MARKET TRIUMPHALISM AND THE SOUTH AFRICAN STATE: A CASE STUDY OF LOCAL GOVERNMENT IN THE EASTERN CAPE.

By

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Abstract

At a glance, this study is a critique of local development policies with specific reference to the Buffalo City and Nelson Mandela Metropolitan Municipalities in the Eastern Cape. The researcher enters the debate by posing a primary research question: Do the Public-Private Partnerships (PPP) and Broad-Based Black Economic Empowerment (BBBEE) ventures that constitute anti-poverty strategies succeed in addressing the issues of poverty, and achieving more equitable development at the municipal level in the Eastern Cape?

This research proposes a problem statement: The local development policies of PPP and BBBEE that are being applied through Local Economic Development strategies are not in the interests of the majority of people living in the Eastern Cape. At a methodological level this research employs both quantitative and qualitative approaches to answer the central question and to verify the problem statement of this study. This triangulation approach is employed to utilize the strengths of both quantitative and qualitative methods. More specifically, the researcher uses a number of different research instruments to collect the data including four hundred questionnaires, four focus groups and elite interviews in both municipalities.

The findings of this study indicate that local development policies in both municipalities do not improve the lives of the people. This line of thinking is indicated by both the empirical study conducted by the researcher and is supported by a number of scholarly materials. This study contributes to the body of knowledge in Political Economy and Development Studies including other disciplines in Social and Economic Sciences. The central argument of this thesis is that both BBBEE and PPPs are inspired by neo-liberalism (BBBEE is not neo-liberal per se though it may be heavily influenced by it) and neo-liberalism in practice is contradictory in nature as it involves the allocation of state resources to politically influential individuals, rather than promoting economic development for the majority. The evidence of this research further shows that the local business and political elites through the BBBEE, PPPs and outsourcing of services are using their strong networks (associated political, social and capital resources) in their efforts for personal accumulation. The researcher in this study examines the local development policies from a particular standpoint which is a political economy approach. The business and political elites according to political economic perspective use state resources to enrich themselves.
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Declaration

I declare that:

MARKET TRIUMPHALISM AND THE SOUTH AFRICAN STATE: A CASE STUDY OF LOCAL GOVERNMENT IN THE EASTERN CAPE

Is my own original intellectual work, that all the sources used or quoted have been acknowledged by means of complete references, and that this doctoral thesis was not previously submitted by me for a degree at another university anywhere in the world.

Signed: ___________________________
Date: ____________________________
Acronyms and Abbreviation

AIDS: Acquired Immune Deficiency Syndrome
ANC: African National Congress
ASGISA: Accelerated Shared Growth Initiative
AZAPO: Azania People’s Organization
BBBEE: Broad-based Black Economic Empowerment
BEE: Black Economic Empowerment
BCM: Buffalo City Municipality
COSATU: Congress of the South Africa Trade Union
DA: Democratic Party
GEAR: Growth Employment and Redistribution
HIV: Human Immune Virus
IDP: Integrated Development Plan
IMF: International Monetary Fund
LED: Local Economic Development
NMMMM: Nelson Mandela Metropolitan Municipality
NMMU: Nelson Mandela Metropolitan University
PAC: Pan Africanist Congress
PPP: Public-Private Partnership
RDP: Reconstruction and Development Program
SACP: South African Communist Party
SMME: Small Micro Medium Enterprise
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General Introduction

Chapter One

At a doctoral level, the researcher is expected to demonstrate creativity and originality when embarking upon empirical or theoretical research. Research at this stage is meant to push back the frontiers of knowledge. This means to bring to the fore a new understanding about social phenomena or to create new knowledge. Scholars or academics should always be concerned about solving social problems and answering central questions. This means that the academic community is in the business of explaining the world around us. Academic intellectuals should develop scientific theories for purposes of problem-solving. Scholars must at all times display critical thinking (Bak, 2009:50, Hofstee, 2006:3).

Scientific research is not only about data gathering. It is more than that, it encompasses solving practical problems. Both empirical and theoretical research should be informed by a rationale behind the study. Coupled with that should be the articulation of aims of the study. To solve problems the researcher requires a strategy. This refers to research methodology. Equally, thinking skills are required for data interpretation and analysis (Leedy and Ormrod, 2010:3).

1.1 Introductory Background

Since the beginning of South Africa’s democratic transition, the matter of a suitable economic strategy to reverse the effects of decades of apartheid has been among those at the heart of this country’s politics. Quite understandably the first policy response presented was the RDP—a redistributionist economic policy. This very soon gave way to the Growth, Employment and Redistribution (GEAR) approach which elevated a pro-market set of mechanisms, into place, in combination with certain redistributionist measures, including affirmative employment and Broad-Based Black Economic Empowerment (BBBEE). In the years following 1994, South Africa has continued to suffer from low economic growth, and high unemployment, which is clearly not in the interests of the majority of the country’s population. It is against this backdrop that the current research assesses the effects of these policies in South Africa.

The thesis grapples with the notion that local political elites at municipal level subscribe to the idea that in order to address poverty, unemployment and underdevelopment, implementing privatization of services, Public-Private Partnerships (PPP) and BBBEE is an appropriate way for job creation and economic development. The privatization of services; PPPs and BBBEE are elite strategies for wealth accumulation because they benefit both business and political elites, to a much larger extent than the masses of the people at grass-roots level. The research examines two distinct issues. Firstly, and most importantly neo-liberal market reforms, concentrating on
PPPs and then comparing these with the counter market movement towards government intervention, via the promotion and support of BBBEE enterprises. It must be noted that in as much as PPPs certainly are an element of neo-liberalism in the public sector, BBBEE is not easily associated with it. Municipalities, in terms of government policy, may retain the same formal procurement procedures, without necessarily outsourcing more than before, and nonetheless, add further provisions, that BBBEE enterprises should receive preferential treatment in the allocation of outsourced contracts. As such, this represents greater government regulation, not less, and cannot be unproblematically equated with neoliberalism, though they may be heavily influenced by it. They are business-friendly economic policies for maximization of profit and individual acquisition of wealth, but they have been applied in conjunction with some distinctly different policies in respect of racial preferences, and very strong labour protection. In their own right the regulatory aspects of BBBEE, lend themselves to corruption and accumulation by the new elite.

In this debate it is critical to provide a context that explains the background surrounding the neo-liberal model of development in the new South Africa. Local and international scholars tend to argue that it is evident that the post-Cold War world has entered a neo-liberal economic order that espouses the vigorous involvement of the market within the domain of the state and involves the ‘rolling back’ of the state. Francis Fukuyama refers to the post-Cold War context as an era of ‘market triumphalism’ (1992:1-3), signifying that neo-liberalism is the dominant ideology at the time of his writing.

Critics of neo-liberalism argue very strongly that the neo-liberal economic orthodoxy is the underlying cause of the impoverisation of the working class across the globe. Neo-liberalism also lies at the heart of globalization. Neo-liberalism is often associated with economic globalization, and is seen to exist in synergy with it, so that the spread of neo-liberal ideas reinforces the process of globalization, and the promotion of market forces around the world, and global institutions such as the World Trade Organization, International Monetary Fund and World Bank are seen to promote market forces through their policies. This results in governments being discouraged from formulating policies which are meant to regulate markets or the economy. Critics of globalization hold a view that the domination of businesses in world affairs is a profit-driven process which benefits only a tiny minority of people who own the
means of production. Hence, globalization is regarded by those to the left of the political spectrum as an unfair process, because it causes a highly uneven and unequal process of economic liberalization. Among other things, neo-liberalism advocates the privatization of services or state assets, PPPs and the relaxation of labour laws, etc. It seeks to promote the market at the expense of the state (Harvey, 2005:1-7).

Soon after the political settlement of 1994, the South African government quickly moved to consolidate its economic strategy in the form of the GEAR program. The rationale behind this move according to the proponents of the GEAR policy was to stabilize the South African economy. The ANC-government realized the need for the previously disadvantaged to be empowered economically, and affirmative action was included in public policy to correct the imbalances of the previous regime. Central to this approach is BBBEE, which is implemented within the context of affirmative action. The BBBEE policy also outlines the criteria that are to be applied by state agencies in procurement, licensing, concessions, PPPs and sale of state-owned assets (Butler, 2007:347, Padayachee, 2006:1).

More often than not in South Africa both BBBEE and PPPs are hybridized. For instance, PPPs often involve BBBEE enterprises. The South African government established a Code of Good Practice for BBBEE in PPPs at local government (National Treasury RSA, 2005: 43-44). The PPP model is the coming together of both public and private institutions with the aim of rendering services to the people. Business takes the lead in providing services and does the work for profit. The usage of PPPs signifies that governments across the globe who are following neo-liberal policies subscribe to the notion that economic development can best be brought about through market forces.

The BBBEE model is not unproblematic however, and is undermined on a large scale by white-owned enterprises presenting non-white individuals as part of their establishments in order to comply with the letter of the law, but flouting its spirit (Bond, 2006:39). Consequently, the impact of BBBEE has been marginal in improving the lot of Black South Africans. The reverse side of the debate on BBBEE has it that the policy marginalizes the participation of white South Africans in the economy. Many highly skilled white South Africans have also left the country, citing these discriminatory policies as the main reason for their leaving. Again, although both
BBBEE and PPPs are perceived by policy-makers to be a way of modernizing and liberalizing the public service, they often are designed in ways owing more to political exigencies than opening up opportunities for the poorest of the poor. Furthermore, BBBEE entrepreneurs especially those who have been empowered through PPPs have benefited from patronage.

The BBBEE debate in this research will be raised within the context of local government in the Eastern Cape. Moreover, experience in South Africa with regard to ‘GEAR-related policies’ such as BBBEE shows that PPPs suffer from problems that afflict privatization and procurement. The tendering process at local government level lacks transparency and cronyism is prevalent in the Eastern Cape Municipalities. Only those who are politically well-connected (people who have friends and relatives in government) succeed in obtaining tenders of very high value, despite the fact that they may often lack the expertise to render services (Farlam, 2005:33). In some instances, municipalities are awarding PPP tenders to black companies who do not comply with the BBBEE scorecard. PPPs, the outsourcing of services and privatisation are inspired by neo-liberalism; and neo-liberalism in practice is contradictory in nature. It involves the allocation of state resources to politically influential individuals, rather than promoting economic development for the majority. If the yardstick of development is the upliftment of the masses, then neo-liberalism in this context is counter-productive.

The International Monetary Fund and World Bank have influenced the implementation of privatisation of services such as water and electricity in South African municipalities (McDonald and Pape, 2003:2). Because of such privatization, poor people at local government level will not be able to afford these services. This is a violation of human rights, particularly socio-economic rights, as stipulated in the Constitution of the Republic of South Africa, Act 108, 1996. The privatisation of services at local government level marginalizes the working class and prevents it from enjoying the benefits of democracy, which is not only about political rights such as a right to vote etc, but is also about second generation, socio-economic rights of poor people, and access to basic needs.

The implementation of these policies have inevitably led to a backlash. Anti-neo-liberal social movements have been established post-1996 throughout the country to resist the neo-liberal economic framework. Organisations such as the Anti-Privatisation Forum (APF), Treatment
Action Campaign (TAC), Abahlali baseMjondolo, Landless peoples movements, Jubilee, Unemployed People’s Movement and Western Cape Anti-Eviction Campaign are among the grass-roots movements who are opposing government’s development strategies at local government level in South Africa. This dramatic groundswell of opposition represented a new mass-based phase in the politics of the new South Africa (Ngwane, 2007: 18).

1.2 The rationale of the study

The idea of building a large middle class lies at the heart of neo-liberalism; based on the notion that business people and professionals are the drivers of modern economies. This thinking postulates that economic growth and the creation of the middle class is the best strategy for addressing poverty through job creation. Yet paradoxically, in South Africa, the viability of the middle class has been eroded by higher local costs to a relatively small tax base. Municipalities throughout South Africa are full of smaller businesses that claim to have been put out of business owing to non-payment from provincial, national and local levels of government, or the restrictive administrative burden imposed by the requirements of BBBEE policies.

Poverty and underdevelopment have been escalating in South Africa since the ushering in of the neo-liberal policies under the ANC government. According to research conducted by Holborn (of South African Institute of Race Relations), the Gini co-efficient (a parameter that examines disparities) indicates that inequality in South Africa has increased since 1996. She goes on to say that the Gini co-efficient was 0.62 when the GEAR policy was adopted in 1996. However, in 2009 it increased to 0.65. Additionally, in 2009 the racial group with the lowest Gini co-efficient in South Africa was white people with a measure of about 0.45. Disparity was worst among black people, with a co-efficient of about 0.68 (2010:181).

People who are part of the black middle-class clearly stand to gain from BBBEE and PPPs, while the black industrial working class stands no chance of participating in the economy of South Africa (Nattrass and Seekings, 2006:30). This indicates clearly that neo-liberalism as a model of development is not achieving its policy intentions. Against this background, this study intends to examine local development policies, and the response to them, within the context of local government in selected municipalities in the Eastern Cape. More specifically, this will be done
by discussing BBBEE, privatization of services and PPPs at local government level. The pervasiveness of neo-liberalism in the post-apartheid South Africa is linked to the ushering in of the GEAR strategy; because both espouse a market driven-approach to economic development.

According to the work of Ben Fine and Zavereh Rustomjee (1996), Ben Fine (1998, 2001) Hein Marais (1998, 2008, 2011), Patrick Bond (2000, 2001, 2006, 2008), John Saul (2002), Neville Alexander (2002), Chris Landsberg (2004), David Harvey (2005), Ben Turok (1999, 2008), Hugo Noble (2003), Buntu Siwisa (2006), Naomi Klein (2007), Mahmood Mamdani (2009) and Edward Webster (2009) social disparities in South Africa are attributed to the macro-economic policy of government adopted in 1996. At the level of popular discourse, the GEAR policy signified a shift away from the people-centered development approach of the RDP to a more a growth-centered approach which, if left unchecked would benefit only a few ANC members.¹ President Thabo Mbeki’s brother Moelesi Mbeki has argued that both GEAR and BBBEE have enriched only the few. Moreover, given the seriousness of this set of issues, there is a real need for more empirical research, to which this thesis intends to contribute. Lastly, this study intends to shed some light on the current policies implemented against the backdrop of local government. There is a tendency, in some of the critical literature, as well as in the public debate, to include the whole set of policies as constituting a simple neo-liberal package, which is problematic. There is an invidious interdependency between the two tendencies. Although the BBBEE elements may be seen to be antithetical to free-market strategies, they in fact rely on those free-market elements to remain effective.

1.3 Problem Statement
Arising from the previous debate on the background and motivation of this study is a statement of the problem pertaining to this research: The research statement reads as follows:
The local development policies of Public-Private Partnership and Broad-Based Black Economic Empowerment that are being applied through Local Economic Development strategies are not in the interests of the majority of people living in the Eastern Cape.

Subsequent to this descriptive problem statement, it must be noted that the ‘GEAR-related policies’ are ‘created, reproduced and sustained at local government by a range of local policy

¹ See also the work of (Davids et al, 2005:44) on this matter
actors’, and encouraged and supported by the International Monetary Fund and the World Bank.

1.4 Primary Research Question
This study poses a number of questions related to the research context. The central research question of this study is: Do the Public-Private Partnerships (PPP) and Broad-Based Black Economic Empowerment (BBBEE) ventures, which constitute anti-poverty strategies, succeed in addressing the issues of poverty, and achieving more equitable development at the municipal level in the Eastern Cape?

1.5 Research Objectives
First and foremost, the principal objective of this study is to provide an in-depth analysis of the market-friendly policies at local government level. This will be done by providing a closer examination of the extent of BBBEE, PPPs and the outsourcing of services in selected municipalities in Eastern Cape; which South African local government authorities are required to follow. This will include examining their theoretical underpinnings, and the documents/legislation which set them up, their objectives, the extent of their use, their possible incompatibility and any formal evaluation of them which have been carried out in two metropolitan municipalities in the Eastern Cape. These municipalities include Buffalo City and Nelson Mandela Metropolitan Municipalities which will enable the researcher to make a comparison of the implementation of neo-liberal inspired policies, at these metropoles.

Secondly, this research is aimed at examining whether neo-liberalism as a model of development is seen to be able to eradicate poverty, create jobs, and promote development; or only benefit a tiny minority of people (mainly well-connected business people) who are associated with the ruling party in the municipalities under the spotlight in this study. We will shed light on some of the difficulties inherent in the popular discourse around the concept of neo-liberalism as applied to local economic development in the Eastern Cape. This will be done by developing a scholarly argument that explains how elite policy strategies such as BBBEE and PPP within the context of local government are promoting elite wealth accumulation by a certain few individuals.
1.6 The research standpoint

The main purpose of this section is to assert and justify the theoretical approach and its assumptions which are used by the researcher to analyze and interpret the findings of this research. The ontological approach adopted by the researcher in this study is the phenomenological or interpretive paradigm, in which the researcher interprets the facts from a particular set of theoretical and ontological assumptions. Within this approach, the researcher has chosen to examine the local government model of economic development from the particular standpoint of political economy. This approach is seen to be relevant because, among other things this study provides a critique of the structural relationship between the business community and the political environment. Political economic analysis is seen to be relevant because it enables the researcher to develop a deep understanding of the issues examined here.

Political economy in this study is defined as an approach that focuses on the interaction of state and market and it examines the structural arrangement of capital and the political elites. It is therefore interested in the outcomes of the relationship between political leaders and the business community on the people at grass-roots level. The approach explores very closely how the political and business elites utilize certain strategies for individual acquisition of wealth at the expense of the poorest of the poor (Fine and Rustomjee, 1996: 121, Przeworski, 2003:11-13, Martinussen, 2004:237, Will, 2005:12-29, Chomsky, 2010:91).

Elites, according to the political economy perspective, are using state resources to enrich themselves. More specifically, the political economy paradigm focuses on how business and political elites, through economic policies such privatization or outsourcing of services, are using their strong networks (associated political social capital resources) in their efforts for personal accumulation. Therefore, an examination of the application of local development policies by the local political elite at local government level is extremely relevant.

The political economy approach concentrates on the allocation of resources in society. Again, this approach focuses on how the relationship between the political institutions and the economic environment creates scope for corruption. The political economy perspective is an interdisciplinary approach which integrates politics and the economy. For example, it grapples

1.7 Research Methodology

This study uses both qualitative and quantitative methods, as well an analysis of the records of the two municipalities (Buffalo City and Nelson Mandela Metropolitan Municipality), in a triangulated approach. The concept ‘triangulation’ was developed by Denzin and refers to the employment of different approaches of data collection and analysis in a single study (Mouton and Marais, 2011: 91, 1991:91). These approaches do not compete, but they complement one another in a research project where, based on their different strengths, they are intended to reinforce the reliability of the results (Neuman, 2003:139, Leedy, 1993:145).

Babbie argues that ‘recognizing the distinction between qualitative and quantitative research doesn't mean that you must identify your research activities with one to the exclusion of the other. A complete understanding of a topic requires both techniques’ (2004:28). This thesis uses data-gathering techniques associated with both the qualitative and quantitative paradigms. A questionnaire-based survey (quantitative instrument) is administered in both the metropoles being examined, and a series of semi-structured interviews with various specialists will be conducted to provide greater depth and understanding (qualitative instrument). These are triangulated with data extracted from documents and statistics to provide a complete picture. In this study, therefore, both qualitative and quantitative methodological approaches have been employed, with the aim of obtaining a clear understanding of ‘GEAR-related policies’ within the local government context. The two selected municipalities in this study were chosen because both of them are categorized as metropolitan and this will enable the researcher to make a comparison of the implementation of local development policies, at these metropoles.
1.8 Research Sample

When the researcher chooses the people to participate in empirical research he or she is drawing a sample. One needs to distinguish between a research sample and the population of the study. On the one hand, population generally refers to the people who are studied. On the other hand, they contend that research sample refers to a group of people who are drawn from a population (Manheim and Rich 1995:107, Babbie, 2004:108). This study has employed two sampling techniques; because the researcher employed focus groups, elite semi-structured interviews and a survey as methods of data collection. Firstly, in collecting qualitative data, the researcher used a purposive sample.

Purposive sampling is entirely utilized based on the personal judgment of the researcher in that a sample is composed of the most characteristic representative or typical attributes of the population. There are three reasons for employing a purposive sampling technique in this study:

1. Purposive sample is chosen for a specific purpose.
2. Sample gives insights into a particular issue related to the study area.

Fifty participants were asked to participate voluntarily in this study with regard to qualitative data collection. These participants were drawn from working class and middle class backgrounds. All the participants were residents of the selected municipalities in the Eastern Cape (Buffalo City and Nelson Mandela Metropolitan Municipality). More specifically, these participants included relevant municipal officials (who are knowledgeable about BBBEE and PPP, etc), owners of businesses (who are doing business with municipalities), academics (who understand BBBEE, PPP and LED policy) and ordinary people who are residing in Buffalo City and Nelson Mandela Metropolitan Municipality. Secondly, in collecting quantitative data, this study employed a random sampling technique. Babbie (2004:2001) states that random sampling is a basic technique used in statistical computation of social research. He goes further to say that random sampling is a probability method in which the units composing a population are

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2 See also the work of De Vos et al (2009:192)
assigned numbers. He concludes by saying that ‘a set of random numbers is then generated, and the units having those numbers are included in the sample’ (ibid).

A random sampling technique is a form of ‘probability sampling’. Random sampling is a technique that draws on all the elements of a population when selecting a sample. It must be noted that the random sampling technique in this study was used together with the stratified sample technique. This was done to avoid bias. With regard to stratification, a stratified sample technique is employed when the researcher groups together all the respondents into clusters or groups and divides them into one sample. When using stratification as a sampling technique the respondents should be divided into different groups before selecting the final sample of research (Neuman, 2003:223, Brynard and Hanekom, 2005:44, McMillan and Schumacher, 2006:119).

By implication this means that stratification is used alongside random sampling techniques. The researcher acquired the statistics of the people of Eastern Cape from the Nelson Mandela Metropolitan Municipality. In this study, the researcher grouped all the people into clusters and drew a random sample. This sample was drawn from all the elements of the population of the selected municipalities in this study. It reflected the demographics of the population of the Eastern Cape Province. Among other things, the research respondents included Asians, Blacks, Coloureds and Whites. Four hundred respondents were requested to participate voluntarily in this random sample. More particularly, these respondents included relevant municipal officials (who are knowledgeable about BEE and PPP, etc), owners of business (who are doing business with municipalities) and ordinary people who are residing in Buffalo City and Nelson Mandela Metropolitan Municipality. In effect, as the data was collected, saturation was observed quite early in the process, with data increasingly falling into certain categories, but the full sample was nevertheless utilized.

1.9 Research instruments for data collection

With regard to qualitative data collection, the researcher arranged four focus groups in both selected municipalities. This included Nelson Mandela Metropolitan Municipality and Buffalo City (East London, Bisho and King Williamstown). Each focus group was constituted by ten
participants. The researcher facilitated all the deliberations in the focus groups. According to Manheim and Rich (1995:370), focus groups are normally constituted by four to ten participants who are interviewed at the same time. Focus groups can be arranged in a way that is unstructured or semi-structured. Moreover, the focus group is a qualitative method of data collection which is organized by the moderator or facilitator. The thinking behind any focus group discussion is to thoroughly investigate how people perceive socio-political issues. Focus groups can be employed by different researchers in different context (ibid).

Normally the moderator in the focus group brings a list of questions to trigger robust engagements. Before one can employ the focus group method one needs to be grounded in the qualitative tradition. Focus groups are directly linked to interpretivism (Bless and Higson-Smith, 2000:110, Wills, 2007:6). This implies that the researcher has to interpret the findings of the focus group discussions. Interpretivism is a hallmark of the qualitative approach. This is the centrality of the qualitative approach. It is worth noting that no researcher can employ a focus group method without understanding the importance of interpretivism. On the one hand, in Nelson Mandela Metropolitan Municipality two focus groups were held. The first focus group was held was in Zwede township in Mbane street. The focus group was organized and moderated by the researcher as the fieldworker of this research. It was constituted by ten participants. All the participants reside in Zwede Township, Port Elizabeth. The second focus group was also arranged and facilitated by the researcher. This focus group was held in Algoa Park in Port Elizabeth. It consisted of ten research participants. It is worth noting that Algoa Park is a formerly white area. Both these focus groups lasted for two hours.

The same happened in Buffalo City; the researcher organized two focus group deliberations; because both municipalities (Nelson Mandela Metropolitan Municipality and Buffalo City) are metropolitans and have a sizable number of residents.3 The first focus group in Buffalo City was held in Bisho in Lolo Park. This focus group was constituted by ten participants. This focus group discussion lasted for an hour. The second focus group in Buffalo City was held in East

3 For both municipalities the researcher organized focus groups with an aim of getting a deeper understanding of PPPs and BBBEE from the perspective of the participants. The researcher utilized this approach of focus groups (same number and size) in both metropolitan municipalities to strike a balance in terms of what is really happening on the ground; with regard to the implementation of PPPs and BBBEE.
London and lasted for two hours with ten participants. All these deliberations were facilitated by the researcher as the main research instrument. The rationale behind these focus groups was to provide an in-depth analysis of the phenomena examined. All the focus groups deliberations lasted for two hours. Neuman follows the same thinking when he argues that focus groups allow participants to express themselves freely (2003:396). Semi-structured elite interviews were conducted with officials and politicians who are assumed to be in a position of authority in Buffalo City and Nelson Mandela Bay, and were for that reason in a better position of knowledge about challenges facing poor people in the selected municipalities. Furthermore, the researcher has undertaken three elite semi-structured interviews with academic intellectuals of the Nelson Mandela Metropolitan University, University of Fort Hare and Rhodes University. These academics were selected based on their relevant expertise and provided an in-depth analysis of the phenomena examined. The researcher organized different elite semi-structured interviews with scholars, policy analysts, politicians, public officials, political activists and consultants of local government in the Eastern Cape. A qualitative interview is an interaction between an interviewer and a participant in which the interviewer has a general plan of inquiry but not a specific set of questions that must be asked with particular words and in a particular way (Babbie, 2004:300).

More specifically, the elite interviews in the study included the African National Congress (ANC) leaders, Azanian People’s Organisation (AZAPO), Democratic Alliance (DA), Pan Africanist Congress (PAC) leaders, South African Communist Party (SACP) leaders, Alternative Information Development Centre (AIDC) social movements in Eastern Cape. These individuals were selected based on their political background and profound understanding of political and economic issues. Manheim and Rich assert that participants are called elite when they have a specialized knowledge or profound understand of a specific situation. According to them, elite interviews do not only refer to status of the interviewee but it refers to information available from the participants. They point out that the available information could help the researcher to answer the central question of the study (1995:161-162).

In addition to the three elite interviews with academics; the researcher also interviewed seven other participants. More specifically, these participants were policy analysts, politicians, public officials, political activists and consultants of both municipalities. All in all, the researcher conducted ten elite semi-structured interviews in this study.
With regard to quantitative data collection, the researcher distributed four hundred questionnaires\(^5\) to the respondents in Buffalo City and Nelson Mandela Metropolitan Municipality. The questionnaire formed part of data collection for the survey of this study. The questionnaire for the survey was twofold. Firstly, it concentrated on biographical data, race, class, age and gender. It is of paramount importance to examine these variables when embarking upon quantitative research. The rationale behind this is to obtain the statistics about the demographics of society. Secondly, the questionnaire provided closed ended likert scale; questions which were purely quantitative in nature. This made it easier to analyze quantitative data. This questionnaire was designed by the researcher. These questionnaires were self-administered and emailed to respondents during the data gathering process of this survey. There are two reasons for using both self-administered and emailed questionnaires in survey research. Firstly, self-administered questionnaires give the researcher an opportunity to provide background to the study and explain thoroughly questions that might be unclear to the respondents. Secondly, mailed questionnaires are less costly and they give the respondents maximum freedom to take time in completing the questionnaire. A questionnaire enables the researcher to reach out to a sizeable number of people in a huge geographical area (Brynard and Hanekom, 2005:38, De Vos et al, 2009:167-168). Thus, it was relevant for this study because it focused on two municipalities in the Eastern Cape Province.

These questionnaires were given to relevant municipal officials (who are knowledgeable about BBBEE and PPP’s, etc.), owners of business (who are doing business with municipalities) and to ordinary people who are residing in Buffalo City and Nelson Mandela Metropolitan Municipality. With respect to survey research, a survey is a technique of data collection in which respondents are drawn from a large population of a particular area. Again, surveys are by and large meant to provide background information about the respondents, perceptions of people about political, economic, social, cultural, moral and religious issues, etc. Questionnaires and structured interviews are normally employed as research instruments during surveys. The researcher should always draw his or her sample in survey research from a large population (Manheim and Rich, 1995:129, McMillan and Schumacher, 2006:25).

\(^5\) See (Appendix B) with respect to the questionnaire
When employing a survey as a method of data collection researchers should ask respondents similar questions. Survey research is meant to test the hypotheses by examining the variables. Furthermore, survey research is good for measuring the opinions of respondents that reflect the demographics of society (Neuman 2003:267, Babbie, 2004:179-181, Babbie and Mouton, 2005:232).

1.10 Ethical Considerations

It is of paramount importance for natural and social scientists to uphold the ethical values of the academic or scientific community. Neuman points out that the scientific community is a group of people who share the same values that bind them as researchers, scholars or academic intellectuals. He goes on to say that the scientific or academic community is guided by a set of rules of professional values that researchers and scholars learn and uphold during many years of studying at university (2003:8-9). With respect to this study, all participants and the respondents of this research participated voluntarily without being forced by the researcher. None of the participants or respondents was intimidated to participate in this study. The investigator of this research wrote an informed consent letter to all those who participated in this study (see Appendix A).

There were people who declined to participate in this study. Those individuals who were not interested in taking part in this study were allowed to withdraw without any intimidation whatsoever. The researcher stated categorically in the informed consent letter that all the names of the participants and respondents would be kept anonymous. Moreover, the researcher assured all the participants and respondents that the information they revealed was to be kept confidential. All the participants in semi-structured interviews were informed on time that the researcher was going to use a tape recorder. It was explicitly explained that the information gathered in this study would not be used against them.

1.11 Reliability and Validity of the study

A triangulation approach was employed in this study to ensure validity. Research experts from various academic disciplines at Nelson Mandela Metropolitan University were consulted to
verify whether the researcher had not made a mistake in making transcriptions. This was done subsequent to the collection of data of this study. Botes (2003:181) asserts that triangulation serves as confirmation of data by employing more than one approach of data collection, ‘more than one source of data analysis and more than one perspective’. With regard to reliability, this means the researcher is able to use a research instrument in a similar situation. Reliability means that one needs to be consistent when collecting data. Reliability also does make room for the researcher to apply the data instrument to a similar group elsewhere. This is of paramount importance in quantitative research; because this methodological approach enables the researcher to generalize the findings of the study (Mouton, 1998:144, Babbie 2004:144).

1.12 Data Analysis

With respect to qualitative data, the researcher presented this data by employing a thematic approach. These themes are discussed by utilizing a content analysis approach. Furthermore, the statements of the participants are quoted word for word and are coded in order to get an in-depth understanding of phenomena examined. Qualitative data analysis in this research is done by interpreting the words of the participants. Examining the whole picture or context could be said to be a strength of qualitative research. It must be noted that the researcher in this study used a tape recorder during the qualitative data collection in focus groups and face to face, one on one interviews. Subsequently the researcher made verbatim transcriptions. With regard to quantitative data, the researcher has consulted two qualified statisticians in order to analyze the quantitative data. These two experts are Dr. Jacques Pietersen and Mr. Danie Venter based at Nelson Mandela Metropolitan University within the Unit for Statistical Consultation (USC).

However, Mr. Danie Venter was only involved in the initial stages of drafting the questionnaire. He provided expert advice with regard to the quantification of data and assigning numbers to the questionnaires. Data capturing or entering data to the micro-software spreadsheet was done by the researcher. It is the principal responsibility of the researcher to do this part of the work. Quantitative findings are presented in a form of tables and graphs, etc. The researcher in this study employed a software computer program called Statistica. The purpose for utilizing

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6 After data capturing the researcher forwarded the data electronically to Dr. Jacques Pietersen so that he could use graphs and pie charts through the Statistica program. Nonetheless, the analysis and the interpretation of data was done by the researcher himself not by the statisticians.
this computer program was to quantify the data. The main reason for using this software program was that it is user-friendly. Statistica is one of the best software computer programs for data analysis. It encompasses a number of statistical techniques and has many graphical designs (Blanche, Durrheim and Painter, 2006:193). However, it must be borne in mind that computer software for quantifying data cannot do everything for the researcher. The researcher can use sophisticated graphical designs which explain variables in a quantified way, but equally the researcher has to use his or her ‘equipment of the mind’ to interpret the quantitative data in order to solve or answer the research question or verify the hypothesis (Leedy and Ormrod, 2009:284). At a glance, the next section will provide context to the study by examining the history of local government and neo-liberalism in the new South Africa.

1.13 Neo-liberalism and local government

In this section the writer will briefly discuss the restructuring of municipalities in post-apartheid South Africa; because local government is the focus of this study. Secondly, the researcher will also briefly highlight the intellectual history of neo-liberalism and move from the international arena to the South African context. Subsequently, this section will outline the thinking behind the policy framework of BBBEE and PPPs at local government level. It must be noted that local development policies within the context of local government in this thesis will also be discussed in chapter four in more detail. The aim of this section is to introduce the reader to a brief history of BBBEE, PPPs, GEAR and the neo-liberal slant in South Africa in a more systematic, logically argued fashion. Most importantly, the researcher will show in the following discussions that not much scholarly work has been done on how municipalities are promoting and reinforcing neo-liberal policies and practices in post-apartheid South Africa. Thus, this research is intended as a distinctive contribution to local and international scholarship.

With respect to local government, the political transition to democracy in South Africa has brought about a number of changes such as the restructuring of municipalities post-1994. During the apartheid era municipalities in South Africa were created along racial lines with services delivered unequally across the racial divides. White people had their own municipalities with better resources than the other groups in South Africa. In fact, local government and services were delivered differentially, with Black South Africans receiving the least, and Whites
the best services, with Coloured and Indian people receiving intermediate levels of service. At the Multi-Party Negotiations in 1991, a platform was created for discussions around local government. This was called the Local Government Negotiations Forum (LGNF). In this forum it was agreed by different political parties that the Local Government Transition Act, 1993 (Act 209 of 1993) be formulated as a policy to pave a way for the restructuring of local government in the new South Africa (Cloete, 1995:285-288).

In the year following the first democratic general election, local government elections were held throughout the country. In 1995, South Africa had 1200 municipalities and these were reduced to about 880 municipalities due to the formulation of Local Government Demarcation Act, 1998 (Act 27 of 1998) and later on municipalities were again reduced to 283; with 6 Metropolitan municipalities (Maphazi, 2012: 35). In 1998, the South Africa government passed a White Paper on Local Government focusing on the restructuring of local government. The White Paper (1998:1) argued, following the Constitution of the Republic of South Africa of 1996 (Act 108) that municipalities are closer to the people on the ground; and that South African municipalities should therefore espouse the values of developmental local government. According to the White Paper on Local government (1998:12), the concept of developmental local government commits municipalities to work alongside their citizens by growing the economy and promoting development.

This implies that municipalities have a responsibility to respond to socio-economic problems of the inhabitants, and it is therefore the mandate of local government throughout the country to improve the lives of the people. This should happen by creating jobs and reducing the gap between the ‘haves’ and the ‘have-nots’.

1.14 IDPs and local economic development

The notion of development in South African municipalities is directly linked to an Integrated Development Plan (IDP). The IDP is a strategic plan required of all the South African municipalities. It is intended to be a road map of municipalities for economic development. The Integrated Development Plan was an idea that emanated from the International Monetary Fund (IMF) and World Bank during the early 1990s. The IMF, World Bank, USA, England, Germany
and academics, both local and international, have developed the concept of the IDP. It has become clear that pro-market ideas are at the heart of IDP. The IDP requires that the private sector should take the lead with regard to development at local government. There is an assumption that this will lead to a trickle-down effect of economic development, job creation, and benefit the population as a whole (Harrison, 2006:188).

According to the Local Government: Municipal Finance Management Act 56 of 2003 (2003:39), the IDP must be linked to the budget of the municipality and reflect the macro-economic policy of the national government and provincial government development plan. This implies that the IDP is expected to be in line with the National Spatial Development Perspective (NSDP) and the Provincial Growth Development Plan (PGDP). The table below demonstrates how development policies in all three spheres should be linked to each other:

<table>
<thead>
<tr>
<th>Macro-Economic Policy</th>
<th>National Spatial Development Perspective</th>
<th>Provincial Growth Development Plan</th>
<th>Integrated Development Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Eastern Cape: Office of the Premier, 2012:6)</td>
<td></td>
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</tr>
</tbody>
</table>

All the plans have the intended objectives of service delivery and improving the lives of the people. At a glance, the macro-economic policy is a plan that guides the government of the day on how to distribute wealth, create jobs, attract investment, engage in trade with other states and promote development. The macro-economic policy and the National Spatial Development Perspective (NSDP) are both designed by the national government. The NSDP is drafted for a five-year period. Over and above, it argues that economic growth should lead to job creation. In the main, these jobs are expected to be created by the private sector. The PGDP is drafted at provincial level to assist the national government in respect of promoting development. Again, the PGDP is a development policy for each and every province in South Africa linked to the Millennium Development Goals set out by the United Nations for reducing poverty by half by 2014. The IDP also comes into play in this context because it serves as a five year vision for the
economic development of all the municipalities in South Africa (National Spatial Development Perspective, 2003: 1 and 2006: 4).

The IDP is intended to be in line with the Local Economic Development (LED) plans of municipalities in South Africa. The LED municipal program is implemented within the context of an Integrated Development Plan (IDP) at local government level. All in all, LED is the coming together of business, community-based organizations and government with an aim of tackling unemployment, accelerating economic growth and the eradication of poverty at the municipal level. Within the South African context LED refers to initiatives undertaken at local government level by different partners to address socio-economic problems. LED has of late become the responsibility of municipalities working alongside different sectors of the society. The LED policy is concerned about the economic stability of municipalities. Over and above that, LED focuses in the main on the creation of jobs by attracting foreign direct investment in order to meet the needs of the inhabitants (Blakely and Leigh, 2010:215, Phutiagae, 2007:133).

Each and every municipality has the right to formulate its own LED policy geared towards the development of its people. LED strategies throughout South African municipalities support the PPP model for service delivery.

The PPP model is the coming together of both public and private institutions with the aim of rendering services to the people. Business takes the lead in providing services and does the work for profit. The usage of PPPs signifies that governments across the globe who are following neo-liberal policies subscribe to the notion that economic development can only be brought about through market forces. The implementation of the PPPs was first seen in England and the United States of America for service delivery during the early 1980s. The PPP model is perceived by its critics to be another way of private accumulation of wealth by capital; because it benefits a tiny minority of people who have strong political links with the powers that be.

The motivation behind the PPP model was to make service provision cheaper. Instead of government rendering the services, it outsources some of its responsibilities to the private sector in terms of services delivery (National Treasury RSA, 1996:83). This is in line with the pro-

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7 See also the work of Binza (2009:5) on this matter
market principle that productive enterprises should confine themselves only to their ‘core business’, and outsource non-core competencies. In other words, government should outsource the provision of services. The South African government has developed a policy framework that makes it possible for municipal, provincial and national institutions to engage in Public-Private agreements. A Code of Good Practice gives clear guidelines about each element of private companies’ BBBEE equity structure, management, subcontracting, and local socio-economic development (National Treasury RSA, 2005: 43-44).

There is a common denominator in South African municipalities, which is the thinking that LED should include anti-poverty strategies such as BBBEE, PPPs and privatization or outsourcing of services for job creation. The local political elite are assuming that the ‘GEAR-related policies’ will in the end promote development for all the people. The BBBEE policy is applied when municipalities are using outsourcing of services and the PPP model for service delivery. This is the strategic approach of the ANC government to encourage maximum participation of black people in the economy. Thus, affirmative action was brought to the fore as a public policy. According to the African National Congress (2004:1), it was the ANC who put affirmative action on the agenda in the new South Africa. There had been two countries in the world that had implemented affirmative action prior to South Africa; these countries are Malaysia and the United Stated of America.

The intellectual mainspring for the ANC government affirmative action policy can be found in the policies of the Malaysian majority party, the Bumipetera, after 1969, and the policy adopted by the United States of America in 1968. In Malaysia, the argument has been made that only the elite have benefited from affirmative action (Pottinger, 2008:212). Equally, the same argument has been made about affirmative action in South Africa. The critics of BBBEE and affirmative action in South Africa have argued very strongly that these policies only benefit the middle class and those who are politically connected. The ruling party in South Africa sees affirmative action as a public policy for transformation in both the public and the private sector.

Again, the African National Congress believes that affirmative action is a policy for the deracialization of the economy of South Africa. This implies that this policy is meant to increase the maximum economic participation of the historically disadvantaged. Affirmative action
means different things to different people. For some it means the general elimination of discrimination and the application of the merit principle when making decisions regarding employment. Moreover, affirmative action refers to equal results or the redressing of wrongs caused by the past regime (Nel 1997:9).

Among other things, affirmative action embraces Broad-Based Black Economic Empowerment. Gevisser argues that BBBEE should be perceived as President Thabo Mbeki’s transformation agenda. He goes further to say that the BBBEE charter aimed, on average, for 25% direct ownership of equity by blacks by 2014, ‘but by 2006 these targets would still be way off, black ownership hovered at around only eight per cent’ (2007:584). This raises the question of whether BBBEE would achieve its policy outcomes as outlined in the charter. The South African government also established a Code of Good Practice for BBBEE in PPPs at local government (Department of Trade and Industry, 2004:3-7).

Both BBBEE and PPPs are implemented within government’s Growth Employment and Redistribution policy framework (GEAR). This is widely considered to be a market-friendly policy strategy. Among other things, it encourages the government to privatize state assets. Unfortunately, the South African economy has performed dismally since 1996, when international competitiveness became the overriding aim via the GEAR strategy (Bond, 2006:5). For instance, South Africa’s unemployment rate, while at 19% in 1996, rose to 30% in 2002, though it has eased slightly since then (UNDP, 2012:5). The long-term economic growth rate has been estimated at 3.5% under the current policy environment (ibid). As regards competitiveness, according to the Swiss Institute of Management Yearbook (2011), after having fallen eight places, South Africa only ranks fifty-second out of fifty-nine countries ranked.

One needs to provide context around the GEAR policy in South Africa. In preparation for the first democratic election, the African National Congress (ANC) used the Reconstruction and Development Programme as the election manifesto. The RDP was more of a social policy. It did not include all the components of a macro-economic policy. It focused on an expansionary fiscal policy, which was aimed at addressing the socio-economic problems of the new South Africa. However, in the mid-1990s the South African economy started to experience some problems.

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8 United Nations Development Programme (UNDP)
Among other things, these included the negative effects of debt from the apartheid era, difficulties attracting foreign direct investment and the costs of a large state administration. To some within the government this meant that there was a need for a new macro-economic policy framework. Subsequently, in 1996, the GEAR policy was brought to the fore as a macro-economic policy. Naomi Klein (2007:209) is of the view that ‘the ANC needed a completely new economic plan; something bold, something shocking, something that would communicate, in the broad, dramatic strokes the market understood, that the ANC was ready to embrace the Washington Consensus.’

The GEAR policy, which has been widely characterized as an application of neo-liberalism (Padayachee, 2006:1), was a move away from the fundamental foundations of the Keynesian RDP policy. Again, the GEAR policy was introduced with no consultation within ANC and the alliance partners. Political analyst Xolela Mangcu (2008:124) for instance, argues that the National Economic Development and Labour Council, (NEDLAC), an institution established for consultation on economic decisions, was not consulted on the policy formulation of GEAR. GEAR was perceived by people within the Tripartite Alliance and outside it as a neo-liberal inspired policy influenced by international capital through the new black political elite in South Africa. From a dependency theory viewpoint, one might therefore consider the South African political elite as a ‘comprador class’, serving the interests of the international bourgeoisie.

The GEAR strategy also supported fiscal discipline which meant that government would spend less on education, health, and social development programs for poverty eradication. It was consequently perceived to be anti-poor. More specifically, government expenditure was reduced by 5.7% in 1997 to 3% on social policy in early 2000 (Nokaneng and Harmse, 2009:49). GEAR was part of the structural adjustment ideological framework of neo-liberalism supporting fiscal discipline. Although GEAR’s proponents predicted an economic growth rate of six percent which would solve the problem of high unemployment in South Africa, it should be noted that this was never realized (Gevisser 2007:693). One can therefore conclude that GEAR never achieved its intended policy objectives.
Government policies are judged by their results; not by what they would like to achieve. The government should be pragmatic in solving socio-economic problems. The GEAR policy has encouraged privatization of state assets and outsourcing of services in all spheres of government since 1996. This has accompanied the advancement of a culture of greed and personal accumulation of wealth by those who are politically well connected. GEAR is normally associated with some of the elements of the ideological underpinnings of neo-liberalism because it proposes many of the same policy prescriptions such as privatization of services or state assets.

The historical roots of neo-liberalism can be traced from post Second World War attempts to address reconstruction and development of a destroyed Europe and an economic framework to deal with independent colonial societies as a means to reduce the sphere of influence of the Soviet Union. In the 1980s, in response to crises surrounding the convertibility of the dollar, and stresses in the industrial economies caused by spiraling increases in the cost of energy, the capitalist economic framework was redeveloped towards market fundamentalism to deal with these criticisms and was relabeled neo-liberalism. Multilateral institutions, such as the International Monetary Fund (IMF) and World Bank have strongly supported adherence to a free market system as part of the conditionality for international aid and assistance (Harvey, 2005:3, 2011:1-11).

Neo-liberalism desires less government intervention in the economy, privatization of state institutions, a balanced budget and fluctuating interest rates. The neo-liberal ideology has spread around the world since its application in the Latin American countries during the late 1970s. The first example we observe was the economic experiment carried out by the ‘Chicago Boys’ in Chile during the Pinochet regime. Narrow neo-liberal economic policies are not necessarily a sound foundation for economic development (Saul, 2005:190-194). They breed income disparity which in turn is a threat to democratic consolidation (Hibell, 2008:1).

Neo-liberal policies and practices accommodate relatively unfettered wealth accumulation and promote inequalities as well as undermining the culture of democracy. The effect of unregulated international capitalism tends to undermine democracy; it is based on maximization of profit and creates different classes, and class tensions in society. On the other
hand, democracy is intended to promote equality for everyone in society. Democracy also implies that the socio-economic needs of the poorest of the poor are being taken care of by the powers that be.

Neo-liberal ideas were embraced by Prime Minister Thatcher of the UK, and President Ronald Reagan of the United States, in the early eighties. Sometimes called the ‘New Right’, these ideas were strongly promoted by the two governments and soon became a new orthodoxy, widely embraced by ex-socialist states of Eastern Europe, and many other emerging democracies (King, 1987:16). According to De Angelis, ‘in the last twenty years the neo-liberal orthodoxy became predominant in all major levels of government and shaped the policy recommendations of the major think tanks all around the world’ (2009:2).

The receipt of international aid from the global financial institutions became conditional upon sound fiscal discipline, small government and free markets. This policy direction was not simply neo-liberal. Though it was supportive of the free-market ideals of Friedman and Hayek, it was also in favour of some elements of big government; most notably, a move in the direction of military spending, and away from the ‘welfarism’ that had become popular in Europe and elsewhere. These policies have generally also resulted in more, rather than less government spending. The neo-liberal ideological framework is premised on the notion that to address poverty one has to create employment; these jobs are created through the expansion of the formal economy. Furthermore, the growth of the formal sector can only happen when there is a large middle class.

In South Africa, this relates to the need to create a ‘black middle class’ and ‘black capitalist class’ which are expected to run the economy and bring prosperity to those who are at the periphery by creating employment. According to the neo-liberals, this is an approach to address poverty and improve the lives of the people. This approach also incorporates a ‘trickle-down’ effect which implies that when the economy grows the benefits will also be enjoyed by the poor. What is central to the neo-liberal model is to obtain economic growth first, and subsequently address poverty through the ‘trickle-down’ effect. Neo-liberals hold a firm view that it is only the private sector that can bring about development in any country.
There is ample evidence to indicate that the unregulated markets supported by the new orthodoxy have a tendency towards crisis. This is amply borne out by the Asian financial crisis of 1997, which resulted in currency collapse, slumping stock markets, and millions of people falling below the poverty line, the dot com stock bubble of March 2000, and the ongoing financial crisis (at the time of writing) that continues to affect the economic growth of most of the world’s economies, and which continually demands sacrifices from the poorer echelons of society (ILRIG, 2009:3).

It is widely accepted that the recession is affecting poor people globally, and South Africa has also witnessed a number of protests nationwide by people complaining about poverty, unemployment, housing and the increasing food prices. It is evident that the global recession has affected the poor at all levels. Social discontent is often the state of affairs in countries with neo-liberal policies. The neo-liberal ideological framework is directly linked to primitive accumulation.

Marxists hold a view that primitive accumulation is based on the historical standpoint of capitalism of accumulating wealth at the expense of the working class. This principle can also be linked to the philosophical basis of neo-liberalism or free-market capitalism, which is maximization of profit. There are two factors behind neo-liberalism. Firstly, it is the expansion of capitalism and massive spread of goods around the globe. This phenomenon is linked to ‘primitive accumulation, by which ‘non-capitalist’ modes of production change into capitalist ones’. The notion of making profit by using cheap labour, is linked to over-accumulation. Primitive accumulation is also connected to the transition of feudalism to capitalism (Moore, 2006:21-22).

1.15 Operationalization

In this section the writer will discuss how concepts and policies will be operationalized. Scholars such as Babbie (2004, 1999, and 1990), Babbie and Mouton (2005), Botes (2003), Huysamen (1994), Mouton (1998, 2009), Mouton and Marais (2011, 1991), Manheim and Rich (1995), Neuman (2003) and Leedy (1993), suggest that operationalization is a process of measuring variables or concepts subsequent to conceptualization. It must be borne in mind that
operationalization of concepts is a long established tradition in the scientific community. This is done to arrive at the indicators of a problem in empirical research. In our search for indicators of the presence of neo-liberalism, we have chosen to focus on PPPs, outsourcing and privatization of municipal services, and BBBEE as strategies for allowing market forces to provide services in place of direct local government provision. This approach enables the researcher to measure the phenomenon investigated. More specifically, the researcher will use a questionnaire and semi-structured interviews as research instruments to measure ‘GEAR related policies’ at local government level.

The procedure to be followed with regard to the collection of data by questionnaire and semi-structured interviews will be explained under the research design and methodology in chapter three of this study. These policies include BBEE, PPPs, LED and the IDP. The thinking behind this exercise is to examine whether these policies are improving the lives of the poor at local government in the Eastern Cape. As has been mentioned above, there is a complex and perhaps invidious tension between BBEE and the market related elements of the policy. Although it involves government intervention into the workings of the economy, it is largely dependent on the working of the outsourcing and PPP aspects of the policy to be effectively implemented. In this study BBEE and PPPs and privatization of services or outsourcing of services are to be used as indicators of ‘GEAR-related policies’. The extent to which the elements are identified will indicate the (extent of) strength of local economic policies present.

1.16 The scope of the thesis
This research intends to contribute to the body of knowledge by providing a critique of local economic policies against the background of local government in the new South Africa. The thesis postulates that a version of neo-liberalism as a model of development is being applied by the local political elite within the context of municipalities in Buffalo City and Nelson Mandela Metropolitan Municipality in the Eastern Cape Province. The two municipalities were chosen because both are metropolitan municipalities. In fact, Buffalo City and Nelson Mandela Metropolitan Municipality are the only metropolitan municipalities in the Eastern Cape. The central argument of this study is that privatization of services; PPPs and BBBEE are elite strategies for wealth accumulation, because they benefit both the business and political elites and not the masses of the people at grass-roots level.
The writer provides an analysis of what constitutes ‘development policy’ and what steps can be followed when changing a public-policy in order to promote development. At a conceptual level, the researcher outlines a detailed study of different theoretical frameworks that collectively make up the field of study of ‘development theory’. Before these theories are critiqued, the writer explains the ontological and epistemological assumptions upon which these models are based. For example, neo-liberalism has goals which are development, poverty eradication and job creation. In the same way, the theoretical frameworks of classical Marxism, dependency theory, etc., have their objectives of development. How they differ is in the identification of what the socio-economic problems of development are, and what a specific conceptual framework considers to be the causes of underdevelopment such as poverty and unemployment.

The researcher also provides a narrative of the evolution of the macro-economic policy of the ruling party in post-apartheid South Africa. Moreover, a number of authoritative scholarly works such as those of Noam Chomsky (1978, 1991, 2007, 2010), Ben Fine and Zavereh Rustomjee (1996), Ben Fine (1995, 1998, 2001), Ben Fine and David Hall (2012), Manuel Castells (2000), Hein Marais (1998, 2008, 2011), John Saul (2002), Patrick Bond (2000, 2001, 2006, 2008), Neville Alexander (2002), Chris Landsberg (2004), Ben Turok (1999, 2008), Naomi Klein (2007), Mahmood Mamdani (2009) and David Harvey (2005, 2011) are used to support the position of the researcher with regard to the elements of the neo-liberal model of development within the context of South Africa. This source material will not be treated uncritically, however, due to the complex relationship that exists between the market interventionist and market friendly elements of the LED policies. Furthermore, this study provides an account of the LED, IDP, BBBEE and PPPs. From a methodological point of view, the researcher discusses in detail the methodologies employed in this research, including the standpoint of this research. The data from both the survey and semi-structured interviews has given a clear picture of what is happening in both municipalities.
1.17 Organization of the study

Chapter 1

This chapter sets the scene by providing a context to this research. This is done by outlining the background to the study, primary and secondary research questions and stating the aims of this research. The researcher indicates the standpoint from which the local economic policies will be analyzed. More specifically, the researcher has adopted a political economy approach which focuses on how business and political elites through economic policies such privatization or outsourcing of services are using their strong networks (associated political social capital resources) in their efforts for personal accumulation. A number of supportive statements are provided for choosing this paradigm (political economy approach). The triangulation approach used by the researcher is explained under the methodology section. Again, the concept triangulation in this study will also be discussed in chapter three which is a methodology chapter. Moreover, this chapter provides a breakdown of what it describes as ‘GEAR-related policies’ and its practices under the operationalization section. It is worth noting that this chapter serves as a strategic map of this research; because it outlines a framework of the whole thesis. Finally, this chapter is directly linked to the next chapter because it introduces neo-liberalism and its practice to the reader and this is followed by a detailed analysis of neo-liberalism in chapter two.

Chapter 2

This chapter provides a review of the theoretical literature pertaining to this study. The focus will fall on a number of conceptual debates. It will among other things discuss the theoretical underpinnings of neo-liberalism and its historical origins. It will also examine the Keynesian model, modernization, dependency theory, post-development approach, political economy approach and Marxism. Each section of the theories of development, firstly discusses the ontological and epistemological assumptions on which the theories are based. This is done by outlining the aims of each and every theory towards development. The bulk of evidence is cited to demonstrate that privatization of services; PPPs and BBBEE are elite strategies for wealth accumulation; because they benefit both the business and political elite, and not the masses of the people at grass-roots level. Finally, this chapter provides a critique of all the theoretical
frameworks under the spotlight. This is done to provide an analytical insight of these conceptual frameworks.

Chapter 3

In this chapter the principal objective will be to gain a deeper understanding of the macro-economic policy of government and further seek to establish the implications of GEAR on the working class against the backdrop of local government. Firstly, the researcher provides a context of the ruling party's ideological thinking on economic matters. This is done to look at the reasons that influenced the powers that be in the new South Africa to adopt a macro-economic policy biased towards the business community. Again, this chapter engages in a discussion around the RDP policy of the ruling party in the post-apartheid South Africa. Most importantly, this chapter examines the New Growth Path adopted by the ANC government in 2010. There is a correlation between this chapter and the next one because the premise of the argument of the researcher is that the neo-liberal orientations in both the Integrated Development Plan and Local Economic Development are informed by the GEAR policy which advocates for the fiscal discipline and market driven approach towards development.

Chapter 4

This chapter will present the literature of this research on local government. A range of discussions will unfold surrounding the local development policies. More specifically, the study will provide a closer examination of policies such as Broad-Based Black Economic Empowerment (BBBEE), Public-Private Partnership (PPP), Integrated Development Plan (IDP) and Local Economic Development (LED). All the municipalities in South Africa are expected to follow these economic strategies to fight against poverty. Hence, this will be part of the discourse of this study. Lastly, this chapter provides statistics of both municipalities (Buffalo City and Nelson Mandela Metropolitan Municipality) with regard to poverty and unemployment. The aim of this is to provide secondary findings which reinforce the later empirical evidence of this study. This is done in chapter seven by linking both the primary and secondary data. The central argument of this chapter is that BBBEE and PPPs are inspired by neo-liberalism; and neo-liberalism in practice is contradictory in nature, it involves the allocation of state resources to politically influential
individuals, rather than promoting economic development for the majority. The literature review of this thesis gives rise to the primary and secondary research question alongside the problem statement in the next chapter. Also, this chapter informs the methodological approaches employed in this research. Because research methodology in any research project is meant to answer research questions; same is true for this research project.

Chapter 5

This chapter is meant to explain the design and methodology of this study. Firstly, the researcher engages in a discussion surrounding the relationship between ontology, epistemology and methodology. This discussion helps one to understand the ontological and epistemological assumptions on which research methodology is based in social sciences. Moreover, this chapter describes the theoretical standpoint of the researcher. Among other things, this chapter encompasses all the components of the research, such as sampling technique, data collection, ethical considerations, reliability and validity of the study and data analysis. Again, reasons for employing a triangulation approach are provided explicitly. The central research question and the problem statement will be guiding the entire debate in this thesis. This means all the issues raised in subsequent chapters will be linked to the primary research question and the problem statement of this research. Last but not least, the line of argument of this study which is informed by a political economy approach is linked to the next chapter which examines the thinking of the ruling party in adopting the macro-economic policy called GEAR. Elites according to political economic perspective are using state resources to enrich themselves. Lastly, the researcher questions whether the macro-economic policy of government which influences the policy formulation at local government has been able to achieve its policy objectives or not? This is done by providing statistics with reference to economic growth, unemployment and Gini co-efficient.

Chapter 6

This chapter will lay out the quantitative research findings without making value judgments. This means the researcher will not interpret the findings. It must be noted that this does not imply that this is a positivist research. The purpose of this chapter is to report the quantitative...
findings first; the next chapter will focus more on interpretation. All the research procedures followed in quantifying the data in this chapter are explained specifically in the previous chapter under the section on data analysis. This chapter is directly linked to next chapter because the qualitative and quantitative findings will be brought together.

