



# INNOVATIONS FOR SUCCESSFUL SOCIETIES

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## MUNICIPAL TURNAROUND IN CAPE TOWN, SOUTH AFRICA, 2006 - 2009

### SYNOPSIS

In March 2006, the Democratic Alliance won elections in the city of Cape Town, taking over administrative and political control of the municipality following four years of rule by the African National Congress, South Africa's dominant party. Helen Zille, Cape Town's new mayor, stepped into a difficult situation. Crumbling infrastructure had eroded service delivery for years, undermining public confidence in the city government and jeopardizing the long-term economic prospects of the Cape Town metropolitan area. Lacking the revenue and administrative capacity to address Cape Town's infrastructure crisis, and facing a politically charged racial climate, Zille and her Democratic Alliance government initiated a package of innovative and far-reaching reforms. This case study recounts these efforts from 2006 to 2009, and describes how tough decisions to raise local revenue interacted with a program to stabilize an underskilled and demoralized city bureaucracy, reversing Cape Town's precipitous decline.

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### INTRODUCTION

During nearly three decades of experience as a civil servant in Cape Town, the capital of the South African province of the Western Cape, David Beretti had seen the city through good times and bad. Yet the crisis that South Africa's second largest metropolitan area faced in 2006 had its newly appointed executive director of corporate services deeply concerned. "When the present political leadership came in [in 2006]," Beretti recalled, "we were on a bit of burning platform. The city was not in a good state."

The "burning platform" was the city's infrastructure. A massive backlog of maintenance and repairs had built up as the previous city government had concentrated on building new projects while ignoring existing ones. The policy had undermined public service provision and imperiled the city's economic growth. As early as September 2005, reports emerged of raw sewage seeping from manholes in central Cape Town. In the same year, South Africa's Department of Water and Sanitation found that the city failed to meet national standards for sewage effluent 25% of the time.

While water and sanitation infrastructure collapsed, Cape Town's roads and bridges also atrophied, and the electricity grid fell into disrepair.

There were no quick fixes. The city did not generate enough revenue to pay for the infrastructure overhauls that it desperately required. Between 2000 and 2005, successive city administrations had spent US\$1 billion on infrastructure, but the lion's share of the spending went for new projects in previously underserved areas rather than maintenance and repairs of existing systems. With a population of three million residents growing at 2.8% a year, the city did not have enough money to go around.

The other, more pernicious side of Cape Town's infrastructure problem involved the city's lack of bureaucratic capacity. Ironically, in the 2005-06 fiscal year, the city was able to spend just 60% of its budget of US\$2.7 billion. The local government's failure to spend available funds reflected a long-term decline in operational effectiveness caused by the departure of skilled labor and by hiring freezes that demoralized an already overextended workforce. Without enough project managers and engineers, the city faced an impossible situation.

Cape Town's problems had historical roots. The end of apartheid and the government's commitment to expanding infrastructure into poorer black communities had stretched the city's revenue base past the breaking point. At the same time, efforts to restructure local government and build a more diverse city labor force bred uncertainty and distrust, and some of Cape Town's skilled personnel retired or left for jobs in the private sector, taking valuable know-how with them.

In March 2006, Helen Zille, a 55-year-old former journalist and member of Parliament, led her opposition party, the Democratic Alliance (DA), to victory over the incumbent African National Congress (ANC) in the local

government elections, winning 42% of the vote. The DA forged an alliance with other opposition parties to gain a majority on the City Council. The coalition took over on March 15 with a commitment to address Cape Town's rapidly deteriorating condition.

Zille knew the infrastructure crisis was a top priority. Committing her administration to an agenda called "infrastructure-led economic growth," she proposed a package of reforms designed to address the twin challenges of low revenue and weak capacity. These measures included painful efforts to boost revenue by increasing property taxes and collecting outstanding debts, a program to induce accountability and boost morale by placing employees in permanent positions with well-defined job descriptions, and new systems to track public complaints and requests.

Despite the challenges that DA officials faced in working with a national government that was still controlled by the ANC, many of their efforts were successful. In 2008, the U.K.'s *Daily Telegraph* rated Cape Town the "Best World City," and the City Mayors Foundation, an international think tank dedicated to urban affairs, designated Zille as "World Mayor of 2008." This case study discusses how Zille and her team organized and implemented major reforms, and demonstrates how improving a city's crumbling physical infrastructure requires not only a hard-nosed political commitment to raise money from residents but also a determined and sensitive effort to raise the competency of local administration.

## THE CHALLENGE

The origins of Cape Town's infrastructure crisis lay in South Africa's historical inequalities and in the initial steps taken to overcome these disparities at the end of apartheid, the system of racial discrimination enshrined in law that ended in 1994. The Group Areas Act, passed in 1950 during the apartheid era by South Africa's

white-dominated Parliament, established a system of urban administration that divided the Cape Town area into two parts: one that included wealthier, primarily white municipalities, and another for municipalities where poorer black and mixed race, or “colored,” residents lived. The latter had poor public services and were located outside the central city, long distances from industrial and commercial areas that generated jobs and tax revenue. After the introduction of majority rule in 1994, the ANC moved to end this two-level system of urban administration as part of a campaign to narrow the economic divide. Party strategists believed that wealthier areas should subsidize black and colored municipalities that lacked the tax base to provide public services to their residents.

