The political economy of rent seeking in South African cities

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ABSTRACT

South African post-apartheid state building has involved a considerable devolution of Constitutional power, combined with fiscal measures which have resulted in city governments with substantial budgets and significant allocation processes. As mechanisms by which municipalities create value for citizens, communities and businesses, these allocation processes have been the subject of intense contestation, initially between entrenched and emerging elites, but increasingly between factions within the new elite. Allocation processes include procurement, zoning decisions, land purchase or distribution, bulk servicing, tariff setting, housing, contracting / outsourcing and provision of amenities. With respect to each allocation process, a value is created in excess of the cost of production of that value (i.e. a rent), and it can be distributed in various ways, whether procedural, particularistic or corrupt, and which may have positive, neutral or negative developmental consequences. In South African cities the appropriation of rents has been centralised under new governance arrangements, and there has been a parallel rise of rent-seeking coalitions and patronage based business models within ruling parties. However the South African debate on corruption and state capture has tended to be somewhat unidimensional, in that it focuses on the principal actors at the apex of the patronage system, and does not grapple sufficiently with the systemic factors which drive this phenomenon, nor the linkage to historical patterns of rent accumulation under colonial and apartheid local government. The research aims to deconstruct corruption and state capture, by looking at the mechanics of the relationship between political power and the appropriation of the value created by municipal allocation processes (i.e. municipal rents). The research draws on three related disciplines of political economy, public choice theory and ethnography, which are used to examine, respectively: the relationships between ruling parties, class forces and coalitions of interest; the behaviour of rent seeking actors in relation to allocation processes; and the value systems and modes of interaction within rent seeking communities. The research will aim to understand the political, social and economic context within which rents are controlled and allocated, and the impact of rent seeking behaviour on institutional integrity and social development. There are ways in which rent seeking behaviour can be limited or directed to developmental ends, particularly through social norms, rules and institutions, and the findings will be structured in order to pull out the public policy implications relating to public institutions and their integrity.

1 THE LOCAL STATE IN CONTEXT

South African politics today is dominated by debate over the 'capture' of the machinery of the state by business interests allied to the President of the ANC and of the country, Jacob Zuma. Following a succession of revelations, the extent of external influence was confirmed in October 2016 when the Public Protector released her report into the alleged offering of Cabinet posts by the Gupta brothers to various politicians, and the extent of Gupta sponsored deals in state owned enterprises. In May 2017, a trove of emails showing the inner workings of the Gupta enterprise and its interactions with the state were released. An academic report on the nature and meaning of state capture, '*Betrayal of the Promise'*, has examined the inner workings of a project to 'repurpose' the state in order to advance

a new business and political elite, under the rubric of radical economic transformation (Swilling et al. 2017). Even the ANC's own diagnostic report to its Policy Conference in July 2017 acknowledged that "the issue of the Gupta family being too influential in the decisions of the state has become a household discussion" (Mantashe 2017).

This research proposal is concerned with equivalent processes that have unfolded in the local sphere[1] of the state. Given its dispersed and decentralised nature, the eight metropolitan municipalities, 44 district municipalities and 205 local municipalities that make up the South African local government system offer insights into a more systemic and widespread phenomenon than is suggested by an exclusive national focus on rent seeking and corruption. Local government offers multiple opportunities for elite formation, because it locates processes of rent accumulation in close proximity with political power. As has been explained by Von Holdt et al, local government makes a transaction between political status and commercial profit relatively easy.

> *"Salaries from high-level jobs in the local town council, the power to distribute both high and low-level council jobs, as well as the opportunities for business with council, and the patronage networks that link the two, are key mechanisms in the formation of the elite, especially in small towns with limited employment opportunities." (Von Holdt et al 2011:2039)*

Local government is also heterogeneous and diverse, and it is easier to detect in the ebb and flow of its transactions the diverse forces that make it up. Parnell and Pieterse argue against treating the local state as an uncontested and monolithic force, but rather as 'replete with contestation and contradiction' which presents a number of opportunities for advancing more radical policy and political projects. (Parnell and Pieterse 2010:157) This notion of local government as a forum for multiple contending forces, the outcome of which is not predetermined, makes it a richer field of study and has practical implications for action.

Local government has been a crucial pillar of the post-apartheid state-building project, which involved a substantive devolution of political power combined with fiscal decentralisation. Under apartheid local authorities were subsidiary bodies administered and regulated by the four provincial administrations. The final South African Constitution, adopted in 1996 after two years of negotiation, recognised local government as a 'distinct and inter-dependent sphere' of government, alongside national and provincial government (Republic of South Africa 1996). Local government was given clearly assigned powers, which included planning, land management, utility services, community facilities and public health, but excluded housing, curative health care and education, which were powers shared by provincial and national government. The tax base of local government was confined to property rates and service charges, but it was entitled to a share of national revenue which expanded the revenue base considerably. In the twenty years since 1997 grants to local government have increased six fold, and now comprise 30% of local government revenues (compared to 15% in 1997) (SA Reserve Bank 2017). Combined with their own revenue sources, there has been a fourfold expansion of municipal budgets since 1997 (SA Reserve Bank 2017). The 8 metropolitan municipalities at the apex of the local government system all have budgets over R5 billion, and the two largest (Johannesburg and Cape Town) have budgets over R40 billion (National Treasury 2017).

The metropolitan municipalities have not been immune to some of the broader institutional challenges which have affected the South African local government system. The local government transition was not accompanied by any parallel de-concentration of national or provincial capacity, despite its extended mandate. Parnell and Pieterse describe the 'institutional lacuna' that occurs in

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[1] Referred to as a 'distinct and interdependent' sphere of government alongside provincial and national government (Republic of South Africa 1996)

post-colonial situations in which local government is a belated construction with limited fiscal and human capacity and with incomplete administrative systems. (Parnell and Pieterse 2010:150) Certainly the New Public Management doctrine which informed the first phase of state building after 1994 placed great emphasis on strategic management and senior management skills (Brunette et al. 2014), but middle level technical capacity was not particularly valued or emphasised, and the supply of these skills through the labyrinthine technical training system was wholly inadequate (Morgan 2015). Parnell and Pieterse characterise this as 'neoliberal managerialism', subject to a toxic combination of half-formed post-colonial local state structures, unfunded decentralization and privatization which combine to weaken urban government. They argue that the class bias on which local government has been founded is evidenced by inadequate subsidies for the urban poor, and urban land management systems that discriminate in terms of land use rights and trap the poor in a second-class strata that permanently denies them full urban citizenship. (Parnell and Pieterse 2010:148) The city therefore provides a concrete expression of the class dynamics that underpin it, but also multiple sites of local contestation about the underlying character of the state.

The metros fared slightly better in terms of capacity, but some cities had no registered professional engineers in water services (compared to an average of 9 for other cities) (Hunter 2014). Partly as a consequence of this deficit, and partly due to New Public Management thinking, large sections of hitherto core functions were contracted out to the private sector. This even included core functions such as revenue management, supply chain management and human resource provisioning, leading the Public Affairs Research Institute to characterise the South African state as a 'contract state' (Brunette et al. 2014). The pressure point in this system was supply chain management, which suffered from the horrible dilemma of over-regulation and under-capacitation, grinding the system to a virtual halt in less capacitated municipalities.

Probably the most deleterious of all the problems besetting local government has been the politicisation of the upper ranks of local government. The Municipal Systems Act promulgated in 2000 gave municipal councils the power to appoint both municipal managers and the managers immediately reporting to them (RSA 2000). In many councils these appointments became the subject of intense political contestation, and political considerations and party loyalty frequently trumped meritocratic principles. In ANC controlled councils, decision making about these appointments was usually elevated to the ANC regional office, and sometimes to the provincial level. Political mandates even extended down to appointments of Deputy Directors and more junior staff, despite the power to make these appointments vesting in the administration.