Chapter 7

This chapter will outline the research findings of this study. This will be done by linking qualitative and quantitative findings. The usage of both qualitative and quantitative is basically a triangulation approach explained in chapter one and three of this research. Again, the researcher will analyze and interpret the findings. Subsequently, the statistical findings of the study will be linked alongside the verbatim quotations of the participants in order to answer the central research question and verify the problem statement of this study. The political economic standpoint of this study comes into play in this context because it is the theoretical perspective that influences the interpretation of the finding of this study. The findings of this chapter will reinforce the argument made consistently in other previously chapters that municipalities in the new South Africa are promoting ‘GEAR-related policies’ and practices for wealth accumulation by a few individuals. Against this background, the next chapter will draw the conclusions informed by the finding of this chapter.

Chapter 8

This chapter will illustrate the limitations and a conclusion of the study. Firstly and most importantly, the researcher discusses the shortcomings of this research. Secondly, the writer draws his conclusions which are informed by the evidence of this research. Recommendations will also be made in this chapter by means of policy advice.
1.18 Conclusion
This chapter is meant to provide a ‘road map’ of the thesis. This means that the researcher has outlined an overview of this research in this chapter. Again, this is done by giving an introductory background, context, stating the main objectives, proposing a problem statement, central research question of this study. The writer has indicated how this study will contribute to the body of knowledge or scholarship. Preliminary literature is examined in order for one to follow the debate surrounding the application of neo-liberalism within the South African context with specific reference to local government post-1994. Moreover, in the text of this chapter it is pointed out how the researcher will measure local development policies and which public policies within the two municipalities will be regarded as ‘GEAR-related policies’ in their application. Lastly but not least, this chapter has laid out the structure or the organization of this thesis. Lastly, the discourse on neo-liberalism at theoretical level will be explained in detail in the next chapter. Among other things, chapter two will reinforce the argument that local development policies accommodate relatively unfettered wealth accumulation, inequalities and are undermining the culture of democracy.
CHAPTER TWO
Literature Review

On a global scale, the notion of market fundamentalism is advocated by agents of capital such as the International Monetary Fund and World Bank, etc. The structural adjustment program of the IMF and World Bank was a vehicle for business-friendly policies during the 1980s and 1990s. In this day and age, both the G8 and G20 countries have been a means to an end for the dissemination of market-friendly policies such as privatization, liberalization, deregulation and the relaxation of labour laws, among others (Manuel Castells, 2000:37).

Neo-liberalism is a mainstream model of development within development theory and practice. However, it must be noted that a number of scholars and political leaders have been asking for alternative models of development; because of the contradictions and the complexities of neo-liberalism. In practice, neo-liberalism allocates state resource to political well-connected people as opposed to the majority (David Harvey, 2005:21, 2011:1-3).

2.1 INTRODUCTION

The previous chapter was meant to provide a context of the study by examining the rationale behind this project in order to understand the background to the study of the critique of local development policies in South Africa. The main aim of this chapter is to arrive at a deeper understanding of the conceptual frameworks pertaining to the study. By so doing, one is able to trace the ‘intellectual roots’ of ideas related to economic history. The chapter provides a closer examination of the Keynesian model, the neo-liberal tradition, the modernization school of thought, neo-Marxist perspective (dependency theory), the post-development approach, the political economy approach and orthodox Marxism. At the heart of all these debates is a concentration on the history of ideas on economics and development theory. The thesis interacts with the body of knowledge on the theory of neo-liberalism as one of the contemporary currents of development theory. It focuses both on neo-liberal and neo-classical theory as orthodoxy in mainstream development (in the closing decades of the 20th century) as well as providing a critical perspective on neo-liberalism as theory, process and application from scholars working primarily in the field of development studies. Moreover, the chapter contributes to the more general body of work in the economic and social sciences considering the nature and the application of neo-liberal solutions in developing and transitional economies in particular, and in national and global contexts more broadly. Last but not least, the writer
critically outlines the strengths and weakness of the South African and international scholarship relevant to this research. Finally, the chapter reinforces the central argument of this thesis that the business and political elites through the privatization of services or assets are using their strong networks (associated political and social capital resources) in their efforts of personal accumulation. Again, neo-liberalism in its implementation has contradictions and complexities; in many cases it involves the reallocation of state resources towards a few individuals who are politically well-connected (people who have friends and relatives in government), rather than promoting development more broadly. Thus, this research is a distinctive contribution to the field of Development Studies and other related disciplines within the Social Sciences. The focus first falls on the Keynesian approach.

2.2 KEYNESIAN MODEL

In this section our attention will fall on the ideas of John Maynard Keynes. His economic ideas have laid the foundation for state intervention in the economy in the period after the Second World War. The Keynesian model is central to social welfare systems and embraces an ‘expansionary fiscal policy’. Keynes was vehemently opposed to ‘market fundamentalism’. The Keynesian model does not advocate the total overhaul of the capitalist system, although it supports an economic policy which encourages state intervention in the economy by increasing government expenditure. It embraces a mixed economic system, which exists when both business and government participate in key economic decisions. The Keynesian model places greater emphasis on expansionary fiscal policy by means of taxation (Fine, 2001:3, Mohr and Fourie, 2002:450, Dombusch, Fischer and Startz, 2004:270-460, Le Roux 2004:215, Fine and Hall, 2012:50).

According to the supporters of Keynesianism, unemployment in a country is caused by lack of skills. Keynes, who advocated a policy of full employment, held the opinion that the solution to unemployment is to skill people through an expanded public works programme (Michie, 2006:100). John Keynes argues very strongly in his seminal work titled: *The general theory of employment interest and money*, ‘that labour is not prepared to work for a lower money-wage and that a reduction in the existing level of money-wages would lead, through strikes or otherwise, to a withdrawal from the labour market of labour which is now employed’ (1967:8).
According to Keynes, creating full employment is of paramount importance in the economy of any country (1967:12-25). An expanded public works program is a state interventionist approach towards the eradication of absolute poverty. In this study the concept ‘Keynesian model’ is used interchangeably with welfare state, precisely because both concepts have similar development goals. The Keynesian model is sometimes referred to as developmentalism because of its developmental goals such as poverty eradication, reducing unemployment and building public infrastructure. Moreover, Keynesianism mainly concerns itself with the welfare of the people; in particular, the poorest of the poor. Thus, there is a greater emphasis on poverty alleviation and job creation, etc. During the 1950s many countries that followed the then widely implemented Keynesian model, managed to achieve their developmental objectives. The notion of a welfare state refers to a government that has a social policy for development. This happens when government commits itself to poverty eradication by providing education, water, houses, grants for poor people and a health care system (Hansen, 1953: 83, Scott and Marshall, 2005:698, Klein, 2007:55). Such policies were followed extensively in Europe and around the developed world in the post-Second World War period. Keynesian thinking influenced the post-war reconstruction of Europe as well as President Roosevelt’s so-called ‘New deal’ in the United States’ recovery from economic recession. The next section examines the theoretical discussions on neo-liberalism and its applications through the structural adjustments programs. Subsequently, a discourse on the shift from institutional forms of development economics to more neo-classical economic forms of development economics will follow. Most importantly, the discussion on neo-liberalism; and how the emergence of the so-called Washington consensus was exemplified by the adjustment measures and structural adjustment programs in developing and transitional economies will also be under the spotlight in this regard (Wade, 1998:1-5, Fine, 1998:1-2, 2001:132, Mkandawire, 2010:62, Fine and Hall, 2012:50).

2.3 THE NEO-LIBERAL SCHOOL OF THOUGHT

In this section the writer will discuss the conceptual framework of neo-liberalism. This will be done by outlining the ontological and epistemological assumptions on which this theoretical framework is based. The central figure associated with the approach is prominent economist Milton Friedman. He has made a significant contribution to the body of knowledge surrounding the theoretical underpinnings of neo-liberalism. Before going into the detail and depth of the
doctrine it is of great importance to examine the person behind the approach. It is understood that Friedman did not originate the thinking around the free-market system. This point is reaffirmed by Joseph Stiglitz when he argues that Milton Friedman did not develop the idea of market fundamentalism, the ideas of a free market system have been around for a long time (1993:25).

Although neo-liberals support the notion of the free-market system advocated by Adam Smith, it must be noted that in many respects, they have gone well beyond his ideas (Harvey, 2005:20, 2011:1-3, Desai, 2007:278). For instance, Adam Smith in his seminal work titled: The Wealth of Nations, coined the concept ‘invisible hand’ by which he meant the ‘self-regulating’ nature of the marketplace. Over and above this he argued that capitalism should be based on a ‘division of labour’. By this he meant that the work on the production lines of companies should be divided according to the specialized skills of the employees (1910:1-23). Adam Smith was critical of the argument of the merchants that the main source of economic growth is international trade through protectionism of the markets. He held a view that this approach is harmful to economic growth and cannot create wealth for the majority of citizens. His argument was that there needs to be a greater emphasis on production and ‘division of labour’ (Willis, 2005:33). According to Martinussen (2004:19), ‘Smith’s central argument can be summed up in one sentence: there may be producers who will try to sell inferior goods at high prices, but if the producers are competing they will all eventually be forced to deliver proper goods at reasonable price’.

David Ricardo further developed the argument of Smith with his theory of ‘comparative advantage’ supporting the free market system; he pointed out that there are two important things that contribute to economic growth besides capital, which is international trade and technical innovation. In the main, Ricardo argued that countries should focus on specialization by exporting goods that other countries do not have (1911:12-14). Ricardo was of the view that when countries export the products that other states do not have they will be able to grow their economies. Another prominent supporter of the free market system was Friederich Hayek.

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9 Merchants held a view that countries need to protect their markets by charging high import tariffs for goods produced outside their boundaries (Willis, 2005:33).

10 See also the work of Martinussen (2004) on this matter
Writing in the Forties, Hayek argued along the same lines as Adam Smith that market competition is fundamental for economic growth and development in general (1960:2). This means that market forces need to operate freely without state intervention. Again, one of the tenets of ‘market fundamentalism’ is individualism. Individuals in business are motivated by the maximization of profit. For Hayek, governments in general need to promote economic freedom by allowing individuals to do business freely without regulation (ibid). Again, it is worth noting that Hayek held a position that was in opposition of egalitarianism in his arguments, quoted in David Held et al (1983:128) as follows ‘in a progressive society there is little reason to believe that the wealth which the few enjoy would exist at all if they were not allowed to enjoy it’. Hayek’s 1944 book ‘The Constitution of Liberty’ probably provides neo-liberalism with its clearest argument against central planning, and in favour of the free market (Brittan, 2010).

Neo-liberalism is a model of development which is based on elevating market forces over the state. The neo-liberals believe that only market forces can bring about development in society. A strong state is regarded as a cause of lack of development in society precisely because it prevents economic growth from occurring. Sometimes neo-liberalism is referred to as ‘market fundamentalism’. Neo-liberal policies are meant to attract investment, and stimulate business through deregulation, with the assumption that there will be a trickle-down effect to the poor (Castells, 2000:137).

David Harvey supports the above assertion when he argues that the proponents of neo-liberal policies hold the view that the trickle-down effect benefits the poorest of the poor in society (2005:1-4). The notion of ‘trickle-down’ is also associated with Milton Friedman. Friedman held the view that the economy should focus more on the supply-side. This approach elevates the business community above the state. The key thing for Friedman was to have a complete deregulation of the market in order for economic development to take place (Friedman, 1981:10-12).

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11 Later on in history Milton Friedman became an intellectual disciple of Hayek by further arguing along the lines of free market system.
Friedman propagated and influenced the implementation of neo-liberal policies in the 1970s, arguing from a neo-classical theoretical perspective that the free market system is the only ‘beacon of hope’ of development and poverty relief. In this respect, Friedman advocated business-friendly policies. Again, he believed that the solution to unemployment is capitalism. In his opinion, this would happen only when the state is kept out of the market completely (Friedman, 1981:9, 1962:23).

The neo-liberal ideological framework is premised on the idea that to address poverty one has to create employment and that jobs are created through the expansion of the formal economy. Furthermore, the growth of the formal sector can only happen when there is a large middle class. This class is expected to run the economy and bring prosperity to those who are at the periphery by creating employment. According to the neo-liberals, this is an approach to address poverty and improve the lives of the people. They hold the firm view that it is only the private sector that can bring about development in any country (Desai, 2007:278, Mkandawire, 2010:62, Torres, 2011:181-183,).

Neo-liberal ideas were embraced by Prime Minister Thatcher of the United Kingdom (UK), and President Ronald Reagan of the USA, in the early nineteen-eighties. Sometimes called the ‘New Right’, these ideas were strongly promoted by the two governments and soon became a new orthodoxy; also being widely embraced by the ex-socialist states of Eastern Europe, and many other emerging democracies. Neo-liberal policies are an extension of the free market system (King, 1987:16, Larner, 2000:5, Narsiah, 2010:1-2).

Neo-liberalism is, among other things, a model for development. It has goals for economic development and poverty eradication. Proponents of the neo-liberal school of thought argue that economic growth through the free market system leads to economic as well as social development, for example poverty relief in society. They believe that this can only happen when there is privatization, removal of tariffs, policies in trade bilateral agreements, welcoming of foreign investors from First World Countries and a relaxation of labour laws. Supporters of neo-liberal ideas hold a view that ‘big government’ or a large public sector with heavy state regulation is not the best practice for economic growth and the creation of jobs; because investors are normally not keen to invest in a country that has heavy state regulation.
Their line of argument is that investors do not make enough profit in a state regulated economy as opposed to in the free market system. For neo-liberals economic prosperity comes through the unimpeded operation of market forces (Galbraith, 1996:14-20, Heywood, 2002:50, Harvey, 2011:1-11, Fine and Hall, 2012:52).\textsuperscript{12} Castells (2000:137) follows this line of thinking when he points out that neo-liberals hold the view that expansionary fiscal policy causes inflation. Neo-liberals strongly believe that private institutions can replace the role of the state in the economy (ibid). According to Galbraith (1996:14-20), the neo-liberal school of thought is premised among other things on the fact that only market forces can bring about development in society. A strong state is regarded as a cause of lack of development in society because it prevents economic growth from occurring (ibid).

A brief overview of the Intellectual history of neo-liberalism follows in Table 2.1

<table>
<thead>
<tr>
<th>Epoch</th>
<th>Individuals and institutions involved</th>
<th>Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early 1900s, and early 1950s</td>
<td>Adam Smith laid a theoretical foundation for free marketers. Friedrich Hayek contributed to the discourse by arguing for individualism and deregulation of the market</td>
<td>Economic freedom and market competition</td>
</tr>
<tr>
<td>During the late 1970s</td>
<td>Milton Friedman and colleagues coming from the neo-classical theoretical background were instrumental in advocating the domination of the market forces in world affairs. They held a view that only the business community could bring about economic development through the free market system.</td>
<td>Maximization of profit for the business community. Doing away with the intervention of the state in the economy. Making the market forces more powerful and influential than the state in policy-making.</td>
</tr>
<tr>
<td>Early 1980s</td>
<td>Ronald Reagan and Margaret Thatcher promoted neo-liberal policies through privatization of state</td>
<td>Eliminating the welfare system through the</td>
</tr>
</tbody>
</table>

\textsuperscript{12} McDonald shares the same sentiments when he points out that neo-liberal policies should be identified as ‘fiscal restraint, privatization, liberalization, inflation targeting, export-oriented growth, tight monetary policies, and so on’ (2008:72).
assets, relaxation of labour laws and Public-Private Partnerships. These economic policies were also known as Reaganism and Thatcherism, and often collectively referred to as the ‘New Right’ and sometimes ‘neo-conservatism’.

| Mid-1980s       | World Bank and International Monetary Fund encouraged governments around the world to adopt neo-liberal policies via structural adjustment programs. | Reduction of government expenditure. Elevating the market above the state in economic matters. |
| Late 1980s      | The collapse of the Soviet Union led to the strengthening of domination of market forces in world political and economic affairs | Weakening the role of the state in the economy by promoting growth through redistribution. |
| 1990s and 2000s | The G8 and G20 are vehicles for dissemination of neo-liberal economic ideas on a global scale | Total deregulation of the market. |

Friedman and his colleagues during the late 1970s were instrumental in popularizing neo-liberal ideas. Friedman established a movement of neo-liberals at the University of Chicago, located in the Department of Economics, where economics as an academic discipline was taught from a neo-liberal perspective. Students from around the world were also recruited to study at the University and specific attention was given to Chilean students. The movement later became known as the ‘Chicago Boys’ (Castells, 2000:141, Hibell, 2008:8, Klein, 2007:50, Fine and Hall, 2012:52).

In this regard, the neo-liberal movement was a backlash against the Keynesian model. The government of the United States of America funded the ‘Chicago Boys Movement’. Most authors hold the opinion that Chile was the first country in the world to implement neo-liberal policies. According to Naomi Klein (2007:7-53), neo-liberal policies were introduced to Chile as a

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13 In particular in Latin American countries where neo-liberal policies were implemented for the first time.
14 Friedman (1981:9) believed that governments should lower taxes in order to attract foreign direct investment in developing countries.
15 Because, Keynesianism was a dominant model of development at that time (from 1945 to early 1970s).
form of ‘shock treatment or shock therapy’ to reverse the socialist path of its previous government. Milton Friedman served as economic advisor to the President of Chile while he was resident in the USA so it is not surprising that many of those holding senior positions in the economic field in Chile were products of the Chicago school (Klein, 2007:7-53, Narsiah, 2010:1-12).

Market fundamentalism is also supported by other intellectual streams such as neo-conservative, new-right political movements, neo-classical and increasingly mathematized economics. Most political economists refer to neo-liberal policies as the ‘Washington Consensus’. This terminology was developed by John Williamson and the phrase was popularized during the ‘1980s and early 1990s’ (Heywood, 2003:139, van der Westhuizen, 2009:1-5). According to Jackson and Sorensen (2003:212-214), the ‘Washington Consensus’ emanated from the International Monetary Fund (IMF) and the World Bank in support of the free-market system.

According to Fine and Hall (2012:51), the International Monetary Fund and World Bank encouraged neo-liberal policies through the structural adjustment programs during the late 1970s and 1980s. Developing countries could not pay their debt to the International financial institutions so, as some of the conditions of the structural adjustment programs imposed by the IMF and World Bank, they were asked to weaken the role of the state and reduce government expenditure by privatizing state assets and also by allowing the market forces to have control of the economy (Fine, 1998:1-4, 2001:131, 2010:172, Wade, 1998:6-12, Marais, 2008:209, and Wills, 2005:47-51). According to Scalco (2012:1-5), the structural adjustments programs were also meant to reduce employees in the public sectors through fiscal discipline. Again, countries who implemented the structural adjustment programs were required to devalue their currencies (ibid).

The neo-liberal model of development is normally associated with globalization. There is a certain symbiosis between neo-liberalism and globalization (Galbraith, 1996:14-20, Stiglitz, 2002:10, Jackson and Sorensen, 2003:48, Noble, 2003:31). According to Willis (2005:35), the requirements for neo-liberalism include among other things, the removal of state barriers to
free trade such as quotas and tariffs, which of course also encourage the process of globalization. Economic globalization includes multinational corporations such as Coca-Cola, Toyota, BMW, McDonald’s and Pepsi etc, operating on a world-wide basis. The free movement of goods around the globe is also central to the neo-liberal tradition. Economic globalization refers to interdependence between states (Kegley and Wittkopf, 2004:260).  

Currently, the G8 and G20 countries are also instrumental in propagating ‘market fundamentalism’ on a global scale. The complexities, contradictions and locally-nuanced approach to the question of neo-liberal ideology as a discourse and set of practices will be discussed later on in this chapter when the writer provides a critique of all the theories of development examined. The next sections discuss modernization theory and dependency theory; because no discussion of development theory would be complete without a strong emphasis on modernization and dependency theory.

### 2.4 MODERNIZATION THEORY

Modernization theory, one of the early approaches to development, is normally associated with Arthur Lewis and Walter Rostow and came into prominence during the early 1960s. However, it must be noted that modernization was not a unitary theory. It was a process and not just an economic event. Both these development economists held a firm view that economic growth should be at the center of development in society. They were of the view that the labour market in the traditional sector of the economy should be modernized in order to attract investment, and that economic growth would subsequently be expected to follow. Proponents of modernization argue very strongly that Third World Countries should follow the same development path as that followed by First World Countries (Rostow, 1960:1-12, Graat and Venter, 2004:82).

Supporters of modernization embrace the Darwinian theory of evolution in society. This implies that society is not stagnating but that it is dynamic and should evolve as time goes on. This reinforces the argument that culture should be subjected to change. In the discourse on modernization there is an emphasis on new technology and science in the modern world (to

16 However, it must be borne in mind that this not the main thing with regard to globalization.
promote development). Scholars of the modernization school tend to blame political leaders in developing countries for misleading their people by implementing centrally planned economies such as socialism as opposed to market oriented economies (Rostow, 1960:1-12, Hyden, 1983:12-17, Martinussen, 2004:61, Coetzee, 2004:30).

According to these scholars, the reliance on the state does not accelerate development but rather hinders the process from occurring, because they hold the view that socialism does not attract foreign direct investment. Advocates of political modernization blame the internal dynamics in developing countries for a lack of development. Central to this diagnosis is corruption in developing countries, especially in Africa. Corruption is singled out among other things as one of the main causes of underdevelopment (Warren, 1980:45, Kleinberg 2007:1).

Developing countries, according to this school of thought should embrace Western standards of government such as bureaucracy, multiparty democracy, liberal democracy and a vibrant civil society. According to the political theory of modernization, liberal democracy is the only path to development, because it protects the right to own private property or business. Moreover, liberal democracy is perceived to be promoting free enterprise which is supportive of capital and its maximization of profit (Chazan et al, 1999:15, Graat and Venter, 2004:82, Harrison 1995:31, Huntington, 1991:6, Jackson and Jackson, 1997:204, Popenoe, 1991:17, Scott and Marshall, 2005:233 and Abercrombie, Hill and Turner 2000:145, Haines 2000:31-37, Kleinberg 2007:1). Francis Fukuyama asserts that liberal democracy is the only political system that can unify different people globally. According to him, liberal democracy alongside the free market system principles has succeeded in promoting economic development in First World Countries including some aspects of the impoverished Developing Countries (1992:2-3). The next section discusses dependency theory which is critical of modernization.

2.5 DEPENDENCY THEORY/APPROACH
Dependency theory is a neo-Marxist-inspired theoretical framework. Andre Gunder Frank, in his seminal work: Crisis in the world economy, blames the First World Countries for the lack of development in less developed countries. He goes on to say that developed countries are

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misleading developing countries by advising them to adopt capitalist economic policies that do not provide employment opportunities. He concludes by saying that ‘in their view, unemployment has graduated from being merely normal to being natural as well, for business and certain politicians; unemployment has become not only natural but downright desirable. This being so, economists have had to catch up with the times’ (1980:73).

Proponents of the dependency school blame international forces such as multinational corporations for exploiting the resources of the developing countries. They hold colonialism and post-colonial relations between First World Countries responsible for the lack of development. These multilateral relationships are based on exploitation of the natural resources of the developing countries. The root cause of underdevelopment in Third War Countries is ‘imperialist expansion’ (Baran, 1957:1-5, Frank, 1969:318, Graat and Venter,2004:82, Martinussen, 2004:85-87, Chazan et al 1999:19, Todaro and Smith, 2003:791).

Ngugi Wa Thiong’o argues that the international bourgeoisie appoints people in developing countries to manage their resources. He calls this particular class the ‘comprador-bourgeoisie’. According to him, this class has a direct relationship with the ‘international bourgeoisie’. He concludes by arguing that the comprador bourgeoisie receives its instruction from the international bourgeoisie on how to manage the economy of developing countries (2005:20).18 The economic exploitation between First World Countries and Third World Countries is made possible by the distortion of developing countries’ economies to serve the interest of developed countries of the North. Again, neo-imperialism undermines industrial production in developing countries; which are flooded with imports of cheap manufactured goods from First World Countries and by insisting on the cheap export of raw material. Proponents of the dependency theory criticize the architects of the modernization school for misleading developing countries that poverty alleviation can be achieved by following capitalist ideology (Baran, 1957: 1-5, Frank, 1969: x, Amin 1989:1-23, Martinussen, 2004:85-87, Scott and Marshall, 2005:147, Graat and Venter, 2004:82, Abercrombie, Hill and Turner 2000:10). The section below outlines a discussion on the developmental state; and how the state and business work together to promote development.

18 See also the work of Frantz Fanon (1967) on this matter
2.6 Developmental State

First seriously conceptualized by Chalmers Johnson, the developmental state is a strong state that has the capacity to respond to socio-economic problems of the poor in order to eradicate poverty, and Japan was the first state held out as an example. Developmental states normally intervene in the economic realm of the society, with the aim of creating employment, attracting investment and breaking the cycle of poverty. In this model, the private sector is generally rigidly guided and controlled by bureaucratic elites. Notwithstanding such intervention, a developmental state should not be confused with a socialist planned economy, however. Moreover, a developmental state has to focus on prioritizing developmental goals such as poverty, unemployment, education, housing and skills and development, etc. Resources of the developmental state should come from both local and international markets to address developmental issues. A developmental state is one that has the capacity to determine its own societal priorities (Chalmers Johnson, 1982:19-24, Fine and Rustomjee, 1996:51, Heywood, 2002:96, Landsberg, 2007: 28, Edigheji, 2010:3, Evans, 2010:37).

The aims of a developmental state need to be stated explicitly and ought to be in line with economic growth, poverty eradication and skills development. A developmental state should be guided by an expansionary fiscal policy which promotes economic development and reduction of unemployment through an expanded public works program. According to Randall and Theobald (1985: 130), ‘...the state must not only promote industrial development but in addition forge an alliance between already mobilized popular sectors and the middle class.’ They go on to indicate that this is a path taken earlier by Chile and Mexico. First World Countries such as France and Germany have set the precedent of a development state in terms of promoting development for everyone. These countries have worked very well with the private sector in order to address underdevelopment (Heywood 2002:97, Castells, 2000:140-161, Marais, 2011:340).19

Adrian Leftwitch (1999:284) reminds us that the concept of a developmental state is a relatively new one in classical political economy. Nonetheless, he goes on to say that the conception of a state with the capacity to accelerate economic growth and social development is found as early  

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as in the writings of Friedrich List (1885). The so-called ‘Asian tiger’ economies should be seen as good examples of developmental states because they were able to balance the relationship of both private and public sectors for development.\textsuperscript{20} The Asian tigers include countries such as South Korea, Taiwan, Singapore, Malaysia and Hong Kong. These countries grew their economies and promoted development. They had highly skilled civil servants within the state machinery and quality education in the public sector (Johnson, 1982:19-24, Creamer, 2010:205, Edigheji, 2010:3).

The developmental state needs to share its responsibility with business in order to address developmental challenges. Robert Wade (1998:1-5) asserts that development states have worked well for the Asian Tigers because development there was supported by both the business and the public sectors. In order for a developmental state to function effectively, it must improve its organizational capacity so as to promote social and economic development. In other words, all developmental states need to recruit the best candidates to the public sector in order to promote development (Castells, 2000:140-161, Heywood, 2002:97, Martinussen, 2004:339, Marais, 2011:340).

Equally, this should not happen by talking too much about development without any action in terms of service delivery. It should be a pragmatic step followed by the government of the day. Institutions for the advancement of development should be put in place. However, if the capacity of the state is too weak to deliver services to people, then the whole idea of a developmental state is doomed to fail. A developmental state needs to have a competent public service that is committed to service delivery and is able to put the interest of people at large first (Edigheji, 2010:8). Myrdal (1968:186:189) correctly argues that ‘soft states’ which are characterized by corruption, incompetency, laziness and lack of discipline within the state machinery are hampering economic growth and economic development in society. According to him, ‘soft states’ are not able to execute development policies that are meant to promote development due to the lack of work ethic in the public sector (ibid).

\textsuperscript{20} See also the work of Marais (2011:340), Cherry and Haines (2010:2) and Fine and Rustomjee (1996:51)
It must further be noted that a developmental state operates within the economic framework of capitalism, despite the fact that the state does intervene in the economy. This means that a developmental state is a capitalist state that regulates the market (Chalmers Johnson, 1982:19). This point reaffirms the previous argument made in this study that the developmental state does not seek to overthrow the capitalist class, notwithstanding that it embraces the involvement of the public sector in promoting social development.

Chalmers Johnson (1982:20-34) points out that industries have an important role to play in a developmental state in terms of job creation and skills development, etc. This means that underdevelopment is not the sole problem of government. The private sector also has a responsibility to address socio-economic problems. Governments across the globe cannot successfully do away with poverty and unemployment on their own without the help of industries. Economic bureaucracy plays an important role with regard to development by investing in education, supporting skills and development, promoting advanced technology and infrastructure development, and by using urban and rural spaces for domestic investment. Civil servants in developmental states tend to have high levels of training and technical expertise in the public sector and knowledge of how to intervene in the economy, 21 in order to effectively promote development and wealth redistribution in society (Martinussen, 2004:239).

It is worth noting that the developmental state in the main has had two important incarnations which involved protection and direct government involvement in production and service provision until around the mid-to-late 1970s; and a more recent version in response to the realization that the private sector, as espoused by the IMF and World Bank was not living up to expectations in terms of poverty alleviation (Edigheji, 2010:3-5, Evans, 2010:37-38). Post-development theorists (in the next section) are also critical of the arguments advanced by the supporters of modernization with regard to development.

2.7 Post-Development Approach

The Post-Development approach came into being during the late 1980s and 1990s, rejecting the entire development paradigm and advocating an alternative model of development which takes into account the conditions of ordinary people on the ground. Proponents of the post-

21 See also the work of (Haines and Cherry, 2010:2) on this matter
development approach among other things argue that the notion of development is reductionist, and that it tends to be wrongly understood in terms of a single path as followed by the industrialized countries. This means that development is defined according to the imposed models of development which stress economic growth first, before reducing poverty, unemployment and inequality. This argument represents a backlash against the modernization theory which postulates that development can only occur if developing countries employ the same approaches towards development that are used by First World Countries. Again, supporters of post-development have criticized market fundamentalism for failing to promote development for the majority especially in developing countries (Escobar, 1995:215, Sachs, 1992:5, Ahorro, 2012:1, Said, 2003:1-8, Rapley, 2004:350, Wa Thiongo, 2005:1-15, Martinussen, 2004:289-291, Willis, 2005:27-29).

Post-development theorists argue that people at grass-roots level are sidelined by policy-makers because of lack of consultation when ‘development policy’ is made. Again, these theorists hold the view that ordinary people on the ground need to take a stand and need to challenge the ‘powers that be’ on issues of development if these do not reflect their views. Arguments advanced by post-development theorists are supported by post-modernism and proponents of participatory development; namely that there are different possible paths towards development. According to proponents of the post-development approach, development means different things to different people, and that this is determined by the context in which people find themselves. The participation of the grass-roots in development policy is important for proponents of post-development theory. Supporters of the post-development approach have a fundamental quarrel with the recent preoccupation with neo-liberalism as the mainstream development theory. Their argument is that neo-liberalism as a model of development does not improve the lives of the poorest of the poor on the ground. Scholars who are critical of the dominant paradigm of development in the social sciences are also called post-modernist (Alvares, 1992:4, Rapley, 2004:350, Willis, 2005:27-29, Haines, 2009:51, Ahorro, 2012:1-2). The next section examines the classical Marxist theory and links it to the central argument of the study that market fundamentalism is a vehicle for the accumulation of wealth for the elites.
2.8 CLASSICAL MARXISM

One of the most important aspects of Marxism relates to its rejection of an individualist-based explanation of behavior, in favour of a more collective approach, grounded in the tensions between broad economic classes, and specifically of the attempt to provide a scientific explanation for the economic development of states. Orthodox Marxism provides a radical critique of capitalism; it is premised on the fact that capitalism is based on making profit. Maximization of profit is also a key tenet of capitalism; and underpins how capital functions in society (Marx, 1867:1).

Central to the ideological framework of Marxism is ‘class analysis’ which is regarded as a Marxist method of analysis. Class distinction should be understood in connection with the ‘means of production’. The capitalist system produces two contending classes, the bourgeoisie and the working class. This conflict is caused by the material conditions of the working class (such as poverty and underdevelopment) while the capitalist class, on the other hand owns the means of production. Classical Marxists employ dialectical materialism as one of the methods of analyzing the state of affairs in a capitalist society. Dialectical materialism in orthodox Marxism is associated with Friedrich Hegel. The notion of dialectical materialism in this study is defined as a contradiction between the proletariat and the bourgeois class which implies that these two opposing classes have different interests. The differences or conflicts of these classes are sometimes referred to as class struggle in Marxist terms (Marx and Engels, 1848:36, Burns, 1976:3-5, Giddens, 1979:132, Thomson, 2004:83).

It must be noted that supporters of Marxism perceive social conflict as a positive thing because it is through conflict that the capitalist global order can be overhauled. According to Marx and Engles (1848:1), ‘the history of all hitherto existing society is the history of class struggle’. This re-affirms the interpretation given early on that social conflict is caused by the different interests of the working and ruling class. Marxism in its analysis examines the historical trajectory of capitalism called historical materialism. Another concept important to Marxism is ‘primitive accumulation’ because it examines a process of accumulation of the ruling class during feudalism. A tiny minority of the capitalist class owned land and properties and
agriculture, etc. Primitive accumulation is connected to over-production which is a process of producing more goods for less people. This means that the owners of the means of production, through the exploitation of the working class in the process of production are producing goods that are in excess of the consumers needs, because the capitalist system is driven by maximization of profit or by the greed for money making (Harvey, 2011:1-3, Lehulere, 2009:2-4). Over-production is facilitated by massive, technologically advanced machines (Moore, 2006:21). The working class becomes entrenched in this process. Capitalists repeat the process by pushing employee’s salaries down, by acquiring more technological machines and manufacturing more products by selling them more cheaply than their competitors in the market. The economic crisis of over-production is one variable that can be cited among other things as a cause of the failure of capitalism (ibid).

Proponents of Marxism see socialism as an alternative approach for economic development. Socialism as a model of development focuses on creating equality in society, reducing the gap between poor and the rich and having a strong state that has the capacity to intervene in the economy (Giddens, 1979:133). Unlike the neoliberal approach, socialism is not intended to make profits.; it is meant to create a society based on equality. According to Emile Burns (1976:3-5), socialism came to the fore in world politics as a result of the inhumanity of deregulation and rampant capitalism. He goes on to say that socialists questioned individual private property and self-centeredness and provide a socialist alternative policy development. Socialism has the following attributes:

- Ownership of production
- Building a strong state
- Creating an egalitarian society
- Nationalization (ibid)\textsuperscript{22}

Radical Marxists argue very strongly that the state should be done away with completely, and be replaced by a communist system where the means of production will be owned by the working class (Marx and Engels, 1848:37-45). The capitalist system is seen to be an exploitative system by proponents of Marxism; because normally the working class is not paid satisfactorily by the

\textsuperscript{22} See also the work of Baradat (2003) on socialism
employer. This is referred to as the theory of surplus value by those who espouse classical Marxism (Marx, 1867:1, West, 2009:248). In the next section the writer will examine the conceptual debates surrounding the process of ‘development policy’; because development policy is an application of development theories. Hence, it is vital in this chapter to focus both on development policy and development theories. Development policy and development theories are linked to the problem statement and primary question of this study, stated in chapters one and five of this thesis.

2.9 A Review of Conventional Theories of ‘Development Policy’

The key objective of this section is to outline the theorization of development policy and what underpins it. Among other things, this is also the focus of this study, to examine development theory and practice. An examination of development policy is also carried out to indicate the gaps in the discourse around the application of development theory later on in this chapter. One needs to enter this debate by asking an interesting question: What is the meaning of the terminology ‘development-policy’ (Hanekom, 1987:7, Swanepoel, 2000:87-88).

This question can be answered according to the following theorization of development policy:

- Development policy should spell out clear objectives of the government of the day
- Policy-makers should identify a specific problem
- Decision-makers must always explore a number of alternatives
- It takes into account political, social and economic factors (Landsberg, 2005:6, Turner and Hulme, 1997:59).

More specifically, development policy is a declaration of intentions and outlines the aims and guidelines of the public-policy makers. Hence, development policy is regarded as a road map in that it shows where the policy makers would like to go and what they are aiming to achieve with regard to improving the lives of the people. In essence therefore a policy is understood to be an assertion of intent. The concept ‘policy’ is employed even within ostensibly governmental agencies to define a number of different activities including (1) stating the aims of government (2) outlining key priorities, and (3) describing a framework (Turner and Hulme, 1997:59, Webb, 2002:24, De Coning, 2000:3, Gordon, Lewis and Young, 1993:8, Swanepoel, 2000:87-88).
Government policies are meant to respond to socio-economic, political and cultural problems, etc. All governments around the world operate within a social context. This means that development policy needs to be geared towards social problems. It must not be meant to benefit a few individuals in society. Hyden (1983:12-17) argues that development policy is also underpinned by certain ideologies such as capitalism or socialism, etc. Thus, development policy in its implementation is influenced by and large by the political elites as opposed to civil servants (ibid). Development policy needs to be aimed at promoting development across the board. After all, the whole notion of development policy is about government’s emphasis on development through a range of policy from national to local level.

The conceptualization of ‘development policy’ is summarized below:

- Policy refers to the affirmation of goals that ought to be followed by an organisation to deal with a specific problem.

- Policy is a guideline that must be followed by individuals within an institution in order to promote the welfare of the people.

- Development policy states specific aims within a given situation and the technique to achieve them.

- Policy is an assertion of objectives and intentions related to a specific problem (Fox and Meyer, 1996:96).

Policy is clearly explained as a link between intentions, implementation and outcomes. Development policy indicates both what is planned to be achieved by the government of the day and the increasing efforts of implementation. A policy involves the acknowledgement of a specific problem. What is important in the development-policy process is how a problem is conceptualized and how the policy-makers are planning to address a specific problem (Heywood, 2004:400, McMillan and Schumacher, 2006:448, Parson, 1995:87). This implies that

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For further explanation Heywood argues that with regard to policy intentions, this phase (of policy formulation) states what the government would like to achieve in relation to a particular problem. Secondly, he goes on to say that with respect to the implementation aspect, this is related to the process of putting the plan of government into practice. Thirdly, policy outcomes refer to whether the government has achieved its policy objectives or not (2004:400).
those who are policy-makers start by diagnosing a problem. Subsequently, all the stakeholders in society should be taken on board for detailed deliberations.

This is a procedure that should be followed in a democratic country; development policies must not be made without active participation of the citizens; a democratic tradition should be upheld by the politicians.\(^{24}\) Political participation is the cornerstone of democracy. This contention is echoed by policy analyst Hanekom when he argues that public policies should reflect the ‘public interest’.\(^{25}\) Public views can be expressed in different forms of public participation such as writing letters to newspaper editors, voting in both general and local elections, \emph{imbizo} meetings and ‘public hearings’. Public participation is an important element for enhancing political accountability and good governance. The idea of public participation also encompasses consultation before a public policy is made by policy-makers. Public participation is therefore at the core of democracy (Draai and Taylor 2009:11, Gildenhuys, 2004:104, Reich, 1988:124, Masango, 2009:123, Edigheji, 2010:8-9).\(^{26}\)

Government policies are meant to promote the welfare of the people. Policy execution is a difficult process, and legal prescriptions, administrative context and the preferences of civil society must be brought on board. Policy execution to a greater extent is shaped by the administrative guidelines of departments to achieve political objectives. The implementation of policy relates to specified objectives, and the translation of the policies that emerge from the complex process of decision making into practice (Gordon, Lewis and Young, 1993:8, Hanekom, 1987:55, Heywood, 2002: 406, Webb, 2002:33, Edigheji, 2010:5). In order for any government to achieve its intended objectives it must have the capacity to implement its policies. This means that the human resource departments within the state machinery need to recruit the best candidates and not compromise in respect of their quality. Implementation is crucial in the policy process, as it translates all the intentions into practice.

\(^{24}\) Mangcu follows the same line of thinking when he argues that ‘criticism is the life-blood of a democratic society’ (2009:4). This implies that the public should speak against corruption, lack of service delivery and incompetence of public officials, etc. By the same token, the public should also criticize bad public policies and poor implementation of public policies.

\(^{25}\) Hanekom (1987:33) defines public interest as a popular view of the majority or majority interest. Prominent Political analyst Steven Friedman asserts that ‘policy in democracies is meant to be the outcome of the interplay between government and the citizens and the latter are more likely to influence the former if they are organized into collectivities’ (2003:8, Politikon Volume 30. No 3-25).

\(^{26}\) See also Blaug (2002:102, Vol 50), Hendrickse (2006:41-45)
Myrdal (1968:186:189) argues that there are institutional factors characterized by corruption, incompetency, laziness and lack of discipline within the state machinery which are hampering development in society. According to him, these institutional tendencies are affecting the implementation of development policies which are meant to promote development due to the lack of work ethic in the public sector (ibid). The main aim of the next section is to indicate the gaps in the development theories examined by the writer earlier in this chapter.

2.11 A critique of development theories with specific reference to neo-liberalism
This section will provide a critical analysis of all the theories of development discussed above. These theoretical frameworks will be discussed one by one according to their sequence as outlined earlier in this chapter. Firstly and most importantly, the Keynesian model of development embraces both a strong state and the role of the market forces in the economy. In a few well-chosen words this is called the mixed economy. A problem generated by this economic approach is its tendency towards ‘budget deficit’. This means that the government spends more than what it has in its budget. It must be noted, that as pointed out earlier in this study, in a Keynesian model the government spends too much money on public works programs and infrastructure development, etc. This view is echoed by Gly when he states that capital accumulation, and investment spending on public infrastructure is the fundamental ‘driving force on the demand as well as on the supply side’ (2006:2003).

After the Second World War many governments in Europe who implemented the Keynesian development model were faced with high levels of debt as a result of budget deficits (ibid). Budget deficit can therefore be regarded as a shortcoming of the Keynesian system. However, this is not unique to the Keynesian approach. For instance, even the US which has been dominated by the neo-liberal opponents of Keynesianism since the ’70s, has built up the world’s biggest budget deficit. That is why it is so important that the issue of budget deficit is not only attributed to the Keynesian model of development. The Keynesian model came under heavy criticism during the 1970s for high inflation and low economic growth; this criticism came in the main from the neo-liberals and neo-classical theorists (Fine, 2001:7, Amory, 2008:12, Kwan-Sung, 2010:65, Vorster, 2011:1-4, Fletcher, 2012:14). As a result of budget deficits associated with Keynesianism; its popularity declined on a global scale. The role of the state in the
economy was questioned and criticized by proponents of neo-liberalism and neo-classical theory.\textsuperscript{27}

Scholars such as Mkandawire (2010: 62), and Fine and Hall (2012:51-53) argue that during the late 1970s there was a shift away from institutional forms of development economics with particularly the structuralists, Keynesianism and a broader social science orientation to more neo-classical and neo-liberal forms of development.\textsuperscript{28} This ideological shift to the right is part of the emergence of the so-called Washington Consensus or neo-liberalism and was exemplified by adjustment measures in developing and transitional economies, and the privileging of the market at the expense of the state. The IMF and World Bank applied neo-liberal policies (solutions) to economic problems that existed all around the world.\textsuperscript{29}

The structural adjustment programs became a vehicle for the implementation of business-friendly economic policies embracing market fundamentalism. One of the conditions of the IMF and World Bank for the structural adjustment program loans was to compel recipients to reduce public spending on essential services, paving the way for the privatization of assets and services. Paradoxically, both the political and business elites were the major beneficiaries of privatization as opposed to the masses of the people on the ground (Harvey, 2005:1-5, Simons, 2010:17, Hofmeyr, 2011:8). According to Willis (2005:51-52), the application of neo-liberalism through the structural adjustment programs of the IMF and World Bank during the late 1970s and early 1980s came under heavy criticism for not yielding positive developmental results.

Most countries in the world, especially some in Latin America were given a taste of neo-liberal policies. In Chile this ideology was primarily based on privatization, deregulation of the economy, and reduction of government expenditure, despite fiscal discipline being rejected by the majority of the citizens because the reduction of government expenditure led to essential services such as education, health and water service, to cite a few, being cut off (Heywood,

\textsuperscript{27} See also the work of Haines and Pretorius (2012:20) on this matter
\textsuperscript{28} The decline of the popularity of Keynesianism in the main was informed by budget deficit where this model was applied (Fine, 2001:132).
\textsuperscript{29} These economic problems are explained above and were associated with the Keynesian model of development.
Torres, for instance (2011:181-183) asserts that the implementation of fiscal discipline (as one of the key tenets of neo-liberalism) marginalizes the people on the ground from accessing essential services.

Before the implementation of neo-liberal policies in Chile, the people of Chile had elected their own government democratically. This was a socialist government with a clear program for advancing the interests of the poorest of the poor. The government of the United States was discontented about the situation, and Friedman and the government of the United States of America supported a military coup led by a dictator called Augusto Pinochet (Klein, 2007:12, Bell, 2010:8, Grugel, 2012:1-3).

Narrow neo-liberal economic policies are not necessarily a sound foundation for economic development (Saul, 2005:190-194, Torres, 2011:181-183). They breed income disparity which in turn is a threat to democratic consolidation (Hibell, 2008:1). Neo-liberal policies and practices accommodate relatively unfettered wealth accumulation and promote inequalities as well as undermine the culture of democracy. The effect of unregulated international capitalism tends to undermine democracy; it is based on maximization of profit and creates different classes, and class tensions in society. On the other hand, democracy is intended to promote equality for everyone in society. Democracy also implies that the socio-economic needs of the poorest of the poor are being taken care of by the powers that be.

Neo-liberal policies are ‘market-friendly’ in the sense that they are meant to benefit the capitalists. Neo-liberals strongly believe that only market forces can attract investment for

30 John Saul states that another country that was an experiment of neo-liberals was New Zealand. He argues that in New Zealand these neo-liberal policies led to a ‘financial crisis’, inflation was high and poverty was increasing ‘in a middle-class country’ (2005:190-194). Naomi Klein states that millions of socialist activists in Chile started to mobilize the working class in order to fight against neo-liberalism. She goes on to say that Small Micro Medium Enterprises (SMME’s) were closing up because they could not compete with foreign companies (2007:75-84).

31 Haines (2000:49) states that countries that implemented neo-liberal policies had growth but there was no trickling down effect to the poorest of the poor. According to him, there were income disparities between the rich and poor. He goes on to say that ‘cutting back on government expenditure and attempting to trim the state, which was one of the major arenas of economic activity and resource provision in poorer Third World countries, did not result in improved efficiency and a lessening of corruption among the bureaucracy. Nor have market forces compensated for these cuts. The most
growth and development. By and large, these public policies do not improve the lives of the poorest of poor. Moreover, neo-liberals support the independence of the Reserve Bank. They argue that the Reserve Bank should not succumb to political pressure. This view is also in line with the free-market system. Proponents of the independence of the Reserve Bank believe that this is one of the approaches to stimulate economic growth. However, it should be noted that this argument is flawed; precisely because economic growth alone cannot be perceived to be a signal of social development (Harvey 2011:1-11, Ruthjersen, 2007:52, Fine, 2001:133). Willis follows the same line of thinking when contending that development should also be measured by an improvement of quality of health, education, etc, and reasonable standard of living (2010:3). In other words, development is about a change for the better in society for the majority, not just for the elites.

Globalization has recently also become a bone of contention in world affairs; because Western Countries appear to apply double standards when it comes to this process. On the one hand, Western Countries provide lip service to free trade, free markets and unregulated markets, while often protecting their own markets from that very competition. For instance, in contradictory fashion, they have a track record of erecting barriers to trade with developing nations. This is indeed a contradiction (Castells, 2000:140-161, Saul, 2005:78, Bell, 2010:356, Narsiah, 2010:1-2).

Neo-liberals also support the notion of democratization. The process of political transition to democracy is also supported by Western powers and multinational companies. More specifically, multinational corporations tend to fund political parties who embrace neo-liberal agendas in order for political organizations to implement capitalist policies when they get to power (Heywood, 2002:129, Gillian, 2008:7, Amory 2008:4).

The expansion of neo-liberalism throughout the world meant that the state had to be left out of the market and also implied that the market forces were given nearly free reign in determining the economic trajectory of developing countries. This has led, in some of these countries to political unrest, poverty and conflict escalation. Countries that come to mind are Chile, Brazil, noticeable result is a dramatic contraction of social services and the removal of food subsidies which impact most severely on the poor’.

32 See the evidence in the footnotes in the previous chapter with regard to this assertion.
Argentina, Mexico, Peru, Poland and Ghana, etc (Klein, 2007:9). Indeed, the nexus between conflict and development has recently given rise to a burgeoning literature, and the development of an entire sub-field. This is underlined, among others, by the early work of conflict theorist Edward Azar (1990), and his proposal for ‘development diplomacy’ as a response to deep-rooted social conflict. Paul Collier (2004) has recognized that link in his writing of conflict as ‘development in reverse’, and textbooks, such as MacGinty and Williams’ Conflict and Development (2009) have appeared. Even specialized journals, such as the Journal of Peace, Conflict and Development, and Conflict, Security and Development, have emerged, and a concern with the conflict-accelerating potential of imported liberal institutions and markets is reflected in Roland Paris’ (1997, 2004) critique of the popular ‘Liberalization before Institutionalization’ approach to post-conflict reconstruction and development which has also gained traction in the recent literature.

Mkandawire (2010: 62), Fine and Hall (2012:49-54) argue that the public sector reforms in countries that have implemented the free market system and structural adjustment programs are inspired by the neo-liberal ideology. The recent work undertaken by Mkandawire (2010: 62), Fine and Hall (2012:49-54) on neo-liberalism on a global scale have some gaps in their analysis. Firstly, they do not indicate that neo-liberalism in its implementation has contradictions; that in many cases it involves the reallocation of state resources towards the political and business elite for personal accumulation, rather than promoting development. Market driven public-policies do not achieve their desired outcomes of improving the lives of the people. Market fundamentalism policies benefit mainly the politically influential individuals and politically well-connected, rather than promoting economic development for the majority (Fine and Hall, 2012:49-54).

If the yardstick of development is the upliftment of the masses, then neo-liberalism in this context is counter-productive. Development is about changing the lives of the people (especially the poorest of the poor) for the better. The key indicator of development is breaking the vicious circle of poverty through job creation; because poverty takes away the dignity of people (Hurst, 2012:1-5). Neo-liberalism as a model of development fails to take into account the complexities of development (as described above with regard to how development should be measured). Instead, privatization of services or assets (in a number of countries that have implemented neo-
liberal inspired policies) tend to benefit mainly the business and political elite with strong links to the powers that be; and people who have friends and relatives in government. This line of argument with regard to privatization and the complexities of neo-liberalism on a global scale is absent from the literature on market fundamentalism. Those who normally benefit from government see state institutions as ‘cash cows’ to make money or to get rich quickly (Fine and Hall, 2012:51).

There is a common denominator in all countries that have implemented neo-liberal economic policies; namely the scope that it provides for corruption for both business and political elites. Neo-liberal policies in countries such as Argentina, Chile, China, England, the United States of America, South Africa, Russia, Poland and New Zealand (to mention a few) have exacerbated corruption in both the public and private sectors. In most cases, privatization of services has provided space for public officials to accept bribes given to them by the business elite. Of course, it must be borne in mind that corruption is not only confined to countries that are implementing neo-liberal inspired policies. Even countries that have implemented socialism before such as China, Russia Ghana and Mozambique had politicians and public officials who were involved in corruption. Hence, it must be noted that the writer in this thesis is not equating neo-liberalism very simplistically with corrupt practices in general (Castells, 2000:140-161, Harvey 2011:1-11, Klein, 2007:223-242, Saul, 2005:190-194).

It must be noted that some countries, especially the United States of America (under Ronald Reagan) and England (Thatcher Government) reduced their government expenditure on social development while on the other hand increasing their expenditure on military activities. This contradictory practice signifies that sometimes proponents of neo-liberalism pretend to be supporting the idea of reduction of government expenditure; however when it suits them they do the exact opposite (King, 1987:148-153).

There is ample evidence to indicate that the unregulated markets supported by the new orthodoxy have a tendency towards crisis. This is borne out by the Asian financial crisis of 1997, which resulted in currency collapse, slumping stock markets, and millions of people falling below

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33 This does not mean that privatization of services is the only cause of corruption within the state machinery.
the poverty line, the dot com stock bubble of March 2000, and the ongoing financial crisis (at the time of writing) that continues to affect the economic growth of most of the world’s economies, and which continually demands sacrifices from the poorer echelons of society (Fine, 2010:172, ILRIG, 2009:3).

It is widely accepted that the recession is affecting poor people globally, and the world has also witnessed a number of protests nationwide by people complaining about poverty, unemployment, housing and the increasing food prices. It is evident that the global recession has affected the poor at all levels. Social discontent is often the state of affairs in countries with neo-liberal policies (Institute of Development Studies of Sussex, 2012:1).  

Neo-liberalism is the mainstream model of development within development theory and practice. However, it must be noted that a number of scholars and political leaders have been asking for alternative models of development; because of the contradictions and the complexities of neo-liberalism. According to Ben Fine (1998:1-5, 2001:139, 2010:172), a proclamation made in 1998 by Joseph Stiglitz, a former senior vice-president, and senior economist at the World Bank, stated that the ‘Washington Consensus’ had failed; and that a ‘post-Washington Consensus’ was needed and should encourage both the state and market forces to work together for economic development. Both neo-liberalism and modernization have been criticized by a number of scholars for emphasizing the dominance of the market while not changing the lives of poor people for the better.

Modernization theory implied that developing countries were expected to follow the economic approaches embraced by Western Countries. This conception features prominently within the neo-liberal literature. Nonetheless, European Countries, through multi-lateral institutions such as the World Bank and International Monetary Fund were misleading developing countries by telling them to open up their markets; while they themselves protected their own local markets; in trade relations, European governments are subsidizing their own local farmers. These bilateral and multilateral trade agreements between the South and North are essentially

35 See also, Fine and Padayachee (2004:274)
unequal. This leads one to question the objectivity of modernization theory in relation to development in Third World Countries.

With regard to dependency theory, Bill Warren criticizes the dependency school when he argues that this theory puts too great an ‘emphasis on external factors’ such as imperialism. According to him, internal political factors in this regard are also to be blamed for underdevelopment in developing countries (1980:3-7). Domestic factors in developing countries also include corruption, abuse of state institutions and patronage etc (Jackson and Jackson 1997:412, Kleinberg, 2007:2). The main shortcoming of the dependency school of thought can therefore be regarded as the fact that it over-emphasises the importance of external forces. However, this does not mean that foreign capitalists are not also exploiting the resources of the developing countries.

It should be borne in mind that public officials in Third World Countries are to be singled out for causing underdevelopment by stealing public funds meant for development. These are some of the gaps of the dependency theory; the same goes for orthodox Marxism (it has limitations as well on development). For instance, Anthony Giddens argues that Marxism is too reductionist in its approach in the sense that it focuses too heavily on ‘class analysis’. There is too much emphasis on the conflict between the working class and capital (1979:132). This implies that classical Marxism is too simplistic and ignores other complexities and contradictions in society.

Again, classical Marxism has been criticized by scholars such as Cornel West (2009:229-233) and Molefi Kete Asante (1998:5) for ignoring the issue of racism in its analysis. This means that Marxism is too obsessed about class characterization without taking into account that underdevelopment amongst black people was caused by institutionalized racism. For instance, colonialism and apartheid were premised on the fact that, among other things, better services had to be given to the white population, thus ensuring that black people received poor services. Black people did not receive services unequal to those of white people because the majority of
them were part of the working class, but rather because they were oppressed for being black and regarded as an inferior race.\textsuperscript{36}

Even though apartheid and colonialism are gone, however, their impact on underdevelopment is still felt by many people because they were discriminated against on the basis of the colour of their skin.\textsuperscript{37} Again, the bulk of black people are uneducated, without skills and are not employable due to the consequences of the apartheid policy of separate development.\textsuperscript{38} This is the kind of analysis that is lacking in the theorization of Marxism with respect to underdevelopment. None of the Marxist theoreticians in Europe including Karl Marx have cited the issue of institutionalized racism as a cause of underdevelopment in their analysis. The next section will narrow down the discussion on market fundamentalism to the South African situation. Among other things, the writer will identify the strengths and weaknesses of both local and international scholarship with regard to the application of ‘GEAR-related policies’ in South Africa.

\textbf{2.12 The South African situation}

It must be noted that not much scholarly work has been done on how different spheres of government promote and reinforce neo-liberal policies and practices. South Africa is a case in point in this respect. The arms deal as a policy initiative also tended towards the neo-liberal end of the spectrum; because the arms deal was underpinned by bidding and tendering processes associated with business friendly policies.\textsuperscript{39} Senior members of the ruling party were found guilty of corruption. Schabir Shaik, the former financial advisor of President Jacob Zuma was found guilty of corruption in 2005 in relation to the arms deal. Again, the former ANC Chief Whip Tony Yengeni was also found guilty of corruption for failing to disclose to parliament that he received a 47 percent discount from Daimler Chrysler to buy an expensive 4x4 Mercedes

\footnotesize{\textsuperscript{36} Black people in this context refers to all those who were historically oppressed by apartheid and colonialism. Moreover, it also includes Coloured people and Asians; because they too were economically marginalized by discrimination laws of colonialism and apartheid (see also, Biko, 1978:22-54).

\textsuperscript{37} According to Roodt, (cited in the South African Institute of Race Relations, survey), between 1999 and 2009 only 28.7\% of black people have been able to complete their matric as opposed to 76.0\% of white people who have completed their grade 12 (2010:375).

\textsuperscript{38} This does not mean that all the black people who are unemployed at the moment are not educated.

\textsuperscript{39} The entire arms deal was informed by marketization principles such as making private companies as service providers to the state. Services providers were the ones who made profit out the arms deals as opposed to benefiting ordinary people on the ground.}
Benz (Feinstein, 2007: 208, Holden, 2008:133, Gordin, 2008:109, Mangcu, 2008:89). Of late, President Jacob Zuma has appointed a commission of inquiry to examine more closely allegations of corruption with regard to the arms deal.40

With regard to local government level, Stander stated that in 2010 close to 4 million rand in the Nelson Mandela Metropolitan Municipality could not be accounted for ‘after payments were made for services not rendered and goods not received’.41 She goes on to say that in Buffalo City a huge amount of money got lost due to fruitless expenditure, fraud and wasteful spending.42 According to the Kabuso report (2011:5), the former mayor of Nelson Mandela Metropolitan Municipality, Nceba Faku broke the law by taking decisions unilaterally without consulting the council. These decisions include the approval of a R2 million rand grant to renovate the Madiba Bay Resort, and the appointment of a BBBEE construction company to build the Red Location Museum in honor of Raymond Mhlaba and Govan Mbeki. This is tantamount to fruitless and wasteful expenditure and also signifies that the former Mayor did not consider the municipality’s Supply Chain Management system (ibid, 2011:5).43

According to the Auditor General (2012:2-18), between 2010 and 2011 government tenders amounting to R113 million were awarded to individuals who had relatives or friends within state institutions. This evidence reinforcing the argument that the local business and political elites through the BBBEE, PPPs, and outsourcing of services are using their strong networks (associated political and social capital resources) in their efforts towards personal accumulation. The whole notion of the tendering system exacerbates the practices of corruption; where public officials and politicians accept bribes and do favours for the business elite, and in return accumulate wealth for themselves. The practice of corruption bedevils the delivery of services and hampers development on the ground. State resources that are meant for development end up in the hands of a tiny minority of people in society with strong political and business networks. It should be noted that the provision of BBBEE requirements allows a skewing of awards away from the most efficient or best value for money bids.

