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## THE POLITICAL ECONOMY OF INFRASTRUCTURE DELIVERY IN SOUTH AFRICA: A FOCUS ON NELSON MANDELA BAY

<sup>1</sup>Ongama Mtimka and <sup>2</sup>Professor Gavin Bradshaw

<sup>1</sup>PhD Candidate, Nelson Mandela University

<sup>2</sup>PhD, Nelson Mandela University

### ABSTRACT

Delivering infrastructure to previously unreached areas has been one of the major drivers of government expenditure in the construction industry in the post-1994 era. The very principle underlying such a strong drive for greater access to what has become known as basic service delivery and economic infrastructure is not merely creating an enabling socioeconomic environment in the country but also a political imperative to address patterns of economic imbalances resulting from geographic apartheid. This shows that the construction sector operates within the broader political economic environment in South Africa. In fact, the very orientation of the sector as driven by government is highly politically charged. Questions about which infrastructure needs to be developed, in which areas, by which companies, using what methods are not only addressed by weighing the costs and benefits of such projects alone, but also on the basis of particular political imperatives. How infrastructure projects are conceptualised, funded, and implemented is as much a function of the political as it is of the economics of such projects.

The nuclear build programme, the special economic zones, municipal services, oil refineries, and fracking in the Karoo are only some among the extremely politically charged projects; not exceptions per se. This paper seeks to map the key political economy issues influencing infrastructure delivery in South Africa with a particular focus on the role played by small business forums in fostering transformation in the sector. This research forms part of the process aimed at reducing

the political risks of infrastructure delivery in the country. In the wake of the scandals related to state capture and the reputational damages suffered by reputable firms, the paper provides a much needed framework on effectively understanding political risks and managing political stakeholders.

### INTRODUCTION

The proliferation of infrastructure such as roads, water reservoirs and distribution channels, energy, and other economic and social services improve the life of a community. But access to infrastructure has not necessarily been equitable throughout history. The nobility, be they political tyrants or aristocrats, have always had greater access to better infrastructure compared to their “commoner” and “poorer” counterparts. Likewise, while South Africa developed into a country with state of the art infrastructure from the late 1800’s onwards, the access to such infrastructure was skewed along racial lines in the country with the bulk of government investments into services geared towards serving the minority of the population. The concept of ‘apartheid geography’ best captures the geographic discrepancies in the skewed proliferation of infrastructure between formerly whites only and formerly blacks only areas. From 1994 onwards, government adopted a thoroughgoing expenditure programme in order create a more equitable share of services to ‘townships’.

The process of delivering services to townships has seen significant infrastructure and housing spend by the public sector throughout the country. According to Cottle (2014:3), ‘the gross operating profit for the construction sector increased from R6.9 billion in 1993 to R35.1 billion in 2012, a 412% increase in real terms over 19 years’. He attributes this to the aforementioned infrastructure which he says reversed a declining trend in the construction sector evident in the 1970’s. “In 2003 the real gross operating surplus was R12.5 billion, almost twice the amount in 1993. And in 2012, almost 3 times higher than in 2003 (Cottle (2014:3).” The trend in local municipalities is expected to mirror the national growth trend, albeit at a lower level.

Municipal budgets have had significant allocations for capital and operating (including maintenance) expenditure for infrastructure and,

through provincial and national governments, housing delivery. In the biggest metropolitan municipality in the Eastern Cape, Nelson Mandela Bay, there have been building and infrastructure development at the Coega Industrial Development Zone and Port of Ngqurha, as well as construction of the Nelson Mandela Bay (NMB) Stadium, the Bay West Mall and other housing delivery projects by development agencies on behalf of national and provincial governments. There has been consensus



**Figure 1:** The Construction of the multi-billion rand factory by the Beijing Automobile International Corporation (right) at Coega SEZ is a good example of the pin-offs in public sector investment in enabling infrastructure. Pic by Ongama Mtimka.

among industry players that the city and the province have been experiencing a construction boom, with the Eastern Cape in 2013 being the fastest growing province by employment among all the provinces (Eastern Cape Department of Economic Development, Environment and Tourism, 2014).

