

COMMENTS ON THE UNICITY COMMISSIONS DISCUSSION DOCUMENT: DEVELOPING THE FUTURE CITY OF CAPE TOWN

**Municipal Services Project
September 14, 2000**

1. INTRODUCTION

The Municipal Services Project (MSP) is a multi-partner research initiative examining the restructuring of local government in South(ern) Africa, with a focus on the decentralization of service responsibilities, privatization of municipal services, cost recovery mechanisms, and community participation in local government service delivery issues. The MSP offers these comments to the Unicity Commission as part of its mandate to examine emerging local government policy.

The MSP commends the Unicity Commission for its focus on poverty reduction in an amalgamated city and for its stated commitment to finding subsidy/redistributive mechanisms for service delivery in poor neighbourhoods. The Project also concurs with the Unicom's emphasis on the need for unified municipal governance structures – both political and bureaucratic. The MSP acknowledges the enormity of this restructuring process and therefore also agrees with the phased-in approach to change proposed in the Discussion Document.

However, the Municipal Services Project has a number of grave concerns with the Unicom's vision for a future Cape Town. The most critical of these concerns are categorized and discussed below in detail.

2. WEAK ON DETAILS

The first concern that the Municipal Services Project has with the Discussion Document is its lack of concrete details. The enormity of the restructuring process and the broad mandate of the Unicom notwithstanding, the MSP finds the Discussion Document badly wanting in specifics. As a result it is very difficult for the MSP – let alone the average Capetonian citizen – to fully evaluate the Unicom's vision for a new city.

While we acknowledge the more detailed work being done by the various Unicom working groups on finance, governance and service delivery (e.g. work on tariffs), we are surprised that the detailed recommendations from these reports are not included in the Discussion Document. Moreover, the working group reports are relatively difficult to access for the average Capetonian, and are, in any event, too technocratic for the average layperson to fully understand – the latter being a by-product of the consultancy-driven nature of these reports.

The following examples illustrate the need for more clarity on critical social policy issues:

2.1 Service levels – The Discussion Document makes reference to a “defined package” of basic services but fails to outline what this package would consist of (section 5.2). Similarly, the document makes reference to “lifeline tariffs” for poor households but does indicate at what level these tariffs would take effect and whether means-testing would be part of the tariff package. Moreover, it is not clear what the Unicom defines as essential services? How much free/subsidized water, electricity, refuse collection should an indigent household expect under the new Unicity Council and what kinds of subsidization mechanisms would be employed? Is the Unicom committed to providing indigent households with 50l/person/day of water for free – an amount that the World Health Organization deems to be the minimum necessary for basic health and hygiene?

2.2 Core services – The Discussion Document suggests that the Unicity Council should “start the process of ‘getting out’ of [activities] that are not core to the business of local government, and ‘getting into’ those things that local government should be doing” (section 8.1). At no point, however, does the document indicate what these “core” and “noncore” services would be, or whether there would be a public debate to determine how services are categorized.

2.3 Training – Section 9.1 calls for an “upgrading of the skills base” of local government employees but makes no reference to the kind of training that would take place, the levels of funding anticipated for these activities, whether the training is for managers, managers or politicians, etc. Without concrete suggestions for the scale and pace of training, it makes it impossible to evaluate the significance of these statements – a point made all the more relevant by the lack of training and capacity building that has taken place amongst front-line municipal since the last municipal restructuring process in 1996/97 (on this point see the Municipal Services Project report to the Unicity Commission dated 30 May 2000, available on the internet at www.queensu.ca/msp).

2.4 Unfunded mandates – The Discussion Document rightly highlights the fact that intergovernmental transfers have been slashed dramatically since 1994 and the Unicom is understandably nervous about the financial and institutional sustainability of carrying out all of the responsibilities which have been downloaded to local government. As a result, the document suggests that the “Unicity Commission should not undertake any unfunded mandates” (section 5.5). The document fails to comment, however, on how the Unicity should deal with these unfunded mandates. Should the new council simply refuse to take on certain tasks? Should they fight for an increase in intergovernmental transfers? Should they look to capital markets to leverage service expansion? The document raises a critical issue and provides no guidelines or suggestions.