40 Mbanjwa (City Press, 2012/02/02)
41 (cited in the Weekend Post, 04/03/2011)
42 These findings signify that corruption is embedded in Buffalo City and Nelson Mandela Metropolitan Municipality.
43 The Kabuso report was commissioned by the Eastern Cape Department of Local government and Traditional Affairs to examine corruption in the Nelson Mandela Metropolitan Municipality.
In September 2011, the South African government announced the creation of the Presidential Infrastructure Coordinating Commission (PICC), which comprised the State President, Deputy President, Ministers, Premiers and Mayors serving in metropolitan municipalities (State of the Nation Address, 2012:4-6). Some of the initiatives of the PICC will focus on the infrastructural development projects in Limpopo, Western Cape, North West, Mpumalanga and the Eastern Cape (ibid). These projects are intended to be carried out through the PPPs and the privatization of services. As indicated in chapter one; these policies are elite-friendly, and they are an application of neo-liberalism at the local government level. Again, this signifies that ‘GEAR-related policies’ are embedded at different levels of government in South Africa.

It is critical to examine existing scholarship in the field of Development Studies and other related disciplines in the Social Sciences with regard to what kinds of empirical-theoretical studies have been carried out internationally and locally on development in South Africa. South Africa has been performing badly in relation to international competitiveness or rankings on poverty and development (National Research Foundation, 2012:4-6). The measurement for economic development used by the United Nations also known as the Human Development Index (HDI) for instance, indicates that South Africa’s HDI is 0.619. This ranks South Africa at an extremely poor 123 out of 187 countries in the world (UNDP, 2012:5).

Again, according to the World Economic Forum, Competitiveness Index Report (2010-2011), out of 139 surveyed countries, South Africa came in at 102 with reference to corruption, 129 concerning economic development, 137 concerning crime, and was placed 117th overall in education. The recent World Bank Report (2012:3) indicates that the Gini coefficient in South Africa was at 0.70 in 2008 and made the country the highest in the world in terms of inequality. This signifies the extent of underdevelopment in South Africa, despite the fact that anti-poverty strategies such as BBBEE and PPP have been introduced over a number of years in the new South Africa. Moreover, it demonstrates that the South African government is not

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45 See also, (Pottinger, 2008:81)
46 hdrstats.undp.org/en/countries/profiles/ (accessed on the 02 May 2012)
47 United Nations Development Programme (UNDP)
doing well with regard to the improvement of the lives of people.\textsuperscript{49} This secondary data is also integrated into part of the unfolding argument in other chapters of this thesis.

The Council for Scientific and Industrial Research (2012:6) has indicated that, one of the reasons for South Africa’s failure to address underdevelopment is the lack of relevant skills that are needed by the economy for growth and development. Among other things, these skills include artisans, engineers, scientists, chartered accountants and enough researchers with doctoral degrees who can make South Africa a knowledge-based economy. There is a miss-match of skills in South Africa; the skills produced by training institutions are not the ones that are needed by the economy. This is one of the problems in the South African economy (ibid). According to World Bank Economic Update (2012:1), one of the problems in South Africa that is hampering economic development is poor education. The bulk of South Africans, especially those from poor communities, cannot read and write properly because of the state of education. This phenomenon makes it difficult for them to be employable and participate in the mainstream economy, because they are not properly trained for the job market (ibid).\textsuperscript{50}

It is worth noting that the body of knowledge in South Africa and internationally on neo-liberal inspired policies has both strengths and weaknesses. Firstly and most importantly, one of the strengths of local and international scholarship is its ability to historicize the neo-liberal model of development by indicating its intellectual history. This enables one to understand the history of ideas with respect to neo-liberalism. Secondly, there is a great deal of scholarship that indicates that neo-liberalism is failing to improve the lives of the people in general. A recent study on neo-liberalism conducted by Hugo Noble indicates that neo-liberalism does not enhance service delivery but rather hampers development at grass-root level (2003:211-225).

On the other hand, the scholarly work undertaken by Hugo Noble (2003:211), David Harvey (2011:1-6), and Vishwas Satgar (2011:8) fails to make the linkage between corruption and neo-liberal inspired policies. This does not imply that corruption is caused by the application of neo-liberalism. Nor does it mean that corruption is limited to the implementation of neo-liberal inspired policies. The point here is that business-friendly policies are creating scope for

\textsuperscript{49} (See also, Pottinger, 2008:81)

corruption to occur. In other words, ‘GEAR-related policies’ are exacerbating the practice of corruption, particularly as they are used in tandem with BBBEE requirements.

This link between the business and political elites has been indicated through evidence-based material in this chapter and will be further highlighted in other chapters in this study. Hence, the central argument of this research is that both BBBEE and PPPs are inspired by neo-liberalism; and that neo-liberalism in practice is contradictory in nature, as it involves the allocation of state resources to politically influential individuals, rather than promoting economic development for the majority. Again, the body of knowledge on neo-liberalism; tends to simplify the notion of neo-liberalism in South Africa as straightforward without indicating the complexities at play.

In the scholarly work of Ben Fine and David Hall (2005:51) and Wendy Larner (2012:6), it is stated that neo-liberalism is not a simplistic model of development which is easy to explain. According to them, it is not just about being pro-business and anti-state intervention in the economy; it has complexities. However, these scholars still fail to explain the complexities and contradictions associated with the neo-liberalism. For example, it must be noted that in as much as PPPs certainly are an element of neo-liberalism in the public sector, BBBEE is not easily associated with it, because it implies large-scale government interference in the workings of the market.

Bond for instance (2006:39) states that ‘...but matters are always more complicated in South Africa...’ In this case, it is not neo-liberalism per se that constitutes the problem, but rather the invocation of policies as neo-liberal, that are not truly, or purely neo-liberal. Neoliberalism with protection (as in EU farming policy) is not neo-liberalism. Neo-liberalism (unfettered markets) with BBBEE requirements is also not neo-liberalism. Neo-liberalism with a highly-protected labour market is not neo-liberalism. This set of development policies is essentially a smokescreen for patrimonialism, and a spoils system of elite accumulation. It is not at all what it at first seems.

Municipalities, in terms of government policy, may retain the same formal procurement procedures, without necessarily outsourcing more than before, and nonetheless, add further provisions, that BBBEE enterprises should receive preferential treatment in the allocation of
outsourced contracts. As such, this represents greater government regulation, not less, and cannot be unproblematically equated with neoliberalism, though they may be heavily influenced by it. They are business-friendly economic policies intended to maximise profit and individual acquisition of wealth, but they have been applied in conjunction with some distinctly different policies in respect of racial preferences, and very strong labour protection. In their own right the regulatory aspects of BBBEE, lend themselves to corruption and accumulation by the new elite.

Moreover, the expansion of the size and the role of the South African state, are definitely anti-neo-liberal. The ANC government of late has adopted state led policies such as the ‘New Growth Path’ which espouse the notion of a development state as opposed to the populist view that South Africa is just simply a neo-liberal state.\textsuperscript{51} However, issues such as outsourcing or privatization of services and PPPs and much political rhetoric are neo-liberal. This also indicates the gaps in the discourse around the application of neo-liberalism in South Africa.

Scholars such as Bond (2006:17, 2007:1), Narsiah (2010:5), Satgar (2011:3), tend to argue that neo-liberalism in South Africa came about through the GEAR policy; because GEAR emphasis privatization among other things. The problem with this argument is that privatization in South Africa did not start in 1996 during the ushering in of GEAR. For instance, privatization also happened before the mid-1990s, as is evidenced in the commercialization of parastatals such as Transnet, the partial privatization of Iscor, and the asset stripping of Safmarine. This implies that neo-liberalism was also applied partially in South Africa before 1994 as opposed to the populist views that only link neo-liberalism to 1996 onwards.\textsuperscript{52} In fact, even Bond (2005:17) makes the point that there is more continuity (with the policies of the Apartheid government), than discontinuity.

Local and international scholarship also fails to indicate that the ‘GEAR-related policies’ are ‘created, reproduced and sustained at local government by a range of local policy actors’, and are encouraged and supported by the International Monetary Fund and the World Bank. These

\textsuperscript{51} The view is echoed by Fine and Hall (2012:51) when they point out that the neo-liberal model of development is not a simplistic approach that is just in favor of the market forces and anti-state. The ‘New Growth Path’ is explained in detail in chapter three of this study.

\textsuperscript{52} See also David Yudelman in this regard
are some of the shortcomings and gaps in the body of knowledge on Sociology of Development or Development Studies and Social Studies with regard to the application of neo-liberalism in South Africa. The primary research question and problem statement of this study (which are stated in chapters one and five) are informed by the knowledge gap in the literature on the application of neo-liberalism within the South African context. Thus, this research attempts to make a distinctive contribution to local and international scholarship in Development Studies and other related disciplines within the Social and Economic Sciences.

Another problem in the literature on neo-liberalism in South Africa is that there are strong criticisms of ‘GEAR-related policies’ without any new practical solutions or alternatives with regard to the neo-liberal paradigm. However, one needs to acknowledge the recent work of David McDonald and Greg Ruiters (2012:492-493), Ben Fine and David Hall (2012: 51-53), in Development Studies in relation to the alternatives to neo-liberalism. They all argue along the line that ‘GEAR-related policies’, in particular at local government level, should be replaced by a state-led approach towards development. According to these scholars, this model has been applied in Latin American countries where governments nationalized certain industries and workers have shares in such industries.

The participation of the civil society is also important in a pro-state model of economic development. The application of neo-liberalism cannot just be replaced by only a strong state without the involvement of the public (ibid). This implies that as indicated by the above scholars that ordinary people on the ground need to have shares in companies that are responsible for service delivery and have a say in decision-making processes all the time, as opposed to the privatization of services that is underpinned by maximization of profit at all cost. The model of development that is proposed by David McDonald and Greg Ruiters (2012:492-493), Ben Fine and David Hall (2012: 51-53), has a strong element of democracy because it stresses the importance of the role of the public in policy-making and decision-making. It moves away from the old Stalinist Soviet Union style of government that was undemocratic in nature with a total disregard of the views of the public. This proposed model of development is also supported by the anti-neo-liberal social movements that have emerged in the new South Africa opposing market fundamentalism in particular at local government level; because a number of people in South Africa cannot afford services such as electricity and water, due to privatization of services.
The above proposition for development in South Africa has shortcomings. For instance, corruption has been cited in the Auditor General’s report (2011/2012:1:9) and by the OECD (2012:4) report as a major problem that is hampering economic development. Although a pro-state model of development may be a good idea, with rampant corruption in the public sector it is questionable if it will yield positive results. The government first needs to show commitment in terms of fighting corruption. After all, it makes no sense for any government that has dysfunctional municipalities to nationalize industries and to increase its capacity while it is struggling to run even the institutions of the state, due to corruption and incompetency. This argument is reinforced by the Auditor General’s report (2008/9) that only four municipalities throughout the country out of 284 obtained clean audits or unqualified reports. More specifically, in the Eastern Cape, fully 94 percent of the municipalities had unauthorized, fruitless and wasteful expenditure in 2010/2011 financial year (Auditor General, 2010-2011:48). All the municipalities (45) in the Eastern Cape received unclean reports. Only thirteen municipalities out of 284 in South Africa received clean audits (ibid). This shows the extent of corruption within the context of local government in South Africa. Any model of development in South Africa should be able to benefit the poorest of the poor, as opposed to only the elite, through job creation and the eradication of poverty.

The tables below demonstrate the extent to which South Africa follows ‘GEAR-related policies’, by showing what are generally regarded as policies with elements of neo-liberalism (even though not entirely in the case of BBBEE), and comparing them to South Africa between the early 1990s until 2010. In the case of the below table, whereas PPPs and BBBEE are policies inspired by neo-liberalism; high unemployment and poverty are not policies, they are conditions, which are commonly effects of ‘GEAR-related policies’ or local development policies. The information is derived from Dimant (2010:77-96), Holborn (2010:108-362) and Roodt (2010:108-362) and assembled in a table by the researcher.

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54 This is also confirmed by a research conducted by Roodt (of South African Institute of Race Relations, 2010:709)
55 All these individuals are researchers at the South African Institute of Race Relations. They conducted research between 2009 and 2010 about different aspects in South Africa.
Table 2.3: Elements of neo-liberalism and South African economic policy

<table>
<thead>
<tr>
<th>Aspects of neo-liberalism</th>
<th>South Africa in the early 1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>High unemployment</td>
<td>30%</td>
</tr>
<tr>
<td>Public-Private Partnerships</td>
<td>8%</td>
</tr>
<tr>
<td>Broad-Based Black Economic Empowerment</td>
<td>38.7% (‘BEE deals as a proportion of total deals’)</td>
</tr>
<tr>
<td>Poverty</td>
<td>36% male and 40% female blacks, 4% male and 4% female coloureds, 1% male and 1% female Indians, 6% male and female whites.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aspects of neo-liberalism</th>
<th>South Africa until 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>High unemployment</td>
<td>42%</td>
</tr>
<tr>
<td>Public-Private Partnerships</td>
<td>50%</td>
</tr>
<tr>
<td>Broad-based Black Economic Empowerment</td>
<td>42.2% (‘BEE deals as a proportion of total deals’)</td>
</tr>
<tr>
<td>Poverty</td>
<td>60% male and 68% female blacks, 35% male and 36% female coloureds, 19% male and 11 female Indians, 3% male and 4% female whites.</td>
</tr>
</tbody>
</table>

The following discussion will be focused on the standpoint theory (political economy approach) which informs the thinking of the researcher on development theory and policy. It focuses specifically on how the political and business elite use certain methods to accumulate wealth for themselves.
2.13 Political Economy Approach (The Standpoint theory of the study)

The main purpose of this section is to discuss the theoretical approach and its assumptions which are used by the researcher to analyze and interpret the findings of this research. The standpoint theory (political economy approach) of this study is also discussed in the methodology chapter and was briefly discussed in chapter one of this thesis. The political economy approach among other things provides a critique of the structural relationship between the business community and the political environment (Castells, 2000:140-161, Giddens and Held, 1987:5, Martinussen, 2004:237, Will, 2005:12-29).

This approach explores very closely how the political and business elites utilize certain strategies for individual acquisition of wealth at the expense of people; especially the poorest of the poor. More specifically, the political economy paradigm focuses on how business and political elites, through economic policies such as privatization or outsourcing of services are using their strong networks (associated political social capital resources) in their efforts towards personal accumulation (Fine, 2001: 4, Przeworski, 2003:11-13, Chomsky, 2010:91).

Political economy in this study is defined as the interaction of state and market. This approach examines the structural arrangement of capital and the political elites. Scholars in general who embrace this approach tend to argue that politics can never be understood in isolation from the economy; simply because the two terrains are interrelated and can never be separated from each other. Hence, it is helpful for social scientists whose interests are in development to adopt political economy as a paradigm. On the whole, political economy is concerned with issues such as poverty, unemployment, development, climate change, international trade, fiscal and monetary policies (Best, Rai and Walsh, 1986:300, Freeman, 1989: ix, Mills, 1959:10, Fine and Rustomjee, 1996:121-125, Will, 2005:12-29, Castells, 2000:140-161, Todaro and Smith, 2003:9, Chomsky, 2010:91). According to Przeworski (2003:11-13), the political economy approach concentrates on the allocation of resources in society.

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56 Chapter five is the methodology chapter
Political economy is interested in the outcomes of the relationship between political leaders and the business community. The political economy approach concentrates on the allocation of resources in society and focuses on the linkage between the political institutions and the economic environment. The political economic perspective is an interdisciplinary approach which integrates politics and the economy. For example, the political economy approach grapples with issues such as whether democracy in modern society is able to promote economic development for everyone (Alt and Alesina, 1996:645, Ersson and Erik Lane, 1997:1 Przeworski, 2003:11-13, Martinussen, 2004:237, Will, 2005:12-29, Chomsky, 2010:91). The political economy perspective underpins the thinking of the researcher with regard to development theory and policy at local government level in the Eastern Cape.

The literature theory review in this chapter gives rise to the primary question alongside the problem statement in chapter five. Also, this theoretical chapter informs the methodological approaches employed in this research. Because research methodology in any research project is meant to answer research questions; the same is true for this research project. The ontological and epistemological position of the researcher (explained in chapter five) is also influenced by the political economy standpoint. The chapter five will provide more detail regarding the process of data collection and how the political economy perspective comes into play in analysing and interpreting data.
2.13 Conclusion

The author in this chapter has provided an analysis of what constitutes ‘development policy’ within the state machinery. The rationale behind reviewing these theories was to map out a clear process of drafting a ‘development policy’. Furthermore, the writer has also undertaken a tour through the theories of development. More particularly, these conceptual frameworks include Keynesianism, neo-liberalism, modernization, dependency theory and orthodox Marxism, etc. Some scholars within the realm of social sciences call these theories economic approaches. With regard to development theory, this chapter firstly discusses the ontological and epistemological assumptions on which these theoretical frameworks of development are based. This was meant to demonstrate a deeper understanding of the writer regarding these theoretical models. Specific attention was paid to the neo-liberal model.

Finally, this chapter was aimed at questioning, what ‘development policy’ is trying to achieve in society? What is the nature of the developmental state and sustainable development? Is the theoretical model of neo-liberalism able to create sustainable development? What are gaps in local and international scholarship with regard to neo-liberalism in South Africa? What contribution is this study intending to make to the body of knowledge? The next chapter will examine extensively the macro-economic policy framework of the ruling party in the new South Africa.
Chapter Three

Post-Apartheid South Africa’s economy and its future political implications for consolidation of democracy

History teaches us clearly that the battle against colonialism does not run straight away along the lines of nationalism. For a very long time the native devotes his energies to ending certain definite abuses: forced labour, corporal punishment, inequality of salaries, limitation of political rights, etc. This is a fight for democracy against the oppression of mankind will slowly leave the confusion of neo-liberal universalism to emerge, sometimes laboriously, as a claim to nationhood. It so happens that the unpreparedness of the educated classes, the lack of practical links between them and the mass of the people, their laziness, and let it be said, their cowardice at the decisive moment of the struggle will give rise to tragic mishaps (Fanon, 1965:61).

Furthermore, the end of the apartheid regime was a great human achievement. Yet the 1994 elections of the African National Congress (ANC) majority with Nelson Mandela as the new president-did not alter the enormous structural gap in wealth between the majority black and minority white populations. Indeed, it set in motion neo-liberal policies that exacerbated class, race and gender inequality (Bond, 2009:1).

3.1 Introduction

Firstly and most importantly, this chapter examines the political and economic developments leading to democratisation in South Africa. This is of paramount importance in order for one to understand the current economic policy followed by the ANC government. Secondly, the writer focuses his attention on the social policy known as the Reconstruction and Development Program (RDP) adopted by the ruling party in post-apartheid South Africa. Juxtaposed to this argument is the advent of a macro-economic policy framework called Growth, Employment and Redistribution (GEAR) strategy. Thirdly, this study discusses the post-Polokwane economic path. Among other things, the debate includes the ‘New Growth Path’ policy of the government adopted in 2010.
3.2 Political developments leading to democratisation in South Africa: A Political Economy Perspective

In the main, this section examines the reasons that caused the new democratic government in post-1994 to succumb to a neo-liberal world order subsequent to the fall of the Soviet Union. It must be borne in mind that there were a lot of discussions about what the new socio-political setup would be in the new South Africa. Thus it is of paramount importance to provide a context when discussing ‘GEAR-related policies’ in a democratic South Africa. This view is supported by Neville Alexander when he argues that the application of neo-liberalism in the new South African should be understood in context, which includes the political transition towards democracy and the end of the apartheid system (2002:150).

Three important political developments played midwife to the negotiation process in South Africa. Three different initiatives accurately fall into the category of discussions. Among others these include the 1985 meeting between South African business community and the ANC leaders in Zambia, the 1987 meeting in Senegal (Dakar) between ANC senior leaders and a number of discontented Afrikaner leaders, and most importantly, the series of clandestine meetings in England between well-known Afrikaner scholars with strong connections to the apartheid government and senior ANC leadership, which have been called the Mells meetings (held near the city of Bath in the United Kingdom). This is not to deny the negotiations with Mandela and meetings with other prominent figures at that juncture (Bradshaw, 2008:151). In Lusaka 1985, Frederik van Zyl Slabbert met with African National Congress leaders to find a political solution in relation to South Africa’s problem. Two years later Slabbert organized the

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57 Bradshaw maintains that the business community and political journalists of South Africa organized a political meeting in Zambia in conjunction with five senior members of the African National Congress. He goes on to say that former State President of Zambia Kenneth Kaunda played a role in arranging this meeting. He concludes by saying that ‘the meeting took place two months after the government’s state of emergency was declared. Business was particularly concerned about the consequences to industry of the possible cutting off of the foreign capital that funded much of their operations. Anglo American in particular, also feared that a future ANC government of South Africa might nationalize the mining industry, in line with socialist agenda’ (2008:153).

58 It must be noted that the late Frederik van Zyl Slabbert was a former leader of the official opposition during apartheid, the Progressive Federal Party. He went across the globe requesting funds from donors who support democracy to financial support the Dakar meeting (Van Zyl Slabbert, 2006:43).
The rationale behind the meeting was to find a political solution between the protagonists. The assumption was that the Dakar meeting would pave a way for transition towards democracy. Central to the Dakar deliberations, was the economic policy of the African National Congress. Max du Preez points out that the delegates from both sides of the ideological divide received a warm welcome at Senegal’s Dakar airport. The Dakar meeting was serious about finding a ‘negotiated solution’. On the agenda of the meetings was the ‘role of the communist party, free market system versus strong state intervention in the economy, possible nationalization of industries and the future bill of rights’ (2004:148-161). The white participants who attended the Dakar meeting were attacked verbally by the proponents of apartheid for being unpatriotic and siding with the enemy. Interestingly, the collapse of the Soviet Union in 1989 meant that communists were no longer a threat in South Africa (Bradshaw, 2008:153-159, Du Preez, 2004:157-167).

Since time immemorial, the Nationalist government refused to talk to the ANC due its fear that the party was embracing Marxist ideology. These sentiments were supported by Ronald Reagan and Margaret Thatcher. At some point it is reported that Margaret Thatcher accused Nelson Mandela of being a terrorist. In fact, the entire liberation movement (ANC) was perceived to be supporting communism. Thus, the ANC was only receiving financial support from the Soviet Union. According to Ben Turok, one should examine this era from an ideological point of view. He goes on to say that ‘it must be remembered that the 1990s was the most reactionary period in modern world history. The doctrine of globalization and neo-liberalism, with their free-market philosophy, were rampant. As the socialist block collapsed, communist parties around the world

59 Du Preez shares the same sentiment when he argues that ‘the conference in Dakar was planned by IDASA, but the group consists of people from many walks of life, including academics, teachers, politicians, churchmen, farmers, architects, lawyers, writers, artists, journalist, students and business. Most, but not all, are Afrikaners. What unites us is our total rejection of apartheid and minority domination and our commitment to a multiparty, non-racial democracy’ (2004:157).

60 According to Frederik Van Zyl Slabbert, the ideology of communism was weakened on the 9th of November in 1989 when the Berlin Wall fell apart. He goes on to say that ‘suddenly there were no chickens and no pots, and the ANC found itself in ideological meltdown. Overnight it became a movement with no discernible dominant ideology.’ He concludes by arguing that embracing liberal democracy and neo-liberal economic policies for economic development in post-apartheid South Africa is the evidence of that (2006:10).
either liquidated themselves or were marginalized. Right-wing governments were in power in many countries’ (2008:44).

These political and economic developments were as a result of International Monetary Fund (IMF) and World Bank pressure on macro-economic policy issues. The role of the state in the economy was questioned by proponents of neo-liberalism (Ibid). The collapse of the Soviet Union signalled the end of the bipolar system in the world. The Soviet Union advocated an anti-imperialist ideology in developing countries. The collapse of the Soviet Union in the international system meant that the United States of America would be the only superpower in the world. This change of world economic order also had implications for South Africa - whether to succumb to market-triumphalism or look for alternative strategies of economic development.

With regard to South Africa, senior members of the ANC were released from Robben Island in 1989. However Nelson Mandela refused to be released from prison because not all the demands of the African National Congress were met at the Dakar meeting (Chazan et al., 1999:431, Bradshaw, 2008:127). The release of Nelson Mandela from Robben Island sparked hope in many people, both blacks and whites, for a new South Africa. The political move made by the African National Congress was to abandon the armed struggle. This move was welcomed by white South Africans as a gesture of political transition towards a new South Africa. However, within certain quarters of the ANC it was rejected as a betrayal of the struggle. Political negotiations in South Africa were meant for conflict resolution.

Rautenbach and Malherbe point out that this was a ‘turning point’ beginning in 1990 after the unbanning of liberation movements and release of political leaders from Robben Island (2001:18). The apartheid system ended in 1990 when FW De Klerk announced the release of Nelson Mandela. This had major implications for the future of South Africa. It meant a fresh start or new beginning for both blacks and whites. The events of 1994 were just a manifestation of the political breakthrough started in 1990.

The multi-party negotiation lasted for three years (till late 1993) with the liberal constitution which guaranteed property rights and planned for a Government of National Unity (GNU) and ‘power-sharing’ (Marais, 1998:90-91). The Azanian People’s Organization (AZAPO) is the only
liberation movement in South Africa that refused to participate in those multi-party negotiations during the early 1990s. They regarded the political transition as a sell-out process meant to benefit capitalists at the expense of working-class. The Pan Africanist Congress (PAC) proposed that there should be an objective international observer to facilitate the multi-party negotiations. Their point was never taken into account, instead the deliberations went on.

The bone of contention surrounding the interim constitution was guaranteed property rights. This meant that there was no threat of nationalization of private institutions and therefore secured all the private property of capitalists. Bond (2006-16) contends that nationalists within the ANC sold-out during the multi-party negotiations by embracing neo-liberalism. He goes on to say that these negotiations should be characterized as an ‘elite transition’. He concludes by arguing that ‘... not only were free enterprise and property rights enshrined in every major economic policy statement and the constitution itself, full-blown neo-liberal compradorism became the dominant (if not universal) phenomenon within the ANC policy-making elite’. 61

This was a total betrayal of the Freedom Charter which has been a policy-guideline of the African National Congress since 1955. This is a socialist document which protects the rights of the poorest of the poor. According to the Freedom Charter (1955:3), the people shall share in the country’s wealth. The national wealth of our country, the heritage of South Africans, shall be restored to all the people. The mineral wealth beneath the soil, the Banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industry and trade shall be controlled to assist the well-being of the people... 62

This quote re-affirms the earlier assertion that the content of the Freedom Charter is revolutionary and Marxist orientated. It embraces nationalization of mines and industries. This means that the means of production will be in the hands of the working-class. It is clear that during CODESA, ANC participants never took the Freedom Charter into account at all. Instead, they succumbed to the political economic pressure of market-fundamentalism. Another

61 Ben Turok is of the opinion that ‘some critics on the left have argued that the government soon ‘sold out’ on long-held positions on economic policy. Others on the centre-right respond that there was no other option available. All agree that caution in economic policy has been the hallmark of the ANC government since 1994, but explaining this caution is no simple matter’ (2008:11).

important aspect of the multi-party deliberations was the notion of a ‘sunset clause’. The ‘sunset clause’ was developed by Joe Slovo, who held an opinion that National Party members in state institutions would undermine any settlement that did not address the interests of white people. The sunset clause was meant to keep white officials within the state machinery (Chazan et al., 1999:481).

Landsberg follows the same line of thinking when he points out that ‘on the economic front, the ANC agreed to guarantee property and pension rights and protect the jobs of white civil servants until 1999, this set a stage for’ the application of neo-liberalism in the new South Africa’. He concludes by saying that the process of democratization in South Africa was influenced by the western powers (2004:13). Against this background, the ANC yielded to the political economic pressure and embraced conservative economic policy. These negotiations were not based on give and take. Instead, they were meant to protect the economic interest of the few in society while blacks would be still be ‘trapped in poverty’. Poverty doesn’t occur naturally, this means that it is created by human beings when they design and implement anti-poor policies. Poverty in South Africa was a result of apartheid and colonialism. For instance, in 1913 the land was taken away from its original people.

### 3.3 The New Political and Economic Framework: The birth of the Reconstruction and Development Program (RDP)

It must be borne in mind that the ANC had no clear macro-economic policy while it was banned during apartheid. Its primary task was to acquire political power first. Marais echoes the above assertion when he points out that the African National Congress had no macro-economic policy when it was banned from political activism. He goes on to say that the party embraced a mixed economy as the model for development (1998:147, 2008:122).

During the policy conference in 1985 it was brought to the attention of the party that business-friendly policies were a solution for underdevelopment in the new democratic South Africa. The ANC held meetings with business leaders, intelligentsia, and senior leaders of the National Party (Feinstein, 2007:70).

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63 See also Gordin (2008:58-59) on the matter
The general membership of the party was not part of these meetings, held behind closed doors. Moreover, this policy proposal was never approved by the policy conference of the African National Congress. The interim government in 1993 asked for a loan from the IMF and World Bank. The ‘Washington Consensus reflected just how much rigidly homogeneous power emanated from a few institutions and ideologues in the US capital city’ (Bond, 2006:156). The United States of America encouraged the new transitional government to borrow money from the International Monetary Fund and World Bank. South Africa had, since 1951, made many loans under the apartheid regime (Landsberg 2004:30-35, Turok, 2008:56-57).

It must be noted that the new democratic government was going to be responsible for paying these debts. This is another way of creating poverty and cutting off services to the poor through the structural adjustment program. This means that basic services to human beings would not be rendered by the government. The IMF and World Bank have a tendency to increase the interest on the loan given to a particular country. By and large, the IMF has a major influence on matters of macro-economic policy. All its members are expected to toe the line and accept what the organisation says ‘as gospel’ even though the advice might be detrimental towards the poor and the government in power. Klein points out that during the CODESA talks De Klerk had two economic strategies for negotiations. According to her, first, drawing on the ascendant Washington Consensus that there was now only one way to run an economy, it portrayed key sectors of economic decision making such as trade policy and the central bank-as ‘technical’ or ‘administrative’. Then it used a wide range of new policy tools, international trade agreements, innovations in constitutional law and structural adjustment programs - to have control of those power centers to supposedly impartial experts, economists and officials from the IMF, the World Bank, the General Agreement on Tariffs and Trade (GATT) and the National Party - anyone except the liberation fighters from the ANC. It was a strategy of balkanization, not of the country’s geography (as De Klerk had originally attempted) but of its economy (2008:200).

The main aim of the National Party during the CODESA political talks was to control the economy of the country. The ANC was given political power with no economic power. Nothing was done by ‘political actors’ without the approval of the market forces. It must be noted that political power without economic power is meaningless. Economic power has to do with wealth

64 See also the work of Turok (2008:56)
distribution. However, under a neo-liberal framework, the wealth is in the hands of the rich few. Capitalists own the means of production and dictate terms on macro-economic policy issues.

During the run up to the 1994 elections the ANC had to develop a clear macro-economic policy. This would be articulated at home and abroad. The ANC established a committee that would be responsible for constructing a new macro-economic policy. This committee was dominated by communists who had studied economics in London. The name of the committee was the Macro-Economic Research Group (MERG). The group embraced the Keynesian model for development (Gevisser, 2007:669).

The rationale behind it was to set up a new macro-economic model for the new South Africa. The MERG produced a policy document called ‘Making Democracy Work’, premised on Keynesianism (Siwisa, 2006:81-82). Indeed, this was a Keynesian policy framework which favored the participation of the state in the economy post-1994, coupled with the work of the Macro-Economic Research Group which was to develop a clear economic policy that would eradicate poverty and distribute wealth.

According to the Macro-Economic Research Group (1993:1), South Africa’s political transition would necessitate economic growth and subsequently the majority would benefit. This assertion sounds like an argument advanced by neo-liberals precisely because it embraces the trickle-down theory which is central to the ideological framework of neo-liberalism. Gevisser makes an interesting point when arguing that the ANC was much divided around the economic policy of the party in the early 90s. The economic policy formulated by the MERG was eventually abandoned due to a ‘lack of consensus’. Trevor Manuel rejected this economic policy with the words: ‘this is not ANC policy’ (Manuel cited in Gevisser, 2007:669).

Yet contrary to Manuel’s opinion, the MERG was an initiative of the ANC (Turok, 2008: 87). International financial institutions such as the International Monetary Fund and World Bank were discontented about the policy recommendations made by the MERG. More specifically, the MERG suggested an expansionary fiscal policy and the creation of a large bureaucracy in order enable the state to be strong in its interventionist approach.
Naomi Klein (2007:216) asserts that the ANC was getting instructions from the International Monetary Fund and World Bank regarding an economic path. She goes on to quote Padayachee who points out that ‘Western governments, IMF and World Bank’ strongly influenced the leadership of the ANC during the early 90s. Juxtaposed to this point, during the build up to the 1994 elections the ANC had to develop a macro-economic policy. It was of paramount importance to do this because the African National Congress had just abandoned the MERG policy inputs on economic matters.

COSATU in its discussions influenced the drafting of a policy document called RDP. The ideas that arose from the MERG were also incorporated into the policy document of the RDP. The Tripartite Alliance held a number of policy workshops around the country to debate the policy proposal of the RDP (Turok, 1998:51, Le Roux, 2001:213).

The thinking behind these policy deliberations was to allow all the stake-holders of society to have maximum participation in the initial stages of the RDP. Central to the above assertion is consultation with different sectors in society. This shows that the RDP was adopted as a result of democratic processes in South Africa. Members of the scientific community and capital were also brought to the fore to make policy inputs around the conceptualization of the RDP. Reflecting on this matter, Tom Lodge points out that the RDP was not crafted unilaterally by the ANC. He goes on to assert that the main focus was economic growth and redistribution of wealth (2002:21-22). It must be borne in mind that the RDP was never a socialist document. It was a Keynesian policy framework supporting expansionary fiscal policy. Coupled with this was a strong state interventionist approach to social development and the eradication of poverty.

Poverty in South Africa was created by apartheid policies which were intended to sideline black people from the mainstream economy. Only a minority was entitled to access better health service, good education, better houses and land etc. Thus the RDP had to be an instrument of the State for social transformation. John Saul states that the RDP was driven by the people from below (2002:37).

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65 In its discussions with the ANC
The thinking behind the policy was to make the State a vehicle for wealth redistribution in post-apartheid South Africa. The RDP was the election manifesto of the African National Congress. It was used by the ANC to campaign for the party for the 1994 national election. Nelson Mandela made a boastful statement during an SABC debate between himself and F.W De Klerk that the RDP was a product of public debate. He went on to say the National Party had no clear development policy.

Political economist Hein Marais states that the RDP was based on a ‘people-centered approach’ (1998:180). ‘People-centered approach’ is a Political Science theory which embraces public participation in policy-making. This means that people should take ownership of all government programs. In other words they should be at the center of decision-making at government level.

During the early 90s when Nelson Mandela was still the President of the African National Congress the party supported internal democracy when it came to policy-making. The RDP can therefore be seen as evidence of party democracy. The RDP was not a macro-economic policy simply because it did not include all the aspects of macro-economic policy. The primary focus was expansionary fiscal policy.

Turok reminds us that macro-economic policy should entail ‘economic growth, fiscal policy, unemployment, inflation and balance of payments and human capacity development’ (1999:34). The RDP as an election manifesto of the ANC was not a macro-economic policy, but was rather a broader policy framework for development. Subsequent to the 1994 election, the RDP comprised a public policy focusing on social development. The ANC had to form a government of National Unity aimed at nation building, creating a ‘rainbow’ nation and embracing the Truth and Reconciliation Commission.
With regard to the RDP, neo-liberals criticized the RDP for putting too much emphasis on expansionary fiscal policy (Turok, 2008:88). Surprisingly, when the RDP got to the stage of a White Paper it was completely different from the initial election manifesto of the ANC. Communists within the Tripartite Alliance accused Thabo Mbeki of making changes without consulting them. Mbeki believed that one had to be concerned about the market forces. The latter RDP document included privatization of state institutions (Bond, 2005:80-92).

This made the Reconstruction and Development Program contradictory. On the one hand, the RDP spoke about expansionary fiscal policy while on the other hand it included privatization (Fine, 1995:79, Fine and Padayachee, 2004:287). Changing the RDP to include aspects of neo-liberalism meant that it was no longer a ‘working class policy document’. What was interesting about the Government of National Unity (GNU) was the appointment of ministers in important economic positions. Chris Liebenberg was appointed as Minister of Finance and Derek Keys as the governor of the Reserve Bank (Pottinger, 2008:73).66 These two economic positions are instrumental in formulating macro-economic policy. In addition, the performance of the economy on the whole is determined by these two institutions. Against this backdrop one can conclude that the ANC compromised too much during the multi-party negotiations. It gave away two important positions without thinking through this compromise.

According to Klein ‘... the National Party was trying to find a backdoor way to hold on to power even after it lost the elections - a strategy that needed to be resisted at all cost.’ She goes on to say that the African National Congress gave away the portfolios very easily. She concludes by arguing that it was agreed that the Reserve Bank should be independent and that this had to be stipulated in the Constitution of the Republic of South Africa (2007:2002-2008). Initially the RDP was supported by communists within the Alliance however, when it embraced aspects of neo-liberalism, this was no longer the case (Padayachee, 2006:1-9).67

66 It must be noted that both of these individuals were members of the National Party, and also both served in the same positions they were given before 1994 after the election (Klein, 2007:2002).

67 Gumede contends that the revision of the Reconstruction and Development Program was also done by Trevor Manual, Tito Mboweni, Alec Erwin and business advisory body called the Brenthurst Group. Policy changes meant reduction of government expenditure and economic liberalization informed by the GATT so that the ANC government could pay the apartheid debt. The Reconstruction and Development Program was also examined by the International Monetary Fund, World Bank and Western countries (2005:79).
All policy participants behind the scenes were Thabo Mbeki’s loyalists. Their ideological orientation was in favour of rampant capitalism or deregulation of the market. Perhaps one should ask an interesting question regarding the RDP: What happened to the nationalization policy of the African National Congress? Bradshaw argues that before the political negotiations ‘leading up to the formal negotiations’ the African National Congress, behind closed doors, promised the business community that it wouldn’t pursue socialist policies such as nationalization. The ANC wanted to instill confidence in the international and business community (2008:248).

When Nelson Mandela was released from prison he advocated nationalization. Multi-national companies were unhappy about Mandela’s call for nationalization. The market forces reacted very badly to this call and the value of the Rand dropped immediately. In 1991 Mandela was called to order by Thabo Mbeki to stop talking about nationalization in public (Klein 2007:207, Gumede, 2005:70). Subsequently nationalization disappeared from the vocabulary of the ANC members in public discourse on economic matters. The RDP focused by and large on building houses throughout the country. This policy intention had positive implications for development for South Africa. Firstly, it meant that jobs were to be created for the unemployed through building houses. Secondly, this policy was meant for people without houses to get shelter. Economic development is about giving people houses, creating employment; and enabling them to put food on the table. This was central to the objectives of the RDP.

The RDP had good intentions for development in post-apartheid South Africa. According to the RDP White Paper (1994:42), the RDP is committed to creating decent jobs in the formal economy and reduce uneven development in South Africa. The government was not successful in implementing the RDP human resource development strategy. It was very slow in this regard in equipping the unemployed with skills (Turok, 1999:34). It is worth noting that there were also problems surrounding the implementation of the RDP. Among other things, there were political differences amongst certain political leaders about the way the RDP project should be carried

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68 Nelson Mandela was released from Victor Verster, via Polsmoor in Cape Town.

out. The RDP office under Jay Naidoo’s ministry was closed and incorporated under Thabo Mbeki’s Office of Deputy President.\textsuperscript{70}

3.4 The ‘1996 Class Project’: The Beginning of Controversy within the ANC on economic matters, Growth Employment and Redistribution (GEAR)

The proponents of neo-liberalism within the ANC argue very strongly that the South African economy was not doing well in the early 1990s. Firstly, they assert that the economy was not growing.\textsuperscript{71} Secondly, they point out that the ANC government inherited a large public sector which made it difficult for the state to be managed.\textsuperscript{72} Thirdly, the ANC had to repay the apartheid debt to the IMF and World Bank. These strong views came from the capitalists within the ruling party. On the contrary, those who subscribe to Marxism in the ANC argue that the GEAR was a deviation from the Freedom Charter towards a capitalist economic approach. According to them, GEAR was a betrayal of the National Democratic Revolution which seeks to establish a socialist state. These two positions will be discussed extensively in this section as the debate unfolds. The GEAR policy was presented to Parliament by the Minister of Finance, Trevor Manuel, in 1996 on 14 June as ‘non-negotiable’. Manuel misled the public by saying that the GEAR policy was debated in the African National Congress and Tripartite Alliance (Turok, 2008:116).\textsuperscript{73}

Siwisa asserts that Nelson Mandela, the country’s former President, publicly admitted that he was in the dark about developments surrounding GEAR (2006:92). Conversely, this assertion made by Siwisa is questionable. The Constitution of the Republic of South Africa, Act 108 of

\textsuperscript{70} Jay Naidoo points out that the Reconstruction and Development Program office was shut down without any consultation with him, COSATU, SACP and the ANC. He goes on to say that a senior official close to Thabo Mbeki told him that it was Mbeki’s idea to close the RDP office (2010:250-274).

\textsuperscript{71} According to Nokaneng and Harmse (2009:41), the South African economy grew slower than 2.5% in the early 1990’s

\textsuperscript{72} Du Toit and Van Tonder (2008:15) state that the newly elected democratic government took over ‘an economy characterized by high levels of public debt, high inflation and poverty rates, as well as little social security protection for the most vulnerable’. See also Ashley (2009:1)

\textsuperscript{73} Patrick Bond makes an interesting point when he asserts that after the adoption of GEAR as a public-policy the government organized a press conference at which Thabo Mbeki requested journalist to call him ‘Thatcherite’ (2005:83). This meant that Thabo Mbeki was officially declaring himself publicly as a supporter of neo-liberalism. Margaret Thatcher is known to have been strong advocate of the free-market system during the time the Conservative Party in England was in power. Against the above background, it is argued that Thabo Mbeki drew his inspiration on economic matters from Margaret Thatcher.
1996 doesn’t allow public policies to be passed without the approval of the State President. There is no way former State President Nelson Mandela would have not known about the policy stages of GEAR. He deliberately delegated his responsibilities to Thabo Mbeki due his background in Economics. Lodge points out that Nelson Mandela embraced GEAR as government economic policy. He goes further to contend that Mandela also criticized component structures of the Tripartite Alliance such as the COSATU and the SACP for refusing to embrace the GEAR strategy (2002:30).

It must be stated categorically from the outset that GEAR is partially a neo-liberal inspired macro-economic policy because it supports privatization, fiscal discipline, flexible labour laws through deregulation of the market and trade liberalization (removal of tariffs from imports coming into the country) and public-private partnerships. On the other hand, GEAR also advocated wealth redistribution and job creation (Le Roux, 2004:219). It is a business-friendly policy focusing on attracting foreign direct investment to grow the economy with the assumption that there will be a trickling-down effect. Foreign direct investment was to be attracted by lowering taxes paid by private institutions.

According to Growth, Employment and Redistribution (1997:8-16), the ANC government is committed to paying the apartheid debt. The document goes further to say that this will be done through the reduction of government expenditure (1997:8-16). This has negative implications for the poor as it means the government will not provide education, health care and social security through grants for the poor (Breakfast, 2009). The public did not participate in the policy formulation of GEAR. South Africa as a democratic state should embrace public participation on policy matters.

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74 Adler and Webster (2004:251) state that Nelson Mandela defended GEAR as ‘non-negotiable’. They go on to say that GEAR was attacked by the South African Communist Party and Congress of South African Trade Unions. Lodge points out that the ANC government replaced the RDP policy with GEAR (2002:24-28).

75 See chapter two of this study regarding a conceptual framework of neo-liberalism


77 Bond (2002:66) points out that when South Africa was given a loan by the IMF and World Bank it agreed to adhere to a neo-liberal agenda.

78 Masango supports the above position when he asserts that ‘public participation lies at the heart of democracy... Democracy is a people-driven process in which public participation plays a crucial role’ (2002:52, Vol 21, No)
All government policies should reflect the views of the majority. GEAR only reflected the views of business and political elites within the ruling party. Marginalization of the poor on economic matters is central to the neo-liberal ideology. Proponents of neo-liberalism hold a firm view that business is expected to run the economy. The state is expected to take a back seat and not participate in the economy. Adler and Webster (2001:251) state that GEAR followed the ‘conventional wisdom of the ‘Washington consensus’, to ensure the loyalty of the propertied class. Transitions to democracy must involve an economic pact between opposing elites that leaves the fundamental structures of capitalist society in place’. Pottinger asserts that GEAR was a shift from the Keynesian model to a free market system. He goes on to outline the macro-economic objectives of GEAR as including:

1. the prediction that the economy would grow by 6 percent in 2000
2. privatization to create about 400 000 jobs for the unemployed
3. a fiscal deficit at 3 per cent
4. stability of the currency (the foreign exchange rate at the time was R4,5 to the US dollar)
5. inflation targeting (2008:76)

Patrick Bond provides evidence around the policy targets of GEAR, he asserts that economic growth in 1996 was more than 10 percent lower than what GEAR predicted and fixed investment nearly 20 percent lower. The real value of the rand fell by 16 percent in 1996, far worse than the 8.5 percent decline predicted in GEAR at mid-year. The Reserve Bank’s main interest rate was pushed up by 2 percent during 1996, reaching 17 percent by year-end, leaving an average real (after-inflation) rate of interest far higher than GEAR’s prediction. Worst of all, 71 000 jobs were lost in 1996, a far cry from the 126, 000 new jobs predicted in June that year. Bitter complaints from government’s progressive social partners were heard, but neither Erwin nor other ANC leaders gave official recognition of the damage being done by the downshifting of macro-economic performance (2005:51).

Marais (2002:89) asserts that ‘GEAR had touted specific job creation targets, predicting 1, 35 million new jobs by the 2000, of which 833 000 would be created through GEAR adjustments: 308 000 through high economic growth, 325 000 through change in flexibility of labour marker’. 
The evidence mentioned above shows that GEAR failed to achieve its policy intentions. Among other things these include job creation, economic growth by 6 percent a year and distribution of wealth in South Africa; especially to the historically disadvantaged population. Furthermore this means that a policy review surrounding GEAR is necessary. Any public policy that cannot achieve its initial aims signifies failure. Hence the writer holds a strong view that GEAR as a macro-economic policy failed to reduce the gap between rich and poor.

Macro-economic policy should not be judged on the basis of bringing stabilization to an economy. It should be measured on its ability to address the socio-economic needs of the people such as those for education, health and in creating employment for the unemployed (Turok, 2008:117). There is only one rational interpretation for this, namely that GEAR did not achieve its targets. If one is arguing that the policy was successful in its implementation, why has poverty escalated in South Africa since 1996? South Africa is rated number one in the world in terms of the disparities between the haves and the have-nots as a result of market fundamentalism policies such as GEAR (Ashley, 2009:28).

Another bone of contention around GEAR is privatization of state assets in South Africa. However it must be borne in mind that privatization also happened before the mid-1990s, as is evidenced in the commercialization of parastatals such as Transnet, the partial privatization of Iscor, and the asset stripping of Safmarine. Privatization of state assets was central to the neo-liberal inspired GEAR policy. Proponents of market fundamentalism policies in South Africa such as Thabo Mbeki, Trevor Manuel and Alec Erwin held a view that privatization would attract foreign direct investment (Gumede, 2005:105). In the South African case, by and large it was foreign based companies and a few members of the ruling party (ANC) who benefited from privatization.

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80 According to research conducted by Holborn (of South African Institute of Race Relations), the Gini coefficient (a parameter that examines disparities) indicates that inequality in South Africa has increased since 1996. She goes on to say that the Gini coefficient was 0.62 when the GEAR policy was adopted in 1996. However in 2009 it increased to 0.65. Additionally, in 2009 the racial group with the lowest Gini coefficient in South Africa was white people with a measure of about 0.45. Disparity was worse among black people, with a co-efficient of about 0.68 (2010:181). This view is echoed by political analyst Sipho Seepe when pointing out that a number of people in South Africa have become poorer since the advent of democracy (2006:144-145).

81 According to Growth, Employment and Redistribution (1997:14), State institutions were not generating profit hence they need to be privatized. The document goes further to say that these institutions include ‘Telkom, Eskom and Transnet’ (ibid).
Jillian Nicholson outlines the companies and individuals who benefited from privatization in South Africa:

1. The sale of South African Broadcasting Corporation (SABC) radio stations, for R510 million. The sale of 30% of Telkom to a foreign consortium including the American SBC-Communication and Telkom Malaysia, for R5.6 billion

2. The sale of Sun Air, the official airline of the former Bophuthatswana, to a black empowerment group, for R42 million (the airline went into liquidation, so the government only received half of the proceeds).

3. The sale of 20% of the Airports Company of South Africa (ACSA), to the Italian Aeroporti di Roma, for R819 million (the company still has the option of buying another 10% of ACSA)

4. The sale of 20% of South African Airways to the Swiss Air Group, for R1.4 billion

5. The selling of various ‘non-core’ divisions of arms manufacturer, Denel

6. The contracting out of Dolphin Coast water supply management (called ‘concessioning’) to the French company, SAUR

7. The contracting out of Nelspruit water supply management to Biwater from the United Kingdom (2001:63)

Against the above backdrop, it is evident that none of the poor people in South Africa bought the privatized institutions (Breakfast, 2009:147), except those who are politically connected to the ruling party. For example, Smuts Ngonyama bought shares at Telkom due to his friendship with former President Thabo Mbeki (Gumede, 2006:224). This kind of practice reinforces the argument that the business and political elites, through the BBBEE, PPPs, and privatization, are using their strong networks (associated political, social and capital resources) in their efforts towards personal accumulation. This shows the linkages of such practices to the construction and reproduction of neo-liberal discourses at government level. Neo-liberalism in its implementation has contradictions. In many cases it involves the reallocation of state resources towards the political elite for personal accumulation rather than promoting development. Market driven public policies do not achieve their desired outcomes of improving the lives of the
people. Market fundamentalism policies benefit mainly the politically influential individuals and politically well-connected, rather than promoting economic development for the majority.

If the yardstick of development is the upliftment of the masses, then neo-liberalism in this context is counter-productive. Development is about changing the lives of the people (especially the poorest of the poor) for the better (Stiglitz, 2006:50). Andrea Hurst suggests that the key indicator of development is breaking the vicious circle of poverty through job creation because poverty takes away the dignity of people (2012:1-5). Neo-liberalism as a model of development fails to take into account the complexities of development as cited above with regard to how development should be measured. Instead, privatization of services or assets tends to benefit mainly people who have friends and relatives in government.

Privatization of state institutions in South Africa meant that the economy would be controlled by foreign based companies. COSATU and SACP accused former Minister of Public Enterprise, Jeff Radebe, of abandoning the revolutionary principles of socialism. Jeff Radebe was removed from the central committee of the SACP because he carried out privatization in his department (Bond, 2006:78). Another controversial element of GEAR is the reduction of government expenditure through fiscal discipline.

The implementation of fiscal discipline in South Africa meant a closure of nursing colleges and teacher training institutions throughout the country. Furthermore the Department of Education, under the political leadership of Prof. Kadar Asmal, restructured institutions of higher learning. Historically black institutions were to be incorporated into white institutions. It must be noted that the fees at historically white institutions are more expensive than black institutions. Black students also need to have transport to travel from townships into white areas. A number of black students dropped out of university due to financial problems. Ashley follows the same line of thinking when he argues that gangsterism and other social ills have increased in black townships. He attributes this phenomenon to poverty and unemployment created by GEAR (2009:14).
The South African government refused to roll out anti-retroviral drugs to the people who are HIV and AIDS positive because it had to cut the costs of important services it gives to its citizens. The policy standpoint of the government under former president Thabo Mbeki led to the establishment of Treatment Action Campaign (TAC) in order to fight against the refusal of government to provide anti-retroviral medications. The government’s HIV and AIDS policy is normally referred to as a ‘policy of denialism’. Gevisser asserts that former President Thabo Mbeki denied the correlation between HIV and AIDS. According to him, Mbeki linked AIDS to poverty (2007:747-748).

Millions of people in South Africa who are suffering from HIV and AIDS died due to the refusal of government to give them anti-retrovirals. Pauw points out that research conducted by Harvard University found that 5 million people in South Africa died unnecessarily due to the refusal of the ANC government to roll-out ARV’s to those infected by HIV and AIDS. TAC members went around the world exposing the government policy of HIV and AIDS. The province of KwaZulu-Natal defied the national government and gave anti-retrovirals to those who were infected by HIV and AIDS in 2004. ‘The TAC declared victory in November 2003, after a government medicines roll-out strategy was finally announced’ (Bond, 2006:11).

In 2009, the Secretary-General of the Young Communist League (YCL) Buti Manamela made a call to the South Africa government to charge former President Thabo Mbeki and the late former Minister Manto Tshabalala for being responsible for the death of millions of South Africa’s who suffered from HIV and AIDS. Later on in 2009, Julius Malema’s ANCYL (African National Congress Youth League) dismissed Manamela’s call as too harsh against Mbeki, because Mbeki acted according to the mandate of the ANC. However, some within the ANC do not agree with Malema. They argue that Mbeki formulated HIV and AIDS policy unilaterally alongside Manto Tshabalala and thus should be brought to book for the death of victims of HIV and AIDS in South Africa. COSATU and SACP have expressed their discontent around the GEAR policy. Their main argument has been that GEAR is meant to benefit the capitalist class. In 2004, the ANC government shifted somewhat from economic conservatism. This is indicated by the adoption of Expanded Public Works Program.

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82 Gevisser in this regard quotes a lot from Thabo Mbeki’s speech delivered at World AIDS Conference in 2000, that was held in South Africa (Durban).
83 Cited in City Press (20/12/2009)
Du Toit and Van Tonder (2008:23) contend that the rationale behind the Expanded Public Works Program was to create employment for the unemployed through building of infrastructure such as roads and hospitals etc. According to these authors ‘the first phase of South Africa’s Public Works Program, which started in 2004, had as its goal one million work opportunities or 650 000 real jobs...’ They go on to cite the findings of the Human Science Research Council (Hemson, 2007) pointing out that the Expanded Public Work Program has failed to achieve its policy objectives (Ibid).

Former President Thabo Mbeki unveiled a new policy called Accelerated Shared Growth Initiative (ASGISA) in the State of the Nation Address in 2006. The main aim was to grow the economy and distribute wealth to every South African. Against the above background, GEAR was not replaced by ASGISA as macro-economic policy. However, what ASGISA does is to enhance the speed of economic growth in South Africa. GEAR is still the macro-economic policy of government. The central aim of the ANC government in adopting ASGISA is to reduce poverty, unemployment and inequalities by 2014 in South Africa (Mlambo-Ngcuka, 2006:1).  

The objective realization of this policy is not achievable. For example, in 2009 one million people in South Africa lost their jobs in the formal economy (Ashley, 2009:1). In addition, economic indicators do not show any improvement in relation to job creation and massive reduction of poverty by the government. Raymond Parsons points out that ASGISA sees Small Micro Medium Enterprises (SMME’s) as a vehicle for reducing poverty and job creation (2008:189).  

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84 Van Aardt (2008:129) contends that GEAR and ASGISA have a fundamental similarity which is creating employment. She goes on to say that both policies are premised on the fact that economic growth will lead to massive job creation in South Africa. Willis points out some of the policy objectives of ASGISA were informed by United Nations ‘Millennium Development Goals’ accepted in September 2000 (2005:1). He goes on to outline eight aims of the Millennium Development Goals:

- Alleviate absolute poverty
- Provide education to children across the globe
- Support the liberation of women in general and enhance gender equality
- Reduce the death of young children
- Fight against HIV and AIDS, etc
- Protect environment
- Improve international network regarding social development

85 Small Micro Medium Enterprises are also embraced by the Local Economic Development (LED) policy within municipalities in South Africa. Small Micro Medium Enterprises and Local Economic Development are discussed extensively in chapter four of this study.
expected to be implemented alongside the Joint Initiative for Skills Acquisition (JIPSA) which focuses on skills and development (Ibid).  

3.5 The Zuma administration on economic matters: ‘The New Growth Path’ policy

In this section the writer will discuss the Zuma administration’s approach with regard to the economy of South Africa. The defeat of the former President of the ANC, Thabo Mbeki, at the Polokwane conference was interpreted as a victory of the communists within the Tripartite Alliance by the media; simply because to a great extent, Jacob Zuma was supported by communists such as the SACP and COSATU in the run up to the Polokwane. Nevertheless one needs to provide a qualification for the above assertion. During the build up to the Polokwane ANC conference Jacob Zuma was not only supported by the communists. At the heart of the debate on Zuma’s approach to economic matters is the new government policy adopted in 2010 called the ‘new growth path’. This matter will be discussed extensively as the debate unfolds.

Political journalist Patrick Cull stated that Thabo Mbeki was humiliated at the Polokwane conference by 1 505 to 2 329 votes for Jacob Zuma. He goes on to assert that Zuma stated that there would not be any policy changes at macro-economic level. Subsequent to the elections at Polokwane Zuma addressed media at the press conference after he had been elected. He pointed out that the economic policies of the ANC would remain the same. On the other hand, the communists who backed Zuma all the way to power tried to down-play the fact that he said there wouldn’t be any changes surrounding the economic policies of the ANC. Ramatlhodi contends that delegates at the Polokwane conference wanted to save the ANC from dying in the hands of a few in the political elite.

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86 Mlambo-Ngcuka (2006:7) maintains that the government has identified a shortage of skills when it comes to chartered accountants, engineers, natural scientists, mathematicians, artisans and IT specialists. She blames the apartheid system for this problem (Ibid).

88 Jacob Zuma was also supported by the African National Congress Youth League (ANCYL) and the African National Congress Women’s League who do not subscribe to socialism or communism.

89 Cited in Herald 2007/12/20, See also Ashley (2008), Gevisser (2009:329) and Gordin (2009) on the results of the Polokwane ANC conference

90 See Gordin (2009:239) for further explanation of Zuma, COSATU and SACP statements after the ANC conferences.

91 (cited in Sunday Times, 19/10/2008)
The view is held by many in the ANC who argue that there were no policy debates inside the party, something which was foreign in the ruling party. Decisions were made in a top-down fashion without political engagement in the organization. Instead, people who disagreed with Thabo Mbeki were attacked personally. Mbeki called the COSATU and SACP who differed from him regarding GEAR, ‘ultra-left’.

After the ANC Polokwane conference, COSATU and SACP suggested a political summit for policy discussions in 2008. It was anticipated that the macro-economic policy would be reviewed. This meant that nationalization was back on top of the agenda of the ruling party, inflation targeting was also scrutinized and farm subsidies could be part of a major macro-economic policy review after the 2009 general election. Suttner follows the same line of thinking when he questions why it is that Zuma has attracted a number of people who are leftists to support him? This question is central to the discussion of this study precisely because among other things this research examines the post-Polokwane developments within the context of local government. This is done to scrutinize whether the ANC has shifted to left of the political spectrum of South African politics. The SACP and the COSATU have been putting pressure on the government to review the macro-economic policy framework post-Polokwane. Alliance partners have been emphasizing job creation and investment in productive capacity, specifically the manufacturing sector. The ANC under Jacob Zuma has repeatedly argued that he is willing to listen to his allies on the left.