This paper seeks to understand the political economy of infrastructure development in South Africa with a view to understanding key drivers of risks for political projects and better ways in which they can be managed. The paper focuses on the political economy challenges experienced by the construction sector in implementing projects on time and on budget with minimal disruptions. A key emerging trend on observation of the sector in Nelson Mandela Bay between 2005 and 2015 are the disruptions in project implementation which were caused by picketing of small businesses attempting to increase their share of public and major private sector spend to a minimum of 30%. It is argued that the emergence of the dynamics of the sector in Nelson Mandela Bay can be understood better as part of the broader political economic environment in South Africa, characterised by inequality; both in terms of income and capital ownership between big and smaller contractors which at times assumes a somewhat racial character. The challenges experienced in the sector seem to underscore the fact that South Africa is one of the most unequal societies in the world. The paper is largely influenced by a preliminary analysis of newspaper coverage of the activities of "small business forums" in Nelson Mandela Bay and forms part of an ongoing PhD study at Nelson Mandela University.

This paper also adopts a political economy approach to understanding transformation in the construction sector in Nelson Mandela Bay. A political economy approach is useful in the sense that it brings a holistic analysis of phenomena which cut across the traditional focus areas of the corresponding disciplines of politics and economics. It accommodates both the political and economic factors which affect the pace and pattern of economic transformation in the construction sector. To achieve this objective, public sector expenditure by the local municipality, government departments and state-owned companies will be reviewed and referred to, albeit in not much detail. The vision of the national democratic revolution and the agitations of the younger generation for "economic freedom in our lifetime" will be the backdrop against which this is done.

Thomas Piketty (2013:2) argues that "intellectual and political debate about the distribution of wealth has long been based on an abundance of prejudice and a paucity of fact". In South Africa the social, media, and academic debate shows these prejudices, with predetermined positions influencing the debate of the pace and extent of transformation needed. For example, leftists in the country (including Economic Freedom Fighters (EFF), labour federations, and the South African Communist Party (SACP) blame "white monopoly capital" as the main reason behind slow economic transformation. On the other hand, many other scholars (Johnson 2014, Herbst and Mills, 2015, Mbeki 2009) are critical of models of transformation such as Broad-Based Black Economic Empowerment. The mainline argument against BBBEE is that the policy is elitist, and does not benefit the majority of South Africans. But no plausible alternative is offered by these critics. Terreblanche, (2002 and 2012) and Marais (2011) are among those critics who offer a relatively more objective and compelling argument against the elitist nature of transformation, but they do acknowledge the need for fundamental economic transformation in order to redress past imbalances. Redress policies are a crucial aspect of the political economy of South Africa, given its past as a racial capitalist society.

## THE POLITICAL ECONOMY OF THE CONSTRUCTION SECTOR

### Macro-level issues

At a macro national level, major questions around the political economy of infrastructure development begin at the level of fiscal policy. Fiscal policy, which pertains to government's approach to spending taxes is influenced by underlying beliefs about the role the state ought to play in the economy at a governing party level. A regime which emphasises the ability of the state to intervene in the economy at certain times in order to stimulate demand, or a Keynesian approach, is likely to employ expansionary fiscal policy in order to stimulate its economy, whereas a Hayek-inspired neoliberal approach may see the role of the state as only playing an enabling role in the economy leaving market forces to determine the business cycles of a country.

This disjuncture plays a crucial practical role in the economy. The ANC in government started off with an expansionary fiscal policy under the broad policy framework of the Redistribution and Development Programme until 1996. Following unsustainably high levels of debt to GDP, inflationary pressures and a need to improve fiscal discipline, government's approach shifted towards a more contractionary policy under the Growth, Employment and Redistribution (GEAR) macroeconomic policy. Dubbed the class project of 1996 given its neoliberal outlook, the policy emphasised fiscal discipline, characterised by less government involvement in the economy and attempts at privatisation of certain assets. From 2003 until the political change in Polokwane and during the Zuma years, government implemented a Keynesian policy or countercyclical investment approach which was aimed at negating the effects of the global recession. This phase saw major infrastructure allocations from the fiscus.