What followed was a gradual process of political integration, as the 35 municipalities that made up the greater Cape Town area merged into seven local authorities, which became a single local authority dubbed the Cape Town “unicity,” with a population of almost 3.5 million residents by 2010. The city government was responsible for basic services such as water, electricity, garbage collection, policing, roads, housing, and social and economic development. The mayor, who was chosen by the party that secured the most votes, appointed a city manager to run day-to-day operations and worked with an executive committee to develop policy proposals for consideration by a 210-member council.

The ANC administration that governed the Cape Town unicity from 2002-06 did much to expand critical public services into previously underserved black communities. The ANC’s primarily black political base demanded a rapid increase in new capital spending on infrastructure in historically neglected parts of the city. However, the needs of these newly incorporated communities were too great to be

met by cross-subsidization alone, and revenue did not keep pace with the new demands.

Moreover, in dramatically boosting expenditures for infrastructure, the ANC overlooked the effects of expansion on longer-term costs and future budgets. Policy makers ignored repair of older infrastructure and did not always plan for the cost of maintaining new facilities. For example, from 2002 to 2006, the ANC administration replaced no more than seven kilometers of the 160 kilometers of sewage pipe that required repair. As the ANC built new roads and bridges, new sewage treatment facilities and new gas stations, existing infrastructure began to wither.

Cape Town’s financial woes extended beyond the challenges of providing services to historically underserved communities. The city had nearly US\$645 million in uncollected fees, taxes and other government charges, an amount equal to almost one quarter of the city’s annual budget. The previous ANC government had imposed a moratorium on collecting some types of debts and fees from the indigent, and some of those who could pay tried to take advantage of the situation. Felicity Purchase, a DA city councilor who became the mayoral committee member for economic development and tourism, said, “We had to clean up the whole finance department. ... They [the ANC] created a moratorium on paying back debt. So people stopped paying their rentals, they stopped paying their taxes. ... We had to create a culture of paying.”

But creating “a culture of paying” was a tall order, even for the most diligent of municipal governments. Many unpaid bills were from black communities that had been historically hostile towards government. During the apartheid era, nonpayment of service bills was a resistance tactic within black townships. This racially-charged legacy was compounded by the perception that the DA was primarily a white

party. Although the city's dire financial position clearly required the government to collect fees and unpaid debts, the political challenges were significant.

The infrastructure problems that the Cape Town unicity faced also had their roots in poor organizational performance during the transition to the unicity structure. The creation of one municipality out of many required intricate administrative changes: designing new organizations, eliminating duplication, redeploying employees from the various localities into new positions, and standardizing terms of service for all unicity employees. This operation unfolded under the watchful eye of organized labor and required complex and arduous negotiations with South Africa's two major municipal labor unions, called SAMWU and IMATU. To make matters more complex, the unions historically had different racial compositions and political preferences.

Nearly six years after the creation of the unicity, the DA inherited a 19,000-member municipal workforce that was still undergoing change. A restructuring process was largely incomplete, with many employees operating on a temporary basis under different terms of service. Many were uncertain of their roles and responsibilities, much less their reporting lines. As executive director of corporate services, Beretti remembered, "People drove to work in the morning and asked themselves, 'What is my job and to whom do I report?'" The lack of clarity not only frustrated staff but made management virtually impossible. "You couldn't hold people accountable," Beretti said.

The protracted restructuring created uncertainty that discouraged civil servants. Who would be retained? Who would be dismissed? If redeployed, what positions could employees expect to occupy the next day? What would be their salary and benefits? As the city struggled to answer these questions, employee morale sank. An increasing number of the city's skilled

employees left for opportunities in the private sector. "They took too long to place people into posts," Beretti said. "People were becoming restless."

The reasons for the city's inability to restructure successfully were complex. Cape Town's unique demographics made it one of the few urban areas in South Africa where blacks were a minority, comprising just 32% of the population. As a result, the city was the only major urban center in which the ANC did not dominate local government elections. Nearly 48% of the city's population was colored and 20% were white or Asian. The fragmented majority had shifting political allegiances and electoral preferences that produced unstable coalitions and multiple mayors during the first six years of the unicity's existence.

Political changes at the top of Cape Town's municipal government tended to short-circuit the restructuring process. The problem was so acute that a few months after the DA came to power a leading South African newspaper published an article titled "Can Cape Town Survive Another Change of Guard?"<sup>1</sup> While the DA had begun to implement its own restructuring program during a brief stint in control of the city from 2000 to 2002, the ANC introduced a new plan when it won office in 2002. Each time a new party won office, progress slowed as new decision makers reset priorities and created new routines. "Local authority is like a giant supertanker," Beretti said. "It takes a long time turn it around."

Zille's predecessor, Nomainda Mfeketo of the ANC, had made diversifying the city staff a key goal, an understandable bid for inclusiveness and for a staff that looked like the people it served. The city was under a hiring freeze, however, so change could come only by inducing the existing jobholders to leave, and then replacing them with non-white applicants. Mfeketo's city manager, Wallace Mgoqi, began a restructuring effort that went through several

iterations and reached a climax in January 2005, when senior managers were asked to reapply for their jobs. Some did not receive invitations to interview. Of those retained, more than 200 found themselves in a state of limbo, dispatched to new offices with full pay but without responsibilities—apparently in the hope they would resign. About 100 of these officials took retirement packages, which totaled US\$7.3 million. Middle managers and engineers also departed, uncertain about their own futures.

