeholders of the benefits that would accrue from their implementation. It was the city's responsibility to appeal and reason with various interest groups for them to see the bigger picture of what the city was attempting to do and how they each stood to benefit from proposed developments. This the city could only do by drawing the focus and attention of different interest groups to the practicality of their proposals.

For instance, in relation to the opposition to the BRT system, the city took this responsibility and went

> *out and [said] listen we are putting public transit here and the only way that it will work is if we increase densities...But the other thing is that we make sure that we communicate with the broader business community that listen, the only reason why this would work, is if you have to and fro movement and if you try and diversify your land use offerings, if you ensure that you increase what you ask for so that you can realise profits so that we can realise the ultimate outcome* (Interview C7).

As such, business interest were not necessarily against city-wide development with a win-win outcome. Only that business fist needed to be shown the benefits that were likely to arise from proposed development initiatives by the city. The city therefore needed to be much clearer and far more convincing in articulating its initiatives and plans. As another key informant put it, *"you have to be able to convince business that they have to be part of such transformation"* (Interview C7).

In addition, business interests and other general interests of society are not always at odds. Advancing development should not always entail conflicting goals. In some instances, the supposedly differing goals dovetail neatly where addressing one goal leads to the achievement of others. A senior official in the city observed that the goal of growing the economy is not an activity that exists in isolation or divorced from other processes. Driving development and growing the economy of the city could involve a virtuous cycle where achieving one set of objectives reinforced others. For instance, empowering formerly disempowered transport operators through the bus rapid transit (BRT) to become business owners could have the ripple effect on the city's economy where the empowered operators could increase their incomes and become employers thus further driving economic growth.

Having said all this, it would seem that in the case of the City of Johannesburg trying to deal with various opposing interests, instead of driving development and its direction, the city found itself with its back against the wall. It had to first massage the concerns of those opposing development initiatives. In East Asian developmental states, the centre held sway, even if by authoritarian means in some instances and drove the direction of development. According to a former oversight committees' chairperson in the city, Johannesburg had no option because it had inherited the disparities it found and balancing between different interest was not always easy. As a result, the city had to tread carefully to find the middle ground. This middle ground was *"to bring businesses closer to communities... So Rea Vaya is* *one of the interventions to bring the two together"* (Interview C12). Rea Vaya or BRT and other empowering or 21st century developmental state type interventions that the city undertook are discussed in the next section.

9.2 Developmental State Type of Interventions

Developmental states are known for the extent and magnitude of the socioeconomic interventions that they often undertook and achieved. Empowerment, including massive health and education achievements were typical examples of where positive and significant shifts in the human development index of these states took place. In this section, what are considered major interventions by the city are discussed to assess their developmental impact. The section discusses black economic empowerment first then the impact of the Jozi@Work programme and the BRT as instances of major interventions along the lines of what a typical twenty-first century developmental states is expected to achieve.

9.2.1 Black Economic Empowerment in Johannesburg

On assuming political power, the ANC, felt it necessary to create not only a black business class that shared its ideology but also a black middle class to signal the beginning of efforts to transform the racial composition of South Africa's economy. Southall (2004: 264) states that "in order to redress the legacy of racial exclusion…the ANC sought the development of a new indigenous entrepreneurial class through 'black economic empowerment'". Through its national democratic revolution (NDR) theory, the ANC set out to achieve equity by transforming society through the building of a capitalist class and a 'patriotic bourgeoisie' (Southall 2004).

A black middle class was also viewed as necessary for stabilising the country's nascent democracy which was characterised by extreme inequalities. The ANC, as already said, drew inspiration from developmental countries such as Malaysia which managed to successfully empower the formerly dispossessed sections (native Malays) of its society (Freund 2006). Mbeki's presidency was driven by the desire to improve the dignity of blacks, beginning with the definition of a new elite "that transcends the boundaries of private and public, a new power elite" (Freund 2006: 4). The ANC's starting point in creating a middle class was by filling the public service with black Africans through indigenisation then it proceeded to create a black business class through the buying of ownership shares in existing companies. Freund (2006) avers that the empowerment of blacks, their social and economic uplifting and non-racialism were central to the ANC's political strategy after assuming power.

Efforts to build an empowered business class or a new elite through Black Economic Empowerment (BEE) however came up against major challenges[52]. They had limited impact because of their narrow application and their enforcement on untransformed firms and companies was removed from the control of the state by being outsourced to verification and technicist agencies (Ponte, Robert and Sittert 2007). Narrow BEE has since been replaced by broad based black economic empowerment (BBBEE) in the effort to make it more far-reaching and society-wide. In addition to this, under Jacob Zuma's presidency a more substantive form

[52] . Among others, even with the implementation of BEE through the buying of ownership shares, figures indicated that "only ten percent of the top one hundred companies on the Johannesburg Stock Exchange are owned by black South African through black empowerment codes, according to the National Empowerment Fund" (Kgosana 2017: 11).

of empowerment, called the Black Industrialist[53] Programme, was implemented rather than the buying of ownership shares in existing companies.

BBBEE scores companies from one to eight based on their codes of good practise where eight represents the highest form of compliance and one the lowest. The codes give a "clear guidance on what is required empowerment credentials" of companies which, inter alia, include "elements of human resource development, employment equity, enterprise development, and also preferential procurement, as well as investment, ownership and control of enterprises and economic assets" (Rantseli 2011: 18). To do business with the state, companies are required to produce their BEE certificates to assess how far they have empowered blacks (Africans, Coloureds, Indians and Chinese). How then has the City of Johannesburg fared on empowerment?

As in any other city in South Africa, prescriptions of the Preferential Procurement Policy Framework Act of 2000 and its regulations governs the manner in which work outsourced or put on tender in Johannesburg is allotted to companies and enterprises. The act seeks to "utilise the purchasing power of government as an instrument" (Rantseli 2011: 1) of empowerment[54]. The framework prescribes a point system where procurement in the city is allocated preferentially to historically disadvantaged individuals and businesses. The

[53] . Run by the Department of Trade and Industry (DTI), the Black Industrialist Programmes was introduced in 2015 with the aim of creating 100 black industrialists with their own companies by 2019. A fund of R2 billion was ring-fenced with the purpose of supporting such companies. At the time of writing this thesis, 46 such companies were already in the making (Public Sector Manager 2017).

[54] . Figures indicate that around R500 billion is spent per annum by the state purchasing goods and services (Kgosana 2017).

historically disadvantaged include those who were disenfranchised and could not vote prior to 1993, women, youth and the disabled.

According to the act, when awarding contracts, an 80/20 or 90/10 combination is used based on the amount of the tender involved. 80 or 90 percent of work awarded to a business should be according to traditional considerations such as price and the remaining 20 or 10 percent, depending on the combination applicable, according to whether the business is owned by the historically advantaged or not. An alternative term for the latter part which requires particular characteristics from businesses is “set asides” (Rantseli 2011: 16). Set asides required that companies given work by the state have features such as ownership by blacks, women and youth.

Questions to key informants on the implementation of programmes meant to promote empowerment in the city elicited positive and negative responses from both city officials and business representatives. Responses varied from those indicating enthusiasm to those reflecting pessimism. On the positive side, city officials mentioned how the city was the first among many to have 30 percent set asides as far back as ten years ago. As a senior official that headed a department in the city put it, “*Joburg at political level had said we will have set asides for young people and for women*” (Interview C1). Another, a senior executive of one of the city’s agencies said “*we have been very clear in terms of the 30% set asides on each of our* *programmes*"[55] (Interview C3). Therefore, from this perspective the city was quite determined to promote black economic empowerment.