The politicisation of the local government management echelon echoed changes that were taking place within the South African civil service more broadly. Partly due to concerns about the orientation of the inherited apartheid bureaucracy, the ANC's post-1994 state building efforts had sought to bring the bureaucracy under political control. Together with the weakening of the apartheid era Public Service Commission, political discretion was introduced into the design of posts and the recruitment process, and combined with a pre-existing lack of entrance exams and career advancement, reduced administrative autonomy (Chipkin 2016). In contradistinction to the model of an impartial, meritocratic Weberian bureaucracy, loyalty and adherence to party policy were treated as more important than experience, skills and autonomy.

The corollary of political control over management appointments was political involvement in administrative allocation decisions, in particular supply chain management. Even in well capacitated metropolitan administrations, procurement decisions were routinely scrutinised for the degree of political leverage that they could offer. There have been widespread reports of corruption at local government level, and some very large corruption schemes have been exposed by the Auditor General, the Special Investigations Unit and National Treasury. The Auditor General's latest report on

local government audits shows that irregular expenditure has increased by over 50% since the previous year to R16,81 billion[2] – the highest since the Auditor General started tracking the values (Auditor-General 2017). The majority of the irregular expenditure involved water and sanitation infrastructure projects and grant money. The AG also notes a poor track record in dealing with irregular expenditure, and no improvement in addressing the concerns about contracts being awarded to employees, councillors, their families and other state officials. There has been a weakening in supply chain management at municipalities, particularly in the areas of competitive bidding. Frequently documents went missing when the AG wanted to audit a procurement process. In the previous year (2014/15), the AG reported 1 648 instances of suppliers submitting false declarations of interest, which only 53% of the municipalities bothered to investigate. Instances of employees not declaring interests had an even lower investigation rate of 36%.

How are we meant to understand the scale of this phenomenon? Von Holdt et al have identified multiple sites of accumulation in local government which provide the basis for the formation of a new elite - the various contracts and businesses that cluster around the local state; local business opportunities such as township traders and taxi owners; and in informal settlements beyond the control of the state, a range of services which the state is unable to provide such as land distribution, security and service provision. In studying the patterns of community protests they have traced these back to contests over resources and patronage linked to local government. Community life at the local level appears to be dominated by the countervailing forces of elite formation and marginalisation. The rapid formation of a new elite which monopolises positions of power, privilege and control over resources is contrasted with the formation of a precarious underclass consisting of people expelled from the formal economy. (Von Holdt et al 2011:2037) This dynamic is borne out by other authors, who view access to the resources of the state and the networks of public authority as determining the patterns of elite accumulation. (Beresford 2014:2) The forces that have been unlocked by the transition from apartheid and the formation of new elites have profoundly destabilised the social order, opening up intense contestation, both within the elite, as well as between elite and subaltern, over hierarchy and status in South Africa. (Von Holdt et al 2011:2044)

As a result, South Africans perceive corruption to be widespread, particularly in municipal services. A sample survey of adult South Africans conducted in 2013 for the City Support Programme revealed that 42,8% believed that a large percentage of public servants were involved in corruption and 26,5% thought that almost everyone was involved (Struwig et al. 2014). In terms of the sections of the civil service where corruption was perceived to be widespread, 51,5% identified the traffic police, 37,9% identified government officials awarding tenders, 27,6% identified politicians at provincial and local level, 27,1% identified officials issuing documents such as driver's licenses, 22,0% identified officials responsible for providing housing, and 20,6% identified officials who can influence recruitment or promotion procedures. South Africa ranks 64th out of 176 countries surveyed by Transparency International on their 2016 Corruption Perceptions Index and scores 45 points out of 100 (Transparency International 2017).

In conclusion, South African city governments are substantial institutions, with constitutionally protected functions and massive budgets, and they conduct their business through allocation processes that generate substantial rents. In part due to the political economy of the South African transition, and in part the systemic features affecting the public service, rent seeking has come to dominate municipal governance, linked to patronage based systems within political parties. As a consequence perceptions of corruption in the country have escalated dramatically. Due to their local nature, these processes within cities are circumscribed and easily defined, making them suitable candidates for study.

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[2] It is important to note that irregular expenditure does not necessarily mean that fraud has been committed, and this must be confirmed through investigations to be done by the council.

2   CONCEPTS AND TERMINOLOGY

Allocation processes in municipalities are public sector mechanisms by which land rights, services or other forms of economic advantage are distributed, usually to external interests, be they contracts, regulatory approvals, staff appointments, grants or subsidies. *Rents* arise in these allocation processes when the value of the goods exceeds the costs of obtaining them (i.e. their production) (Congleton and Hillman 2015). Substantial rents are attached to public sector allocative decisions because the costs of the goods are mostly absorbed by the state while the benefits accrue to third parties. Much of this is explicitly redistributive in line with social objectives. Municipal housing programmes, for instance, are designed to transfer subsidies to low income households. In practice however, rents are generated at each stage of the housing value chain, and appropriated by stakeholders such as land owners, contractors and community leaders involved in the process.

Rent seeking happens when people try to obtain benefits for themselves through the political arena. Rent seeking behaviour does not itself create value, and the cumulative costs of unproductive competition for rents are a net loss to society (Krueger 1974). Excessive rent extraction decreases the final return for the intended beneficiaries, who may receive only a portion of the desired social investment, or none at all. This has led some to describe rents in a slightly more pejorative tone as 'an unearned reward sought through a quest for privilege' (Hillman and Ursprung 2015). Some rent seeking can benefit pubic causes, but its political character can easily translate into corruption.

Political markets involve the exchange of political decisions for other forms of value, and they tend to develop around any public sector allocation process. In developed economies markets exist for public regulatory actions, driving the rent seeking behaviour of corporations and lobbyists, as well as of ordinary people. The economics that underlie the operation of political markets were described by (Downs 1957) in seeking to explain political behaviour in a democracy in economic terms. Friedman in examining tariff setting and political behaviour applied the laws of supply and demand to the way that prices for regulatory decisions (i.e. what corporations were prepared to pay in terms of marketing or lobbying to secure particular decisions) were set (Friedman 1990). The important point to note is that while political markets are pervasive, in established democracies they are usually subordinated to the rule of law and institutions, which curtail their more deleterious characteristics such as corruption.

Corruption is the use of public office for private gain and which deviates from accepted norms (Huntington 1976). This means that there is a normative component to judgements about corruption. Corruption takes place when agents involved in the allocation process swap, over time, in terms of positions of power and thus are able to capture the allocation process (Kaufmann and Vicente 2005). They exchange favours – for example the allocation of a housing contract in exchange for party campaign funding – which means that they "pay each other", even if payment takes place at different times and in different ways. The important point about this process is that the rules and accepted norms around the allocation process have been subverted.

State capture is the more systematic application of this type of corrupt relationship to the whole arsenal of state power - the formation of laws, regulations, decrees, allocation of budgets and incentives, and other government policies. It is a systemic form of political corruption that directs the exercise of state power to the benefit of private individuals or firms (Pradhan et al. 2000). State regulatory agencies are said to be "captured" when they regulate businesses in accordance with the private interests of the regulated as opposed to the public interests for which they were established.

What seems to separates state capture as a form of corruption from conventional forms of political influence is the informal, non-transparent, and highly preferential channels of access that have a

corresponding effect of limiting the access of competing groups to the state, and undermining the competitive processes by which resources and contracts normally get allocated (Pradhan, 2000). State capture subverts and ultimately replaces open and legitimate forms of political influence and intermediation of interests. Through administrative corruption private actors obtain individualised exceptions to rules, while state capture is a more systematic prejudicing of the rules to private advantage, which has the effect of constraining the others in the market.

State capture involves an outsourcing of decision making with respect to key functions of the state to stakeholders who do not act in the public interest, a situation which Chipkin and Swilling et al have referred to as the *shadow state*. Chipkin (2016) describes a steady bypassing of the formal and legalistic mechanisms of the state, and a subversion of supply chain practices. Decision making both within the party and the state gets outsourced to more informal networks that drive the decision making process. Chipkin refers to "multiple and fluid 'kitchen cabinets' in the government, the movement itself and outside" (Chipkin 2016:19). This creates a 'shadow state' that operates outside of the scrutiny of either the party or the normal oversight mechanisms of the state. As concluded by Swilling et al in Betrayal of the Promise, in effect a 'silent coup' takes place.