The size of the city administration shrank from roughly 23,000 to 19,000, and vacancy rates skyrocketed. The departures caused a loss of institutional memory, as workers at all levels took with them important knowledge regarding processes and procedures. The vacancies led to confusion and poor supervision at lower levels of the administration—those who dealt most directly with the public.

Zille, whose 2006 election victory put her in the eye of this storm, was a different breed of politician. As the Western Cape's minister for education in the early 2000s, she had established a reputation for getting results, even though she drew the ire of the ANC for her resolute opposition to race-based affirmative action in the hiring of teachers. But unlike many others within her party who had been compromised by their association with apartheid-era political institutions, "she came from a struggle background," noted Purchase. As a journalist working in the 1970s for the *Rand Daily Mail*, a prominent South African newspaper, Zille had broken the story of the murder of prominent dissident Steve Biko by South African security services, and throughout the 1980s she was a member of several pro-democracy organizations.

Zille's personal background also reflected subtle differences in style that distinguished her from many of her colleagues in the DA. She spoke Xhosa, the language of the majority of blacks in the Western Cape, and she publicly urged the mostly white members of her party to

learn the language. When asked to respond to those who called her the "Margaret Thatcher of Africa"—an allusion to the conservative British prime minister accused by many of her detractors of anti-poor and Eurocentric political views—Zille quipped, "I say Margaret Thatcher cannot *toyi-toyi*," referring to a dance used by black political protesters during apartheid.<sup>2</sup> Unlike most of her colleagues, her resistance background made her less vulnerable to accusations of racism.

Several of Zille's cabinet appointments were to play a key role in moving a reform agenda forward. Ian Neilson, who became mayoral committee member for finance, came to his new position well versed in the challenges the city faced. Neilson had worked as a civil engineer for 20 years before he entered local politics in 1996. He had served on the committee set up to manage consolidation and the formation of the unicity in 1999, and he later helped build the new Cape Town City Police Service.

Belinda Walker took charge of the corporate services and human resources portfolio. Walker had served as an elected councilor and as deputy mayor from 2000 to 2001, and had been a fixture of the mayoral committee for every city administration since 2000. Demetri Qually, who often teamed up with Walker in managing the corporate services portfolio, had served as a councilor since the 1990s and a councilor for the Cape Town unicity since 2000. He was also a member of the DA's national executive committee.

Zille also brought in a new city manager. Because of the critical role the city manager played in carrying out policy, she asked Wallace Mgoqi to step aside for Achmat Ebrahim, whose long career in metropolitan government and deep knowledge of city matters had earned him the respect of council members, regardless of their political affiliation. Ebrahim, then 51 years old, had served as a member of the city's top management team in the last year of

Mfeketo's ANC administration, when he was executive director for the City Secretariat. He had started his government career in 1977, served as chief administrative officer in the Metropolitan Council Health Department during the transition from apartheid in 1993-97, and later served as executive director for community services, where he was responsible for 10,000 city staff, including police and health workers.

### FRAMING A RESPONSE

The DA called its agenda "infrastructure-led economic growth." Zille and her colleagues argued that only by improving Cape Town's deteriorating infrastructure could the city attract the investment necessary to build the economy, provide jobs for its citizens and alleviate poverty in the former black and colored townships. Purchase said, "Without a working infrastructure, nothing would be sustainable." With the goal of creating an attractive business climate, the new government would focus on rebuilding roads, bridges, water and sewage facilities, and Cape Town's electricity grid.

At the same time, the DA acknowledged the hazards of a single-minded focus on promoting investment in a highly unequal society. In a 2011 policy document, "The Cape Town Story," the DA outlined the tensions inherent in the "infrastructure-led economic growth" philosophy: "It is worth pointing out the fundamental assumptions behind this approach. The incoming administration believed that the biggest test of local government is getting a very delicate balancing act right. On the one hand, it has to extend the provision of services to the poor; on the other, it has to maintain an enabling environment in which business can invest and create jobs." For Zille and her colleagues, the goal of promoting investment had to complement the goal of improving the plight of the poor.

Addressing the city's infrastructure

challenge required specialized skills and experienced personnel. However, the DA recognized that, given Cape Town's legacy of racial inequality, diversity would have to remain a core priority of the city's administration. In a 2011 editorial, Zille wrote, "As a country we must seek to move beyond race. ... Of course, we cannot pretend the past did not happen. And we must acknowledge the deep scars and inequalities that persist to this day. Our role where we govern is to build a society that heals these wounds and offers real opportunities for every South African to live a life they value."<sup>3</sup>

The DA believed that it could achieve progress simultaneously on the twin issues of improving racial balance in the city administration and bolstering performance and capacity. Although merit remained the top criterion in hiring decisions, the DA established a policy of flagging the applications of promising black and colored applicants who did not meet the requirements for a particular job opening but who could be placed in other positions that matched their skills. The goal was to take a long-term approach to promoting diversity, with the idea that these individuals would move up the ranks of the administration to become senior managers. The initiative was carefully evaluated by the city administration's employment-equity director, Michael Siyolo. By 2011, 45% of the city's senior managers were black or colored.