Still on the positives of the city's efforts at promoting empowerment, officials in the city and those in business mentioned instances of upcoming businesses that were trained under empowerment programmes and grew to provide different services as fully fledged businesses. City officials, especially those heading agencies made reference to divisions within their agencies responsible for enterprise development, which made considerable strides at empowering black-owned enterprises. In one instance, a key informant detailed how small businesses in the property sector were trained on the sectors' supply chain processes to eventually stand on their own. This executive head of a long established business association related how small property companies were trained, mentored and skilled to *"now offer those services to other companies in property development"* (Interview B3).

Another key informant, a senior executive of an agency in the city related the same on cooperatives - an area where the city seemed to believe that it had made a big difference - that were assisted to stand on their own. "*Yes there are coops that have moved from the first stage of SMME development to a stage where I can say they at least [they] are ready to run their business*" (Interview C4). The same sentiment was also echoed by a former long-serving MMC that the city has "*done quite a lot working closely with co-operatives*" (Interview C10).

[55] . According to this senior official however, 30% set asides were found to be illegal and not in accordance with legislation which only provided for a 20% upper limit. To circumvent this hurdle and the city's cumbersome procurement process including its limiting effect on the scale at which people could be assisted, the city innovated around the Jozi@Work programme which had the potential to assist large numbers of people through sub-contracting to cooperatives.

In this key informant's view, the city had done a lot to empower enterprises with different business needs, either with training or other resources they needed. There was thus the view that when it came to the empowerment of the historically disadvantaged the city had made some discernible strides.

Contrary views on black empowerment held the view that the empowerment of historically disadvantaged sections of the city's populace had not progressed as far as it needed to. An executive member of a predominantly black township-based business association decried the unfair manner in which procurement in the city was undertaken where tenders were given to the same individuals over and over again. "*You'd find that person was not even, is not even in the list of the people that bid [for the city's contract] and you find that person has got that job*" (Interview B4), this key informant asserted. Relating this as his personal experience, this business representative indicted that he was dismayed by all this to the extent that he gave up applying for tenders in the city.

Adding to non-enthused views, a senior official in the city stated that the city had not been as aggressive as it needed to be in empowering individuals. In particular, empowerment opportunities were lost by the city regarding programmes for young people[56] especially "*to get them into programmes and processes to address some of the things that are holding them back to develop*" (Interview C1). This is concerning when viewed against the fact that "the

[56] . In an effort to aggressively address youth unemployment, the city in partnership with Harambee Youth Accelerator, a non-profit youth recruitment organization, launched *Vulindlel' e Jozi* initiative in 2015. The initiative was targeted at providing young people with learnership and apprenticeship opportunities that would help prepare them for employment.

largest concentrations of unemployed youth are in the metropolitan cities, especially in the black African townships and in the old core of the cities" (Harrison 2013: 4). At the bottom of this failure was how "*the entire project of government is actually structured, coordinated and delivered*" (Interview C1).

Views between the city and business also differed concerning how involved business was when it came to the empowerment of historically disadvantaged residents of the city. A long-serving politician and a former MMC who still served as a councillor in the city at the time, stated it bluntly that big business only gave lip service to empowerment and that government could not enforce business' compliance as it was hamstrung by legislation. Government's only recourse of enforcing business' compliance was through the BEE requirement on tenders. The same was expressed by another former councillor[57] and MMC in the city that big companies needed not to have their development applications approved "*until they can show very clearly what they were doing in terms of contributing to both social upliftment but also to BEE development*" (Interview C11). In this key informant's view, the city was not doing enough to extract goodwill from established businesses when it came to BBBEE. A senior official similarly observed that transformation and BBBEE were a bitter pill to swallow for some business.

A business executive from a predominantly white association asserted similar uncertainty regarding whether BEE was well-received by business or even whether its purpose was understood. This business executive believed there were positives to empowerment and

[57] . Further to this, the said key informant and former councillor/MMC mentioned outdoor advertising in Johannesburg as an area that was most untransformed with big white-owned companies reaping huge profits to the detriment of emerging black entrepreneurs who were earning comparatively meagre profits.

business' only gripe pertained to how it was implemented. Business was more than willing to participate in what it called 'real' BEE and not the 'window-dressing' variant of just working with black businesses for the mere sake of compliance but by "*empowering someone that is going to add value to your business*" (Interview B6). Essentially implying that business had no qualms with empowerment except that it was implemented in a manner that was unattractive with no incentives or real value for business to participate in it. This finding corroborates the experience on SBRs in other countries where constructive relations between the state and business were undergirded by mutual benefit.

Other business views, especially those of organized associations seem to leave involvement with empowerment in the hands of the association's individual business members. BEE was not driven as an imperative at a collective level of business associations. As the executive of a long-established business association cavalierly put it when asked about their associations involvement in black empowerment, "*we encourage member companies to set up development projects*" (Interview B3). Another predominantly black township-based business association, when questioned on the preferential procurement system indicated that its members who were part of and registered with the city's supplier database, benefitted from it. From the general response given by key informants, one did not get a sense that at organised business level, chamber level, empowerment was something pursued or intensely advocated by business in the city[58].

[58] . An exception was the response given by the head of another well-established business association that their organization was doing quite a number of things to promote the empowerment of historically disadvantaged individuals where they held specific events meant to match big companies with smaller black-owned ones including having a bursary fund that sponsored studies by disadvantaged individuals relevant to the sector.

Additional responses by business when probed on BEE made reference to charters existent in different sectors of the economy such as the property and finance sectors, for instance, that business had to comply with. A senior executive in the finance sector mentioned the deliberate and targeted nature in which the sector was promoting empowerment through things such as empowerment finance which covered the areas of housing, transformational infrastructure, SMMEs and agriculture. The financial sector had committed resources to the value of sixty billion and also had a financial inclusion division with the "*sole focus to see how [it] promote financial inclusion in South Africa*" (Interview B2), the senior executive continued to explain.

Thus the emerging picture on empowerment in the city is a mixed one with instances of a positive impact having been made but also of more that could be done for the achievement of even bigger gains. To the city's credit though, its BEE Matchmaker was recognized as a good example to be emulated[59]. The next section discusses the Jozi@Work initiative, which, as shall become evident had empowerment as a dimension.

9.2.2 Jozi@Work

Jozi@Work is a programme that attracted both applause and infamy in the city (Dludla 2017). The programme was applauded by those that were involved in its implementation. Proponents of Jozi@Work believed that it improved the lives of those that participated in it through employment but its detractors criticized it for having benefited only those linked to

[59] . "The COJ BEE Match-Maker is recognised as best practice example for BEE support and enablement, and should be considered for duplication in other municipalities. The COJ achieved 54.1% BEE participation in the private sector property and construction sector by 2007/08." (Cogta 2016: 196).

the ruling party, the ANC. Key informants interviewed mentioned it as amongst the major interventions the City of Johannesburg undertook in the mould of what a twenty first-century developmental state typically delivered where the focus is not only on economic growth but also on programmes of redistributive nature such as individual empowerment and skills provision. Jozi@Work was also one of the programme among many others that the city implemented to deal with the scourge of youth unemployment (CoJ 2016: 21).

It was introduced by the city as part of the developmental service delivery model (DSDM) “which encourages communities to take charge of their own development” (CoJ 2016: 43). At its core lay an innovative delivery mechanism that afforded communities access to city resources utilizing the procurement system to deal with small and manageable service delivery issues. According to the city, “the operating model builds on cooperatives and street committees to identify gaps in service delivery, such as patching potholes and other basic services” (CoJ 2016: 74). Essentially, through it, communities had the chance to be involved in the tackling of pressing urban management issues. This went back to the anti-apartheid era and creatively harnessed the same energy communities used when they tried to dislodge the then state by making it ungovernable through taking to the streets.