Blade Nzimande (cited in Qoza) asserts that the government must be involved in the economy and embrace the notion of a developmental state. A developmental state is able to address the socio-economic problems of society when it is able to intervene in the economy. The state has played a major role in this process of development (Fine and Rustomjee, 1996:51). In this study it must be noted that in order for a developmental state to be successful, two things should be done. Firstly, a developmental state must have the ability to change the lives of the people for the better. Secondly, the developmental state should invest in infrastructure, such as roads and

92 Sunday Times (Boyle, 2008/06/1)
93 Source, City Press (2008/08/27)
94 City Press (Qoza, 2008/10/19)
95 City Press (2008/10/19)
railways, state properties, etc. All in all, a developmental state is a state that prioritizes development.

COSATU and SACP have been arguing that the ANC should abandon GEAR and replace it with the old RDP policy. Zuma has indicated on a number of occasions that there won’t be changes at macro-economic level. This implies that GEAR will still remain the macro-economic policy of the government. It must be noted that the SACP as vanguard of the working class has been vehemently opposed to the policy proposal of ANCYL surrounding the nationalization of mines. This is ironic and confusing to many political analysts in South Africa because nationalization is usually associated with communism or socialists. However, the SACP holds a different view on this matter. It claims that this is not nationalization. It is a bailout plan to rescue black capitalists who own mines. The ANC government’s GEAR policy has failed to create full employment in the post-apartheid South Africa. It has therefore, in 2010, adopted a new policy called the ‘New Growth Path’.

According to the New Growth Path (2010:1), there is a general agreement amongst the stakeholders of the South African economy that addressing poverty, creating decent work and reducing the disparities between the rich and poor is critical. Communists within the Tripartite Alliance define decent work as a right of the workers to down tools when necessary and embark upon a strike. This also means that the workers should receive living wages from their employers. The objectives of the New Growth Path are also supported by the National Planning Commission Plan for 2030 in terms of which South Africa needs to increase its employment of about 13 million to 24 million (2012:64). The structure of South Africa’s economy needs to be changed to include economic participation for the poorest of the poor; in particular those in rural areas (ibid). Some of the jobs in South Africa can be created through the agricultural sector.96

According to the New Growth Path (2010:4), the South African government should embrace a developmental state with an emphasis on the regulation of the market forces. It must be noted that this new policy document sounds different from the language of GEAR which advocated the deregulation of the market. However it has been criticized by some of the communists within

the Tripartite Alliance as neo-liberal. Some of the unions affiliated to COSATU have criticized the new growth path as continuing with the GEAR legacy of neo-liberalism in South Africa. This is because the new growth path also embraces inflation targeting which emanates from GEAR.\(^{97}\)

COSATU has argued consistently that this controlling inflation by interest rates is harmful towards the working class. According to the New Growth Path (2010:8), five million jobs will be created by 2020 by government and the private sector. ‘Most of the projected new jobs will come from the private sector’. This policy document predicts that the South African economy will grow by seven percent a year (ibid).

According to Ntingi,\(^{98}\) the new growth path is premised on a developmental state model that comes from the Asian Tigers that were able to grow their economies by ten percent. He goes on to say that ‘South Africa is trying to achieve a similar feat - grow its economy by 7% over the next decade to reduce unemployment inequality where the richest 10% of households capture 40% of national income’. This view is also supported by the National Planning Commission Plan for 2030, in terms of which South Africa needs to create about 1.1 million jobs by 2030 (2012:39).\(^{99}\) However all the plans of the ANC government are meaningless if corruption, cadre deployment and patronage are prevalent in the South African public sector. The model of a developmental state was successful for the Asian Tigers because of a good work ethic in the public sector. On the other hand, the South African situation with regard to corruption leaves much to be desired. The goals of the developmental state will not be achieved if the issue of corruption is not addressed effectively.

According to Rossouw\(^{100}\), ‘although the Cabinet accepted the document in its entirety, the ANC and COSATU see it as a basis for discussion on macro-economic policy designed to achieve the outcome of job creation’. Against the above background, it is worth noting that GEAR has not been done away with completely. Hence some within the Tripartite Alliance hold a firm view that the issue of macro-economic policy needs to be debated robustly. Public policies in South

\(^{97}\) (Mail and Guardian, 2010/12/16)
\(^{98}\) (City Press, 2010/11/28)
\(^{100}\) (Mail and Guardian, 2010/12/3)
Africa should change the lives of the people on the ground. Government policies should not benefit a tiny minority at the expense of the majority.

There is a political tension between democracy and service delivery in the new South Africa. Poor people are faced with serious problems such as poverty and lack of access to essential services. Social problems such as poverty, unemployment and corruption, etc., are causing a lack of social cohesion. It must be noted that social cohesion and consolidation of democracy can never be achieved while there is a serious gap between the haves and have-nots. Samuel Huntington follows the same line of thinking when he asserts that democracy should lead to the economic development of the country (1991:316). This means that the welfare of the people should be improved. Economic policies designed by government should benefit everyone in society; not only the few. This assertion is also echoed by the National Planning Commission Plan for 2030, which indicates that true democracy should uplift the lives of the majority (2012:34). Again, South Africa needs to reduce disparities (indicated in the Gini coefficient from 0.69 to 0.6) through economic growth, skills development and job creation (ibid).

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101 http://www.npc.gov.za/MediaLib/Downloads/Downloads/ (accessed on 17 August, 2012). This document also makes reference to the RDP
3.6 Conclusion

This chapter comes to grips with the macro-economic policy of the ANC government. This is done by examining the internal debates pre-1994 and in post-apartheid South Africa. More particularly, the writer provides a context of the state of affairs at the moment by highlighting the historical development of the South African political economy. In the main, this chapter gives more attention to the different specific facets of the macro-economic policy of government in the new South Africa. This is done by discussing the Reconstruction and Development Program, Growth, Employment and Redistribution and the New Growth Path. This chapter has also indicated that privatization of state assets through the GEAR policy benefited those who were associated with the ruling party. This evidence reinforces the argument that the business and political elites through privatization are using their strong networks (associated political social capital resources) in their efforts for personal accumulation. Again, this shows the linkages of such practices to the construction and reproduction of neo-liberal discourses at government level. This line of thinking is in line with the theoretical standpoint of the study (political economy perspective) that the elite are using state resources to enrich themselves at the expense of the poorest of the poor.

Furthermore, the researcher outlines the political implications of GEAR-related policies on democracy. It must be borne in mind that neo-liberalism lies at the heart of the central research question alongside the problem statement of this study. The next chapter will concentrate more specifically on local government development policies. This is done to narrow down the debate of the study, to give it more focus and coherence.
Market fundamentalism is the enemy of democracy in the twenty-first century because it benefits a few in society at the expense of the working class. At the same time, democracy is based on the conception of equality. Many governments in the world are forced by multilateral institutions such as the International Monetary Fund and the World Bank to implement privatization of services at the municipal level (Noam Chomsky, 2010:91).

Black Economic Empowerment (BEE) which is inspired by neo-liberalism is promoted by the African National Congress in South Africa and has not reduced the inequalities between the haves and the have-nots. Paradoxically, it has created a tiny minority of wealthy black people; a politically well-connected class to those at the helm of power or within the state apparatus. These blacks do not however own the means of production, they are just captains of industries of foreign based companies (Moeletsi Mbeki, 2009:61).

4.1 Introduction

In this chapter the writer discusses the institutional plan of all South African municipalities post-1994. This development agenda of the municipalities is called the Integrated Development Plan. Coupled with this is a critique of Local Economic Development which is the outcome of the Integrated Development Plan. The author concentrates on PPPs and BBBEE as strategies of local governments to create employment and accelerate economic growth. It must be borne in mind that all the conceptual issues pointed out above are directly linked to the thesis of this study that the local development policies of Public-Private Partnerships and Broad-based Black Economic Empowerment that are being applied through Local Economic Development strategies are not in the interests of the majority of people living in the Eastern Cape. Finally, it is worth noting that not much scholarly work has been done on how municipalities are promoting and reinforcing ‘GEAR-related policies’ and practices in post-apartheid South Africa. Hence this research is a contribution to the body of knowledge within Development Studies and other related academic disciplines in Social Sciences.
4.2 Local Government: Integrated Development Plan (IDP)

In the previous chapter the writer explained how the African National Congress (ANC) used the Reconstruction and Development Program (RDP) as an election manifesto in 1994 to come to power. The rationale behind this social policy\textsuperscript{102} was to address the socio-economic problems created by colonialism and apartheid. The Reconstruction and Development Program was a ‘brain child’ of the Congress of South African Trade Unions (COSATU), an alliance partner of the African National Congress and the South African Communist Party (SACP). However a market friendly macro-economic policy called Growth Employment and Redistribution (GEAR) was introduced in 1996 to largely replace the Reconstruction and Development Program. This had implications for all levels of government.\textsuperscript{103}

More particularly, this change at macro-economic level meant that local government in South Africa had to have elements of neo-liberalism in the policy framework. There is an organic link between the Growth, Employment and Redistribution policy and the Integrated Development Plan, both of which were introduced in the same year. The IDP is a five-year strategic planning document for all South African municipalities (White Paper on Local Government, 1998: 26-28). The IDP in South Africa is linked to the macro-economic policy of government.

The IDP is the focus of the South African municipalities in the new South Africa with the aim of intergovernmental planning and proper coordination. Moreover, the IDP was a response to socio-economic challenges facing the post-apartheid government - specifically, the need for a new model of local government. The nature and content of the IDP is strongly restricted by the international debate and practice which prevailed at the time of its policy introduction (Harrison, 2006:186, Asmah-Andoh 2009:104).

The IDP is intended to serve as a guide to all the South African municipalities. IDP is a policy framework of local government and includes planning with regard to social, economic, environmental and cultural issues. Among other things, this includes health, skills and development, housing, environmental factors, land and tourism. The IDP is a new way of

\textsuperscript{102} Freund and Lootvoet (2006:254) argue along the same line with the author of this thesis.

\textsuperscript{103} According to the Constitution of the Republic of South Africa (Act 108 of 1996), section 47, the South African government should consist of three spheres which are national, provincial and local government.
thinking for local governments. Moreover, the IDP is directly linked to the budget of the municipality. The IDP embraced the concept of public participation at the local government level (IRI and NABI, 1998:53, Venter, 2007:99). Against this background, it must be borne in mind that public participation is the hallmark of democracy. However, sometimes what the policy says on paper is not entirely consistent with its practical implementation.

For instance, some municipalities, due to the lack of capacity, depend on the expertise of private companies to draft the IDP. This implies that the policy will not reflect the aspirations of the people but those of the expert[s]. This results in the abandonment of the whole issue of public participation. The IDP should not be designed solely by experts of service providers of government institutions. However, this does not imply that experts such as academics, etc., cannot be hired from time to time by government departments at local government. Moreover, ideas with regard to development should mainly come from the people of a particular municipality. The point here is that municipalities should practice democracy through public participation.

According to the Constitution of the Republic of South Africa (Act 108 of 1996), section 153, municipalities should develop their own budget and draft a development plan which gives priority to the socio-economic needs of people. The interpretation of this section is that the Constitution of the Republic of South Africa provides a mandate for IDP for municipalities. However it doesn’t say that it must be driven by market forces or experts. The IDP is intended to be a long term vision of the municipality. It is supposed to identify all the needs of the people and align them in a plan for all departments in municipalities (Harrison, 2006:187).

The IDP outlines the visions for municipalities with regard to the needs of all the people in the municipality. It has to be developed for a specific time period. Municipalities should link their Integrated Development Plans with the development plans of the provincial and national government. The IDP should reflect the thinking of the municipal council on how they are planning to end underdevelopment. The implementation of the IDP requires expert persons who have the technical skills to render services to the people (Davids, Theron and Maphunye, 2010).

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104 According to the Auditor General (2011:12), 72 percent of the public officials who hold key positions at local government in South Africa do not have the required skills.
105 Van der Walt (2007:60) makes reference to ‘Municipal System Act 32 of 2000’
This is an important aspect regarding service delivery at local government level. It is practically impossible for municipalities to end poverty if they do not employ the right people within their institutions. The whole notion of a developmental state cannot be realized without a committed public service. A developmental state is a state that drives development.

However, the ANC-government has acknowledged in public that the policy of cadre deployment is a problem. Every now and then, the media reports on people within the state machinery who do not have academic credentials but are holding management positions at local, provincial and national government levels. This phenomenon prevents service delivery from occurring. Municipalities are pivotal with respect to services to be rendered to the people. According to Roodt (2010:738),

'a survey done by a research company, TNS Research Survey, showed that more than half of South Africans living in metropolitan areas were dissatisfied with the state of social services in the country. Some 2 000 people were polled in Gauteng, Durban, Cape Town, the Eastern Cape and Bloemfontein with 52% saying that they were unhappy with the level of service. The survey found that the levels of unhappiness with service delivery were highest in Gauteng and East London in the Eastern Cape'.

This shows that a number of South Africans are discontented with the slow pace of service delivery in South Africa.

Another factor which is a problem pertaining to the IDP is that it is market driven. The IDP was an idea that emanated from the International Monetary Fund (IMF) and World Bank during the early 1990s. The IMF, World Bank, USA, England, Germany and academics local and international coined the concept of the IDP. Neo-liberalism is at the heart of the IDP (Harrison, 2006:188). This means that the private sector should take the lead with regard to development at local government. The assumption is that this will lead to a trickling-down effect. However the reality shows that the implementation of the IDP leaves much to be desired at local government level because poverty is increasing in many communities to a large extent.

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106 A researcher of South African Institute of Race Relations
107 Also cited in ‘The Star, 26 August 2010’
108 Patrick Bond states that one needs to provide a context when discussing the Integrated Development Plan. According to him, the advent of Integrated Development Plans at local government level was influenced by globalization (2002:1).
Corruption is another cause of underdevelopment. This means that the money that is allocated for services for the people ends up in the back pockets of officials and politicians. There are many factors that cause officials in local government to engage in unethical behavior. Firstly, municipalities in the new South Africa are perceived by many people to be a terrain of accumulation for personal wealth. Secondly, due to a consistent increase of the scale of salaries of public officials and politicians, a number of people see this as an opportunity of living a good life.\textsuperscript{109}

It must be noted that this does not imply that people must not be rewarded for their hard work. However, this should not happen at the expense of the majority of other people. With reference to corruption, according to the Auditor General (2008/9), only four municipalities out of 284 throughout the country obtained clean audits or unqualified reports.\textsuperscript{110} More specifically, in the Eastern Cape 94 percent of the municipalities had unauthorized, fruitless and wasteful expenditure in the 2010/2011 financial year (Auditor General, 2010-2011:48). All the municipalities (45) in the Eastern Cape received unclean reports (ibid). This shows the extent of corruption within the context of local government in South Africa. The National Planning Commission Diagnostic Report (2011:25) acknowledges that corruption is embedded in the public sector in South Africa, particularly at local government level. Among other things, this is due to a shortage of critical skills in areas such as financial management, a lack of good work ethic and poor leadership (ibid).\textsuperscript{111}

There is a need for strong political leadership within municipalities in South Africa in order to deal with corruption and address socio-economic problems.\textsuperscript{112} South Africans need to debate robustly the kind of leadership they require. Political leaders should be down to earth, humble, and listen to people before making policies. Leadership should not be based on manipulation and controlling people based on his/her own views or vision. Leadership should be about serving people with excellence and still remaining humble (Faulkner, 2008:16, Munroe, 2008:15-50, Van der Walt, 2007:53). Political analyst Xolela Mangcu quotes Heifetz when stating that a

\begin{flushright}
\begin{itemize}
\item \textsuperscript{109} These views are not held by all the South Africans though.
\item \textsuperscript{110} This is also confirmed by research conducted by Roodt (of South African Institute of Race Relations, 2010:709)
\item \textsuperscript{111} It must be noted that this does not mean that the private sector is immune from corruption.
\item \textsuperscript{112} See also the work of Van der Walt (2007:60) on this matter
\end{itemize}
\end{flushright}
leader should always take criticism without being sensitive, be open to correction and allow people to ask critical questions (2008:133). Criticism is always necessary if it is meant to solve problems. It demonstrates robust engagement in a discourse, especially when there is an issue that is not clear. The next area of discussion will focus on the LED policy and how it is implemented in parallel with the IDP at local government in South Africa.

4.3 Local Economic Development (LED)

By and large, LED is the coming together of business, community-based organizations and government with the aim of tackling unemployment, accelerating economic growth and the eradication of poverty at the municipal level. Within the South African context LED refers to initiatives undertaken at local government by different partners to address socio-economic problems, etc. LED has become the responsibility of municipalities working alongside different sectors of the society. LED is concerned about the economic stability of municipalities. Furthermore, LED in the main focuses on the creation of jobs by attracting foreign direct investment in order to meet the needs of the inhabitants (Blakely and Leigh, 2010:215, Phutiagae, 2007:133).

Bryman (1986:36) points out that political leaders should not be autocratic in their approach and be aloof to the people who voted for them to be in power. Bennis and Nanus follow the same line of thinking when they contend that political leaders need to make their followers aware of their vision and also get the mandate from them (1985:8). Adair (2003:18) asserts that political leaders should have warmth towards the people they are leading. Warner (2004:332) maintains that ‘leadership is very much a two-way relationship; not only does the leader influence the followers, but the followers also exert influence over the leader’. Bosman (2003:191) states that there is a direct link between emotional intelligence and good leadership. He goes on further to quote Vermeulen maintaining that leaders with emotional intelligence always work very well with people and have deeper understanding of their needs. Martinez quoted in Bosman (2003:36) points out that emotional intelligence means that one must have interpersonal skills and an understanding of the emotions of others. This assertion signifies the importance of human relations skills in dealing with people or followers. Political leaders should not ignore the needs of the people who voted them into power in the first place. According to Yukl (1994:14), political leaders should allow people to take part in policy-making. He goes on to say that this leadership approach reflects ‘power-sharing’ between leaders and their followers.

According to IRI and NBI (1998:2), ‘Local Economic Development is a locally-driven process designed to identify, harness and utilize resources to stimulate the economy and create new job opportunities. LED is not one specific action or programme, rather it is the sum total of the individual contributions of a broad spectrum of the community. LED occurs when the local authority, business, labour, NGOs and most importantly-individuals strive to improve their economic status by combining skills, resources and ideas’
With regard to economic development, it is no longer the only responsibility of national and provincial government to grow the economy and create jobs for the people. The municipalities, together with a range of policy-actors, need to come together and plan how to grow the economy and address poverty; this is the basis of LED. LED is the coming together of different stakeholders in society such as the business community, faith-based organizations, local government, Non-Governmental Organizations (NGO’s) and the general public with the aim of growing the local economy, creating employment and eradicating poverty (Hindson and Vicente, 2005:17, IRI and NBI, 116 1998:1).117

According to the White Paper on Local Government (1998: 26-28), the LED strategy is meant to provide high level short- and medium-term economic interventions to address the socio-economic problems in the South African municipalities. This economic strategy is informed by the IDP.118 This implies that LED is implemented alongside the IDP, and that LED is an outcome of IDP. In a few well-chosen words, the IDP is a broad-policy framework and LED is a strategy for economic development.

There are five key objectives of LED:

- Creating employment for the inhabitants
- Stimulating income levels of the employed in order for them to pay service charges
- Improving the quality of the lives of people of a particular municipality
- Improving human resource development of government departments at the municipal level
- Growing the economy in order to meet developmental challenges (IRI and NBI, 1998:3)

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116 International Republican Institute (IRI) and National Business Initiative for Growth, Development and Democracy (NBI)
117 Hindson and Vicente also quote the World Bank guidelines about the Local Economic Development.
118 According to Nelson Mandela Metropolitan Municipality (IDP/Budget Public hearing), Local Economic Development focuses on:
- Fighting poverty, creating employment through the Expanded Public Works Program (EPWP)
- Economic growth and investment
- Small Micro-Medium Enterprises and financial support
- Attracting tourists in the Metro
- Enhancing the implementation of BBEE and Urban renewal project
Against the above background, it is regrettable that these policy objectives in South Africa are not realized due to corruption and inappropriate policies at the municipal level. Inappropriate policies in this context refer to policies that are meant for acquisition of wealth by few individuals. It must be borne in mind that the LED Plan is a ‘GEAR-related project’ because municipalities throughout South Africa are outsourcing or privatizing services. This means that neo-liberalism is at the heart of LED. The assumption is that if the local economy grows, that will filter down to the inhabitants of a particular area. According to Blakely and Leigh, economic growth and the creation of jobs are not a problem. However, they go on to say that ‘...it is a great mistake to equate economic growth with economic development’ (2010:74). This means that the economy can grow even though poverty and unemployment are not reduced.

The application of neo-liberalism within the context of local government is also influenced by the IMF and World Bank via the LED among other things. Municipalities are expected to reduce their government expenditure through privatization of services. Poor communities are not able to access free services due to these ‘GEAR-related policies’. The concept of free-services is disappearing in South African municipalities due to elements of market-fundamentalism. The phrase ‘free services’ was first used by the African National Congress during the build-up to the 2000 municipal elections. It was also embraced by the Democratic Alliance as part of its election manifesto in the same year (McDonald, and Pape 2003:28, Bond 2002:4).

Market forces are not concerned about free-services they are only interested in making maximum profit. Thus, ‘GEAR-related policies’ are referred to as anti-poor or anti-working class; development at any level must not be market driven. Development is unlikely to happen due to the philosophical basis of neo-liberalism namely maximization of profit, cheap labour, reduction of government expenditure and exploitation of the working class. Development must be driven

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119 According to ANSA, Privatization of public services can happen in different ways, for instances full privatization, outsourcing, commercialization, PPPs and cost-recovery mechanism. They go on to say that ‘full privatization involves states selling entire public service entities, such as water or electricity corporations, to private companies. Private companies are then responsible for providing these services with the aim of making profits. The result is that if users cannot afford to pay the rates the private companies charge, they have their services cut off. Full privatization of public services first occurred in Britain and the United States in the late 1970s and early 1980s. In Britain, the Conservative government privatized water, the railways, and telecommunications. Many Southern African countries have also fully privatized some of their public services’ (2007:101).
by the government of the day. According to Nel and John, LED is an integral part of an Integrated Development Plan (2006:208).

This shows that there is a connection between these municipal policies. Both these policies are to a large extent underpinned by the theoretical framework of neo-liberalism. According to research conducted by Hugo Noble (2003:211), about 85 percent of public officials in South Africa believed that neo-liberalism is an appropriate model of development at government level. The main aim of these local economic policies is to allow market forces to take the lead in bringing development to local areas. LED strategy is premised on the precept that in order to grow the economy one needs to privatize the services of municipalities. For instance, a number of municipalities in South Africa are outsourcing services to be done by private companies - this is a form of privatization even though it is not implemented entirely at government level. In this study, outsourcing is defined as an extension of privatization precisely because a private company is given responsibility to do the work though under the auspices of government. The private company will bring its own people to work for them and when the project is over the people join the unemployed. This means that outsourcing of services does not create sustainable jobs, because private companies have a tendency to cut jobs at local government level as a result of the privatization of services. Civil servants normally regard privatization as a threat to their careers within government (Gildenhuys, 2004:363).

According to Noam Chomsky, when socio-economic services are privatized, the democratic tradition may exist but will consist mostly of formalities because decisions will be made by the local elites (2010:91). It must be noted that the problem statement of this thesis is: The local development policies of PPP and BBBEE that are being applied through LED strategies are not in the interests of the majority of people in the Eastern Cape. Thus the author of this thesis has argued strongly and consistently that LED is market-driven and embraces the ‘GEAR-related

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120 McDonald and Pape contend that there are a number of incidents in South African municipalities whereby essential services have been privatized completely or outsourced to a service provider. They go on to say that outsourcing in most cases is coupled with restructuring of government departments which advance the idea of the municipality as a form of ‘financially ring-fenced unit’ (2003:6). Gildenhuys asserts that outsourcing or hiring a service provider is a popular approach of privatizing public goods. He goes on to say that ‘in the case of outsourcing, the supply and financing of the service remains the responsibility of the public authority, but a private entrepreneur under contract with or under concession does the real rendering of the service from the responsible public authority’ (2004:362).
policies’. It is worth noting that LED embraces the establishment of Small Micro-Medium Enterprises. Municipalities in South Africa are embracing the development of Small Micro Medium Enterprises throughout the country.

A number of local business service centers have been established to strengthen the growth of the developmental trajectory of Small Micro and Medium Enterprises. Small Micro and Medium Enterprises are central to LED. These institutions differ in size from some, which employ less than two-hundred employees, to a micro institution that employs less than five people. The development and growth of small business at local government is at the heart of the LED Plan to reduce unemployment, promote economic growth and address inequalities in society (Houghteling, 2010:7, IRI and NBI, 1998:8, Rogerson, 2006:227).

Phutiagae is of the opinion that Small Micro and Medium Enterprises should be encouraged to apply for government tenders. He goes on to assert that Small Micro and Medium Enterprises should also create platforms for themselves to engage each other on critical issues affecting them (2007:144). On the whole, ordinary people who want to establish small businesses most often encounter problems such as writing a proposal or business plan for funding, access to funds, infrastructure, financial management, conflict management skills and lack of mentoring. Small Micro Medium Enterprises have a major problem regarding access to finance. National government via the Department of Trade and Industry (DTI) has implemented a number of initiatives to assist the emerging small businesses. These programs are Khula Finance and Ntsika Enterprise Promotion Agency (NEPA). Khula was established in 1996 to accelerate the growth of Small Micro Medium Enterprises (IRI and NBI, 1998:8).

Khula means to grow and is linked to the Small Business Development Act which focuses on financial assistance and provision of loans. Another initiative of the Department of Trade and Industry for the growth of Small Micro and Medium Enterprises is called the Small Enterprise Development Agency (SEDA). The Small Enterprise Development Agency was previously known as Ntsika. In most municipalities in South Africa there is no link between big business and

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121 Houghteling (2010:24) states that in 2001 the national government also started the Umsobomvu Youth Fund to finance young people who want to establish small business. Nonetheless, due to corruption and funding only a tiny minority benefited from the initiative. The African National Congress Youth League (ANCYL) made a policy proposal at ANC Polukwane that Umsobomvu Fund should be done away with. This
Small, Micro and Medium Enterprises. LED is driven by big business within municipalities. All municipalities in South Africa have an LED unit which is responsible for the implementation of the policy (Malefane, 2009:165, Houghteling, 2010:22-23).

Roodt (2010:291), a researcher of the South African Institute of Race Relations, outlines statistics below with regard to the state of affairs of small business in South Africa:

1. There are about 5 979 510 small businesses throughout South Africa. 579 767 of small business are owned by people who are aged 16 years and older
2. One in six people (16 years and older) are getting an income via small business in South Africa
3. Only 17 percent of small business are registered in South Africa
4. A larger majority of 79 percent of small business sell goods or products.

The above statistics show that South Africa has a low number of small businesses. It is the greediness of capitalism that causes business to be seen as bad by critics of neo-liberalism. Business should have a social responsibility in uplifting society. While there is no one commonly accepted definition of social responsibility, the concept generally refers to business making decisions that embrace ethical values, respect people and meet the needs of the community (Davids, Theron and Kealeboga, 2005:6). Municipalities throughout the country do not support and protect small businesses adequately against big companies. Big companies predominantly dominate the Local Economic Development strategies of municipalities (Houghteling 2010:17).

There is an international trend for municipalities in their Local Economic Development strategy to promote tourism (Robertson, 2006:235). By and large, municipalities throughout South Africa are placing a greater emphasis on this sector. The assumption is that tourism has a capacity to grow the economy at the local level. Thus it is a focal point of municipalities in Local Economic Development. The next section will examine specifically the socio-economic conditions of both
Nelson Mandela Metropolitan Municipality and Buffalo City; because these two metropolitan municipalities in the Eastern Cape were used as case studies in this research as explained in chapter one.

4.4 The socio-economic conditions of the Nelson Mandela Metropolitan Municipality and Buffalo City

Nelson Mandela Metropolitan Municipality

According to the Nelson Mandela Municipality (2010:7), the Municipality has a total population of 1,1 million inhabitants. By and large, the population of the metro is constituted by a majority of young people, ‘with 37% of residents between the age of 15 and 34 years, indicating that education and job creation require serious attention. Altogether 26.2% of the population is below the age of 15 years, while 5.3% is 65 years and above. The male-female ratio of the population is 48:52’ (ibid). The city has two economic strengths. First and foremost, it has two automotive industries (General Motors South Africa and Volkswagen South Africa).

Secondly, the Metro has a seaport which transports goods locally and internationally (ibid). Binza (2009:154) argues along the lines of the IDP of the Nelson Mandela Metro when he asserts that the city has over 40 percent unemployed individuals who are struggling to find employment.

According to the Nelson Mandela Municipality (2010:8), unemployment (40%) and poverty (32.5%) have reached high proportions. Holborn (2010:239) of the South African Institute of Race Relations states that on the whole unemployment in the Eastern Cape Province constitutes 41.5% at the moment. According to the Nelson Mandela Municipality (2011:12-14), in the early 1990s the municipality had 0% of outsourced services and PPPs, however, at the present moment outsourced services are about 60%, and 30% of the services are effected through the PPP model in the metro. Moreover, after the creation of the Nelson Mandela Metro in 2000

\[\text{This is a ‘Nelson Mandela Metropolitan Municipality (annual report,2009/10)’}\]

\[\text{See also the work of Hosking and Lloyd (2004:44)}\]

\[\text{Chapter seven explains all the reasons for the escalation of unemployment}\]

\[\text{It must be noted that during the early 1990s the Nelson Mandela Metro was not yet created. Equally, the percentages cited in the text with reference to the outsourcing of services and PPPs applies to Port Elizabeth, Despatch and Uitenhage which now make up the whole Nelson Mandela Metro (ibid).}\]

there were about 13 000 employees, while at this juncture there are only about 7 000 employees (ibid).

This shows that there has been a decrease in terms of employment in the metro since the implementation of outsourced services and the PPPs. The bulk of the work is done by private companies instead of the municipality for the whole metro. This is the hallmark of the application of neo-liberalism, elevating the business community above the state. With regard to service delivery, according to Lebone (2010:591), of the South African Institute of Race Relations, 7.4% of people are using a bucket system, 13.7% of people are living in informal houses, 9% of the people still do not have electricity and 98.4% have access to water in the Nelson Mandela Metro.\textsuperscript{126} This indicates that much more needs to be done with regard to service delivery. The table below explains clearly the extent of PPP and jobs created in the Nelson Mandela Metropolitan Municipality.

### 4.1 Public Private Partnerships Projects in NMMU

<table>
<thead>
<tr>
<th>Public-Private Partnerships undertaken or planned by the NMMM\textsuperscript{127}</th>
<th>The cost of the project</th>
<th>Employment created</th>
</tr>
</thead>
<tbody>
<tr>
<td>COEGA IDZ</td>
<td>R 30 billion</td>
<td>16 142</td>
</tr>
<tr>
<td>Port of Ngqura</td>
<td>R 11,2 billion</td>
<td>6 040</td>
</tr>
<tr>
<td>Helvale</td>
<td>R 71 million</td>
<td></td>
</tr>
<tr>
<td>Port Elizabeth Airport</td>
<td>R 1,5 billion</td>
<td></td>
</tr>
<tr>
<td>Madiba Bay Safari World Development</td>
<td>R 2 billion</td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{126} Services delivery in this context is broken down according to the research findings of South African Institute of Race Relation.

\textsuperscript{127} According to the Eastern Cape Department of Local Government (Kabuso report), a number of projects in the Nelson Mandela Metropolitan Municipality through the mechanism of PPPs have benefited senior ANC leaders who are politically well connected and not the poorest of poor (2011:1-47). Again, this report points out that in most cases the Municipal Finance Management Act of 1999 in this municipality is not followed when tenders are awarded to private companies. Finally, this report recommends that legal charges be pressed against those politicians and business leaders who have broken the law in the Nelson Mandela Metropolitan Municipality (ibid). Please see chapter seven of this study on this matter with regard to corrupt activities in PPPs and BBBEE.
Walmer Foundation Road Upgrade | R52 million | 
Motherwell Urban Renewal Project | R1 billion | 5 000 |
Statue of Freedom | R 50 million | 
Business Centre and Science Technology | R36 million | 
International Conference Centre | R800 million | 
Njoli Square Development | R 177 million | 
Red Location | R 25 million | 

Source: (NMMM, 2010:23-50)

The above table signifies that the application of neo-liberalism is rooted in both, the IDP and LED plans of the Nelson Mandela Metropolitan Municipality, because PPPs are perceived by the local political elites to be a strategy of poverty eradication, job creation and service delivery as outlined in the table and the IDP of the NMMM. However, as stated earlier in this section poverty (32.5%) and unemployment (40%) are very high in this metro. There are township areas in the Nelson Mandela Metro such as Kwazakhele where unemployment is over 50% (Cherry and Haines, 2010:12). This implies that the PPPs are not achieving their intended policy objectives. According to Dimant (2010:109) of the South African Institute of Race Relations, in 1996 poverty in Nelson Mandela Metropolitan Municipality was at 29.9%, however at the moment it is 32%. This means that poverty in this municipality has increased since the ‘GEAR project’ was introduced by the South African government.

Buffalo City

According to Buffalo City Municipality (2011:1), this municipality was established in 2000 during the transitional phase of a number of municipalities in South Africa. Buffalo City includes the political integration of East London (it has a number of economic activities such as automotive sector Daimler Chrysler South Africa which manufactures Mercedes Benz); King Williams Town and Bisho (the political center of the administration the Eastern Cape provincial government)

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128 See also the work of Binza (2009:157) on PPP in NMMM and Cape Town.
129 See the ‘Nelson Mandela Metropolitan Municipality (annual report,2009/10)’
(ibid, see also the ‘Integrated Development Plan Review of Buffalo City 2010-2011’). ‘About 880 000 people live in Buffalo City. More than 80 % are African, approximately 10 % are white, 6 % are Coloured and just under 2% are Asian. Another interesting fact is that the population comprises of 48 % men and 52 % females which is the same as for the country as a whole. Critical features of the region lie in glaring demographic realities of a high rural population (35%), 73% of the people of Buffalo City are poorly paid and there is a high unemployment rate (53%). As a consequence, the gross domestic product is substantially less than the national average’ (ibid).

According to Maphazi (2012:23), 73% of the people of Buffalo City think that the municipality is failing to render services to its inhabitants. This speaks volumes about the state of affairs with regard to services delivery in Buffalo City. The majority of the people of the municipality believe that the municipality is failing them in terms of service delivery. According to Buffalo City Municipality (2011:24-27), in the early 1990s the municipality had 0% of outsourced services and PPPs, however, at the present moment outsourced services are at about 55%, and 20% of the services in the metro are delivered through the PPP model. Moreover, after the creation of the Buffalo City Municipality in 2000 there were about 11 000 employees, however, at the moment there are about 6 000 employees in the metro (ibid). The table below explains clearly the extent of PPPs in Buffalo City.

### 4.2 Public-Private Partnerships in Buffalo City

<table>
<thead>
<tr>
<th>Project</th>
<th>Estimated value of the Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mdantsane Urban ‘Renewal Programme’</td>
<td>1 billion</td>
</tr>
<tr>
<td>Buffalo City Bus Rapid Transport System (BRT)</td>
<td>10 billion</td>
</tr>
<tr>
<td>‘The Buffalo City Integrated Waste Management Plan’</td>
<td>800 million</td>
</tr>
<tr>
<td>‘Buffalo City Integrated Environmental Management Plan’</td>
<td>120 million</td>
</tr>
</tbody>
</table>

130 It must be noted that during the early 1990’s the Buffalo City Municipality was not yet created. Equally, the percentages cited in the text with reference to the outsourcing of services and PPPs applies to East London, King Williams Town and Bisho (ibid).

131 It is worth noting that the document used by the researcher as a reference including the ‘Integrated Development Plan Review of Buffalo City 2010-2011’ do not indicated the number of jobs created by these PPP projects and their cost.
The above table shows that the PPPs in the Buffalo City Metropolitan Municipality are used as an economic strategy by the powers that be to grow the local economy, create jobs and render services. However the 2010/2011 document of the IDP of Buffalo City outlines that poverty (35.3%) and unemployment (50%) as indicated above in this section are very high in this area. Again, the utilization of the PPPs in this metro signifies that the political elites of Buffalo City are employing neo-liberalism as a model of development. It is worth noting that PPPs are implemented alongside BBBEE. According to Dimant (2010:109) of the South African Institute of Race Relations, in 1996 poverty in Buffalo City was 33.5% however at this juncture stands at 35.3%. This implies that poverty in Buffalo City has increased since the ‘GEAR project’ was introduced by the South African government. The next discussion will concentrate on BEE/BBBEE and its application in South Africa.

4.5 Broad-Based Black Economic Empowerment policy

This section will examine the economic strategy of the African National Congress to redress the imbalances of past. However, it will not deal with the broader macro-economic policy framework of government called GEAR. This matter is dealt with extensively in chapter four of this study. Secondly, the writer will, among other things, discuss how this strategy links to LED. This policy is called Broad-Based Black Economic Empowerment. The ushering in of democracy in South Africa meant freedom for those who were previously disadvantaged. Freedom is the corner-stone of democracy. Nonetheless, political emancipation should be coupled with maximum economic freedom. This debate is central to the main research question of this study which is: do the PPPs and BBBEE ventures which constitute anti-poverty strategies within LED succeed in addressing the issues of poverty at the municipal level?

132 The Coega project was intended to promote development and is an application of neo-liberalism because it is a PPP model of development. The main aim was to create the biggest port in Africa in NMMM. Buffalo City has a similar project; however, it differs in terms of the size. The idea was that these two municipalities were going to work side by side with the Department of Trade and Industry.
The rationale behind BBBEE was to enhance the economic participation of black people. The ruling party was given a mandate by masses of the people to redress the disparities created by the previous regime. The main aim of BBBEE is to distribute wealth equitably in post-apartheid South Africa (Department of Trade and Industry, 2004:3-7). In as much as outsourcing of services and PPPs are part of a dimension of neo-liberalism, BBBEE is not easily associated with it. For instance, municipalities may retain similar formal procurement procedures and policies without privatizing services, and may add an extra provision concerning procurement. It is a business-friendly economic policy meant for maximization of profit and individual acquisition of wealth, but it has been applied in conjunction with some distinctly different policies in respect of racial preferences, and very strong labour protection.

According to Patrick Bond, BBBEE is an application of neo-liberalism because it is meant among other things to promote privatization of services or PPPs in the public sector (2005:39). This argument makes sense because PPPs are implemented alongside BBBEE. Hence, the writer argues that BBBEE is not neo-liberal per se, it is inspired by neo-liberalism in its practice in the sense that it is meant to create a large middle class in order for this class to run the economy. The assumption is that the economic benefits of economic growth will be felt by the poor on the ground. By so doing, jobs and poverty will be addressed by the trickle-down effect. Large businesses in South Africa hold a view that there is a need to create a big black middle class as a buffer against socialists or communists. Big business would like to show that the application of neo-liberalism can work in South Africa. This concept of creating a black middle and a capitalist class was also associated with the former President of South Africa, Thabo Mbeki. The motivation behind this idea was to create proper lines of communication between big business and politicians (Butler, 2009:76, Pottinger, 2008:214).

Moeletsi Mbeki is of the opinion that a number of South Africans in Africa and abroad hold a view that BBBEE was an invention of the ruling party in South Africa post-1994. According to him, this point of view is flawed because BBBEE was designed by big white-owned companies in

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133 See also, Balshaw and Goldberg (2005:16)
134 Gumede argues along the same line as Butler when he points out that while Thabo Mbeki was in power he states that ‘as part of the realization of the aim to eradicate racism in our country, we must strive to create and strengthen a black capitalist class. A critical part of creating a non-racial society is the deracialization of the ownership of productive property’ (2005:230, 2009:279-286).
South Africa. He concludes by arguing that the main objective of this policy was to co-opt political leaders of liberation movements by actually buying them off with what looked like a transfer of wealth to the majority of the black people. However, this argument advanced by Mbeki is questionable. It would seem illogical for big white South African companies to introduce BBBEE and then later on complain that this policy is not good for doing business.

In fact, a number of government officials have indicated on numerous occasions that white companies are refusing to implement BBBEE. Some white South Africans hold a firm view that affirmative action and BBBEE are not good for the future generation of white people, because it punishes them for something for which they are not responsible which is apartheid and colonialism. So to suggest that BBBEE was pioneered by white South African economic oligarchs leaves much to be desired.

In addition, a number of white South Africans who are highly skilled are leaving the country because they are discontented about affirmative action and BBBEE. They feel that these policies are marginalizing them economically. All in all, it would be ironic for big white-owned South African companies to design policies that would marginalize other white South Africans. It was the ANC who put affirmative action and BBBEE on the agenda in the new South Africa. There were two countries in the world that implemented affirmative action previously. These countries are Malaysia and the United States of America (African National Congress, 2004:1).

BBBEE is one of the broader strategies of the ANC government, intended to deracialize public institutions, create employment, reduce poverty, speed up land reform and accelerate service delivery at all levels of government. BBBEE has been justified by the ruling party in South Africa in order to bring about the deracialization of the economy. The government standpoint is that


Pottinger (2008:212) points out that the intellectual mainspring for the ANC government affirmative action policy can be found in the policies of the Malaysian majority, the Bumipetera, after 1969, the policy adopted by the United States of America in 1968. He goes on to say in Malaysia only the elite have benefited in affirmative action. Equally, the same argument has been made about affirmative action in South Africa. The left in South Africa has argued very strongly that affirmative action only benefits the middle class and those who are political connected. Moeletsi Mbeki follows the same line of thinking when he argues that the black political elite in post-apartheid South Africa have abused the state institutions to enrich themselves (2009:71).
BBBEE should be a way of transforming the South African economy (Balshaw and Goldberg, 2005:73, Turok, 2008:140, Butler, 2009:75).

The ANC government has followed a similar approach to that employed by the Nationalist Party during apartheid. Historically, the Afrikaners wanted to be equal with the English people in South Africa. This Afrikaner economic empowerment was on the agenda when the National Party came into power in 1948. Afrikaners were given state contracts and financial assistance to venture into business. The Nationalist government had a strong state that was able to intervene in the economy (especially in the agricultural sector) to assist emerging Afrikaner business. This was affirmative action of a sort in the sense that the government clearly had a program of creating a capitalist and middle class amongst the Afrikaners. State bank accounts were given to an Afrikaner-controlled bank, government tenders were also given to Afrikaner companies and Afrikaners were appointed in upper echelons of the state apparatus as heads of departments (Butler, 2009:75-76, Marais, 2008:20).

A similar practice of corruption was also embedded in state institutions during apartheid where relatives of ministers would get financial support based on family relations with politicians (Turok, 2008:164). However, it would be fundamentally wrong for the ruling party in South Africa to justify corruption within state institutions on the basis that it was also done during apartheid. Former President Thabo Mbeki told senior ANC and government economists to design a proper economic model for the participation of black people in the mainstream economy. Subsequently a Black Economic Empowerment Commission (BEECom) was instituted in 1999 and was chaired by Ramaphosa (Gumede, 2005:230, 2009:279-286).

The decision to create a Black Economic Empowerment Commission arose against the background of a national conference of the Black Management Forum (BMF) held in 1997. The Black Economic Empowerment Commission outlined its findings to former President Thabo Mbeki in 2001. The Department of Trade and Industry drafted a bill of Black Economic Empowerment which became a policy. BBBEE in South Africa came about as a result of Black Economic Empowerment Commission findings compiled by its chairperson Cyril Ramaphosa. The BBBEE policy was formulated in 2003. The policy led to the creation of a Black Economic
Empowerment Advisory Council with the aim of advising the government with respect to the implementation of the Act (Turok, 2008:148, Butler, 2009:77, Pottinger, 2008:223).

The Black Management Forum supported the proposition by government to formulate the Black Economic Empowerment policy. It must be noted that the Black Management Forum, a black middle class organization established in the late 1970s saw the need for black people to have maximum economic participation in post-apartheid South Africa. Since its inception the Black Management Forum has always been concerned about the fact that the economy of South Africa has been dominated by white monopoly capital. The Black Management Forum embraces a neo-liberal model for development. It is predominately comprised of members who are trained in different professions. By and large, members of the Black Management Forum are in the private sector with a tiny minority in the public sector. Of late, the Black Management Forum has established branches throughout the country in institutions of higher learning.

According to Balshaw and Goldberg (2005:21), Broad-based Black Economic Empowerment has seven pillars which are:

1. ‘Enterprise development
2. Preferential Procurement
3. Skills development
4. Employment equity
5. Management and control
6. Equity ownership
7. Resident element’

The BBBEE policy was signed into law by the former president of South Africa Thabo Mbeki in early 2004. The acceptance of BBBEE was aimed at reducing poverty, unemployment, and disparities between the rich and the poor and amongst other things the aims of BBBEE included ‘to change the racial composition of ownership and management structures of enterprises... and
increase ownership and management by communities, workers and cooperatives. The above assertion explains why the South African government saw a need to develop a broad-based approach of Black Economic Empowerment. This policy has the Department of Trade and Industry to introduce the ‘Codes of Good Practice’, which provide a framework on how the Broad-based Black Economic Empowerment Act should be implemented. Government has introduced a scorecard to measure companies (Department of Trade and Industry, 2004:3-7, Gumede 2008:298, 2005:231, Turok, 2008:148).

The Black Economic Empowerment scorecard is used to measure companies when they want to do business with the government of the day. The scorecard is also applied when it comes to procurement of state services at all levels. With respect to BBBEE recipients it includes Africans, Indians and Coloureds (Balshaw and Goldberg, 2005:73). These are the components of BBBEE in terms of the implementation of the policy.

Private companies who are bidding for a tender at government level are expected to comply with the above policy prescriptions. Furthermore, if a private company fails to have these requirements it will not be considered for a tender. All the aspects of Broad-based Black Economic Empowerment scorecard are regarded as ‘codes of good practice’. The codes of good practice encompass employment equity, skills development, preferential procurement, and enterprise development and the status of transformation charters and a framework for BEE rating agencies. The codes are binding on all state public entities; and will be applied in all decisions involving procurement, licensing, concessions, public-private partnership, and the sale of state owned assets. Moreover, no private company can escape the codes because the requirements of the procurement component will cascade down public sector supply chains (Butler, 2009:77).

136 Department of Trade and Industry (2008:148)

137 According to them, this definition of black people also includes the following aspects:
1. black workers;
2. black unemployment;
3. black youth;
4. black aged;
5. black people with disabilities
6. black people living in rural areas’
It is of paramount importance to ask whether BBBEE has achieved its policy intentions or not? There has been a public outcry by all political parties across the political spectrum with reference to BBBEE. These political organizations have argued very strongly that BBBEE is benefiting only those who are close to the ruling party. Interestingly, the ANC has on a number of occasions acknowledged that this policy does not produce the expected outcomes. The Minister of Higher Education and Secretary General of the South African Communist Party has publicly criticized BBBEE as inspired by neo-liberalism. His argument has been that this policy only creates a tiny minority of rich black people.\footnote{138 According to Blade Nzimande (City Press, 27/06/2010), ‘...Narrow BEE has empowered a small elite while workers continue to be ‘casualised’ and outsourced at the mercy of labour brokers, even by some of the companies with BEE ‘credentials’. Furthermore, BEE has just become an adjunct to the very same non-transformed colonial-type economy, where white-owned companies simply chase politically connected individuals to secure more business. The SACP is therefore calling for a fundamental rethink of BEE that must be linked to industrial policy and the fostering of a new growth path in our economy’.}

According to Houghteling (2010:20) citing Robinson, ‘as a 2004 report by Time magazine reported, 8 of the top 10 largest BEE transactions in 2003 involved just three men, all with ANC connections’. Moeletsi Mbeki follows the same line of thinking when he points out that BBBEE has benefited a few people who are all politically connected. He goes on to say that BBBEE has turned ANC politicians into overnight millionaires and billionaires in the new South Africa (2009:61). Companies who are well connected politically are the real recipients of BBBEE. The BBBEE policy has been a mechanism for the personal enrichment of individuals having links with the ruling party.\footnote{139 See also the work of Butler,(2009:79) on this matter} For instance, a company called Kopano Ke Matla with strong links to COSATU benefited from the Gauteng Freeway e-tolling system through a BBBEE and PPP deal which costs 20 billion rands (Ndlangisa and Rossouw, 2012:2). COSATU has shares in this company that benefited in the construction of toll roads in Gauteng with Raubex (also a construction company) (ibid).\footnote{140 Cited in the City Press (01/04/2012)}

It must be borne in mind that COSATU is in an alliance with the ruling party and the SACP. This means that if COSATU does business or benefits from BBBEE and PPP that is tantamount to corruption because of its political relationship with the ANC-government. The Gauteng e-tolling system was introduced without any process of public participation. Concerned citizens in
Gauteng took the provincial government to court, challenging the decision to introduce the e-tolling system. The court ruled that the government should put its plan with regard to the e-tolling system on hold and start the process of public participation.

Wa Afrika and Hofstatter state that the Gauteng e-tolling system also benefited companies with strong political links with the ruling party. Among others, this includes Valli Moosa’s company (former minister and senior member of the ANC). There is a new syndrome amongst people in post-apartheid South Africa of getting rich quickly at all costs. However, this does not mean that all black people think along these lines. Those who are politically connected, who do not work hard to acquire wealth are sending the wrong message to the black youth that one can get rich without working hard, precisely because they see from the older ones how they have acquired wealth.

It is evident that BBBEE has not reduced the gap between rich and the poor, because it has benefited a few people who have strong liberation credentials or family or friends within the state machinery. According to research conducted by Holborn (of the South African Institute of Race Relations), the Gini co-efficient (a parameter that examines disparities) indicates that inequality in South Africa has increased since 1996. She goes on to say that the Gini co-efficient was 0.62 when the GEAR policy was adopted in 1996. However, in 2009 it increased to 0.65. Additionally, in 2009 the racial group with the lowest Gini co-efficient in South Africa was white people with a measure of about 0.45. Disparity was worse among black people, with a co-efficient of about 0.68 (2010:181). Moreover, the measurement for economic development used by the United Nations, known as Human Development Index, indicates that South Africa’s HDI is 0.619; this results in South Africa being ranked 123 out of 187 countries in the world (UNDP, 2012:5). This signifies the extent of underdevelopment in South Africa despite the fact that anti-poverty strategies such as BBBEE and PPP have been introduced in the new South Africa to promote development.

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141 Cited in the Sunday Times (07/05/2012)
142 She goes further to say that there has been an increase of unemployment in South Africa by 26.0 % between 1994 and 2010 (ibid).
143 hdrstats.undp.org/en/countries/profiles/ (accessed on the 02 May 2012)
144 United Nations Development Programme (UNDP)
BBBEE does not benefit the poorest of the poor in particular in rural areas. Instead, it leads to tender corruption at all levels of government. A number of BBBEE beneficiaries hold senior positions in the ruling party. Sometimes ANC politicians, ministers and public servants use BBBEE to become board members in different private companies while they are holding public office (Turok, 2009:163). According to Brummer and McKune, the BEE consortium associated with Mvelaphanda Holdings also has strong political links with Human Settlements Minister Tokyo Sexwale and won a R10 billion tender due to the political influence of Sexwale; and his Director General Thabane Zulu who served on the tendering committee. This tender was awarded by The South African Social Security Agency in January 2012 (ibid).

Similarly, the Pillay Commission found that four senior politicians of the ruling party (Stone Sizani, Makenkesi Stofile, Enoch Godongwana and Mcebisi Jonas) had been involved in corruption. More specifically, the families of these politicians according to the Pillay report were alleged to have benefited by about R200-million illegally while doing business with the Eastern Cape Development Corporation (ECDC) then headed by Mcebisi Jonas (Pillay Report, 2008:1-5). Again, tenders amounting to R62 million in the Eastern Cape municipalities were awarded to companies that have links with public officials and politicians in the 2010/2011 financial year (Auditor General, 2010/2011:64).

According to the Public Protector’s report (2012:9), the former president of the ANCYL, Julius Malema, was a director of a company called Engineering Projects (Pty) Ltd that was awarded three tenders by various municipalities in Limpopo. Again, of late the Public Protector released a report (2012:5:6) that indicates that Malema’s Trust called Ratanang benefited illegal millions of rand’s (as a shareholder of On-Point Engineers) from a tender that was awarded by the Department of Transport in Limpopo. This shows that the business and political elites through the BBBEE, PPPs, and the outsourcing of services are using their strong networks (associated political social capital resources) in their efforts for personal accumulation. Again,

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145 Cited in the Mail and Guardian (23/03/2012)
146 See also, http://www.iol.co.za/new/politics/withdraw-fraud-report-judge-told-1.408199?ot=in...
149 http://www.agsa.co.za/reports%20documents
this shows the linkages of such practices to the construction and reproduction of neo-liberal discourses at different levels of government. It is worth noting that very little scholarly work has been done on how municipalities are promoting and reinforcing the ‘GEAR-related’ policies and practices in post-apartheid South Africa. Thus, this research attempts to make a distinctive contribution to local and international scholarship.

Some of the white-owned companies are being fronted by black people precisely because they cannot benefit from BBBEE. The author of this thesis holds the view that BBBEE and affirmative action are not good public policies for development because they are marginalizing young whites who have nothing to do with apartheid and colonialism. It is unfair to punish them for the sins of their ancestors or forefathers. These policies do not enhance social cohesion. Instead they perpetuate racism at the expense of white people. It is important for black people to let go of the past and create equal opportunities for everyone. This will mean that the playing field is leveled. The next section will examine the PPP model and how it is implemented alongside BBBEE in the South African context.

4.6 Public-Private Partnership (PPP)

There has been an increase in the frequency of the use of the PPP model in post-apartheid service delivery. This model is embraced by ASGISA (Accelerated and Shared Growth Initiative of South Africa) and the Department of Finance component National Treasury. The increase of the usage of the PPPs in South Africa is a result of the Public Finance Management Act which was passed in 1999, and which supports the implementation of PPPs.

It must be noted that at local government level the practice of PPPs is supported by the Municipal Finance Management Act 56 of 2003 through its guidelines. The motivation behind the PPP model was to make service provision cheaper. Instead of government itself rendering

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150 Bradshaw asserts that the terminology social cohesion is employed by political scientists, sociologists, social policy analysts and public administrators to explain the ‘glue’ that is holding people together within society, especially in a situation where people are coming from different cultural, racial and ethnical backgrounds. He goes further to say that ‘it is a multi-faceted notion including many different types of social phenomena. It is associated with theories of sociological structural functionalism and political conservatism. It is sometimes also used as a euphemism for the state of race relations’ (2011:1).

151 See also the work of (Nicholson, 2001:63, Parsons, 2009:200) on this matter.
the services, it gives some of its responsibilities to the private sector in terms of services delivery (National Treasury RSA, 1996:83). The South African Government has developed a policy framework that makes it possible for municipal, provincial and national institutions to engage in Public-Private agreements. A Code of Good Practice gives clear guidelines about each element of private companies’ BBBEE equity structure, management, subcontracting, and local socio-economic development (National Treasury RSA, 2005: 43-44).152

Furthermore, the PPPs emanate from GEAR, the macro-economic policy of government.153 This policy is premised on the fact that economic development can only be promoted by the private sector. Blakely and Leigh argue that the PPP concept has permanently entered the language of local government. They go on to ask two interesting questions: What is meant by the PPP concept? Why is this model used for economic development? (2010:401). Responding to these questions, PPP is the coming together of both public and private institutions with an aim of rendering services to the people. Business takes the lead in providing services and does the work for profit. Secondly, the use of PPPs signifies that governments across the globe who are following market-fundamentalist policies subscribe to the notion that economic development can only be brought about through market forces. There are a number of municipalities in the new South Africa who are employing the PPPs with respect to service delivery. This model is normally used in the construction of roads, installation of electricity, sanitation, water supply and waste disposal sites (IRI and NBI, 1998:20).

There are five countries that have influenced the PPP model. These countries include England, United States of America, Ireland, Australia and Canada. Governments in many parts of the world are turning to private institutions for service delivery for their people. The model of PPP is normally a long-term arrangement between government and private institutions. The South African Government in the post-apartheid South Africa era has supported the implementation of PPPs for service delivery in all spheres.154 Throughout the country, municipalities within their

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152 See also, US Agency for International Development (2005:25)
153 See chapter three of this study for this debate
154 ‘South African law defines a PPP as contract between a public sector institution and/ or municipality and a private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building, and operation of a project. There are two types of PPPs: (1) where the private party performs an institutional/ municipal function, and (2) where the private party acquires the
LED plans are embracing the PPPs. A number of functions that were previously provided by government are now carried out by private institutions (Freund and Lootvoet, 2006:267, Binza, 2009:42, Dutz, Harris, Dhingra and Shugart, 2010:1).

This approach signifies that the government of the day depends on the private sector for service delivery in post-apartheid South Africa. Private institutions enter into these agreements with the aim of maximization of profit. PPPs are at the heart of the LED strategies of municipalities. Municipalities in South Africa are rendering services such as infrastructural development, installation of electricity, water reading and recovery of debt payments via the private sector (Freund and Lootvoet, 2006:267, Blakely and Leigh, 2010:401). This implies that municipalities in the new South Africa are largely being run like commercial institutions. This also means that poor people will not access certain services because they are poor and do not have money to pay for services rendered by private companies.

South African and international private companies are normally the participants of PPPs through the creation of consortia. This is done to promote the implementation of BBBEE at all levels of state institutions (USAID, 2010:24). There is an interesting phenomenon in this regard in that a number of private white-owned companies are ‘fronting’, or using black people in order to enter into PPPs. By this is meant that sometimes black people in townships and informal settlements are given positions in white companies to become directors despite the fact that they have no say in the company [s]. Nonetheless, this does not mean that all white private companies are doing fronting.

This is precisely because BBBEE requires a certain number of black people in private companies. Against this background, one can conclude that PPPs and BBBEE create the scope for rampant corruption. For example, Coega’s former chief financial officer, Allan Young, was fired for reporting that the CEO Pepi Silinga owes Coega about R170 000 for money that was paid to his trust for consultancy work that his company claimed to have done for Coega, despite the fact that his trust was deregistered at the time (Sokana, 2009:1). This shows that neo-liberalism in practice is contradictory in nature as it involves the allocation of state resources to politically

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use of state and municipal property for municipal property for commercial purpose. A PPP may also be a hybrid of these’ (US Agency for International Development, (USAID), 2010:11).

155 Cited in City Press (12/04/2012)
influential individuals rather than promoting economic development for the majority. It must be noted that Coega is a PPP model of development.