### GETTING DOWN TO WORK

The question facing Zille and her team was where to begin and on how many fronts to move at once. In order to invest in infrastructure repairs, create jobs and extend basic services, they knew they had to address the revenue shortfall quickly.

#### *Fixing finances*

Property taxes were a key source of revenue for the city of Cape Town, but collection had not kept pace with growth. Part of the problem,

Purchase noted, was that property values were based on “the cost of erecting the structure in the first place” instead of market rates. “You could have a house that could sell today for a million rand, but might have cost the builder 3,000 or 4,000 rand in 1950,” she said.

National-level legislation had called for a general revaluation of property based on market rates, but few municipalities had heeded the directive. The politically volatile issue had been under discussion since the late 1990s. Zille and her colleagues knew something had to be done. “I think reality prevailed,” Purchase recalled. “We really had no option.”

Mayoral committee member for finance Neilson also drummed up council support for a property-tax increase by citing the city’s dire financial situation. “We just had to get on with it,” Neilson said. Yet property tax hikes would not be an easy sell. Because of the past economic marginalization of the majority black population, only 5% of South Africans could afford to actually pay property taxes. As a result, any revaluation and tax increase would hit hardest at DA supporters, who lived in the wealthier areas.

Completing the revaluation of all properties and adjusting rates was an arduous process. Neilson decided to implement the actual revaluation of property and increase in rates incrementally, neighborhood by neighborhood, rather than waiting until all the numbers had been worked out for all properties in the city. With the DA facing a critical provincial election in the Western Cape in 2009, the strategy was clear. Purchase acknowledged, “We did the big increases first and worked down to the smaller increases by election time.” The hope was that by election season, the worst wounds would have healed.

The early days were challenging. Purchase, who was a leading voice in the council at the time, recalled, “It was exceptionally difficult to sell it to our voter base and our party, because in

the first instance, in the south peninsula when we first implemented the system, [tax] rates went up 19%, which is a huge hike.” With opposition mounting after the first set of increases in late 2006, property tax reform looked doomed.

Zille, however, was resolute, and events elsewhere eased some of the troubles. Across the country, cities and taxpayers faced the same challenges. For example, in Johannesburg, the ANC undertook a similar revaluation of property, which also produced big tax increases. As news of the Johannesburg increases filled the media, Purchase recalled, “It made it a lot easier for us.”

Recognizing that retirees and indigents would not be able to afford the rate increases, the DA built some flexibility into the tax system. Neilson provided tax rebates to those who earned US\$800-\$1,300 a month, and those who earned below \$800 a month paid no tax at all.

In taking on their own constituents, Zille and her colleagues in the DA demonstrated a willingness to assume political risks, creating momentum for reform. Purchase said the DA’s supporters deserved some of the credit, for going along without too much resistance. “People understood that there just wasn’t the money to go around,” she said. “Remember, in the old days, the municipalities looked after themselves. Now we had all of these poorer areas, which were run as black development wards, which had been sponsored by national government, which no longer happened. So now, these previously advantaged areas had to cover the costs of running those areas. And so there had to be cross-subsidization, and people realized that. It just wasn’t very comfortable.”

#### *Debt collection and borrowing*

Collecting nearly US\$645 million in unpaid taxes and service bills presented another set of challenges. Neilson recognized that collection required a practical approach that differentiated

between debtors who could afford to pay and those who could not. In order to create momentum for the effort, he first targeted major corporations and the provincial government. If corporations failed to repay debts, Neilson cut their water and electricity. Because these so-called “big fish” could afford to pay, they responded by settling their debts. The actions put others on notice.

In confronting poorer black residents, the DA used a delicate balance of persuasion and force. More than 300,000 notices were sent out to households with overdue payments, informing them that services would be cut if outstanding bills were not settled. Councilors convened community meetings to educate residents about the effort, and city employees went door to door, speaking with recalcitrant debtors. In some cases, Neilson allowed the city’s bill collectors to negotiate with debtors—within strict parameters—rather than demand immediate payment of the total amount owed. At the same time, the city indicated that a failure to work out repayment terms would leave residents with steeper payments later on.

As a signal of its flexibility, the administration wrote off nearly US\$242 million in debt, most of which was owed by the city’s poorest residents. When debtors failed to renegotiate, services were cut, although in the case of water, a small flow was allowed to continue.

The strategy succeeded. In the first year alone, the city collected US\$1 billion on debts. By 2009, the DA was collecting over 96% of the annual payments owed to the city.

Less ambitious initiatives worked alongside these major revenue-generation efforts. Neilson sought to augment revenue by leveraging the city’s borrowing capacity, a strategy the ANC had largely neglected. By issuing municipal bonds on the Bond Exchange of South Africa, the DA was able to raise US\$355 million to fund specific projects and priorities.