Under the Jozi@Work initiative, line function departments would typically have work that needed to be implemented (work packages) given to cooperatives and small enterprises. Between city departments and cooperatives or small enterprises would be what was known as the Capability Support Agency (CSA) that acted as middle man to ready cooperatives and ensured that they could actually deliver on the assignment that was before them. Under the watch of CSAs community-based enterprises competed for work packages from the city. Examples of service delivery tasks carried out by community groupings included:

> pipe renewal, retrofitting, operations and maintenance, rainwater harvesting, customer info/data audit, security of facilities, electrical infrastructure, purchase of food from farmers for food parcel distribution, transport and processing of food, capital works/park establishment, road and street surfacing, facilities management, alien plant clearance, bus cleaning, kerb laying (CoJ 2016: 43).

For the 2011-2016 local government term of office, the city was already targeting to spend 10% of its capital budget on Jozi@Work. According to reports, through the Jozi@Work initiative "[a] total of 40,000 new jobs were expected to be generated by the City's spend across nine sectors by 2016" (15 Year Review 2016: 198). Based on the relative success of Jozi@Work and just before its loss of power in the 2016 local government election, the ANC's administration in the City of Johannesburg was planning to extend the programme through the inclusion and establishment of cooperatives dealing in cleaning water courses (CoJ 2016: 57). Further to this the city was planning to extend Jozi@Work to other ICT sectors such as the installing of smart water meters.

Typically, and in similar fashion to commitments and performance targets that used to be set by the South Korean developmental state for instance, "[a]t the start of each financial year, every department and municipal entity [was] required to make individual commitments to the Jozi@Work targets" (CoJ 2016: 43). Reporting on the contribution that was made by one of the entities that is wholly-owned by itself, the city indicated that, "Metrobus has given back significantly to the programme, both financially and through creating jobs such as the washing of buses at depots" (CoJ 2016: 9). Thus Jozi@Work reflected an intervention that was typically in the mould of development states with commitment to positive city-wide developmental impact. In the city's own words, Jozi@Work "forms a key component of the City's emphasis on socio-economic transformation, and the reduction of poverty, inequality and unemployment" (CoJ 2016: 43). These are in line with what twenty-first century developmental states are expected to deliver.

This is because the programme benefited both well-off and poor areas, reduced local unemployment and improved the buying power of community-based enterprises to eventually reignite trade and retail. It changed the prevailing status quo of communities.

> City procurement and supplier development is therefore used to contribute to economic transformation and serve as catalysts for a variety of community formations (including cooperatives), with local enterprises linking with start-ups and SMMEs enabled through the procurement process (CoJ 2016: 74).

In similar fashion to what transpired in the Korean developmental state where Amsden showed that export companies, through an industry-based association, followed a transparent process of competing for performance incentives from the state, under Jozi@Work, although not growth-oriented as in Korea but empowering and poverty alleviating in nature, "community based companies compete via a transparent process to partner with the City in carrying out work packages in their neighbourhood. This is done under the supervision of Capability Support Agents" (CoJ 2016: 9).

From the above discussion it may seem like Jozi@Work was a programme without hurdles or major challenges. A key informant that represented the voice of business, a black business association with a long history of establishment, mentioned that there was a lot of unhappiness with Jozi@Work to the extent that, "*there were demonstrations, certain sections of the community felt that these are given to politically connected, they made it a ward-based thing and that shouldn't be the case"* (Interview B4). In the key informant's view, the ward-based nature of the programme implied that under the programme individuals could only work in their wards and not others.

Thus if one's ward did not have much that needed to be repaired or fixed, individuals residing in the said ward stood to lose out. This argument however already assumed that not all wards would need repairs or fixing and that the city was not ensuring widespread benefit across wards. It therefore falls away where the approach was to target all wards.

Another criticism against Jozi@Work had to do with the use of a CSAs as middlemen. One senior official in the city, in a veiled reference to Jozi@Work mentioned what was communicated by business at the JBF, where the city met regularly with business that, "*the problem is that you have a middleman contracting with the city and they are looking for sub-contractors for cooperatives and those middle men take a big chunk of that money and that is wrong*" (Interview C7). In business view therefore, the initiative was not really benefiting those it was intended for.

At the other end of the spectrum stood proponents of the Jozi@Work initiative. According to one senior official and head of department in the city, the agenda of Jozi@Work was to disrupt, it was *"meant to shake Johannesburg"* (Interview C1) but with the ANC's loss of power after the 2016 local government elections it could not and was cut off in its tracks. It was *"unfortunately meant to take off in the second term"* (Interview C1). To consider it a failure would therefore be flawed since it was never fully implemented. Another proponent who was a serving ANC councillor at the time of undertaking this study pointed to the empowering nature of Jozi@Work.

> *[I]t made people to begin realize that, I [as an individual community member] never knew I can become an owner of [a] little company, I never knew as cooperatives we could start and do things in our own community…the reality is that, I am actually cleaning in front of my own door* (Interview C12).

The councillor said these in reference to some of the tasks assigned to cooperatives and community-based enterprises which were in their neighbourhoods and involved the betterment of their living environments.

In the final analysis, Jozi@Work as a major intervention represented a mixed bag that attracted both proponents and detractors. With the assumption of power in the city by a different party, the DA after the 2016 local government elections, Jozi@Work was abruptly brought to a halt after complaints that it was an initiative were jobs were given to pals. The new mayor, Herman Mashaba, had since promised to replace its apparent corruption-laden nature with a corruption-free scheme.

9.2.3 Bus Rapid Transit (BRT)

BRT stands out as a major developmental intervention carried out by a twenty-first century developmental local state with some successes in the city albeit with limited impact. It partly transformed an informal business in the form of the taxi industry and successfully built developmentally effective relations with what eventually became a formalised business. The developmental potential of BRT resided in its ability to achieve selective multiple positive outcomes in the city. The South African Cities Network (2016: 258) notes that through interventions of this type, "[c]ities can unlock direct savings and reap wider benefits by encouraging a shift from private vehicles to public transport."

BRT's success as an intervention, especially when measured using access and the inclusion of the historically disadvantaged in the city, also lay in the empowerment and transformation it effected within the public transport industry, especially the taxi industry.[60] According to the city's own reporting,

> the previously disadvantaged operators including mini bus taxi operators are now owners of the Bus Operating Companies (Piotrans and Litsamaiso) entrusted with the responsibility of running the Rea Vaya operations (CoJ 2016: 65).

Further to this, public transport operators who were previously disadvantaged were targeted by the city for empowerment and entrepreneurial training. The city-wide success of particular aspects of BRT, such as the availability of public transport to communities, has been obvious to see in Johannesburg.

[60] . According to the former mayor, Parks Tau, "central to the introduction of the Rea Vaya (BRT) system has been the empowerment of over 400 previously disadvantaged public transport operators, who became shareholders and managers of the Bus Operating Companies", (SoCA 2016).

> The Rea Vaya BRT service in Johannesburg has resulted in an overall saving of over US$890-million (Gouldson *et al*., 2015). The key savings are a result of the reduced travel times and increased road safety, with lower greenhouse gas emissions contributing to about 10% of the savings (SACN 2016: 258).