The Coega project was also informed by the ushering in of the GEAR neo-liberal policy. A number of feasibility studies were conducted in the early 1990s in Port Elizabeth and in the Eastern Cape. There was little public participation with regard to the Industrial Development Zone both in Nelson Mandela Metropolitan Municipality and Buffalo City. Business and the political elite participated behind closed doors in terms of the design of the Coega project excluding the public from the process. Prominent individuals such as Kevin Wakeford (N MMM business man), Alec Erwin (former Minister of the Department Trade and Industry (to mention a few), Eastern Cape politicians and multi-national corporations such as French company Pechiney aluminum smelter, Billiton-Mitsubishi and Ferrostaal were instrumental in the initial stages of the Coega project (Hosking, 2002:51-113). The Coega project is implemented through the PPP model.

The PPP model avoids full privatization for political reasons. The state will still have the ownership of the infrastructure while giving the private companies the responsibility to make a profit through the provision of services. The government is deliberately avoiding full privatization precisely because the communists within the African National Congress (ANC), South African Communist Party (SACP), and Congress of South African Trade Unions (COSATU) would be vehemently opposed to full privatization. Equally, it must be noted that the communists within the Tripartite Alliance do not support the PPP model, for economic development or service delivery. This section within the Tripartite Alliance has labeled this approach as neo-liberal or market driven (Farlam 2009:1). According to the National Treasury and Department of Provincial and Local Government, the South African Government has created a policy framework that governs how national, provincial and national state apparatus should implement PPPs. The Municipal Finance Management Act requires municipalities to firstly conduct a feasibility study before entering into PPPs (2010:1).

When thinking about employing the PPP model, firstly and most importantly, a feasibility study must be undertaken without preconceived ideas about the outcomes of the project. The South African Treasury has adopted a model from England and Australia for conducting feasibility
studies before implementing PPPs. The PPP is a model based on the arrangements between national, provincial, local government and private institutions to provide certain services to the inhabitants of a specific area (African Business Journal, 2009:1, Khalo, 2007:223).  

The White Paper on Municipal Service Partnerships (2000) argues that PPPs are utilized in many South African municipalities because of lack of capacity to promote development. The issue of human resources is a major problem in South African municipalities because of nepotism and the cadre deployment policy of the African National Congress which runs a number of South African municipalities. This does not mean that deployment is wrong in a key strategic position such as a municipal manager. However academic qualifications and relevant experience should also be taken into account because the municipal manager is the champion of service delivery and heads the administration of the whole municipality.

In South Africa, the ruling party deploys people everywhere, even at management level where you need qualified personnel irrespective of their political affiliations. Due to the lack of intellectual capital within municipalities in South Africa, private institutions are providing services for the municipalities. Equally, this includes the national and provincial government without enough capacity to promote development due to cadre deployment.

According to Asmah-Andoh, citing the Human Science Research Council (2004), poverty in the Western Cape municipalities is very low compared to other municipalities in South Africa such as Eastern Cape and Limpopo (2009:102). This is an interesting point precisely because municipalities in the Western Cape are by and large governed by the Democratic Alliance which is an official opposition party to the African National Congress at national level. Municipalities in the Western Cape under the Democratic Alliance are managed very well. However, one needs to qualify this argument. For instance in the Western Cape, there are less rural areas than in Eastern Cape, Northern Cape, North West, Limpopo, KwaZulu-Natal and Mpumalanga. This means that poverty in these areas is different due to this historical fact.

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156 For Trade, Investment and Tender Information in Africa
157 See also Khalo, citing Phago and Malan (2004),
Municipalities under the African National Congress do not show any sign of progress in terms of service delivery. With regard to PPPs, according to the Municipal Finance Management Act 56 of 2003 (2008), PPP means a business transaction between a municipality and a private institution, (a) private institutions should take responsibility for rendering services on behalf of the municipality for profit making purposes, (b) the private institution does the work supposed to be done by the municipality using the property of the institution and (c) private institutions eventually benefit from the work it has done (2008:193). The Municipal Finance Management Act puts a greater emphasis on maximization of profit by the private sector with respect to PPPs.

This approach focuses on the enrichment of the private sector, not the poorest of the poor. A number of policies at local government level have been made to see to it that PPPs are following certain policy guidelines such as Local Government Municipal Structures Act (117 of 1998), Local Government Municipal System Act (32 of 2000), Local Government Municipal Finance Management Act (56 of 2003 and 2008), and the Preference Procurement Policy Framework Act (5 of 2000 and 2009).

The Growth Employment Redistribution - Medium Term Expenditure Policy Framework and the national treasury have reduced the budgets of South African municipalities. This move of the national treasury was coupled with the promotion of PPPs throughout the country’s municipalities via the Municipal Investment Infrastructure Unit (MIIU). The Municipal Investment Infrastructure Unit is perpetually undermining the idea that municipalities should render services themselves. PPPs are fundamentally concerned about the business principle of making profit through cost recovery mechanisms. Cost recovery through privatization or PPPs makes it difficult for poor people to access water and electricity etc. (McDonald and Pape, 2003:5, Siwisa, 2006:24).

There are four ways of implementing the PPPs at local government level:

1. Services and Management Contract: In this regard, municipalities enter into agreement for service or management with a private institution on its behalf. For instance, the municipality might pay a private institution to collect garbage. With regard to this
matter, the municipality should open the tender for all bidders to participate in the tendering process.

2. Leasing: The municipality enters into a leasing agreement with a private company. ‘The private sector agency... renders the required service and is responsible for collecting income from users of the service’.

3. Concessions: Private institutions enter into a contract with the municipality whereby the service provider will provide a particular service, for example for 20 or 30 years.

4. Privatization: This means that the municipality gives full responsibility to the private institution to have a hundred percent of ownership of a particular service (IRI and NBI, 1998:21).

The table below outlines the decrease of staff in South African municipalities since 1990 as a result of outsourcing or privatization of services.

<table>
<thead>
<tr>
<th>Year</th>
<th>The number of employees within municipalities in S.A (excluding part-time staff)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>237 990</td>
</tr>
<tr>
<td>1991</td>
<td>232 319</td>
</tr>
<tr>
<td>1992</td>
<td>230 616</td>
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<tr>
<td>1992</td>
<td>224 907</td>
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<tr>
<td>1993</td>
<td>223 873</td>
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<tr>
<td>1994</td>
<td>222 872</td>
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<tr>
<td>1995</td>
<td>221 765</td>
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<tr>
<td>1996</td>
<td>220 894</td>
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<tr>
<td>1997</td>
<td>220 321</td>
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<tr>
<td>1998</td>
<td>218 239</td>
</tr>
<tr>
<td>1999</td>
<td>212 892</td>
</tr>
<tr>
<td>2000</td>
<td>199 923</td>
</tr>
<tr>
<td>2001</td>
<td>188 832</td>
</tr>
</tbody>
</table>
These research findings by South African Statistics demonstrate that by and large South African municipalities are reducing their staff in order to transfer their responsibility for service delivery to private institutions. This is one of the elements of neo-liberalism, among other things. This model believes that the state must employ fewer employees because the bulk of work must be done by the private sector. Another cause of this phenomenon is privatization or outsourcing of services and the utilization of PPPs at local government level. Again, these findings show that fewer people were employed since the ushering in of neo-liberalism or the ‘GEAR-related policies’ in municipalities.
4.7 Conclusion

In the main, this chapter was aimed at explaining and analyzing the state of affairs of local government in post-apartheid South Africa. Coupled with this was a closer examination of policies such as BBBEE and PPPs. It must be noted that in as much as PPPs certainly are an element of neo-liberalism in the public sector, BBBEE is not easily associated with it. Municipalities, in terms of government policy, may retain the same formal procurement procedures, without necessarily outsourcing more than before, and add further provisions that BBBEE enterprises should receive preferential treatment in the allocation of outsourced contracts. As such this represents greater government regulation not less, and cannot be unproblematically equated with neoliberalism, though they may be heavily influenced by it. Again, these variables (BBBEE and PPPs) are directly linked to the central research question and the problem statement of this research. The literature of this chapter demonstrates that both BBBEE and PPPs have benefited only a tiny minority of people linked to the ruling party (the African National Congress). Neo-liberalism in practice is contradictory in nature as it involves the allocation of state resources to politically influential individuals rather than promoting economic development for the majority.

Privatization of services at local government level has influenced the rise of anti-neo-liberal social movements throughout South Africa after the ushering in of democracy. The next chapter will discuss the methodological approaches employed in this study in order to answer the central research question which is: Do the Public-Private Partnerships (PPP) and Broad-Based Black Economic Empowerment (BBBEE) ventures, which constitute anti-poverty strategies within Local Economic Development (LED) succeed in addressing the issues of poverty, and achieving more equitable development at the municipal level in the Eastern Cape? and verify the problem statement: The local development policies of Public-Private Partnerships and Broad-based Black Economic Empowerment that are being applied through Local Economic Development strategies are not in the interests of the majority of people living in the Eastern Cape.
Scientific practice always has two dimensions: Knowledge acquisition and knowledge production. The aim of the first dimension (knowledge acquisition) is to familiarize yourself with existing knowledge and insights in science. Knowledge acquisition entails more than merely memorizing the content of knowledge.... The more you develop your intellectual skills, the deeper you can delve into this existing pool of knowledge to draw all the more from it. The second dimension of scientific practice, knowledge production, also requires its own set of skills. Knowledge production, or research as it is usually known, is a disciplined and specialized practice. Many specific standards are set in the process of research. In addition, finely specified research methods are also required. Familiarity with these standards and methods is a precondition for becoming a competent participant in the game of science (Rossouw, 2003: xi).

The master’s degree is the first research degree; the doctoral degree is a degree of research specialisation. By doing the former, you show that you can conduct research and that you have mastered the craft of research or scholarship. A master’s degree signifies that you have successfully completed an independent piece of research. The successful completion of a doctoral degree goes further. This is the degree in which you achieve depth of scholarship and specialise in a certain area so that you are able to make a contribution to the existing body of knowledge. A PhD signifies that you have produced new knowledge. You have progressed beyond the level of reproducing and mastering existing knowledge (master’s) to the point where you have made a unique contribution to the scholarship in a particular domain (Mouton, 2005:5).

5.1 Introduction
This chapter explains the design and methodologies employed in conducting this study. Firstly, the writer unpacks the ontological and epistemological assumptions of scientific knowledge within the realm of social sciences. This approach is premised on the fact that ontological approaches of social sciences influence the methodologies utilized by researchers when embarking upon scientific research. More specifically, the ontological approach adopted by the researcher in this study is the phenomenological or interpretative paradigm. Secondly, as the standpoint of this study, the political economy approach is described and elaborated upon. Thirdly, this chapter outlines the sample size of this research, instruments used to gather data and the reliability and validity of this study. Finally, the ethical considerations in this research are thoroughly discussed.
5.2 The Ontological and Epistemological Assumptions of Social Sciences

This section addresses the philosophy of science debate on the relationship between ontology, epistemology and methodology\(^{158}\) precisely because the ontological framework utilized by the researcher in social science influences how knowledge is produced.\(^{159}\) This defines what knowledge is and how it is generated by scholars and is contested in social science. Every argument that is brought to the fore by a social scientist can be examined differently simply because there are different ontological approaches for ‘intellectual production’ or knowledge creation. This implies that there are different ways of doing things in social research.

This brief background calls for the conceptualization of ontology, epistemology and methodology. With regard to ontology, the concept ontology focuses on providing an examination of ‘social reality’. Ontology concentrates on what is real in society and what is not real (Mouton, 2009:46 and 1996:46; Willis 2007:8).

Ontology in the social sciences acknowledges that researchers are human beings and their approaches to their lives are influenced by the beliefs they hold. The ontological approach focuses on investigating social reality (Mouton and Marais 1991:11-12).\(^{160}\) An ontological approach plays a crucial role in influencing how the researcher views society. The intellectual outlook of the researcher is influenced by a set of beliefs (Gerber, 2009:21) which is called the theoretical model of the researcher or the ontological approach followed by the researcher. Ontology acknowledges the reality about what exists in the world before one can enter into the realm of science and employ a particular methodology of research.

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\(^{158}\) Mouton (2009:9) concurs with the above assertion when he points out that the philosophy of science debate is about conceptualizing critical concepts in the world of science such as ontology, epistemology, and methodology. He goes on to say that what lies at the heart of the philosophy of science debate is objectivism, subjectivism, validity and scientific knowledge.

\(^{159}\) Gray (2009:17) follows the same line of thinking when he points out that the ontological standpoint of the researcher influences the methodology employed in research. According to du Plooy, ontology refers to a specific belief that the researcher subscribes to, and uses to explain what he/she perceives to be constituting reality (2007:20).

\(^{160}\) According to Punch, ontological questions in the main are about: ‘What is the form and nature of reality and, therefore, what is there that can be known about it?’ (2009:16). Neuman argues that different ontological approaches have different philosophical assumptions and rules with regard to research (2009:16).
Social research is conducted within the social context. This implies that there are certain factors which shape the thinking of social scientists. Among other things, these factors include socialization, ideological and theoretical frameworks, etc.

Ontology is therefore the theoretical framework that the researcher believes explains social reality. Juxtaposed to this view, ontology identifies what are considered facts. For instance, positivist ontology will see quantitative data as real facts. On the other hand, humanist or phenomenological ontology will see qualitative facts as the real facts. This also defines what the researcher’s methodology will be with respect to the collection of facts. The writer has described ontology, of which epistemology is a subset, while methodology is a subset of epistemology. Epistemology is about what constitutes ‘true knowledge’. Methodology on the other hand seeks to address questions such as: How do researchers go about collecting data? How do scholars achieve their research aims in the scientific community (Mouton 2009:35)?

Epistemology in a nutshell refers to the ‘science of knowing’. However, epistemology should not be confused with methodology. Research methodology is ‘a subfield of epistemology’ which is a way of finding out about phenomena (Babbie 2004:6). The epistemological approach is concerned with searching for ‘true knowledge’. The epistemological approach influences the methodology of a particular research project and its findings. Epistemology is the world view of the researcher concerning how knowledge can be perceived. This approach compels social scientists to be committed to the exploration of truth. If any social scientist rejects the approach he or she defies the values of the scientific community. Epistemology lays a good philosophical foundation of both natural and social research. Again, epistemology is concerned

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161 Mouton (2009:41) argues along the same lines with the writer of this study with regard to social research. According to Blanche, Durrheim and Painter, ‘ontology specifies the nature of reality that is to be studied and what can be known about it’ (2006:6).

162 Mouton states scholars who hold a view that social sciences are the same as natural sciences are called ontological positivists. He goes on to say that those who argue the exact opposite with regard to positivism are called anti-positivists, realists, phenomenologist, interpretaviasts or constructivists (2009:47).

163 Blanche and Durrheim (2009:6), Punch (2009:16) assert that epistemological questions pertain to: ‘What is the relationship between the knower and what can be known?’ Du Plooy asserts that epistemology in the main is about knowledge (2007:20).

164 Punch points out that methodology is a theory that directs researchers with regard to the method to be employed when doing research (2009:15).

165 See also (Creswell, 2009:6)
with ‘how can we know the things that exist’. The researcher’s view of knowledge in both the natural and social sciences is known as epistemology. Epistemology is sometimes used as a synonym for ‘knowledge acquisition’, and epistemological approaches of social research are concerned about getting to know the truth. This is done by using specific criteria such as objectivism and rationalism to produce valid explanations about social problems (Babbie and Mouton, 2005:13, Mouton and Marais 1991:14, Mouton, 1996:31, 2009:28, Gerber, 2009:19, Willis, 2007:10).

The above implies that social scientists should always avoid being biased when undertaking research. In addition, this signifies that all arguments by researchers should be advanced in a logical way. Assertions made by scholars should be based on thorough reasoning and not on emotions. Academic arguments should make absolute sense. In the scientific world there is a reason for everything and ‘nothing just happens - it happens for a reason’ (Babbie, 1990:13). Explanations should therefore always be provided to back up arguments. This is part of the academic tradition. Gray asserts that on the whole the epistemological traditions concentrate on ‘what it means to know’. He concludes by stating that ‘epistemology provides a philosophical background for deciding what kinds of knowledge are legitimate and adequate (2009:17). In a few, well-chosen words, epistemology is a theory of knowledge (Schott and Marshall, 2005:193).

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166 This view is supported by Cohen and Medley (2005:80), Babbie and Mouton (2005). Rossouw asserts that science is concerned about rational arguments not emotions. He states that researchers should be sober minded when advancing argument and give reasons for the views they hold (2003:18-37).

167 According to Van den Berg, scholars in the scientific community are expected to support the assertions they make by relevant evidence or reasons (2010:9-13). This view is echoed by Rossouw when he points out that scientific knowledge is about convincing other people by argumentation (2003:37). Mouton follows the same line of thinking when he argues that scientific research is about the logic of argumentation all the time. He goes further to say that claims made by researchers should be accompanied by logical reasons (2009:69).
5.3 The Clear distinction between Ontology, Epistemology and Methodology

Table 5.1. Distinction between ontology, epistemology and methodology

| **Ontology** | This is a theory that influences the intellectual outlook of the researcher when undertaking scientific research. It is also the world point of view of the researcher. Ontology is linked to socialization. This signifies that the ideology, academic background, religious beliefs, cultural views, value-based judgments etc., have an influence on the interpretation of the researcher about the world. This theory focuses on the reality that shapes the standpoint of the researcher. |
| **Epistemology** | Epistemology focuses on ‘knowledge acquisition’. It is an approach that enables both natural and social scientists to understand how knowledge is manufactured in the scientific world. While it is not a synonym for methodology it influences the methodological choice of the researcher. This framework helps the researcher to understand how scientists know what they know. |
| **Methodology** | This theory guides researchers in both natural and social sciences on how to conduct research. Methodology is not a synonym of method; it is more than a method. It is underpinned by philosophical assumptions informed by epistemology. |

Source: Gerber, 2009:18-21

When social scientists have a deeper understanding of ontology and epistemology they are able to separate scientific from lay or ordinary knowledge. It is of great importance to make a distinction between scientific and lay knowledge because the researcher in this study has carried out an empirical study with the aim of producing facts or evidence-based argument. Scientific knowledge is acquired systematically and presented in an unbiased way. Social scientists should always depend on the principle of objectivity when presenting research findings. Scientific statements should be verified by other scholars. The word ‘science’ should not be limited to the natural sciences. It is also useful in the social sciences when evidence is

Lay knowledge is based on unsystematic knowledge about what exists around us. Again, lay knowledge is an ordinary way of thinking such as common sense and value-based statements. Ordinary or lay knowledge is informed by common-sense. Arguments are accepted on the basis of the authority of the person. Lay knowledge is passed on ‘from one generation to the next’ (Huysamen, 1995:4, Bless and Higson-Smith, 2000:1-3, Mouton 2009:7-8, 1996:8).\(^{168}\) On the contrary, scientific knowledge is not accepted without a closer examination. Furthermore scientific knowledge is not stagnant like lay knowledge; it changes if there is new evidence brought to the fore by scholars.

### 5.4 Scientific knowledge and lay knowledge

#### Table 3.2 Scientific versus Lay knowledge

<table>
<thead>
<tr>
<th>Scientific Knowledge</th>
<th>Lay knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific knowledge is evidence based. It is informed by empirical or theoretical evidence. It is expected to be validated by the scientific community or academia. Scientific knowledge follows a systematic approach in order to produce valid statements. This approach emanates from ontological, epistemological and thorough methodological approaches of the academic or scientific community. Natural and social scientists are expected to be critical at all times when manufacturing scientific knowledge. All statements should be questioned before they are accepted. Statements must withstand ‘the test of time’. Scientific knowledge should be peer-reviewed before being made available to the public. Scientific statements must be explained rationally. The explanation should also be objective not biased.</td>
<td>This kind of knowledge refers to common sense, unscientific statements and subjective views or natural wisdom. It is related to value judgments. In most cases the source of lay knowledge is culture, religion, morality, community values (community based knowledge) and personal experiences. Lay knowledge is also described as ordinary knowledge. This type of knowledge does not follow a systematic approach for examining issues in general.</td>
</tr>
</tbody>
</table>

Adapted from: Babbie and Mouton (2005:4-15), Bless and Higson-Smith (2000:3-4)

\(^{168}\)See also the work of Karl Popper (1972, 1974) on this matter
There are three ontological approaches to scientific knowledge. These approaches include positivism, the phenomenological paradigm and critical theory. Moreover, these ontological theories are sometimes referred to as objectivism (positivism), subjectivism (the phenomenological approach) and constructivism (critical theory) (Bradshaw, 2007:8-12, Babbie and Mouton, 2005:20). It is of great importance for social scientists to have a deeper understanding of these ontological approaches in order for them to distinguish between research methodologies. Positivism is normally associated with Auguste Comte who coined the concept in 1822 for social scientists to follow the same approach as that which is employed by natural scientists (Babbie, 2004:35).

There are three ontological foundations of positivism:

- Empirical evidence should also be produced by social scientists when making assertions. This evidence should always withstand the test of the scientific community. It should also be verifiable by validity and reliability.

- Social scientists should utilize the same methods as natural scientists. He calls this approach ‘methodological naturalism’.

- Scholars of the social sciences should be rational at all times and uphold the principle of objectivity (Mouton, 1993:2).

Positivists hold an opinion that social researchers should be objective when examining social phenomena. According to the proponents of positivism, knowledge should be ‘value-free’ (Denzin and Lincoln, 2000:8-9). According to the paradigm, social scientists should analyze social phenomena by using statistics. Quantitative data is meant to make a linkage between the variables examined in research. The proponents of positivism are of the view that scientific knowledge is superior to common sense (Neuman, 2003:78, Hammersley, 1995:2). It could be argued that this view is premised on the fact that scientific knowledge is evidence-based as opposed to natural wisdom or lay knowledge. The table below illustrates research paradigms, methodological approaches and lay knowledge.

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169 See also Guba quoted by Hammersley (1995) on this matter
5.5 Research Paradigms

Table 3.3 Perspectives on research paradigms

<table>
<thead>
<tr>
<th>World Three: Ontological perspectives of social science</th>
<th>Positivist school of thought, phenomenological paradigm and critical theoretical framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Two: Methodological traditions of social sciences</td>
<td>Quantitative methodology, Qualitative methodology, Participatory research approach</td>
</tr>
<tr>
<td>Research methodologies: Produce ‘Evidence-based knowledge’ or ‘Scientific knowledge’</td>
<td></td>
</tr>
<tr>
<td>World One: Lay or Ordinary Knowledge</td>
<td>1. ‘Common sense’</td>
</tr>
<tr>
<td></td>
<td>2. Natural wisdom</td>
</tr>
<tr>
<td></td>
<td>3. Socio-economic and political problems, etc</td>
</tr>
</tbody>
</table>


Positivists argue that social scientists should enter a debate by proposing a problem statement when embarking upon research. This is a scholarly tradition that is expected to be followed by the proponents of positivism. Positivists are of the view that social scientists should test theories by using their findings. According to the phenomenological paradigm however, positivism has major errors in its intellectual outlook about scientific research. These two ontological approaches differ fundamentally with regard to ‘knowledge production’. The phenomenological school is sometimes referred to as the interpretivist approach. The concept phenomenological paradigm was coined by Alfred Schutz during the 1940s (Babbie and Mouton, 2005:28 Acton et al, 2002:5).

The phenomenological paradigm refers to the importance of subjective interpretation of a researcher in examining social phenomena. In addition, phenomenologists are against the notion of objectivism advocated by positivism. The phenomenological approach encourages the researcher to be an instrument of data collection by participating in the research. The researcher in this approach is expected to have a deeper understanding of the context of subjects examined. This ontological approach embraces the notion of subjectivism as opposed to objectivism. Interpretivism concentrates on the personal understanding of reality, how

5.6 Positivism and Anti-positivism

Table 3.4 Comparison of Positivistic and Phenomenological approaches to research

<table>
<thead>
<tr>
<th>Ontological approaches</th>
<th>Positivist school of thought</th>
<th>Phenomenological Tradition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Epistemological approach</td>
<td>Social scientists should uphold the principle of objectivity</td>
<td>The researcher should participate in social research by being subjective</td>
</tr>
<tr>
<td></td>
<td>Research should be ‘value free’</td>
<td>Research should be understood within the social context. Values are important in social research.</td>
</tr>
<tr>
<td></td>
<td>Concentrate on examining variables</td>
<td>The researcher should get a deeper understanding of the phenomenon examined</td>
</tr>
<tr>
<td>Methodological approaches</td>
<td>Social scientists should focus on a large sample in order to generalize the findings</td>
<td>The sample size of the research should be small.</td>
</tr>
<tr>
<td></td>
<td>The researcher should formulate a hypothesis</td>
<td>The study should be guided by a research question</td>
</tr>
<tr>
<td></td>
<td>Quantitative approach</td>
<td>Qualitative approach</td>
</tr>
</tbody>
</table>


The interpretative approach encourages researchers to examine non-verbal communication closely when conducting research in natural settings (Neuman, 2003:76). This implies that social scientists should take into account the gestures of the participants when collecting data. This also means that statements should be decoded by the researcher in order to get a thorough meaning of what is being said. The whole notion of getting contextual understanding is directly linked to subjectivism. The phenomenological paradigm is centered on the idea that socio-economic and political problems can be solved by subjective interpretation of social reality. The interpretative school embraces relativism in social sciences. This means that there is no single truth. According to the phenomenological paradigm there are ‘multiple realities’ (Fouche, 1993:129, Hammersley, 1995:16). This means that there is no one interpretation when analyzing
social phenomena. Furthermore social problems are interpreted differently by different people. Thus the interpretative paradigm acknowledges subjective participation of the researcher in social research.

With regard to critical theory, Neuman asserts that critical research theory is a third ontological approach of scientific research in social sciences. He goes on to link this theoretical framework to Marxism. Proponents of Marxism in this context see conflict theory as a tool of analysis when conducting research (2003:81). The main aim of the critical theorists in participatory research is to examine very closely the social problems caused by the capitalist system through participatory research. The rationale behind undertaking research is to overhaul the capitalist structure of society. Scientific evidence in this regard is used to back up Marxist arguments.

Proponents of critical research theory are practical when conducting research. Critical research theorists are always concerned about improving the lives of the poor. Critical theory is linked to participatory action research. The thinking behind this research is to make a change in society by unveiling the findings. Critical theory is influenced extensively by the Frankfurt school established in 1923 by a group of Marxists. It is worth noting that these scholars at Frankfurt were called neo-Marxists and included most prominently, Heidegger, Adorno and Horkheimer. Critical research theorists argue very strongly that objectivity is a myth in social sciences. These theorists hold the firm view that objectivity in social research maintains the *status quo* in society (Snyman, 1993:207, Babbie and Mouton, 2005:58, Neuman, 2003:81-83).

According to these theorists, the notion of objectivism perpetuates the state of affairs because it accepts things as they are without taking a particular position and advocating for change in society. These theorists criticize the phenomenologists for embracing relativism when interpreting socio-economic problems. They also argue that research is concerned about capacitating the people, especially the poorest of the poor. The intellectual outlook of the researcher is inspired by a particular theoretical framework. Thus critical research theorists sympathize with the working class and believe that taking a particular stand helps the researcher to critique society. Proponents of this research framework are always trying to expose capitalism (Neuman 2003:81, Willis, 2007:82,).
Gray states that critical research theory is not only concerned about providing interpretation, it is also concerned about making radical change in society. He goes on to outline four ontological assumptions of this theory:

1. *Ideas are mediated by power relations in society*

2. *Certain groups in society are privileged over others and exert an oppressive force on subordinate groups*

3. *What are presented as ‘facts’ cannot be disentangled from ideology, and the self-interest of dominant groups*

4. *Mainstream research practices are implicated, even if unconsciously, in the reproduction of the system of class, race and gender oppression* (Gray, 2009:25).

Against the above backdrop, it must be noted that at doctoral level scholars are expected to have a deeper understanding of different ontological approaches in order to understand the relationship between ontology, epistemology and methodology. Thus the researcher in this study has discussed these ontological assumptions of social sciences. These assumptions can be summarized as follows: ontology is a theoretical model; epistemology is what the specific theoretical framework perceives as fact while methodology is a theory that guides the researcher on how to undertake research. Methodology therefore encompasses the strategies that should be employed by the researcher when collecting data.\(^{170}\) It is important to assert the position of the researcher with regard to the ontological, epistemological and methodological approaches of this study. More particularly, the researcher follows an anti-positivist ontological paradigm in this study. This means that the findings of this study are interpreted on the basis of a certain set of assumptions about what are regarded as facts. This is regarded as the epistemological perspective of this research. This methodology of this research is explained under the methodology section.

\(^{170}\) Blanche, Durrheim and Painter assert that knowing how research is undertaken is the job of research methodology or strategy (2009:2).
5.7 Variables of this study

When social scientists examine cause and effect, they are interested in finding out which phenomenon, known as the independent variable, influences or causes the existence of another phenomenon, known as the dependent variable. When scrutinizing variables it is of paramount importance to know when there is direct relationship between two or more variables. One variable should influence the other variable. This theory or relationship is called causation or causality (Babbie, 1999:57-61, 2005:16-20, Leedy and Ormrod, 2001:233).\footnote{See also the work of Punch (2009:78) surrounding the conceptualisation of causation.}

5.8 Independent variable

The independent variable directly causes a particular behavior or phenomenon (Creswell, 2009:50). This research has identified local economic development policies such as PPP and BBBEE as independent variables because this study postulates that their application is a cause of underdevelopment in post-apartheid South Africa particularly with regard to local government.

5.9 Dependent Variables

The dependent variable is a phenomenon caused by the effect of the independent variable in society (Brynard and Hanekom, 2005:20). Poverty, unemployment, and underdevelopment are selected as dependent variables because this researcher perceives these variables to exist as a result of the application of government policies at local government level. The perceived link between government and underdevelopment will be shown in chapters six and seven. These chapters outline the evidence that poverty, unemployment and underdevelopment are interrelated.

5.10 Thinking skills of Social Sciences\footnote{This heading is taken from: Deon Rossouw book titled, ‘Intellectual tools: skills for the human sciences’}.\footnote{The same approach was followed by Binza (2009:21) in his study}: Deduction and Induction

Methodological traditions of social sciences embrace two thinking skills.\footnote{Because this research has employed both quantitative and qualitative methodologies the researcher has employed both deductive and inductive thinking skills in analyzing data. Deductive and inductive thinking are important tools of data interpretation and analysis in scientific research. Deductive reasoning starts with the premise that is the basis of the arguments. The premises are assertions} Because this research has employed both quantitative and qualitative methodologies the researcher has employed both deductive and inductive thinking skills in analyzing data. Deductive and inductive thinking are important tools of data interpretation and analysis in scientific research. Deductive reasoning starts with the premise that is the basis of the arguments. The premises are assertions
or suppositions that are undeniable and widely accepted as valid. Thinking then continues logically from these premises to conclusions that must also be regarded as a fact. Deductive thinking moves from general observation to a specific conclusion. Deduction is a reasoning theory of sciences that starts with abstract observation (hypothesis), rational correlation among variables, ‘then moves toward concrete empirical evidence’. Induction, on the other hand, moves from specific observation to a general conclusion (Leedy and Ormrod 2001:34, Babbie, 2004:25, 1999:23, Neuman, 2003:51).

5.11 Problem Statement

Arising from the previous debate on the background and motivation of this study is a statement of the problem pertaining to this research. The research statement reads as follows: The local development policies of Public-Private Partnerships and Broad-based Black Economic Empowerment that are being applied through Local Economic Development strategies are not in the interests of the majority of people living in the Eastern Cape.

Subsequent to this descriptive problem statement, it must be noted that ‘GEAR-related policies’ are created, reproduced and sustained at local government level by a range of local policy-actors, and encouraged and supported by the International Monetary Fund (IMF) and the World Bank.

5.12 Primary Research Question

This study poses a number of questions related to the research context.

The primary research question of this study is: Do the Public-Private Partnerships (PPP) and Broad-Based Black Economic Empowerment (BBBEE) ventures, which constitute anti-poverty strategies, succeed in addressing the issues of poverty, and achieving more equitable development at the municipal level in the Eastern Cape?

5.13 Research Objectives

First and foremost, the principal objective of this study is to provide an in-depth analysis of the market-friendly policies at local government level. This will be done by providing a closer

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174 Deductive thinking is associated with quantitative research method which is directly related to the ontological approach called positivism.
examination of the extent of BBBEE, PPPs and the outsourcing of services in selected municipalities in Eastern Cape, which South African local government authorities are required to follow. This will include examining their theoretical underpinnings and the documents/legislation which set them up, their objectives, the extent of their use, their possible incompatibility and any formal evaluation of them which have been carried out in two metropolitan municipalities in the Eastern Cape. These municipalities include Buffalo City and Nelson Mandela Metropolitan Municipalities which will enable the researcher to make a comparison of the implementation of neo-liberal inspired policies, at these metropoles. Secondly, this research is aimed at examining whether neo-liberalism as a model of development is seen to be able to eradicate poverty, create jobs and promote development, or only benefit a tiny minority of people (mainly well-connected business people) who are associated with the ruling party in the municipalities under the spotlight in this study. We will shed light on some of the difficulties inherent in the popular discourse around the concept of neo-liberalism as applied to local economic development in the Eastern Cape. This will be done by developing a scholarly argument that explains how elite policy strategies such as BBBEE and PPP within the context of local government are promoting elite wealth accumulation by a certain few individuals.

5.14 The pilot study of this project

When one is planning to carry out empirical research it is necessary to conduct a pilot study. It is always a good thing to undertake a pilot study using a few participants before the execution of the actual research. The main aim of the pilot study is to examine the feasibility of the project and to avoid possible mistakes surrounding the operationalization process of the study. The pilot study may be regarded as a small scale research project undertaken before a bigger research project to find out whether the sample size, data analysis and research instruments are accurate (Bless and Higson-Smith, 2000:155, Huysamen, 1995:197, Babbie,1990:220).

During the run-up to 2009 national elections, the researcher embarked upon a pilot study in March and April 2009. This was a qualitative research project focusing on the Nelson Mandela Metropolitan Municipality. The rationale of this study was to examine whether ‘GEAR-related policies’ form part of the Local Economic Development strategy of the Nelson Mandela
Metropolitan Municipality. Moreover, this research concentrated on whether the African National Congress (ANC) post-Polokwane leadership has shifted to the left or not? This question arose as result of the influence of the South African Communist Party (SACP) and Congress of South African Trade Unions (COSATU) post-Polokwane. The study focused on the ideological standpoint of the ruling party in the light of what was said in the metro council by the ANC leadership in the Metro. This research provided a closer examination of the rhetorical statements made by the ANC leaders around issues of service delivery and poverty eradication in the Nelson Mandela Metropolitan Municipality. This study was carried out under the auspices of the Unit for the Study and Resolution of Conflict located in the Faculty of Arts (Department of Political and Government Studies). Dr. Gavin Bradshaw was the director of this research unit at that time. It must be further noted that the idea to conduct this pilot study came from Prof Richard Haines (Head of the Department of Development Studies, NMMU) and Dr. Gavin Bradshaw.

With respect to the methodology of the pilot study, the researcher used a qualitative approach. Initially the idea was to utilize both qualitative and quantitative methods, however, due to time constraints for this study, and because it was undertaken during the build-up to 2009 national elections the researcher only employed a qualitative approach. It would not have been possible to employ both methods within a short space of time. The researcher conducted semi-structured elite interviews with public officials, politicians, academics, councilors, and political activists in the NMMM. All the participants of the pilot study were selected based on their expertise and political backgrounds. These individuals in the pilot study included prominent politicians from the African National Congress (ANC), Democratic Alliance (DA), Congress of the People (COPE) and the South African Communist Party (SACP). Furthermore, the researcher interviewed two policy analysts and two economists, based at Nelson Mandela Metropolitan University.

These elite interviews each lasted for an hour. This pilot study employed a purposive sampling technique. This sampling technique was utilized because the pilot study employed a qualitative method. A purposive sampling technique is based on the personal judgment of the researcher. The researcher selects specifically the elements of the population to be examined. They concluded by arguing that this is a non-probability sample. Over and above this, a purposive
sample is based on a small number of people (May, 1993:88, McMillan and Schumacher, 2006:125). Hence the researcher selected only twenty participants in the pilot study. The researcher used content analysis as a technique for data analysis. Assertions of the participants were quoted verbatim. It also followed a thematic approach to the findings of the pilot study. These participants were asked the same questions in the same order.

5.15 The theoretical standpoint of this study

In this study, the researcher employs a political economy approach. The researcher has identified this approach as a relevant critique of the local development policies followed by a number of municipalities in the Eastern Cape. The ontological approach adopted by the researcher in this study is the phenomenological or interpretive paradigm in which the researcher interprets the facts from a particular set of theoretical and ontological assumptions. Within this approach the researcher has chosen to examine the local government model of economic development from the particular standpoint of political economy.

This approach is seen to be relevant because among other things, this study provides a critique of the structural relationship between the business community and the political environment. Political economic analysis is seen to be relevant because it enables the researcher to develop a deep understanding of the issues examined here. Again, using a specific theoretical framework as a model of data analysis is an acceptable academic practice in social science, and implies that the academic background of the researcher is influenced by certain ideas (Kumar, 1999:194).

Political economy in this study is defined as the interaction of state and market. It examines the structural arrangement of capital and the political elites. Political economy is therefore interested in the outcomes of the relationship between political leaders and the business community on the people at grass-roots level. The approach explores very closely how political and business elites utilize certain strategies for individual acquisition of wealth at the expense of

Eagle, Hayes and Sibanda (2006:499) points out that standpoint in social sciences refers to a particular position that the researcher holds when embarking upon theoretical or empirical research. With regard to Marxism, they assert that Marxism provides a clear class analysis of society. ‘Because capitalist social relations structurally determine the relations between the classes, the interests of these... classes are in conflict' (ibid).

Elites, according to the political economy perspective, use state resources to enrich themselves. More specifically the political economy paradigm focuses on how business and political elites, through economic policies such as privatization or outsourcing of services, are using their strong networks (associated political social capital resources) in their efforts for personal accumulation. Therefore an examination of ‘GEAR-related policies’ by the local government level is extremely relevant.

The political economy approach focuses on how the relationship between the political institutions and the economic environment creates scope for corruption. The political economy perspective is an interdisciplinary approach which integrates politics and the economy. For example, it grapples with issues such as whether democracy in modern society is able to promote economic development for everyone (Alt and Alesina, 1996:645, Ersson and Erik Lane, 1997:1, Mills, 1959:10, Jackson and Jackson, 1997:28, Castells, 2000:140-161, Przeworski, 2003:11-13).

Political economy as an approach for social analysis is normally associated with Karl Marx and Friedrich Engels because they were the first to employ it alongside class analysis as methods of social diagnosis in their seminal work titled: The Communist Manifesto. According to proponents of classical Marxism, decisions made by political leaders have an impact on the economic environment and vice versa. They hold the view that politics is influenced largely by market forces. Among other things, supporters of the political economy approach argue very strongly that capital is more powerful than politicians, because the bourgeoisie own the means of production in society. Again, politicians are perceived to be largely serving the interests of the capitalists by creating public-policies which perpetuate the status quo. On the whole, the political economy tradition is concerned with poverty, unemployment, development, climate change, international trade, and fiscal and monetary policies (Marx and Engels, 1848:1-23, Best, Rai and Walsh, 1986:300, Freeman, 1989:ix, Jackson and Jackson, 1997:28, Todaro and Smith, 2003:9, West 2009:229-233). According to Przeworski (2003:11-13), the political economy approach concentrates on the allocation of resources in society.
5.16 Research design

Research design signifies the entire plan of the research and how the research question will be answered. The main aim of the research design is to develop a plan of action and implement the plan so ‘that the validity of the findings are maximized’ (Mouton and Marais, 1991:193). The research design is the approach that is chosen to fundamentally address the research question. Moreover, research design in layman’s terms refers to a process of planning the research project. No researcher can be successful in carrying out scientific research without a clear research design (Leedy and Ormrod, 2001:91). Mouton (2005:56), Babbie and Mouton (2005:74-5) assert that ‘...research design is a plan or blueprint of how you intend conducting the research. Researchers often confuse research design and research methodology’.

The researcher in this study has embarked upon empirical research with the aim of answering the central research question and sub-question of this investigation. Secondly, this was done to validate or refute the problem statement of this research. Various research instruments were employed to gather data. These research instruments will be explained thoroughly under the methodology section of this study. It is of paramount importance to draw a distinction between the two concepts research design and research methodology.

Table 3.5 Comparison between Research Design and Research Methodology

<table>
<thead>
<tr>
<th>Research design</th>
<th>Research methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentrates on the end result of the study.</td>
<td>Concentrates on the entire research procedure and instruments to be employed to carry out the study. The focus is around data collection</td>
</tr>
<tr>
<td>The central question in this regard is what type of research is to be executed and what type of research findings are expected</td>
<td></td>
</tr>
<tr>
<td>Research design is geared towards addressing the ‘research question’</td>
<td>Research methodology focuses on the gathering of data and draws a sample for the study</td>
</tr>
<tr>
<td>Concentrates on the logical order of the study.</td>
<td>Concentrates on the unit of analysis</td>
</tr>
<tr>
<td>Among other things, a research design plans the type of evidence relevant to the study.</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Mouton (2009:107, 2005:56) and Babbie and Mouton (2005:75)
5.17 RESEARCH METHODOLOGY

The researcher has employed both qualitative and quantitative methods in this study. There are three reasons for utilizing both methods:

1. With mixed-methods, social scientists are not limited to using the techniques associated with traditional design, qualitative and quantitative.

2. The main advantage of triangulation design is that it can show the result (quantitative) and explain why it was obtained (qualitative).

3. Triangulation is employed when the strengths of one method complements the weakness of the other, so that together they provide detailed data (McMillan and Schumacher, 2006:27).

There are two philosophical perspectives underpinning these methodological traditions. Firstly, the philosophical roots of qualitative method can be traced from the anti-positivist or phenomenological paradigm. Secondly, the quantitative approach can be traced from positivism. The qualitative approach is descriptive in nature and it provides an in-depth understanding of the phenomenon examined. On the other hand, the quantitative method uses numbers in analyzing social phenomena. This is done to link variables.

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176 According to Mouton and Marais, the concept ‘triangulation’ was developed by Denzin for ‘multiple methods of data collection’ (1991:91). Neuman (2003:138) concurs with the above assertion when he argues that triangulation is normally used by social scientists when employing two methods in one research project (see also Mouton and Marais, 1991:91). Neuman goes on to say that these approaches do not compete with one another instead they ‘complement each other’ (2003:139). Leedy is of the view that these methods are utilized simultaneously due to the strength of each (1993:145). Babbie argues that ‘recognizing the distinction between qualitative and quantitative research doesn’t mean that you must identify your research activities with one to the exclusion of the other. A complete understanding of a topic requires both techniques’ (2004:28).

177 Source, Babbie and Mouton (2005), De Vos et al. (2009) and Hofstee (2006)

178 Neuman (2003:71) asserts that ‘positivist researchers prefer precise quantitative data and often use experiments, surveys, and statistics. They seek rigorous, exact measures and objective research; they test hypotheses by carefully analyzing numbers from the measures’.

179 See Babbie (2004:26) for further explanation on this matter.

180 Neuman contends that the concept variable is employed by quantitative researcher in both natural and social scientists. Scholars like Babbie and Mouton (2005), Babbie (2004, 1999), Mouton (1998), Neuman (2003), Mouton and Marais (1991) Leedy (1993), Punch (2009, 2005) and Manheim and Rich (1995) hold a firm view that there two types of variable, independent and dependent variable. According to them, the independent variable causes the existence of the dependent variable.
Table 5.6 Comparison of the Qualitative and Quantitative Approaches to Research

<table>
<thead>
<tr>
<th>Quantitative Approach</th>
<th>Qualitative Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectivism (the researcher should be neutral or an outsider when conducting research.) Research should not include the values of the researcher. ‘The Quantitative researcher adopts a more distanced stance’.</td>
<td>Subjectivism (the researcher should be personally involved or participate physically when undertaking research.) This also implies that the researcher should personally interpret the actions of the participants.</td>
</tr>
<tr>
<td>Systematic planning is vitally important before embarking upon research</td>
<td>Unsystematic and spontaneous at all times</td>
</tr>
<tr>
<td>‘Context controlled as far as possible’</td>
<td>Context is of paramount importance</td>
</tr>
<tr>
<td>All the instruments used when collecting data are highly standardized, e.g. questionnaires and structured planned interviews, etc</td>
<td>Instruments for data collection are not standardized e.g. unstructured or semi-structured interviews and focus groups</td>
</tr>
</tbody>
</table>


The idea of employing both approaches emanated in 1959 from Campbell and Fisk when they used different methods simultaneously. Subsequently these scholars motivated other researchers to utilize both approaches when solving problems. This has been termed triangulation, which is an approach in which the researcher examines a phenomenon from two different angles or points of view to fix a problem. Utilizing triangulation in social science means that one is able to examine social phenomena from different angles (Neuman, 2003:138, Creswell, 2009:14).

This approach, with regard to the qualitative method, refers to a way of collecting data empirically by examining individual experiences and human interaction by direct observation and historical studies. Qualitative researchers focus on the interpretation of the entire situation. The qualitative method is aimed at getting a complete or holistic understanding of individual problems (Denzin and Lincoln 2000:2-9, Creswell, 2009:4). It was therefore employed in this study alongside a quantitative approach to get a deeper understanding of the ‘GEAR-related policies’ implemented at local government in selected municipalities in the Eastern Cape. When employing a qualitative approach the researcher is able to dig deeper by asking follow-up questions without being confined to a list of structured questions.

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181 See also Creswell (2009) citing Sirber
Table 5.7  Overview of the Qualitative Method

| Aim | The main aim of this approach is to get an in-depth understanding of the phenomenon or situation examined. Human beings are investigated in their own context. Interpretation of events is encouraged by using value-judgments. The researcher should concentrate on the ‘natural setting’ of the participants. The qualitative approach is descriptive in nature. |
| Sample | The sample size of the research should be small. Most of the time researchers use a purposive sampling technique. However, it must be noted that researchers can also use a snowball or convenience technique. |
| Data analysis | Content analysis: Focuses on the words of the participants, debates and body language. Thematic approach: Findings are presented as themes. The researcher employs a narrative approach. |


The quantitative approach on the other hand measures variables by assigning numbers to what they scrutinize. Quantitative studies focus on numbers when reporting their findings. Respondents are drawn from a large sample (McMillan and Schumacher 2006:149, Mouton and Marais, 1991:163 Brynard and Hanekom, 2005:29).

5.19  Research Sample

When the researcher chooses the people to participate in empirical research he or she is drawing a sample. One needs to distinguish between a research sample and the population of the study. The population generally refers to the totality of people who could be studied. On the other hand, the research sample refers to a group of people who are drawn from the population (Manheim and Rich 1995:107, Babbie, 2004:108). This study has employed two sampling techniques. When collecting qualitative data the researcher used a purposive sample in order to develop focus groups, conduct elite semi-structured interviews and used a survey as methods of data collection.

Purposive sampling is entirely based on the personal judgment of the researcher in that a sample is composed of units with the most characteristic, representative or typical attributes of
the population. There are three reasons for employing a purposive sampling technique in this study namely,  

1. A purposive sample is chosen for a specific purpose.

2. The sample gives insights into a particular issue related to the study area.

3. The number is determined by the research topic and the availability of the participants (Singleton 1988:48, Alston and Bowles, 2003: 90).

Fifty participants were asked to participate voluntarily in this study with regard to qualitative data collection. These participants were drawn from working class and middle class backgrounds. All the participants were residents of the selected municipalities in the Eastern Cape (Buffalo City and Nelson Mandela Metropolitan Municipality). More specifically, these participants included relevant municipal officials (who are knowledgeable about BBBEE and PPP), owners of business (who are doing business with municipalities), academics (who understand BBBEE, PPP and LED policy) and ordinary people who are residing in Buffalo City and Nelson Mandela Metropolitan Municipality. Secondly, in collecting quantitative data, this study employed a random sampling technique. Babbie (2004:2001) states that random sampling is a basic technique used in statistical computation of social research. He goes further to say that random sampling is a probability method in which the units composing a population are assigned numbers. He concludes by saying that ‘a set of random numbers is then generated, and the units having those numbers are included in the sample’ (ibid).

A random sampling technique is a form of ‘probability sampling’. Random sampling is a technique that draws all the elements of a population when selecting a sample. It must be noted that the random sampling technique in this study was used together with the stratified sample technique. This was done to avoid bias. With regard to stratification, a stratified sample technique is employed when the researcher groups together all the respondents into clusters or groups and divides them into one sample. The respondents should be divided into different groups before selecting the final sample of research when using stratification as a sampling

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182 See also the work of De Vos et al. (2009:192)
By implication this means that stratification is used alongside random sampling techniques. The researcher acquired the statistics of the people of the Eastern Cape from the Nelson Mandela Metropolitan Municipality which were then grouped into clusters from which a random sample was drawn. This sample was drawn from all the elements of the population of the selected municipalities in this study. It thus reflected the demographics of the population of the Eastern Cape Province. Among other things the research respondents included Asians, Blacks, Coloureds and Whites. Four hundred respondents were requested to participate voluntarily in this random sample. More particularly, these respondents included relevant municipal officials (who are knowledgeable about BEE and PPP, etc), owners of businesses (who are doing business with municipalities) and ordinary people who are residing in Buffalo City and Nelson Mandela Metropolitan Municipality. In effect, as the data was collected, saturation was observed very early in the process, with data increasingly falling into certain categories, but the full sample was however used.

5.19 Research instruments for data collection

With regard to qualitative data collection, the researcher arranged four focus groups in both selected municipalities. This included Nelson Mandela Metropolitan Municipality and Buffalo City (East London, Bisho and King Williamstown). Each focus group comprised ten participants. The researcher facilitated all the deliberations in the focus groups. According to literature focus groups are normally composed of four to ten participants who are interviewed at the same time. Focus groups can be arranged in a way that is unstructured or semi-structured. Moreover, the focus group is a qualitative method of data collection which is organized by the moderator or facilitator. The thinking behind any focus group discussion is to thoroughly investigate how people perceive socio-political issues. Focus groups can be employed by different researchers in different contexts. Focus groups allow participants to express themselves freely (Manheim and Rich, 1995:370, Bless and Higson-Smith, 2000:110, Neuman, 2003:396).  

183 See also, Breakfast (2009), Booysen (1999, 2005)
Normally the moderator in the focus group brings a list of questions to trigger robust engagements. Before one can employ the focus group method one needs to be grounded in the qualitative tradition. Focus groups are directly linked to interpretivism (Bless and Higson-Smith, 2000:110, Wills, 2007:6,). This implies that the researcher has to interpret the findings of the focus group discussions. Interpretivism is a hallmark, and central core of the qualitative approach. It is worth noting that no researcher can employ a focus group method without understanding the importance of interpretivism.

Two focus groups were held in Nelson Mandela Metropolitan Municipality. The first focus group was held was in Zwide township in Mbane Street. The focus group was organized and moderated by the researcher as the fieldworker of this research. It was composed of ten participants. All the participants reside in Zwide Township, Port Elizabeth. The second focus group was also arranged and facilitated by the researcher. This focus group was held in Algoa Park in Port Elizabeth. It consisted of ten research participants. It is worth noting that Algoa Park is a formerly white area. Both these focus groups lasted for two hours.

The same procedure was followed in Buffalo City where the researcher organized two focus group deliberations. The first focus group in Buffalo City was held in Bisho in Lolo Park. This focus group was composed of ten participants and the discussion lasted for two hour. The second focus group of ten participants was held in East London and lasted for two hours. All these deliberations were facilitated by the researcher as the main research instrument. The rationale behind these focus groups was to provide an in-depth analysis of the phenomena examined. All the focus group deliberations lasted for two hours.

Semi-structured elite interviews were conducted with officials and politicians who are assumed to be in a position of authority in Buffalo City and Nelson Mandela Bay and were for that reason in a better position of knowledge about challenges facing poor people in the selected

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184 For both municipalities the researcher organized focus groups with an aim of getting a deeper understanding of PPPs and BBBEE from the perspective of the participants. The researcher utilized this approach of focus groups (same number and size) in both metropolitan municipalities to strike a balance in terms of what is really happening on the ground; with regard to the implementation of PPPs and BBBEE.
municipalities. A qualitative interview is an interaction between an interviewer and a participant in which the interviewer has a general plan of inquiry but not a specific set of questions that must be asked with particular words and in a particular way (Babbie, 2004:300).

The researcher undertook three elite semi-structured interviews with academic intellectuals of the Nelson Mandela Metropolitan University, the University of Fort Hare and Rhodes University. These academics were selected based on their relevant expertise and provided an in-depth analysis of the phenomena examined. The researcher organized different elite semi-structured interviews with scholars, policy analysts, politicians, public officials, political activists and consultants of local government in the Eastern Cape.  

More specifically, the elite interviews in the study included the African National Congress (ANC) leaders, Azanian People’s Organisation (AZAPO), Congress of the People (COPE), Democratic Alliance (DA), Pan Africanist Congress (PAC) leaders, South African Communist Party (SACP) leaders, Alternative Information Development Centre (AIDC) and social movements in the Eastern Cape. These individuals were selected based on their political background and profound understanding of political economic issues. Manheim and Rich assert that participants are called elite when they have a specialized knowledge or profound understanding of a specific situation. According to them, the term ‘elite interviews’ does not only refer to the status of the interviewee but also refers to information available from the participants. They point out that the available information could help the researcher to answer the central question of the study (Manheim and Rich, 1995:161-162).

With regard to quantitative data collection, the researcher distributed four hundred questionnaires to the respondents in Buffalo City and Nelson Mandela Metropolitan Municipality. The questionnaire formed part of data collection for the survey of this study. The

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185 In addition to the three elite interviews with academics, the researcher also interviewed seven other participants. More specifically, these participants were policy analysts, politicians, public officials, political activists and consultants of both municipalities. All in all, the researcher conducted ten elite semi-structured interviews in this study.

186 See (Appendix B) with respect to the questionnaire.

187 Babbie and Mounton (2005:232) state that survey research is probably the best technique available to the intellectuals of social science interested in collecting original data for describing a population too large to observe directly.
questionnaire for the survey was twofold. Firstly, it concentrated on biographical data, race, class, age and gender. It is of paramount importance to examine these variables when embarking upon quantitative research. The rationale behind this is to get the statistics about the demographics of society. Secondly, the questionnaire provided closed-ended Likert scale\textsuperscript{188} questions which were purely quantitative in nature. This made it easier to analyze quantitative data. This questionnaire was designed by the researcher. The questionnaires were self-administered and emailed to respondents during the data gathering process of this survey. There are two reasons for using both self-administered and emailed questionnaires in survey research. Firstly, self-administered questionnaires give the researcher an opportunity to provide background to the study and explain thoroughly questions that might be unclear to the respondents. Secondly, mailed questionnaires are less costly and they give the respondents maximum freedom to take time in completing the questionnaire. A questionnaire enables the researcher to reach out to a sizeable number of people in a huge geographical area (Brynard and Hanekom, 2005:38, De Vos et al., 2009:167-168). Thus, it was relevant for this study because it focused on two municipalities in the Eastern Cape Province. These questionnaires were given to relevant municipal officials (who are knowledgeable about BBBEE and PPPs, etc.), owners of business (who are doing business with municipalities) and to ordinary people who are residing in Buffalo City and Nelson Mandela Metropolitan Municipality.

With respect to survey research, a survey is a technique of data collection in which respondents are drawn from a large population of a particular area.\textsuperscript{189} Again, surveys are by and large meant to provide background information about the respondents, perceptions of people about amongst others, political, economic, social, cultural, moral and religious issues. Questionnaires and structured interviews are normally employed as research instruments during surveys. The researcher should always draw his or her sample in survey research from a large population (Manheim and Rich, 1995:129, McMillan and Schumacher, 2006:25).

\textsuperscript{188}Neuman (2003:197) asserts that ‘Likert scales are called summated-rating or additive scales because a person’s score on the scale is computed by summing the number of responses the persons gives.’ He goes further to say that Likert scales normally asks people to state whether they agree or disagree with an assertion’. The researcher used Babbie’s (2004, 1999) format in designing the questionnaire of this research.

\textsuperscript{189} Manheim and Rich recommend the work of Babbie surrounding the conceptualization of a survey.
When employing a survey as a method of data collection researchers should ask respondents similar questions. Survey research is meant to test the hypotheses by examining the variables. Furthermore, survey research is good for measuring the opinions of respondents that reflect the demographics of society (Neuman, 2003:267, Babbie, 2004:179-181, Babbie and Mouton, 2005:232).

5.20 ETHICAL CONSIDERATIONS

It is of paramount importance for natural and social scientists to uphold the ethical values of the academic or scientific community. Neuman points out that the scientific community is a group of people who share the same values that bind them as researchers, scholars or academic intellectuals. He goes on to say that the scientific or academic community is guided by a set of rules of professional values that researchers and scholars learn and uphold during many years of studying at university (Neuman, 2003:8-9). With respect to this study, all participants and the respondents of this research participated voluntarily without being forced by the researcher. None of the participants or respondents was intimidated to participate in this study. The investigator of this research wrote an informed consent letter to all those who participated in this study (see Appendix A).

There were people who declined to participate in this study. Those individuals who were not interested in taking part in this study were allowed to withdraw without any intimidation whatsoever. The researcher stated categorically in the informed consent letter that all the names of the participants and respondents would be kept anonymous. Moreover, the researcher assured all the participants and respondents that the information they revealed was to be kept confidential. All the participants in semi-structured interviews were informed on time that the researcher was going to use a tape recorder. It was explicitly explained that the information gathered in this study would not be used against them.

5.21 Reliability and Validity of the study

A triangulation approach was employed in this study to ensure validity. Research experts from various academic disciplines at Nelson Mandela Metropolitan University were consulted to
verify whether the researcher had not made a mistake in making transcriptions.\textsuperscript{190} This was done subsequent to the collection of data of this study. Botes (2003:181) asserts that triangulation serves as confirmation of data by employing more than one approach of data collection, ‘more than one source of data analysis and more than one perspective’. With regard to reliability, this means the researcher is able to use a research instrument in a similar situation. Reliability means that one needs to be consistent when collecting data. Reliability also makes room for the researcher to apply data instrument to a similar group elsewhere. This is of paramount importance in quantitative research because this methodological approach enables the researcher to generalize the findings of the study (Mouton, 1998:144; Babbie 2004:144).\textsuperscript{191}

5.22 DATA ANALYSIS

With respect to qualitative data, the researcher presented this data by employing a thematic approach. These themes are discussed by utilizing a content analysis approach. Furthermore the statements of the participants are quoted word for word and are coded in order to get an in-depth understanding of phenomena examined. Qualitative data analysis in this research is done by interpreting the words of the participants. Qualitative research allows the researcher to examine the whole picture or context. It must be noted that the researcher in this study used a tape recorder during the qualitative data collection in focus groups and face-to-face, one-on-one interviews. Subsequently the researcher made verbatim transcriptions.\textsuperscript{192}

The researcher consulted two qualified statisticians based at NMMU for assistance in developing the questionnaires and analysing the quantitative data. These two experts are Dr. Jacques Pietersen and Mr. Danie Venter based within the Unit for Statistical Consultation (USC) at Nelson Mandela Metropolitan University. However, Mr. Danie Venter was only involved in the initial stages of drafting the questionnaire. He provided expert advice with regard to the quantification of data and assigning numbers to the questionnaires.

