

Reducing inequalities: A Sustainable Development Challenge

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South Africa: when devolved governance fails

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1994: Nelson Mandela is elected as the first president of the post-Apartheid era. There is much work to be done to correct the gender, racial and spatial imbalances inherited from the past regime. The Reconstruction and Development Program (RDP) is then launched by the new government, which aims to address the inequalities that exist in terms of access to education, water, energy, housing, employment and land. Meanwhile, the Commission for a Democratic South Africa (CODESA) starts working on the drafting of the new Constitution. In 1996 this Constitution is promulgated and constitutional experts deem it as one of the best in the world. A Bill of Rights is entrenched in the Constitution which stipulates that every citizen has the right of access to adequate housing, health care services, sufficient food and water, social security, basic and further education, and a safe and healthy environment. There could be no better demonstration of a serious attempt to reduce inequality than that provided by this Constitution and the first policy framework developed by the ruling party.

Over the past 18 years, much progress has been made, for instance between 1996 and 2007 the percentage of households with access to water has increased from 80% to 89%, while rising from 54% to 74% in the Eastern Cape, a former homeland. Access to electricity has also improved, increasing from 57% of households to 83%. Similar developments have been achieved in every sector (education, sanitation, refuse removal, telecommunications, housing

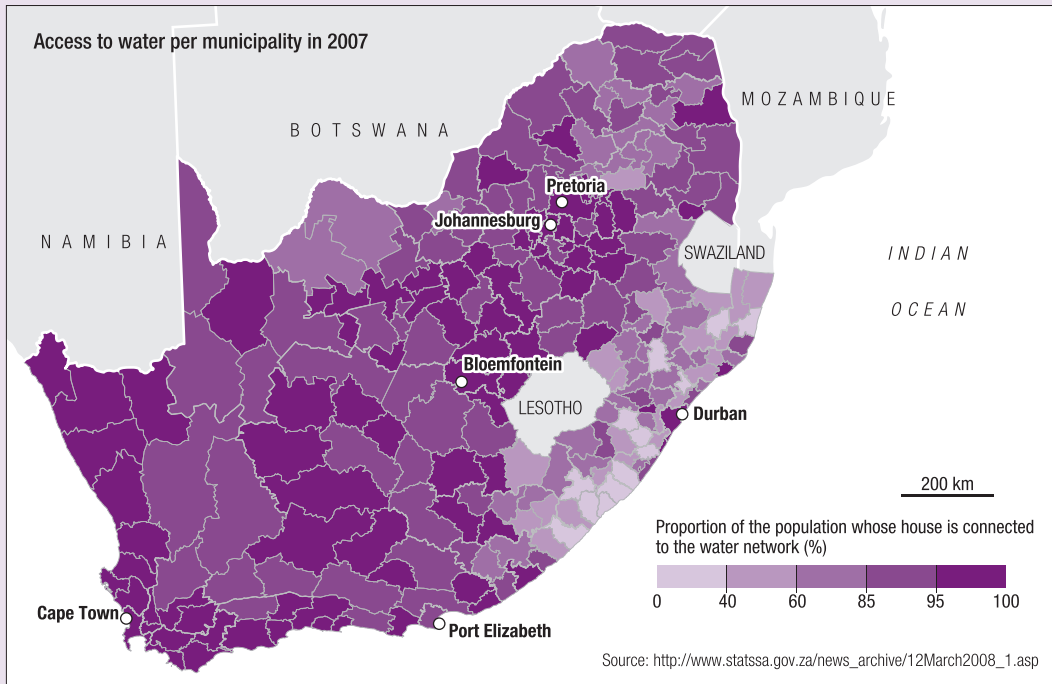
and transport). However, access does not equate to quality, and the regular demonstrations in most townships serve as a reminder of the low living standards faced by most of the population. The reality lies beyond the national averages: income inequality remains among the world's highest; access to essential services is far from universal, especially in suburban townships and poor rural areas; and former homelands are still the country's poorest regions, while the big metropolises are thriving. What then has gone wrong? This article does not attempt to unravel the multiple causes that might explain the persistence of inequality, but rather sets out to highlight an oft-overlooked aspect of the South African governance system, in terms of inequality reduction efforts, i.e. the role of local government.

Local governance in disarray

Enshrined in the Constitution is the principle of cooperative government, i.e. the then appealing principle of decentralization, where service provision and economic development are devolved to the spheres of government that are deemed most relevant. Thus, water, sanitation, energy and housing are examples of municipal responsibilities; while education, health and transport are illustrations of devolved provincial competencies. However, in practice, decentralization appears highly dysfunctional and a cause of truly appalling consequences.