In 2014, the intervention had already led to the creation of a sizeable amount of employment. The city reported then that "to date over 6,000 jobs have been created since the inception of the Rea Vaya programme" and "an average of 37,579 passenger trips for Rea Vaya services per working day" (CoJ 2015: 35). Subsequent to this, the city's reporting indicated increasing use of BRT by communities. "In 2015/16 alone, on average, the BRT Rea Vaya systems delivered above 45 000 passenger trips daily" (CoJ 2016: 6). The Gauteng City Region Observatory (GCRO) found, through its Quality of Life Survey that, "in Johannesburg, where a BRT system has been in place the longest, 2,7% (some 84 000 commuters) use BRT daily" (2015: 1), reflecting increasing use of the system.

However, whether these benefits trickled down to assist households with what really mattered in the form of a reduced spend on transportation remained to be seen. There is already evidence that the developmental impact of BRT, except for the companies that are now owned by part of the taxi industry, has not being as great as expected.

> [R]esearch in Soweto and Cape Town suggests that BRT is not addressing the needs of the poor (Harrison and Todes, 2013: 43; SACN, 2013). It is likely that the very poor cannot afford to use the BRT system and that they engage in informal activities (e.g. trading in scrap metal), which requires navigating the city during off-peak hours and largely on foot with the aid of trolleys or horse-drawn carts (SACN 2016: 136).

Another observation was that “the system has underperformed against initial predictions of passenger numbers. Part of the difficulty experienced is due to the limited extent to which the system provides access to the city” (SACN 2014: 118). The final verdict on the developmental impact of the BRT system is still undetermined since not all phases of the programme have yet been completed.

> As for BRT systems, whether these systems will have a similar effect in South African cities as these have had in a city like Curitiba is an open question. They may definitely attract commuters, but it is far less clear that they will have any additional impact on massive spatial transformation and urban restructuring (SACN 2014: 64).

To date, completed phases of the BRT system have become operational but the system has suffered frequent strikes by labour placing its reliability under spotlight when compared to other forms of public transport such as the Gautrain. The latter, although unaffordable to the poor, operates punctually and without fail. With the arrival of the BRT system, former taxi drivers became bus drivers with full-time employment. They were no longer tenuously employed or victims of abuse subjected to the capricious treatment of taxi owners who used to be their bosses. Against the backdrop of a strong and highly organised labour movement and a rigid labour market that characterise South Africa, their employment became well-secured. With their new-found positions and its associated certainty of employment, they engaged in frequent strikes. The resultant effect of all this was the occasional disruption of the BRT system. Thus, the future operation of the system and its stability remains to be seen.

9.2.4 Other Interventions

Other significant interventions mentioned by key informants included the Tshimologong Precinct which had the potential to be scaled up and was focused on information technology (IT). The intervention entailed developing an IT cluster where buildings were renovated and a tax incentive was offered to companies willing to base their operations in the buildings and conduct their business from there. The intervention was implemented in partnership with the University of the Witwatersrand. Companies such as IBM, Microsoft, Cisco and Telkom then clustered together to create this IT precinct. According to a former head of department interviewed, this intervention represented *"at the city level, the perfect example of a city level project that could be scaled up"* and it was akin to *"kind of how you find it in South Korea, New York"* (Interview C2) with the precinct becoming a preferred or "hot" area for young people.

These interventions were believed by key informants, especially city officials, to have made some dent by changing the mind-sets of some residents of the city. Commitment by the city in the area of assisting SMMEs was now beginning to filter down to young people and enabling them to think differently. *"Lots of youth groups that have not even started to engage in the employment space, they do find an opportunity of engaging on the business side of things"* (Interview C4), a senior executive responsible for operations at one of the entities owned by the city remarked. In the housing and human settlement space reference was made of the city's interventions such as the ones implemented westward of the city in Pennyville and Fleurhoff[61], which stood out as good human settlement projects delivered at scale. Although

[61] . This project together with another one, the South Hills Mixed Income Housing, were outcomes of a partnership the city entered into with the private sector. In the Fleurhof project, the city installed bulk infrastructure on land that was privately owned while in the South Hills project it provided land for the private sector to build social housing on (SoCA 2016). These are instances of co-production and complementarity between the city and business that are often a precursor to the building of healthy and constructive SBRs.

some good projects were implemented in the past, the challenge with these in the housing space was their sustainability and the quick manner with which successful new developments were being run down.

A senior official responsible for human settlements issues in the city put it thus, *"Fleurhof is nice, but there are pockets of it that have broken down. And we don't know how to recover, you know"* (Interview C9). At the bottom of this seemed to be behavioural issues. What also became increasingly clear was that the ability to implement significant and major interventions is a function of what happens prior to their implementation. For instance, this includes doing things such as collecting relevant data on targeted beneficiaries that would assist when implementing any intervention and undertaking consultations with critical stakeholders where necessary. Interventions often fail to take off as a result of this. *"Our issues, from a developmental state perspective is, we are very bureau-centric. Our legislation is very first world, and we don't communicate enough with the people we serve"* (Interview C9), a senior official in the city said. To have the kind of impact you intend first requires one to have a clear grasp of the problem at hand and often this is not the case.

In addition to the lack of necessary data and information, possible major interventions also often failed because of the local politics of an area where individuals supposedly acting as community leaders become strongmen through whom projects must first be vetted with [62]. A senior official dealing with human settlement projects in the city observed that

> *the people we serve, have now got gate keepers[63], and these gate keepers are very astute. They know what we do, they know why we do it and they know how to make sure we don't do it, in other words, they'll hold us to ransom* (Interview C9).

This poses a challenge to the city's ability to gather and receive the information it needs weakening its infrastructural power and connection to society. The city not only suffered disconnection or was weakened in its ability to gather the information it needed but it also suffered in terms of its ability to leverage from major interventions so that wider benefits could be reaped.

Even though the positive developmental impact of some interventions in the city was acknowledged, concern was also articulated of the city's inability to demand greater and widespread benefit from business. This inability to demand more from business through major interventions was said to be lacking even at national government level. Where there were major projects being implemented such as the Gautrain, there was limited benefit accruing to local businesses. One senior business representative from a predominantly white business association stated that during implementation of the Gautrain *"several companies*

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[62] . Crispian Olver (2016) in an article titled "State Capture at Local Level: A Case Study of Nelson Mandela Bay" alludes to this where he shows how individual employees of Nelson Mandela Bay City in the human settlement sector were able to forge clientelist relations with housing contractors to ensure that human settlement tenders for the construction of low cost housing were allocated to these contractors.

[63] . Writing on a similar issue and attempts by the poor to access state resources in cities, Benit-Gbaffou and Oldfield (2011) argue that there is no single way by civil society of engaging the city. This is because the state is a non-unitary entity and both internal and external institutional factors shape the way society interacts with it. Thus, where clientelist relations develop, fieldwork research showed that there was a "fine line between local democracy and clientelism." (2011: 448). This is due to the fact that "the complexity of the state multiplies and diversifies opportunities" (2011: 450) for social groups to access and engage with it.

who had very good equivalent products, they (sic) did not get the tenders" (Interview B3). This business representative was quite critical and in reference to government mentioned that

> *they turned around and say we don't have the skills but no one between then and now has been preparing for the next branch of Gautrain to prepare those skills. So not only do we not use local people, they get no spinoffs from working with high level European technical people and engineers. There is not transfer on any informational skills. So if we do big projects so who is going to do them* (Interview B3).

Even in Soweto where there were several developments taking place, business voiced their frustration that these were given to outside businesses. This resulted in the failure by local communities to benefit through employment that would have been created from subcontracting parts of the projects. Clearly the city was not in as strong a position as imagined to extract particular requirements from business.

