VOLUME 29 ISSUE 3

Administratio Publica

ASSADPAM
Journal of the Association of
Southern African Schools and Departments
of Public Administration and Management

ISSN 1015-4833

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Administratio Publica is a double blind, peer-reviewed journal accredited with the South African Department of Higher Education and Training (DoHET) and produced four times a year and aims to promote academic scholarship in public administration and management and related fields. Analytical articles in the form of original theoretical and empirical articles, debates, research viewpoints, review articles and book reviews in English will be considered for publication. Nationally, only contributions of paid-up members of ASSADPAM will be published. International authors are welcome to submit articles for review but page fees must be paid before publication.

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Editorial

D Nel-Sanders
Chief Editor

In their article, **'Considerations for the Establishment of Sub-national Parliamentary Budget Offices in South Africa'**, H Gaspard and M Jahed explain that fiscal scrutiny obligations of legislatures apply to both national and sub-national contexts. However, it remains a challenge for legislators. According to the authors, public accounts committees, budget committees, and supreme audit institutions are common tools and information sources that legislators rely on for their fiscal analysis. A comparatively new addition to these practices and offices is the Independent Fiscal Institution (IFI). Both national and sub-national IFIs share the common function of enhancing fiscal scrutiny and the decision-making environment of fiscal and economic matters. As sub-national IFIs are contemplated by jurisdictions, the article investigates how these offices should be designed and evaluated, whether the standards of practice and evaluation frameworks designed for national IFIs are suitable for sub-national ones and whether existing national offices' experiences can inform their sub-national counterparts. Their findings suggest that the frameworks and guiding principles, originally developed for national offices, are scalable and applicable to sub-national offices. The authors also state that recognising and legislating for the appropriate mandate, resources, and the independence of IFI's are crucial elements for its long-term success.

According to F C Rust, P Sono, G Van Dijk, H S Fourie and M A Smit, in low-income countries, research and development (R&D) funding is limited and has to be invested with a view of optimum return, both economic return but also "softer" benefits such as human resource development. The authors note that the assessment of these benefits is important for the long-term sustainability of R&D programmes. In terms of roads and transport, R&D outputs are often not hard products aimed for the consumer market, but also include new design methods and techniques to enhance the performance of the transport system that cannot be easily quantified with benefit cost analysis alone. In their article, **'Conceptualising a Benefit Assessment Framework for the South African National Roads Agency Ltd SOC Research and Development Programme'**, the authors discuss the development of a framework for monitoring the performance of the South African National Roads Agency R&D Programme. The framework consists of a Balanced Score Card and a proposed set of indicators that address benefit throughout the innovation value chain. This article contributes to the knowledge pool of research management and an R&D benefit/impact assessment. This is done by offering a set of indicators across the full innovation value chain that can be used in a Balanced Score Card to assess the performance of a roads and transport focused R&D programme.

According to T M Serongoane and D C Ukwandu, despite the lack of a universally accepted definition for State-owned Enterprises (SoEs), there appears to be general consensus that an SoE is an enterprise in which the state holds a substantial level of control through full, majority, or significant minority ownership. In their article, **'Measures for the Development of Corporate Governance Practices for State-owned Enterprises in South Africa'**, the authors focus on the establishment of SoEs and the important role SoEs play in providing the public with key services. The article examines the performance of SoEs in South Africa, with particular focus on South African Airways' (SAA) continued failure in governance caused by irregular appointment of board members, political interference, and corruption. The article provides measures to improve the development of corporate governance practices for SoEs in South Africa. It is envisaged that the implementation of these measures will serve to improve the performance of SoEs in South Africa. Furthermore, it will help ensure that the principles of good governance set out in the domestic statutory and regulatory frameworks are adhered to. This will ensure that SoEs attain their primary goal of rendering services to the public and allow the state to succeed as a commercial enterprise.

According to S Khoza and B Rabie, green buildings, as part of sustainable development action plans can help mitigate the devastating trends of global warming, climate change, greenhouse gas emissions and collapsing ecosystems. In South Africa, conventional buildings depend on coal for electricity supply and climate control, and municipal water supply for operations and consumption. Green buildings are designed to provide their own energy and water supply from sustainable sources. However, designing and constructing green buildings is costly and not an affordable alternative for public organisations reliant on public funds. Co-funding these costs through alternative sources like public private partnerships (PPPs) provides a potentially viable strategy to promote green buildings within cost constraints. In **'Investigating the Potential Use of Public Private Partnerships to Fund Green Building Initiatives: The Case of the Department of Environmental Affairs'**, the authors analyse the case of the head office of the Department of Environmental Affairs (DEA), a green building designed and constructed through a PPP funding strategy. The article concludes that, while PPPs provide a potential funding mechanism for green building projects, they face several impediments. The authors also state that there is a need for improvements in decision-making processes, risk mitigating planning, and enforceable legislation and regulatory frameworks, to maximise the potential contribution of PPPs in constructing green building projects.

In **'Performance Management for Responsive Local Governance: The Case of Chris Hani District Municipality'**, E Draai and L Zazi analyse the tools and systems that inform organisational performance for responsible and responsive managerial and administrative praxis. The article provides an exposé of the challenges that impede the implementation of the organisational performance management system at the Chris Hani District Municipality in terms of service delivery. The findings show that service delivery is compromised, mainly due to poor strategic management that guides and directs performance, consequently an absence of a performance culture prevails. The recommendations indicate that organisational performance failure can be averted.

In their article **'Performance Management and Accountability Practices in South African Municipalities: Critical Considerations'** F Ngqobe, D J Fourie and M Tshiyoyo focus on a municipal performance management framework and how performance indicators are set, as guided by various National Treasury documents. According to the authors, to institutionalise performance management and accountability in municipalities, the South African government has managed to develop regulations and strategies to guide the development of the municipalities' performance management system as part of the local government reforms. They state that despite the existence of oversight committees within municipalities, challenges in terms of functionality and performance continue to impact general accountability practices in municipalities. The article also reviews accountability practices in terms of internal accountability structures such as sections 79 and 80 committees. The article found that the review process is an ongoing challenge for committees to perform their oversight work, and this does not only relate to the committees' functionality but also to those councillors with little or no expertise in scrutinising financial and other complex reports, serving on these committees.

The article, **'The Political and Administrative Dichotomy: Critical Considerations for Financial Management in South African Local Government'** by N Mbatha and S Mutereko explores the effect of political involvement in financial management in South African local government, drawing on a case study of a local municipality in KwaZulu-Natal. Their findings reveal that, while bureaucrats support political oversight, there seems to be latent and overt conflict between politics and administrators regarding resources management at local government level. In some cases, the conflicts seem to emerge from political appointees influencing the management. Important as they may be, this article, however, sought to demonstrate how the nature of the relationships between the elected officials and appointed office-bearers can result in poor financial management. It was concluded that, although political office-bearers interfere in financial affairs, they often agree with municipal administrators on how municipal finances should be used to render public services. Therefore, the relationship is a controlled one despite the competition between the political and administration offices. Furthermore, the authors point to the need for the two important offices to coexist for municipal and community development. The study recommends that the two offices act as checks and balances on each other to ensure that municipal finances are safeguarded against theft and fraud.

According to C J Igbokwe-ibeto, budgeting in Nigeria has become enmeshed in controversy and crisis in terms of attempts to use it to satisfy institutional and personal goals against the public interest. Within the framework of public choice and the cost benefit theories, his article **'Budgetary Process and Good Governance in Nigeria: Public Bureaucracy as the Pragmatic Recipe for Change'** examines the interface between budgetary process and good governance in Nigeria and how public bureaucracy can serve as a recipe for change. The author argues that the behavioural aspect of budgetary and governance practices in the country are negative. Corruption and fiscal indiscipline still characterise the budgetary process in Nigeria, in particular, and the continent of Africa, in general. The article concludes that, budget as an economic and political blueprint is to help the government meet the requirements and aspirations of the people. The author further adds that, unfortunately, this has not been the case in Nigeria due to conflict of interests between what the public want and what the individual and corporate institutions prioritise.

In **'The Challenge of Administrative Sanctions Against Suppliers in Public Administration'** N Barbosa Júnior, L O Cezarino, M L Pimenta, I V Bortolaso and P I Schwantz state that sanctions are imposed against countries or organisations when they fail to comply with a set of legal rules. Hence, their article focuses on the process of implementing a supplier sanction model at the Federal University of Minas Gerais, Brazil. It identifies the contributions and limits of the administrative sanctions model in public procurement. The article follows a qualitative research approach and triangulates data sources obtained from semi-structured interviews, a document analysis of university purchasing records and field diaries. It was found that there is an increase in efficiency in the delivery time of purchased items. However, the research pointed to the need for certain improvements, such as the disclosure of the services offered, an expansion of the scope of action, and user empowerment, to extract all the potential benefits that the implemented structure offers. The article concludes that this supplier sanction model contributes to the improvement of administrative sanctions management and serves as a reference model for public services. It also assists public managers at the federal university to comply with the law while improving efficiency.

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Considerations for the Establishment of Sub-national Parliamentary Budget Offices in South Africa

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ABSTRACT

The fiscal scrutiny obligations of legislatures apply to both national and sub-national contexts. Fiscal scrutiny, as a form of oversight, emanates from *The Magna Carta,* but remains a challenge for legislators. Public accounts committees, budget committees, and supreme audit institutions are common tools and information sources that legislators have come to rely on for their fiscal analysis. A comparatively new addition to this suite of practices and offices is the Independent Fiscal Institution (IFI).