Firstly, due to their level of financial distress, every year the poorest municipalities find themselves incapable of meeting their short-term liabilities, which has serious

FIGURE 1 Water, an objective almost reached in South Africa



Satisfaction of basic needs is enshrined in the South African Constitution and is a prevalent theme in the country's policies. Universal access to water is today an objective that has been achieved in almost all South African municipalities.

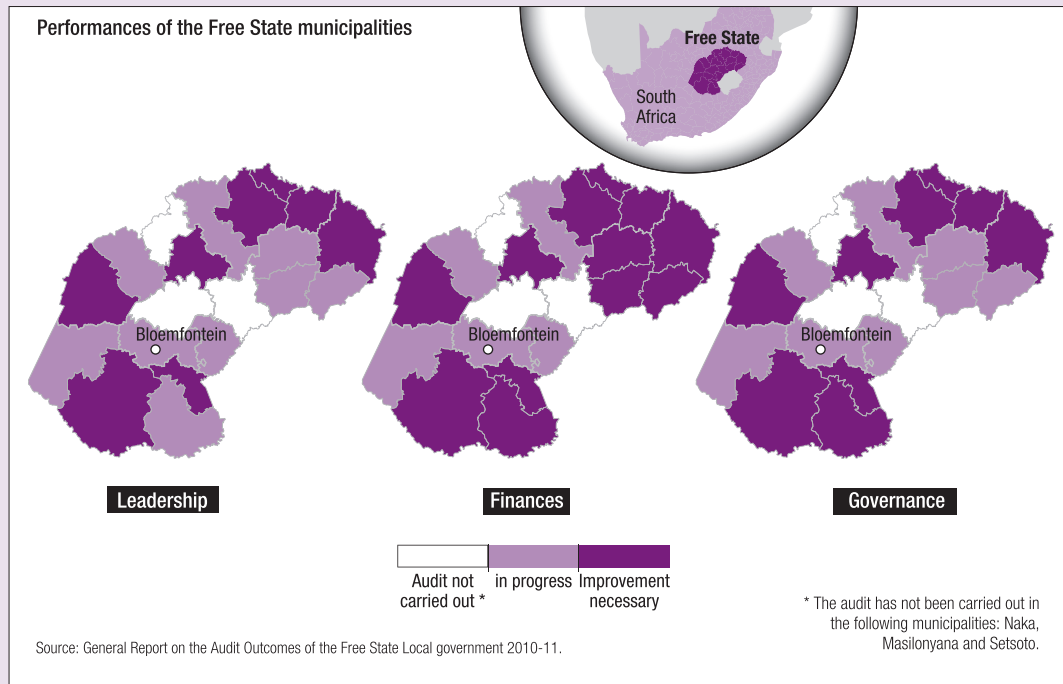
consequences on the maintenance of infrastructure and hence results in a deterioration of service quality and reliability. Secondly, many municipalities fall short, often by 30% or even 40%, of spending their entire annual capital budget allocated by the National Treasury, which again has severe consequences, in this instance on the roll-out of services and the reduction of backlogs. In February 2012, the Finance Minister reported to Parliament that the departments and municipalities had only spent 68% of the 2010-2011 R260 billion capital budget, which was intended for infrastructure development. While in 2011-2012, 54 municipalities under-spent their budget by R3.7 billion according to the auditor general report of July 2012.

These municipalities are being eaten away by a combination of corruption, conflicts of interest, cronyism, a lack of capacity and expertise (from chief financial officers

to planners and engineers, many of these positions remaining unfilled) and incompetent cadre deployment; all this against a complex social and cultural backdrop where municipal mayors and councillors are in conflict with traditional organizations and the powers of local kings and tribal chiefs. The lack of capacity is worth illustrating. The latest Local Government Budget and Expenditure Review released by the National Treasury in September 2011 reveals the grim truth about the employment situation in municipalities: on average, 36% of approved positions were vacant in 2006, with the rate reaching 51% in the metropolitan municipality of Tshwane. No one can say whether these vacancies are being compensated for through skills development, as there is no data on the training budget for official posts.

The centre of the problem appears to be poor public procurement and supply chain management processes.

FIGURE 2. South African Municipalities that remain fragile



Official reports point to a lack of capacity that prevents municipal authorities from fulfilling their mandates. This figure illustrates the performance of the Free State, which has no former homelands in its territory. It shows that most municipalities remain below national recommendations in terms of policy and financial management, as well as governance (transparency, participation, compliance). The situation is even more difficult in the former homelands of Limpopo and Eastern Cape.