### *Tackling corruption*

While the administration worked to build the city’s income, other efforts concentrated on revenue leaks. Corruption, especially in Cape Town’s procurement and tendering processes, eroded the city’s financial base. The body that awarded contracts, called the Bid Adjudication Tender Award Committee, operated in secrecy. The committee often restricted competitive bidding by canceling meetings and rescheduling them months later with little notice, so that only a few companies had the opportunity to learn about tenders, offer bids or participate in award meetings. A senior official within city government had acquired the nickname “Mr. Ten Percent” for his ability to extract “consulting” fees from contractors who successfully bid on city tenders. Purchase described the problem as acute. “We needed a clean government,” she said. “The stories of contracts given to friends in this city were unbelievable. It cost the ratepayers a fortune.” Cape Town was not alone: South Africa’s auditor general reported that from 2005 to 2007 civil servants had diverted about US\$73 million to relatives.<sup>4</sup>

Neilson took the issue head on. Despite objections from committee members, he ordered the Bid Adjudication Tender Award Committee to open its deliberations to the public. Citizens were given access to the committee’s official reports, and any contract for city business had to be publicized on the city website where all competitors for a tender would register. The city council also created a Standing Committee on Public Accounts to monitor the tender process. In an attempt to depoliticize oversight, Zille agreed that only a member of the opposition could chair the committee.

The cumulative effect of these reforms was to reduce corruption substantially. Because the tendering process was now regarded as fair and competitive, the number of businesses willing to register on the city’s supplier database—a



requirement to be eligible for bidding—rose to 16,677 in 2010 from about 10,000 in 2005. Increased competition theoretically would bring lower prices for goods and services the city had to purchase. Further, the new procedures meant that it was much more difficult for friends and relatives of city officials to win contracts on the basis of personal ties instead of performance and therefore less likely that scarce city resources would go to waste.

Additional innovations in revenue generation continued in late 2007 and early 2008. The DA recognized that utilities were a major drain on municipal government coffers, and the system of water distribution was a particular problem. All residents paid a flat rate for water, which meant there was no penalty for overconsumption and waste. In response, Zille made the tough decision in 2008 to introduce water meters that would monitor usage by each household. Instead of paying a flat rate, water customers would pay for how much they used. Because water was a sensitive political issue, the DA decided to provide 6,000 free kiloliters per household per month, in order to guarantee a base that even the poorest residents could survive on. By making it possible for residents to recognize when they were paying for more water than they were actually consuming, the meters also helped locate leaking pipes that were costing the city millions of rand.

#### *Improving city administration*

Throughout 2006 and 2007, an effort to improve the city administration ran parallel to the DA's program of revenue generation. Walker argued that the ANC had used a "soup-kitchen help" approach to service delivery, in which the city administration had expressed great empathy for the plight of Cape Town's poorer communities but had taken no steps to implement the restructuring processes needed to deliver services more effectively. "If the internal administration doesn't run smoothly," Walker

said, "then you can't get the delivery right."

For Zille, Ebrahim and Walker, Beretti was the logical choice to manage this difficult process. With a long career as a civil servant in Cape Town, Beretti understood well how decisions regarding personnel and employment could affect the various line departments. As executive director of corporate services, Beretti was adamant about the need to put the city's internal house in order and he had shaped the views of the new mayor and his own boss, Walker. "I said to them, if you do not get the people issues right, it doesn't matter what technology you've got, what equipment you've got, what skills you've got—you will not pull it together," Beretti said. "I am probably one of the only guys who has worked in all the departments of the city. ... I had broad experience ... so when I took decisions, it wasn't just academic or something I had learned in theory. I knew how a water utility operated, I knew how the planners worked, which immensely helped me in the decisions I was taking, because I knew the impact of what I was going to do. ... Belinda Walker and Helen Zille knew my track record, and knew I had the skills and experience to understand the major functions that would be impacted."

The merger of metropolitan administrations remained incomplete five years after the unicity was created, and worry about the fate of their jobs continued to undermine employee performance and service delivery. Ebrahim and Beretti, recognizing that the city could ill afford another purge of senior civil servants, emphasized the need to stabilize the city's staff. Beretti pressed the DA to avoid the tendency of previous administrations to clean house. Despite the DA's deep suspicions of some of the senior managers installed by the previous administration, Zille and Walker accepted Beretti's proposals. Beretti recalled, "We said, 'Let's keep all the people.' We were not sure of the skills they've got—whether they

match the skills that we need—but I said, ‘We can take care of that later. Put your trust in them.’ ... It was a tough one for them [the DA] to buy into. There wasn’t much trust between them and the old people. But I said, ‘We’ve got them, they’re our employees, they were appointed by council, let’s work with them.’ So there was no retrenchment, and there was no purge.”

Practical political considerations played a role in these decisions as well. Summary removals would have required the payout of expensive severance packages and might have triggered racial controversy. However, in subsequent months, many of the more problematic senior managers left the administration because they failed to meet their performance management targets, making some restaffing possible. There were tradeoffs, however. For example, departures and reassignments over an extended period prolonged instability within the senior management staff.