\textsuperscript{190}For an in-depth discussion on this matter, see Gerber, R. 2008. Writing the research proposal guide: Development Studies. Nelson Mandela Metropolitan University.

\textsuperscript{191}Neuman refers to this as external validity, it imply that the researcher has ‘the ability to generalize experimental findings to events and settings of outside the experiment its’. On the other hand, Neuman argues that internal validity means that the researcher should avoid biasness in selected respondents in the study (2003:187). This should not be confused with stratification process of selecting a sample.

\textsuperscript{192}The following researchers employed similar approaches of qualitative data analysis, Anderson (2003), Barnes, Makhalane and Mayekiso (2009, Vol,44, no11) and Binza (2009)
Data capturing or entering data into the micro-software spreadsheet was done by the researcher. It is the principal responsibility of the researcher to do this part of the work.\footnote{After data capturing the researcher forwarded the data electronically to Dr. Jacques Pietersen so that he could use graphs and pie charts through the Statistica program. Nonetheless, the analysis and the interpretation of data were done by the researcher himself not the statisticians.} Quantitative findings are presented in a form of tables and graphs. The researcher in this study employed a software computer program called Statistica. The purpose for utilizing this computer program was to quantify data. The main reason for using this software program was that it is user-friendly. Statistica is one of the best software computer programs for data analysis. It encompasses a number of statistical techniques and has many graphical designs\footnote{Leedy and Ormrod (2010:12), refers to the intellectual capacity of the researcher to solve problems. They go on to say that statistics can only give the reader the numbers not the interpretation. According to them, it is the responsibility of the researcher to provide the interpretation of data. They go further to say that ‘statistics cannot interpret those data and arrive at a logical conclusion as to their meaning. Only the mind of the researcher can do that’. Hence, according to them, it is important for the researcher to think critical when analyzing data. ‘The human mind is undoubtedly the most important tool on the researcher’s workbench’ (ibid).} (Blanche, Durrheim and Painter, 2006:193). However, it must be borne in mind that computer software for quantifying data cannot do everything for the researcher. The researcher can use sophisticated graphical designs which explain variables in a quantified way, equally the researcher has to use his or her ‘equipment of the mind’\footnote{Leedy and Ormrod (2010:12), refers to the intellectual capacity of the researcher to solve problems.} to interpret the quantitative data in order to solve or answer the research question or verify the hypothesis (Leedy and Ormrod, 2009:284).
5.23 Conclusion

This chapter has discussed the ‘philosophy of science’ debate. This refers to the relationship between ontology, epistemology and methodology. The rationale behind this was to demonstrate that the researcher has a deeper understanding of the traditions of social sciences. The researcher has outlined the difference between scientific knowledge and lay knowledge. This aspect is vitally important because this is an empirical study and the writer must ensure that this is scientific research that accords with the demands of the scientific community. This chapter also described the independent (neo-liberalism) and the dependent (poverty, unemployment and underdevelopment, etc) variables of this research. However, this matter will be explained extensively in chapter six and chapter seven which will deal with data reporting and analysis. These variables are directly linked to the problem statement and the primary research question of this study.

The theoretical standpoint (political economy approach) of this study was also highlighted. The political economy paradigm argues along the lines that political elites, through economic policies such as privatization or outsourcing of services, are using their strong networks (associated political social capital resources) in their efforts for personal accumulation. The methodological approaches employed in this research were described. This is coupled with an explanation of research sample, data-gathering tools, and data analysis, etc. The next chapter will report on the survey of this study.
Chapter six

Reporting Quantitative Research findings

Quantitative analysis is based on converting raw data into numbers. This is called the quantification of data according to the proponents of positivism. Numbers are at the heart of quantitative research methodology. This approach is used to examine the relationship between variables. This methodological tradition postulates that there are two kinds of variables which are called the independent (cause) and dependent variable. The tool for quantitative data gathering is called survey (Babbie, 2004: 16-396).

Survey at the moment, is a popular instrument of data collection employed by social scientists in the scientific community. Questionnaires are normally designed to practically collect data from a selected sample. The research sample for quantitative approach is probability technique. Empirical research with respect to the supporters of survey means that observation must be made from a large population in order for the research to extrapolate the findings or generalize them to a similar context. This is known as external validity (Babbie and Mouton, 2005:232).

6.1 Introduction

This chapter is aimed at reporting the quantitative research findings. This will be done by reporting statistical findings without making value judgments. No interpretations will be made by the researcher with regard to the quantitative findings. These findings will be presented by tables, pie charts and graphs and it should be noted that all the tables, pie charts and graphs will be explained to give clarity to the reader. The total represented in the graphs and table sometimes exceeds 100% due to a rounding-up error. The sample of this survey has been unpacked thoroughly in the methodology chapter. The next chapter of this study will discuss the qualitative results alongside quantitative findings, both of which will then be interpreted in a well-balanced way.

Punch points out that value judgments are based on subjective moral statements. According to him, they refer to the rightness or the wrongness of personal judgments of an individual (2009:77). Mohr and Fourie contend that value judgments are based on subjective opinions. They go on to say that value judgments statements are always debatable and contested (2002:17).
Section A

Biographical background

This section is meant to elucidate the biographical information of the respondents. The rationale behind this is to examine the nominal variables of this study such as gender, race, place of residence and employment status. Equally, this section lays out the ordinal variables such as the age of the respondents and their social status. It is of paramount importance to include this data when employing a questionnaire as a tool of data collection in survey research. The main aim is to enable the researcher to have an understanding of the people who participated in the research.

A. 1. GENDER
A. 1. This pie chart explains the gender breakdown of the sample. According to the above data, the majority of the respondents were females who constituted 54 percent. Quite obviously, male respondents consisted of 46 percent in the survey.

A. 2. RACE

A. 2. This pie chart demonstrates the racial groups who participated in the survey. Black people constituted the majority of the respondents at 59 percent. They were followed by White people who made up 17 percent, while Coloured respondents consisted of 14 percent and Asian people made up the balance of the respondents at 11 percent. This pie chart accurately reflects the demographics of society in South Africa; more particularly in the Eastern Cape.
A. 3. AGE

This graph illustrates the age groups who formed part of this research sample. By and large, the majority of the respondents were over 46 years old. They constituted 54 percent, followed by respondents who were between 31 and 45 years old. Finally, respondents who were between 18 and 30 years old constituted 20 percent of the sample.
A.4. SOCIAL STATUS

A. 4. This graph shows that on the whole the majority of the respondents were part of the middle class with regard to social status. More particularly, 50 percent of the respondents were part of the middle class. The second group was the working class which constituted 43 percent of the sample. Finally, 8 percent of the respondents of the survey are part of the ruling class or the bourgeoisie.
A.5. PLACE OF RESIDENCE

Table A.5

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nelson Mandela Metropolitan Municipality</td>
<td>200</td>
</tr>
<tr>
<td>Buffalo City</td>
<td>200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>400</strong></td>
</tr>
</tbody>
</table>

A.5. This table illustrates the places of residence of the respondents in the survey. 200 questionnaires were distributed to residents of the Nelson Mandela Metropolitan Municipality. By the same token, 200 questionnaires were distributed to the residents of Buffalo City. Overall, the sample of this survey consisted of 400 respondents.

A.6 EMPLOYMENT STATUS
A.6. This pie chart indicates that the majority of the respondents were employed (43 percent). On the other hand, business people consisted of 22 percent of the respondents, and finally, 35 percent of the respondents were unemployed.

Section B

This section was meant to test the knowledge of the respondents about their understanding of Broad-based Black Economic Empowerment (BBEE), Public-Private Partnerships (PPP), and Small-Micro Medium Enterprises (SMME’s), Integrated Development Plan (IDP) and Local Economic Development (LED). It must be noted that the problem statement of this study is: The local development policies of Public-Private Partnership and Broad-based Black Economic Empowerment that are being applied through Local Economic Development strategies are not in the interests of the majority of South Africans. Subsequent to this descriptive problem statement, it must be noted that these ‘GEAR-related policies’ are created, reproduced and sustained at local government by a ‘range of policy-actors’, and encouraged and supported by the International Monetary Fund (IMF) and Word Bank.

The primary research question of this study is: Do the Public-Private Partnerships (PPP) and Broad-Based Black Economic Empowerment (BBBEE) ventures, which constitute anti-poverty strategies within Local Economic Development (LED) succeed in addressing the issues of poverty, and achieving more equitable development at the municipal level in the Eastern Cape. Hence, the researcher in this study decided to measure the understanding of the respondents concerning the ‘GEAR related policies’ policies examined. With regard to the operationalization of the study, Broad-Based Black Economic Empowerment (BBBEE), outsourcing of services and Public-Private Partnerships are indicators of ‘GEAR-related policies’.
B1.a This pie chart shows unequivocally that the majority of the respondents believe that they have an understanding of BBBEE. More particularly, 92 percent of the people who participated in the survey say that they have an understanding of BBBEE. Only six percent of the respondents in this survey do not have an understanding of BBBEE.
**B1.b** By and large, the majority of the respondents according to the pie chart believe they have an understanding of Public-Private Partnerships at local government. 92 percent of the respondents indicated that they do understand the model of Public-Private Partnership. 7 percent of the respondents in this survey indicated that they don’t know about the Public-Private Partnerships.
B1.c On the whole, the majority of the respondents in this study pointed out that they have an understanding of Small-Micro Medium Enterprise (SMME’s). More specifically, 93 percent of people who took part in this survey indicated they believed that Small-Micro Medium Enterprise are geared towards job creation and poverty elimination which is correct. On the other hand, 6 percent of the respondents indicated that they did not have an understanding of Small-Micro Medium Enterprise.
B1.D: To a large extent, the majority of the people reflected in the pie chart indicated that they do understand the Integrated Development Plan (IDP) policy. More specifically, 90 percent of the respondents in the survey pointed out they were aware of the policy. On the contrary, 9 percent of the respondents stated that they did not know about the Integrated Development Plan.
B1.E On the whole, it is evident, based on the pie chart that the majority of the respondents in the survey are knowledgeable about the Local Economic Development (LED) strategy. In fact, fully 92 percent of the respondents indicated that they are aware of Local Economic Development. On the other hand, 7 percent of the respondents in the survey pointed out that they do not know about Local Economic Development.
**B2A**: I do have an understanding of what Broad-Based Black Economic Empowerment is all about.

**B.2 A.** By and large, the majority of the people in the survey asserted very strongly that they do understand what Broad-based Black Empowerment is all about. More particularly, 93 percent of respondents in the Likert scale, strongly agree that they have an understanding of the concept. At the same time, the above graph shows that 9 percent of the respondents agree with the truth of the statement. Only 3 percent of the respondents indicated that they are unsure about the truth of the statement. None of the respondents disagreed or strongly disagreed with the statement.
B2B: I do understand what Public-Private Partnership is all about

A large majority, majority of the respondents strongly agreed with the statement that they understood Public-Private Partnerships. To be more specific, 87 percent respondents indicated by strongly agreeing that they did understand the model of service delivery called Public-Private Partnership. Moreover, 8 percent of the respondents stated that they agreed that they did understand the statement. Only 4 percent of the respondents were unsure about their answer. 1 percent of the respondents disagreed by stating that they did not understand the statement. There were no respondents that highlighted that they strongly disagreed with the truth of the statement.
There is a need to educate people in municipalities about Broad-based Black Economic Empowerment, Public-Private Participations and Integrated Development Plans.

B2C

91 percent of the respondents indicated that they strongly agreed with the assertion that there was a need to educate people in municipalities about Broad-Based Black Empowerment, Public-Private Partnership and the Integrated Development Plan. 7 percent of the respondents in the survey pointed out that they agreed with the statement. At the same time, only 1 percent of the respondents outlined that they were unsure about the truth of the statement. Finally, 1 percent of the respondents indicated at they disagreed with the statement.
B2D:

I do understand what the Integrated Development Plan is all about

B2D This graph indicates in no uncertain terms that 86 percent of the respondents in the survey strongly agreed that they did understand what the Integrated Development Plan is all about. Secondly, 6 percent of the respondent pointed out that they agreed with the statement. Thirdly, 5 percent of the respondents stated that they were unsure about the truth of the statement. Fourthly, 2 percent of the respondents outlined that they disagreed with the statement. Fifthly, 1 percent of the respondent’s asserted that they strongly disagreed with the statement.
**B2E:** I do understand what the Local Economic Development is meant for

Firstly and most importantly, 86 percent of the respondents in this survey stated that they strongly agreed that they did understand what the Local Economic Development (LED) is all about. Secondly, 9 percent of the respondents pointed out that they agreed with the statement. Thirdly, 3 percent of the respondents indicated that they were unsure about the truth of the statement. Fourthly, 2 percent of the respondents asserted that they disagreed with the statement. Fifthly, no respondents in this survey indicated that they strongly disagreed with the statement.
**B2f:** Broad-Based Black Economic Empowerment is only benefiting the few or rich

This graph shows that 90 percent of the respondents in this survey strongly agreed with the statement that Broad-Based Black Economic Empowerment is only benefiting a few rich people. Secondly, 5 percent of the respondents indicated that they agreed with the statement. Thirdly, 4 percent of respondents stated that they were unsure about the truth of the statement. Fifthly, only 1 percent of the respondent’s in this survey indicated that they disagreed with the statement. Sixthly, no respondents asserted that they strongly disagreed with the statement.
**B2g:** Public-Private Partnership do not benefit the poor; they only benefit the rich.

This graph indicates that 89 percent of the respondents in this survey strongly agreed with the statement that Public-Private Partnerships do not benefit the poor; they only benefit the rich. Secondly, 4 percent of the respondents pointed out that they agreed with the statement. Thirdly, 5 percent of the respondents asserted that they were unsure about the truth of the statement. Fourthly, 3 percent of the respondents stated that they disagreed with the statement.
B2H: Aims of the Integrated Development Plan are not achieved by the municipalities in the Eastern Cape

B2h  Firstly, 89 percent of the respondents in this study outlined that they strongly agreed that the aims of the Integrated Development Plan are not achieved by municipalities in the Eastern Cape.  Secondly, 3 percent of the respondents indicated that they agreed with the statement.  Thirdly, 7 percent of the respondents stated that they were unsure about the truth of the statement.  Fourthly, 2 percent of the respondents asserted that they disagreed with the statement.
**B2I**: I have never participated in the policy-making of the IDP in my municipality

First and foremost, 91 percent of the respondents indicated that they strongly agreed with the statement that they had never participated in the policy-making of the Integrated Development Plan (IDP) of their areas. Secondly, 3 percent of the respondents stated that they agreed with the statement. Thirdly, 3 percent of the respondents outlined that they were unsure about the truth of the statement. Fourthly, 2 percent of the respondents pointed out that they disagreed with the statement. Fifthly, 1 percent of the respondent’s asserted that they strongly disagreed with the statement.
B3a: Affirmative action is not fair to white people

B3A: Firstly, 87 percent of the respondents in this survey indicated that they thought that Affirmative Action is not fair to white people, all the time. Secondly, 4 percent of the respondents stated that they thought that Affirmative Action is not fair to white people in most cases. Thirdly, 4 percent of the respondents pointed out that they thought that Affirmative Action is not fair to white people, sometimes. Fourthly, 3 percent of the respondents held a view that they thought that Affirmative Action is not really fair to whites. Fifthly, 2 percent of the respondents outlined that they thought that Affirmative Action is not a problem at all to white people.
B3b: Only black people are considered when tenders are awarded in municipalities

B3b: 88 percent of the respondents in this survey stated that they thought that only black people were considered when tenders are awarded in municipalities all the time. Secondly, 3 percent of the respondents held the view that they thought that only black people were considered when tenders are awarded in municipalities in most cases. Thirdly, 3 percent of the respondents indicated that they thought that only black people were considered when tenders are awarded in municipalities sometimes. Fourthly, 4 percent of the respondents pointed out that they thought it is not really the case that only black people are considered when tenders are awarded in municipalities. Fifthly, 2 percent of the respondents outlined that they thought it is not a problem at all when only black people are considered when tenders are awarded in municipalities.
B3C: White people are not benefiting from Affirmative Action and Broad-Based Black Economic Empowerment (BBBEE)

B3C: 89 percent of the respondents in this survey indicated that white people were not benefiting from Affirmation Action and Broad-Based Black Economic Empowerment all the time. Secondly, 3 percent of the respondents stated that white people were not benefiting from Affirmation Action and Broad-Based Black Economic Empowerment in most cases. Thirdly, 3 percent of the respondents held a view that white people were not benefiting from Affirmative Action and Broad-Based Black Economic Empowerment, sometimes. Fourthly, 3 percent of the respondents pointed out that they did not really think that white people were benefiting from Affirmation Action and Broad-base Black Economic Empowerment. Fifthly, 2 percent of the respondents indicated that it was not a problem at all that white people were not benefiting from Affirmation Action and Broad-Based Black Economic Empowerment.
B3D: 8 percent of the respondents indicated that white people were not happy about the policy implementation of Affirmation Action, Broad-Based Black Economic Empowerment, Local Economic Development and Public-Private Partnership, all the time. Secondly, 86 percent of the respondents pointed out that white people were not happy about the policy implementation of Affirmation Action, Broad-Based Black Economic Empowerment, Local Economic Development and Public-Private Partnership, in most cases. Thirdly, 3 percent of the respondents asserted that white people were not happy about the policy implementation of Affirmation Action, Broad-Based Black Economic Empowerment, Local Economic Development and Public-Private Partnership, sometimes. Fourthly, 2 percent of the respondents in this survey pointed out that they did not really think white people were unhappy about the policy implementation of Affirmation Action, Broad-Based Black Economic Empowerment, Local Economic Development and Public-Private Partnership. Fifthly, 2 percent of the respondents indicated that the fact white people are not happy about the policy implementation of
Affirmation Action, Broad-Base Black Economic Empowerment, Local Economic Development and Public-Private Partnership was not a problem at all.

**B3e:** Most whites are leaving the country because of Affirmative Action, LED, BBEE and PPP

![Bar chart showing percent of respondents indicating various reasons for whites leaving the country.]

**B3e:** 7 percent of the respondents in the survey indicated that most whites are leaving the country because of affirmative action, Local Economic Development, Broad-Based Black Economic Empowerment and Public-Private Partnership all the time. Secondly, 86 percent of the respondents pointed out that most whites are leaving the country because of affirmative action, Local Economic Development, Broad-Based Black Economic Empowerment and Public-Private Partnership in most cases. Thirdly, 3 percent of the respondents outlined that most whites are leaving the country because of affirmative action, Local Economic Development, Broad-Based Black Economic Empowerment and Public-Private Partnership sometimes. Fourthly, 3 percent of the respondents stated that most whites are not really leaving the country because of affirmative action, Local Economic Development, Broad-Based Black Economic Empowerment and Public-Private Partnership. Fifthly, only 2 percent of the respondents indicated that they did not think that most whites are leaving the country because
of affirmative action, Local Economic Development, Broad-Based Black Economic Empowerment and Public-Private Partnerships.

Section C

C1a: Officials do not work closely with the politicians at local government

C1a: On the whole, 89 percent of the respondents in the survey indicated that yes, very much, officials do not work closely with politicians at local government level. Secondly, 4 percent of the respondents pointed out that officials do not work closely with politicians at local government to an extent. Thirdly, 4 percent of the respondents stated that they were undecided on whether the officials do not work closely with politicians at local government. Fourthly, 1 percent of the respondents asserted that only rarely do officials not work closely with politicians at local government. Fifthly, 3 percent of the respondents held a view that it is not true that officials do not work closely with politicians at local government level.
C1b: By and large, 91 percent of the respondents indicated that yes, very much, officials and politicians are not committed in service delivery. Secondly, 3 percent of the respondents stated that officials and politicians are not committed in service delivery to an extent. Thirdly, 3 percent of the respondents asserted that they were undecided about whether the officials and politicians are not committed in service delivery. Fourthly, 1 percent of the respondents pointed out that only rarely are officials and politicians not committed to service delivery. Fifthly, 2 percent of the respondents held a view that it is not true that officials and politicians are not committed in service delivery.
C1c: Corruption is a problem at local government

C1c: 93 percent of the respondents in the survey asserted that yes, very much, corruption is a problem at local government. Secondly, 2 percent of the respondents indicated that corruption is a problem, to an extent, at local government level. Thirdly, 3 percent of the respondents pointed out that they were undecided about whether corruption is a problem at local government. Fourthly, 1 percent of the respondents were of the opinion that corruption is rarely a problem at local government level. Fifthly, only 2 percent of the respondents held a view that it is not true that corruption is a problem at local government.
C1d: Tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape

C1d: On the whole, 91 percent of the respondents in this survey indicated that yes, very much, tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape. Secondly, 3 percent of the respondents stated that to an extent tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape. Thirdly, 2 percent of the respondents pointed out that they were undecided whether tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape. Fourthly, 1 percent of the respondents were of the opinion that tender procedures are only rarely not followed when awarding tenders in municipalities in the Eastern Cape. Fifthly, 2 percent of the respondents held a view that is not true that tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape.
**C1e:** Politicians are interfering in the tendering process in municipalities.

Firstly and most importantly, 90 percent of the respondents indicated that yes, very much, politicians are interfering with the tendering processes in municipalities. Secondly, 3 percent of the respondents pointed out that politicians are to an extent interfering in the tendering process in municipalities. Thirdly, 4 percent of the respondents asserted that they were undecided about whether politicians are interfering in the tendering process in municipalities. Fourthly, 1 percent of the respondents stated that politicians are rarely interfering in the tendering process in municipalities. Fifthly, 3 percent of the respondents held a view that it is not true that politicians are interfering in the tendering processes in municipalities.
**C1f:** Municipalities are holding unnecessary parties and functions

**CIF:** Firstly, 91 percent of the respondents in this survey stated that yes, very much; municipalities are holding unnecessary parties and functions. Secondly, 3 percent of the respondents indicated that municipalities are holding unnecessary parties and functions to an extent. Thirdly, 3 percent of the respondents pointed out that they were undecided whether municipalities are holding unnecessary parties and functions. Fourthly, 1 percent of the respondents stated that municipalities are only rarely holding unnecessary parties and functions. Fithly, 2 percent of the respondent held a view that is not true that municipalities are holding unnecessary parties and functions.
C2a: Service delivery has been improving at local government since the Zuma administration

C2a: A large majority, 87 percent of the respondents indicated that they strongly agreed that service delivery had been improving at local government since the Zuma administration has taken over. Secondly, 2 percent of the respondents in this graph stated they agreed with the statement. Thirdly, 4 percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, 4 percent of the respondents held a view that they disagreed with the statement. Fifthly, 3 percent of the respondents asserted that they strongly disagreed with the statement.
C2b: The Zuma administration is willing to listen to poor people in municipalities

C2b: 88 percent of the respondents stated that they strongly agree that the Zuma administration is willing to listen to poor people in Municipalities. Secondly, 3 percent of the respondents indicate that they agree with the statement. Thirdly, 3 percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, 3 percent of the respondents disagreed with the statement. Fifthly, 3 percent of the respondents contended that they strongly disagreed with the statement.
C2c: The Mbeki administration failed to deliver services to the people at local government level.

C2c: On the whole, 87 percent of the respondents pointed out that they strongly agreed that the Mbeki administration failed to deliver service to the people at local government level. Secondly, 2 percent of respondent indicated that they agreed with the statement. Thirdly, 4 percent of the respondents were unsure about the truth of the statement. Fourthly, 4 percent of the respondents contended that they disagreed with the statement. Fifthly, 3 percent of the respondents indicated that they strongly disagreed with the statement.
C2d: Elected councilors are held accountable by the people in their areas

Firstly, 4 percent of the respondents indicated that they strongly agreed that elected councilors are held accountable by the people in their areas. Secondly, 6 percent of the respondents pointed out that they agreed with the statement. Thirdly, 3 percent of the respondents contended that they were unsure about the statement. Fourthly, 2 percent of the respondents contended that they disagreed with the statement. Fifthly, a large majority, 86 percent of the respondents indicated that they strongly disagreed with the statement.
C2e: Firstly, 3 percent of the respondents indicated that they strongly agreed that elected councilors are reporting back to their wards. Secondly, 2 percent of the respondents pointed out that they agreed with the statement. Thirdly, 4 percent of the respondents contended that they were unsure about the truth of the statement. Fourthly, 4 percent of the respondents asserted that they disagreed with the statement. Fifthly, 87 percent of the respondents outlined that they strongly disagreed with the statement.
C2f: Poor people are not participating in policy-making at local government in the Eastern Cape

C2f: A large majority, 91 percent of the respondents indicated that they strongly agreed that poor people are not participating in policy-making at local government in the Eastern Cape. Secondly, 4 percent of the respondents pointed out that they agreed with the statement. Thirdly, 2 percent of the respondents stated that they were unsure about the truth of the statement. Fourthly, 2 percent of the respondents contended that they disagreed with the statement. Fifthly, 1 percent of the respondents contended that they strongly disagreed with the statement.
**C2g:** Municipalities are failing to give services to the people in the Eastern Cape

A large majority, 88 percent of the respondents outlined that they strongly agreed that municipalities are failing to give services to the people in the Eastern Cape. Secondly, 6 percent of the respondents indicated that they agreed with the statement. Thirdly, 1 percent of the respondents held an opinion that they are unsure about the statement. Fourthly, 3 percent of the respondents contended that they disagreed with the statement. Fifthly, 2 percent of the respondents stated that they strongly disagreed with the statement.
**C2h:** Internal auditing is not effective at local government

On the whole, 89 percent of the respondents indicated that they strongly agreed that internal auditing is not effective at local government. Secondly, 5 percent of the respondents indicated that they agreed with the statement. Thirdly, 3 percent of the respondents pointed out that they were unsure about the statement. Fourthly, 2 percent of the respondents indicate that they disagreed with the statement. Fifthly, 2 percent of the respondents asserted that they strongly disagreed with the statement.
C2i: Municipal managers should not be political appointments

C2i: A large majority of 90 percent of the respondents indicate that they strongly agreed that municipal managers should not be political appointments. Secondly, 5 percent of the respondents pointed out that they agreed with the statement. Thirdly, 1 percent of the respondents stated that they were unsure about the truth of the statement. Fourthly, 1 percent of the respondents contended that they disagreed with the statement. Fifthly, 2 percent of the respondents outlined that they strongly disagreed with the statement.
C2j: Municipal managers should be appointed based on their educational qualification

C2j: By and large, 90 percent of the respondents indicated that they strongly agreed that municipal managers should be appointed based on their educational qualification. Secondly, 5 percent of the respondents outlined that they agreed with the statement. Thirdly, 2 percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, 1 percent of the respondents stated that they disagreed with the statement. Fifthly, 2 percent of the respondents contended that they strongly disagreed with the statement.
C2k: There has been an improvement of service delivery in my municipality as a result of the implementation of Public-Private Partnerships (PPP)

C2k: Firstly, only 1 percent of the respondents indicated that they strongly agreed that there has been an improvement of service delivery in my municipality as a result of the implementation of Public-Private Partnerships. Secondly, 3 percent of the respondents stated that they agreed with the statement. Thirdly, 6 percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, 2 percent of the respondents contended that they disagreed with the statement. Fifthly, 89 percent of the respondents asserted that they strongly disagreed with the statement.
C2L: The Public-Private Partnerships have improved the lives of the people at local government level.

C2L: Firstly, only 1 percent of the respondents indicated that they strongly agreed that the Public-Private Partnerships have improved the lives of the people at local government level. Secondly, 4 percent of the respondents pointed out that they agreed with the statement. Thirdly, 5 percent of the respondents outlined that they were unsure about the truth of the statement. Fourthly, 3 percent of the respondents held an opinion that they disagreed with the statement. Fifthly, 87 percent of the respondents outlined that they strongly disagreed with the statement.
**C2m:** Citizens are able to hold local councilors accountable

**C2m:** Firstly, only 4 percent of the respondents indicated that they strongly agreed that citizens are able to hold local councilors accountable. Secondly, 4 percent of the respondents pointed out that they agreed with the statement. Thirdly, 3 percent of the respondents stated that they were unsure about the truth of the statement. Fourthly, 3 percent of the respondents outlined that they disagreed with the statement. Fifthly, 86 percent of the respondents asserted that they strongly disagreed with the statement.
C2n: Broad-Based Black Economic Empowerment policy is improving the quality of lives of the people in my municipality

C2n: Firstly, 2 percent of the respondents indicated that they strongly agreed that Broad-Based Black Empowerment (BBBEE) policy is improving the quality of the lives of the people in my municipality. Secondly, 2 percent of the respondents pointed out that they agreed with the statement. Thirdly, 6 percent of the respondents asserted that they were unsure about the truth of the statement. Fourthly, 2 percent of the respondents stated that they disagreed with the statement, while fully 88 percent of the respondents contended that they strongly disagreed with the statement.
C2o: A majority of 88 percent of the respondents indicated that they strongly agreed with the statement that Public-Private Partnerships and Broad-Based Black Economic Empowerment are not effective anti-poverty strategies at local government level. Secondly, 5 percent of the respondents pointed out that they agreed with the statement. Thirdly, 4 percent of the respondents asserted that they were unsure about the truth of the statement. Fourthly, 1 percent of the respondents disagreed with the statement. Fifthly, 3 percent of the respondents contended that they strongly disagreed with the statement.
C2p: I don’t think privatization at local government level will increase Small-Micro Medium Enterprises (SMME’s) and service delivery

C2P: Firstly, 88 percent of the respondents indicated that they strongly agreed that privatization at municipal level will not increase Small-Micro Medium Enterprises (SMME’s) and service delivery. Secondly, 4 percent of the respondents asserted that they agreed with the statement. Thirdly, 3 percent of the respondents contended that they were unsure about the truth. Fourthly, 2 percent of the respondents outlined that they disagreed with the statement. Fifthly, 2 percent of the respondents asserted that they strongly disagreed with the statement.
Section D

This section was meant to look at the cause of service delivery failure and corruption at local government level.

**D1: Do you believe that poverty, unemployment, inequalities, socio-economic problems, lack of service delivery, human security (crime, etc.) and lack social cohesion are caused by inappropriate policies, corruption within municipalities and incompetence of public officials and politicians?**

![Bar chart showing responses to D1 question]

**D1: Firstly, none of the respondents indicated that only inappropriate policies were to blame. Secondly, 1 percent of the respondents pointed out corruption within the municipalities to be the problem. Thirdly, 1 percent of the respondents outlined incompetence of public officials and politicians. Fourthly, 99 percent of the respondent stated that the problem was all of the above.**
6.2 Conclusion

On the whole, this chapter is aimed at reporting quantitative research findings. This has been done by reporting statistical findings without making value judgments. This means that no interpretation was made done by the researcher with respect to the quantitative findings. These findings are presented by tables, pie charts and graphs. Nonetheless, it must be noted all the table, pie charts and graphs are explained to give clarity to the reader. The total represented in the graphs and table sometimes exceeds 100% due to a rounding-up error. The sample of this survey is unpacked thoroughly in the methodology chapter. The next chapter of this study will discuss the qualitative results alongside quantitative findings. At the same time, the researcher will interpret the findings in a well-balanced way. Finally, the interpretation of the research findings in the next chapter will be underpinned by the political economy approach; because it is a theoretical standpoint of the study.
Chapter Seven

Data Analysis and Interpretation

There is a fundamental difference between quantitative and qualitative research methodologies. Nevertheless, researchers should not perceive one method as better than the other simply because they are complementary to one another. The difference is in the ontological and epistemological assumptions of research. Thus, these methodologies should not be regarded as merely methods, because of theoretical and philosophical underpinnings (Neuman, 2003:139).

Both methodological traditions have shortcomings. This implies that these approaches have weakness and strengths. When employing both simultaneously the research is able to draw on these strengths. For instance, the strong point of quantitative methodology is to examine the connection between variables, numbers and hypotheses by focusing on large sample in order to make generalizations to similar situations. Conversely, the strength of qualitative approach is to provide an in-depth understanding of social phenomena. This is done by giving context to the story under examination (Punch, 2009:290).

7.1 Introduction

On the whole, this chapter is meant to analyze and interpret both quantitative and qualitative data collected by the researcher. More specifically, this will be done by the researcher making value judgment statements. It is worth noting that the investigator will be open minded, and will advance a well-balanced argument with regard to the interpretation of data. Quantitative and qualitative data will be linked together to see the similarities with reference to the answers given by participants. What is interesting about the quantitative methodology is that the researcher is able to utilize the statistics with the aim of examining social phenomena. By contrast; the qualitative methodology focuses on value positions. This implies that the researcher has to make value judgments. This chapter is directly linked to the previous chapter which concentrated on reporting the quantitative findings without making subjective

196 The researcher in this chapter is reporting both quantitative and qualitative findings; below the tables and graphs and verbatim quotations are used throughout to make the links between qualitative and quantitative data.

197 One needs to provide a qualification with regard to this statement; employing quantitative methodology does not imply that data will not be interpreted. Leedy argues along the same lines when he points out that when all is said and done with respect to processing quantitative data the researcher has to interpret to findings and linked them to the central research question and hypothesis (2010:284). See also the work of May (2008:11) on this matter.
statements or value judgment statements. It must be borne in mind that the researcher in this study utilized two research instruments for data collection including a survey using questionnaires and in-depth interviews such as focus groups as well as elite interviews. Two municipalities are under the spotlight in this research; Nelson Mandela Metropolitan Municipality and Buffalo City. This matter is explained thoroughly in the methodology chapter. In order to keep a tighter concentration on this study, it is of paramount importance to state the central research question: Do the Public-Private Partnerships (PPP) and Broad-Based Black Economic Empowerment (BBBEE) ventures, which constitute anti-poverty strategies, succeed in addressing the issues of poverty and achieving more equitable development at the municipal level in the Eastern Cape?

In addition, this study has proposed a problem statement which reads as follows: The local development policies of PPP and BBBEE that are being applied through Local Economic Development strategies are not in the interests of the majority in the Eastern Cape. Subsequent to this descriptive problem statement it must be noted that ‘GEAR-related policies’ are created, reproduced and sustained at local government by a ‘range of policy-actors’ and encouraged and supported by the International Monetary Fund (IMF) and Word Bank.

Section A

In this section the researcher will interpret the biographical information with respect to the survey of this study that was completed by four hundred respondents as well as the focus groups alongside elite interviews conducted with fifty participants.198

A.1 GENDER

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency table: A1 (Data.sta)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
</tr>
<tr>
<td>Male</td>
<td>184</td>
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</tr>
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</tr>
</tbody>
</table>

198 A clear description of the sample size of this research is found in chapter five in the methodology section.
A.1 Summary and Interpretation

The survey of this research was composed mainly of females. More specifically, females consisted of 54 percent of the respondents. This reflects the fact that women constitute the majority of the population of Eastern Cape and South Africa. By contrast, male respondents consisted of 46 percent of respondents. When one examines other previous scientific studies in social sciences in peer reviewed journals, think-tank research organizations, masters and doctoral research students in different universities, it is always the case that women will have maximum participation. There is a common denominator in both the survey and focus groups of this research. By and large they were dominated by women. However the researcher did not find any evidence that this means that the majority of women are participating in large numbers in decision-making and are as economically empowered as men in Buffalo City and Nelson Mandela Metropolitan Municipality.

A.2 RACE

<table>
<thead>
<tr>
<th>Category</th>
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<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>66</td>
<td>66</td>
<td>16.5000</td>
<td>16.5000</td>
</tr>
<tr>
<td>Black</td>
<td>234</td>
<td>300</td>
<td>58.5000</td>
<td>75.0000</td>
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<tr>
<td>Asian</td>
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<td>343</td>
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<td>85.7500</td>
</tr>
<tr>
<td>Coloured</td>
<td>57</td>
<td>400</td>
<td>14.2500</td>
<td>100.0000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>400</td>
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<td>100.0000</td>
</tr>
</tbody>
</table>

A.2 Summary and Interpretation

The above table shows vividly that at 58 percent black people constitute the majority of the respondents in the survey. This is because the majority of the people in South Africa, Eastern Cape, and more specifically Buffalo City and Nelson Mandela Metropolitan Municipality are blacks. Hence, a majority of the respondents in this survey were blacks. Secondly, white people constituted the second largest racial group, with 17 percent, followed by Coloured people, who consisted of 14 percent. Asians constituted 11 percent of the sample. It must be borne in mind that the sample size of the survey reflected the demographics of the Eastern Cape and more particularly, the people of Nelson Mandela Metropolitan Municipality and Buffalo City. The
qualitative research conducted by the researcher was also constituted by different racial groups. This means that there is a common denominator in both the quantitative and qualitative samples of this study, which is a reflection of the population of Buffalo City and Nelson Mandela Metropolitan Municipality.

A.3 AGE

<table>
<thead>
<tr>
<th>Category</th>
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<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-30 years</td>
<td>78</td>
<td>78</td>
<td>19.50</td>
<td>19.50</td>
</tr>
<tr>
<td>31-45 years</td>
<td>106</td>
<td>184</td>
<td>26.50</td>
<td>46.00</td>
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<tr>
<td>46+ years</td>
<td>216</td>
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</tr>
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<td>Missing</td>
<td>0</td>
<td>400</td>
<td>0.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

A.3 Summary and Interpretation

The majority of the respondents in the survey were over 46 years old. More specifically, they constituted 54 percent of the respondents. It must be noted that this phenomenon did not happen by design. This means that it was not planned by the researcher to be the way it was. The main reason for this was that the majority of the respondents who were interested in participating in this survey were 46 years old and over. This signifies that older people in the Eastern Cape are more interested in politics compared to younger people. Secondly, 27 percent of the respondents were between 31 and 45 years old. Thirdly, 20 percent of the respondents were 18 to 30 years old. Mainly, these were young people in both Buffalo City and Nelson Mandela Metropolitan Municipality. On the other hand, the same variables were common in the qualitative research. For instance, the focus groups of this study were constituted by and large by individuals who are 46 years old and over.

A.4. Social Status

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>171</td>
<td>171</td>
<td>42.75</td>
<td>42.75</td>
</tr>
<tr>
<td>Middle class</td>
<td>198</td>
<td>365</td>
<td>49.50</td>
<td>92.25</td>
</tr>
<tr>
<td>Ruling class</td>
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<td>0.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>
A.4. Summary and Interpretation

The above table shows vividly that the largest proportion of the sample is part of the middle class. They constituted 49 percent of the respondents. By and large, these were professionals such as bureaucrats, politicians and business persons, etc. According to Marx and Engels, class is measured by means of production in a capitalist society. They go on to say that there are two opposing classes in society which are the bourgeoisie (ruling class) and the proletariat (working class). They conclude by arguing that there are also those people in society who are advancing the agenda of capitalists in society such as professionals (1848:1-17). In this study, middle class refers to people who are professionals or who are involved in business and are able to live a good life. This means that these people are able to buy certain basic needs which are needed in life, sometimes including extravagant material things.

With regard to the table, 43 percent of the respondents are part of the working class. In the questionnaire these people are referred to as poor. In this research, the poorest of the poor are regarded as people who struggle to afford basic human needs. The ruling class consisted of eight percent of the respondents in both Buffalo City and Nelson Mandela Metropolitan Municipality. All of these individuals were business men and women. This percentage reinforces the argument by classical Marxists that the ruling class is a tiny minority and that it owns the means of production in society (see Marx and Engels, 1848:1-20). By the same token, the qualitative research was predominantly constituted by the middle class, followed by the poorest of the poor and the bourgeoisie class. It must be noted that this is always the case in a capitalist society. Therefore, South Africa is no exception with regard to this matter.

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199 Instead of using the terminology working class the researcher utilized the term poor in the questionnaire because even lay people can understand it. However, the same cannot be said about the concept working-class. It is a technical concept that requires a particular definition and this would not have been understood by everyone in this research. According to Marxism, class is measured by means of production, so the working class refers to those who do not own the means of production in society (see also, Marx and Engels, 1848).

200 See also the seminal work of Abraham Maslow (1954, 1970) with reference to the human needs theory. John Burton argues along the same lines as Abraham Maslow when he points out that people have human needs such as a place to stay (shelter), water, and food to eat (1996:30). However, this does not imply that John Burton concurs with Abraham Maslow surrounding the hierarchy of human needs. Burton does not agree that there is a hierarchy of needs. In his opinion, all human needs are the same and there are no needs that are more important than other needs.
A.5. Place of Residence

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
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<tbody>
<tr>
<td>Nelson Mandela Metropolitan Municipality</td>
<td>200</td>
</tr>
<tr>
<td>Buffalo City</td>
<td>200</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
</tr>
</tbody>
</table>

A.5. Summary and Interpretation

The survey of this study according to the above table included four hundred respondents. More particularly, each municipality, Nelson Mandela Metropolitan Municipality and Buffalo City, was represented by 200 respondents as pointed out in the above table. This shows that the sample of the survey was well balanced or well represented. This is critical in any survey research because it enables the researcher to extrapolate his or her findings to similar situations. This is central to the quantitative research methodology. In this research, the findings of both municipalities will be generalized to the urban areas of Eastern Cape. However, it must be noted that the findings of this study cannot be extrapolated in respect of the rural areas of the Province because the conditions of urban and rural municipalities are fundamentally different. With regard to the qualitative research, it was constituted by fifty participants from both Nelson Mandela Metropolitan Municipality and Buffalo City.

A.6 Employment Status

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
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<th>Cumulative Percent</th>
</tr>
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<tbody>
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<td>172</td>
<td>43.0000</td>
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<tr>
<td>Unemployed</td>
<td>141</td>
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</table>

A.6 Summary and Interpretation

By and large, the majority of the respondents with reference to the survey were employed. More particularly, they constituted 43 percent as pointed out in the table. There is a correlation between what this table shows and table A.4 (social status) indicates in the sense that in table
A.4, the majority of the respondents were part of the middle class because the researcher on the whole targeted the individuals who have an understanding of local development policies such as Public-Private Partnership, Broad-based Black Economic Empowerment, and privatization of services at local government level. Thus, the researcher included a number of public officials and business people, etc, who are part of the middle class. Equally, in this table (A.6), it is shown that most of the respondents were employed and were also part of the middle class. The main aim of this was to acquire relevant data which would eventually answer the research question and verify the problem statement of this study.

This justifies why the majority of the respondents in this survey are employed and are part of the middle class. However, this does not imply that the unemployed or the poorest of the poor were sidelined in this research. In fact, this study examines whether anti-poverty strategies or policy at local government level are able to achieve their intended objectives?\textsuperscript{201} So, in the main, the research is about the struggles of the working class with a closer examination of neo-liberalism at municipal level. Secondly, this table displays that 35 percent of the respondents were unemployed. On the basis of the observation made by the researcher, these people are part of the poorest of poor at grassroots level. Moreover, the business community in this survey was constituted by 22 percent of the respondents. It must be noted that not all the business people were part of the ruling class (bourgeoisie); some were part of the middle class. With regard to qualitative research, by the same token, the majority of the participants in focus groups and elite interviews were part of the middle class. Nevertheless, the working class was included in order to articulate its views.

\textbf{Section B}

This section was meant to test the knowledge of the respondents about their understanding of Broad-based Black Economic Empowerment (BBEE), Public-Private Partnerships (PPP), and Small-Micro Medium Enterprises (SMME’s), Integrated Development Plan (IDP) and Local Economic Development (LED).

\footnote{201 This is a primary research question of this study; nonetheless, it is paraphrased in this context.}
B.1a

Broad-based Economic Empowerment (BBEE) Policy is meant to redress the imbalances of the past.

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
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<th>Cumulative Percent</th>
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<td>400</td>
<td>1.5000</td>
<td>100.0000</td>
</tr>
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</table>

This issue was emphasised by the following quotations from the participants of the interviews:

‘It is meant to give economic opportunities to black people, because they were disadvantaged. Black people are always considered first. There is a problem of fronting. Sometimes the company is owned by white people but uses blacks to front it. Broad-based Black Economic Empowerment uses a score-card to award tenders. Municipalities look at the ownership, black employment, disabled people, youth, residential element, management, etc.’ (Stated by a public official)

‘Broad-based Black Economic Empowerment assumes that market conditions in South Africa are distorted by the previous regime. You cannot leave the market force on its own. That’s why the local government becomes a place to create employment. However, what is absent in Broad-based Black Economic Empowerment is a long term vision of where we want to go (in the long run) as a country’. (Elite interviewee)

‘Broad-based Black Economic Empowerment is a neo-liberal ideology. An ideology is a creation of man, in other words, it is created by human beings. Neo-liberalism is about maximizing freedom of an individual at the expense of the collective. Neo-liberalism is the total freedom of capitalism. The free market system is not natural it was taught by academic intellectuals based at the University of Chicago in the United States of America’. (An expert spells out his views)
'Neo-liberalism is not appropriate in our context (South Africa); due to the historical past. Broad-based Black Economic Empowerment creates wealth for the few who are politically well-connected to the African National Congress, black people close to the ruling party in South Africa’. (Pointed out by a participant)

**B.1a: Summary and Interpretation**

To a large extent, the majority of the respondents in the survey pointed out that they do have an understanding of the Broad-based Black Economic Empowerment. To be more specific, 92 percent of the people who took part in the survey by putting an X in the appropriate box of their choice indicated that. This means that the majority of the respondents think that they understand the policy. Again, it also implies that these respondents know about economic matters with regard to political economy in post-apartheid South Africa. This exercise was critical in order to ascertain whether the respondents have an understanding of Broad-based Black Economic Empowerment before asking them questions about this matter because no respondent can answer questions if he/she doesn’t understand what is being asked. It must be borne in mind that the issue of Broad-based Black Economic Empowerment is linked to the primary research question.

Only six percent of the respondents in the survey indicate that they do not have an understanding of Broad-based Black Economic Empowerment. This is a small minority of respondents compared to the 92 percent who stated that they understood this policy. With regard to qualitative findings, the participants articulated clearly that they knew what Broad-based Black Economic Empowerment is all about. They feel that Broad-based Black Economic Empowerment is centered on the neo-liberal model of development in South Africa that states that only the market forces can bring about development by creating jobs. According to them, neo-liberalism is a selfish ideology. It focuses on maximizing profit. The participants hold an opinion that Broad-based Black Economic Empowerment is meant to bring black people into the economic mainstream. However, the popular view with reference to Broad-based Black Economic Empowerment is that it benefits only a tiny minority associated with the leadership of the African National Congress.
B. 1b

Public-Private Partnerships (PPP) at local government level are designed to improve services rendered in municipalities

<table>
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<tr>
<th>Category</th>
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<th>Percent</th>
<th>Cumulative Percent</th>
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<td>Missing</td>
<td>7</td>
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<td>1.7500</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

This matter is emphasized by the following strong quotations:

‘Public-Private Partnerships is informed by the Public Finance Management Act of 1999. It comes from country’s strategy for 2020. Margaret Thatcher and Ronald Reagan supported this approach for development. Public-Private Partnership model is associated with neo-liberalism because the private sector renders services on behalf of government. The rationale is to maximize profit. In most case, the government only provides the infrastructure’. (Elite interview)

‘There are economists who hold an opinion that Public-Private Partnerships are also embraced by proponents of public choice theory. Its historical roots are found in the writings of Adam Smith’s theory of wealth of nations. A number of Local Economic Development (LED) strategies support the Public-Private Partnerships throughout the country (South Africa)’. (An expert)

‘The Municipal Finance Management Act provides a policy framework as a guideline for municipalities to engage in Public-Private Partnerships. On the other hand, the National Treasury has its only [own] policy regulations for Public-Private Partnerships, at all levels, local, provincial and national government’. (Public official)
B. 1b Summary and Interpretation

With regard to the survey, 91 percent of the respondents indicated that they are well aware of the Public-Private Partnership model. This implies that the respondents of this study had an understanding of this model of development. It must be noted that the issue of Public-Private Partnership is directly linked to the primary research question of this study so, it was important for the researcher to establish whether the respondents had prior knowledge of the Public-Private Partnership in order to answer the central research question. Secondly, only a small minority of respondents of six percent pointed out that they are unaware of Public-Private Partnerships. Thirdly, one percent of the respondents’ answers went missing. With reference to elite interviews and semi-structured focus groups, their answers were very similar to those of the survey of this study. This means that by and large the majority of the participants identified that they are knowledgeable about the Public-Private Partnership.

A number of the participants indicated that the Public-Private Partnership is a model of development that is meant to render services to the inhabitants of the country. There was a general agreement that the Public-Private Partnership model comes from the theory of neoliberalism. The United States of America and England were perceived to be countries that originally implemented the model.

B.1c Small-Micro Medium Enterprises (SMME’s) are geared towards job creation and poverty elimination.

<table>
<thead>
<tr>
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<td>400</td>
<td>1.7500</td>
<td>100.000</td>
</tr>
</tbody>
</table>
This aspect is addressed by a number of quotations from participants:

‘Small-Micro Medium Enterprises are designed to eradicate poverty and [un]employment. However, the problem is that tenders through the implementation of Broad-based Black Economic Empowerment are given to the same people who are politically connected at local government level. I think this phenomenon is evident in both municipalities (Buffalo City and Nelson Mandela Metropolitan Municipal). At the moment, I am staying in Nelson Mandela Metropolitan Municipally. Nevertheless, I come from Buffalo City, I was born there. My business is catering; before you get a tender for catering, municipal officials or inspectors are sent to come and look at your kitchen.’ (Participant)

‘If you are owing the municipality an amount of money, e.g. bill, you don’t get a tender. Nonetheless, this does not imply that all the people who are not awarded tenders are owing the municipality money. In most cases, small businesses do not get tenders due to rampant corruption within municipalities in the Eastern Cape.’ (Participant)

‘The Department of Trade and Industry is responsible for Small-Micro Medium Enterprises in municipalities throughout the country. However, first and foremost, you need to write a business proposal. Again, you must have a business card. Your tax clearance must be up-to-date.’ (Public Official)

‘Small businesses need to be trained thoroughly for capacity building. Institutions such as CAPITEC, COMSEC, National Youth Agency, are not helping us with money to do business. Banks want collateral, and we do not have that. The National Youth Agency replaced Umsobomvu Fund; it is for young people and women. Nonetheless, now it has been re-strategized, Khula talks to the bank on behalf of you. Banks also look at whether you are creditworthy or not. Owners of small businesses need to be developed how to run their business and how to write business proposal. Sometimes, due to the low levels of education, some people are not able to write good proposals for funding’ (Participant).
‘The municipalities in the Eastern Cape have a number of shortcomings in terms of Small-Micro Medium Enterprises. For an example, municipal officials take a long time to pay service providers such as small business. Some people they have to wait for a year for payment. Corruption is a problem at local government. Officials also want to be bribed by small business. If you don’t bribe them then you don’t do business with them’ (Elite interviews).

B.1c Summary and Interpretation

With reference to the survey, 93 percent of the respondents gave an answer which showed that they have an understanding of Small-Micro Medium Enterprises. This means that the respondents were speaking from an informed point of view with regard to Small-Micro Medium Enterprises. Conversely, five percent of the respondents answered wrongly which means that they do not have an understanding about the Small-Micro Medium Enterprises. It must be noted that this five percent constitutes a small minority of people. With regard to the qualitative research, it was pointed out that small businesses are faced with a number of challenges in both municipalities. For instance, tenders at local government level in the Eastern Cape are given to those who have a strong relationship with the powers that be. This means that people who are politically well connected with the political elite and bureaucrats receive tenders repeatedly. Secondly, owners of small business who are uneducated are not able to write good business proposals in order for them to get funding from the banks.

Again, it must be borne in mind that even those who hold diplomas and degrees did indicate that they also have difficulty in writing business proposals. Thirdly, the issue of corruption arose on a number of occasions with regard to Small-Micro Medium Enterprises. According to the participants, public officials engage in corruption by accepting bribes before awarding tenders to bidders or small businesses. Fourthly, municipal officials take a long time to pay the small businesses. This means that owners of small business will not be able to pay their employees on time. Again, it implies that conflict will arise between the owners of businesses and employees.

202 Some of these participants indicated that they have no knowledge or have a limited understanding about these policies.
over money. Fifthly, participants lamented that banks do not assist them in getting funding, because they expect them to have collateral, which they do not have. Lastly, was the fact that there is a need to capacitate owners of small businesses in order for them to run their business effectively. For instance, business owners should be able to write a business proposal and be wise on spending money. Some owners of small business tend to buy expensive luxury items as soon as they win tenders, placing them in immediate debt.

**B.1d** The Integrated Development Plan (IDP) is meant to identify the needs of the municipality for a period of five years.

<table>
<thead>
<tr>
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<td>8</td>
<td>400</td>
<td>2.0000</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

This issue is strongly emphasized by the following quotations:

‘The Integrated Development Plan is a vision of the municipality. In the Nelson Mandela Metropolitan Municipality there is little participation with regard to the policy formulation of the Integrated Development Plan. It is a top-down approach. It is a combination of number directorates in the municipality, they are expected to implement the aspects of the Integrated Development Plan. Each section of department in the municipality has relevant aspects of the Integrated Development Plan’. (Public official)

‘IDP is meant to address community needs. It does not focus on economic issues only. The Integrated Development Plan is a policy instrument to address the poverty and underdevelopment, etc. However, there is little participation in our municipality (Buffalo City). Communication is very important at local government. It must be a two way street not a one way street. In other words, there must be information from the people, politicians and public officials. Most of the IDP’s that
have been produced by the Buffalo City do not reflect the aspirations of the people’. (Participants)

‘The Integrated Development Plan is a general developmental plan of a specific municipality. Each and every municipality in South Africa is expected to have its own Integrated Development Plan. It must be in line with the budget. It is a tool that is used to address development. It must be in line with the mobilization of resources. The financial year of the municipality starts on the 1 of July until the 1 of June’. (Elite interviews)

**B.1d Summary and Interpretation**

By and large, the majority of the respondents in the survey indicated that they are knowledgeable about the Integrated Development Plan. More specifically, 89 percent of the respondents pointed out that they have an understanding of this policy. This shows that the majority of the people were not in the dark with reference to the Integrated Development Plan. On the other hand, 8 percent of the respondents in the survey outlined that they do not understand the Integrated Development Plan by stating that they disagree with the definition in the table. This signifies a lack of understanding of a small group of people with regard to the Integrated Development Plan. In addition, 8 percent of the respondents did not give an answer on this matter.

With reference to the qualitative study, participants indicated largely that they do have an understanding of the Integrated Development Plan by stating their views vociferously. There was a general agreement that the Integrated Development Plan is a five year strategic plan of all municipalities in South Africa. It is the ‘political bible’ of municipalities. This signifies that it is an institutional plan of municipalities which is supposed to articulate the needs of the people. According to the evidence of this study, there is a common denominator in both Buffalo City and Nelson Mandela Metropolitan Municipality. The participants all complained about lack of maximum public participation in their municipalities. Public participation is the hallmark of democracy. It is the central concept of democracy. When there is no public participation in policy-making it means that there is no democracy. Democracy should not be confined to
elections, it is more than that. Public policies should reflect the needs and the opinions of the people in public. This is an argument advanced by the proponents of substantive democracy. According to Hoppers (2010:9), ‘Democracy is a key means by which people... choose their leaders and ... hold them accountable for both their policies and their conduct while in office’. She goes further by arguing that central to the notion of democracy is maximum participation of the people (Ibid). This means that people should be involved in policy making.

B.1e

Local Economic Development (LED) is a strategy of all South African municipalities for economic growth, job creation and poverty eradication.

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
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</thead>
<tbody>
<tr>
<td>Yes</td>
<td>366</td>
<td>366</td>
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<td>91.5000</td>
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<tr>
<td>No</td>
<td>27</td>
<td>393</td>
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<td>Missing</td>
<td>7</td>
<td>400</td>
<td>1.7500</td>
<td>100.000</td>
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</tbody>
</table>

This aspect is stressed by the following strong quotations:

‘Local Economic Development is meant to attract investment, grow the economy and create employment. It focuses on tourism’ (Public official)

‘Local Economic Development is a strategy used by government at local level to supplement the activities of the market forces. The aim is to restore the balance created by the apartheid system by supplementing some of the economic activities in the market place. Market conditions in this country are distorted due to the historical past. It is a market driven strategy. This means that municipalities assume that only the market forces can bring about development such as creating jobs and eliminating poverty. Local Economic Development is linked to neo-liberalism, because it is putting too much emphasis on the business community for development. This approach (the Local Economic Development) is a new phenomenon globally and local. The Local Economic Development is linked to the Integrated Development Plan’ (An academic)
‘The Local Economic Development focuses on tourism. Some people say the Local Economic Development is a program and some say it is a plan. It is meant to improve the local economies. On paper it is designed to bring all the stakeholders in society on board with regard to job creation and promoting development. However, in practice it is biased towards the market forces, because it advocates for privatization of services’ (Elite interview).

‘At the moment, the Nelson Mandela Metropolitan Municipality is outsourcing about 60% services. What is interesting is that when we took over this municipality as the ANC in 1995 services were not outsourced or privatized’ (Elite interview).

‘Our municipality (Buffalo City) is doing a lot of outsourcing of services. According to the data available in the Corporate Services department the municipality is outsourcing approximately to 55% of its services. The whole notion of privatization or outsourcing of services is influenced by the GEAR policy. The LED policy is formulated in relation to the GEAR policy framework; these policies must be linked to each other’ (Elite interview).

**B1. E Summary and Interpretation**

On the whole, the majority of the people in the survey pointed out that they are well aware of Local Economic Development. These respondents constituted 91 percent according to the Frequency Table (B.1e). This implies that the respondents had an understanding of Local Economic Development. Secondly, six percent of the respondents answered differently. This signifies that these few respondents do not have an understanding of Local Economic Development. With regard to the qualitative research, the majority of the participants indicated that they do understand Local Economic Development. It must be noted that there is a direct relationship between the quantitative and qualitative answers. For an example, both the majority of the people in the survey and participants in the qualitative study indicated that they have an understanding of Local Economic Development. There was a general agreement amongst the participants that Local Economic Development is rooted in neo-liberalism. This means that the neo-liberal model of development is at the heart of the Local Economic
Development in both Buffalo City and Nelson Mandela Metropolitan Municipality. Moreover, it implies that people believe that both municipalities hold an opinion that the market forces must be elevated above the local state in order for development to occur. These municipalities advocated the privatization of services in order for Small Micro Medium Enterprises (SMME’s) to grow. The rationale behind the privatization of services is to create jobs and fight against poverty through the market forces.

Sometimes instead of using the terminology ‘privatization of service’, they employ the concept ‘outsourcing of service’. In theory, the Local Economic Development policy documents of both municipalities say that all the stakeholders of the municipalities must come on board for policy-making. However, in practice, it is the other way around. It must be borne in mind that Local Economic Development is directly linked to the problem statement: The local development policies of PPP and BBBEE that are being applied through Local Economic Development strategies are not in the interests of the majority in the Eastern Cape. The finding of this study outlined by the frequency table (B.1e) and qualitative statements confirms that the problem statement of this research is correct that people believe that neo-liberalism is embedded in Local Economic Development postulating that the privatization of services in both municipalities will enhance Small Micro Medium Enterprises.