Sub-national IFIs have mandates similar to those of national offices, although their range tends to be scaled to that of their jurisdictions. Both national and sub-national IFIs share the common function of enhancing fiscal scrutiny and the decision-making environment of fiscal and economic matters. As sub-national IFIs are contemplated by jurisdictions, the article investigates how these offices should be designed and evaluated, whether the standards of practice and evaluation frameworks designed for national IFIs are suitable for sub-national ones, and to determine whether existing national offices' experiences can inform sub-national counterparts.

This article seeks to contribute to the existing literature on IFIs in terms of extending the analysis to the design of sub-national offices. Sub-national parliamentary budget offices should be underpinned by the same principles of independence, resources, operations, and trust building demonstrated by peer institutions. The methodology entails a desktop approach in terms of a literature and documentary analysis. The findings suggest that the frameworks and guiding principles, originally developed for national offices, are scalable and applicable to sub-national offices. Recognising and legislating for the appropriate mandate, resources, and the independence of an institution are crucial elements for its long-term success.

INTRODUCTION

The fiscal scrutiny obligations of legislatures apply to both national and sub-national contexts. Fiscal scrutiny, as a form of oversight, emanates from *The Magna Carta*, but remains a challenge for legislators. There is asymmetry in information between legislative and executive branches of government. This is especially evident in Westminster-style parliaments that are approval/rejection bodies, not law-makers. Various parliamentary practices and offices exist in an effort to reduce the asymmetry in information between branches, related specifically to fiscal scrutiny. Public accounts committees, budget committees, and supreme audit institutions are common tools and information sources that legislators have come to rely on for their fiscal analysis. A comparatively new addition to this suite of practices and offices is the IFI.

IFIs take on various forms, from the parliamentary budget offices (PBOs) accountable to the legislature, to the fiscal councils that tend to be connected to executive branches. IFI models are designed to provide decision-makers and the public with a second data point on compliance, forecasting, and cost estimations. Since 2008, the number of IFIs has increased globally (Organisation for Economic Co-operation and Development (OECD) 2014).

With the growth of IFIs, standards and communities of practice have emerged in both the OECD and World Bank networks. The OECD developed principles for the establishment and sustainable operation of IFIs in 2014. Initially, IFIs were typically associated with the national or central level of government. Over time, however, there has been a growing number of offices in states and provinces that are designed to support legislative oversight and fiscal scrutiny. In the last decade, offices in Ontario (Canada), New South Wales, and Victoria (Australia) have been established. Budget offices also exist in major cities, such as New York. New York City's budget office has been in place since 1989 (operational in 1996), with a mandate that includes budget analysis and cost estimation. There are both legal-institutional arguments and a precedent for the establishment of sub-national IFIs.

Sub-national IFIs have mandates similar to those of national offices, although their range tends to be scaled to that of their jurisdictions. Both national and sub-national IFIs share the common function of enhancing fiscal scrutiny and the decision-making environment on fiscal and economic matters. As jurisdictions contemplate sub-national IFIs, how should these offices be designed and evaluated? Are the standards of practice and evaluation frameworks designed for national IFIs suitable for sub-national ones? If national offices exist, can their experiences inform those of sub-national ones?

The province of Gauteng in South Africa is seeking to establish a PBO for its sub-national legislature. Leveraging existing frameworks for practice (OECD 2014) and evaluation (Page 2014), the experience of South Africa's PBO will be reviewed by considering lessons for, and applications to, Gauteng's PBO.

The evaluation framework developed by Page (2014) for the first external evaluation of the United Kingdom's (UK) Office for Budget Responsibility (OBR) and the OECD's *Recommendation on Principles for Independent Fiscal Institutions* were reviewed and assessed against the mandates, operations, and environments of sub-national IFIs to determine their suitability. This article reviewed literature on legislative fiscal scrutiny, followed by an assessment of sub-national PBOs that leverages elements of Page's (2014) evaluation framework and the OECD's principles for IFIs. The article concludes with considerations for the establishment of Gauteng's PBO, as informed by the experiences of other sub-national offices and South Africa's national PBO.

LITERATURE REVIEW

Legislatures exist within a *fiscal ecosystem* that includes the executive branch, a non-partisan public administration, and other key actors, such as civil society, the media, and the private sector. The ecosystem is composed of an intertwined set of political incentives, public and private information, and a web of rules and processes based on constitution, legislation, convention, and political expediency. The effectiveness of the fiscal scrutiny role of legislators depends on other actors within the fiscal ecosystem, as well as the robustness of information, processes, and the understanding of political and bureaucratic incentives.

Legislative fiscal scrutiny is legislators' obligation to hold the government accountable by assessing its economic assumptions and its budgetary plans, and by evaluating its performance in these areas. This is no easy feat in established democratic contexts – let alone in emerging ones where fledgling parliaments fight to maintain their authority and legitimacy relative to the executive branch. Regardless of the type of legislature (e.g., parliament and congress), legislators are required to perform these functions (and perhaps more, to varying degrees) to fulfil their duty as overseers and guardians of the public purse.

The literature on the study of parliaments or public finance has not adequately or accurately reflected the centrality of fiscal scrutiny as a fundamental role of legislatures around the world. Public financial management reform initiatives in established and developing countries focus almost exclusively on the budgetary systems of executive branches and the objectives of aggregate fiscal discipline. Such reform initiatives have paid little attention to legislatures as useful actors in the fiscal ecosystem that work towards better budgetary outcomes.

A parliament can most effectively and clearly indicate its support or disapproval of government action or inaction through financial contributions. This is no small obligation. Parliamentarians should undertake the act of appropriation on an informed basis. While it may appear procedural, parliament's role in appropriating funding precedes a government's budget preparation (Schick 2002:18). Once the funds are appropriated, the executive branch is held publicly accountable for its management of public money in parliament throughout the full financial cycle.

Parliaments tend to have specific roles with respect to their own fiduciary obligations rooted in their constitution, legislation, convention, and practice. In a Westminster parliamentary context, the financial scrutiny function is supported by a series of processes, resources for decision support, and an information requirement from the executive branch to its oversight function. Where parliamentarians struggle with fiscal scrutiny, have inadequate resources, lack a basic understanding of fiscal processes, are unable to fulfil their scrutiny function, and/or if they misunderstand their role, it can have repercussions for the health of democratic institutions and, ultimately, for citizens.

The history of the evolution of parliament that parallels *The Magna Carta* highlights the importance of the fiscal scrutiny function as a foundational tenet of the institution's existence and operation. By retracing the emergence of parliament and its early activities and responsibilities, namely assessing and authorising the raising and spending of public finances, we make the case that parliament as an institution was built on this responsibility. Before the composition and representation of bodies were considered, legislation contemplated, or appeals made, parliament authorised that money be raised for, and spent by, the Crown (especially in Westminster-inspired systems of government). While parliament was initially meant to be an advisory body, what we have today is not only meant to oversee government but also to reflect the diversity of society and its regions, as coloured by partisan politics.

Studies of parliaments around the world abound. Ethnographies of the institution classically assess their legal-institutional frameworks, often from a country-specific perspective, and lay out the history, rules, and organisation of the institution (see Bagehot and Taylor 2001; Fish and Kroenig 2011; Arter 2007; Wheare 1963; Smith 1999; Docherty 2005). The roles and responsibilities of individual parliamentarians are discussed (see Blomgren and Rozenberg 2012; Docherty 1997; Lienert 2013), as are issues of representation in parliament for reasons of diversity (e.g., ethnic and linguistic), gender equity, etc (see Lijphart 2004; Young

1999; Power 2012). The electoral systems through which citizens elect their representatives and the repercussions of these systems are discussed (see Norris 2004; Colomer 2004; Farrell 2011; Raabe 2014). The decline of parliamentary democracy and the decreasing effectiveness of the institution have also been readily studied (see Kurlantzick 2013; Rosenthal 1998; Hockin 1966; Russel and Sossin 2009; Franks 1987).

The current literature on legislatures and their fiscal scrutiny function tends to focus almost exclusively on the budget and its related consultation and approval processes (Wehner 2010; 2004; Lienert 2013; Schick 2002; Tellier 2015; Posner and Park 2007; Wildavsky 1992). While insightful, the literature is limited in its assessment of the full breadth of a government's financial cycle and provides little information on parliamentarians' ability to fulfil their obligations. Some general assessments of legislatures' oversight functions across policy areas do exist (see Pelizzo and Stapenhurst 2014). However, the general emphasis on the budget sheds little light on parliamentarians' own understanding of their fiscal scrutiny obligations and how they relate to constitutional and legislative obligations.

In contrast to the American congressional system, parliamentary systems (notably Westminster variants) are a weak form of legislature, since they can only approve or reject the government's proposed budget (or in some cases, make minor changes) (Wehner 2004). By contrast, in the American system, congress (the legislature) can change, accept, or reject a president's budget. Given congress' active role in the budgetary process as more than an overseer of government action but also a creator of policy, the focus in the American literature on budgetary matters reflects the rights and obligations of its congress. The result is robust American literature on all budgetary matters, from its balance to its content and the approval process (see Schick 2007; Wildavsky 1984). Furthermore, congress and the office of the president are co-equal branches of government with distinct powers in relation to the public purse. By contrast, in a parliamentary system, the legislator exercises its obligations by first appropriating funds to the government and then acting as the overseer (and not policymaker/spender) throughout the financial cycle.

Parliaments endure despite the challenges they face and their imperfections, while legislators retain important obligations to their constituencies and to their institutions. The fiscal scrutiny function, in particular, has been leveraged by international organisations to support the stability and development of fledgling legislatures around the world. For instance, the OECD, the International Monetary Fund (IMF), and the World Bank have recognised and leveraged fiscal scrutiny as a vehicle for parliamentary strengthening, namely through the implementation of IFIs such as PBOs (OECD 2014; IMF 2013; Hagemann 2011; Kopits 2011). The number of IFIs has increased globally – especially since the financial crisis of 2008 – as a mechanism for accountability and support to legislatures in their fiscal scrutiny role.