9.3 Summation and Conclusion

This chapter began with a discussion on the wide and varied interests the city needed to satisfy in Johannesburg. It mentioned the opposition from particular communities that the city had to contend with in its efforts to implement integration strategies such as BRT and CoF. It was observed that instead of enriching the process of development, democracy and the need to cater for all voices through consultations with different stakeholders, instead seemed to delay it. The chapter also discussed how the need by the city to balance among different interests by expanding services to others while still maintaining access to those who historically enjoyed them led to the continuation of inherited patterns of advantage and disadvantage. In addition to this, the chapter discussed how certain development and investment efforts by the private sector resulted in the displacement of the poor. Informal traders where mentioned as a social group that was negatively affected by development efforts in the city.

The chapter went on to discuss factors that drove private sector investments in the city such as the perceptions they held of viewing particular areas as risky to invest in and others as safe to do so in. It also discussed market demand as a factor which dictated private sector investing in products such as malls and shopping centres in well-off suburbs compared to other areas. This was argued to have sustained and perpetuated inequitable spatial patterns of the past. The need by the city to balance the varied and contrasting needs was underlined. It was argued that given a history of discrimination, the poor also needed access to the city while the well-off represented the city's tax base which could not be alienated hence the need by the city to balance between the two. There was therefore tension between the need to promote redistribution and the need to achieve growth.

The chapter then discussed some of the ways in which the city attempted to negotiate the contrasting and varied needs. These included using the city's long-term development strategy as a point of departure to ensure that the benefits of investments were widespread and effectively communicating the city's plans to discourage inequitable investments. The apparent inability of the city to command and drive the direction of development was underscored. The chapter went on to discuss typical interventions of a twenty-first century developmental state that the city implemented to empower individuals. These included black economic empowerment in the city, the Jozi@work programme, BRT and enterprise development through set asides.

In relation to BEE, it was indicated that the city was among the first to have thirty percent set asides that were meant to empower businesses owned by blacks. It was further shown that positive achievements were attained by the city in taking some businesses from being start-ups to being fully established businesses that could operate on their own and without being handheld. The city's believed it had done a lot to assist cooperatives. Other views on empowerment in the city were shown to not be as optimistic. Opportunities to empower young people were said to have been missed. In this chapter, views on the extent of business involvement with empowerment also differed.

Discussions revealed that business involvement with empowerment was regarded by politicians in the city as inadequate and the enforcement mechanism as requiring improvement. Business on the other hand acknowledged that some quarters within it may not fully understand why black empowerment is needed but that its implementation could work effectively by not merely empowering individuals but also by incorporating with such implementation value-adding aspect beneficial to business. Empowerment efforts therefore needed to be in harmony with the needs and goals of business. The chapter also discussed the Jozi@Work initiative, which was shown to have assisted cooperatives and community-based enterprises. It was revealed that the initiative suffered a setback with the ANC's loss of power in the city and criticisms were levelled at it for being ward-based and selective in those it benefited.

Subsequent to a discussion of the Jozi@Work initiative, the chapter followed with another discussion on BRT. The positive impact of BRT on the taxi industry especially how it turned former taxi operators into business owners was mentioned. Other successes of the BRT system such as public transport availability and increasing commuter usage of Rea Vaya were discussed. Alternative views that doubted BRT's impact also formed part of the discussions in this chapter. In concluding the chapter, the uneven operation of the system and its future stability were brought to the fore of discussion. The chapter concluded by discussing other interventions the city undertook.

CHAPTER 10: DRIVING THE DIRECTION OF DEVELOPMENT AND INDUCING INVESTMENT BY THE PRIVATE SECTOR IN THE CITY

10.1 Introduction

Developmental states used a variety of instruments to induce and drive the direction of development in their countries and were able to extract society-wide benefits through the types of SBRs they forged. There are views (SACN 2016) that in South Africa that should also be the case at local government level. According to a senior official heading a city-owned agency who was interviewed, "*as a government you also have to direct development, where should development go...you rope business and you say development should go this side*" (Interview C3). Having underlined radical spatial reconfiguration as central to the transformation imperative that would provide the historically excluded with access to the city, the South African Cities Network similarly advises that,

> [s]patial transformation and development must be driven by local government, through redirecting public and private sector investments that clash with long-term plans or the broader transformation logic (SACN 2016: 64).

Has the City of Johannesburg therefore been able to dictate investments by the private sector?

10.2 Working at Cross Purpose

In the case of Johannesburg, the city and the private sector appeared to labour at cross purposes when it came to investments and to invest in diametrically opposed manners. While the city has worked hard to extend services and include others, evidence indicates that the private sector has sought to create enclaves for a select few. The South African Cities Networks notes the significant investments made by cities such as those made in the areas of basic services where bulk infrastructure was provided, housing for low income earners and public transport infrastructure provision. Private sector investment on the other hand has been a polar opposite of this and has not been complementary to these efforts by the cities.

> Parallel to this, the private sector has invested in office parks, shopping malls and residential developments, predominantly in the form of townhouses and gated estates with an emphasis on security (SACN 2016: 49).

Bradlow similarly observes that “new inflows of private investment heralded an explosion of new shopping malls and corporate offices that sprawled northwards” (2015: 3). A key informant who practised as a planner and consulted for a business association also noted the trek in investments towards the north of the city. He attributed it to the city’s behaviour of selling assets in other parts of the city instead of developing and adding value to them. In particular, he mentioned the great agricultural potential the city was missing out on by not investing in the south of Johannesburg due to its northward gaze. In this key informant’s view an entity of the city responsible for its assets, the Johannesburg Property Company (JPC)

> *should’ve been told, after the 2011 GDS 2040 [consultations session], [to] start working on agricultural initiatives, [and determine] what infrastructure can we [the city] put into our assets to protect, promote and enhance the value of our assets* (Interview B7).

Even the city’s seemingly successful efforts at inducing private sector investments were uneven and favoured particular areas at the expense of others. A key informant and senior official dealing with planning matters in the city, noting the movement towards the north of the city maintained that it was investment efforts by the city that resulted in the great release of private sector investment energy seen in the north around the Gautrain station for example. The Department of Planning, Monitoring and Evaluation (DPME) notes in an opposing view that private sector investment “has not always supported the overall goal of a more efficient, equitable and sustainable spatial form” (2014: 57). Rather business chose to invest on the urban edge and away from where people were concentrated. Explaining this proclivity by the private sector in cities, Freund (2006: 314) indicates that

> the urban regime in place today [in cities] privileges certain tendencies emanating from the private sector which have been in place in South Africa for a long time. Central here is what is usually termed suburbanization, which involves the spread of detached single-family housing units, an interiorised and family oriented mode of consumer expenditure, the provision of good highways allowing for very rapid road transit and the creation of shopping malls and other…commercial activities on greenfield sites far from the traditional city centre.

In a similar observation, a key informant and senior official involved with spatial planning in the city noted that in Johannesburg

> *you find private housing developments in the outskirts, which as an example, makes it difficult for any city to put up a transportation network especially when those developments are a low density and are not structured around public transportation* (Interview C7).

This drive for de-concentration had negative developmental effects. It “constrained municipalities from realising the potential of strategic spatial planning” (SACN 2006: 13). In addition, it “stretched the bulk infrastructure of the city, which depresses the possible effects of significant public investment” (Bradlow 2015: 4). In addition, it “marginalise those unneeded by corporate investor plans” (Freund 2006: 314). It essentially ran against the grain of widespread city-wide development that would benefit all its inhabitants.