### B.2a I do understand what Broad-based Black Economic Empowerment is all about

<table>
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</table>

### B.2a Summary and Interpretation

Firstly and most importantly, it must be noted that this table has a direct correlation with the frequency table (B.1a). Both questions focus on whether respondents do understand what Broad-based Black Economic Empowerment is all about.

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203 Chapter five of this study provides a clear conceptualization of privatization.
Broad-based Black Economic Empowerment is all about despite the fact that the question is asked in a different way. Hence, the researcher did not use verbatim quotations in the frequency table (B.2a) because verbatim quotations with regard to Broad-based Black Economic Empowerment have been used in (B.1a). Table B.2a shows that to a large extent the majority of the respondents have an understanding of Broad-based Black Economic Empowerment. More specifically, 87 percent of respondents of this survey with reference to B.2a indicated by strongly agreeing that they have an understanding of the Broad-based Black Economic Empowerment policy. These findings speak volumes because the majority of the respondents alongside the participants of the semi-structured interviews pointed out that they have relevant information with regard to Broad-based Black Economic Empowerment. It must be noted that the issue of Broad-based Black Economic Empowerment is linked to the central research question of this study as follows: Do the Public-Private Partnerships and Broad-based Black Economic Empowerment which constitute anti-poverty strategies within LED succeed in addressing the issues of poverty at the municipal level? At the moment, one can only say that by and large, the participants of the study have an understanding of the Broad-based Black Economic Empowerment policy at local government level. Secondly, nine percent of the respondents answered by agreeing with the statement. Thirdly, two percent of the respondents indicated that they were unsure about the truth of the statement.

**B.2b I do have an understanding what Public-Private Partnership is all about**

<table>
<thead>
<tr>
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**B.2b Summary and Interpretation**

First and foremost, this table is directly linked to B.1b with regard to Public-Private Partnerships at local government level. Thus the researcher did not use verbatim quotations in B.2b, because
verbatim quotations were employed in B.1b. Both findings in B.1b and B.2b show consistency with regard to the answers of the respondents about their understanding of Public-Private Partnership. This implies that the respondents of this study were speaking from an informed point of view with regard to Public-Private Partnership at local government level. With respect to the frequency table (B.2b), 86 percent of respondents indicated by strongly agreeing that they do understand the model of service delivery called Public-Private Partnership. Only 1 percent stated that they strongly disagreed with the statement.

This means the respondents are not in the dark in terms of the implementation of Public-Private Partnership in both Buffalo City and Nelson Mandela Metropolitan Municipality. Moreover, seven percent of the respondents stated that they agree that they do understand what the Public-Private Partnership is all about. Only four percent of the respondents were unsure about their answer. One percent of the respondents disagreed by stating that they do not understand the model of service delivery called Public-Private Partnership. There were no respondents that highlighted that they strongly disagreed that they do know about what the Public-Private Partnership is all about.

**B.2c** There is a need to educate people in municipalities about Broad-based Black Economic Empowerment, Public-Private Participations and Integrated Development Plan

<table>
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</table>

This matter is emphasized by the following quotations from the participants:

‘There is definitely a need to educate people about Broad-based Black Economic Empowerment, Public-Private Participations and Integrated Development Plan. The problem is that ward councillors do not have a direct link with their constituencies.'
Hence, some people do not have an understanding about these policies. They only get the views of the branches of the African National Congress (ANC) and this is not supposed to be the case. Both municipalities need wise leaders and visionaries who can interact with the mass all the time. I am currently encouraging my masters and doctoral students to do research about the level of understanding of ordinary people at ward level. This matter is crucial in a democratic state. ‘(An academic) 

‘The Integrated Development Plan and Local Economic Development should reflect the needs of the people on the ground. However, this is not happening, only the business and the political elite have an understating about these policies. The Integrated Development Plan must identify the needs of the people. It must feed information to the departments of local government. Where do councilors get the information if ordinary people do not know about policies such as Broad-based Black Economic Empowerment, Public-Private Participations and Integrated Development Plan?’ (Elite interview) 

‘This issue of educating people about municipal policies is fundamental. For an example, the IDP is a five year strategic plan of the municipality. Public Participation is the integral part of service delivery. However, there are officials in both municipalities who think that the IDP is a desktop exercise without public participation. Maybe the problem is caused by lack of capacity in both municipalities.’ (Public Official) 

B.2c Summary and Interpretation 
Firstly, 90 percent of the respondents in the survey indicated that they strongly agreed with the assertion that there is a need to educate people in municipalities about Broad-Based Black Empowerment (BBBEE), Public-Private Partnerships (PPP) and the Integrated Development Plan (IDP). This means that a large majority of the people in both municipalities think that people need to be educated about these policies. The blame with regard to this matter can be put on ward councilors and public officials. It is their responsibility to inform the people they are serving. After all, they are getting paid to serve local communities. Secondly, six percent of the respondents in the survey pointed out that they agreed with the statement. At the same time,
none of the respondents outlined that they are unsure of the truth of the statement. This implies there was a general agreement about a need to educate communities about Broad-Based Black Empowerment, Public-Private Partnership and the Integrated Development Plan.

With regard to the qualitative research, all the participants indicated the importance of community involved in the municipalities. It must be noted that there could be no service delivery at local government without public participation; because public participation is an integral part of service delivery. The state machinery in both municipalities needs to be well-oiled. This means that these municipalities should employ skilled people who are able to do the job they are employed to do in the first place. The issue of a lack of skills in both municipalities also arose in the interviews of this research. Some participants hold an opinion that only card-carrying members of the African National Congress are included and participate in ward committees. This is fundamentally wrong simply because irrespective who is in power, government should service all the people. They should give them information about public policies. Finally, against the background of the evidence, it is apparent that those who are well aware of Broad-Based Black Empowerment, Public-Private Partnership and the Integrated Development Plan are business people who are politically well connected.

**B.2d I do understand what the Integrated Development Plan is all about**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
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</tbody>
</table>

**B.2d Summary and Interpretation**

It must be noted that this table is linked to the frequency table (B.1d). Both tables are focusing on whether the respondents in the survey have an understanding about the Integrated Development Plan or not. Interestingly, both tables have similar results in terms of the answers.
given by the respondents. The consistency is that the respondents in these two tables outlined that they have an understanding of the Integrated Development Plan. The researcher did not use word for word quotations in graph (B.2d) because a number of verbatim quotations were employed in frequency table (B.1d). More particularly, the frequency table (B.2d) indicates in no uncertain terms that 86 percent of the respondents in the survey strongly agree that they do understand what the Integrated Development Plan (IDP) is all about.

This implies that by and large the respondents in this survey were speaking from an informed point of view about the Integrated Development Plan. Secondly, five percent of the respondents pointed out that they agreed with the statement. Thirdly, five percent of the respondents stated that they were unsure about the truth of the statement. Fourthly, two percent of the respondents outlined that they disagreed with the statement. Fifthly, there were no missing answers during the quantification of the data with regard to this graph. Finally it needs to be mentioned that the results of the survey in both tables (B.1d and B.2d) correlate with the findings that arose from the qualitative research with regard to the understanding of participants about the Integrated Development Plan.

**B.2e** I do understand what the Local Economic Development is meant for

<table>
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</table>

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204 A number of participants in this study were asked to describe the policies examined in this chapter in their own words to ascertain that they really understand them. Hence, a number of verbatim quotations are used in the text.
B.2e Summary and Interpretation

This table is directly linked with the frequency table (B.1e). There is a common denominator in both tables. The similarity is that a large majority of the respondents in both tables (.B1e and B.2e) indicated that they have an understanding about Local Economic Development. Both questions focus on whether the respondents have an understanding of what Local Economic Development is all about; despite the fact that the question is asked in a different way. Hence, the researcher did not use word for word quotations in the frequency table (B.2e) because verbatim quotations with regard to Local Economic Development have been used in (B.1e). With reference to frequency table (B.2e), 86 percent of the respondents in this survey stated that they strongly agreed that they understand what Local Economic Development (LED) is all about. This signifies that the respondents were speaking from an informed point of view with regard to Local Economic Development.

Secondly, only eight percent of the respondents pointed out that that they agreed with the statement. Thirdly, two percent of the respondents indicated that they are unsure about the truth of the statement. Fourthly, two percent of the respondents asserted that they disagreed with the statement. It must be noted that these individuals who indicated that they have no understanding about the Local Economic Development constitute a small minority. On the whole, the majority of the respondents in the survey and the participants of this qualitative research have an understanding about the Local Economic Development based on the evidence of this research. Fifthly, no respondents in this survey indicated that they strongly disagree with the statement.

B.2f Broad-based Black Economic Empowerment is only benefitting the few or rich

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<td>Agree</td>
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<td>Unsure</td>
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<tr>
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</tbody>
</table>
This issue was addressed by the following quotations:

‘At the moment, I am working for the Nelson Mandela Metropolitan Municipality. I can tell you beyond a shadow of doubt that Broad-based Black Economic Empowerment is only benefiting those who have relationships with politicians and public officials. A classic example is that the daughter of Govan Mbeki is getting a tender that has never been advertised. This tender is awarded behind closed doors. Moreover, it also leads to corruption because Public officials are accepting bribes first before giving tenders to bidders.’ (Public official)

‘Broad-based Black Economic Empowerment doesn’t help us. It helps those who know people with strategic positions in the Buffalo City.’ (Participant)

‘Broad-based Black Economic Empowerment is designed to create wealth for black people. It is meant to bring in black people to the economic mainstream. However, this policy benefits a few individuals’ (Elite interview)

B.2f Summary and Interpretation

This graph shows that 90 percent of the respondents in this survey outlined that Broad-based Black Economic Empowerment (BBEE) is only benefiting the few rich people. This implies that the vast majority of respondents in this research hold a view that only a few are benefiting from the policy. This is bad for democracy because the economic benefits of democracy are supposed to be felt by each and every person in South Africa. This is at the heart of economic freedom. Again, this also means that the Broad-based Black Economic Empowerment policy needs to be re-examined by policy-makers so that the majority of people can benefit from the economic spinoffs. It is worth noting that there is a direct relationship between the findings of the frequency table (B.1a) and this particular graph.

Both indicate that Broad-based Black Economic Empowerment is only benefiting a few people in both municipalities under the spotlight in this study. Secondly, five percent of the respondents indicated that they agreed with the statement. Thirdly, three percent of respondents stated that
they were unsure about the truth of the statement. Fifthly, only one percent of the respondents in this survey indicated that they disagreed with the statement. Sixthly, no respondents asserted that they strongly disagreed with the statement. With regard to qualitative research, the evidence in this study suggests that Broad-based Black Economic Empowerment breeds corruption at local government with specific reference to Buffalo City and Nelson Mandela Metropolitan Municipality. Public officials responsible for awarding tenders are accepting bribes, which is a sad state of affairs. In addition, what has arisen in this study is that only those who are politically well connected are benefiting from the Broad-based Black Economic Empowerment policy. Finally, it must be borne in mind that Broad-based Black Economic Empowerment is informed by neo-liberalism in the sense that it is meant to create a large middle class in order for this class to run the economy.

The assumption is that the economic benefits of economic growth would be felt by the poor on the ground. By so doing jobs and poverty would be addressed through the trickling-down effect. However, it must be noted that in as much as PPPs certainly are underpinned by neo-liberalism in the public sector, BBBEE is not easily associated with it. Municipalities, in terms of government policy, may retain the same formal procurement procedures without necessarily outsourcing more than before, and nonetheless add further provisions that BBBEE enterprises should receive preferential treatment in the allocation of outsourced contracts. As such, this represents greater government regulation, not less, and cannot be unproblematically equated with neo-liberalism, though it may be heavily influenced by it. Hence, the writer argues that although BBBEE is not neo-liberal per se; it is inspired by neo-liberalism in its practice as explained above.

**B.2g** Public-Private Partnership do not benefit the poor they only benefit the rich

<table>
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<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
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<td>0.2500</td>
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</table>
This aspect was emphasized strongly by the following quotations:

‘Partnerships are a way of solving problems. Nonetheless, I am acutely aware about the ideology at play with regard to Public-Private Partnerships. This ideology is neoliberalism premised on the assumption that the business must take the lead in terms of development. This [is] a textbook approach; in the real world the government must take the lead in promoting development. As a researcher, I can tell that it doesn’t benefit poor people.’ (An academic)

‘Public-Private Partnership is a way of stealing from the government, because it only benefits the public sector. This model must be abandoned by our government, simply because it doesn’t work in favour of the impoverished communities in South Africa. It is a neoliberal model; and its concern is about making profit no matter what.’ (Public official)

‘The core of the working class has no skills and is poor. The idea of neoliberalism has caused a crisis everywhere it has been implemented in the world. The notion is to make people pay for everything. You can call it whatever you want, Public-Private Partnerships or outsourcing is about accumulation or profit making. There has to be a bottom up approach.’ (Elite interview)

B.2g Summary and Interpretation

This graph indicates that 88 percent of the respondents in this survey strongly agree with the statement that Public-Private Partnerships do not benefit the poor, they only benefit the rich. This implies that Public-Private Partnerships are not pro-poor instead they are benefiting the elite. It is worth noting that this graph is directly linked with the findings of B.1b and B.2b with regard to Public-Private Partnerships that suggest that Public-Private Partnerships do not benefit the poorest of poor but rather the elite. This defeats the whole purpose this model is meant for. In a few well-chosen words, it means that the Public-Private Partnership model is not working for the working class or the poor. Secondly, three percent of the respondents pointed out that
they agreed with the statement. Thirdly, only four percent of the respondents asserted that they were unsure about the truth of the statement. Fourthly, three percent of the respondents stated that they disagreed with the statement.

With regard to the qualitative research, the majority of the participants fully concur with the findings of this survey that this model benefits the rich and not the poorest of the poor. Participants describe it as a neo-liberal model of development. They regard it as a way of stealing from the government of the day. This means that the ruling party in both municipalities should review this model of development. The government must take the lead with regard to development. Development must not be driven by market forces. The main reason why millions of poor people vote for the ruling party is that they want their lives to be improved.

**B.2h** The aims of the Integrated Development Plan are not achieved by the municipalities in the Eastern Cape

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
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<th>Percent</th>
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<td>400</td>
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</tr>
</tbody>
</table>

A number of participants voiced their views:

‘I was in Brazil, where the Integrated Development Plan (IDP) is also implemented. We were taken to a number of municipalities. In Brazil, public participation does take place. The IDP idea is not working in South African municipalities because there is no public participation.’ (Elite interview)

‘The Integrated Development Plan is developed by a few people without community involvement. There is no public participation at ward level. A number of municipal councils are dysfunctional in the Eastern Cape due to political internal
fights and this affects service delivery. Everything is politicized; politicians and public officials are concerned about tenders and their friends not about poor people.’ (Participant)

B.2h Summary and Interpretation

Firstly, 88 percent of the respondents in this study outlined that they strongly agreed that the aims of the Integrated Development Plan are not achieved by municipalities in the Eastern Cape. This means that a number of Integrated Development Plan policies in the Eastern Cape are failing to achieve their desired outcomes. It must be noted that the issue of the Integrated Development Plan in this graph is linked with findings of B.1d and B.2d. This signifies that the findings of this study are consistent with regard to the failure at local government. Moreover, this graph focuses on the Integrated Development Plan in the Eastern Cape so the failure of the Integrated Development Plan is not only found in Buffalo City and Nelson Mandela Metropolitan Municipality. However, it is a phenomenon which exists throughout the municipalities in the Eastern Cape Province. Secondly, three percent of the respondents indicated that they agreed with the statement.

Thirdly, six percent of the respondents stated that they were unsure about whether they agree with the statement. Fourthly, only 2 percent of the respondents asserted that they disagreed with the statement. With regard to the qualitative research, these findings are linked to the views of the respondents of the survey that the aims of the Integrated Development Plan are not achieved by the municipalities in the Eastern Cape. This problem is attributed to the lack of public participation at local government throughout the Eastern Cape. Again, a lack of political will, corruption and greed of both political leaders and public officials were highlighted as causes of the failure of the Integrated Development Plan.
B.2i I have never participated in the policy-making of the IDP in my municipality

<table>
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<tr>
<th>Category</th>
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</table>

B.2i Summary and Interpretation

A large majority of 90 percent of the respondents indicated that they strongly agreed with the statement that they had never participated in the policy-making of the Integrated Development Plan (IDP) of their areas. Secondly, three percent of the respondents stated that they agreed with the statement. Thirdly, three percent of the respondents outlined that they were unsure about the truth of the statement. Fourthly, two percent of the respondents pointed out that they disagreed with the statement. Fifthly, none of the respondents asserted that they strongly disagreed with the statement. Finally, none of the answers went missing.

This signifies a sad state of affairs with regard to public-participation at local government in the Eastern Cape. It has been explained in this study that it is widely accepted that public participation is at the heart of democracy. The municipalities in the Eastern Cape cannot purport to be democratic when their own citizens are not participating at local government level. Again, it is worth noting that this graph has a connection with B.1d, B.2d, and B.2g frequency tables. All those frequency tables outline the same findings, that there is very little public participation at local government in the Eastern Cape. A number of verbatim quotations in this chapter have been used asserting this issue.

With regard to democracy, according to Abraham Lincoln, cited in Heywood (2002:68), it refers to the ‘government of the people, by the people and for the people’. This means that public participation is the hallmark of democracy. Thus, one can conclude that without public participation there is no democracy. Public policies such as the Integrated Development Plan
should be made in conjunction with people from all walks of life. This view is echoed by Tsatsire when he argues that ward committees are a mechanism through which public participation can be enhanced at local government in South Africa (2008:182). John Burton holds the opinion that democracy signifies that people have the freedom to take part in the activities of government. According to him, democracy is about taking seriously the views of the majority, without sidelining the minority groups in decision making (1996:25).

**B.3a Affirmative action is not fair to white people**

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<tr>
<td>In most cases</td>
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<td>6</td>
</tr>
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This aspect is addressed by a number of quotations:

‘Coloureds, Indians and whites feel marginalized by the current ruling party. We do not benefit anything at the moment. Affirmative action is only for blacks not for whites, Coloureds and Indians. The majority of the budget goes to black townships in Buffalo City and Nelson Mandela Metropolitan Municipality. What about white, Coloured and Indians areas?’ (Participant)

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205 According to Tsatsire, public participation is an integral part of any municipality in South Africa. He goes on to say that the mandate of the electorate is given to politicians at municipal level and cannot be carried out without the active involvement of local communities. He holds the opinion that poor people at grass roots level should pioneer initiatives, *including their implementation, monitoring and evaluation. Public participation is a constitutional and legal requirement. This means that it is not optional, but must be achieved and provided. The community should not merely be consulted, but should undertake an active role in matters of governance. The Constitution of the Republic of South Africa, Act 108 of 1996, as well as all subsequent legislation, make provision for this need and also provide mechanisms to enhance public participation. Public participation needs to be institutionalized to make it the process of government.* He suggests that municipalities need to audit Ward committees every now and then. He concludes by arguing that members of the public from each and every ward should be given an opportunity to attend council and procurement meetings with the aim of enhancing public participation within municipalities (2008:2001-338).
'The blacks are looking after themselves. It's like saying that I am there for you, but that is not happening. Some black people are using their blackness to enrich each other’ (Elite interview)

‘All I see in the new South Africa is black people who are driving big cars at the expense of the poorest of poor’. (Participant)

B.3a Summary and Interpretation

Firstly, 87 percent of the respondents in this survey indicated that they think Affirmative Action is not fair to white people all the time. It must be noted that this is a very serious matter which should not be taken lightly, because it is about human needs. In other words, it is about jobs and the economic benefits coupled with employment, etc. The marginalization of white people could also lead to a major conflict in society between blacks and whites in South Africa simply because on a large scale white people feel discontented about Affirmative Action. Secondly, four percent of the respondents stated that they think Affirmative Action is not fair to white people in most cases. Thirdly, four percent of the respondents pointed out that they thought that Affirmative Action is not fair to white people, sometimes. Fourthly, two percent of the respondents held the view that they think Affirmative Action is not really fair to white people. Fifthly, two percent of the respondents outlined that they thought that Affirmative Action is not a problem at all to white people. Sixthly, this graph shows that none of the answers went missing.

With regard to qualitative research, there was a general agreement that Affirmative Action is unfair to white people. Some whites, Coloureds and Indians in this study felt that Affirmative Action is only benefiting black people. This matter is indicated by direct quotations from below the (B.2a) above. According to Robert Dahl, democracy is not only about deliberation of public policies; it also about understanding and respecting the needs of other racial groups (1989:16). Each and every racial group in the new South Africa should be respected and allowed to benefit from the fruits of democracy. Affirmative Action is reverse apartheid in the sense that it is a way
of including a specific racial group in the mainstream economy at the expense of another racial group.

**B.3b Only black people are considered when tenders are awarded in municipalities**

<table>
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</table>

This aspect is emphasized by a number of quotations:

‘Business opportunities in the main are accessed by black people at local, provincial and national government. The attitude in this country is that you go out there, get something for yourself and then keep it, even if you are disadvantaging someone else’. (Elite interview)

‘The majority of the people who are getting tenders in both municipalities are blacks. Nothing is happening for whites, blacks mainly are benefiting in the awarding of tenders’. (Participant)

**B.2b Summary and Interpretation**

Firstly, 88 percent of the respondents in this survey stated that they thought that only black people are considered when tenders are awarded in municipalities all the time. This means findings signify rampant racism in both municipalities. This phenomenon is going to increase the poverty amongst the poor whites, because according to the evidence of this study, white people are economically marginalized at local government level with regard to Affirmative Action and the tendering process.
This approach cannot unify the nation when a particular racial group feels sidelined with respect to employment and business opportunities. Secondly, three percent of the respondents held the view that they thought that only black people were considered when tenders are awarded in municipalities in most cases. Thirdly, three percent of the respondents indicated that they think only black people are considered when tenders are awarded in municipalities sometimes. Fourthly, three percent of the respondents pointed out that they thought that it is not really the case that only black people are considered when tenders are awarded in municipalities. Fifthly, only two percent of the respondents outlined that they thought it is not a problem at all when only black people are considered when tenders are awarded in municipalities. With respect to qualitative research, views articulated by the participants were directly linked to the findings of the survey that only black people are considered when tenders are awarded in both Buffalo City and Nelson Mandela Metropolitan Municipality. This is indicated by direct quotations below table B.3a and table B.3b of this chapter.

**B.3c** White people are not benefiting from Affirmative Action and Broad-based Black Economic Empowerment (BBBEE)

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<tr>
<td>In most cases</td>
<td>12</td>
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<td>Sometimes</td>
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<td>378</td>
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<tr>
<td>Not really</td>
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<td>400</td>
<td>0.50000</td>
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</tr>
</tbody>
</table>

This matter is stressed by the following quotations:

‘Affirmative Action and Broad-based Black Economic Empowerment is the same thing. It is about the economic marginalization of whites’. (Participants)

‘You just see black people getting economic benefits all the time’. (Elite interviews)
‘The ANC is only concerned about black people in the new South Africa. The same people expect us to vote for them in the next elections.’ (Participant)

B.3c Summary and Interpretation

Firstly, 89 percent of the respondents in this survey indicated that white people are not benefiting from Affirmation Action and Broad-based Black Economic Empowerment all the time. This signifies that there is a need to review these policies simply because they do not enhance social cohesion. It is practically impossible to achieve the objectives of social cohesion when white people are excluded from the economy. Secondly, three percent of the respondents stated that white people are not benefiting from Affirmation Action and Broad-based Black Economic Empowerment in most cases. Thirdly, three percent of the respondents held a view that white people are not benefiting from Affirmation Action and Broad-based Black Economic Empowerment sometimes. Fourthly, three percent of the respondents pointed out that they think white people are not really benefiting from Affirmation Action and Broad-based Black Economic Empowerment. Fifthly, two percent of the respondents indicated that it is not a problem at all that white people are not benefiting from Affirmation Action and Broad-based Black Economic Empowerment.

With regard to qualitative research, there is a link between the findings of the survey and qualitative research in the sense that both findings are in agreement that Affirmative Action and Black Economic Empowerment are sidelining white people from participating in the economy. From the standpoint of this study these public policies cannot enhance social cohesion; precisely because the issue of social cohesion cannot be addressed when white people are discontented about the status quo with reference to economic empowerment.\textsuperscript{206}

\textsuperscript{206} This view is echoed by conflict resolution expert, John Burton, when he argues that scientific research in social sciences indicates that social conflict is normally caused by lack of job opportunities, and economical exclusion of the minority groups. He goes on to assert that social conflict is created by the structural problems of the economy (1996:1). It must be noted that the structural problems Burton is alluding to are caused by neo-liberal policies such as Broad-based Black Economic Empowerment, privatization and flexible labour laws, etc. This conclusion is supported by the evidence of this study. With regard to minority groups, social cohesion cannot be achieved as long as the minority groups are discontented about the economic status quo.
According to Bradshaw, citing the UK government commission report, social cohesion is linked to the human needs or material conditions of the people. The report shows that material conditions are fundamental to social cohesion, particular employment, income, health, education, and housing. Relations between and within communities suffer when people lack work and endure hardship, debt, anxiety, low self-esteem, ill-health, poor skills and bad living conditions. These basic necessities of life are the foundation of a strong social fabric and important indicators of social progress (2011:1). This line of thinking re-affirms the argument advanced by the researcher that social cohesion lies at the heart of human needs.

**B.3d** White people are not happy about the policy implementation of Affirmation Action, Broad-based Black Economic Empowerment

<table>
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<tr>
<th>Category</th>
<th>Count</th>
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<td>Sometimes</td>
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</table>

**B.3d Summary and Interpretation**

First and foremost, seven percent of the respondents indicated that white people are not happy about the policy implementation of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnerships all the time. This lower percentage means that some white people are tolerant of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnership. With regard to Affirmative Action and Broad-based Black Economic Empowerment, this tolerance does not mean that by and large white people embrace Affirmative Action and Broad-based Black Economic Empowerment. Secondly, 86 percent of the respondents pointed out that white people are not happy about the policy implementation of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnership in most cases.
It must be noted that, the above statement that 86 percent of white people are not happy about the policy implementation of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnership in most cases is directly linked with B.3a, B.3b, and B.3c. All these findings show the same thing, namely that white people are discontented and feel economically marginalized by Affirmative Action and Broad-based Black Economic Empowerment. Thirdly, three percent of the respondents asserted that white people are not happy about the policy implementation of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnership. Fourthly, one percent of the respondents in this survey pointed out that white people are not really happy about the policy implementation of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnership. Fifthly, two percent of the respondents indicated that the fact that white people are not happy about the policy implementation of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnership is not a problem at all.

With regard to the qualitative research, there is a correlation between the findings of the survey and the qualitative study. Both confirm the same thing - that white people are not happy about the policy implementation of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnership in most cases. In this frequency table (B.3d) no verbatim quotation was used simply because a number of quotations were employed already with reference to white people and policy implementation of Affirmation Action, Broad-based Black Economic Empowerment, Local Economic Development and Public-Private Partnership.

**B.3e** Most whites are leaving the country because of Affirmative Action, LED, BBEE and PPP

<table>
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<tr>
<td>In most cases</td>
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<td>368</td>
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<tr>
<td>Sometimes</td>
<td>12</td>
<td>380</td>
<td>3.0000</td>
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<tr>
<td>Not really</td>
<td>10</td>
<td>390</td>
<td>2.5000</td>
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</tr>
<tr>
<td>Not a problem at all</td>
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<td>400</td>
<td>0.2500</td>
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</table>
This matter is emphasized by the following relevant quotations:

‘A number of white people with good skills are leaving the country, because they are unhappy about Affirmative Action and Broad-base Black Economic Empowerment’. (Elite interview)

‘There is an exodus of white people going to overseas to look for greener pastures. They feel that there is no place for them in the new South Africa, because blacks are considered first when it comes to employment and economic empowerment’. (Participant)

**B.3e Summary and Interpretation**

On a smaller scale, six percent of the respondents in the survey indicated that most whites are leaving the country because of affirmative action, Local Economic Development, Broad-based Black Economic Empowerment and Public-Private Partnership, all the time. This does not mean that white people are not leaving the country on a larger scale, because the following findings in the same graph outline that white people are leaving the country. Secondly, 86 percent of the respondents pointed out that most whites are leaving the country because of Affirmative Action, Local Economic Development, Broad-based Black Economic Empowerment and Public-Private Partnership in most cases. These findings speak volumes, simply because it can be concluded on the basis of these findings that Affirmative Action and Broad-based Black Economic Empowerment in the main are the causes of an exodus of white people abroad.

Ngcuka (2006:7) maintains that the government has identified a shortage of skills when it comes to chartered accountants, engineers, natural scientists, mathematicians, artisans and IT specialists. Some of these people who have scarce skills are whites who have left the country (Ibid.). In order to avoid this exodus of white people with scarce skills overseas there is a need for a policy review with regard to Affirmative Action and Broad-based Black Economic Empowerment. A total overhaul of Affirmative Action and Broad-based Black Economic Empowerment is needed in order to retain the whites who are highly skilled and have scarce
skills. It must be noted that South Africa cannot develop without the scarce skills pointed out above. This means that issues such as poverty, unemployment, economic growth, etc., cannot be addressed fully without the necessary skills needed by the economy. Thirdly, three percent of the respondents outlined that most whites are leaving the country because of Affirmative Action, Local Economic Development, Broad-based Black Economic Empowerment and Public-Private Partnership, sometimes. Fourthly, 3 percent of the respondents stated that most whites are not really leaving the country because of affirmative action, Local Economic Development, Broad-based Black Economic Empowerment and Public-Private Partnership. Fifthly, two percent of the respondents indicated the fact that most whites are leaving the country because of Affirmative Action, Local Economic Development, Broad-based Black Economic Empowerment and Public-Private Partnership is not a problem at all. Sixthly, none of the respondent’s answers went missing. With regard to the qualitative research, there was an agreement amongst the participants that Affirmative Action and Broad-based Black Economic Empowerment are causing an exodus of white people abroad.

The solution is to do away with Affirmative Action and Broad-based Black Economic Empowerment and invest in quality education by enabling those people who are historically disadvantaged to study courses that are needed by the economy; to encourage them to work hard and to enable them to live a good life. Moelesi Mbeki argues that Affirmative Action and its subset, Broad-based Black Economic Empowerment are bad public policies simply because they are creating a culture of entitlement amongst black people (cited in the Herald, 2011/03/14). This means that some black people are looking for handouts instead of working hard.
SECTION C

C.1a  Officials do not work closely with the politicians at local government

<table>
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<td>355</td>
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<tr>
<td>To an extent</td>
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<td>369</td>
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</table>

This matter is emphasized by the following verbatim quotations:

‘There is a tension between politicians and public officials. For example, here in Buffalo City, in most cases public officials are more informed and skilled than politicians. Politicians become arrogant and do not listen to public officials and they just impose orders to be implemented even though they are wrong sometimes. On the other hand, public officials do not implement the resolutions of the council. Politicians are sometimes given big documents that they cannot read because they are too long’. (Elite interview)

‘Politicians are not working very closely with the public officials in the Nelson Mandela Metropolitan Municipality. They are in political positions for themselves. They only increase their salaries. I was also a victim of a political onslaught because I refused to toe the line of politicians. I was falsely accused of corruption. The Congress of the People (COPE) members are harassed for leaving the ANC. These political infightings do cripple service delivery. It takes a long time for disciplinary hearings to be held.’ (Public Official)

‘Sometimes politicians and public officials fight because of the system. For an example, a number of public officials turn to become politicians when executing their duties. If a person has a senior position in the African National Congress that
person will undermine senior officials in the municipality who do not hold a senior position in the ANC. The role of the municipal manager, mayor speaker, etc., should be defined to avoid a conflict in their functions’. (An expert)

‘In both municipalities, politicians would rather do things for themselves than for their workers. They are only enriching themselves and their friends and families, etc. In the process a number of people are left poor on the other hand’. (Participant)

C.1a Summary and Interpretation

A large number of 89 percent of the respondents in the survey indicated that yes, very much, officials do not work closely with politicians at local government. These findings reveal a terrible phenomenon in both municipalities precisely because service delivery cannot occur without a hand-in-glove approach by both politicians and public officials. This implies that politicians and public officials need to work side by side in order to enhance service delivery. There is an old Kenyan idiom that says ‘when two elephants fight the grass suffers’. In this context, this means that when both politicians and public officials fight, that affects service delivery. It must be noted that the people on the ground normally feel the negative effects of lack of service delivery simply because they are the poorest of the poor. Secondly, three percent of the respondents pointed out that to an extent public officials do not work closely with politicians at local government. Thirdly, three percent of the respondents stated that they were undecided whether the officials did not work closely with politicians at local government. Fourthly, 1 percent of the respondents asserted that officials do not work closely with politicians at local government, only rarely. Fifthly, three percent of the respondents held a view that it is not true that officials do not work closely with politicians at local government. Sixthly, none of the answers of the respondents were missing. With regard to qualitative research, there is a strong link between the findings of the survey and what arose from the in-depth interviews with reference the conflict between politicians and public officials. Both findings confirm that every now and then conflicts do occur.²⁰⁷

²⁰⁷ Please see verbatim quotations below table C.1a that justify the conclusions and interpretations
It must be borne in mind that this tendency in both municipalities does hamper development. This does not mean that it is the only variable that is a cause of lack of development in these municipalities. Again, some politicians tend to victimize public officials by suspending them unlawfully when they refuse to break the law or engage in corruption. This is tantamount to an abuse of power by politicians. At the same time this does not mean that public officials do not break the law sometimes. Public officials and politicians need to inculcate a culture of discipline. Discipline must be enforced when both politicians and public officials transgress the law. This means that these municipalities through proper procedures need to get rid of politicians and public officials who are breaking the law or who do not service the interests of the people. It must be noted that there is a common denominator in both municipalities with regard to conflicts between politicians and public officials. For example, in Buffalo City, the municipality has not had a municipal manager for a long time simply because politicians and public officials were fighting in terms of who should be employed as a municipal manager to the extent that the Minister of Local Government, Sicelo Shiceka, had to intervene by deploying Dr. Lulama Zitha as a municipal manager of Buffalo City. At some point, the Daily Dispatch newspaper reported that Dr. Lulama Zitha was dismissed from her previous job due to corruption. The current mayor of Buffalo City has had conflict with the municipal manager Dr. Lulama Zitha. Equally, in the interviews it was pointed out that Buffalo City has been dysfunctional for a long time because of a lack of co-operation between politicians and public officials. However, this is not the only reason for the dysfunctionality of Buffalo City. Other reasons for the dysfunctional state of the Buffalo City municipality will be outlined later on in this chapter.

The same can be said about the Nelson Mandela Metropolitan Municipality. For instance, in 2005 the former mayor (Nceba Faku) of this municipality was in conflict with the former municipal manager (Mr.Mzimasi Mancwotywa). The municipal manager was fired due to his battles with Mr. Nceba Faku. This matter divided the employees of the Nelson Mandela Metropolitan Municipality. Again, from 2009 until 2010, the former municipal manager Graham Richards was suspended for having differences with the political leaders of the municipality. According to Hayward (cited in the Herald, 24/03/2011), Graham Richards was suspended on full pay for ‘15 months before being given a R2.6 million golden handshake last November’.

According to the Eastern Cape department of local government (Kabuso report), a number of projects in the Nelson Mandela Metropolitan Municipality through the mechanism of Public-Private Partnerships
These examples are given to provide evidence of conflict and a lack of co-operation between politicians and public officials in these two municipalities.

**C.1b** Officials and politicians are not committed in service delivery

<table>
<thead>
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<th>Category</th>
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<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<td>90.7500</td>
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<td>To an extent</td>
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<td>376</td>
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<tr>
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<td>1</td>
<td>400</td>
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</table>

This matter is addressed by the following relevant quotations:

‘There is no capacity in the municipality of Buffalo City to render services. The problem in the municipality is that everything is politicized in the sense that a number of public officials are appointed politically not on the basis of their educational qualifications. When these political appointments are made you can see that these people are not here to improve the lives of the people but they are here to loot the resources of the municipality. The municipality needs to embrace the *Batho Pele* which means putting people first’ (Participant).

‘Public officials and politicians should be the servants of the people. They must be beyond reproach. Performance management systems for public officials should be used all the time to measure their performance. Most of the public officials and politicians are concerned about benefiting from Broad-based Black Economic Empowerment.

have benefited senior ANC leaders who are politically well connected and not the poorest of poor (2011:1-47). Again, this report points out that in most cases the Municipal Finance Management Act of 1999 is not followed in this municipality when tenders are awarded to private companies. Finally, this report recommends that legal charges are pressed against those politicians and business leaders who have broken the law in the Nelson Mandela Metropolitan Municipality (ibid). Please see chapters two and four on this matter with regard to corrupt activities in Public-Private Partnerships and Broad-based Black Economic Empowerment.
Empowerment and tenders in both municipalities. Batho Pele should be made a law not just a policy. Because when you break a policy you don’t get arrested but when you break a law you getting arrested’ (Elite interview)

‘The Nelson Mandela Metropolitan Municipality has no capacity to render service; because the people in charge are employing friends. Some people are employed even though they have irrelevant qualifications. The Department of Economic Development in this municipality is headed by someone from the former Transkei.’
(Public official)

C.1b Summary and Interpretation

90 percent of the respondents indicated that yes, very much, officials and politicians are not committed to service delivery. This is a sad state of affairs, because it implies that those in charge of service delivery in both municipalities are serving their own personal interest at the expense of the people. Public officials need to take ownership of government. This means that they must be loyal to the government or the employer. They must know that the government is not Jacob Zuma per se. He is just the embodiment of the country and they are the foot soldiers on the ground. Some people expect things to be done when the State President expresses a feeling of discomfort. Secondly, with regard to the survey, three percent of the respondents stated that, to an extent, officials and politicians are not committed to service delivery. Thirdly, two percent of the respondents asserted that they were undecided about whether the officials and politicians are or are not committed to service delivery. Fourthly, no respondents pointed out that officials and politicians are only rarely not committed in service delivery. Fifthly, only two percent of the respondents held a view that it is not true that officials and politicians are not committed in service delivery. Sixthly, none of the respondents’ answers were missing.

With reference to the qualitative research, there was an agreement amongst all the participants that politicians and public officials are falling short with regard to service delivery. In plain English, they are failing to deliver service to masses of the people. There has to be a paradigm shift with regard to the mindset of the powers that be. Both politicians and public officials need to know that they are holding their positions to serve the people, and not themselves. This
means that people need to know why they are working for the government in the first place.

According to Moeletsi Mbeki, Affirmative Action and Broad-based Black Economic Empowerment should be cited for corrupting both politicians and public officials in South Africa and shifting the focus away from service delivery into looting state resources by being concerned about bribes with regard to tenders, not about improving the lives of the people (cited in the Herald, 2011/03/14). Finally, another issue that arose in the interviews was that both municipalities do not have good public officials who can do planning, deal with budgetary matters, etc., simply because of deployment. This means that people are appointed politically, not because they hold the necessary qualifications that are needed in these municipalities. This phenomenon also affects the status quo with respect to service delivery in these municipalities.

### C.3c Corruption is a problem at local government

<table>
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This matter is illustrated by the following quotations:

‘Politicians and public officials must stop engaging in corruption in both municipalities (Buffalo City and Nelson Mandela Metropolitan Municipality). One day people will get angry and start a civil war. There is rampant corruption in both municipalities. Politicians get in power to loot the resource of government. At the same time, public officials alongside politicians are practicing nepotism in these municipalities’ (Elite interviews).
‘Corruption is a problem at local government level. I am doing business with both municipalities; public officials and politicians want bribes before you get a tender. Neo-liberal policies such as Broad-based Black Economic Empowerment are corrupting politicians and public officials’ (Participant).

C.3c Summary and Interpretation

A large majority of 92 percent of the respondents in the survey asserted that yes, very much, corruption is a problem at local government. This means that the majority of the people in both Buffalo City and Nelson Mandela Metropolitan Municipality are well aware of corruption in these municipalities. It must be noted that corruption is a bad thing simply because it prevents services from being rendered. According to Bauer, corruption happens as a result of ‘greed, patronage, nepotism, bribery, ghosting, bid-rigging…and kickback’. He argues that corruption is caused by the abuse of power for personal interest or profit. He concludes by asserting that both public officials and politicians are engaging in corruption at the expense of the people they are serving (2005:21). This means the public is likely to be affected by the effects of corruption, especially the poorest of the poor. Neo-liberalism provides a lot of scope for corruption.209

Neo-liberalism is caused by greed to maximize profit for personal interest. This view is echoed by Bauer when pointing out that greed is about seeking personal gain by both politicians and public officials at the expense of the masses (2005:22). This matter also arose in the interviews and will be discussed thoroughly later on as the debate unfolds. Secondly, with regard to the survey one percent of the respondents indicated that corruption is a problem at local government, to an extent. Thirdly, three percent of the respondents pointed out that they were undecided whether corruption is a problem at local government. Fourthly, none of the respondents was of the opinion that corruption is rarely a problem at local government. Fifthly, only two percent of the respondents held a view that it is not true that corruption is a problem at local government. Sixthly, none of the answers of the respondents went missing. With regard to qualitative research, it shows a link between its findings and the survey.

209 It must be noted that the tendering process through Broad-based Black Economic Empowerment corrupts public officials and politicians within state machinery. This does not imply that there is no corruption in the private sector. The South African Communist Party and a certain section within the ruling party have argued vociferously that neo-liberalism is causing corruption in government.
By and large, participants cited BBBEE as a variable that is escalating corruption in both municipalities. However, this does not mean that corruption is confined only to BBBEE. There are other variables as pointed out above associated with corruption such as nepotism and bribery, etc.\textsuperscript{210} According to Stander (cited in the Weekend Post, 04/03/ 2011), the MEC of Local Government in the Eastern Cape released a report in 2011 asserting that close to 4 million rand in the Nelson Mandela Metropolitan Municipality could not be accounted for ‘after payments were made for services not rendered and goods not received. She goes on to say that ‘in Buffalo City a huge amount of money was lost due to fruitless expenditure, fraud and wasteful spending’. According to the Auditor General Report (2010/2011:1-2), since 2005 Buffalo City has been getting disclaimers, adverse and qualified reports. These finding by the Auditor General signify the extent of corruption in Buffalo City.

These findings signify that corruption is embedded in Buffalo City and Nelson Mandela Metropolitan Municipality. Prominent political analyst Sipho Seepe argues that corruption causes a lack of development in society. He further asserts that even the ‘father of the nation’ in South Africa, Nelson Mandela has acknowledged in public that corruption is a problem within the African National Congress (2006:145-146). Similarly, in 2005 the former Premier of the Eastern Cape government Nosimo Balindlela appointed Judge Ronnie Pillay to investigate corruption in the province within the state machinery. The Pillay Commission found that four senior politicians of the ruling party (Stone Sizani, Makhenkesi Stofile, Enoch Godongwana and Mcebisi Jonas) had been involved in corruption. More specifically, the families of these politicians according to Pillay report were alleged to have benefited about R200-million illegally while doing business with the Eastern Cape Development Corporation (ECDC) then headed by Mcebisi Jonas (Pillay’s Report, 2008:1-5).\textsuperscript{211} This shows that the business and political elites, through the BBBEE, PPPs, and outsourcing of services, are using their strong networks (associated political social capital resources) in their efforts for personal accumulation. Again, this shows the linkages of such practices to the construction and reproduction of neo-liberal discourses at different levels of government. Only thirteen out of 283 municipalities obtained clean reports in South Africa in the 2010/2011 financial year (Auditor General, 2010/2011:11). This implies that by and large there is corruption, unethical behavior and unprofessionalism

\textsuperscript{210} See the work of Bauer (2005) with regard to the forms of corruption
\textsuperscript{211} See also, http://www.iol.co.za/new/politics/withdraw-fraud-report-judge-told-1.408199?ot=in...
amongst the civil servants and politicians of municipalities in South Africa. However, this does not mean that all the public officials and politicians are corrupt at local government level in South Africa.

**C.1d** Tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
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</table>

This matter is addressed by the following quotations:

‘Some tenders are not advertised in the newspapers in a number of municipalities in the Eastern Cape. Simply because they are meant for friends, wives, boyfriends and girlfriends, etc., of politicians and public officials’. (Public official)

‘Public officials in the Eastern Cape municipalities who are refusing to ignore tender procedures are normally fired by their political heads or accused of something they did not do’. (Elite interview)

**C.1d Summary and Interpretation**

On the whole, 91 percent of the respondents in this survey indicated that yes, very much, tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape. It is worth noting that breaking laws with regard to tendering processes is linked to corruption. According to the evidence of this research, corruption is the order of the day in the Eastern Cape municipalities especially with reference to Nelson Mandela Metropolitan Municipality and Buffalo City. Tenders that are to be awarded are supposed to comply with the
BBBEE; however the principles of BBBEE policy are ignored over and over, again. This is confirmed by the survey and qualitative findings of this research. Secondly, with regard to the survey, two percent of the respondents stated that tender procedures are not always followed when awarding tenders in municipalities in the Eastern Cape. Thirdly, two percent of the respondents pointed out that they were undecided whether tender procedures are followed or not when awarding tenders in municipalities in the Eastern Cape. Fourthly, one percent of the respondents were of the opinion that it is rare that tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape. Fifthly, only two percent of the respondents held a view that it is not true that tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape. Sixthly, none of the answers went missing. With regard to the qualitative research, there was no contradiction between the survey and qualitative findings. This means that there is a connection between the qualitative and quantitative findings that tender procedures are normally not followed when awarding tenders in municipalities in the Eastern Cape.

**C.1e Politicians are interfering in the tendering process in municipalities**

<table>
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This matter is highlighted by the following quotations:

‘The Municipal Finance Management Act was promulgated by the South African Local Government Association (SALGA) in 1998 to prevent politicians in South Africa from getting involved in tendering processes. However, this Act is violated by politicians in the Eastern Cape Province’. (Public official)
'There is political interference in the tendering process in municipalities in the Eastern Cape. The politics of competition is destroying municipalities in our province. Politicians want to enrich themselves by manipulating tender processes in order for them to get rich quickly. Sometimes officials are told to give tenders to companies who fell short with regard to the Broad-based Black Economic Empowerment because these companies are linked to the influential politicians’ (Elite interview).

C.1e Summary and Interpretation

Firstly and most importantly, 90 percent of the respondents indicated that yes, very much, politicians are interfering in tendering processes in municipalities. This means that politicians are breaking the laws of the Municipal Finance Management Act which prohibits them from getting involved in the tendering process. Again, this matter is linked to corruption precisely because breaking the law or violating the principles of the Municipal Finance Management Act is tantamount to corruption. Secondly, with regard to the survey, three percent of the respondents pointed out that politicians are interfering in the tendering process in municipalities to an extent. Thirdly, three percent of the respondents asserted that they were undecided about whether politicians are interfering in tendering processes in municipalities. Fourthly, none of the respondents stated that politicians are rarely interfering in tendering process in municipalities. Fifthly, two percent of the respondents held a view that it is not true that politicians are interfering in tendering process in municipalities. Sixthly, none of the responses went missing.

With regard to qualitative research, there is a direct relationship between the survey and in-depth interviews. The issue that arose over and over again was that politicians in both Nelson Mandela Metropolitan Municipality and Buffalo City are getting involved in the tendering process.
C.1f Municipalities are holding unnecessary parties and functions

<table>
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</table>

This matter is addressed by the following quotations:

‘Public officials together with politicians in these municipalities are engaging in fruitless or wasteful expenditure by organizing unnecessary parties and functions which have nothing to do with service delivery. These events are organized because some of their friends are receiving tenders in the process’ (Public Official)

‘When the financial year is about to come to an end, public officials and politicians are spending money like nobody’s business, because they do not want to return some of the money to the national treasury. So, they organize parties, music events and bring prominent artists from different parts of the world or country’. (Elite interview)

C.1f Summary and Interpretation

Firstly, 91 percent of the respondents in this survey stated that yes, very much; municipalities are holding unnecessary parties and functions. This implies that those who hold administrative and political positions in the Eastern Cape do not care about service delivery because parties and functions are done for fun; not for improving the lives of the people. Again; this is a violation of the Municipal Finance Management Act (56 of 2003 and 2008) which is against fruitless or wasteful expenditure. Secondly, with regard to the survey, three percent of the
respondents indicated that municipalities are holding unnecessary parties and functions to an extent. Thirdly, two percent of the respondents pointed out that they were undecided whether municipalities are holding unnecessary parties and functions. Fourthly, none of the respondents stated that municipalities are rarely holding unnecessary parties and functions. Fifthly, only one percent of the respondent held a view that it is not true that municipalities are holding unnecessary parties and functions. Sixthly, none of the answers of the respondents went missing.

With reference to the qualitative research, there was no contradiction whatsoever with the findings of the survey. This is an interesting phenomenon; simply because it signifies that the powers that be are not interested in the eradication of poverty or development, they are only interested in having a good time at the expense of the masses. There has to be a change of mindset with regard to the conduct of politicians and public officials. Those who are at the helm of power are there to serve people not enrich themselves or live a good life through corruption.

**C.2a Service delivery has been improving at local government since the Zuma administration**

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This aspect is emphasized by the following assertions:

‘I do not see any change at policy level and implementation level precisely because people are still impoverished in South Africa. Things are worse after Mbeki has been removed.’(Elite interview)

‘There is a big difference between the new and the old leadership of the ANC. The old ones were thinking in relation to economic matters, due to their academic
backgrounds, training. The new leadership, Polokwane leaders were lucky; they got Gwede Mantashe who has a skill of Administration. Remember he was at the Mines as a member of NUM, but he is still a chairperson of the South African Communist Party.’ (Participant)

‘Yes, the ANC is talking about an increase of grants, to me that is a shift. Thabo Mbeki was guided by the Finance Minister, during his time we had a surplus but now we have a deficit.’ (Elite interview)

‘Communities are encouraged to evaluate the strategic objectives of the Integrated Development Program (IDP), however, municipalities need to educate communities about the IDP. You cannot monitor something you do not know. Hence, it is of great importance for ordinary people to be educated about the IDP. Communities have sections like business, disabled people and churches etc. Imbizo’s are a good political platform for public participation. Communities are not aware that they can lobby and petition politicians at local government level.’ (Public official)

‘No, there is no emphasis on service delivery by the new ANC leaders. Money is still brought back by state institutions. You will see that at the end of the financial year of the municipality in July.’ (An academic)

‘Well, I don’t know, but there is a promise, maybe its lip service.’ (Participant)

C.2a Summary and Interpretation

To a large extent, 87 percent of the respondents indicated that they strongly agree that service delivery has been improving at local government since the Zuma administration has taken over. This is an interesting phenomenon in this survey because it contradicts some of the statements made by participants in the qualitative research that the Zuma administration is not rendering services at all. Instead, those who are in power at the moment are enriching themselves at the expense of the people, especially the working class. In any case, the 87 percent could be interpreted as people who have faith in the Zuma administration.
A number of people in general were optimistic about the Zuma administration, because of the promises the African National Congress made when campaigning for elections in 2009.\textsuperscript{212} Secondly, with regard to this survey, one percent of the respondents in this graph stated they agreed with the statement. Thirdly, four percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, four percent of the respondents held a view that they disagreed with the statement. Fifthly, three percent of the respondent asserted that they strongly disagreed with the statement.

\textbf{C.2b} The Zuma administration is willing to listen to poor people in municipalities

<table>
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Participants stated the following:

‘The new leadership of the ANC acknowledges that a lot has to be done for the poor. It demonstrates honesty. The new leadership listens to poor people.’ (Elite interview)

‘Councilors were corrupt during Mbeki but now they are more corrupt because Zuma is not a good example.’ (Public official)

‘There is deepest darkest secret the ANC is hiding in the Zuma leadership. People do not know their Councilors. The situation is worse now, Thabo Mbeki had

\textsuperscript{212} The motivation behind this question was to examine whether the Zuma administration working side by side with municipalities in South Africa is keeping its promises with regard to service delivery. Also, it was meant to ascertain whether service delivery has improved in South Africa under the Zuma administration in comparison to the Mbeki administration.
favours, and he has done nothing for his mother. Mandela did a lot for the people of South Africa.’ (Participant)

‘Thabo Mbeki is a man of his word. Street committees must be revived to bring back the livelihood of the people. Democracy applies to those who are enjoying it.’ (Elite interview)

C.2b Summary and Interpretation

Firstly, 87 percent of the respondents stated that they strongly agreed that the Zuma administration is willing to listen to poor people in Municipalities. By contrast, the findings of the survey link with the results of the qualitative research. By and large, participants in the qualitative research pointed out that there is no public participation at ward level. At the same time, there was a tiny minority who are argued the exact opposite that the Zuma administration respects the people by talking to them. This indicates that participants on the Zuma administration issue had mixed feelings. Secondly, three percent of the respondents indicate that they strongly agreed with the statement. Thirdly, three percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, two percent of the respondents disagreed with the statement. Fifthly, three percent of the respondents contended that they strongly disagreed with the statement. Sixthly, none of the answers of the respondents went missing.

C.2c The Mbeki administration failed to deliver services to the people at local government

<table>
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<tr>
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</table>
Participants stated the following:

‘During Thabo Mbeki’s reign, the government abandoned the Reconstruction and Development Program (RDP) and embraced Growth Employment and Redistribution (GEAR). He moved away from the Democratic Revolution (NDR).’ (Public official)

‘National Democratic Revolution (NDR) is based on the transformation of society, focusing on economic set up. ANC is advocating for the liberation of Black People, Africans in particular. The ANC is the leader of the National Democratic Revolution. The NDR talks about the motive forces in society, which include the working class, peasant’s middle strata and the ruling class. Former President Thabo Mbeki never considered the NDR.’ (Elite interview)

‘Yes, emphasis on service delivery during Thabo Mbeki did not feature. The Mbeki administration failed in that area.’ (Participant)

C.2c Summary and Interpretation

On the whole, 87 percent of the respondents pointed out that they strongly agreed that the Mbeki administration failed to deliver service to the people at local government level. This signifies that the Mbeki administration at local government failed to improve the lives of the people. During the era of Thabo Mbeki there were a number of community protests with regard to service delivery at local government. More specifically, in 2005 there was a nation-wide protest surrounding service delivery issues. At the same time, this does not mean that the Zuma administration is successful in promoting development at the municipal level. Secondly, two percent of respondents indicated that they agreed with the statement. Thirdly, three percent of the respondents were unsure about the truth of the statement. Fourthly, three percent of the respondents contended that they disagreed with the statement. Fifthly, two percent of the
respondents indicated that they strongly disagreed with the statement. None of the answers of the respondents went missing.

With reference to qualitative research, participants held the same view as the respondents of the survey that the Mbeki administration at local government failed to deliver various services. During Thabo Mbeki’s terms, government policies did not achieve their intended objectives. This shows a failure at policy level. Public Policies are judged on the basis of the policy results. The pace of service delivery was very slow during the Mbeki era. For example in 2005, poor people in informal settlements protested for housing delivery throughout the country. Furthermore, participants lambasted former President Mbeki for not consulting the alliance partners on policy matters. GEAR is a perfect example; it was made behind closed doors, subsequently, ‘presented as non-negotiable by former minister of finance Trevor Manual’.\textsuperscript{213} One policy analyst in this study asserted that ‘GEAR was only made by twenty four people, twenty were international experts and four were from South Africa.’ This speaks volumes about the non-consultative leadership style of former President Thabo Mbeki.

C.2d Elected councilors are held accountable by the people in their areas

<table>
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<tr>
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C.2d Summary and Interpretation

Firstly and most importantly, four percent of the respondents indicated that they strongly agreed that elected councilors are held accountable by the people in their areas. Four percent of the respondents constitute a tiny minority. This indicates that there is little perceived democracy at ward level in both Nelson Mandela Metropolitan Municipality and Buffalo City.

\textsuperscript{213} See the work of Turok (2008), Gevisser (2007,2009), Gumede (2005, 2007) with respect to this matter.
The importance of ward committees has been cited already in this study. Secondly, five percent of the respondents pointed out that they strongly agreed with the statement. Thirdly, two percent of the respondents contended that they were unsure about the truth of the statement. Fourthly, 2 percent of the respondents contended that they disagree with the statement. Fifthly, 86 percent of the respondents indicated that they strongly disagreed with the statement. Sixthly, none of the answers of the respondents went missing. This reflects the views of the majority of respondents in the survey. Again, it shows that democracy is not seen to be the order of the day in these municipalities in the Eastern Cape Province. Public accountability is also an element of democracy. This means that ward committees in these municipalities need to be democratized. Democratization of ward committees implies that there must be an interaction of councilors and citizens of ward committees. It also means that elected councilors should be held accountable by the people residing in a particular ward.

C.2e Elected Councilors are reporting back to their wards

<table>
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</table>

Participants stated the following:

‘These people you see them when its election time. When the elections are over you don’t see them anymore. They do not care about the interest of the poorest of the poor. They only care about driving nice cars and showing off their material things to everyone’ (Participant)


\[215\] For further discussion on the conceptualization of democratization, see also, Joseph Schumpeter (1987, 2008) and Samuel Huntington (1991)
‘Elected councilors do not report to their wards. This has to change; these people are elected to their communities not their personal interest. This phenomenon is evident in the Nelson Mandela Metropolitan Municipality, Buffalo City and in other municipalities in the Eastern Cape’ (Elite interview).

C.2e Summary and Interpretation

First and foremost, three percent of the respondents indicate that they strongly agreed that elected councilors were reporting back to their wards. This shows that only a few people in both Nelson Mandela Metropolitan Municipality and Buffalo City think that elected councilors are informing their communities about the policies, programs and activities of their municipality. Secondly, with reference to the survey, only two percent of the respondents pointed out that they agreed with the statement. Thirdly, four percent of the respondents contended that they were unsure about the truth of the statement. Fourthly, four percent of the respondents asserted that they disagreed with the statement. Fifthly, 87 percent of the respondents outlined that they strongly disagreed that elected councilors are reporting back to their wards. Lastly, none of the respondent’s answers went missing. Juxtaposed to this point, one can conclude that there is a disjuncture between elected councilors and community members. This implies that there is not much interaction between elected councilors and the communities they are serving. With regard to qualitative research, there was no contradiction with the findings of the survey with regard to this matter. Both survey and semi-structured interviews found the same thing that elected councilors are not reporting back to their wards in both municipalities.

C.2f Poor people are not participating in policy-making at local government in the Eastern Cape

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<tr>
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</table>
C.2f Summary and Interpretation

It must be noted that verbatim quotations arising from qualitative research are not used here because the issue of public participation has been dealt with repeatedly before. Moreover, word for word quotations with reference to this matter have been used in this chapter. More specifically, see the evidence of this in B.2h and B.2i in this chapter. A number of direct quotations are used in this regard. With regard to the survey, a large majority of 90 percent of the respondents indicated that they strongly agreed that poor people are not participating in policy-making at local government in the Eastern Cape. This means that poor people are not included in policy-making. Again, it implies that the powers that be are formulating public policies that do not reflect the aspirations of the poorest of the poor. Lack of public participation amongst poor people is not limited only to Nelson Mandela Metropolitan Municipality and Buffalo City. Nevertheless, it is a phenomenon that exists throughout the Eastern Cape Province. This assertion arose from the evidence of this study, see frequency table C.2. Secondly, four percent of the respondents pointed out that they agreed with the statement. Thirdly, one percent of the respondents stated that they were unsure about the truth of the statement. Fourthly, one percent of the respondents contended that they disagreed with the statement. Fifthly, one percent of the respondents contended that they strongly disagreed with the statement. Finally, none of the respondents’ answers went missing. With respect to qualitative research, there is a direct relationship between the quantitative and qualitative findings.