Von Hagen (2006:464 citing von Hagen and Harden 1996) introduces other interesting macro dynamics when it comes to the political economy of a country that may affect infrastructure development. First, he highlights that the principal-agent relationship between voters and politicians afford the latter (the agent) an opportunity to manage the fiscus in ways that enable them to extract rents. In other words, politicians, who ultimately preside over public expenditure on behalf of voters more often end up using such privileges to benefit themselves. The purported evidence from state capture allegations in South Africa or the theory of the deep state in the United States, as well as revelations by Perkins (2004) about the existence of "economic hitmen" all show that infrastructure projects appear at the top of the list of methods used by politicians and their cronies to siphon money out of the public purse through corruption. Secondly, Hagen (2006:465, citing von Hagen and Harden 1996), highlights the "common-pool problem" of fiscal institutions, a situation in which there is always a disproportionate number of those paying taxes versus those receiving public goods enabled by such taxes across different personal categories and geographic locations.

Indeed, in its efforts to redress apartheid geography, the ANC government sought to redirect economic activity towards the coastal areas as it courted an export-oriented industrialisation path following the reopening of the country to the global market in the mid-1990's. Through the Spatial Development Initiatives, government sought to address the infrastructure and development backlogs in coastal areas, thereby redirecting tax revenues generated in major centres towards poorer centres. Furthermore, the progressive taxation system in the country is redistributive, in that higher income earners contribute much more to the fiscus than lower income earners. A significant amount of funds since 1994 have been invested in creating access to basic services

including housing, water and sanitation, and electricity among other things, by millions of South Africans who did not enjoy such access before 1994. Allocating work between areas where a concentration of rate payers reside and areas which contribute little to municipal revenues continues to be politically charged in South Africa. For instance, at the time of writing, the Nelson Mandela Bay Municipality had failed to pass its budget for the 2018/19 financial year as politicians were disagreeing about the share of the municipal budget that would be spent in their respective constituencies.

As a last aspect of the broader macro issues that affect fiscal policy and, therefore, infrastructure delivery, we factor in Franzese and Jusko's (2006:545) theory on political economic cycles. According to them, there are economic cycles which can be explained on the basis of inducing political imperatives. The theory is premised on an assumption that regime performance or communicating a party's ability to stimulate better economic growth is important to voters. The two approaches of electioneering and partisaneering form part of the tactical arsenal of incumbent governing parties. Electioneering refers to the propensity for ruling elites to induce positive economic benefits to the wider public as elections approach in order to improve chances of being re-elected (Ibid). There is a general expectation especially among rural voters ordinarily subjected to long waiting periods for municipal services that when election time approaches, services tend to be rendered faster. This is particularly the case when it comes to new electricity connections for rural households. Partisaneering on the other hand refers to the 'manipulation of economic policy to benefit particular constituencies seen to be strongest support basis of parties seeking re-election' (Ibid.).

### Micro-industry transformation issues

Industry transformation forms a crucial focus area of the paper as some attempts to create an inclusive sector have been made. Given the increasing size of state procurement in the construction sector in South Africa through the tendering system, smaller business owners sought to increase their share of allocated work throughout the country. However, there was a misnomer in their approach. The small businesses appeared to have lost confidence in the ability of the competitive bidding systems to result in better chances of getting work for their relatively newer companies. Rather than competing with big companies and their smaller counterparts, they wanted government to ring-fence work for smaller contractors and to limit competition for such work by ward, meaning preference had to be given to businesses where projects were being implemented.

Nations remain poor because the political revolutions that overthrow preceding authoritarian systems fail to fundamentally transform pre-existing political and economic systems which favour powerful elites and exclude the majority of their citizens (Acemoglu and Robinson, 2013). This sentiment is echoed by the National Planning Commission (NPC) (2012) in the chapter dealing with transformation in South Africa's National Development Plan dubbed Vision 2030. Indeed, South Africa's economy was built, from its inception with the intention of creating privilege for the minority to the exclusion of the majority of the population.

After two decades of democracy, there have been some improvements in de-racialising the economy. The rise of the so-called black middle class or "black diamonds" is a case in point. This transformation has been evident in the fact that employment opportunities; especially in the public sector have been opened up. However, fundamental transformation of the economy as far as ownership of wealth is concerned still eludes policy makers and politicians. It underscores the persistence of inherent structural exclusion built into the system of racial capitalism.