What then lay behind this developmentally myopic form of investing by business or the private sector? We have already alluded in this thesis to the perception by the private sector of some areas as "risky" while others were viewed as "safe", which continued to inform and drive where it preferred to invest. However, three other factors beyond the conduct of the private sector seemed to be primarily responsible for the city's inability to direct investments in a developmentally-beneficial way, in a way that promotes equity and access. These factors were poor state coordination, inadequate financing and the ANC's centralising political tendencies.

Coordination is especially critical because "spatial transformation requires careful coordination of different infrastructure investments to maximise the leverage effect or influence of government actions" (SACN 2014: 92). State coordination of infrastructure investments implies coherent state processes where the local state has a clear vision and is able to communicate that vision in an enticing and comprehensible manner to other stakeholders. To their credit, cities have realised the imperative nature of spatial transformation in helping the country to meaningfully pull its resources together to eradicate the last vestiges of an inherited inequitable past.

> Cities are increasingly looking to use spatial strategies to guide future public and private investment rather than simply recording its location as it happens (SACN 2006: 12).

However, continues the same report, "municipalities have not always used these plans to communicate effectively with various stakeholders" (2006: 12). Interpreting spatial strategies in a manner that stakeholders could easily comprehend has not been easy and this has resulted in the strategies not becoming “widespread” or being part of a common city development parlance. Further to this, cities had to deal with “conflicts and indecision about development agendas” and “the often contradictory nature of council investment decisions” in relation to intentions (SACN 2006: 13). Unless the local state communicates its intentions clearly, the intended direction of development would always be out of kilter with its set goals.

> Without effective connections [based on clear and regular communication] between the state and the market, cities will find it difficult to create the conditions for privately sourced investments that address public needs (Bradlow 2015: 3).

At the heart of this problem seems to lie the lack of meaningful engagement and communication between the city and business – to be precise, lack of embeddedness.

The second factor in the local state’s inability to direct private sector investment hinged on insufficient funding. The persistent and protracted low level economic growth that has prevailed globally for a decade since 2008 and the negligible levels of foreign direct investment into the country have put a cap on “the investment that is available to redirect to desired locations in accordance with restructuring plans” (SACN 2014: 64). Thus, exogenous economic factors had a dampening effect on the availability of capital by the local state for investment purposes. This context and the uncertainties that attended it also created prevarication by business and the private sector when it came to long-term investment.

The use of market-conforming instruments such as incentives and tax rebates by the local state in an effort to woo the private sector as was the case with East Asian developmental states also did not result in the kind of response anticipated. This was confirmed by a senior official involved with human settlements in the city, talking about the urban development zone (UDZ) tax incentive. *"[I]ncentives or not, people [business and investors] are not taking it up"* (Interview C9). The UDZ offered investors something akin to an accelerated depreciation and was intended to make investments in particular areas in the city attractive.

These instruments were also nascent in nature and not aggressively utilized by the local state. "Tools to incentivize development, such as tax increment financing, and cross-subsidization of market-rate development for more affordable development are still embryonic" (Bradlows 2015: 5). The experience of Johannesburg regarding the use of incentives and market-conforming instruments bears this out and is discussed in the next section.

10.2.1 Patterns of Investment in Johannesburg

The story of Johannesburg in relation to efforts aimed at attaining spatial transformation, especially the type of infrastructure investment that drove and directed the investment patterns of the private sector had all the marks and signs discussed in the preceding paragraphs. In its annual report (CoJ 2016: 6), the city articulated among its spatial transformation efforts as seeking to "to create new liveable communities closer to basic services and jobs". It aimed to do this using its Corridors of Freedom (CoF) programme as a driver. According to the city, its investment efforts supported private sector investment in those very areas it had targeted.

> Backed by high levels of capital investment, the City has been able to support potential private sector investment in corridors by providing bulk infrastructure and basic amenities in corridors. This publicly funded initial investment in corridors will support private sector investment in the corridors (CoJ 2016: 6).

The above view was also expressed by a politician and former member of the mayoral committee (MMC) in the city in an explanation of the efforts the city undertook to attract private sector investment, who stated that, *"we drive them [business and investors] towards those areas. Like now the areas we are looking into, we are looking around Turfontein, the BRT, we are looking around what we call the corridors of freedom, around all the spines and corridors of freedom"* (Interview C10). From its own perspective, the city believed it took all the necessary efforts to attract private sector investment to particular areas or specific activity pathways. In an earlier document regarding its work in the inner city, the city referred to what it called "ripple pond investing" (CoJ 2007: 3) which it believed would draw private sector investment to where the city was investing.

As one key informant who headed one of the city's agencies put it, *"if you think you'll sit on your laurels and you let the market forces [dictate] and you think the market force will solve anything, you are deceiving yourself"* (Interview C3). Another, a politician and former MMC in the city mentioned that as the city they *"did a whole lot of things…put incentives to stimulate the appetite of business"* (Interview C10). The city used its rates and taxes policy to give discounted rates and tax holidays to business and the private sector as an incentive for them to invest in targeted areas, especially high density areas along corridors or activity pathways. Private sector investors could benefit as much as fifty percent reduction on their recent taxes if they were a social institute providing social housing in the Inner City for example.

From the perspective of the city's own assessment, it seemed to believe that all its efforts have yielded positive result since *"the private sector has responded appropriately to those* *[investment attraction efforts]"* (Interview C7)*,* a senior city official in the city mentioned. In particular, the private sector has noted the city's efforts and has invested huge sums of money in the inner city resulting in popularly known mixed-use precincts such as Braamfontein, Newtown and Maboneng. Another view held by a senior official in the city however was that *"a lot (sic) of things that are happening in our Inner City are happening in spite of us, not necessarily because of us"* (Interview C9) confirming an opposing view that the city was actually not directing investment by the private sector. This means the decision by private investors to either invest or not remained theirs irrespective of what the city did.

Bradlow's observations are a case in point that, "despite major public investments in basic infrastructure in township areas in Johannesburg, especially in the southern parts of the city like Soweto, only some retail development, and no major corporate development, has followed" (2015: 4) [64]. Acknowledging the same, a senior official heading one of the line departments in the city who was interviewed stated that *"business wouldn't have gone to those areas if there was no infrastructure already"* (Interview C1) and this was infrastructure laid by the city. In this way therefore, the city did make investments with the view to attract further interest from the private sector.

[64] . The South African Cities Network, in its latest report provides "locational value" as the reason behind why interventions in townships have not been as successful as anticipated. "Firms and business invest and operate in areas that offer locational attributes and advantages that support competitiveness. Smaller scale markets and low incomes in townships limit the extent to which retailers are able to grow and attract investment…townships do not possess the necessary locational attributes for the range of business activities that form the base of vibrant economic centres" (SoCR 2016: 117).

In a study of its own to assess the impact of its area-based initiatives, the city's municipal-owned entity (MoE), the Johannesburg Development Agency (JDA) found that while its interventions have contributed to changing investor perceptions, property investors stated "they would have invested in the inner city without JDA investments" (JDA. 2008: 8) – meaning they were driven by other factors. Among the reasons for this were that the concerned investors were historical land owners and were already invested in the area. The second reason was that other investors besides them were investing and lastly was market demand which drove the decision to invest.

Even more telling was the fact that, investors did not consider the UDZ tax incentive as a significant factor in their decision to invest - confirming the point already made above that market-conforming instruments were not as effective as anticipated. Also of significance was that some investors felt it was the manner in which interventions were approached that mattered:

> the process through which regeneration initiatives are planned, launched, marketed and carried through during and after capital investment is a critical component of their success, as these 'social processes' assist to identify and generate investor interest in these areas, and ensure that the focus and objectives of capital interventions are clear (JDA 2008: 13).