The gradual stabilization of the city’s senior management set the stage for addressing the chaos that the merger of the unicity had created within the lower tiers of the city administration. Beretti proposed scrapping the idea of “organizational restructuring,” where whole administrative units would be reorganized and employees either redeployed or retrenched. Instead, he developed a program of what he called “organizational realignment,” where the aim was to keep employees in the positions they currently occupied, but on a more permanent basis with roles and responsibilities carefully defined. If an employee performed more than 50% of the functions of an existing position, he/she would be retained in that position automatically. Zille wanted to move quickly, and she pushed Beretti and Walker to complete the placement process within six months.

Facing a deadline to complete the realignment process by the end of December

2006, Beretti had neither the capacity nor the expertise to go unit by unit and assess who performed what functions. Employees often reported conflicting information, and discerning exactly who was performing more than 50% of a job was difficult. In response, Beretti said, he turned to his line managers, since “only the manager knows which staff members are performing which functions.” Crucially, unit managers were also responsible for carefully delineating job descriptions.

Delegating the implementation of this program to hundreds of unit managers had its risks, too. Managers were prone to play favorites, and office-level politics often interfered with effective decision making. To keep everybody honest, Beretti and Walker established a robust appeals process managed by a team within the directorate of corporate services, in addition to a website for employees to register complaints against their superiors. Beretti described the system: “We had an exhaust valve, which was the appeals process. So although we were driving this hard, we said to everybody, ‘We’re going to do this, but at the end of the day, it’s not autocratic. At the end of the day, there will be grounds for appeal to show why you should have got that job instead of somebody else.’ So we always left an outlet.” By enabling workers to go over the heads of their unit managers, Beretti and Walker introduced a degree of impartiality and transparency into the process that helped to safeguard the rights of individual workers.

The goal of eliminating clear cases of duplication and redundancy was similarly complicated. Beretti recalled that when he took over the corporate services directorate he had three different directors of legal services. Rather than making arbitrary decisions about who would get the position, the employees were allowed to compete. Those who did not succeed were moved to new positions. There were many quality positions that these displaced employees

could fill, because departures and hiring freezes had reduced the number of employees on the city's rolls.

By the end of 2006, Beretti and Walker breathed a sigh of relief. Nearly all of the city's employees had received letters notifying them of their permanent placements. The team had accomplished in a matter of months what previous administrations hadn't accomplished—or attempted—in six years.

The placement of employees in permanent positions with clear job descriptions, reporting lines, and payment and benefit scales allowed the city to begin to hold employees accountable for their job performance. Beretti said clear job descriptions played the dominant role. "Once we appointed employee X, and he signed off on that job description, he was accountable," Beretti said. "Previously, he was on the payroll, and he may have been sitting in a depot three miles from here, still getting paid, and he may have been saying, 'That's not my job.' ... Once we said, 'That's your title, those are your functions, that's your payscale, and sign off,' he had a type of self-actualization: 'I've now got a job, I am now responsible.'"

Beretti and Walker continued to innovate. A major concern was that the criteria for evaluating employee performance remained unclear and nonstandard. For instance, electrical engineers employed by the cities of Cape Town and Johannesburg could be evaluated using very different metrics, triggering charges of unfairness. Even within Cape Town's city administration, organizational flux had created ambiguity about the appropriate evaluation criteria for specific jobs. Beretti said, "You can't have everybody using their own measuring spoon to evaluate jobs."

Building on national legislation that required standardization of job evaluation criteria, Beretti and Walker implemented the Tuned Assessment of Skills and Knowledge (TASK) program in late 2007. The new system

created teams responsible for developing the criteria for performance appraisals in each type of position and for reviewing and updating the systems as new jobs appeared or responsibilities and duties changed. The program broke ground in several ways. While in the past, performance criteria had been drawn up by human resource specialists in the corporate services directorate, that job was now done by committees equally divided between city human resource officials and organized labor.

Resistance to the new system was limited because both major municipal labor unions, SAMWU and IMATU, participated in the review of job performance criteria, incorporating the views of employees. The performance agreements for senior city staff, including detailed criteria and project expectations, were posted on the city's website for public inspection.

#### *Accountability*

Walker and Qually worked with Ebrahim, Beretti and the city's information technology team to develop systems that would help the city address problems quickly and help keep employees focused on performing their jobs effectively. They introduced two innovations in 2007. The first was a system to streamline handling of citizen complaints and the second was a performance management dashboard. Before 2007, city officials had no effective system for handling citizen complaints or requests. The reform team created a central fax number, a new website and a streamlined email system, and worked to improve the behavior of receptionists. They then installed a new "C3 complaint tracking system" that made it easier for residents to make complaints and requests and easier for the city to monitor its own responses. When a citizen called, the person at the other end created a record in a central database. Supervisors could then send the matter to the appropriate department and track

progress. All complaints remained in the system until they were addressed, and managers conducted a monthly review of the system to check on resolution rates and times. The C3 system was linked to the city's GIS (Geographic Information System), which displayed the complaints on a map of the city, along with business information, aerial photography, and GPS survey results. For example, if a sewer line broke, city officials could estimate the scope of the damage based on the spread of complaints on the map. Regarding this aspect of C3, the city's information systems and technology director, Anthony Stelzner, said, "The pattern on a map is far easier to analyze than a table of data."