The work of an IFI helps to bridge the asymmetry in information between the executive and legislature, by producing credible, authoritative, and reliable analysis in a timely fashion (Hagemann 2011; Kopits 2011). While audits are *ex-post* or backward looking in nature, the work of the IFI takes place *ex-ante* or before a vote/decision is made on an issue. Crucially, IFIs are designed to provide independent (non-partisan) analysis of fiscal performance (Hagemann 2011).

Table 1: Independent fiscal institution (IFI) accountabilities

Accountability	Description	Examples
Executive branch (Ministry of Finance)	▪ The IFI reports to the executive branch of the government. ▪ The IFI may be independent or may be situated within the executive branch. ▪ IFI reports may be made public upon submission to the executive.	▪ Sweden, Ministry of Finance ▪ Belgium, Ministers of Finance and Budget
Legislative branch (Parliament)	▪ The IFI reports to the legislative branch of government. ▪ The IFI is an independent office of the legislature. ▪ IFI reports are submitted to the legislature, often through the speaker(s).	▪ Canada, Office of the Parliamentary Budget Officer ▪ Australia, Parliamentary Budget Office
Hybrid (Executive and legislative branches)	The IFI is typically situated within the executive branch and tables its reports to the legislative branch.	UK, OBR

Sources: (IFI websites; Office of the Parliamentary Budget Officer (Canada) 2021; Parliamentary Budget Office (Australia) n.d.; OBR (UK) 2021; The High Council of Finance (Belgium) 2015; Swedish Fiscal Policy Council n.d.)

The global IFI community is heterogeneous and IFIs have a range of institutional forms. Fiscal councils (e.g., Austria, Denmark, the Netherlands, Sweden, Belgium, and Slovenia), which are typically accountable to the executive branch, tend to have more constrained mandates (see Table 1). The typical functions of fiscal councils include compliance (e.g., with fiscal rules, debt targets, etc) and economic and fiscal forecasting (see Table 2).

PBOs (e.g., Australia, Canada, and South Africa) are accountable to the legislative branch and tend to have broader mandates. Along with mandates that can include compliance and forecasting, PBOs typically cost policy proposals, and even election platforms. Australia's PBO, as well as the sub-national PBOs in New South Wales and Victoria, all engage in election-focused costing to help to inform voters and reduce information asymmetry in electoral periods. The UK's OBR

Table 2: Typical IFI functions

Mandate	Description	Example
Compliance	The IFI assesses and pronounces on adherence to fiscal, economic, and/or debt objectives (which may be included in fiscal rules).	▪ Sweden, Swedish Fiscal Policy Council ▪ Ireland, Irish Fiscal Advisory Council
Macro-fiscal sustainability	The IFI assesses and pronounces on the aggregate state of the economy and the country's finances.	▪ UK, OBR ▪ Belgium, High Council of Finance
Costing	The IFI assesses and pronounces on the reasonableness of government cost estimates of policy proposals.	▪ Slovak Republic, Council for Budget Responsibility ▪ Korea, National Assembly Budget Office

Source: (IFI websites; Swedish Fiscal Policy Council n.d.; Irish Fiscal Advisory Council 2021; OBR (UK) 2021; The High Council of Finance (Belgium) 2015; Council for Budget Responsibility (Slovak Republic) 2021; National Assembly Budget Office (Korea) n.d.).

is a unique IFI model and is a hybrid between a fiscal council and a PBO. The OBR is situated in the executive branch of government but tables its reports to the legislature. To date, no other IFI has taken this form.

IFIs continue to emerge, e.g., Jamaica adopted legislation for its Independent Fiscal Commission, Gauteng Province, South Africa, is preparing to establish a PBO, and an existing community of practice has developed guiding principles and tools based on their experiences. The OECD's principles for IFIs are globally recognised guideposts for the establishment and operation of IFIs. The *Recommendation on Principles for Independent Fiscal Institutions* (OECD 2014) has shaped the design and evaluation of IFIs based on nine principles, as summarised in Table 3.

Table 3: Overview of OECD principles for IFI

Principle	Description
Local ownership	▪ The IFI should be informed by the country's legal foundations, fiscal framework, political system, and culture. ▪ The IFI's functions, structure, and mandate should reflect these characteristics.
Independence and non-partisanship	▪ The IFI must be free of political influence; its work must be objective. ▪ The head of the IFI should be selected based on merit and technical competence, without reference to political affiliation.
Mandate	▪ The IFI should be defined in legislation that includes in its mandate, i.e., the production and types of analysis and reports it will produce, who can request the reports and analysis, as well as timelines for release (if appropriate). ▪ The IFI should autonomously determine the reports and the analysis it will produce, as well as its own work programme (within the scope of its mandate).

Principle	Description
Resources	▪ IFI funding should be in line with its mandate and should enable the office to credibly fulfill its functions, including staff remuneration. ▪ Budgets should be published and treated in the same way as audit or other independent offices to ensure independence. ▪ Guaranteed multi-year funding can help to insulate the office from political pressure and interference.
Relationship with the legislature	▪ The IFI should be accountable to the legislature. ▪ The IFI's reports should be submitted to Parliament in a timely fashion to contribute to relevant debates. ▪ IFI leadership or senior staff should appear before budget or equivalent committees to answer questions. ▪ The IFI's budget should be scrutinised by Parliament. ▪ Parliament's budget committee (or equivalent) should play a role in IFI appointment or dismissal. ▪ Legislation should define requests for analysis to the IFI from budget or equivalent committees, individual members, and other committees. ▪ For IFIs under the jurisdiction of the legislature, requests from committees or sub-committees are preferred rather than those from individual members and political parties.
Access to information	▪ There is asymmetry between a government's and an IFI's access to information. ▪ The IFI should, therefore, have access to information (such as methodology and assumptions underlying the budget and other fiscal proposals) guaranteed in legislation and reaffirmed through memoranda of understanding or protocols. ▪ Such information should come at no cost. ▪ The IFI should be resourced to pay for government actuarial services, if appropriate. ▪ Restrictions in access to information should be defined in legislation. ▪ Protection of privacy of some data (e.g., taxpayer data) and of sensitive information (e.g., national defence, security), are appropriate.
Transparency	▪ Given the nature of its mandate, an IFI gains credibility and protects its independence by publishing all its work and information on its operations. ▪ IFI reports and analysis, including methodologies and underlying data, should be freely available to all. ▪ IFI leadership should be free to testify and appear before committees. ▪ Reports and analysis should be delivered to Parliament in a timely fashion and relevant for debates. ▪ Release dates of major reports and analysis should be established and should be coordinated with the release of relevant government reports and analysis. ▪ IFIs should release their work in their own name.
Communication	▪ The IFI's ability to promote transparency is linked to the uptake and use of its work by media, civil society, and other stakeholders, as these groups can hold the government to account.
External evaluation	▪ An IFI should regularly evaluate its work and practices, e.g., annual evaluation on the quality of its analysis, review of specific reports, permanent advisory panel/advisory board, and a peer review by another country's IFI.

Source: (OECD 2014)

Sub-national IFIs have been established in different jurisdictions and are scaled to their particular contexts (see Table 4). IFIs in sub-national jurisdictions focus their work on the issues within their jurisdictions. For instance, economic and fiscal analyses are undertaken exclusively for Ontario by the province's Financial Accountability Office (FAO) while the New York City Independent Budget Office focuses its analysis and explanatory role on New York City. The scaling makes the work applicable and manageable for the jurisdiction. The four sub-national IFIs considered here are all accountable to an independent entity. The IFIs in Ontario, Victoria, and New South Wales report directly to their legislatures, while New York City's budget office reports to its city council. With direct accountability to elected bodies, the offices underscore the importance of independence for the reliability and credibility of fiscal and economic analyses. Building independence into the structure of the office reinforces its role by reducing the asymmetry in information between branches of government.

Notably, the four sub-national offices all engage in cost-estimation exercises. Cost-estimation is resource intensive but can be critical to informed debate. In their individual and committee deliberations, the estimated cost range of a policy proposal by an independent and credible source can help to close the asymmetry in information between executive and legislative branches of government, especially in Westminster systems. Improving the information base with which a legislator votes is a recognition of the centrality of their fiduciary obligations as guardians of the public purse.

The PBOs in Victoria and New South Wales extend their costing mandate to election periods. In New South Wales, the office is established only for an election period and disbanded approximately three months after the provincial election. Victoria's PBO engages in pre- and post-election costing and produces reports. National PBOs in Canada and Australia undertake similar cost estimating of political proposals. As mentioned, costing is a time- and resource-intensive exercise, and even more so in the short time span of an election period. The capacity required for election period costing should be carefully considered, as should the approaches to ensure independence. It is imperative that an IFI remains apolitical to ensure the credibility and reliability of its work.

Both the IFIs in Ontario and New South Wales engage in macro-fiscal and macro-economic analysis and cost estimation. These areas of activity are consistent with those of the national PBOs in Canada and Australia. As with any IFI in any jurisdiction, their mandate and areas of focus are consistent with their context. In Ontario, for instance, the FAO will engage in matters before the Legislative Assembly of Ontario and not the Parliament of Canada.