There is an active debate, in part raised by the authors of *Betrayal of the Promise*, about whether the state capture process at a national level is part of a conscious *political programme* to repurpose the state and establish a new elite. The authors clearly link the subversion of the supply chain processes in SOEs and the resort to extra-legal methods to a particular political project to accelerate transformation in the economy ('radical economic transformation') and a series of increasingly populist policy interventions (Swilling et al. 2017). In this they build on earlier arguments raised by Chipkin, who argues that "corruption is not the sign simply of an absence, like ethics, in the conduct of government affairs or of 'good governance', but also of a presence: of different ideologies (ideas and practices) of the state" (Chipkin 2016:3).

Power relations determine the way that rents are allocated, and rents in turn can be used to sustain political power through *patronage*. Patronage is a reciprocal relationship between individuals of different status and power, usually involving favours given by the patron to a client in exchange for the client's loyalty and political support (Fukuyama 2014). Patronage typically involves linkages within a political elite, but leaders in turn keep themselves in power through patronage relationships with voters. An electoral system in which political leaders use large-scale distribution of rents to secure the loyalty of voters is referred to as *clientelism*. Clientelism was an abiding feature of 19th century American politics, which involved mass party organizations distributing widespread favours through complex hierarchical political machines (Fukuyama 2014). Clientelism takes root in instances where democractic reforms are introduced while the institutions of the state are still weak, and Fukuyama views it as an early form of democracy. Clientelism differs from patronage in terms of scale, the use of intermediary political bosses and the linkages that are made with voting blocks distant from the central patrons.

Patronage, clientelism, corruption and state capture flourish where institutions are weak, and Africa, with its colonial inheritance of weak and predatory states, has provided fertile grounds for their study. The endemic nature of corruption in Africa has been viewed as intrinsically interwoven with the character of African political systems and the postcolonial state. (Beresford 2014:3) Andreski in studying the early period of Nigerian independence from colonial rule described how the functioning of the Nigerian state was governed by market mechanisms of supply and demand rather than laws and regulations (Andreski 1968). Andreski observed that the allocation of public office and public goods were determined by the market, and that the market was intertwined with coercive power. He characterised this as *kleptocracy,* a governance system without public institutions, although he observed that the market's operation could be constrained by certain social norms.

Jean-François Bayart in his 1989 book *L'État en Afrique: La Politique du Ventre* (Bayart 1993) coined the term the *politics of the belly* (*politique du ventre*) to describe African political systems in which leaders use their positions to enrich themselves, public and private interests are merged, bribery proliferates and legal and illegal markets merge. The African state becomes the incubator for a new ruling elite, which works to exclude outsiders and control rents. Through their gatekeeper role patrons use their resources to acquire other patrons and expand their power, a process he referred to as *reciprocal elite assimilation*.

Bayart's thesis was taken forward by a generation of academic researchers and African scholars. Patrick Chabal and Jean Pascal Daloz described African politics as predominated by patron-client relations and informal notions of reciprocity, which substituted for electoral accountability and delivery through impersonal state institutions. This was viewed as simply the way in which Africa worked. (Chabal et al. 2002) Michael Bratton and Nicholas van de Walle (1994, 1997) described the way that leaders in African states and their inner circle undermine the effectiveness of the nominally modern state administration by using it for systematic patronage and dishing out of favours to reinforce their power. While the outer semblance of a democratic state is maintained, officials within this system blur the distinction between private and public interests and occupy their positions for the purposes of rent extraction rather than the functions legally assigned to them, a system which they termed as *neo-patrimonialism*.

Drawing on his experience of negotiations in conflict situations in the Horn of Africa, Alex De Waal points out that it is in the context of weak or failed states where government becomes wholly dominated by 'monetised transactional politics'. De Waal described what he terms a *political market place* which consists of the "exchange of services and rewards, loyalty and money, for prices that are set by the principles of supply and demand". The political marketplace is a contemporary system of governance dominated by patronage and rent-seeking in which political loyalty or cooperation are exchanged for resources, usually in the form of payment. The typology of political marketplaces varies substantially. They extend from highly centralised and regulated forms, such as authoritarian regimes run by a commercial political elite, through hybrid forms of institutionalized and patronage-based orders, to fully deregulated markets in patron-client relations driven by an auction of loyalties, with multiple armed groups jostling for position. The marketplace is clearly identifiable in that inter-personal political bargaining dominates over formal rules and procedures, and the operation of institutions of governance are subordinated to the market (De Waal 2015). The actors are driven by the logic of the market, and the most successful political entrepreneurs are those that free themselves from moral scruples, operate with a level of ruthlessness and use instruments such as violence to renegotiate the terms of the market.

De Waal acknowledges an intellectual debt to theorists of state formation in developed economies. For instance Tilly (1985), Olson (1993) and North (2009) have examined processes of early state formation in Europe and North America and described the functioning of a particular form of political marketplace, in which they viewed war makers and state builders as largely self-seeking entrepreneurs. Tilly characterises the process of making war and early state formation as organised crime, and describes the process of accommodation between rulers who hold a monopoly on the use of organised violence and intermediate landowning and commercial elites that control the key resources. The outcome of this process results in a "protection racket" governing system in which the ruler abandons primary accumulation for regularized tribute and taxation.

De Waal's analysis is interesting because he brings economics and public choice theory into a debate dominated by political studies and social anthropology. Understanding kinship based systems that societies have grown out of is important, but it is easy to get caught in a backward looking paradigm

that treats our heritage as ultimately a dead weight impediment to our modernity, and which downplays agency in fixing the system. We can discern the tell-tale outlines of the political market place in South African cities. The nature of politics within South African cities has been described as *transactional*, which means that loyalty to particular political factions is rewarded by the disbursement of resources – which can be positions, access to tenders or cash (Mukwedeya 2015; Olver 2016). The success of political entrepreneurs depends on their ability to mobilise resources and effectively apply them in order to accrete the greatest amount of political loyalty and influence at the lowest cost. Political communities in South African cities therefore demonstrate certain attributes that suggest that a political marketplace operates.

Beresford used the term *gatekeeping* to describe a widespread and decentralised phenomenon of control that permeates the political economy of post-apartheid South Africa. (Beresford 2014:20) The original meaning of 'gate keeper politics' applied to African heads of state who straddled the interface between the nation states they controlled and the external interests that interacted with it, demanding a surcharge on transactions to keep themselves in power. In South Africa Beresford describes a decentralised form of this phenomenon, with gatekeeper politics being run at ANC branch level. There is a mutually reinforcing relationship in which political power is used to access state resources and rents which, in turn are used to maintain patronage networks and keep leaders in power.

> *"A cyclical relationship emerges in which patronage is distributed to regenerate the political power of "big men", and political power (access to state spoils) is used to replenish the resources needed to maintain these networks." (Beresford 2014:13)*

Beresford identifies two interrelated dimension to this phenomenon: spoils distribution, which is the use of positions of public authority for private gain; and *crony capitalism* which uses connections to public authority to facilitate private capital accumulation. (Beresford 2014:5) Instead of the usual commercial rewards for risk taking, crony capitalism relies on the returns generated through arbitrage between political and business worlds. Beresford sees crony capitalism as a fundamental feature of elite formation in South Africa, in which neo-patrimonial channels to state authority are located within an enabling macroeconomic environment which facilitates new forms of capital accumulation. (Beresford 2014:20)

Beresford locates gatekeeper politics within the political economy of the South African transition, and is at pains to show it as a logical response to the endemic structural violence of poverty and marginalisation, rather than moral deviance. Access to the networks of public authority is often the only means for communities to deal with extreme class, race and gender inequalities and find ways of surviving. (Beresford 2014:21) This is borne out by Joel Netshitenzhe, who sees inherent risks in the post-liberation process of social transformation and class formation through which a section of the liberation elite is elevated into the status of the ruling class. As previously marginalised groups move into business and the state they are catapulted into middle and upper class lifestyles. This creates a set of unintended consequences.