In 2007, Zille's team also launched the Performance Management Dashboard as a way to track the progress and effectiveness of city projects. The system enabled the city to adhere to its plan and priorities by monitoring the activities of city departments. The dashboard was a software program designed to display the large amount of data generated by each city department. It could monitor project success rates and identify trends by department as well as the distribution of projects across the city. Zille noted that because the new system assembled important information automatically, it allowed the city's decision makers to assess service delivery and take appropriate action quickly. Like the C3 program, this project was developed by Stelzner's Information Systems and Technology Department. The overall objective of the program was to ensure the delivery of government services to the whole city by providing an easy to use accountability system.

Finally, Beretti worked with project managers to encourage them to engage with members of the public and report results. This step would help build the kind of citizen linkages that could make city employees more responsive to public needs.

## OVERCOMING OBSTACLES

Politics continued to complicate some of the reform efforts. The electoral rules stipulated that the post of mayor would go to the designated candidate of the party that won more than 50% of the votes. If the party with the most votes failed to win a simple majority, it had to build a coalition. In the 2006 local government elections, the DA captured 42% of the vote and negotiated with seven smaller parties in order to claim a 51% majority of the 210-member city council. Zille offered positions on the 10-member mayoral committee, which functioned as a Cabinet, to the DA's partners.

Although Zille's appointment of two DA stalwarts in key positions ensured she could drive the reform process, the DA's position remained precarious. Zille maintained her majority in the city council by a single vote, and the defection of one minor party could fracture the DA's grip on power. As a result Zille and her team frequently were held hostage by political considerations. Neilson recalled, "It was a very difficult coalition, very unstable. And the tail wagged the dog. You had these small parties who could walk away and you would lose your majority ... so they could demand what they wanted."

Some of the demands threatened to undermine the reform process, while others diverted top decision makers from important work. For example, one mayoral committee member from a non-DA party argued for full autonomy over the hiring of senior management within the portfolio he oversaw.

The problem eased with time. In early 2007, the defection of the African Muslim Party to the ANC forced Zille to negotiate hard to win the support of the Independent Democrats (ID), a largely colored party that had views similar to the DA. With the ID, a comparatively large party, on board, the size of the DA's majority increased, and Zille no longer

had to cater to a patchwork of small parties in order to win council support. “They could no longer hold us to ransom,” Neilson noted. “The tail no longer wagged the dog.” Later that year, Zille was elected leader of the DA national party, further consolidating her position. While the political difficulties of her first year in office did not deter the DA from taking the first steps toward resolving Cape Town’s infrastructure crisis, increasing political stability eased the task of reform later on.

Shifting coalitions meant constant changes in the composition of the mayoral committee. Brett Herron, an ID member who was Cape Town’s mayoral committee member for community services, discovered that he was the fifth mayoral committee member in four years to head the portfolio when he took on the position in 2010. Although Neilson and Walker retained their positions from 2006 onward, they were islands of stability in a sea of change.

The labor unions also created roadblocks to implementing the organizational realignment program. The ANC’s close political relationships with the unions had complicated past efforts at restructuring. In the late 1990s, Walker had served as the mayoral committee member for corporate services in Mfeketo’s ANC-led government, and had the job of negotiating with unions over the impending restructuring. Walker said the high level of backroom coordination between the ANC and the unions undermined the city’s bargaining leverage and delayed the process of reform. “The ANC couldn’t decide whether they were employers or employees,” Walker recalled.

IMATU had a tendency to drag municipalities to court when its demands were not met. SAMWU preferred to protest and embark on industrial action. To Beretti, “The worst case scenario would have been to have no unions on board—very, very high risk. The one lot goes to the court, the legal route, and they tie you up in that, and the other one goes to the

streets, which is the unrest route, and you’ve got both unions taking you down.”

Still, the new organizational realignment process was attractive to unions for many reasons. The DA government did not propose to fire people, and it envisioned minimal redeployment. The program, in many ways, was a path of least resistance. Furthermore, a national-level bargaining process mandated that the city of Cape Town increase salaries, which Beretti and Walker used as an opportunity to standardize terms of service. No longer would people in the same position doing the same sort of work be paid radically different salaries, or operate on dramatically different schedules.

Throughout the latter half of 2006, much of the senior leadership of the city, including Zille, campaigned for the organizational realignment program, meeting with large groups of employees at their work sites—what were called road shows—in a bid to develop grassroots support for reform and to allay fears. A total of 39 road shows were held. In the end, IMATU, which historically had a larger following among white workers, was persuaded. Yet SAMWU, which was a member of the union coalition COSATU, rejected the plan because the union was politically close to the ANC. SAMWU’s official line was that it wanted to renegotiate aspects of older restructuring efforts, most of which had been implemented by previous governments, including the ANC. Beretti said he found the idea preposterous because it would involve the city in a series of protracted negotiations. “No city, never mind Cape Town, can afford to do that,” Beretti said. “Because if we allowed that to happen, as I said to the politicians, then we are not in the driver’s seat. We are running behind the vehicle, and they [the unions] are in the driver’s seat.”

Although spurned by SAMWU, Beretti kept lines of communication open in an effort to prevent a war with labor. With years of

experience in the city, Beretti had good working relationships with SAMWU's leaders. Instead of sending his labor negotiator to local labor forums, Beretti attended the forums himself and scheduled ad hoc meetings with SAMWU leaders to keep them abreast of developments in the organizational realignment. His efforts bore fruit. While SAMWU publicly rejected the plan, the union did little to slow its progress. Labor leaders understood that their members wanted permanent placements, and while the leaders may have been keen to scuttle the organizational realignment, they did not want to be held personally responsible for its failure.