2.5 Integrated Area Management – The reference in Section 8.5 of the Discussion Document to “Integrated Area Management” is also of critical importance the service delivery in the new Unicity but does not provide any useful detail. There is, for example, no indication of the demographic and spatial scale on which these units would be demarcated and no sense of what their decision-making and financial authorities might be. We would also note that although this decentralized model is potentially democratic in terms of bringing governance institutions closer to their constituencies, it is prone to the creation of multi-tiered systems of service delivery and

further fragmentation of critical service delivery issues across the metropolitan area (e.g. an integrated waste management plan).

The list of other critical areas where concrete details are scant is lengthy but will not be discussed here in full (e.g. what is meant by “performance management indicators”; what are the estimates of the “significant savings” anticipated from restructuring; which services would be considered for ring-fencing; does “improved credit control” mean more service cut-offs?). While we appreciate the need for an accessible overview of the Unicom’s vision for the direction of the new Unicity, we would also argue that the document provides little more than an extremely rough road map for change – a map so wide open to interpretation that is of little concrete value to the citizens of Cape Town. This is particularly true of Cape Town’s poor who have been provided with no concrete details of what they can expect in terms of service delivery.

3. PRIVATIZATION

Although the term “privatization” is not used in the Discussion Document, the report is rife with references to private sector participation in a future Unicity and the Unicom clearly sees private sector involvement as the path to a “successful” and “competitive” Cape Town. Euphemistic references to private sector involvement include: the call to “move boldly beyond the current emphasis on service provision issues” to a position where the new Unicity Council “understands its role as a service ensurer and as a guarantor of municipal services rather than as a primary service provider” (i.e. local government regulates services while the private sector and/or a public-private company actually provides the services) (section 3.1); the need to “modernize” the way local government operates (section 3.3), the call for “greater competition” in service delivery (section 6.1); the call for a “strong emphasis” on a “partnership approach” in service delivery (section 6.2); the suggested “dismantling of current local government administrations and the establishment of a range of highly focused business units” (section 8.1); the recommended creation of a “small and focused corporate center” to manage the activities of service delivery (section 8.2); and the call for “ring-fenced business units” (section 8.3). Performance management, corporatization, best practices, flexibility, and alternative systems are other neoliberal terms that pepper the Discussion Document and overwhelm any references to utilizing and/or rebuilding existing public sector service delivery structures.

While we acknowledge the need for different terms to describe different levels of private sector involvement and market incentives in service delivery (e.g. corporatization is substantively different than selling public assets to a private company), the complete avoidance of the term privatization and the use of soft language to refer to private sector involvement is of deep concern to the Municipal Services Project because it tends to conceal rather than reveal the most important policy thrust in the document – that of a dramatically increased role of the private sector in service delivery.

More important than language, however, is the fact that the Discussion Document’s preference for private sector participation in service delivery violates both the spirit and the letter of national legislation on the topic – legislation which identifies the public sector as the “preferred service provider”. This national commitment is made most vigorously in the *Framework for the*

Restructuring of Municipal Service Provision signed by Salga (on behalf of Government) and Cosatu in 1998, which states that “the preferred method of service delivery is through the public sector” (section A.2). The *Municipal Systems Bill 1999* takes this commitment seriously, stating that the Bill gives the *Framework Agreement* “legal effect” (p 74), thereby obligating municipalities to explore public sector alternatives as a priority.

Even the *Municipal Services Partnerships White Paper* – the national government’s discussion paper on how best to involve the private sector in service delivery – makes it clear that the public sector option must be explored in detail before any private sector alternative can be considered: “Government is committed to facilitating the use of municipal service partnership arrangements, [but] this does not mean that municipal service partnerships are the preferred option for improving service delivery....[Municipal service partnerships should have] equal status among a range of possible service delivery options available to municipal councils” (section 2.1).

In the eyes of national government legislators, therefore, local government public service providers are (at best) the “preferred” service provision option, and (at worst) on an equal footing with the private sector. The Unicity Commission ignores these legislative instructions by focusing overwhelmingly on private sector service providers and market incentives in the Discussion Document.

This is not to suggest that the Unicity Commission uncritically accept the public sector as service providers. The *Municipal Services Projects* acknowledges the enormous problems associated with the current public sector delivery systems within the Unicity boundaries and agrees with the Commission that major changes to the status quo are required to ensure an equitable, efficient and sustainable service delivery system. We would argue, however, that there is considerable potential to restructure public organizations and to find efficiency, accountability and equitability gains with the current systems. There has never been, for example, a comprehensive audit of the human, financial and capital resources in the Cape Metropolitan Area (a task which the *Municipal Services Project* has recently begun) and there are enormous inefficiencies still associated with the current two-tiered municipal system and the former apartheid system which have yet to be fully evaluated and addressed. And yet there is no reference to these knowledge gaps in the Discussion Document and no concrete commitment to exploring ways of improving the public sector.