> *"For many, the rise into middle class lifestyles is tenuous, dependent on party selection processes and continued employment in state institutions. In the South African situation, the very nature of middle class lifestyles is distorted by the presence of a large white community, social trend-setters whose position was earned through racial privilege. In trying to mimic white lifestyles, the emergent elite overextends itself and individuals are then tempted to sustain newly-acquired tastes through corrupt means"(Netshitenzhe 2012).*

The forces unlocked by the South African transition and the contests that take place are played out in particular within the ANC as the majority party within national and provincial government and many of the municipalities, which as a consequence has become a very unstable organisation. As Von Holdt et all, observe, this creates a toxic mix of forces which impact on the local state:

> *"… the transition to democracy has unleashed profound and violent forces of class formation that are shaping much of social life at a local level in townships and informal settlements, generating dislocation, contestation over status and hierarchy, fundamental instability in the ANC, undermining and weakening the local state, and producing a 'precarious society' characterised by embedded cycles of violence." (Von Holdt et al 2011:2037)*

Beresford bears this out in his analysis, and notes that the bitter struggles over positions of public authority have proliferated to a degree that they are destabilising the ANC. The fierce competition for resources are symptomatic of the rapid spread of neo-patrimonial authority. (Beresford 2014:15) Political life within the ANC has increasingly become a process of bargaining about factional allegiance and resources. Various commentators have described the distribution of resources, political posts or jobs by political leaders for political support within the party (including overt vote buying). In this bargaining process, almost everything is available to be traded – political jobs, bureaucratic positions, political office, state contracts, cash or other resources. The primary commodity that is traded is political allegiance or loyalty, and politics has become a process of bargaining over the price of the commodity, how it is be delivered, and what is given in return. The defining features of a political market are evident, sustained by the rents from auctioning of state contracts and public office. A mutually reinforcing relationship exists between allocation processes within the state, the entrepreneurs who control them, and the business model of the ANC as the majority party. But leveraging state power in order to fund the political life of the organisation through factions has had devastating consequences for the organisation. The market for political loyalty has crowded out ideological or programmatic politics and in fact taken over the ANC as an organisation.

3 RESEARCH QUESTION

Traditional ways of understanding the scale and nature of corruption in South Africa have been heavily influenced by the international literature, which sees African corruption as a continent wide phenomenon based on weak institutions and a reversion to ancient patrimonial power relations. While Bayart's *Politics of the Belly* (Bayart 1993) has been hugely influential with respect to subsequent analyses of corruption in Africa, he has also been criticised for not articulating a clear theory of the state, for generalising the African political experience and for treating the history of the continent as if it were static (Kawabata 2006). *Politics of the Belly* asserts that the patronage systems and 'big man' focus on personal enrichment is a reversion to older patrimonial power relations, i.e. an African reversion to type. Lodge questions whether the Politics of the Belly is appropriate to Southern Africa, with its transnational financial flows and integration into a global political system (Lodge 1998). Beresford argues that most African countries demonstrate hybrid political systems in which patron-client politics exist alongside at least partially functioning electoral democracy. (Beresford 2014:4) Beresford also notes that there is no singular and inevitable trajectory for patterns of elite accumulation in post-colonial Africa, and that neo-patrimonial regimes lead to state decline and collapse in some instances, while in other they are compatible with developmental outcomes and functioning states. (Beresford 2014:21)

Other theoretical models also seem to fit uneasily into the local context. For instance, the way that the political market place operates in South African cities differs significantly from what has been described by de Waal and others. Firstly, South Africa is a middle income country with a relatively well

functioning system of democracy, in which the legislature, judiciary and executive institutions of the state, while under attack to varying degrees, still function. The political marketplace operates in parallel to the institutions of the state, and while it has at times overwhelmed certain components of the state, on the whole it remains subordinated to them. There are also distinct ideological differences between actors within the political marketplace, amongst which are profound differences in approach over to what extent the state can be used as a vehicle for advancing particular interest groups. By assigning all contending forces to patrimonial systems or the impersonal logic of the market, these differences are elided and our understanding of the nuances of the marketplace is limited.

The deficiencies in this analytical framework have limited our understanding of what is taking place, and hence our public response. South African analysis of this phenomenon tends to be particularistic, i.e. it tends to personalise corruption and state capture processes by focusing on the actors at the apex of the system. In the process it loses sight of the social forces and market mechanisms that drive it. South African analysis also tends to be ahistorical. Colonial dispossession and violence went hand in hand with a patronage system that sought to advance particular economic interests. Contemporary understanding fails to detect the continuities between colonial patronage and power relations and the modern state.

The research aims to contribute to the active academic and public debate about the nature of corruption within government and society and what to do about it. In order to deepen our understanding of these processes, the research attempts to take a fresh look at rent seeking and its relationship with power, by deconstructing the allocation processes and the way rents are distributed. In order to do this, the research looks at how value is generated and appropriated at each step in the value chain in municipal allocation processes. The research will examine how value (i.e. rents) is appropriated (whether legally or corrupt) and the way that this appropriation influences and is influenced by power relations within the municipality. In order to conduct this analysis the communities of interest that form around allocation processes need to be studied in some depth.

The research will develop an understanding of how allocation processes interact with municipal governance arrangements. Specifically, the research will aim to understand the factors or conditions under which markets for regulatory decisions and allocations arise, and the manner in which rents are appropriated by interest groups within those markets. It will identify the aspects of political markets and rent seeking behaviour which are deleterious to municipal performance and developmental outcomes, versus aspects which have a neutral or even a beneficial impact. It will also aim to understand what factors or measures operate to constrain, direct or regulate markets and rent seeking behaviour.

The research will examine how the political market is structured, in particular what are its barriers to entry, the frequency of bargaining, and how networks are constituted and the players organised. The political business models which are attached to particular political entrepreneurs will be described – in what manner is patronage is dispensed, and what is the degree of centralisation of rents and coercive power? What are the currencies of exchange i.e. what are the political services, loyalty or cooperation that are provided, and what resources are these exchanged for? Is loyalty a tradeable commodity, and is the cost of maintaining a relationship of support set by the market? Is there a political budget available to political entrepreneurs to buy allegiances and political services, and how is this budget raised and spent?

The research will also document what constrains the political market place from operating, and what values or rules hold it in check. The strength and independence of institutions is critical to this endeavour, and the research will pay close attention to the way in which institutions function to constrain and direct political markets. The features of strong public institutions are their complexity,

adaptability, autonomy and coherence, operating within a rule of law and a system of democratic accountability (Huntington 1976). Mechanisms such as greater transparency and disclosure can assist in subjecting market transactions to public scrutiny (opening up supply chain committees, or disclosure of party funding, for instance). This has immediate practical implications for public policy and anti-corruption efforts, not just in South Africa but more broadly in developing countries and transitional economies.

4   APPROACH AND METHODOLOGY

4.1   OVERALL APPROACH

The research is located at the intersection of three interrelated disciplines – political science, economics and anthropology - and specifically the research methodologies of political economy, public choice theory and institutional ethnography. The relationships of power within a municipality are the subject of political science, which is primarily concerned with the distribution of power and the relationships underlying political phenomena. Allocation processes, the rents arising from them and the associated behaviours of market players belong in the field of economics, which is concerned with the production, distribution and consumption of wealth, and specifically micro-economics, which looks at the behaviour of individual actors in response to market forces. The behaviour of rent seeking coalitions and factions within political parties falls within the domain of social anthropology, which studies human societies, the way that they develop and the systems of meaning that hold them together.

The analytical tools of political economy developed in the 18th Century as a precursor to modern economics, and were taken up by Marxist scholars and activists as a way of interpreting the class forces that underpin the distribution of wealth and power. There has been a new level of interest in the field since the 1970s. My research will use political economy methods to look at the in which market and social forces affect the distribution of power and resources within political institutions, and in particular how class interests are represented in the local state. Just as economic tools can be used to tackle political science issues, so public choice theory uses an economic analysis based on the forces of supply and demand to understand the behaviour of political actors such as voters, politicians or officials. Rent seeking behaviour, which is actively pursued by elected officials, but whose outcomes are usually not in the public interest, is particularly amenable to this kind of analysis. Public choice theory is useful for examining the way a market economy interacts with state allocation processes. I propose to use these methods to look at how officials and entrepreneurs seek privileged positions in order to amass rents, and examine the costs and benefits of rent seeking behaviour for the participants and for communities more broadly.