The assessment of the mandates and accountability of sub-national IFIs indicates general consistency with the operations and considerations of national offices. This suggests that the international guidance on principles for IFIs and

Table 4: Sub-national IFIs

	Financial Accountability Office (FAO)	Victorian Parliamentary Budget Office	PBO	Independent Budget Office of the City of New York
Jurisdiction	Ontario (Canada)	Victoria (Australia)	New South Wales (Australia)	City of New York (United States)
Founding year	2013	2017	2011 (PBO Act 20210)	1989 (not operational until 1996 when funding was allocated)
Mandate	Independent analysis on the state of the province's finances, economic trends and related matters of importance to the Legislative Assembly.	Level information available between government/those in power and those seeking power.	Produce costings of platforms and other election costings at the request of the Parliamentary leaders (Premier or Leader of the Opposition).	Research and public information agency; provide non-partisan information on the City budget and tax revenue.
Accountability	Officer of the Legislative Assembly of Ontario (accountable to the legislature).	Independent Officer of Parliament.	Independent Officer of Parliament.	Accountable to the New York City Council and to the people of New York City.
Elements of mandate	Economic and fiscal analysis; estimates financial costs or financial benefits of bills and proposals over which the Ontario. Legislature has jurisdiction.	Policy costing; fiscal, economic, and financial analysis; pre- and post-elections reports; and election policy costing.	PBO appointed before a scheduled election and remains in the post approximately three months after the election.	Budget analysis, forecasts, public information role (explains budget elements and adoption).

Source: Financial Accountability Office 2021; Parliamentary Budget Office (Victoria) 2021; Parliament of New South Wales n.d.; Independent Budget Office of the City of New York n.d.)

their evaluation can be applied to sub-national offices. The extension of these tools and guidance documents can be useful for jurisdictions that are seeking to establish IFIs suited to their legal and institutional contexts.

Lessons and experiences from national and sub-national IFIs can be instructive for jurisdictions that are contemplating the establishment of their own offices. Jurisdictions that are looking to establish an IFI would benefit from leveraging Page's (2014) evaluation framework, as well as the guidance from the OECD principles for IFIs. When combined (as in Table 5), the evaluation framework and principles, paired with country examples, can provide a roadmap to reverse engineer the design of an IFI based on the goals of a jurisdiction.

The core questions a jurisdiction should answer prior to establishing an IFI are captured in the four-part evaluation framework. These questions consider context, inputs, outputs, and outcomes. Used in reverse, i.e., by first defining a desired outcome, a jurisdiction can leverage the framework for its design and planning. When a jurisdiction can define the purpose or long-term goal of an IFI (outcome), it can determine the relevant products (outputs) and identify the required resources required to deliver those products (inputs), all within the particular legal-institutional

Table 5: Considerations for the establishment of IFIs

Evaluation framework (reversed) (reproduced from Page 2014:19)	Considerations based on OECD principles for IFIs	Country lessons and examples
Outcomes: Stakeholders' perceived confidence in the IFI's work and their use of products.	*Lesson: An IFI must communicate its findings with stakeholders for impact effectively. External evaluation plays an important role in credibility and to enhance the outputs and operations of the IFI (OECD Principles #8 and #9).* Evaluation is not only a useful tool for assessing the operations and outcomes of an IFI, but it can also serve to enhance its legitimacy (Giles 2014). Sub-national IFIs, like their national counterparts, can benefit from regular evaluation of their organisational operations, outputs, and governing structures. Evaluation can support a better understanding of the organisation by considering its long-term viability.	IFIs often emerge in reaction to a political or economic crisis, such as a global increase in the number of IFIs following the 2008 financial crisis, eg, Canada established a PBO following the Sponsorship Scandal, etc. Defining the purpose of the office, ie, to enhance the planning environment and decision support to legislators can help guide the design of the office. As with any organisation, the impact of an IFI can be assessed through its stakeholders' perceptions. Elected officials, the media, and citizens may leverage the work of an IFI. The external evaluation of the organisation is considered best practice. The UK's OBR has an external evaluation requirement included in its enabling legislation.

Evaluation framework (reversed) (reproduced from Page 2014:19)	Considerations based on OECD principles for IFIs	Country lessons and examples
Outputs: The quality of products developed and released by the IFI based on the functions defined in its mandate (i.e., economic and fiscal forecasting, fiscal sustainability, costing, and budgetary advice).	*Lesson: An IFI must produce and publish its work in a transparent and timely fashion so that it remains relevant in public debate and legislative deliberations. It is imperative that the IFI builds its analysis based on quality and credible information (OECD Principles #6 and #7).* An IFI's value in enhancing decision support comes from the credibility and reliability of its analyses. Reports should be developed and released in a timely fashion, directly to the legislature or through the IFI's website. Neutrality in the work of the IFI is essential for its long-term viability.	Many IFIs, notably the PBO variant, publish their analysis results on their websites. Ontario's FAO and Canada's PBO, among others, follow this practice. The perception of credibility of the work of the IFI can establish and solidify the office in the complex fiscal ecosystem. As was found during the first external evaluation of the OBR, the perceived increase in credibility of the office's forecasts (relative to its development in government) plays an essential role in building confidence in the office.
Inputs: Quantification and quality assessment of the IFI's resources (both financial and human). It is necessary to consider organisational inputs as a factor for comparison and to influence institutional capacity, productivity, and relevance.	*Lesson: To discharge its mandate, an IFI requires clarity in its mandate, the required resources to deliver on its obligations, and the independence to do so in a fashion that is free from political interference (OECD Principles #2 to 5).* Ensuring that the IFI's budget is in line with its mandate is an important step in the operational independence of an IFI. This can help the office attract and retain competent and qualified staff with the fiscal and economic analysis skills required to deliver on the office's mandate. The selection of the head of the IFI should be independent and based on the technical competencies of the individual. An IFI's leadership plays a critical role in ensuring the reliability and credibility of the analyses and building confidence (especially in the early years of the office). The ability to access the required data is important. The guarantee of access to government data can be enshrined in legislation. Some jurisdictions operate on memorandums of understanding.	An IFI's inputs play a key role in its independence. IFIs around the world, from the United States' Congressional Budget Office to Canada's PBO, have been threatened with budget cuts to restrict their work by a threatened executive in their early years. Resources, especially funding, should be free from political interference to protect the independence of the office. The relationship of the IFI with the state apparatus is an important consideration. PBOs are directly accountable to the legislature, whereas fiscal councils are part of the executive branch. The differentiated accountability can influence the mandate and the way it is delivered. Much like funding, data is a critical ingredient to the work of an IFI. Ensuring that data can be accessed in a regular and timely fashion is necessary to fulfil the mandate of an IFI. Mechanisms for recourse should data access be denied can be useful to promote data access and reinforce the independence of an IFI.

Evaluation framework (reversed) (reproduced from Page 2014:19)	Considerations based on OECD principles for IFIs	Country lessons and examples
Context: The unique political and institutional environment housing the IFI, as well as its legally defined mandate.	*Lesson: An IFI must link to its existing fiscal ecosystem to foster its relevance in its particular legal and institutional environment (OECD Principle #1).* The institutional wiring of an IFI will depend on its form of government and the sophistication of deliberative democracy. In congressional models of legislatures, such as in the United States with co-equal legislative and executive branches, the congressional budget office's mandate and reporting accountabilities to the legislature may appear natural. In Westminster systems, PBOs can be more disruptive to institutional environments as they speak a different financial language and help to balance the asymmetry in information between the executive and legislative branches of government. While their initial emergence can be tense, a successful IFI can create its own space in its fiscal ecosystem. This is done by building its reputation as a credible and reliable source of fiscal and economic analysis that is independent of political influence.	The time and place in which an IFI is established will influence its mandate and operations. Recognising and accounting for these factors in its design will be imperative to its long-term sustainability. The IFI's design should be informed by its country's legal foundations, fiscal framework, political system, and culture. Integration into the fabric of the jurisdiction is essential for interaction with existing institutions, trust building, and sustainability. So too should sub-national IFIs seek to integrate their structures into the existing state apparatus.

Source: (Page 2014; OECD 2014)

reality of the jurisdiction (context). The OECD principles for IFIs offer guidance on issues to capture and consider under each of the four elements. For instance, in recognition of context, the OECD (2014) calls for local ownership of the IFI and independence in mandate and resources (inputs) to ensure that the work of the office can be done free from political interference.

CONSIDERATIONS FOR THE GAUTENG PROVINCIAL LEGISLATURE'S PARLIAMENTARY BUDGET OFFICE (PBO)

The findings and lessons regarding the considerations and challenges of fiscal oversight by legislators in parliamentary systems are applicable to sub-national parliaments. The constitutions of federal states, such as Canada and South Africa, confer competencies to sub-national orders of government across a range of issues. In the case of Canada, sub-national governments have structures and practices for fiscal matters similar to those of the national government. Canadian provinces have auditor-generals, legislative public accounts committees, budget consultations, etc. The mirrored practices facilitate the transfer of public money from one order of government to the other and reflect the accountabilities of each order to its citizenry.

The Gauteng Province, South Africa, has grappled with the mirroring of fiscal scrutiny functions in its sub-national legislature. Section 40 of South Africa's Constitution defines the national, provincial, and local governments as distinctive, independent, and separate. Rapoo (2000:90) notes that, during constitutional negotiations in South Africa, the decentralisation of constitutional power and authority from the central government to the nine provinces was intended to balance or check the power of the central government. Based on international experiences, the emphasis was that strong regions were necessary to dilute the powers of the central government to facilitate the national and equitable distribution of development resources and to ensure greater participation in the democratic process (Besdziek and Holtzhausen 2011:103).

Rapoo (2000:100) explains that many provinces have struggled with governance, namely in establishing institutional structures and practices for oversight. The author states that, "In practice many of the provinces have struggled to establish themselves in respect of their institutional character, particularly in the context of weak administrative capacity and inadequate fiscal resources to determine their own development priorities and develop their own socio-economic agendas as constitutional autonomous governments" (Rapoo 2000:100).