Once again, this violates national government policy which states that a municipality “must undertake a cost-benefit analysis of the different service delivery options, which takes into account all the direct and indirect costs and benefits associated with the project” before deciding if the public or private sector is the preferred service provider (*Municipal Systems Bill*, pg. 54). A more concrete expression of this commitment is found in the *Water Services Act of 1997* which argues that a “water service authority may only enter into a contract with a private sector water services provider after it has considered all the known public sector water services providers which are willing and able to perform the relevant functions” (section 19.2). In other words, municipalities must make their decisions about the most appropriate service provider based on hard empirical evidence, not on ideological assumptions about the efficacy and efficiency of the state versus the market.

One of the outcomes of this apparent commitment to promoting the private sector is that the Discussion Document provides very little information on local government capacity building. There is fleeting reference to the need to improve the “skills base” of city employees (section 9.1) but there are no details as to what this “large investment” might entail financially or how these skills development funds would be broken down between managers, politicians and labourers – despite requirements in the *Municipal Structures Act 1998* (section 83.3.c) that municipalities focus on “building capacity” in areas that it is most needed. It would even appear that the Unicom sees the public sector’s capacity to provide services as somehow static and fixed, as evidences in its comments in section 2.9 about “the gap between development needs and local government capability”. In short, the Unicity’s Discussion Document fails to explore the public sector option in any meaningful way and places the private sector squarely in the driver’s seat of service transformation in Cape Town.

Finally, we are concerned with the statement in section 3.2 of the Discussion Document that further private sector participation will “release the council from the routine issues of service delivery and enable it to focus its energies on addressing the many complex challenges of the city”. We challenge the notion that service provision in a context of grinding poverty, institutional racism, gender bias, spatial inequalities and a host of other social, political and economic factors is “routine”. We consider the delivery of municipal services to the urban poor in particular to be one of, if not *the most*, complex and demanding tasks that the new Unicity will be faced with. As experience and research in South Africa and other countries in similar situations around the world has demonstrated time and time again, service upgrading and extension is loaded with complex community expectations, social relations, land tenureships, and so on. To expect the private sector to have the capacity – let alone the will – to address these post-apartheid complexities as “routine” is to show an alarming lack of understanding of these dynamics in under-serviced areas. The failure of the private sector to deliver post-apartheid houses in significant numbers is an ominous example of what can happen with this *laissez-faire* attitude.

4. PUBLIC PARTICIPATION

The Municipal Services Project commends the Unicom for its efforts to obtain public input on the Discussion Document from a wide range of stakeholders. We are concerned, however, with the *post facto* nature of these inputs and the lack of integrated stakeholder participation during the course of developing the Document and during other Commission and working group meetings. The process has largely been a “closed shop” for a small group of bureaucrats and politicians as well as (mostly corporate) consultants.

There are, for example, only seven seats available for the public to sit in on the Unicom meetings which are supposed to be “open to the public”. Furthermore, written interventions were required in advance before a member of the public was allowed to speak at the public consultations. This effectively precluded low-income community members who are not functionally literate, did not have the email/fax facilities to submit a report in advance, and/or were deterred by the cost, time and safety concerns associated with submitting a report in person by using public transit.

This extremely limited participatory model, combined with scant details and the use of obfuscatory language (as discussed above), has created a situation where community, non-government and labour organizations are presented with a *fait accompli* with a seemingly fixed and narrow set of policy choices. The relatively small and non-controversial turnouts at these public hearings can therefore be interpreted as an indictment of the highly technocratic and non-participatory process of developing the Discussion Document, and not necessarily one of broad consensus.

Indeed, the use of the term “consensus” in section 4.1 of the document is extremely problematic, particularly with respect to the need for “global competitiveness”. Although a full discussion of this issue is beyond the scope of this contribution, suffice it to say that mainstream definitions of “global competitiveness” entail a wide range of fiscally conservative and neoliberal policy demands (e.g. labour flexibility, cutbacks on social spending) which would hardly find consensus in Cape Town’s diverse community, non-governmental and labour sectors, let alone within governmental organizations in the metropolitan area.