It is important to understand the social dynamics within the communities of interest that form around rents. Ethnography tries to understand the internal consistency and meaning of social organisation. A central concern of ethnography is how actors or communities have integrated contextual factors, social systems, and meanings into an internally consistent system. Agar states that ethnography must situate communities "within the larger political economy, as people are part of states and of a turbulent world" (Agar 1996); Whitehead emphasizes the importance of understanding the socio-cultural contexts in which behaviour takes place, as well as the processes between actors and the meanings actors derive (Whitehead 2002). Political ethnography in particular is concerned with the structure of political systems located within society. It looks at political organisation and phenomena – both outside the state, such as patron-client relations or tribal political organization, and within states and their institutions, especially the relationship between formal and informal institutions. As a subset, institutional analysis looks at the structures and mechanisms of social order, and the hidden forms of power that underlie institutional systems and human behaviours within them.

My research will use political ethnography to study the communities and organisations that are clustered around municipal allocation processes – including networks of rent seeking officials and entrepreneurs, political party factions, and patron – client relationships.

4.2 RESEARCH COMMUNITY

The research will compare three case studies of South African cities in order to understand the dynamics between political power and control over rents arising from public allocation processes. South African local government provides fertile ground in which to do this. The larger municipalities in South Africa are substantial institutions with large budgets and substantial allocation processes that create many billions of Rands in value. There are active political markets that have developed around city allocation processes, involving a broad cross-section of politicians, officials and stakeholders outside government. South African metropolitan governance has become sufficiently competitive to allow a diversity of ruling coalitions and power interests behind them which can be studied. At the same time city governance arrangements are sufficiently circumscribed to be objects of focused and independent study, while also linked into regional markets and trends. South African cities are therefore suitable environments in which to look more precisely at how value is being appropriated, and understand the way in which power relations influence and dictate their allocation.

The research will be conducted in the form of three case studies located in South African cities. The cities have been selected because particular allocation processes demonstrate evidence of the operation of a political market for allocative decisions. This is suggested by auditor general reports, forensic reports, media investigations and / or whistle-blowers to whom I have access. The selected cities' governance arrangements also allow sufficient access in order to do the in-depth analytical work that is required, which includes getting access to decision makers and political parties. The cities that have been selected display a diversity of characteristics, including:
- Different governing parties and governance arrangements.
- Different economic circumstances and sectors in the local economy (e.g. services, finance, manufacturing and mining).
- Different allocation processes (e.g. zoning, supply chain, housing).

The study community is the political market place in the three cities, which consists of the actors (political leaders, community activists, private entrepreneurs and officials within the state), their interactions and the political currency (power, position, prestige, money and favours) that they exchange. The market exists within a social space located between the state, the political class that governs it, forces within civil society, and firms that are located within the private sector. The political market place in the city contains the necessary elements that make it a candidate for study. The market place exists within a certain physical and social environment, which can be defined, and has a shared sense of needs that the role-players attempt to meet. There are a preferred set of social relationships or structures, and a preferred set of ideas and behaviour patterns, as well as valued commodities produced by the market place. All of these elements can be documented and described, making them candidates for analysis and elaboration of findings and insights.

4.3 SOURCES

The primary research tool will be field work, which will be complemented by secondary research. Wolcott defines fieldwork as a form of inquiry that requires a researcher to be immersed in the social activities of the group being studied (Wolcott 1995). Fieldwork includes observing activities of interest, recording field notes and observations, participating in activities during observations, and conducting interviews (both informal and semi-structured). The epistemological process consists of an iterative exercise of discovery, drawing inferences, and continuing inquiry. Ethnographic knowledge is generated by being in the host community and understanding the daily lives of the community.

There are four main sources of material that will be used in the research process.

- The academic literature relating to corruption, rent seeking and institutional capacity, which provides an overview of relevant concepts and debates, specifically in the areas of: State formation, political transitions and democracy; Rents, rent seeking behaviour, political markets; Corruption and state capture, in particular on the African continent; Decentralisation and local government, both in South Africa and elsewhere in Africa; and the history of public administration in South Africa.
- Relevant background documents include histories of the areas and the municipality, available academic literature, and government reports and assessments. The government material to be used for the research will included financial reports, internal audit reports, forensic reports, performance reports, annual reports or any other official documents which are relevant to the processes being studied and behaviour around the process.
- Interviews with beneficiaries, contractors, politicians and officials involved in the allocation process, as well as ancillary interviews with stakeholders not directly involved in the allocation process who may shed some light on the dynamics around rents within the allocation process. Key informants will be selected to ensure a diversity of community activists, political leaders, officials, administrators and businesspeople. Interviews will aim to understand the informants background history, value system, behaviour and positioning within the market. The interviews will also explore informants' own understanding of the main power brokers in the market, the personality attributes they display, the instruments of power or patronage they wield, and what drives them. Facilitated group discussions on particular topics will also be used.
- My own observations and experiences of personal interactions, behaviour, culture, group dynamics etc. The material will including field notes, photographs, and my own journal. These observations will be used to identify particular communities, groups or factions that operate in relation to an allocation process, how they operate and what drives them, and understand their behaviour in relation to myself as an independent external observer.

Participant observation is a widely accepted methodology in ethnographic research (Agar 1996). The method allows for a level of insight and understanding which might otherwise be lost to a more distant observer, and consciously seeks to understand the bias that might inform the observer's own perceptions. It is therefore self-reflective as much as it is externally focused.

4.4 PHASING AND EPISTEMOLOGICAL PROCESS

There will be six distinct phases to the research process. These are:

- A literature review, which involves a study of the relevant academic material and research reports relating to the subject and the methodologies to be employed.
- Selection of the three study cities for detailed analysis, based on criteria indicated in 5.2 above.
- Introducing myself and establishing rapport, which involves getting to know the actors within the city, and becoming familiar with their location and environment.
- Working in the field, during which I will assimilate myself with the study community, and develop a connection with the actors in order to become an accepted member.
- Recording observations and gathering data, which will include field notes, interviews, reports and my own journals.
- Analysing data and writing up the material.

The research work in each city will go through successive phases which aim to take me progressively deeper into the institution and the issues being studied. Within each selected city, I will conduct a

preliminary set of interviews with key role players in the administration, political parties and civil society in order to understand four interrelated processes:

- The evolving nature of the local economy and the social and community forces that operate within the municipal space – business, unions, civil society organisations.
- The institutional history of the municipality over the last 20 years i.e. the significant moments in the scope, functions and institutional capacity of the organisation. I will pay particular attention to the meritocratic nature of staff appointments, the technical capacity within the municipality to do its functions, and political influence / interference in appointments and allocation decisions.
- The history of the political party/ies that have run the municipality over the last 20 years and in particular the class forces and interests that make up the ruling coalition or party, the way that factional dynamics have played out within each party, and what the business model, power and funding relationships of the party have been.
- The primary allocation processes within the municipality, and in particular the extent of outsourcing / contracting, the largest beneficiaries of contract awards, the number and value of building / zoning approvals, awards of grants and houses etc.

The findings of this preliminary research will be written up into a political economy of the city, and will focus on the interplay between the above areas. This will become the basis to select one or more specific allocation processes for further study.

The allocation processes that show evidence of a market for regulatory or allocation decisions will be selected based on the preliminary review, and must meet requirements of being readily defined and studied. Particular allocation processes which are vulnerable, such as newly established national to local transfer programmes with as yet underdeveloped controls and institutional mechanisms, will be prime candidates for study. More detailed research into the selected allocation processes will apply public choice theory and methods to determine the nature and extent of the value that is created, how it is distributed, whether the distribution is procedural or particularistic, whether the manner in which it is distributed is beneficial or prejudicial in terms of the beneficiaries, communities and public interest, The central features of the operation to control and amass rents will be compared, and the features described in terms of the market dynamics that are taking place.