Essentially indicating that it is interventions that had been coordinated well, articulated at length and clearly, that drew the attention of the private sector and made a positive and long lasting impact on their investment choices. This speaks to the city's ability to connect with the private sector which in this instance was not strong.

As much as it was critical for the city commit to these 'softer' social processes of holding conversations with the private sector rather than the 'hard' task of committing own resources and constructing needed infrastructure, achieving them was no easy task. Where it undertook them, the experience of Johannesburg indicated that it

> has been a complex process of consultation and negotiation…Above all, it has required close engagement with stakeholders inside and outside the municipality and astute political understanding, in order to negotiate effectively and build a common spatial vision and narrative about the future development of the city (SACN 2014: 93).

Effectively directing development and the investment patterns of the private sector thus required, as per Evans (1995), intense work to build connectedness and embeddedness by the state which seemed to be lacking. The changed nature of the relationship between local government and the private sector in the post-apartheid epoch is underscored by Freund in stating that "in the past, the local state was able to facilitate, and even in certain respects direct, private sector development. This capacity is today much less present" (2010: 3). Based on developments he observed in Durban, Freund concludes that this capacity is no longer as strong because

> the ANC has essentially demanded from the private sector changes in the racial composition of management and in return it has abandoned most efforts…of disciplining or directing capital. In return, the private sector is at once anxious to take advantage of profitable opportunities in the South African city, reluctant about long-term investment in general, and recalcitrant about well-meaning schemes that are not on the face of them profitable (Freund 2010: 10).

Having said these, there is no doubt that coordination and the availability of public finance remain the Achilles heel of the city's ability to drive private sector investment for the achievement of developmentally effective spatial transformation. Bradlow is even more succinct in putting this point across.

> The uncertain political will to direct land and public finances toward a more equitable development trajectory remains at the heart of the urban infrastructure story of Johannesburg. It is difficult for civil society groups to coalesce around a citywide vision for inclusion in the city because of a historical institutional trajectory that has fragmented planning responsibilities and progressively shut down opportunities for public deliberation (2015: 5).

What becomes clear from the above summation is that the city is disconnected from the private sector and is failing to have the necessary intense, deep and meaningful engagements required to build a united front in advancing equitable development through spatial transformation. This runs against the grain of the deliberative functions expected from a twenty-first century democratic developmental state that promotes wide and extensive embeddedness.

10.3 Summation and Conclusion

This chapter, grounded in developmental state theory, began by discussing the need for government to drive the direction of development and patterns of investment by the private sector. The seeming cross purpose at which the city and the private sector worked in relation to investments was pointed out. It was shown that the private sector exhibited a preference for investing in the north of the city instead of other historically neglected parts of the city.

This pattern of decentralised investing was shown to constrain the city's strategic spatial planning potential and to deflate the potential impact of the city's public investments. The chapter pointed out the state's poor coordination of investments and inadequate financing as factors lying behind the city's inability to direct private sector investments.

Seeming council indecision around intentions on investments and the city's ineffective communication of its plans were shown to also contribute to its failure to influence private sector investments. Economic factors such as ongoing and a persistent low growth environment and poor foreign direct investment attraction also put a cap on available capital that the city could have used to match investments by the private sector. The use of market-conforming instruments to prod private sector investment in a particular direction were also not as effective as anticipated. Furthermore, market-conforming instruments such as tax rebates were also shown to be in their infancy in the city. Subsequent paragraphs discussed the city's assessment of the effect of its own investments on the private sector.

In the city's view, its efforts witnessed increased investment by the private sector. As evidence for this, the city cited the transformation of popular areas like Braamfontein, Newtown and Maboneng, which were rapidly turned into beehives of activity and centres of attraction. The city believed it was its initial investment efforts through the ripple pond effect that drew subsequent private sector investments to these parts of the city. Other views by key informants were that investment by the city made no difference and that private sector investors invested for reasons other than the city's initial investment.

The chapter also underscored the need by the city to communicate its investment plans well so as to influence private sector investment. The selective influence of some private sector investment therefore reflected the city's lack of general connectedness with business and poor embeddedness. The chapter concluded with the city's inability to discipline business. These developments in the city were an opposite of what is expected from a twenty-first century democratic developmental state that enjoys lasting and extensive embeddedness.

CHAPTER 11: CONCLUSION

11.1 Introduction

This study set out to understand the developmental state at sub-national level by exploring the relationship between local government, in particular cities, and business. It explored these relations with a view to understanding whether favourable preconditions exist for the emergence of a developmental state in South Africa. It asked whether relations between metropolitan municipalities and business facilitate or generate favourable conditions for the creation of a developmental state. It also sought to identify the underlying factors, where they existed, behind sustainable relations between cities and business. Lastly, the study wanted to assess if cities were able to direct and influence investment by business and the private sector like successful interventionist developmental states were able to. All these questions were examined through the lens and case study of the City of Johannesburg.

11.2 On a Sub-National Focus

This thesis contributes to literature that examines the developmental state at a subnational level. In South Africa, local government has a specific developmental mandate derived from the Constitution. In China, the sub-national state proved to be a key developmental actor and the world's largest cities are often major economic powers in their own right. In South Africa, the system of cooperative governance which requires cooperation between different levels of government makes the local state crucial for successful development. All of these are good reasons to study developmentalism at a sub-national level, in South Africa and generally.

The sub-national study undertaken here reveals that compared to a national developmental state, a developmental local state deals with distinctive issues. Concretely at city level this entails spatial transformation, building integrated communities and providing facilitative services to match small businesses with established businesses. Certain challenges the local sphere shares with other levels of the state. Like other levels of government, to be developmental the city has to be run in an institutionally and financially sustainable manner. At local government level as elsewhere in the South African state and state administration globally, this imperative has led to attempts to implement new theories of public administration such as new public management (NPM).

Interrogating the developmental state at sub-national level also shows that the intermediating roles of national and provincial governments remain critical. The findings of this study showed how higher levels of government can both strengthen and constrain the ability of the local state to become developmental. The ability of the city to act autonomously was compromised by the local state's complex and contested relations with other levels of government which tended to circumscribe what it could and could not do. Thus through acts of commission and omission, national and provincial governments can both promote and hinder any city's potential for improved developmental capacity.

11.3 On State Capacity and Autonomy

In terms of the need for state capacity as suggested by developmental state theory, the City of Johannesburg undertook numerous efforts. *iGoli* resulted in the establishment of stand-alone utilities. Their operation at arm's length insulated these entities from undue political pressure, thus affording them the autonomy advised by developmental state theory. As an instance of local state building, *iGoli* also set the city on a sound financial and institutional footing – a development that enhanced its capacity. Audit outcomes of Johannesburg also revealed a city with an improving management of its resources. As a service delivery model, *iGoli* also promoted oversight as a feature. It therefore instituted monitoring as an essential capacity of the local state which, according to Schneider (2015) is a critical feature for any aspiring developmental state. All these represented positive developments for the emergence of a developmental state.

Other institutional innovations included the adoption of the separation of powers model and the establishment of an engineering centre to retain the much-needed skills of engineers at local government level. The generally satisfied nature of communities as per independent survey results in relation to basic services' provision suggest there is enough capacity to at least deliver some real benefits to residents. Thus, in terms of the need for state capacity as advocated by developmental state theory, the city did make positive strides. The city's capacity to provide services to business was however insufficient. In particular, the city's investment-attracting services were poor and lacking in service excellence. This did not bode well for the building of a developmental state.