Cottle's (2014:3) review of the construction sector over the first 20 years of democracy concurs with this point when he states that "the majority of South Africans remain excluded from ownership, control, and management of the productive assets within the construction sector".

Observations made by the NPC (2012), Terreblanche (2002), Marais (2011), and Gumede (2004), among others, all state that much of the poverty and inequality which continues to confront South Africa can be linked to its past as a racial capitalist economy. Racial capitalism excluded the majority of the population from meaningful economic participation. Although the post-apartheid ruling elites are not exonerated from their responsibility, key exclusionary aspects of the racial capitalist accumulation strategy of pre-democratic South Africa continue to be self-reproducing (Terreblanche, 2002) long after the draconian laws of apartheid were abolished.

The persistence of certain traits of racial capitalism attests to the argument posed by Acemoglu and Robinson (2013) that pre-existing institutions continue to recreate an exclusionary status quo even after a political transition, if such a transition fails to fundamentally transform them. Therefore, research into socio-economic transformation in South Africa ought to take into account the strong political economic dynamics of racial capitalism and "the liberal-capitalist version of democratic capitalism" in general (Terreblanche 2002:98) if they are to present a context-relevant analysis of the phenomenon in South Africa.

Since the institution and processes concerned in this article are in the economic space rather than purely political institutions or processes, a political economy approach is adopted. The paper highlights the broad political economy of construction in the country during the period of the founding and active involvement of small business forums (2011 – 2015) and the end of 2015 when their chapter was said to have been closed due to the victories they seemed to have achieved. It explores the behaviour of these forums and the individuals that founded and led them in the context of securing work for their constituencies in order to unpack the power relations and politics of the sector. The effectiveness of the small business forums, which are different and separate from the associations of their bigger counterparts, in fostering transformation in the sector will be analysed, highlighting the lessons this provides for the broader economic transformation debate in South Africa.

### SMALL BUSINESS FORUM RESPONSES

Documentary analysis of a series of articles was conducted in the paper using principles from grounded theory and qualitative content analysis. The articles were online back issues of print newspapers in the Nelson Mandela Bay between 2011 and 2015; the years the forums emerged, and then went into decline, respectively. The presentation of findings has been organised in terms of the reported actions of forums and their effects in news stories. The size of the construction industry and its trends originate from secondary documents, including both research and news reports, and opinion pieces mainly by economists or political economists.

The section covering the actions of forums as reported is organised in terms of the themes which emerged following a grounded-theory type coding process. These themes include tactics, politics of representation, conflict, critical commentary on institutions, and aspirations. The section on effects covers the responses and voices of the public and private sectors to the demands of the business forums as reported in the media and selected organisational documents. The last section presents findings on the structure of the industry, looking mainly at industry trends as evidenced in research, news articles and business documents.