The ethnographic data from the fieldwork will be analysed according to two basic methodologies, a narrative analysis (which involves the sequential categorising of information gathered through interviews, understanding the common themes that bind it together and putting it together into a coherent narrative) and thematic analysis (which involves organizing data according to recurrent themes found in interviews or other types of qualitative data collection). The observations and interviews will be consolidated into a profile of the local political market, who the actors are within it and how they behave. In seeking to understand the political market place and how it is defined, the analytical process will map the location of the main actors and the relationships between them. The mapping will be used to understand the web of relationships between the principal actors, what constitutes the market and what are its boundaries, and what is the currency that is exchanged in the market place i.e. what is valued and what is traded. Following Whitehead, in analysing the market place there are three aspect to the broader cultural context that I will look at:

- The social systems of which individuals are members, and their shared history i.e. the broader socio-cultural context.
- The processes of interactions between individuals within their significant social systems and with those systems.
- The meanings that individuals and their social systems apply to the environment, their relationships, their shared histories and their patterns of basic need fulfilment.

The results from the ethnographic work will be combined with the earlier political economy of each city to explain the governance arrangements that pertain to rent appropriation and the operation of a political market. This includes the coalition of class interests i.e. business, community and worker interests that support the governing political alliance and how these interests interact with and influence political decision making around allocative decisions. The enquiry will determine whether a political market for trade in regulatory or allocative decisions operates, and how the distribution relates to broader governance arrangements – in particular the influence of classes or interests within the municipality, dynamics within the governing party or alliance, the funding / business model of parties, or other factors. Within each city, the research will pay particular attention to three interrelated processes – the integrity and capacity of local state institutions, the way that political control that is asserted over allocation processes, and patronage based business models within the ruling party or coalition. Previous research has indicated that the interaction between these three 'domains' drives the behaviour of the political market place.

The research will also look at the way that public institutions act in circumscribing markets and making them rule bound. Particular factors which constrain the market for allocative decisions will be looked at – for instance, the transparency of the allocation process, oversight mechanisms, institutional autonomy, technical capacity, rules and values. This will enable the research to reach conclusions regarding the factors that constrain or enable the appropriation of rents and the operation of markets.

4.5   CASE STUDIES

As noted earlier, South Africa has two distinct forms of local government – single tier metropolitan municipalities for the 8 largest urban conglomerations in the country, and a two tier system comprised of 226 local municipalities grouped under 44 district municipalities for the rest of the country. The eight metropolitan municipalities govern the country's largest cities and have greater autonomy and resources than other municipalities, taking on the planning responsibilities associated with district municipalities as well as some provincial functions relating to human settlements and housing. There are a number of other typologies of South African urban settlements. The South African Cities Network (SACN), a membership organisation of cities, treats the eight metropolitan authorities plus three of the largest secondary cities as its domain of operation. It also recognises "secondary cities" such as Polokwane and uMhlathuze (Richards Bay); "regional service centres" such as Emalahleni and Knysna; "service towns" such as Mookgopong and Kuruman; and "local and niche towns" such as Addo and Manguzi. Whilst the country's metropolitan municipalities constitute 40% of the total population and produce 52% of its jobs, secondary cities constitute 13% of total population and generate 17% of jobs (National Census 2011). Moreover in terms of census data (2001-2011), secondary cities are growing in population terms at a similar rate to the metros (23% over the period 2001 to 2011 as compared to 26% for the metros and 10% for the rest of the country).

South African cities continue to reflect the social and economic legacy of apartheid spatial planning, and are subject to pressures arising from this legacy. On the one hand, South Africa's cities provide sophisticated infrastructure that support, for instance, one of the world's most sophisticated financial services and banking industries. Johannesburg houses the Johannesburg Stock Exchange, which is amongst the top 20 largest stock exchanges in the world. South Africa's cities include suburbs with high-speed fibre-optic internet connections to residential homes, and the reliable provision of basic services such as water, electricity, and refuse removal. At the same time, these same cities include numerous informal settlements where reliable and safe provision of even basic services such as communal toilets and water stands represent a significant challenge. There is also enormous diversity between cities and towns, with the largest metropolitan municipalities able to spend per household more than ten times what smaller towns can afford.

Figure 1: South African cities by population (size of circle) and municipal spend per household (colour – see key below)

Source: Bannister, 2017

3 751   37 630
Rands spent per household
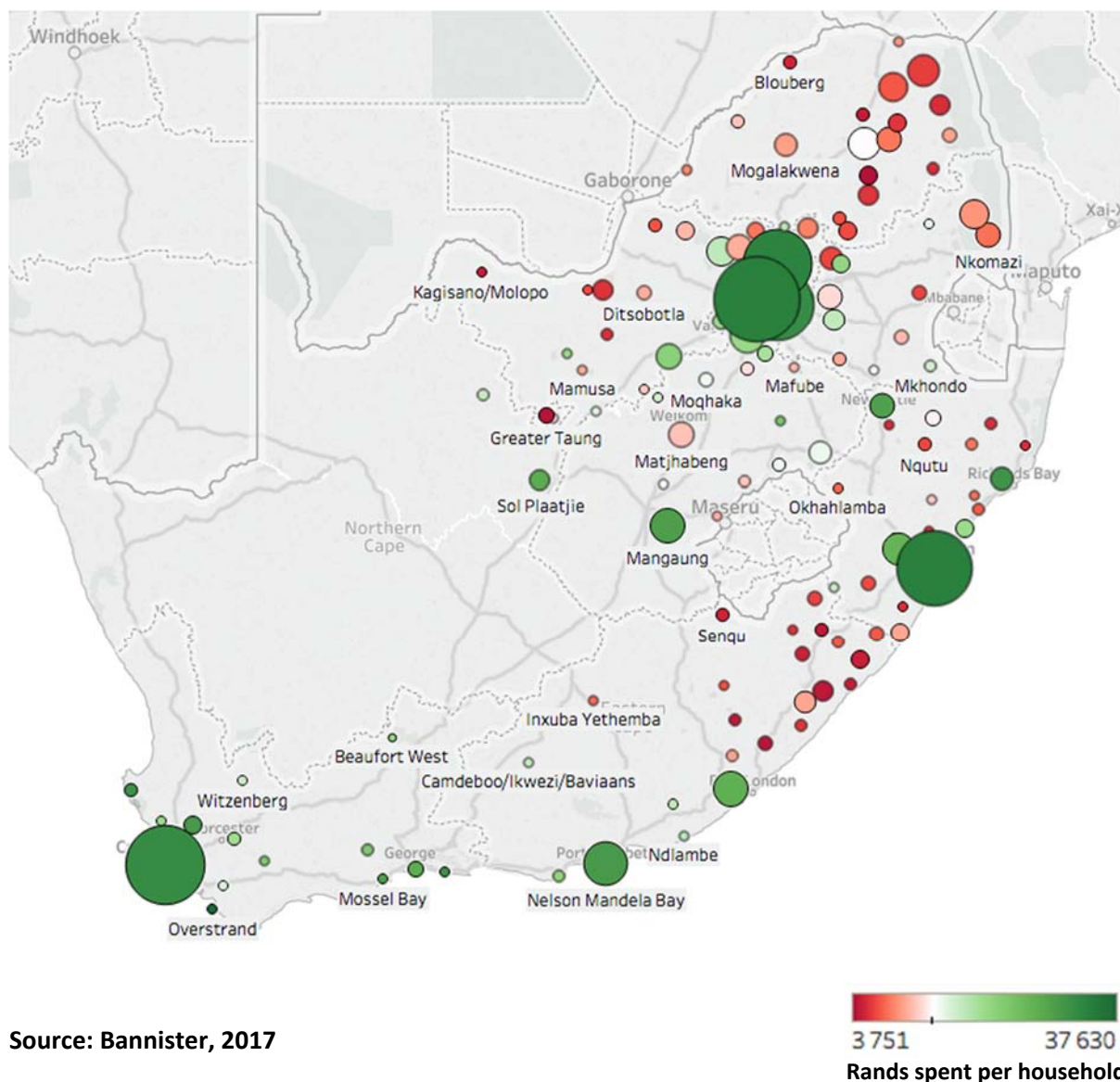
The case studies have been selected to reflect this diversity, at the same time as maintaining the overall requirement for allocation processes with a sufficient level of scale and buoyancy to sustain an active political market.