### ASSESSING RESULTS

Sitting in a board room in Cape Town's city center in 2011, Neilson, Cape Town's deputy mayor, remembered the scale of the problems the DA inherited: "The issue for us was really very basic, because it wasn't a question of 'how do I take this city to the next level?' At that stage it was 'how do we save this city from collapse?' We didn't have to make decisions about where to expand the city, because we couldn't even get to that point since we had to deal with all of these backlogs. ... You know, this city center had not had a significant electricity update in 30 years."

The DA's reforms began to produce dividends three years after the party took control of city government. By March 2009, Neilson had increased the city's overall budget to US\$3.8 billion from \$2.7 billion. Neilson's program of revenue generation allowed the city to quintuple annual spending on new capital infrastructure projects to \$806 million by 2009 from \$161 million. Annual expenditures on maintenance and repairs doubled to \$258 million from \$129 million. By 2010 the total value of the city's maintenance backlogs was only 11% of the city's annual maintenance budget, the lowest of any major metropolitan area in South Africa.

The stabilization of the city's bureaucracy

greatly enhanced capacity. By 2009, the city was spending over 95% of its budget, and the number of city employees increased to 23,000 from 19,000. Whereas the bureaucratic chaos of prior years had blocked staff training and development and led the city to under-spend allocated resources on this function, Beretti and Walker increased the percentage of the city's staff-training budget spent to 94% from 80%. Results of a corporate-climate survey implemented by Beretti in 2009, which included data on all of the city's employees, showed a sharp improvement in staff morale. However, Beretti also pointed to new challenges. For example, he noted, it was impossible to put every responsibility in a performance contract, but the city faced pressure to try to do so because employees tended to focus only on what was included.

By 2010, most rankings of South African metropolitan areas rated Cape Town as having the country's best government. The city received unqualified audits, signifying that it had spent its budget well and fully disclosed its financial circumstances at a time when many other local governments and agencies did not. The central government's general auditor praised the city's sound financial management in 2009, and the city's credit rating improved. The management team also won the support of private investors, as indicated by its ability to float successful bond issues.

In the 2011 local government elections, the DA won 51% of the vote, becoming the first party in Cape Town unicity history to win a clear majority.

Despite these results, the efforts of Zille and her team to save Cape Town's infrastructure from collapse and improve accountability were not perfect. The city continued to suffer from a severe shortage of skilled technical staff. Engineers were particularly hard to come by, although this difficulty reflected a nationwide structural problem that afflicted most South

African municipalities. Housing backlogs also remained severe, with 400,000 people still in need of adequate affordable housing, while unemployment and crime in Cape Town's most disadvantaged communities continued to be a problem.

## REFLECTIONS

Cape Town's progress was achieved despite the challenging coalition dynamics in the city council and the city's difficult racial climate. Indeed, a major lesson of the Cape Town story is that politically sensitive efforts to raise revenue and restructure the public sector can win support if carefully calibrated and bundled with reforms that are designed to appeal to the interests of those asked to sacrifice—and the interests of potential opponents. For instance, debt collection was made easier by reducing amounts due in return for quick payments. Restructuring was rendered possible by guaranteeing job security and wage increases. Had Mayor Helen Zille and her colleagues approached reform as a process in which they and they alone dictated the terms, the challenges may have been insurmountable. At every step, Zille's party, the Democratic Alliance, provided credible concessions that made changes politically

palatable to those who had reasons to resist it.

David Beretti, Zille's executive director of corporate services, offered several other reflections. Winning agreement on a strategy and then staffing the functions needed to support the strategy with the right people were both central to success. That structure should follow strategy and "get the right people in the right place" were among his mottos. Continuous communication with staff members and citizens was another ingredient of the success story.

A third general lesson was the importance of assembling a strong management team, including people who appeal to opposition parties. In a pamphlet documenting the DA's accomplishments, Zille wrote, "The DA-led coalition that came to power during March 2006 wasn't perfect. No government ever is. But we did succeed in arresting the city's decline and turning it around, moving step by step in the direction of development and progress. No individual can take credit for this. It was a team effort." The Cape Town team was notable for the passion its members brought to their jobs, their knowledge of the city, and their willingness to grapple with detail.

<sup>1</sup> "Can Cape Town Survive Another Changing of the Guard?" *The Mail and Guardian Online*, 2 November, 2006, <<http://mg.co.za/article/2006-11-02-can-cape-town-survive-another-change-of-guard>>.

<sup>2</sup> "One Miracle at a Time," *Inter Press Service News Agency*, 18 May, 2009, <<http://ipsnews.net/africa/nota.asp?idnews=46888>>.

<sup>3</sup> "Moving Beyond Race," by Helen Zille, 4 March 2011, <<http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page71619?oid=224588&sn=Detail&pid=71619>>.

<sup>4</sup> "Civil Servants Score More than Half a Billion from Tender Rigging," *Mail and Guardian*, 14 June 2009.



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