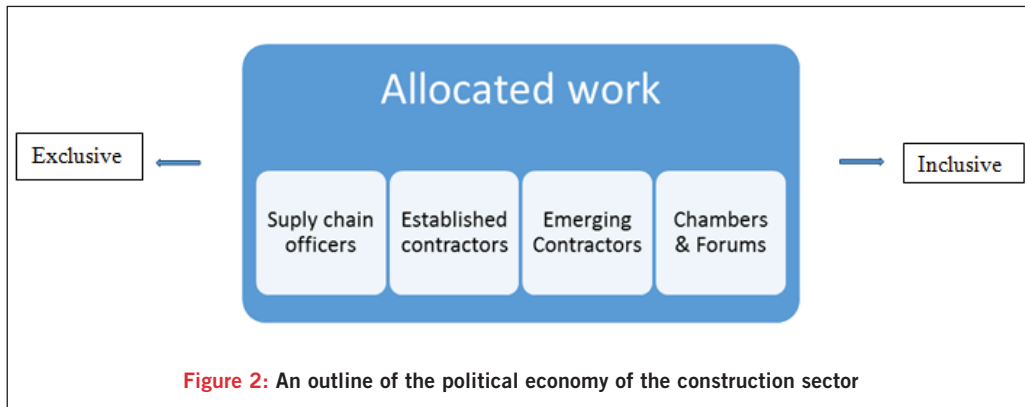


Figure 2: An outline of the political economy of the construction sector

As shown in Figure 2 above, the political economy of construction in Nelson Mandela Bay consists of the total rand value of work allocated and percentages of those allocated to various companies over a period of time. This allocated work may be construed as the actual economy. Allocated work is the outcome of all the processes of procurement and competition and lobbying which form a critical aspect of emerging outcomes. What influences the outcomes are procurement officers who follow certain laws, policies, and matrices in order to select the “preferred bidder” to whom work gets allocated. This process is neoliberal in as far as it relies on market forces to determine distribution of work. There are established firms with extensive experience within the construction sector. Most of them own their own plant (capital) and have the asset base to secure loans in order to negotiate discounts. They have long established relationships with supplying companies. They are both listed and unlisted companies.

There are also emerging contractors, mainly at start-up phase that range from Grades 1 to 3 (elementary) in the sector. These generally have no plant of their own, limited or no access to credit; some are not qualified but they employ skilled people or those who are known to be talented in order to complete projects. Some of the contractors have gone on to succeed; moving from grade 1 to grade three, or even higher while others vacillate between Grades 1 and 2. Representative organisations such as chambers and forums are fraternal organisations which represent the interests of the businesses on various issues. The forums however have focused mainly on lobbying for more government procurement for small businesses and ring-fencing work by locality so as to allow only locals to compete for the work.

**Allocations of work in the construction sector**

A review of the key issues raised by black representative organisations as reported in regional and national media shows that the construction sector “is the least transformed” (Munshi, 2013). The Construction Industry Development Board (CIDB), through its chairman, Bafana Ndwendwa, confirmed this position by national black business representative organisations, saying efforts to transform were delayed by the “lack of goodwill on the part of established companies to develop emerging contractors”. Ndwendwa says “just 16% of the largest tier of civil engineering firms [with the highest level of grading in the sector] are black owned and only 4% are women-owned” (cited in Munshi (2013)). According to Cottle (2014:3), “in 2013, approximately 80% of public sector tenders were awarded to large contractors in grades 7 to 9 which implies that white-owned companies within the construction sector are still the main beneficiaries, including of the new government’s tender system”.

**Politics of representation**

The issue of representation of businesses in South Africa has generally been along racial lines and, to a lesser extent, degree of formality. In many well developed cities, the formal and relatively more resourced business chambers have generally been seen as representing the interests of white-owned businesses, affiliated to the South African Chamber of Commerce and Industry (SACCI). In the democratic dispensation, membership in these organisations has been opened to other races but representation has seemed to maintain a majority of white members in the case of the Nelson Mandela Bay Business Chamber (NMBBC), for example. For black businesses, the National African Federated Chamber of Commerce and Industry (NAFCOC) has been the main representative structure. There have been significant attempts at a national level to unite the voice of business with Business Unity South Africa (BUSA) being the latest such platform. It exists alongside the previous associations. An attempt had reportedly been made in the mid 2000’s to unite the NMBBC and NAFCOC without success (Matavire 2014a).

In Nelson Mandela Bay, most of the forums which mushroomed from around 2011 to 2015 had some links with Nafcoc while others were new formations. The exact history of the formations and the stories of their founding is being corroborated in the broader PhD research that is looking into this matter. The history of the formation of the respective forums is not clearly apparent for all the forums.

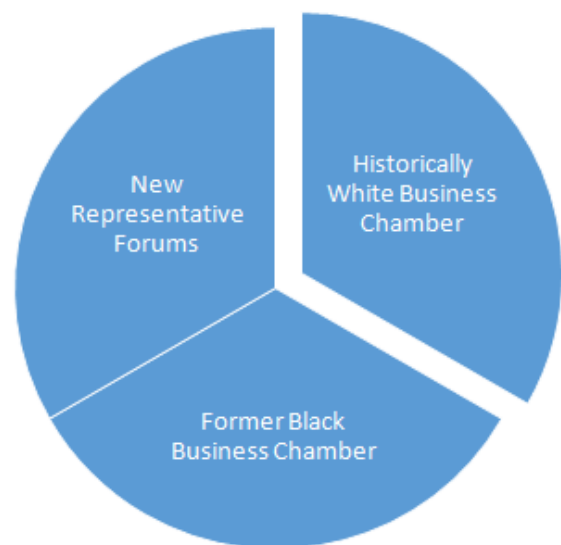


Figure 3: Business representation is fragmented and deeply politicised, complicating state-business relations

According to Mhleli Peter, leader of one Black Business Forum founded in 2014, they split from NAFCO because it lacked a “strong bite”, was “toothless”, had “let them down”, and “had for a long time adopted a soft stance in fighting for the interests of small businesses” (Matavire 2014a). The feeling seemed to be echoed in other areas of the city where NAFCO had played a dominant role previously. In other instances, the splinter forums were formed so that those at the helm could be first in line in benefiting from construction jobs rather than in forums where they did not play a leadership role but were among the members.