4.5.1   Nelson Mandela Bay

The Nelson Mandela Bay Municipality (NMBM) is a 'Category A' single tier metropolitan authority situated on the eastern seaboard of South Africa, which includes the core city of Port Elizabeth and the satellite towns of Despatch and Uitenhage as well as their associated townships, covering an area of 1 959 km^2. It is the fifth largest of South Africa's eight metropolitan areas, with a population of just over 1,2 million people, and it is the second largest metro in terms of geographical area (McCarthy 2016). Nelson Mandela Bay is the economic heartland of the Eastern Cape with two Indian Ocean harbours, a deep water port linked to an industrial development zone, and a specialised industrial labour force. However its motor industry has been in a state of decline for over a decade, and the city's urbanised working class, pushed out into large townships on the periphery of the city, are predominantly unemployed, poor and without economic prospects. Following the 2008 financial crisis, property values have stagnated and the city has been faced with declining revenues (McCarthy 2016).

There are a high proportion of indigent households, with 44% of households receiving at least one social grant. According to the 2011 Census unemployment in the metro sits at 36,6%.

The city has been dramatically shaped by its history, from a colonial frontier port and military station, to an apartheid era industrial city and export facility, to a politically integrated metropolitan area (McClel 2017). The legacy of apartheid spatial planning and forced removals is particularly evident, with dislocated low-income settlements on the fringe of the city, fragmented spatial development, urban sprawl and low densities. There is a high degree of socio-economic inequality, with well-off middle class communities largely occupying the areas to the south west of the metropolitan area, closer to the city centre. There is a generally poor level of civic infrastructure, especially in disadvantaged areas. As a consequence the city is not accessible to the majority of its residents – neither physically, socially, nor economically.

NMBM was formed in 2000 out of 6 pre-existing racially segregated municipalities, and was the product of a locally negotiated transition (the 'one city' negotiations) which arose out of local civic and union struggles in the 1980s. One of the central demands of this struggle was for the broader metropolitan area, incorporating the city centre, dormitory townships and industrial areas, to be treated as interlocking components of a single urban space, and to be governed democratically under a single municipality funded from a single tax base. The prolonged one city negotiations, and the structured process of merging former white and black local authorities, created a measure of stability in the transition that at least initially endowed NMBM with a sound institutional base from which to deliver on its mandate.

NMBM itself has an R8 billion budget, of which 25% (approximately R2 billion) is contracted out to private sector service providers (own analysis based on National Treasury 2017). This constitutes a substantial injection into the local economy. The metro also employs about 5000 staff (NMBM 2016), who are mostly unionised along racial lines. As a metropolitan authority NMBM has been comparatively better off in terms of capacity, but since its amalgamation in 2001 there have been two prolonged periods of instability during which a succession of disastrous acting City Managers were unable to stand up to political interference in the municipality. By 2010 the NMBM city manager and the executives were routinely summonsed to the ANC regional offices for 'briefings' and instructions (Olver 2016). NMBM has faced a number of high profile corruption scandals, with high degree of political interference and declining administrative performance. After 15 years of ANC rule in the metro, the last local government elections resulted in a DA led coalition government. The Council has a well-functioning Municipal Pubic Accounts Committee which oversees all municipal expenditure and holds officials accountable for misspending. However there are signs of political markets reconstituting themselves under the new regime, with some of the junior coalition partners as active proponents. The manner in which this reconfiguration takes place could be highly instructive for understanding the political economy of rent seeking behaviour.

4.5.2   Polokwane

Polokwane is the capital city of Limpopo Province, with a population of 629 000 (Census 2011), and functions as a service centre and economic hub of the province. Polokwane has been through dramatic changes, from its early role as a frontier town serving agricultural settlers that had forcefully displaced African communities, through to its role as a white group area abutting so-called independent Bantustans and servicing a border war against an ANC insurgency, and then its transition into a post-apartheid capital. The Polokwane Local Municipality was established in 2000 as a local municipality under the Capricorn District Municipality. The spatial pattern in Polokwane reflects apartheid geography patterns, with the former "white" area of Pietersburg comprising the town centre, and satellite townships of Seshego to the west of the CBD, and the sprawling dense rural settlement of Mankweng 30km to the east of the city including the University of Limpopo (Turfloop) and Zion City

of Moria. Unemployment is at 24% and around 43% of Polokwane residents live in poverty. (Sutcliffe and Bannister 2016:33) The service nature of the economy persists, with the tertiary sector making up 83%. The economy was hit hard by the global economic crisis of 2008, but it appears to have stabilised despite the countrywide drought in 2015/16. The CBD is experiencing urban decay, with businesses shifting their operations into decentralised areas such as the Mall of the North. (Sutcliffe and Bannister 2016:54)

The ANC has been the ruling party in the municipality since its inception, and currently holds 60 (79%) out of 76 councillors. Polokwane has been rumoured to have high levels of corruption, with many of the beneficiaries of government tenders buying houses in an upper class suburb to the east of the city known locally as 'Tender Park'. In 2014, the ANC Mayor and the Municipal Manager were replaced, amidst allegations arising out of the procurement of the Bus Rapid Transit project. The MM was placed on precautionary suspension in May pending investigations on allegations of tender irregularities but resigned in June 2015. Presently the Municipal Manager and Chief Finance Officer serve in acting positions. National Treasury has noted the suspension and subsequent resignations of a number of Section 57 managers in key positions between the 2014/15 financial year and 2015/16 (Mabaso et al 2017:4).There has been some improvement in the financial statements, which have gone from a succession of disclaimers to a "Qualified" audit opinion in 2014/15. (Development Bank of Southern Africa 2015:9) There appear to be serious capacity constraints in the municipality, not least because of substantial unauthorised expenditure (R287 million), and deficiencies in Supply Chain Management. (Auditor-General 2016:3) The Auditor General noted that tenders were frequently awarded to employees of other state institutions. (Auditor-General 2016:5) The auditor general also noted that the audit committee did not enforce accountability.

Polokwane therefore demonstrates some of the key features of a political marketplace. There is a clear periodisation of its history, in which the political economy of the city has shifted dramatically from serving a white settler community, through grand apartheid and the border war, to the integration of its dislocated settlements and the enfranchisement of a new elite. The administration demonstrates some characteristic features of post-apartheid local government, with capacity challenges, flouting of procurement rules and contests over resources. It appears that the new elites that are emerging remain fragmented, with historical allegiances into different Bantustan administrations and different political forces organised around the settlements of Seshego, Mankweng and the informal settlement of Maja 20km to the south of the city.

4.5.3   uMhlathuze

uMhlathuze Local Municipality has a population of 334 500 (Census 2011) and is the third-largest municipality in KwaZulu-Natal. It encompasses Richards Bay, the country's largest deep-water port and an adjacent industrial development zone. The municipal area is almost 800 square kilometres in size, and apartheid racial spatial patterns are evident with the spatially dislocated nodes of Richards Bay (industrial and tourism hub), Empangeni (commercial hub) and eSikhaleni (the largest black formal residential area) all of which are at least 15 kilometres from each other. (Sutcliffe and Bannister 2016:22) The political economy of the area has evolved through three distinct phases, starting with the commercial expansion of the sugar industry in the colonial era, serviced from the commercial centre of eMpangeni. Large tracts of fertile river valley land as well as the undulating hills on both sides of the current N2 have for decades been under sugar cane. This was followed by a substantial apartheid era investment in the development of Richards Bay as a deep water port, as a means to shield the apartheid state against economic sanctions. Substantial investments in major economic infrastructure were driven through state owned enterprises, particularly focused on the port and logistics chains, and the local Richards Bay municipality was subordinated to a strategic agenda driven from Pretoria. This has created a legacy that even today limits uMhlathuze's ability to plan its way out of its problems. (Sutcliffe and Bannister 2016:62) Large enterprises with a tradition of independent operations in the city include BHP Billiton, Richards Bay Minerals, Mondi Paper, Bell Equipment,

Transnet, Tronox and Foskor as well as the National Port Authority. The dominant manufacturing sector (making up a third of the economy) has also drawn people into the area and driven the creation of large informal settlements, exerting pressure on the municipality's ability to deliver basic services and address existing infrastructure backlogs. (Development Bank of Southern Africa 2016:5)