Provincial legislatures in South Africa play a critical role in holding their executives to account. Independent legislatures that are equipped with requisite resources (including information for decision-making) play an essential role in good governance. While sub-national jurisdictions may be less-resourced than their national counterparts, their legislatures' oversight efforts can be scaled to their contexts.

The Gauteng Provincial Legislature has recognised the asymmetry that exists relative to the executive branch and has taken steps to build its own capacity by introducing legislation and instruments to support its decision-making capacity, including a PBO (Maseko 2013:12). The mandate envisioned for Gauteng's PBO is consistent with those of Ontario and Victoria, with activities including economic and fiscal forecasting, as well as the cost estimation of policy proposals before the legislature. Where Gauteng's proposed approach differs is in the active role in capacity building, the costing of the impact of regulations on the private sector, and the presentation of budget options. These proposed activities for the office represent a departure from those of other IFIs. The proposed mandate, however, is closer in scope to that of the South African PBO. While the mandate is impressive, the Gauteng Provincial Legislature may wish to consider the resources (both human and financial) necessary to maintain such an office. In smaller jurisdictions, available skills may be in short supply, which limits the pool of potential candidates. It will be important to consider the trade-offs in the scope and breadth of the mandate relative to the detail and timeliness of analysis, should resources potentially be constrained.

CONCLUSION

Sub-national PBOs, such as contemplated by the Gauteng Provincial Legislature, should be underpinned by the same principles of independence, resources, operations, and trust building demonstrated by peer institutions. The guidance of the OECD principles for IFIs, as well as the establishment and operations of other offices, can serve as useful benchmarks.

The lessons learned from offices that have struggled to establish themselves in their fiscal ecosystems, which have had to learn to communicate in financial language in accessible forms, and that have fought to maintain their independence; are useful for designers, drafters, and implementers of new offices. Leveraging the existing network of offices will be useful for both lessons learned and as a network of support for a new organisation.

There is a delicate balance in the establishment of an IFI between mandate, capacity for execution, and reliability. An IFI's survival is based on the credibility of its work in its specific context. The needs of legislators and the legal-institutional context should help to shape the mandate of the IFI; keeping in mind that no single institution will serve as a panacea to the challenge of fiscal scrutiny. An IFI can be a contributor and offer a secondary data point but should not be expected to replace the policy assessment role of committees or the *ex-post* evaluation role of a supreme audit institution. Recognising and legislating for the appropriate mandate, resources, and independence of an institution are crucial elements for its long-term success.

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Conceptualising a Benefit Assessment Framework for the South African National Roads Agency Ltd SOC Research and Development Programme

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ABSTRACT

In low-income countries Research and Development funding is limited and has to be invested with a view of optimum return, both economic return but also "softer" benefits such as human resource development. The assessment of these benefits is therefore important for the long-term sustainability of research and development programmes. Outputs from research and development in roads and transport are often not hard products aimed for the consumer market, but also include new design methods and techniques to enhance the performance of the transport system that cannot be easily quantified with benefit cost analysis alone. The article discusses the development of a framework for the monitoring of the performance of the South

African National Roads Agency Research & Development Programme. The framework consists of a Balanced Score Card and a proposed set of indicators that address benefit throughout the innovation value chain.

INTRODUCTION

Research has shown that technological innovation benefits economic growth and social development (Bessant *et al.* 2014:1). However, in low-income countries Research and Development (R&D) expenditure is low compared with developed countries. The World Bank (2020) indicates that in high income countries 2.56% of Gross Domestic Product (GDP) is spent on R&D whereas in lower-middle income countries only 0.56%. South Africa is a point in case with only 0.82 % of GDP spent on R&D (CeSTII 2019:6). In low-income countries it is therefore vital to obtain maximum performance of such investment (Lazarotti *et al.* 2011:212), particularly in the case of public sector R&D (Maroto *et al.* 2016:564). There is therefore an increased emphasis on the measurement of the benefit and ultimate impact of R&D programmes in such countries.

Research on road and transport infrastructure points to a relationship between a country's investment in the development of its road and transport infrastructure and its socio-economic growth (Ding 2013:312; Zhang 2013:24; Ng *et al.* 2018:292; Cigu *et al.* 2019:22). Among the reasons cited for this is that road and transport infrastructure enable the effective and efficient movement of key products, services as well as people (Ng *et al.* 2018:292). Furthermore, the World Bank (2014) adds that transport contributes to the decrease of high levels of poverty and ensuring that global development goals are achieved. In this context, many organisations tasked with developing and maintaining a road and transport network, invest in road and transport R&D.

CONCEPTUALISING RESEARCH, DEVELOPMENT AND INNOVATION

R&D refers to a systematic process undertaken by organisations in pursuit of new knowledge, for the purpose of discovering and developing new ideas, innovations, products or services (OECD [sa]). Likewise, R&D is described in the Oslo Manual as encompassing the body of a company's innovative efforts "undertaken on a systematic basis" in an effort to produce new knowledge that can be applied in ways that will provide economic benefits to an organisation (OECD 2005:15).

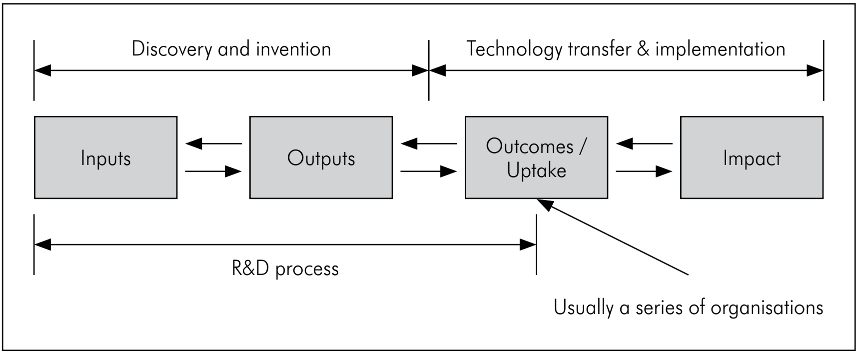
The OECD considers R&D as comprising three activities. The first of these activities is basic research, which refers to a theory-laden and empirical type of research conducted with the intent to develop insight regarding a phenomenon. The second activity is applied research, which also focuses on uncovering new knowledge; however, with the aim to apply the acquired knowledge to either solve a problem or to answer a specific question. The third and final activity is referred to as experimental development, which uses existing information acquired either through conducting research or through an observed or lived experience, to either develop a new product, service or process, or to make improvements to existing products, services or processes (OECD 2005:15). R&D is considered one of the most vital investments of technology-focused organisations (Link 1993:2) and is a fundamental input into the innovation process.

A number of definitions of innovation exist. These include the definition of innovation as the activity of producing new ideas or inventions and deploying them successfully in the market (Roberts 1988:14); innovation as the process of ensuring that developed ideas find implementation (Daglio *et al.* 2014:4); and more broadly, innovation as a stimulator of socio-economic growth in a country (Gault 2016:19). These definitions indicate that innovation is a process that not only requires the generation of new ideas or inventions, but also includes their development and implementation, as well as their ultimate creation of value either to society or within the context of the innovation. Edison *et al.* (2013:1390) describe more than 40 definitions of innovation, each focusing on a different aspect of innovation. This includes innovation type (product innovation, process innovation, market innovation and organisation innovation) or the degree of novelty (new to the firm, new to the market, new to the world). This article, however, will focus on technological innovation relating to the transport sector.

Open Innovation (OI) is arguably essential for the development of technological innovations in the transport sector. OI can be described as a mechanism to stimulate internal innovation in a company by in- and outflows of knowledge from and to that company (Chesbrough 2003:114). Thus, the R&D effort is accelerated through the sharing of knowledge between companies and their research facilities (Bessant *et al.* 2012:8). In the modern day, innovation in services must be open to be effective (Storey *et al.* 2015:511). The outputs of innovation in the roads and transport sector are usually knowledge-based solutions intended for general use in government as well as by engineers. Therefore, R&D and innovation programmes in the transport industry could benefit from OI.

The article argues that it is evident that the R&D process provides key inputs into the innovation process and is indeed a subset of the innovation process. This relationship between R&D and innovation is depicted in Figure 1 (Rust and Sampson 2019:547) that shows the full innovation value chain with R&D as a subset of the process.

Figure 1: R&D as a subset of the innovation value chain



Source: (Rust and Sampson 2019:547)

The terms in the innovation value chain can be described as (The National Research Council of the National Academies 2005:47):

- *"Input – tangible quantities put into a process to achieve a goal.*
- *Output – products and services delivered.*
- *Outcome/uptake – results that stem from the use of the outputs.*
- *Impact – the effect that an outcome has on something else."*

THE CONTEXT: THE SOUTH AFRICAN NATIONAL ROADS AGENCY LTD SOC (SANRAL)

In an effort to redress the injustices of the past that are a legacy of South Africa's apartheid regime, one of the goals of the country's democratically elected government has been to use public expenditure to restore balance and justice to society, including eradicating inequalities concerning access to infrastructure and development. To achieve this goal, in 1998 the South African government established The South African National Roads Agency Ltd SOC (SANRAL), which was established in terms of The South African National Roads Agency Limited and National Roads Act, 1998 (South African Government 1998). According to the aforementioned Act, SANRAL was established with the mandate, "to manage and control the Republic's national roads system and take charge, amongst others, of the development, maintenance and rehabilitation of national roads within the framework of government policy" (South African Government 1998).