### Tactics of the small business forums

The small business forums used a number of tactics to advance their causes. The most dominant in almost all reports about their strategies and tactics was to stage protests in which they disrupted projects. The protest activities have been directed mainly at procuring institutions including the SEZ operator, Coega Development Corporation, the municipality, big contractors, the department of public works, a private shopping mall developer and various other players within the sector who procured work. Disruption took the form of the blockage, with vehicles, of the central business district (Mini 2012), picketing construction sites as groups to prevent workers from working (Matavire 2014b) and protesting outside the offices of municipal officials.

There were confrontations in which “scuffles” with police, and “pushing and shoving” occurred as contractors picketed outside the city hall in Nelson Mandela Bay in 2014 (Nkomo 2012). In extreme incidents, there were threats of violence and murder (Williams 2014). In another incident in December 2014, one ward councillor received a bullet in an envelope as an apparent threat related to a tender dispute (De Kock 2014). There appeared to be “turf wars” among the forums as some precluded others from working in an area where another forum was dominant (Matavire 2015) The use of violence, however, was condemned by the members of Forums as they felt “it reflected badly” on black businesses. In reports in 2015, there was an apparent change of tactic in terms of engagement strategy among forums with a bias towards lobbying and meetings. This is discussed further below.

The business forums have almost exclusively been representing black-owned businesses and in their messaging were emphatic about transformation. In over 80% of the analysed stories, the forums are referred to as black business forums, while in the rest, the terms ‘contractors’, and ‘SMME’s’ are used. What they state as their main challenge is mainly the lack of progress on racial transformation of the construction sector in terms of ownership and control, capacity building for their constituencies, and more support from both the private and public sectors. “We say the time has passed for black business people to wait until a suitable white-owned company or contractor has been appointed and use black-owned companies as labourers”, said Nelson Mandela Bay Black Business Forum president Lithemba Singaphi (Mini 2012). Other calls were for “political interference” to stop and for procurement processes to be improved to reduce the time it took between submissions of bids until appointment (Nkomo 2012). Accusations and rumour mongering appear to have been another tactic used by the forums. Refuted claims were levelled against one of the parastatals above of collusion with contractors and misappropriation of funds (Bosch 2014).

### INDUSTRY RESPONSES

A number of positive changes have happened within the construction sector during the period when the forums were effective. Some of these can be said to be direct outcomes of the pressures brought to bear, while

others might already have been in the pipeline regardless of forum activities; especially those which relate to small business support. Cause and effect analysis, however was beyond the scope of the current paper. What appears to have been the greatest achievement of the small businesses, albeit the extent of impact is debatable, is mainly what appears to be mainstreaming of empowerment efforts across a wide range of stakeholders with all the organisations affected directly and indirectly by the protests having increased their support, and communication having improved.

The scope of support provided to the enterprises has covered a wide range of areas. The NMB municipality launched a new Enterprise Development Centre (Matavire 2014c). The centre was aimed at providing training and linkages to financial institutions, among other things. The South African National Roads Agency started a programme focusing on preparing small contractors to provide maintenance work on its roads (Matavire 2014d) with its first beneficiaries being women-owned enterprises.

The Coega Development Corporation announced that it had “assisted” over 300 small businesses in 2013 through its Enterprise Development Programme, and run a black economic empowerment compliance programme in May 2014 (Matavire 2014e). Through the programme, the organisation announced that small businesses had received 62.4% of a R500 million road construction programme. Business Incubation, training and development and general business management training were implemented by other organisations.