11.4 On City-Business Relations and Embeddedness

On the central question of this thesis, that is, relations between the city and business including whether there was embeddedness, developments in the period show waxing and waning fortunes with a weighting towards the latter. The desire and intention to forge positive city-business relations existed and some were actually struck. Examples include inner city regeneration efforts and the establishment of city improvement districts (CIDs). Positive relations between the city and business also enjoyed support from several factors. These included the concentration of businesses in the city which facilitated their accessibility, the practicability of implementing a city-business pact based on the parties' mutual reliance on each other for revenue and a stable business environment and political support for partnerships shown by past mayors. These augured well for the construction of developmental state business relations (SBRs).

However, other factors negated embeddedness or deep connectedness between the city and business. The kinds of developmental personal ties and networks that could lubricate relations between the local state and business were absent. There were no pervasive personal ties and networks between individuals in business and those in the city. There are good and bad personal ties, since personal ties can be corrupt and corrupting. But they are considered in development state theory a positive thing as long as the state retains its autonomy. In South Africa the lack of personal ties between those in the state and those in business is probably largely attributable to the fact that, economic interests and political interests lie in the hands of two distinct racially identified groups, one white and the other black.

There is thus arguably too little sense of the national cohesion that underpins successful developmentalism. The lack of lasting and sustainable embeddedness was also epitomised by the collapse of partnerships forged during the Inner City Charter process. The building of solid and lasting relations between the city and business required political will and the preparedness to commit over the long haul which seemed absent.

The disposition of business, especially the responses it proffered regarding the city in general exemplified the disconnect. The inaction that always followed city-business engagements also spoke volumes regarding this. So was the perception by business of the meaninglessness of the integrated development plan (IDP) process and a seeming lack of understanding by city officials of how business actually worked. In addition, were what business perceived as the constant changes and lack of continuity when it came to the city's engagement with it. All these were evidence to the lack of lasting connectedness and deeper embeddedness between the city and business.

The Johannesburg Business Forum (JBF) also acutely reflected the poor state of city-business embeddedness. While its existence as a platform for city-business engagement was in the mould of deliberation councils that characterised East Asian developmental states, its inability to forge lasting embeddedness was evident. For one business considered it as overly political in nature. For another its members from the business community were driven by narrow agendas of their own rather than city-wide development interests. In this sense there were no feelings of solidarity or equivalent nationalism informing the conduct of business.

11.5 On City-wide Solidarity

Weak embeddedness and lack of city-wide feelings of solidarity were also reflected in challenges the city confronted when it came to addressing the varied interest and needs of its citizens. In some instances, the city had to contend with opposition from certain parts of the population on developmental initiatives, viz., the construction of dedicated bus lanes in some residential areas for bus rapid transit (BRT). In this regard the city occupied a relatively weakened position compared to other developmental states where there was a critical mass of support to drive far-reaching development. In the case of the local state, this could have been due to the fact that compared to national government, the city as a platform for mobilising widespread public sentiment in favour of inclusive development was limited.

Other efforts by the city to promote development were shown to result in displacement of the poor. The treatment of informal traders in the city was mentioned as an example of how purportedly positive developments affected them negatively. While displacement of the poor for development projects may be compatible with a successful East Asian style development state (see for example China), a twenty-first century development state promotes inclusive development and eschews such means. Displacement of the poor in Johannesburg therefore does not bode well for the emergence of a twenty-first century developmental state, which, among others, seeks to promote redistribution by directly uplifting the living conditions of the poor.

11.6 On Responsibilities of a 21st Century Developmental State

A twenty-first century developmental state empowers individuals and alleviates poverty. In South Africa the commitment to a democratic state and to a reversal of inherited racial inequalities means that the growth-oriented East-Asian model cannot be applied uncritically. Economic growth must go hand in hand with redistributive and pro-poor measures. In this regard the city made some strides. The roll-out of Jozi@Work and BRT are two examples. The empowering of upcoming businesses, enterprises and cooperatives through the preferential procurement policy is another. On the negative side, the opportunities to significantly empower young people were not vigorously pursued and the current DA Mayor claims that rollout of these programs was marked by corruption. More could also be done by business in terms of involvement in redistributive programmes such as black economic empowerment.

11.7 On the Local State's Development Coordination Powers

The city was unable to ask for more goodwill from business when it came to major projects. In this regard its ability to penetrate its social surrounding was weak and it had no infrastructural power, especially in instances where there was a rise of strongmen and gatekeepers at community level who tended to influence the success of projects. The city was also in a relatively weakened position when it came to influencing private sector investment. Due to poor social capital, the city could not effectively coordinate its infrastructure programme through extensive engagement of the private sector. The private sector invested where it deemed fit irrespective of whether the city invested in the same areas or not. Investment by the city was thus not a factor that influenced private sector decision-making.

11.8 On Developmental State Theory

This thesis considered the factors that made for successful development states elsewhere in the world, especially in East Asia since World War Two. It noted that positive SBRs were an important part of this success, but also that these relations were often pursued at the expense of organised labour and workers. Twenty-first century developmentalism, especially in democratic states that are addressing deep inequalities, requires a more inclusive developmental state that brings labour along and directly addresses poverty. Given that socialism is not on the horizon, it presumably also requires positive SBRs, just like the East-Asian growth-oriented model did. The twenty-first century developmental state thus faces a particular challenge as it seeks to directly empower the poor while retaining favourable conditions for appropriately channelled private investment. In part this thesis has been about trying to establish whether this balance has been achieved in Johannesburg.

The picture that has emerged suggests that the factors favouring a development state in Johannesburg are not fully in place. Developments in Johannesburg show that it is difficult to emulate what East Asian developmental states were able to achieve especially the kinds of relations these states forged with business. Against the backdrop of a different history characterised by discrimination including huge disparities that require redress, coming together to forge lasting city-business relations for the tackling of development challenges in the city has not been an easy undertaking. Other South African cities with a similar history to Johannesburg face the same circumstances to varying degrees. Future developments regarding their maturity into twenty-first century developmental local states remain an area of research worth exploring.

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Personal Interviews

City Officials

Interview C1, Head of Department, 18/05/2017

Interview C2, Former Head of Department, 31/03/2017

Interview C3, CEO of Municipal Owned Entity, 10/02/2017

Interview C4, Executive of Municipal Owned Entity, 06/03/2017

Interview C5, Senior Management Official, 13/03/2017

Interview C6, Senior Management Official, 17/01/2017

Interview C7, Acting Senior Management Official, 08/03/2017

Interview C8, Middle Management Official, 01/02/2017

Interview C9, Senior Management Official, 21/04/2017

Interview C10, Former Member of Mayoral Committee, 27/02/2017

Interview C11, Former Member of Mayoral Committee, 24/02/2017

Interview C12, Former Chairperson of Committee, 27/03/2017

Business Representatives

Interview B1, CEO of Business Association in the Property Sector, 22/02/2017

Interview B2, Senior Executive of an Association in the Banking Sector, 01/03/2017

Interview B3, CEO of a Multi-Sectoral Business Association, 13/03/2017

Interview B4, Executive Member of a Township-based Business Association, 25/04/2017

Interview B5, Managing Director of a Township-based Business Association, 24/04/2017

Interview B6, President of a Multi-Sectoral Business Association

Interview B7, CEO and Consultant of a Tourism-Focused Association, 29/03/2017

Interview B8, Executive Director of Property-based Private Company, 03/05/2017