Accountability in city services

In 1999 the Transformation Lekgotla, the political body directed to address the financial and institutional crisis of Johannesburg, South Africa, appointed a new city management team. The team’s task was clear: not to fix street lights but to fix the institutions that fix street lights. The solution was a three-year plan—“iGoli 2002”—to reconfigure city services.

By most developing world standards, Johannesburg is not a poor city. But it faces serious development and service delivery challenges. Apartheid made sure that exclusive white suburbs were well serviced, forcing black residents into sprawling underdeveloped slums. Poverty, unemployment, and homelessness are all worsened by the deeper problem of inequality.

The Johannesburg Metropolitan Municipality was democratically elected in 1995 to address the service imbalances. It quickly found itself in a fiscal and institutional crisis. Johannesburg was not one institution but five, with an overarching Metropolitan Council and four primary-level councils. Each could decide its priorities and approve its budget. But responsibilities for key services were split between the two levels, and the operating budgets of the councils had to balance only in aggregate. That meant each council could blissfully spend on the assumption that its shortfalls would be offset by surpluses in another.

The arrangement was a recipe for disaster. Each municipality went on a spending spree, and ambitious infrastructure plans were rolled out without the finance. Deteriorating revenues—due to a service-payment boycott culture left over from apartheid struggles, poverty, and poor credit control—made the situation worse. The city was forced to delve into its reserves, but these could go only so far, and by late 1997 major creditors could no longer be paid. At the peak of the crisis, the city had an operating deficit of R314 million.

Johannesburg was in serious trouble. Having decentralized responsibilities, the national government followed the intergovernmental rules and would not bail the city out. So Johannesburg had to dig itself out of its own crisis.

Two years of harsh cutbacks followed. Blaming officials for the crisis, politicians took a much tighter rein over day-to-day decisions, ending management discretion. They slashed capital and operating budgets, and even expenditures needed to maintain minimum service levels. They froze posts, causing huge increases in workloads as despairing officials began to drift away. And they began to explore public-private partnerships.

The city of gold—iGoli 2002

The new city management team realized that Johannesburg needed a new system of accountability for service delivery within a dramatically different institutional architecture. To address fragmentation and the severe moral hazard, the city had to be reunified. Political debate focused on two models of metropolitan coordination:

- Defining more clearly the rules of budgeting, fiscal transfers, and service delivery between the metropolitan and municipal tiers, strengthening both.
- Creating a one-tier metropolitan government.

Johannesburg chose a hybrid. It centralized political authority, treasury management, and spatial planning under one metropolitan government. But it organized service delivery through decentralized structures. This meant merging five separate councils into one overarching municipality, creating integrated service delivery structures with new incentives.

Accountability in service delivery

Under one metropolitan council, iGoli 2002 split the institution for policy formulation and regulation from the institutions for implementation. On one side, a core administration remained responsible for strategic planning, contract administration, and such corporate services as finance, planning, and communication. On the other, two sets of operating entities were established: 11 new regional administrations for libraries, health, recreation, and other community services; and financially ring-fenced, semi-independent, single-purpose entities to overhaul larger municipal services.

These operating entities were the major innovation of iGoli 2002.

- Three utilities were established for user charge-based services—water and sanitation, electricity, and waste management.
- Two agencies were established—for parks and cemeteries, and for roads and storm water—where expenditure would still have to be covered by tax revenue.
- Smaller corporatized units were set up for facilities like the zoo and the civic theater.

All were established as new companies, with the council as sole shareholder.

Two key units would guide and oversee the new entities: a corporate planning unit to do citywide strategic planning, and a contract management unit to regulate the operating utilities through a range of new instruments, including licensing agreements and annual service level agreements.

One size does not fit all

Since the operating entities are not bound by overarching administrative rules, they have scope to differentiate. Each could set up different management structures, reporting lines, delegations, job descriptions, performance management systems, and operating procedures. Each could configure its internal accountability to suit a specific service delivery environment. Three examples:

- The water and sanitation departments were merged into one department and under the Company’s Law converted into a city-owned utility with a board of directors. The assets and workers of the departments were transferred to the utility, which was put under a five-year management contract with a private company.
- The roads department was converted into a city-owned agency with a professional board and divided into two departments—for planning and for contracts. The contracts department operated against specific outcomes set by the planning department, with the threat that failing to meet benchmarks could lead to contracting tasks out to the private sector.

- The gas company was sold to the private sector.

The reforms gave operating entities management independence. For example, salaries have been adjusted to attract top-flight skills, and new systems have been procured for everything from human resource management to remote water-pressure metering—increasing productivity and service efficiency. And they have introduced innovative staff development programs and performance-linked pay schemes.

The entities operate at arm’s length from the council, but accountability has been strengthened because the primary mechanism is no longer the impossible-to-digest committee report on everyday operational matters. Now councilors focus on strategic oversight, and officials are responsible for outcomes clearly defined in service-level agreements. Reporting goes through structured channels, either to the contract management unit or to company boards of directors, which include external specialists capable of probing service results.

The operating entities have also set up user forums allowing communities to communicate needs, raise complaints, and even participate actively in service provision. Officials are much more sensitive to ever-changing service delivery challenges.

These management improvements are already translating into better service delivery. Waste collection has been extended to poorer neighborhoods for the first time. Fleets of new buses now serve outlying communities. In addition, expenditure on water infrastructure has increased and water services have expanded. Results are also apparent in the city’s financial standing, with dramatic improvement in both operating and capital budgets (figure 1).

### Engaging other stakeholders

**Labor:** Despite protracted negotiations with organized labor, iGoli 2002 did not get its endorsement. According to labor groups, the city’s crisis was not a result of a failure of institutional design. Instead it was a result of “a lack of skills and experience, and management’s unwillingness to [establish] functional organizations and . . . financially unsound decisions.”

**National government:** The team negotiated a R500 million restructuring grant with the National Treasury to support iGoli 2002 in exchange for a commitment to timely and steadfast implementation of its key elements. It is a key accountability mechanism between the national and city governments and has become an incentive scheme to catalyze citywide restructuring throughout the country.

**Capital markets:** On the strength of the reforms, management sought a new credit rating, aiming to win back the confidence of the city’s banking community. As the city shifted from a large deficit to a balanced budget, capital expenditure financed by the markets went from R300 million to well over R1 billion in two years.

### Risks and prospects

Will Johannesburg maintain the separation between policymaking, providers, and regulators? The roles of client and contractor are still evolving. Some implementation capacity remains within the core administration. As in the past, managers occasionally get hauled into councilors’ offices to explain their actions. There are also unresolved governance debates, with the council arguing for a greater councilor representation on the boards of operating entities.

Five factors will be critical in sustaining the commitment to the principles of iGoli 2002:

- Keeping the monitoring and regulatory unit of the operating entities within the city administration; they are not legally and administratively independent.

- Maintaining the contract management unit’s operational autonomy and capacity—and thus the independence of the operating entities.

- Benchmarking service delivery standards, monitoring these over time, and making the information available.

- Ensuring that fiscal and financial decentralization remains binding. Municipalities relying primarily on their own revenue sources to fulfill their democratic duties without national guarantees are more likely to be accountable to their citizens. The current intergovernmental system has devolved authority and accountability to the cities; this needs to remain.

- Both councilors and officials consistently adhering to a clear, courageous, and far-sighted strategy. Sustaining momentum will require greater citizen voice at all levels. The decentralized operating entities and the administrative regions have mechanisms for engaging citizens. Using them will be critical for sustaining iGoli 2002.