### Institutional changes

Procurement processes were modified in some instances. For instance, a process to ensure transparent use of a contractors’ database was made a priority when the national department of human settlements intervened in the city. As part of a R5,2 billion housing delivery programme designated for Nelson Mandela Bay, the implementing agency of the department reference is made to improvement in the procurement process in the city and reference is made to an approval by the city council (Minutes of a Parliamentary Committee on Human Settlements Meeting, 3 November 2015). In the State of the City Report by Executive Mayor Danny Jordaan in 2016, reference is made to a “new transparent procurement roster” for about 430 contractors, which would be used for allocations of work going into the future (NMBM website). Jordaan also makes reference to the firing of allegedly corrupt officials within the housing unit within the municipality.

### ANALYSIS

To analyse the aforesaid phenomenon in a way that helps build some theoretical and practical basis for building management frameworks and matrices, we return to the tools of political analysis. At the crux of the observed behaviour of the forums and their bigger counterparts is the continuing question in political economy which seeks to understand institutions and individual behaviour. When approach from a theory of endogenous institutions perspectives, it can be seen that the three levels of analysis proposed by Weingast and Wittman (2006:6) apply on all three levels. When the institutions are taken as given, with only their effects being the source of analysis, it can be seen that the outcomes of the free market principles which the construction industry uses to allocate tenders should be accepted as they ordinarily lead to “fair competitive results”.

The general approach of the clients of the sector when the business forums started and some until there were working relations established, was that the general rules guiding procurement and the institutional

mechanisms guiding these were given, highly prescribed by legislation and therefore could not be altered. But when the effects, including results persistently favouring big companies, became more glaring as highlighted by the sector, attempts were made to ensure improved institutional mechanisms which could be more accommodating. The second approach of comparing the “given institutions” to show effects in different settings was employed by the forums based on the varied responses of the institutions against which they protested. While the rules of public sector procurement were highly similar, some institutions capitulated when the forum representatives made their advances and those that were prone to do so tended to have more direct political exposure than those that tended not to capitulate. The third approach of looking into the structure of the procurement framework itself as endogenous, focused on an approach that sought to change legislation. Indeed, in his last State of the Nation Address, President Zuma boldly declared in favour of the 30% which echoed the call of forums as the new national target for SMME participation on construction projects.

The question will continue to arise as to whether the struggle by business owners could be construed in the same light as the fallist revolution, the worker protests for higher wages and, perhaps a continuation of the broader pre-1994 struggle to create “inclusive institutions” (Acemoglu and Robinson, 2013) in South Africa. This question arises precisely because South Africa’s transition to democracy was not a revolution per se but rather an “elite compromise” (Terreblanche, 2002 and Bond, 2002). As such it resulted in a political transition that did not have a fundamental impact on the structure of accumulation in the country.

At the individual level of Weingast and Wittman’s (2006) model, the questions as to whether there is a link between “evolutionary fitness” and “other regarding” behaviour. The interesting trend in Nelson Mandela Bay is the factoring in of game theoretic approaches among the contracting fraternity, in terms of which other regarding behaviour is demonstrated by major contractors pre-empting the “vengeful” acts or retribution that would come from the forums when there is no genuine indication of accommodating their interests. In a number of construction projects taking place around the city, it has become quite apparent that ‘other regarding’ behaviour is vital for project continuity.

A key trend which was not necessarily apparent in the news coverage which formed part of this study but is strongly emerging in the interviews conducted among business forum leaders is that there is yet another dimension to the inequality in accessing construction work not only in Nelson Mandela Bay but South Africa at large. It is what Fukuyama (2014) calls repatrimonialisation or what was earlier known as neopatrimonialism. This refers to the unequal access that those with “kinship” and “friendship” relations with highly placed individuals in political and administrative offices in the country have. Those linked to those in office tend to have unequal access to opportunities. How this manifests in Nelson Mandela Bay was at times not dependent on official political power from the party. It appears that those who formed and led some of the business forums did so as an attempt to augment their own clout in the local political economic space. Assuming leadership of political forums afforded what otherwise would be relatively weak political business persons with merely branch or former branch leadership status to turn into formidable power brokers whose access to opportunities to dispense patronage almost rivalled some in the regional leadership.