SANRAL operates independently from government, registered as a company, but with the country's Minister of Transport as the sole shareholder, which makes the institution a state-owned company. Currently, SANRAL exercises this mandate over a road network that spans 21,403 km and is also responsible for assets valued at an estimated R238 billion (SANRAL 2019). In order to stimulate socio-economic development in South Africa through a high-quality and high-performance road network, SANRAL maintains alignment between its overall objectives and those of key national government policies with similar goals. As such, SANRAL has ensured an alignment of its outputs with the country's National Development Plan 2030, which is aimed at achieving reduced levels of inequality, as well as eradicating the high levels of poverty that will plague South Africa by 2030. Consequently, SANRAL has developed the SANRAL 2030 Strategy, which is also referred to as 'Horizon 2030', which in part, serves to acknowledge SANRAL's commitment to ensuring that its mandate correlates with the South African government's objective to "build a capable and developmental state" (SANRAL 2017:3). The SANRAL Strategy: Horizon 2030, recognises four main pillars that shape its core mandate, namely: roads, safety, stakeholders and mobility. In Horizon 2030, harnessing existing professional skills and supporting the growth of new skills, as well as the use of technology and innovation to improve performance, mobility and road safety are highlighted. It furthermore highlights the efficient use of resources and acknowledges its strategic alignment with the United Nations Sustainable Development Goals in alleviating poverty, promoting economic growth, job creation, the development of sound infrastructure, as well as creating sustainable cities and communities (SANRAL 2017:3).

In view of the above, SANRAL has initiated a research programme in a number of focus areas associated with roads and transport. The performance monitoring of SANRAL's research programme is important in order to establish the benefit and eventual impact of the research programme and to establish the value of the investment. Due to the nature of the programme and the diversity of the focus areas, a simple economic return on investment process is not suitable. The end products of R&D and innovation in the roads and transport sector are sometimes new materials and products, but more often not hard products that can be commercialised, but rather new methodologies and processes such as new design methods or new processes for improving the performance of the transport system. These outputs are often packaged in free software for use by professionals. Additional benefits include human capital development, social impacts, technical guidelines and training programmes (Rust 2010:87). This type of research activity is increasing (Spieth *et al.* 2014:237). This implies that a more broad-based system for assessing benefit and impact is required rather than classical return on investment assessments (Rust and Sampson 2019:547). In such programmes, a novel approach is required that addresses inputs, outputs outcomes and impact across the full innovation value chain.

RESEARCH METHOD

The research method comprised the following:

- A review of existing literature and methods with a special focus on R&D management models and R&D metrics to measure R&D performance, particularly in public funded programmes;
- Learning from previous R&D programmes including the R&D programme for the Research for Community Access Partnership (Rust and Sampson 2019), and the Transport R&D programme for the Council for Scientific and Industrial Research (CSIR) of South Africa;
- Interviews and discussions with the SANRAL R&D manager and the relevant SANRAL executive;
- A review of international transport indicators currently used;
- The definition of a preliminary indicator set within a Balanced Score Card particularly based on work by Demir and Tolga (2014) and Bigliardi and Dormio (2010:278); and
- A review of the indicator set and rating of the individual indicators by a group of SANRAL employees.

The resultant set of indicators spans the full innovation value chain and fits into the five perspectives of a Balanced Score Card (BSC) that would be suitable for the SANRAL R&D programme.

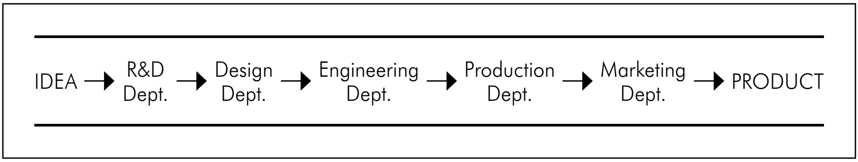
LITERATURE AND THEORETICAL BACKGROUND

Research management models

Rothwell (1985:97) described a number of classes of R&D and innovation management models. These are:

- First generation technology push models that are simple and linear;
- Second-generation needs pull models that are based on a simple linear sequential process linked to market needs;
- The third-generation coupling model that is still sequential but with feedback loops and a combination of technology push and market pull;
- The fourth-generation integrated model that focuses on parallel development with integrated development teams, strong upstream supplier linkages and close coupling with leading-edge customers.
- The fifth-generation systems integration and networking model that consists of fully integrated parallel development, the use of expert systems and simulation

Figure 2: The Department Stage Model



Source: (Saren 1984:11)

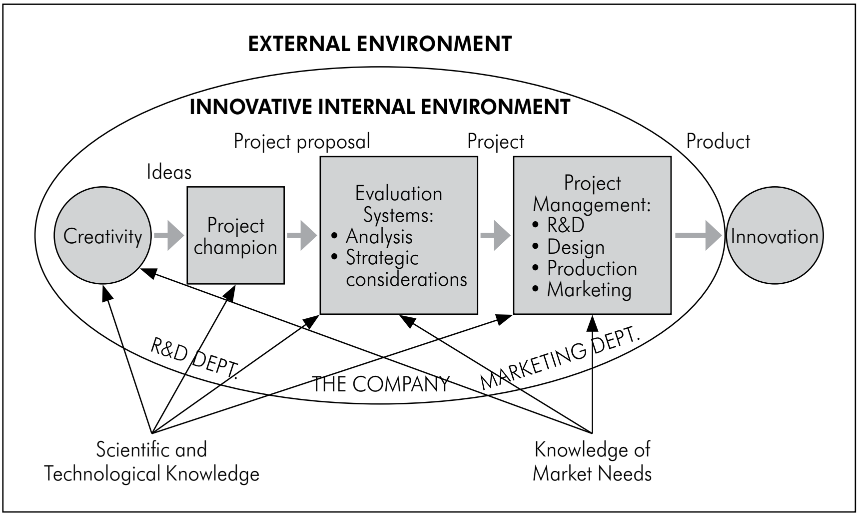
modelling in R&D, strong linkages with leading-edge customers and co-development of new products with suppliers.

However, these models are very linear and do not take cognisance of the iterative and complex systems nature of the R&D process (Rust 2009; Rust and Sampson 2019:547). A typical example of a linear model was described by Saren (1984:11). This model, named the 'Department Stage Model' is shown in Figure 2.

The management process is linear from Idea to Product with no feedback loops. This implies that the nature of the market need is not fully assessed in the conceptualisation of the idea. In the case of engineering methodology and knowledge-based solutions, this is insufficient (Roussel *et al*. 1991:59).

Other models such as Twiss's Activity Stage Model (Twiss 1980:95) include some feedback loops as depicted in Figure 3. However, the activities still move linearly forward from creativity to innovation.

Figure 3: The Activity Stage Model

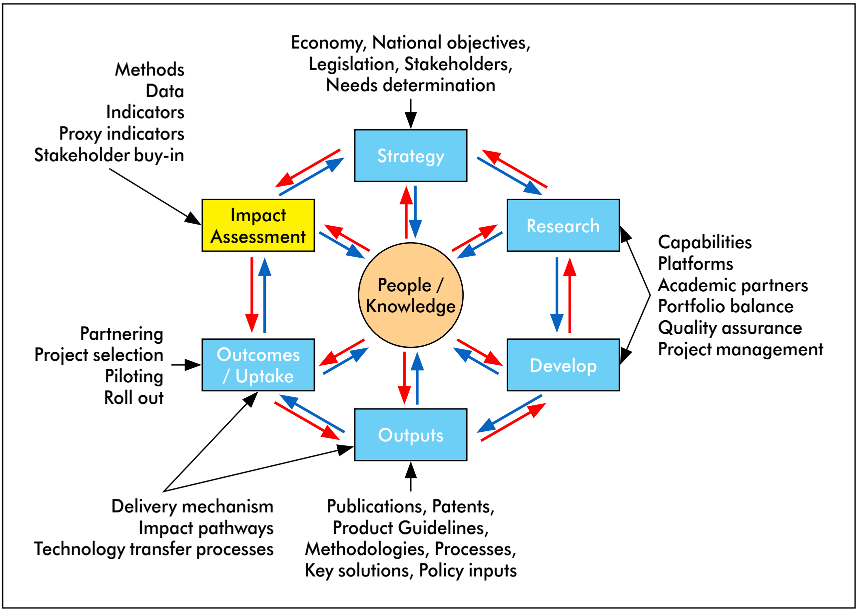


Source: (Twiss 1980)

A number of authors discuss processes to improve R&D project management but do not provide a conceptual model for a holistic management process. Examples are research management in the Fisheries sector (Shaoxuan 2018:20); the creation of and architecture and structure for virtual research enterprises (Sharifi *et al*. 2013:41); and knowledge management processes (Vicheanpanya 2015:33; Guevara *et al*. 2018). Similarly, Graves *et al*. (2000:47) discuss a linear programme to optimise financial return versus risk of a project, but do not provide a model for managing a programme of projects with additional benefits. Others only address one aspect of research and innovation such as portfolio management to optimise productivity in manufacturing companies (Lee and Cho 2015:20).

Caro-Gonzalez (2019:105) discusses the 6i model that provides guidelines for improved processes in research. The aspects addressed are: international, interdisciplinary, intersectoral, innovative, impactful and inclusive. However, it comprises steps to improve the research process of individual projects and not the management of a programme of R&D and innovation. The Chorus model (Owens *et al*. 2015:17) is a linear process for drug discovery which is not suitable for the transport sector that delivers a number of "soft" outputs.