The ANC is in control of the local council with 36 (53%) out of 68 councillors, and there appears to be relative stability in terms of the political and administrative leadership of the municipality, with most senior management positions filled. (Sutcliffe and Bannister 2016:26) This is reflected in the municipal accounts, which have achieved an unqualified audit opinion with no findings for three consecutive financial years. (Baloyi 2017:4) However the ANC's hold on the municipality is tenuous, and even minor electoral shifts in the next local government elections could see it governing in coalition with other parties. There are also some worrying signs of the municipality's subordinate relation to private companies, with National Treasury remarking that "the environment that the city is operating under is such that service providers want preferential treatment when projects are awarded, therefore they object to the awarding of the projects. This delays the implementation of projects even though the City followed the Supply Chain Management processes as per the regulations in awarding the projects." (Baloyi 2017:3) The municipality is also unable to levy property rates in traditional areas owned by the Ingonyama Trust due to it being un-proclaimed land. (Baloyi 2017:4) One of the municipality's lenders notes that unresolved or unprocessed land claims and failed redistribution projects continue to have a negative impact on the municipality. (Development Bank of Southern Africa 2016:11) This is borne out by Sutcliffe and Bannister, who note that Traditional Councils typically do not bother to consult the municipality about settlement planning despite it being the planning authority. (Sutcliffe and Bannister 2016:58) A picture emerges of a subordinated institution that has never assumed its mantle of Constitutional powers, despite a quarter century of democracy. The dominance of large industry appears to have created a particular form of political economy is which control over rents is highly centralised, and lifted out of the domain of local government decision making. Studying the way in which local politics responds to this set of power relations will be instructive.

4.6 LIMITATIONS & ETHICAL ISSUES

As with any form of research dealing with people and extra-legal or even criminal activities, there are ethical issues that must be addressed in the process of conducting the research, including the principle of respect for people (treating them as autonomous decision makers, obtaining informed consent), beneficence (do no harm, make sure that participants of the study do not suffer any ill effects directly or indirectly from the study, maximise benefits) and justice (treating equals equally, making sure that the study group is equitably chosen). The research will need to ensure that the ethical boundaries are established, and that they are not crossed in conducting the study. In doing so I will attempt to anticipate issues which might cross the line of ethical behaviour, in particular relating to the documentation of illegal activities and engaging with respondents who are poor or particularly vulnerable. The study communities have very high unemployment and poverty levels. Simple courtesies which would ordinarily be acceptable, such as providing refreshments, may become undue influences if the subject is especially vulnerable.

The most important ethical concerns relate to informed consent and voluntary participation. In order to ensure informed consent, participants must be given the opportunity to choose what will or will not happen to them (Ryan et al. 1979). The consent process contains at least three elements, these being the provision of sufficient information, comprehension and voluntariness. On occasion there may be grounds for not informing particular respondents of the full purpose of the research, for fear of influencing their stance and attitudes, thus skewing my observations. Instances of incomplete disclosure will be avoided unless it is absolutely necessary, there are no undisclosed risks to subjects, and there is an adequate plan for debriefing subjects (Ryan et al. 1979). The withholding of

information about the nature of the research will not be done for the purposes of obtaining cooperation. Where a direct question is asked about the nature of the research, a truthful answer must be given. Particular care will be taken to distinguish instances where disclosure of information will bias or invalidate the research, versus cases in which disclosure will merely inconvenience myself as the researcher.

Participant observation also brings up the issue of voluntary participation by subjects in events that I will observe and record. An agreement to participate in research constitutes a valid consent only if voluntarily given. This means that the decision to participate must be free of coercion and undue influence. There may be instances when participants do not want to be a part of the study, and may even request that all data collected that relates to them be removed. In this case, I will be obliged to destroy any data that may identify the subject in any way.

There are limitations to the process of participant observation which derive from its intrinsic character, and which need to be acknowledged and accounted for in any analysis. Firstly, the observations of the researcher about the group or associated processes and events reflect the observer's bias, and will never by a full description of the situation (Schwartz and Schwartz-Green 1955). The researcher's own belief systems and world view influence both what is recorded and how it is perceived, which means that whatever data is recorded is selective. It also influences the way in which the data is analysed and interpreted. This can be accounted for through a rigorous process of self-reflection and critique, both in the process of recording my own reactions and responses to events, and in the subsequent process of critique and reflection designed to bring out what might be the inherent bias in my own perceptions, and hence locating my own bias as an observer.

5 CHAPTER OUTLINE

5.1 EVOLUTION OF THE LOCAL GOVERNMENT SYSTEM

This section will describe the evolution of the South African local government system, its governance arrangements and historical power relations. The origins of local government in the colonial and apartheid era local authorities will be described, followed by the 1980s community mobilisation against segregated local administrations, the ushering in of a negotiated local transition, and the post-apartheid decentralisation of state power and resources. The primary drivers (fiscal, institutional, market, power) that had led us to the present will be described. A review of public administration reform and its impact on institutional capacity will include consideration of party - state relationships and their impact on institutional integrity, the changing face of political power at local level with the introduction of greater political competition in the metros, and the main forces behind electoral shifts in municipalities.

5.2 THE LEXICON OF RENT SEEKING

The main purpose of the literature review will be to understand what has been studied about the topics of rent seeking, corruption and state capture to date in order to be able to further knowledge on the topic. Traditional ways of understanding the scale and nature of corruption in Africa will be explored, including patronage systems and corruption as a continent wide phenomenon, its relationship to state institutions and its intersection with patrimonial power relations. The literature review will examine the international debates relating to the core concepts used in the study, and the extent of their relevance to the South African local government context.

5.3 PROBLEM STATEMENT AND RESEARCH QUESTION

The problem statement will outline the main issues arising out of the literature review that need to be addressed by the research. The perceived knowledge deficit within the field of study will describe the boundary between current knowledge and ignorance, and lay the basis for the formulation of the research question. The relevance of the research to our understanding of the state and practical ways of responding to corruption and state capture will be explained.

5.4 METHODOLOGY

The methodology followed in the research process will be described, including its ethnographic, political science and micro-economic roots. The sources of data will be set out, and the section will describe the phases of the research, the epistemological process, and the way that the data will be analysed. Literature relevant to the methodology will be explored.

5.5 FINDINGS

5.5.1 Political Economy of Cities

The political economy of the three case studies will be written up into a consolidated political economy of municipal government. The political economy will attempt to get an understanding of the nature of the local 'deep state' – how real power interacts with municipal governance, what the power relations that underpin municipal governance are, and who is really in charge.

5.5.2 An anatomy of allocation processes

This section will describe the main allocation processes within municipalities, and the manner that value is created within those allocation processes. This will involve a mapping of the steps in the value chain, a quantification of the values created at each step, and a description of the interests which appropriate value. The appropriation of rents will be examined in terms of who appropriates them, what class interests they represent, and to what extent rents accrue to intended beneficiaries. The anatomy of the allocation process will be compared with its stated public policy objectives.

5.5.3 Power relations around rent distribution

The way that rent distribution relates to political power will draw on the ethnographic work of the research. The communities that cluster around rents will be described, including their value systems and internal mode of communication, how their behaviour influences the distribution of rents, and the intersection with party political business models.

5.6 UNDERSTANDING THE POLITICAL ECONOMY OF RENT SEEKING

The theoretical models that are relevant to the research findings will be reviewed and tested against the findings of the research. In analysing the research findings, I will assess to what extent the concept of the political marketplace is applicable in the context of a relatively well functioning political and institutional system such as South Africa. An appropriate analytical model for a middle income country such as South Africa, with high income inequality and widespread rent seeking behaviour, will be elaborated.

5.7 ROLE OF INSTITUTIONS IN SHAPING POLITICAL MARKETS

The implications of the findings for public policy will be teased out. In particular the research will aim to examine under what conditions rent seeking behaviour becomes unproductive and works against public interest. It will also look for ways in which rent seeking behaviour can be curtailed and constrained, and the way that institutions and systems of rules can limit negative impacts.

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