C.2g Municipalities are failing to give services to the people in the Eastern Cape

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<td>0.5000</td>
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</tbody>
</table>
C.2g Summary and Interpretation

By and large, 88 percent of the respondents indicated that they strongly agreed that municipalities are failing to give services to the people in the Eastern Cape. This signifies that municipalities in the Eastern Cape Province are falling short with regard to service delivery. In other words these municipalities are seen to be failing the people they are serving. Again, lack of service delivery is not confined to Buffalo City and Nelson Mandela Metropolitan Municipality. This phenomenon exists throughout the Eastern Cape Province. Secondly, five percent of the respondents indicated that they agreed with the statement. Thirdly, one percent of the respondents held an opinion that they were unsure about the truth of the statement. Fourthly, three percent of the respondents contended that they disagreed with the statement. Fifthly, one percent of the respondents stated that they strongly disagreed that municipalities are failing to give services to the people in the Eastern Cape. Sixthly, only 1 percent of the respondents went missing. It must be noted that verbatim quotations arising from qualitative research are not used here because the issue of service delivery has been dealt with before on a number of occasions. Furthermore, word for word quotations with reference to this matter have been used in this chapter. More specifically, see B.2h and B.2g for evidence of this. With respect to qualitative research, there is a direct correlation between the quantitative and qualitative findings. According to the Auditor General’s report (2010-2011:55), municipalities in the Eastern Cape used about R1, 4 billion on irregular expenditure instead of service delivery.

C.2h Internal auditing is not effective at local government

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</table>
Summary and Interpretation

It must be noted that verbatim quotations arising from qualitative research are not used here because the issue of internal audit has already been repeatedly dealt with within the context of corruption. In addition, word for word quotations with reference to this matter have been used in this chapter more specifically in relation to table C.3c and C.1d regarding corruption. On the whole, 88 percent of the respondents indicated that they strongly agreed that internal auditing is not effective at local government. This implies that mechanisms put in place to prevent corruption are not achieving their desired outcomes. It must be borne in mind that internal auditing is meant to curb corruption and to see to it that there is good governance within the municipalities. Secondly, five percent of the respondents indicated that they agree with the statement.

Thirdly, one percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, two percent of the respondents indicated that they disagreed that internal auditing is not effective at local government. Fifthly, 2 percent of the respondents asserted that they strongly disagreed with the statement. Sixthly, none of the answers of the respondents went missing. With reference to the qualitative research, there is a direct link between the quantitative and qualitative findings.

C.2i Municipal managers should not be political appointments

<table>
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</table>
Participants stated the following:

‘In the African National Congress we hold a view that municipal managers must be deployed. Because the municipal manager he/she is the champion of service delivery. Because he/she is there to oversee the running of the municipality. Municipal managers are holding administrative positions as principals to guard the municipalities. We cannot put people we do not trust as municipal managers’. (Elite interview)

‘Municipal managers should not be deployed; anyone who has relevant qualifications should be appointed if the person is good’. (Participant)

‘All municipal managers should not be political appointed because this is hampering service delivery throughout the Eastern Cape Province’. (Public official)

C.2i Summary and Interpretation

A large majority of 89 percent of the respondents indicate that they strongly agreed that municipal managers should not be political appointments. This means that the people of the Nelson Mandela Metropolitan Municipality and Buffalo City are vehemently opposed to municipal managers who are politically appointed. Secondly, four percent of the respondents pointed out that they agreed with the statement. Thirdly, two percent of the respondents stated that they were unsure about the truth of the statement. Fourthly, one percent of the respondents contended that they disagreed with the statement. Fifthly, one percent of the respondents outlined that they strongly disagreed with the statement. Finally, none of the answers of the respondents went missing.

With regard to qualitative research, almost all the participants agreed that municipal managers should not be political appointments, because a number of people in different municipalities have been deployed as municipal managers without relevant academic qualifications. However, it must be noted that only the African National Congress politicians asserted that it is the standpoint of the ruling party in both municipalities to deploy a municipal manager. The ANC
leaders did not say anything about academic qualifications in this research regarding political appointments of municipal managers.

C.2j Municipal managers should be appointed based on their educational qualification

<table>
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</table>

C.2j Summary and Interpretation

It must be noted that verbatim quotations arising from qualitative research are not used here because this issue has been dealt with in C.2i. In addition, word for word quotations with reference to this matter have been used in this chapter. Eighty-nine percent (89%) of the respondents indicated their strong agreement that municipal managers should be appointed based on their educational qualifications. This signifies that the majority of the respondents do not approve the deployment of municipal managers. Secondly, four percent of the respondents outlined that they agreed with the statement. Thirdly, two percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, one percent of the respondents stated that they disagreed with the statement. Fifthly, one percent of the respondents contended that they strongly disagreed. Sixthly, none of the respondents’ answers went missing.

With regard to qualitative research, there was a direct relationship between the survey and qualitative findings. According to these responses, municipal managers should be appointed on the basis of merit, regardless which political party they belong to, so long as they are qualified for the job.
There has been an improvement of service delivery in my municipality as a result of the implementation of Public-Private Partnerships (PPP)

<table>
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Participants stated the following:

‘No, sir that is not true. What is happening is that both Buffalo City and Nelson Mandela Metropolitan Municipality have similar Public-Private Partnerships such as the Coega project and the Bus Rapid Transport system. To be frank, these projects have not benefited the poorest of the poor. Only a few people close to the ANC are benefiting in these initiatives through Broad-based Black Economic Empowerment. Poverty has been increasing amongst the masses in both municipalities’ (Elite interview)

‘The Coega project was intended to create jobs through economic growth; this is a neo-liberal approach. The main aim was to create the biggest port in Africa in Nelson Mandela Metropolitan Municipality. Buffalo City has the same project; however, it differs in terms of the size. The idea was that these two municipalities were going to work side by side with the Department of Trade and Industry. Nonetheless, there are conflicts between politicians involved in this project due to ego. Each and every politician wants to take the glory. The project has not created jobs and eliminated poverty in both municipalities. The idea to start this project emanated from Growth, Employment and Redistribution.’ (An academic)

‘The Bus Rapid Transport (BRT) system is a Public-Private Partnership model of development which exists in both municipalities to improve the public transport
system. In both municipalities they have one expert from Sweden in every municipality to help them with the implementation of Public-Private Partnerships. This project has not created jobs for the people of these two municipalities. In fact, it has not started because of a conflict between stakeholders. Tenders which cost these municipalities millions of rand were awarded to those who are politically connected to the powers that be of the ruling party (ANC). (Anonymous)

C.2k Summary and Interpretation

Firstly, only 1 percent of the respondents indicated that they strongly agreed there has been an improvement of service delivery in their municipality as a result of the implementation of Public-Private Partnerships. Interestingly, this is a tiny minority of people who believe that this model has improved service delivery. Secondly, 3 percent of the respondents stated that they agreed with the statement. Thirdly, 6 percent of the respondents pointed out that they were unsure about the truth of the statement. Fourthly, 2 percent of the respondents contended that they disagreed with the statement. Fifthly, 89 percent of the respondents asserted that they strongly disagreed. This means that the majority of respondents in the study hold a view that the Public-Private Partnerships in both municipalities have not improved service delivery in both municipalities. Sixthly, none of the answers of the respondents went missing.

With regard to qualitative research, there is a direct correlation with the survey and semi-structured interviews. What arose in these interviews is that the Public-Private Partnership is a neo-liberal approach of development. In the context of the two municipalities it is reported that it has benefited a tiny minority of businesses who are politically-well connected to the African National Congress. Again, the participants identified two Public-Private Partnerships which exist in both municipalities. More specifically, these projects included the Coega port which has not uplifted the lives of the people. Lastly, the Bus Rapid Transport system was also cited as a Public-Private Partnership in both municipalities. Interestingly, this project is not yet up and running, even though it was meant for the 2010 FIFA Soccer World Cup.
The Public-Private Partnerships have improved the lives of the people at local government level.

<table>
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Summary and Interpretation

It must be noted that verbatim quotations arising from qualitative research are not used here because this issue has been dealt with in C.2k. Firstly, with regard to the survey, none of the respondents indicated that they strongly agreed that the Public-Private Partnerships have improved the lives of the people at local government level. This implies that the respondents do not think that this approach of development is able to eradicate poverty and create jobs. Secondly, three percent of the respondents pointed out that they agreed with the statement. Thirdly, five percent of the respondents outlined that they were unsure about the truth of the statement. Fourthly, two percent of the respondents held the opinion that they disagreed with the statement. Fifthly, 87 percent of the respondents outlined that they strongly disagreed with the statement. Again, this shows that the Public-Private Partnerships are extremely unpopular and not seen to promote development. Lastly, none of the respondents’ answers went missing.

With regard to qualitative research, there was a direct relationship between the survey and qualitative findings. It is worth noting that this matter is linked to the primary research question of this study: Do the Public-Private Partnerships and Broad-based Black Economic Empowerment which constitute anti-poverty strategies, succeed in addressing the issues of poverty at the municipal level? According to the findings of this study, both quantitative and qualitative, the Public-Private Partnerships in Buffalo City and Nelson Mandela Metropolitan Municipality are not seen to improve the lives of the people or are not addressing the issue of poverty.
Citizens are able to hold local councilors accountable

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Summary and Interpretation

It must be noted that verbatim quotations arising from qualitative research are not used here because this issue has been dealt with before. In addition, word for word quotations with reference to this matter have been used in this chapter, see C.2e. Firstly, only three percent of the respondents indicate that they strongly agree that citizens are able to hold local councilors accountable. This signifies that there is little participation in both Nelson Mandela Metropolitan Municipality and Buffalo City. Secondly, four percent of the respondents pointed out that they agreed with the statement. Thirdly, three percent of the respondents stated that they were unsure about the truth of the statement. Fourthly, two percent of the respondents outlined that they disagreed with the statement. Fifthly, 86 percent of the respondents asserted that they strongly disagreed with the statement. Finally, none of the respondents’ answers went missing. This means that the respondents are unaware of interaction between citizens and their political leaders (councilors). This matter should not be taken lightly because public participation is central to democracy. With regard to qualitative research, there was a direct relationship between the survey and qualitative findings.
C.2n Broad-based Black Economic Empowerment policy is improving the quality of lives of the people in my municipality

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C.2n Summary and Interpretation

It must be noted that verbatim quotations arising from qualitative research are not used here because this issue has been dealt with before. In addition, word for word quotations with reference to this matter have been used in this chapter (see B.1a and B.2f). Firstly, two percent of the respondents indicated that they strongly agreed that Broad-based Black Empowerment (BBEE) is improving the quality of the lives of the people in their municipality. Secondly, two percent of the respondents pointed out that they agreed with the statement. Thirdly, five percent of the respondents asserted that they were unsure about the truth of the statement. Fourthly, two percent of the respondents stated that they disagreed with the statement. Fifthly, 87 percent of the respondents contended that they strongly disagreed with the statement. This signifies that the majority of people in both municipalities hold the view that Broad-based Black Empowerment is not achieving its policy intentions; which is to uplift the lives of black people. Finally, 1 percent of the respondents’ answers went missing.

With regard to qualitative research, there was a direct relationship between the survey and qualitative findings that the Broad-based Black Economic Empowerment had failed to achieve the objectives it was meant for, see B.1a and B.2f with regard to this matter. It is worth noting that this issue is linked to the primary research question of this study: Do the Public-Private Partnerships and Broad-based Black Economic Empowerment which constitute anti-poverty strategies, succeed in addressing the issues of poverty at the municipal level? According to the findings of this study, both quantitative and qualitative, respondents pointed out that the BBEE
in Buffalo City and Nelson Mandela Metropolitan Municipality is not improving the lives of the people or is not addressing the issue of poverty.

**C.2o** I think Public-Private Partnership and Broad-based Black Economic Empowerment are not effective anti-poverty strategies

<table>
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<td>398</td>
<td>2.500</td>
<td>99.500</td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
<td>400</td>
<td>0.500</td>
<td>100.000</td>
</tr>
</tbody>
</table>

**C.2o Summary and Interpretation**

It must be noted that verbatim quotations arising from qualitative research are not used here because this issue has been dealt with repeatedly. In addition, word for word quotations with reference to this matter have been used in this chapter (see B.1a and B.2f, B.1b and B 2g). A large majority of 87 percent of the respondents indicated that they strongly agreed with the statement that Public-Private Partnerships and Broad-based Black Economic Empowerment are not effective anti-poverty strategies at local government level. This is an interesting point, because it answers the central research question quantitatively. In this context, the facts speak for themselves that these anti-poverty strategies have failed to produce their desired outcomes at local government level. Secondly, four percent of the respondents pointed out that they agreed with the statement. Thirdly, four percent of the respondents asserted that they were unsure about the truth of the statement. Fourthly, none of the respondents indicated that they disagree with the statement. Fifthly, two percent of the respondents contended that they strongly disagreed with the statement. Finally, none of the answers of the respondents went missing.

With regard to qualitative research, there was a direct relationship between the survey and qualitative findings that the Broad-based Black Economic Empowerment policy had failed to
achieve the objectives it was intended to. It is worth noting that this matter is linked to the primary research question of this study: Do the Public-Private Partnerships (PPP) and Broad-based Black Economic Empowerment which constitute anti-poverty strategies within LED succeed in addressing the issues of poverty at the municipal level? According to the findings of this study, both quantitative and qualitative studies pointed out that Public-Private Partnerships and Broad-based Black Economic Empowerment which constitute anti-poverty strategies within LED have failed in the minds of the people to address the issues of poverty at the municipal level within the Buffalo City and Nelson Mandela Metropolitan Municipality. It must be borne in mind that this is what prompted the researcher to embark upon this research in the first place. The primary question of this study has been answered in this chapter.

C.2p I don’t think privatization at local government level will increase Small-Micro Medium Enterprises (SMME’s) and service delivery

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
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<td>88.0000</td>
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<tr>
<td>Agree</td>
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<td>369</td>
<td>4.2500</td>
<td>92.2500</td>
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<tr>
<td>Unsure</td>
<td>12</td>
<td>381</td>
<td>3.0000</td>
<td>95.2500</td>
</tr>
<tr>
<td>Disagree</td>
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<td>387</td>
<td>1.5000</td>
<td>96.7500</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>8</td>
<td>395</td>
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<td>98.7500</td>
</tr>
<tr>
<td>Missing</td>
<td>5</td>
<td>400</td>
<td>1.2500</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

Participants stated the following:

‘Privatization of services at local government level will only benefit or enrich a few in society. Normally poor people are not able to access services that are privatized. Only those who are financially well off are able to access privatized services’ (Elite interview)

‘Privatization of services is an element of neo-liberalism. It is a selfish way of making money for an individual not for the community’ (Participant)
'Privatization at municipal level does not enhance the growth of Small-Micro Medium Enterprises (SMME), instead those who are politically connected to the right faction in both Nelson Mandela Metropolitan Municipality and Buffalo City' (Public official)

C.2p  Summary and Interpretation

Firstly, 88 percent of the respondents indicated that they strongly agreed that privatization at municipal level will not increase Small-Micro Medium Enterprises and service delivery. This signifies that a significant percentage of the people of Nelson Mandela Metropolitan Municipality and Buffalo City do not agree with the neo-liberal approach of development which holds that only the market forces will increase service delivery and enhance Small-Medium Enterprises. Secondly, four percent of the respondents asserted that they agreed with the statement. Thirdly, three percent of the respondents contended that they were unsure about the truth of the statement. Fourthly, two percent of the respondent indicated that they disagreed with the statement. Fifthly, two percent of the respondents asserted that they strongly disagreed with the statement. Finally, one percent of the respondents’ answers went missing.

With regard to qualitative research, there was a direct relationship between the survey and qualitative findings. The popular view was that privatization of services only benefits a small minority or those who are politically connected to the African National Congress which is the ruling party in both municipalities. Again, by and large, the participants held the opinion that privatization lies at the heart of neo-liberalism. According to them, this ideology does not develop the whole society. On the contrary, it develops or benefits the few in society.
SECTION D

This section looked at the causes of service delivery failure and corruption at local government

D.1 Do you believe that poverty, unemployment, inequalities, socio-economic problems, lack of service delivery, human security (crime, etc.) and the lack of social cohesion are caused by inappropriate policies, corruption within municipalities or incompetence of public officials and politicians?

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Cumulative Count</th>
<th>Percent</th>
<th>Cumulative Percent</th>
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</thead>
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<td>Inappropriate policies</td>
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<td>1</td>
<td>0.2500</td>
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<tr>
<td>Corruption</td>
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<td>4</td>
<td>0.7500</td>
<td>1.0000</td>
</tr>
<tr>
<td>Incompetence</td>
<td>2</td>
<td>6</td>
<td>0.5000</td>
<td>1.5000</td>
</tr>
<tr>
<td>All of above</td>
<td>394</td>
<td>400</td>
<td>98.5000</td>
<td>100.000</td>
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<td>Missing</td>
<td>0</td>
<td>400</td>
<td>0.0000</td>
<td>100.000</td>
</tr>
</tbody>
</table>

D.1 Summary and Interpretation

It must be noted that verbatim quotations arising from qualitative research are not used here, simply because this issue has been dealt with over and over again. In addition, word for word quotations with reference to this matter have been used in this chapter; see B3C, C1A, C1b, C3C, C1D, C3C and C2E. Firstly, none of the respondents indicated inappropriate policies. Secondly, none of the respondents pointed out corruption within the municipalities. Thirdly, none of the respondents outlined incompetence of public officials and politicians. Fourthly, 98 percent of the respondent stated all of the above. This implies the causes of lack of service delivery and corruption are multi-faceted. For an example, there are a number of variables that are causing a lack of development and service delivery. More specifically, these variables include inappropriate policies, corruption and incompetence of public officials and politicians. Again, this means there is a relationship between lack of service delivery and inappropriate policies. It must be noted that inappropriate policies in this context refers to neo-liberal policies, affirmative action and Broad-based Black Economic Empowerment. They are regarded as
inappropriate because they do not enhance social cohesion, development and create opportunities for the majority of the people in both municipalities.

7.2 Conclusion
In this chapter the evidence points out that the local development policies have failed in Buffalo City and Nelson Mandela Metropolitan Municipality to improve the lives of the people in these two areas. The findings of this study answer specifically the central research question: Do the Public-Private Partnerships and Broad-Based Black Economic Empowerment ventures, which constitute anti-poverty strategies, succeed in addressing the issues of poverty, and achieving more equitable development at the municipal level in the Eastern Cape? Juxtaposed to this point, these findings also confirm the correctness of the problem statement of this study that: The local development policies of PPP and BBBEE that are being applied through Local Economic Development strategies are not in the interests of the majority in the Eastern Cape. Interestingly, the evidence of this study shows that privatization of services at local government level according to the sample of this study does not increase Small Micro Medium Enterprises and, does not enhance service delivery. Instead, it enriches a tiny minority of people, especially those who are politically-well connected to the ruling party in both municipalities; rather than promoting economic development for the majority.

Again, pro-market policies according to findings create a scope for corruption within municipalities in the Eastern Cape. It must be noted that the findings of this study are not only limited to the Buffalo City and Nelson Mandela Metropolitan Municipality. Because the quantitative sample size of this research is sufficient; it enables the researcher to extrapolate the findings to other municipalities in the Eastern Cape. ‘GEAR-related policies’ in the questionnaire were broken down into three aspects privatization, BBBEE and PPP. The evidence of this study signifies that affirmative action alongside Broad-based Black Economic Empowerment is marginalizing white people from participating in local economies of both municipalities. Both research participants and respondents in this study regard affirmative action as unfair to white people. Again, the evidence of this research shows that affirmative action and BBBEE do not enhance social cohesion in both municipalities. Interestingly, the evidences of this research points out that most whites are leaving the country because of the policy implementation of affirmation action, BBBEE and Local Economic Development.
What has also arisen in this study is that there is a low level of public participation in both municipalities. On the whole, research participants criticized the powers that be for not included them in the Integrated Development Plan (IDP), which is an institutional plan of the municipalities in South Africa. Both municipalities in relation to evidence of this study are failing to render services of their citizens. Both research participants and respondents indicated that public officials and politicians are not committed to service delivery. Corruption was cited as a fundamental problem in both municipalities. The Kabuso report compiled by the Eastern Cape Department of Local government and Traditional Affairs shows a number of cases of financial irregularities in the Nelson Mandela Metropolitan Municipality; where prominent politicians close to the African National Congress in this Metro have benefited from PPPs and BBBEE. The findings of the Kabuso report are similar to those of this research that only a minority of people who are well politically connected are benefiting from neo-liberal policies.

More specifically, according to the Kabuso report (2011:5), the former mayor of Nelson Mandela Metropolitan Municipality Nceba Faku broke the law by taking decisions unilaterally without consulting the council; this includes the approval of R2 million grant to renovate the Madiba Bay Resort, the appointment of BBBEE construction company to build the Red Location Museum in honor of Raymond Mhlaba and Govan Mbeki. This is tantamount to fruitless and wasteful expenditure and signifies that the former Mayor did not consider the municipality’s Supply Chain Management system (ibid, 2011:5). According to the Auditor General’s report (2010/2011) all the 45 municipalities in the Eastern Cape got unclean reports. This implies that there is corruption, unethical behavior and unprofessionalism amongst the civil servants and politicians of municipalities in the Eastern Cape. Similarly, the Pillay Commission found that four senior politicians of the ruling party (Stone Sizani, Makhenkesi Stofile, Enoch Godongwana and Mcebisi Jonas) had been involved in corruption. More specifically, the families of these politicians according to the Pillay report were alleged to have benefited by about R200-million illegally while doing business with the Eastern Cape Development Corporation (ECDC) then headed by Mcebisi Jonas (Pillay Report, 2008:1-5). This evidence reinforces the argument that the local business and political elites through the BBBEE, PPPs, and outsourcing of services are using their strong networks (associated political and social capital resources) in their efforts for personal accumulation. Again, this shows the linkages of such practices to the construction and
reproduction of neo-liberal discourses at different levels of government. Last but not least, the researcher has adopted a political economy approach which focuses on how business and political elites through economic policies such privatization or outsourcing of services are using state resources to enrich themselves. Finally, the next chapter will draw a conclusion and make policy recommendations.
Chapter eight

Limitations, Conclusion and Recommendations

Doctoral students are expected to produce a good thesis that will create new knowledge. It must be borne in mind that in this process the audience constitutes scholars in academia and policy-makers in society. Thus, post-graduate studies at university are perceived by academics to be the lifeblood of scientific knowledge because they influence policy-makers (Cohen and Graham, 2005:1-2).

Critical thinking lies at the heart of scientific research. Researchers should be able to draw a conclusion from their observation that is supported by relevant evidence to support a particular standpoint. The researcher must show the audience that his/her argument can withstand the test of time when questioned by other experts (van den Berg, 2010:135).

8.1 Introduction

When all is said and done by the researcher it is of paramount importance to end the argument with policy recommendations and conclusions. Research is meaningless if it doesn’t include among other things these two aspects. This explains the purpose of this chapter. In the main, its principal aim is to integrate all the elements of the research into one coherent argument in a few well-chosen words. This will be coupled with an exposition of its shortcomings or limitations. The researcher will specifically provide policy alternatives with regard to the application of neo-liberalism. This lies at the heart of policy advice in empirical research.

8.2 Limitations of this study

Hofstee suggests that scientific research has some shortcomings (2006:109-117). Thus it is of great importance to spell out the limitations of this study. Bak follows the same line of thinking when she argues that research should have a specific focus and draw boundaries in order for the study to be manageable. This should also include discussing the limitations of research when writing a thesis or research report (2009:23).

With regard to the survey of this study, its focus only included two metropolitan municipalities without examining the state of affairs in relation to rural municipalities. That is because the conditions of urban and rural municipalities are fundamentally different. At the same time, it must be borne in mind that it is difficult to do surveys in rural municipalities simply because
researchers normally struggle to find White, Coloured and Indian respondents in rural areas. This is crucial with regard to a survey, because it must reflect the demographics of society. According to Mouton (2010:240) citing Smith and Glanz, it is very difficult for researchers in South Africa to find White, Coloured and Indian people in rural municipalities due to the historical past. It must be noted that many rural areas were set aside for exclusively black settlement in respect of the apartheid homelands policy. Nonetheless, it is worth noting that during the process of quantitative data collection in metropolitan municipalities such as the Nelson Mandela Metropolitan Municipality (Port Elizabeth, Uitenhage and Despatch) and Buffalo City (East London, Bisho and King Williamstown) it was much easier to find White, Coloured and Indian respondents for the survey of this study. Finally, we make the point that the findings of this research cannot be applied beyond the urban Eastern Cape; because this study is limited to the Eastern Cape Province, and other provinces will have their own particularities.

8.3 Conclusion

Firstly, chapter one of this study outlines a clear framework for this research. Most importantly, this encompasses all the essential elements of empirical research. The researcher enters the debate surrounding the application of neo-liberalism by posing an interesting question: Do the Public-Private Partnerships (PPP) and Broad-Based Black Economic Empowerment (BBBEE) ventures which constitute anti-poverty strategies succeed in addressing the issues of poverty and achieving more equitable development at the municipal level in the Eastern Cape?

In addition, this study has proposed a problem statement which reads as: The neo-liberal inspired policies of Public-Private Partnership and Broad-Based Black Economic Empowerment that are being applied through LED strategies are not in the interests of the majority in the Eastern Cape. Secondly, this thesis lays out conceptual frameworks of this research. More specifically, the author grapples with the theories of ‘development policy’ and development theory. At the same time, the researcher provides a critique of neo-liberalism and its application in chapter two of this study.
The thesis interacts with the body of knowledge on the theory of neo-liberalism as one of the contemporary currents of development theory. It focuses both on neo-liberal and neo-classical theory as orthodoxy in mainstream development (in the closing decades of the 20th century) and provides a critical perspective on neo-liberalism as theory, process and application from scholars working primarily in the field of development studies. Moreover, this thesis contributes to the more general body of work in the economic and social sciences considering the nature and the application of neo-liberal solutions in developing and transitional economies in particular and in national and global contexts more broadly.

This is followed by a discussion around the ushering in of neo-liberal inspired polices in post-apartheid South Africa. The researcher invokes a number of statistics which demonstrate that the gap between the rich and the poor has been increasing in the new South Africa. According to a study conducted by Holborn (2010:181), the Gini co-efficient (a measurement that examines inequalities) shows that inequality has gone up since 1996 in South Africa. She goes further to say that the Gini co-efficient was 0.62 when the GEAR market-friendly policy was introduced in 1996; however in 2009 it went up to 0.65. Furthermore, in 2009 the racial group with the lowest Gini co-efficient in South Africa was white people with a measure of about 0.45. Disparity was worse among black people, with a co-efficient of about 0.68 (ibid). Against the above background, it can be concluded that there has been a lack of progress in South Africa in terms of bridging the divide between the haves and the have-nots.

Bradshaw argues along the same line in his research report that neo-liberal inspired policies in South Africa are not meeting the human needs of poorer communities (2007:327). In this study the researcher has examined the economic state of affairs at local government post-1994. Among other things, the writer puts the application of neo-liberal inspired policies at municipal level such as BBBEE and PPPs under the spotlight. The author argues by citing a number of authoritative sources that BBBEE and PPPs have only benefited a small minority of people who are politically-well connected to the African National Congress in all spheres of government.

\[216\] Holborn is a researcher at the South African Institute of Race Relations
\[217\] She goes further to say that there has been an increase of unemployment in South Africa by 26.0 % between 1994 and 2010 (ibid).
\[218\] The increase of inequalities in South Africa has occurred mainly during the period of the GEAR policy framework as indicated by the Gini- co-efficient.
Again, the author points out that affirmative action alongside BBBEE does not enhance social cohesion in South Africa. Instead it polarizes society along racial lines. Also, this thesis focuses on the ushering in of anti-neo-liberal social movements in the new South Africa at local government level. This researcher also discusses the relationship between ontology, epistemology and methodology. The author holds a view that no researcher can understand a particular methodology without having an in-depth understanding of ontology and epistemology.

Ontology is conceptualized as a theoretical framework that the researcher uses to describe social problems. Ontology can also be regarded as the philosophical approach of the researcher. Because the worldview of the researcher influences the methodology he/she employs and the interpretation of social problems. Epistemology is defined as theory of knowledge or subset of ontology. On the other hand, methodology is a scientific process that the researcher uses to collect and analyze data. The researcher in this study employed both qualitative and quantitative methodologies for a number of reasons as provided in chapter five under the methodology section. It must be borne in mind that before this empirical study was carried out; the researcher undertook a pilot study to examine whether neo-liberal policies existed at local government level. Chapter six of this research report outlines the quantitative results without making value judgments about the data because this chapter is meant to let the facts speak for themselves. Chapter seven of this thesis analyzes and interprets the data. This chapter provides data that answers the primary research question. Juxtaposed to this point, the data confirms the correctness of the problem statement: The neo-liberal inspired policies of Public-Private Partnership and Broad-Based Black Economic Empowerment that are being applied through LED strategies are, at least in the minds of the participants, not in the interests of the majority in the Eastern Cape.

The findings of this research point out that privatization of services at local government level in Buffalo City and Nelson Mandela Metropolitan Municipality has not increased the number of the Small Micro Medium Enterprises. Instead, privatization of services according to the evidence of this research, benefits those who are politically well-connected to the African National Congress as ruling party in both municipalities. The privatization of services in both municipalities appears to be encouraging the personal accumulation of wealth of a small clique of individuals with
strong political links with the powers that be. Again, BBBEE and PPPs in relation to the evidence of this study do not improve the lives of the people in those two municipalities. The findings of this thesis are in agreement with David Harvey’s research findings that the PPP model always benefits the business sector while the bulk of the working class is trapped in poverty by the neo-liberal ideology (2011:11).

Hugo Noble also stated in his research findings that the application of neo-liberalism does not enhance service delivery; by contrast, it hampers development at grass-root level (2003:211-225). This implies that neo-liberalism as a model of development does not address poverty and unemployment. Instead, the application of neo-liberalism breeds corruption within the local state. The evidence of this research links corruption with the application of neo-liberalism because this model is based on greediness and a maximization of profit at the expense of the majority of people. Nonetheless, it must be borne in mind that corruption is not only confined to countries that implement neo-liberal inspired policies. Even countries that have implemented socialism before, such as China, Russia, Ghana and Mozambique had politicians and public officials who were involved in corruption (Castells, 2000:140-161, Harvey 2011:1-11, Klein, 2007:223-242, Saul, 2005:190-194). Hence, it must be noted that the writer in this thesis is not equating neo-liberalism very simplistically with corrupt practices in general.

The researcher has cited the findings of the Kabuso report compiled by the department of Local Government and Traditional affairs in the Eastern Cape which points out that neo-liberal inspired policies in the Nelson Mandela Metropolitan Municipality have benefited a tiny minority of people who are politically-well-connected and not the poorest of the poor. More particularly, according to the Kabuso report (2011:5), the former mayor of Nelson Mandela Metropolitan Municipality Nceba Faku broke the law by taking decisions unilaterally without consulting the council. This includes the approval of a R2 million grant to renovate the Madiba Bay Resort, the appointment of a BBBEE construction company to build the Red Location Museum in honour of Raymond Mhlaba and Govan Mbeki. This is tantamount to fruitless and wasteful expenditure and also signifies that the former Mayor did not consider the municipality’s Supply Chain Management system (ibid, 2011:5).

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219 This does not mean that privatization of services is the only cause of corruption within the state machinery.
According to the Auditor General’s report (2010/2011), all the 45 municipalities in the Eastern Cape obtained unclean reports. This implies that there is corruption, unethical behavior and unprofessionalism amongst the civil servants and politicians of municipalities in the Eastern Cape. Similarly, the Pillay Commission found that four senior politicians of the ruling party (Stone Sizani, Makhhenkesi Stofile, Enoch Godongwana and Mcebisi Jonas) had been involved in corruption. More specifically, the families of these politicians, according to the Pillay report, were alleged to have illegally benefited by about R200-million while doing business with the Eastern Cape Development Corporation (ECDC), then headed by Mcebisi Jonas (Pillay Report, 2008:1-5). Again, tenders amounting to R62 million in the Eastern Cape municipalities were awarded to companies that had links with public officials and politicians in the 2010/2011 financial year (Auditor General, 2010/2011). This evidence reinforces the argument that the local business and political elites through the BBBEE, PPPs, and outsourcing of services are using their strong networks (associated political and social capital resources) in their efforts of personal accumulation. Again, this shows the links of such practices to the construction and reproduction of neo-liberal discourses at different levels of government. The researcher examines the interaction between the state and market through the lenses of the political economy approach, which is the theoretical standpoint of this study. The political economy perspective is helpful in this study to analyze the phenomena at play due to its interest in how the political elite, alongside capital, utilize certain strategies to acquire wealth at the expense of the poorest of the poor. Elites, according to the political economy approach, use state resources to enrich themselves.

It is worth noting that the body of knowledge in South Africa and internationally on neo-liberal inspired policies has weaknesses. For instance, scholarship on neo-liberalism as indicated in chapter two fails to make the link between corruption and neo-liberal inspired policies. The particular policy mix in South Africa has witnessed a massive increase in the levels of corruption. Whilst it is clear that not all countries using neo-liberal policies experience burgeoning corruption, clearly the links between policies expounding outsourcing, privatization and PPPs

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220 On the other hand, one of the strengths of local and international scholarship has been to historicize the neo-liberal model of development. Secondly, the body of knowledge has indicated consistently that neo-liberalism is failing to improve the lives of the people in general.
and those favouring BBBEE in the Eastern Cape are resulting in extremely high levels of corruption, favouritism and nepotism.

Again, the body of knowledge on neo-liberalism tends to simplify the notion, presenting neo-liberal policies in South Africa as straightforward without indicating the complexities at play. For example, it must be noted that in as much as PPPs certainly are an element of neo-liberalism in the public sector, BBBEE is not easily associated with it. Patrick Bond advances a simplistic argument about BBBEE when he points out that BBBEE is a neo-liberalism project because it is meant among other things to promote privatization of services or PPPs in the public sector (2005:39). Patrick Bond fails to indicate the complexities at play with regard to BBBEE. For instance, BBBEE is not neo-liberal per se. However, it is inspired by neo-liberalism in its practice in the sense that it is meant to create a large middle class in order for this middle class to run the economy. The assumption is that the economic benefits of economic growth will be felt by the poor on the ground. By so doing, jobs and poverty will be addressed by the trickle-down effect.

Secondly, municipalities, in terms of government policy, may retain the same formal procurement procedures without necessarily outsourcing more than before, and may also add further provisions, that BBBEE enterprises should receive preferential treatment in the allocation of outsourced contracts. As such, this represents greater government regulation, not less, and cannot be unproblematically equated with neo-liberalism, though they may be heavily influenced by it. They are business-friendly economic policies for maximization of profit and individual acquisition of wealth, but they have been applied in conjunction with some distinctly different policies in respect of racial preferences and very strong labour protection. In their own right the regulatory aspects of BBBEE lend themselves to corruption and accumulation by the new elite.

The expansion of the size and the role of the South African state are definitely anti-neo-liberal as opposed to the populist view that South Africa is just simply a neo-liberal state. However, issues such as outsourcing or privatization of services and PPPs and much political rhetoric are neo-liberal. This also indicates the gaps in the discourse around the application of neo-liberalism in
South Africa and the need to find an alternative, perhaps hybrid, model to better describe the nature of the South African system

This link between the business and political elites has been indicated through evidence-based material in this thesis. Hence, the central argument of this research is that both BBBEE and PPPs are inspired by neo-liberalism and that neo-liberalism in practice is contradictory in nature as it involves the allocation of state resources to politically influential individuals rather than promoting economic development for the majority.

Scholars like Bond (2006:17), Narsiah (2010:5) and Satgar (2011:3) tend to argue that neo-liberalism in South Africa came through the GEAR policy because GEAR emphasises privatization among other things. The problem with this argument is that privatization in South Africa did not start in 1996 with the ushering in of GEAR. There has been a long history in South Africa, of advancing the interests of the private sector. Whereas early National Party (NP) policy expanded the state in order to create employment for Afrikaners in the railways and parastatals, the trend towards the end of apartheid, by which time the support base of the NP had changed, was to pander to the business elite. For instance, Yudelman (1984:285) writes that ‘the ideology that is being developed by the government to take apartheid’s place is the ideology of the free market. Loosely speaking, this calls for the progressive removal of state intervention in the economy and its replacement by the sovereignty of the market, of ‘supply and demand’ and later ... it has more pressing reasons to follow these policies than either President Reagan or Prime Minister Thatcher’.

Local and international scholarship also fails to indicate that the neo-liberal inspired policies are ‘created, reproduced and sustained at local government by a range of local policy actors’, and are encouraged and supported by the International Monetary Fund and the World Bank. These are some of the shortcomings and gaps in the body of knowledge on Sociology of Development or Development Studies and Social Studies with regard to the application of neo-liberalism in South Africa. The primary research question and problem statement of this study (which are stated in chapters one and five) are informed by the knowledge gap in the literature on the application of neo-liberalism within the South African context.
What is interesting in this study is that there is a wealth of empirical evidence that there is little public participation in Buffalo City and Nelson Mandela Metropolitan Municipality. This means democracy is not practiced to the maximum in both municipalities. This empirical evidence is also supported by the scholarly works of Robino (2009:107) and Maphazi (2012:205) indicating that there is little public participation in the Eastern Cape Province. Public participation is the hallmark of democracy. The statistics and qualitative findings of this research indicate that the Integrated Development Plans are not made in conjunction with the public; they are made behind closed doors.

Again, the literature consulted by this study indicates that in a number of countries where neoliberalism has been implemented, there is very little inclusion of the public in policy-making. With regard to affirmative action, there is a link between the findings of the survey and qualitative research that affirmative action and BBBEE are marginalizing white people economically. From the standpoint of this study, these public policies cannot enhance social cohesion because the issue of social cohesion cannot be addressed when white people are unhappy about the status quo with reference to economic empowerment. This line of thinking re-affirms the argument advanced by the researcher that the satisfaction of human needs lie at the heart of social cohesion.

Secondly, 86 percent of the respondents pointed out that most whites are leaving the country because of Affirmative Action, LED, BBBEE and PPPs in most cases. These findings speak volumes; because it can be concluded on the basis of the findings of this research that Affirmative Action and BBBEE in the main are the causes of an exodus of white people abroad. In order to avoid this exodus of white people with scarce skills there is a need for a policy review with regard to Affirmative Action and BBBEE. A total overhaul of Affirmative Action and BBBEE is needed in order to retain the whites who are highly skilled and have scarce skills. It must be noted that South Africa cannot develop without the scarce skills pointed out above. This means that issues of poverty, unemployment, economic growth, etc. cannot be addressed fully without the necessary skills needed by the economy.

There is a strong link between the findings of the survey and what arose from the in-depth interviews with reference to the conflict between politicians and public officials. Both findings
confirm that every now and then conflicts do occur. It must be borne in mind that this tendency in both municipalities does hamper development. This does not mean that it is the only variable that causes a lack of development in these municipalities. Again, some politicians tend to victimize public officials by suspending them unlawfully when they refuse to break the law or engage in corruption. This is tantamount to an abuse of power by politicians. At the same time, this does not mean that public officials do not break the law sometimes.

8.4 Policy Recommendations and Future Research

Firstly, there needs to be a total overhaul of the ‘GEAR related policies’ at local government level in the Eastern Cape. Privatization of services should be replaced by a strong local state which takes the responsibility of rendering services itself, because development should not be driven by market forces but should rather be driven by a strong local state. This means that the local state must not be kept out of the market. It must intervene all the time in the local economy by protecting the employees from being exploited by business persons. This model of development is also supported by the recent work of David McDonald and Greg Ruiters (2012:492-493), Ben Fine and David Hall (2012:51-53), in Development Studies in relation to the alternatives to neo-liberalism. They all argue along the lines that neo-liberal inspired policies in particular at local government level should be replaced by a state-led approach towards development. According to these scholars this model has been applied in Latin-American countries where governments nationalized certain industries and workers have shares in such industries.

The participation of the civil society is also important in a pro-state model of economic development. The application of neo-liberalism cannot just be replaced by only a strong state without the involvement of the public (ibid). This implies that, as indicated by the above scholars, ordinary people on the ground need to have shares in companies that are responsible for service delivery and have an ongoing say in decision-making processes. This, as opposed to privatization of services is underpinned by maximization of profit at all cost. The model of development that is proposed by David McDonald and Greg Ruiters (2012), Ben Fine and David Hall (2012) and Hilary Wainwright has a strong element of democracy because it stresses the importance of the role of the public in policy-making and decision-making. It moves away from
the old Stalinist Soviet Union style of government that was undemocratic in nature with a total disregard of the views of the public. This proposed model of development is also supported by the anti-neo-liberal social movements that have emerged in the new South Africa, opposing market fundamentalism in particular at local government level because a number of people in South Africa can no longer afford services such as electricity and water due to privatization of these services.

A pro-state model of development is a good idea. However with rampant corruption in the public sector it will not yield positive results because only the few in society will benefit from the state. The government first needs to show commitment in terms of fighting corruption. After all, it does not make sense for any government that has dysfunctional municipalities to nationalize industries and to increase its obligations while it is struggling to manage its current institutions due to corruption and incompetency.

Secondly, Small-Micro Medium Enterprises (SMMEs) need to be replaced with co-operatives, because Small-Micro Medium Enterprises do not empower the majority. Instead they only benefit a tiny minority in society. In co-operatives people will do business as groups and share the profit together instead of one or two doing business on their own. The current model of development of government (with regard to small businesses) has only enriched a few politically well-connected (people who have friends and relatives in government). Communities should be encouraged by government to start co-operatives and get support from different departments to run them. The kind of support might include financial skills on how to managing finances and getting loans or money from government to start these co-operatives. Co-operatives in their nature are geared towards community development as opposed to the looting of government resources by a few people.

Thirdly, the ruling party in both municipalities needs to do away with its deployment policy precisely because it cripples services delivery. People from all walks of life should be appointed on merit, irrespective of which political party or race they belong to. This will enable municipalities to be managed by skilled people who have the suitable academic qualifications.
Fourthly, Affirmative Action alongside BBBEE should be done away with because they do not enhance social cohesion; but rather polarize society along racial lines. Municipalities need to invest in skills development in order to capacitate blacks who were previously disadvantaged to participate in economy.

Fifthly, public officials and politicians need to inculcate a culture of discipline. Discipline must be enforced when both politicians and public officials cross the line of appropriate conduct. This means that municipalities through proper procedures should remove politicians and public officials who are breaking the law or who do not service the interests of the people.

Sixthly, the researcher recommends a study on the application of neo-liberalism within the context of local government be undertaken throughout South African municipalities, because the findings of this research are limited only to the Eastern Cape Province. The empirical evidence of this research cannot be applied to other municipalities because municipalities differ in terms of the extent of underdevelopment. Hence, a larger scientific project is needed to focus on the effects of ‘GEAR-related policies’ in South African municipalities; and take into account the complexities of South African municipalities.
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Appendix A

Letter to the Respondents or Participants

Home address
6 Keur Boom Crescent
Algoa Park
Port Elizabeth
6001

Good day Sir/Madam

My name is Ntsikelelo (Benjamin) Breakfast (contact number 0762175159). I am currently doing a Doctor of Philosophy (D.Phil) in Development Studies at Nelson Mandela Metropolitan University (NMMU). The title of my research is: ‘Market triumphalism and the South African state: A case study of local government in the Eastern Cape’. The principal aim of this study is to provide an in-depth analysis of the local development policies at local government level. This will be done by giving a closer examination of Black Economic Empowerment (BEE), Public-Private Partnership in selected municipalities in Eastern Cape. Moreover, this study seeks to make a scholarly contribution to the body of knowledge, particularly in political economy and development studies. This will be done by developing a new scholarly argument that explains Black Economic Empowerment (BEE), Public-Private Partnership (PPP) within the context of local government. My main promoter is Dr Gavin Bradshaw, office number 504 2913, door number 04 (11 Floor). In addition, my co-promoter is Prof. Hugo Noble is based in Ethiopia at University of Addis Ababa and Prof Richard Haines (Head of Department of Development Studies, NMMU). I would appreciate it if you could participate in the study. Nonetheless, participation is voluntary in the study. No one is forced to take part in the study. All the names of the participants or respondents will not be disclosed in the research report (thesis). This is done to uphold the
principles of anonymous and confidentiality in empirical research. Furthermore, participants in the study will not receive any remuneration. Please feel free to ask the researcher to clarify anything that is not clearly to you (Research Ethics Committee, 2010). The study will not cause any harm to the participants.

Warm regards

Mr. N. B. Breakfast
PhD student in Development Studies
Nelson Mandela Metropolitan University
Email address: s206002386@live.nmmu.ac.za
Appendix B

Questionnaire

This study is conducted by Ntsikelelo (Benjamin) Breakfast for his doctoral degree in Development Studies (Department of Development Studies) in the faculty of Economic and Business Science at Nelson Mandela Metropolitan University.

Section A

Biographical Information

This part of the questionnaire is meant to get the biographical information of the respondents. It should be noted that this information will be treated with ‘strict confidentiality’. Furthermore, respondents are not required to write their names due to research ethical considerations.

1. Gender

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

2. Race

<table>
<thead>
<tr>
<th>White</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asian</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coloured</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
</tr>
</tbody>
</table>

3. Age

<table>
<thead>
<tr>
<th>18-30</th>
<th>31-45</th>
<th>46 and Older</th>
</tr>
</thead>
</table>
**Social Status**

4. Please make a circle in one number of your choice

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>I consider myself to be poor</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>I consider myself to be part of the middle class</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>I consider myself to be part of the ruling class (capitalist class)</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

5. Tick only one place where you live (Your main place of residence):

I live in the Nelson Mandela Metropolitan Municipality…………………………… 1
I live in Buffalo City ………………………………………………………….. 2

6. Please make a circle in one number of your choice

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currently Employed</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Currently Unemployed</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Business Man or Woman</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

**Section B**

This section is meant to test the knowledge of the respondents about their understanding of Broad-based Black Economic Empowerment (BBEE), Public-Private Partnerships (PPP), and Small-Micro Medium enterprises (SMME’s), Integrated Development Plan (IDP) and Local Economic Development (LED)

1. You are requested to put an X in the appropriate box of your choice in each and every statement below.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad-based Economic Empowerment (BBEE) policy is meant to redress the imbalances of the past</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Public-Private Partnerships (PPP) at local government level are designed to improve services rendered in municipalities.</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Small-Micro Medium Enterprises (SMME’s) are</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

---

221 Ntsikelelo (Benjamin) Breakfast, D.Phil student in Development Studies (NMMU)
geared towards job creation and poverty elimination

Integrated Development Plan (IDP) is meant to identify the needs of the municipality for a period of five years

Local Economic Development (LED) is a strategy of all South African municipalities for economic growth, job creation and poverty eradication

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Unsure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do understand what Broad-based Black Economic Empowerment (BBEE) is all about</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>I do understand what Public-Private Partnership (PPP) is all about</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>There is a need to educate people in municipalities about Broad-based Black Economic Empowerment (BBEE), Public-Private Partnership(PPP), Integrated Development Plan (IDP)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>I do understand what the Integrated Development Plan (IDP) is all about</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>I do understand what the Local Economic Empowerment (LED) is meant for</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Statement</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Unsure</td>
<td>Agree</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>----------</td>
<td>--------</td>
<td>-------</td>
</tr>
<tr>
<td>Broad-based Black Economic Empowerment (BBEE) is only benefiting the few or rich people</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Public-Private Partnership (PPP) do not benefit the poor, they only benefit the rich</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Aims of the Integrated Development Plan (IDP) are not achieved by municipalities in the Eastern Cape</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>I have never participated in the policy-making of the IDP in my municipality</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

3. Please tick one number of your choice in each and every statement.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affirmative Action is not fair to white people</td>
<td>2 3 4 5</td>
</tr>
<tr>
<td>Only black people are considered when tenders are awarded in municipalities</td>
<td>2 3 4 5</td>
</tr>
<tr>
<td>White people are not benefiting from Affirmative Action and Broad-based Black Economic Empowerment (BBEE)</td>
<td>2 3 4 5</td>
</tr>
<tr>
<td>White people are not happy about the policy implementation of Affirmative Action, BBEE, Local Economic Development and Public-Private Partnerships</td>
<td>2 3 4 5</td>
</tr>
<tr>
<td>Most white are leaving the country because of affirmative action, LED, BBEE and PPP</td>
<td>2 3 4 5</td>
</tr>
</tbody>
</table>
Section C

1. Please indicate in this section the answer of your choice by circling a number which reflects your view in each and every statement.

<table>
<thead>
<tr>
<th>Options</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officially do not work closely with politicians at local government level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Officials and politicians are not committed in service delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption is a problem at local government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tender procedures are not followed when awarding tenders in municipalities in the Eastern Cape</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Politicians are interfering in tendering process in municipalities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipalities are holding unnecessary parties and functions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. You are requested to make a cross in any number of your choice in each and every statement listed below.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Unsure</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service delivery has been improving at local government since the Zuma administration has taken over</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>The Zuma administration is willing to listen to poor people in Municipalities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>The Mbeki administration failed to deliver service to the people at local government level</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Elected Councilors are held accountable by the people in their areas</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Elected Councilors are reporting back to their wards</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Statement</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Unsure</td>
<td>Disagree</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>----------------</td>
<td>-------</td>
<td>--------</td>
<td>----------</td>
</tr>
<tr>
<td>Poor people are not participating in Policy-Making at local government in the Eastern Cape</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Municipalities are failing to give services to the people in the Eastern Cape</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Internal auditing is not effective at local government</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Municipal managers should not be political appointments</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Municipal managers should be appointed based on their educational qualification</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>There has been an improvement of service delivery in my municipality as a result of the implementation of Public-Private Partnerships (PPP)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>The Public-Private Partnerships have improved the lives of the people at local government level</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Citizens are able to hold local councilors accountable</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Broad-based Black Economic Empowerment (BBEE) policy is improving the quality of lives of the people in my municipality</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>I think Public-Private Partnerships (PPP) and Broad-based Black Economic Empowerment (BBEE) are not effective anti-poverty strategies at local government</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>I don’t think privatization at municipal level will increase Small-Micro Medium Enterprises (SMME’s) and service delivery</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
Section D

This section is meant to look at the causes of service delivery and corruption at local government level

1. Do you believe that:
   - Poverty
   - Unemployment
   - Inequalities
   - Socio-economic problems
   - Lack of services delivery
   - Human security (crime, etc)
   - Lack of social cohesion

Tick only one number of choice as an answer

Are caused by: Inappropriate policies……1
Corruption within municipalities………………2
Incompetence of public officials and politicians…………3
All of the above………….4
Non of the above………..5

2. If there is anything you want to add please feel free to do so

__________________________________________________________________________________
__________________________________________________________________________________
__________________________________________________________________________________
__________________________________________________________________________________
__________________________________________________________________________________
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__________________________________________________________________________________

Thanks for taking part in this research may God bless you
Appendix C

Glossary of terms

Broad-Based Black Economic Empowerment (BBBEE)

BBBEE is meant to put black people in the commanding heights of the economy because they were historically disadvantaged during the apartheid era. Again, the motivation behind this policy is to deracialize the economy by enhancing the participation of black in the main stream economy. Among other things, this approach is geared towards creating a black middle and a capitalist class in South Africa. These two classes are perceived by the powers that be to be the ones that run the economy and contribute to economic growth and development by creating jobs, etc. Political economist Ben Turok reminds us that the idea of black people gaining access to shares in big companies first arose with the National Empowerment Act of 1998, which was meant to enable people to acquire shares in parastatals. He goes on to say that the Department of Trade and Industry produced a Black Economic Empowerment bill, which subsequently became a policy as Broad-based Black Economic Empowerment in 2003. He concludes by saying that BBBEE has a scorecard and expects ‘companies [to] achieve 25% BBBEE equity levels, 60% black people in management positions, 50% procurement from black-owned firms, and 50% equality in empowerment’ (2008:148-149). Furthermore, BBBEE is also meant to promote the privatization of service and PPP through the procurement process at all spheres of government.

Development

Firstly and most importantly, development is a subjective concept; it means different things to different people. The World Bank Development Report (1997: 111-129) refers to development as a qualitative improvement of the lives of the people. This includes quality education, better health services, alleviation of poverty, equal social and economic opportunities for all races, respect for cultural practices, maximum individual freedom and a clean environment (ibid). Willis follows the same line of thinking when contending that development should be measured
by an improvement of quality health, education, etc, and reasonable standard of living (2010:3).222

**Integrated Development Plan (IDP)**

The White Paper on Local Government (1998: 26-28) IDP is a five-year strategic planning document for all South African municipalities. When developing an IDP policy it must always be linked to the budget of the municipality (Ibid). An IDP refers to the mobilization of the resources within municipalities and is drafted into a coherent plan for development.

**Local Economic Development (LED)**

The Local Economic Development is the coming together of different stakeholders in society such as the business community, faith-based organizations, local government, Non-Governmental Organizations (NGO’s) and the general public with the aim of growing the local economy, creating employment and eradicating poverty (Hindson and Vicente, 2005:17). According to the White Paper on Local Government (1998: 26-28), the LED strategy is meant to provide high level short-and medium-term economic interventions to address the socio-economic problems. This economic strategy is informed by the Integrated Development Plan (IDP).223

**Neo-liberalism**

Neo-liberalism is an economic doctrine that is used as a model of development. It is premised on the fact that the state must be kept out of the market with the assumption that there will be a ‘trickling down’ effect. The rationale behind it is that when the economy grows the poor will benefit from the economic benefits through the ‘trickling down’. This is a neo-classical theory of

222 See also the work of Todaro and Smith (2003) and Stiglitz (2007) on this matter. Moreover, for an in-depth discussion on this subject, see chapter four of this study for United Nations Millennium Development Goals.

223 According to the Nelson Mandela Metropolitan Municipality (IDP/Budget Public hearing), Local Economic Development focuses on:

- Fighting poverty by creating employment through the Expanded Public Works Program (EPWP)
- Economic growth and investment
- Small Micro-Medium Enterprises and financial support
- Attracting tourists to the Metro
- Enhancing the implementation of BBBEE and an Urban Renewal project
economic development. The historical roots of neo-liberalism are found in the writings of Milton Friedman, who was a professor of Economics at the University of Chicago. Friedman was vehemently opposed to state intervention in the economy (Klein, 2007:30).

David Harvey (2011:2-5) states that neo-liberal policies focus mainly on economic liberalization, the dismantling of the role of the state, deregulation, fiscal discipline and PPPs. Moreover, neo-liberalism means a total deregulation of the market. On a global scale, neo-liberal policies are advocated by multilateral institutions such as the World Bank and the International Monetary Fund (IMF) through the idea of opening up the markets. The structural adjustment program of the IMF has been very instrumental in terms of the implementation of neo-liberal economic policies. A number of countries in the world have been advised to reduce their government expenditure by the IMF. This implies that the states assets will be privatized among other things.

Again, neo-liberalism is also linked to globalization which is a market driven process. The motivation behind it is to allow the market forces to function independently without any intervention by the state in the economy. However, it is worth noting that neo-liberalism is also reproduced by local political elites who subscribe to the school of thought that the market forces must be elevated above the state via privatization or outsourcing of services. Neo-liberalism in its implementation has contradictions. In most cases it involves the reallocation of state resources towards the political elite for personal accumulation, rather than promoting development. ‘Neo-liberalism is an ideology, which believes that the profits of businesses are the key driving force behind any economy. According to neo-liberals, the state should not in any way threaten the profits of business. Instead, the state should take all the steps that it can to help businesses increase profits; include opening their economies to foreign investors. This includes relaxing labour laws, relaxing environmental laws, reducing the tax rate on company profits, allowing companies to freely move money in and out of a country. Neo-liberalism promised increased growth and development, with a trickle-down effect correcting social problems, such as gender inequities in terms of access to and ownership of resources’ (ANSA, 2007:7-102).

It must be noted that in South Africa the state is also a major terrain for accumulation. For example, the local business and political elites through the BBBEE, PPPs, and outsourcing of

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224 Nevertheless the growth in communications has been a democratic and altruistic component.
services are using their strong networks (associated political and social capital resources) in their efforts for personal accumulation. Again, this shows the link between such practices and the construction and reproduction of neo-liberal discourses at different levels of government.

**Sustainable Development**

The concept of sustainable development was first used in the 1970s. The use of sustainable development is associated with conferences held in 1987 at Bruntland Commission, in 1992 in Rio de Janeiro (Brazil) and Johannesburg (South Africa) in 2002 (Fox and Van Rooyen, 2004: vii). The concept sustainable development also embraces six issues such as clean environment, poverty eradication, and economic growth, rural development at local government level, urban development and participating in the global economy (Todaro and Smith, 2003:464).

Martinussen states that sustainable development refers to the fulfillment of the present individual needs without endangering the opportunity of the future generations to fulfill their human needs (2004:43). In this study sustainable development refers to development that exists for a long time. According to Willis, citing the World Commission on Environment and Development, ‘sustainable development is: development that meets the needs of the present without compromising the ability of future generations to meet their needs’ (2010:159). It must be noted that sustainable development is a contested concept and that certain academic intellectuals and policy analysts are skeptical whether sustaining the environment can be squared with economic growth.

**State**

A state is a permanent institution which does not change (Mandel, 2007:2). The concept ‘state’ should not be confused with government, government changes but the state does not change. The government operates within the state. ‘The state is more extensive than government. The state is an inclusive association that encompasses all the institutions of the public realm and embraces the entire community (in their capacity as citizens). Government is part of the state’ (Heywood, 2002:87).

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225 Martinussen quotes Brundtland Commission’s report of 1987
The state encompasses permanent institutions such as the police, security force, defense (army), intelligence, bureaucrats, decision-enforcing institutions and spies. Moreover, the institutions of the state include the executive, judiciary and legislature. These institutions are enforcing public policies or law (Mandel, 2007:1, Heywood, 2002:87, Chazan et al 1999:39).

**Working Class**

Class is measured in relation to the means of production in terms of the Marxist scholarly tradition. According to Engels and Marx (1848:11) the working class refers to people who sell their labour and who do not own the means of production. Abercrombie, Hill and Turner (2000:390) argue that the working class receive lower income, less job security and mostly are unemployed and living in poverty. The concept of the working class is not necessarily a synonym of an employee. This means that not all employees are part of the working class. For example, a Chief Executive Officer (CEO) of a company is an employee but not part of the working class because he/she doesn’t experience the same hardships experienced by the poorest of the poor or lower income earners. Again, the terminology ‘working class’ is non-racial in its nature because one could find working class individuals across the racial divide.
TO WHOM IT MAY CONCERN

This serves to confirm that the thesis “Market triumphalism and the South African State: A Case study of Local Government in the Eastern Cape” by Mr Ntsikelelo Benjamin Breakfast was edited by me as individual Chapters and again in its final form.

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