Figure 4: Conceptual systems-based, non-linear model for R&D management



Source: (Rust and Sampson 2019:547)

In research conducted by Rust (2009:127) and Rust and Sampson (2019:547) they described the development of a systems-based R&D and innovation management model for the roads industry, which aligns with the previous section's assertion that R&D and innovation management should span the full innovation value chain. The model consists of a number of elements that interact with each other in a multidirectional manner. These elements operate in an environment with which it interacts and that influences it. The elements of the model are: strategy, R&D, outputs, outcomes/uptake, impact assessment and people/knowledge, and is shown in Figure 4.

The model includes an element for impact assessment which acts as a "sensor" for the health of the process and allows for feedback and correction of the system and process. R&D and innovation management should take cognisance of all the elements of the model and as such benefit/impact assessment should be an integral part of the process and not a stand-alone activity. The researcher should also conduct "back-casting" when planning research projects. This implies first defining the intended impact, then the required delivery system for uptake, then the nature of the output and only then the nature of the R&D to be conducted.

The model in Figure 2 was adopted by SANRAL for management of their R&D programme including the aspect of benefit/impact assessment through a BSC and a set of appropriate indicators.

Impact and benefit assessment of R&D

One of the key considerations in the management of an R&D programme is the manner in which the performance of the programme will be assessed (Demir and Tolga 2014). Given the resource-intensive nature of the R&D process, in a time where many organisations have very limited resources to realise their organisational objectives, there is a greater focus on ensuring that the investment in an R&D programme is worthwhile, and accountability for the performance of the programme is fostered (Werner and Souder 1997:28). Therefore, the performance assessment of a research programme does not only serve to justify its existence but can also assist in the identification of areas within the programme where interventions to improve its overall effectiveness are required (Bozeman and Melkers 1993:115). Jyoti *et al.* (2006:879) add that the focus of R&D programmes should be on how its overall performance can be improved, as well as creating clear lines of feedback on the performance of the programme in order to facilitate the necessary improvements.

Thus, the assessment of the impact and benefits of the research programme as well as an assessment of the value of the return on the investment are important. However due to the nature of the research programme and the diversity of the focus areas in the SANRAL R&D programme, which is a public sector programme, a simple economic return on investment is usually not suitable (Bloch and Brugge 2013:133). In publicly funded research programmes, a number of "soft" returns or benefits such as human capital development, transformation, social impacts, technological advances, technical guidelines and training programmes should also be taken into account in assessing the impact of the programme (Demir and Tolga 2014). Link (1993:15) adds that when the fact that research programmes often have different focus areas is considered, coupled with the diverse groups of people that must see the development of an idea through to the end of the innovation value chain, it often becomes challenging to achieve consensus on which programme assessment process and technique to apply.

In the roads and transport field, impact measurement is equally challenging because of the diverse nature of the R&D activities, ranging from basic science, materials science and engineering to transport planning research and social research (Rust and Sampson 2019:247). A specially designed approach is therefore required and should address R&D performance assessment through the full innovation value chain as discussed above.

A number of approaches exist for R&D performance assessment (Brady 1995) as briefly discussed below.

- *The Innovation Management Tool Kit (IMTK)* was developed for the UK National Economic Development Office in 1989. Managers assess performance measured through 10 key characteristics of companies: company culture, employees, internal communication, organisation, customers, finance, suppliers, competitors, technology, new products and processes, However, the 13 handbooks are focused on product development for the consumer market (Brady 1995:252).
- *The UK DTI workbook* promotes a simpler process based on a series of questions and involves benchmarking of the company (DTI 1993:1–30).
- *The Managing of Integration of New Technology (MINT) programme* is part of the European Community SPRINT (Specific PRogramme for INnovation and Technology transfer) initiative. Their tool guide includes innovation audits, a business review tool, technology audits, technology opportunity reviews, value-based innovation and diagnosis, product management audits and quality management audits (Brady 1995:253).
- *Technology mapping* that comprises various mapping processes to analyse technologies including chronological mapping; co-word-based mapping; cognitive mapping and conceptual mapping (Gaynor 1996:23).
- *Technology audits* involving the use of technology space maps to determine the scope and depth of present capabilities; to determine the scope and depth of capabilities required to achieve goals implied by strategic objectives, and to determine the scope and content of technology development and technology transfer activities to fill the gaps identified in the process (De Wet 1989, 2005).

- *Technology forecasting tools and techniques* that include scenario writing; the Delphi process; relevance trees; trend impact analysis; probabilistic system dynamics, and morphological analysis (Brady 1995:117).

A number of these methods are not suitable for measuring the performance of a transport research programme. This is due to the specific nature of complex solutions and products (such as those developed for the roads and transport sector), that render the applicability of these models, tools and techniques in managing innovation in complex projects less effective (Brady 1995). This is mostly due to these models and techniques having been developed for managing hard product development for the consumer market. Current practice in technology management is mainly aimed at products for the consumer market (non-intelligent buyers) as opposed to the road infrastructure industry (intelligent buyers) and company strategies are mainly aimed at the performance of private companies rather than at an industry. This is not applicable for a public sector research programme (Demir and Tolga 2014) such as the SANRAL programme.

The Balanced Score Card Approach

A BSC comprises a set of indicators to measure R&D programme performance to support strategy planning of the programme (Bremser and Barsky 2004:229; Kaplan and Norton 2001:95). The performance indicators can be used at various levels from corporate to the business unit, and eventually the employee level. A BSC incorporates not only financial measures but also non-financial measures that describe the "soft" benefits of the programme (Jyoti *et al.* 2006:879). The BSC is able to communicate an organisation's strategic objectives through a set of indicators and targets; aligns the goals of a department with that of the overall organisation; serves as a guide for all employees on the performance targets of the organisation; and it encourages regular feedback of the organisation's performance.

Jyoti *et al.* (2006:879) add that the BSC essentially creates a relationship between four areas of performance measurement in an organisation: "measures of organisational learning and growth" that are drivers of the "measures of internal business processes". Measures of these processes are in turn the drivers of measures of the customer perspective, and lastly of financial measures (Jyoti *et al.* 2006:879). A BSC can be used to evaluate the performance of individuals, but this should be done with care, so as not to discourage researchers dealing with the uncertainty of the research process (Pogrebnyakov *et al.* 2017:67).

The use of a BSC has many benefits (Bremser and Barsky 2004:229). These include, for example, the use of causal sets of performance measures to monitor results that can provide insight into strategic performance and the consequent effect on operational decisions. It is also a basis and reference point for all company operations and communication with stakeholders. It is a powerful tool to determine where targets are not being met and can be used to evaluate alternative actions. If well used it can motivate employees.

Technology is paramount to innovation, but it is difficult to measure its impact using traditional financial metrics (Bremser and Barsky 2004:229; Coombs and Bierly 2006:421). However, the BSC can link both financial and non-financial measures to strategy. A BSC should therefore have an adequate balance of both outcome and performance indicators that integrates quantitative and qualitative measures.

Bigliardi and Dormio (2010:278) describe the use of a BSC to monitor the performance of R&D in an automotive company. The BSC was successfully implemented although the indicators are not suitable for a public-funded R&D programme in roads and transport. A number of the indicators are also not quantifiable, for example, "core competences of R&D personnel" and "involvement in the R&D process". Nevertheless, they report a successful implementation for this industry.

Cost benefit analysis

Organisations such as the World Bank, prescribe the use of a Cost Benefit Analysis (CBA) for the assessment of projects especially in developing countries and particularly in the roads and transport sector. A number of guidelines are available for the use of a CBA on road projects in developing countries. These include the "Transport Research Laboratory's Overseas Road Note 5–A Guide to Road Project Appraisal" (1988); and "Guidance on planning rural transport infrastructure and services–SSATP Working Paper No. 100" (Hine 2014). However, these guidelines address road construction projects and not a research programme.

CBA in simple terms considers the characteristics and costs for a "project case", and an alternative "do nothing case" or counterfactual case (Link and Scott 2013:15). The benefit is calculated as the difference between the two scenarios, using the Internal Rate of Return and Nett Present Value. Savings in, for example, travel time and vehicle operating calculated with computer-based programs such as HDM4 (The World Bank 2010).

Although easy to use, CBA has limited value within more complexly defined social phenomena such as road safety. In addition, there is relatively little evidence in the literature of the use of CBA techniques to evaluate the benefits of research (Salter and Martin 2001:509). "No simple model of the nature of the economic benefits from basic research is possible" (Salter and Martin 2001:509). Thus, it is evident that the use of CBA to evaluate research is much more challenging than evaluating the economic benefits of infrastructure investment. The main challenge lies in calculating the monetary value of benefits derived and the inherent unpredictability of research. Similarly, the World Bank did not use CBA to evaluate its research activity between 1998 and 2005 (Banerjee *et al.* 2006:40).

The European Commission (Clarke *et al.* 2013; Sartori *et al.* 2014:349) noted some success with the use of CBA to evaluate R&D although it focused only on economic benefits (Sartori *et al.* 2014:349). It is therefore evident that although CBA analysis can be used to understand the direct financial benefit from an R&D programme at the project level, it is more difficult at the programme level where non-financial aspects should also be considered.

Transport indicators

Much work has been conducted on indicators for general transport system performance. Vulevic (2016:58) lists a number of indicators in the following categories:

- Transport infrastructure supply, typically length of road, number of ports, cost to motorway entrances etc.
- Transport infrastructure capacity, typically capacity of roads and railway lines.
- Transport services, typically number of cars, number of trains, travel time etc.
- Network vulnerability, typically structural vulnerability and climatic vulnerability.

The OECD (2001:35) listed a number of indicators for road performance that included, for example, road user costs, allocation of resources for roads, value of assets, road roughness etc. Similarly, the National Academy of Sciences (2002) listed indicators for road safety, mobility and economic growth. Litman (2007:10) presented a comprehensive list of indicators for sustainable transport planning in three aspects of sustainability: economic aspects, social aspects and environmental aspects.