### The need to democratise capital ownership

Based on the experience with small business forums, among other things, there is a need to emphasize equality in capital ownership. To do this, the

structure of income generation in capitalist society needs to be taken fully into consideration. Cox (1983) highlights two modes of social relations of production which are of special importance in understanding the transition from “tribute-extracting land-based class power to an economy driven forward by capital accumulation in the hands of expanding entrepreneurs and investors”. These are self-employment, using own or family labour, and the enterprise labour market consisting of production by wage labour or workers who do not possess the means of production.

Cox states that:

*“Self-employment is a dependent mode that exists within the interstices of larger scale production. Self-employment depends in the first instance on existence of a market for the goods or services provided, and the existence and nature of that market is conditioned by the dominant modes,” (Cox, 1983:53).*

The political economy of transformation within the realm of self-employment is, as Piketty (2013) states, characterised by inequality of capital ownership, inequality of opportunity (from a positive definition of equality), and patron-client relations which reinforce particular power dynamics. As interesting to studies of political economy in South Africa as this ought to be, it has remained under-researched. As mentioned before, the emphasis in the academic discourse has been on the enterprise labour market, with job creation being seen as the best way to advance transformation in the country. Even in analysing this, patterns of ownership and control have remained below the radar in academic circles, despite government policies having a strong focus and support for democratising capital ownership.

Indeed, from a policy and implementation perspective, government has focused strongly on democratising capital ownership with the Department of Trade and Industry having a number of incentives to support and encourage black and small business participation in the economy. In addition, government has had small business development and finance agencies, business incubators, and supplier development programmes along with all the initiatives aimed at fostering a job-creating economy. Therefore, it is about time that capital ownership, not just job creation, should be examined in studying inequality in South Africa.

### CONCLUSION

This paper has been able to show that racial capitalism continues in the higher echelons of industries in South Africa, although legislation has been effected to favour transformation. Both private sector and public sector procurement requires a significant degree of commitment to socio-economic transformation so results can be achieved. Inequality of wealth cannot remain unchallenged indefinitely because, like protesting communities, and students recently, more and more players may resort to unconventional means of engagement.

The challenge regarding the way in which the small businesses wanted to engage in the political system is that some of their favoured methods were not accommodated in policies, regulations and legislation. State procurement is practised within a mixed framework of free-market, neo-liberal economics, with elements of neo-patrimonialism in South Africa. As such, laws, policies and regulations guiding accumulation within the broader system are ostensibly based on principles of free competition and notions of equality of opportunity, which frequently camouflage particularistic interventions, easily hi-jacked by special interests for self-enrichment. Outcomes, such as who got to be allocated work, when, and how, are assumed to be fairly determined based on firm competitiveness in a system attempting to become liberalised. Market forces;

the invisible hand of the state, are assumed to be “clearing” and not needing artificial intervention. This means there is a defined system of procurement, and accumulation in general, which guides both procurement departments of municipalities and state agencies and businesses in the sector. The small business forums have however employed political measures in order to advance their accumulation objectives. They have engaged with the system in order to foster the change seen to be beneficial to themselves.

When the protest actions of these small business owners are seen as a struggle for inclusion in the economy, a link seems to emerge between their actions and those of communities protesting for service delivery, workers for greater wages, and students for “fees to fall”. Whether the cry is for inclusion in services of the local state, increasing the share of workers in company revenues, or access to university, inclusion is the common thread running through all of these. The protest then becomes part of a broader movement for inclusion in not just the social aspects of being in South Africa but also in capital accumulation. However, the behaviour of the business owners is more complex than this, if evidence emerging from Thando Nomarwayi’s research behind service delivery protests is anything to go by. According to Nomarwayi, a community member involved in a protest alleged that local business people influenced community members to destroy infrastructure during protests in order to create more work for local construction companies.

This means the research process into the behaviour of businesses cannot simply take a one dimensional position that theirs is merely a noble demand for inclusion. The interviews are continuing with the players directly. Also, while a national study has been undertaken, reflecting the legal trends of the construction industry, opportunity exists to quantify actual expenditure at a local level. The pending PhD study takes both these aspects further, building towards a full description of a political economy of the city. While further research is necessary to build towards final matrices that can contribute towards the management of relations within the sector, there is sufficient foundation in the material covered above with which to build towards workable mechanisms to manage the political risks of construction projects.

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