The goals of “eradicating poverty”, “social and environmental sustainability” and “good governance” are less loaded in their policy ramifications, and may very well enjoy some degree of “consensus” in the CMA, but these expressions are effectively meaningless in policy terms because of the extremely wide manner in which they can be interpreted. Moreover, on what basis the Unicom makes these claims for consensus is unclear, given the highly limited nature of input into the Discussion Document.

Finally, there is a profound tension between the stated aims of developing a broadly participatory and democratic decision-making model of running the Ucity, and the thrust towards creating a “small and focused corporate center” (section 8.2). While we acknowledge the need for bureaucratic decision making, and the need, in particular, to streamline the multi-tiered process of decision making at the moment in the CMA, we would like hear more details on what kind of participatory model the Unicom envisions, and how this model would interface with the “corporate center”.

5. STATISTICS ON SERVICE SHORTFALLS

As noted in the Discussion Document, Cape Town is in a favourable position with respect to service delivery relative to other metropolitan areas in the country and is certainly much better off than many small towns and rural areas in this regard. However, we find the statistics provided in section 2.6 to be misleadingly positive, and we question the accuracy of these figures quantitatively and qualitatively.

It is our opinion that the figures in the Discussion Document dramatically overestimate the service delivery backlogs in the CMA and give readers a false sense of optimism – particularly given the enormous decrease in inter-governmental transfers to local government (55% in Cape Town since 1997 alone) and the apparent unwillingness of the Unicom to invoke an aggressive cross-subsidization scheme.

The following points on water delivery help to illustrate our concerns in this regard:

- The Unicom’s figure of 98% of CMA residents having “piped water” fails to mention that only 34% of African households have this service, while 91% of “coloured” households and 99% of white households have piped water. The figures also fail to differentiate between “in-house” water supply and “communal taps” – a significant point for the (mostly) women and children who are forced to carry water from standpipes to their homes/shacks and who often risk assault and rape when doing so in the dark. Moreover, there is no discussion of the fact that many homes and flats in former townships have several people/families sharing a single in-house connection and there is no reference to the extremely unsanitary conditions of many communal taps (i.e. located beside refuse heaps or stagnant water/sewage).
- There is no reference made to the fact that over 8000 households in the CMA have had their water disconnected since 1998. Moreover, it has been estimated that as many of 90% of new water connections since 1994 are no longer in operation due to mechanical failures, a lack of adequate subsidies, and/or a failure of governance. These figures are country-wide and have a rural bias, but there is no reason to believe that Cape Town has not also been affected by this delivery failure as well, once again bringing into doubt the official statistics on water delivery.
- The document fails to comment on the spatial irregularities in capital requirements for service upgrading. The enormous costs associated with upgrading extremely old water mains in areas like Langa and Gugulethu are two troubling examples.

Similar quantitative and qualitative concerns can be raised with respect to the Discussion Document’s statistics on refuse collection, sewerage and electricity. To suggest, for example, that 91% of households have “refuse disposal once a week” is to hide the fact that thousands of these households rely on communal skips that are open to dogs and rats and overflow with refuse (due to the sheer number of people using them). There are also thousands of families that have to share flush toilets, with research showing person:toilet ratios of over 50:1 in some areas of Cape Town.

The claim made in section 2.6 of the Discussion Document that “it should be possible to address the historic backlogs and new demands [for services] within the foreseeable future and to achieve service equity within a framework of financial responsibility” is therefore dangerously misleading – particularly in the hyper-conservative fiscal climate of South Africa today.

6. CONCLUSIONS

In conclusion, the Municipal Services Project finds the Unicity Commission’s Discussion Document for the future of Cape Town to be weak on details (despite the millions of rands spent on consultants), dismissive of public sector capacity building, unrepresentative in terms of the various stakeholders in the CMA, and misleading in terms of the service delivery backlogs in the city.

We offer the following general recommendations for a revised version of the report and for changes to the Unicity Commission itself:

- A more detailed account of the restructuring vision for Cape Town in lay terms to provide Capetonians with a better sense of the concrete details of reform;
- A more representative process of decision making within the Unicom (and its working groups in particular);
- A stronger commitment – financially and in principal – to an exploration of improved public sector service delivery options;
- A more realistic accounting of the service backlogs in the CMA and a commitment to filling the knowledge gaps associated with municipal restructuring.

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