Tender processes are heavily flawed. Of course, checks and balances exist, but rules and regulations are so complex and capacities so weak, that it has become easier to tweak the system rather than to enforce it. Projects are poorly prepared; technical requirements are inadequately specified; and capital expenditures are badly planned. As a result, tender bids are usually over-priced and awarded on the basis of cronyism to under-capacitated suppliers, representing a win-win situation for councillors and bidders, while the poor communities are always the losers. The same auditor general's report revealed that local governments had misspent R11 billion over the fiscal year previous to the report's publication. However, despite these findings, it would be wrong to conclude that money is not an issue. Even if the municipal budget was spent

more wisely, it would still probably take several years to reduce the current backlogs in service delivery and infrastructure maintenance. Therefore, for the time being at least, increasing the municipal budget allocation is not the answer as only 13 of the 283 municipalities have received a clean audit this year, i.e. they have produced a clear and transparent report on the use of public funds. One must keep in mind however that a clean audit does not necessarily mean that money is being spent more wisely, or that a better delivery is being achieved. Municipalities need assistance.

Taking over municipality responsibilities

The Constitution makes provision for provinces to assume control of the responsibilities of municipalities

when poor management capacity is recognized. However, most provinces are fraught with the very same problems, resulting in unauthorized expenditures, unlawful conduct and violation of supply chain provision and public procurement procedures. Services that are devolved to provinces are equally poorly delivered. Given this state of affairs, how can such provinces be expected to assist and oversee dysfunctional municipalities? Furthermore, because the Constitution also makes provision for the National Department to take over provincial departments, the situation has escalated. Since December 2011, to address mismanagement and avert the collapse of essential services, the cabinet has put under national administration several provincial departments in Eastern Cape (education), Limpopo (treasury, education, health, public works, roads and transport), Free State (treasury, police, roads and transport) and Gauteng (treasury and health). The consequences of this action go beyond service provision. Recently, an engineering and construction company was liquidated following the nonpayment of contracts by provincial departments in Limpopo, KwaZulu-Natal and Free State, which resulted in the loss of 2,500 jobs in a country where the official unemployment rate exceeds 24% and job creation is the utmost governmental priority. In addition, this situation is also controversial at the national level: since the last presidential election in May 2009, several ministers (public works, local government), deputy ministers (economic development), as well as the police commissioner, have been accused of misconduct before being suspended or dismissed. The Fiscal and Financial Commission has pointed out the shortcomings of the Public Finance Management Act, stressing the lack of criteria to trigger national intervention. While this is true, could a simple revision of the Act, even one that was as comprehensive and well structured as possible, solve such systemic failures? It seems highly unlikely.

Consequently, the cabinet is stepping up to address these issues. National departments have deployed staff to the different provincial departments under public administration. In addition, the National Treasury has established a technical support unit in each province to assist municipalities with the planning and spending of capital budget. The Department of Cooperative Government and

Traditional Affairs has created the Municipal Infrastructure Support Agency to support rural municipalities that lack planning and project development capacities. The Presidential Infrastructure Coordination Committee has identified 17 strategic infrastructure projects, one of which aims to assist the 23 district municipalities with the least resources (17 million people) to provide an adequate level and quality of essential services to their constituencies. Some functional provinces, such as the Western Cape, are also committed to assisting municipalities in better planning and spending for infrastructure and service delivery. What can actually be expected of these plans? Previous trials of methods of capacity building and technical support have been conducted but have had only limited success because the capacitation of local government does not eliminate the political games that are being played, which are eating away at the system. Action plans remain too vague and flimsy on this dimension. Consequently, results take too long to achieve and inequalities persist.

Solving the implementation problem

This is not to say that progress has not been made, as the reality is far from that. But the progress that has been obtained has benefited only a minority, while almost half the population continues to live below the poverty line. While it has been 18 years since the first democratic election, the Apartheid legacy remains to varying extents across the country. Many inequalities have actually increased rather than diminished: the former homelands are still lagging behind; poor black (and increasingly white) townships are still in disarray. Nevertheless, despite what certain high profile politicians would like people to believe, Apartheid can no longer be singled out as the culprit. Firstly, political parties need to seriously tackle the dysfunctional nature of local governments, to question their internal functioning, stop irrelevant cadre deployment and promote good governance. This implies, amongst other things, that councillors, mayors and municipal managers, just like provincial leaders and members of executive councils, should be appointed according to their proven ability to deliver, and not according to their position or their connections. Today, these leaders are more accountable to their

political parties than to their constituencies - a situation that must be reversed. Secondly, administrative and legal shortcomings must be overcome so that unlawful practices can be effectively punished, including the implementation of effective protection for whistle-blowers. Powers and means of the public protector should be extended to promote good governance in state affairs. Anti-corruption laws should be enforced. These are only a few examples of what needs to be done. Proposals to effectively remedy

the present shortcomings exist; the issue at stake more concerns the implementation of these solutions. Only once these issues have been addressed can there be a real chance to properly deal with inequality. The National Planning Commission has released its Vision 2030 report for the country: it is an ambitious plan that is generally regarded as achievable, provided that the state becomes "capable, developmental, professional and responsive". Here lies the challenge. ■