Although most of the indicators mentioned above are mainly aimed at the performance of the transport network and do not address the research process and associated outputs and outcomes, some of these indicators could be used to assess uptake and impact of the research process (OECD 2001:35; National Academy of Sciences 2002; Litman 2007:10):

- Average freight transport speed and reliability;
- Per capita traffic crashes and fatalities;
- Overall satisfaction rating of transport system;
- Per capita energy consumption;
- Energy consumption per freight ton mile;
- Per capita air pollution emissions;
- Air and noise pollution exposure;
- Job opportunities created;
- Community impacts; and
- Transport facility resource efficiency.

PROPOSED IMPACT/ BENEFIT ASSESSMENT FRAMEWORK FOR SANRAL RESEARCH PROGRAMME

In the roads and transport field impact measurement is challenging because of the diverse nature of the R&D activities, ranging from basic science, materials science and engineering to transport planning research and social research. A specially designed approach is therefore required and should address impact, benefit and effectiveness monitoring through the full innovation value chain shown in Figure 1. A framework for benefit assessment should also take cognisance of the systems nature of the R&D and innovation processes as depicted in Figure 4.

Based on the systems R&D management model in Figure 4 as well as work by Demir and Tolga (2014) and Bigliardi and Dormio (2010:278), SANRAL elected to combine the systems R&D management model with a BSC and appropriate set of indicators for performance measurement of its R&D programme. The benefit of the approach is that the systems model provides a clear link to the needs in the industry and therefore the nature of the associated outcomes from the research. In addition, the BSC provides a basis for evaluating the progress of performance indicators across the full innovation value chain in time through trend analysis. Of particular importance is measuring and monitoring indicators at the uptake level, seeing that these are the precursors to eventual impact.

Long-term impact is notoriously difficult to measure, especially non-financial impact (Coombs and Brierly 2006:421) and the use of, for example, proxy indicators to assess impact is important. The indicators in the SANRAL BSC cover financial and cost benefits (for example, savings to government) as well as the "softer", non-financial benefits of research such as human capital development and the impact on communities and the environment. The set of indicators discussed below will be monitored over time using trend analysis to provide input into strategic management processes.

It has been shown that simple measurement systems perform better (Cozzens 2000:5), especially because the link between research outcomes and socio-economic impact is complex and difficult to determine. R&D performance indicators are difficult to develop, however, once developed, they should be easily understood by stakeholders (Osawa and Yamasaki 2005:455).

The SANRAL BSC and indicators as well as their ratings are summarised below.

Process indicators

It is important to monitor the management process for the SANRAL R&D programme. The following were proposed as indicators to assess these processes:

- Number of needs determination processes;
- Number of foresight studies;

- Establishment of a Research Advisory Panel;
- Establish research focus area steering committees;
- Number of SANRAL staff and researchers trained in research methodology;
- Number of SANRAL staff and researchers trained in research ethics; and
- Number of Research Focus Area technology development strategies (R&D plans) developed.

Input indicators

To enable "return on investment" assessments, it is important to record and measure the inputs into the SANRAL R&D programme. These indicators will also provide an overview of the quality of the input effort. The proposed indicators in this instance were:

- Number of researchers active in SANRAL research programme;
- Number of SA black researchers active in SANRAL research programme;
- Number of SA black research project leaders;
- Number of SA female researchers active in the SANRAL research programme;
- Number of active researchers with a PhD;
- Frascati distribution of research funding (basic, applied, experimental development, piloting and implementation);
- The amount of funding employed for research infrastructure;
- The amount of research funding spent; and
- The number and size of collaborative partnerships.

Output indicators

Output indicators should be designed to assess the volume, quality and the implementability of output achieved through the SANRAL R&D programme. The proposed output indicators were:

- Number of publication equivalents;
- Number of new technology/knowledge packages;
- Number of SANRAL endorsed national research reports;
- Number of new or updated national guidelines;
- Number of new Master's degrees completed;
- Number of new PhDs completed; and
- Quality assessment of publications (for example, journal impact factors).

Outcome indicators

Outcomes are defined as the uptake of R&D results by industry outside of the R&D programme. This is one of the most important categories of indicator to monitor because it assesses the transfer and implementation of R&D results as well as acts as a precursor to impact. Without uptake there can be no impact. The proposed indicators for this category were:

- Number of technology demonstration projects where new knowledge/technology was implemented;
- Monetary value of demonstration projects;
- Number and size of social impact;
- Number of projects where positive environmental impact is made;
- Number of practitioners trained in use of new technology or knowledge package;
- Cumulative cost/benefit ratio; and
- Number of small contractors involved in projects emanating from research programme.

In addition, it was proposed that qualitative information such as success stories be recorded.

Impact proxy indicators

Although it is generally difficult to measure impact directly, the potential for eventual impact can be described through proxy indicators. The following proxy indicators for assessing the potential impact of the SANRAL R&D programme were proposed:

- Number of retrospective studies to determine current impact resulting from past R&D;
- Fatalities per 100,000 trips on roads where new solutions have been implemented;
- Traffic through-flow rate at crucial bottlenecks;
- Number of job opportunities created;
- Road condition index;
- Facility performance index;
- User satisfaction index;
- Number and nature of community involvement projects;
- Cumulative monetary value of SANRAL involvement in communities; and
- Freight flow rates on road where new technology has been implemented.

The above indicators were proposed based on their alignment with SANRAL's overall mandate and strategic objectives. The indicators will, however, need to be tested with SANRAL stakeholders and SANRAL Research Focus Areas members to ensure that the BSC is indeed "balanced" and consists of the relevant indicators, after which it can be revised for implementation.

SANRAL RATING OF THE INDICATOR SET

A total of 15 SANRAL R&D focus group members were asked to rate the indicators on a five-point Lickert scale. The results are shown in Table 1.

As can be noted from Table 1, the following indicators were rated as very important (score > 4):

- Number of foresight studies;
- Establishment of a Research Advisory Panel;
- Number of SANRAL endorsed national research reports;
- Number of new or updated national guidelines;
- Number of technology demonstration projects where new knowledge/technology was implemented;
- Cumulative cost/benefit ratio;
- Number and size of social impact;
- Number of practitioners trained in use of new technology or knowledge package;
- User satisfaction index;
- Road condition index;
- Fatalities/100,000 trips on roads where new solutions have been implemented;
- Facility performance index; and
- Number of job opportunities created.

The following indicators received a relatively lower importance rating (score < 3,5):

- Number of active researchers with a PhD;
- Number of researchers active in SANRAL research programme;
- The amount of funding employed for research infrastructure;
- The amount of research funding spent;
- Number of new PhDs completed;
- Number of new Master's degrees completed;
- Number of small contractors involved in projects emanating from research programme;
- Monetary value of demonstration projects;
- Number and nature of community involvement projects; and
- Cumulative monetary value of SANRAL involvement in communities.

Only one indicator scored less than three: Monetary value of demonstration projects.

The above ratings should be seen in the light of the participants, being middle-management and technical SANRAL staff tasked mostly with implementation. Hence, the relatively low scores for "academic" research performance indicators such as completion of tertiary degrees. The indicator set should be subjected to ratings by a broader spectrum of stakeholders.

The SANRAL participants also proposed some additional indicators:

- Monetary value of indirect economic impact;
- Behavioural changes of drivers;
- Public perception of interventions;
- Effective communication measures;
- Network benefits of interventions;
- CO_2 levels near roads;
- Energy footprint of operations; and
- Road safety index.

Some of these suggestions such as, for example, "network benefits of interventions" are not measurable and therefore difficult to include in an indicator set without extensive work to develop an indicator.

Table 1: Indicator ratings by the SANRAL technical managers

Process Indicators	Ratings														Avg	Std Dev
Number of needs determination processes	5	4	2	4	5	5	1	4	3	3	5	3	5	5	3.857	1.292
Number of foresight studies	5	4	4	5	5	5	1	4	4	4	3	4	4	5	4.071	1.072
Establishment of a Research Advisory Panel	5	4	1	3	2	5	3	5	5	4	5	5	5	5	4.071	1.328
Establish research focus area steering committees	1	5	3	4	4	5	3	5	5	5	2	5	5	2	3.857	1.406
Number of SANRAL staff and researchers trained in research methodology	5	5	3	4	4	3	4	3	1	2	3	4	4	5	3.571	1.158
Number of SANRAL staff and researchers trained in research ethics	4	5	3	4	4	3	4	4	3	2	4	5	4	5	3.857	0.864
Number of Research Panel technology development strategies developed according to the template	3	4	3	4	3	4	4	4	3	3	5	4	3	3	3.571	0.646

Input Indicators	**Ratings**														**Avg**	**Std Dev**
Number of researchers active in SANRAL research programme	5	2	3	3	5	4	2	4	3	2	5	2	2	4	3.286	1.204
Number of SA black researchers active in SANRAL research programme	5	4	2	5	5	3	4	4	4	3	3	4	3	4	3.786	0.893
Number of SA black research project leaders	5	3	5	5	4	4	4	3	4	3	3	3	2	4	3.714	0.914
Number of SA female researchers active in the SANRAL research programme	5	4	4	5	5	4	4	3	4	3	4	3	2	4	3.857	0.864
Number of active researchers with a PhD	4	3	3	3	4	4	3	4	3	2	2	4	5	3	3.357	0.842
Frascati distribution of research funding (basic, applied, experimental development, piloting and implementation)	3	3	3	5	3	3	3	4	3	3	3	5	5	3	3.500	0.855
The amount of funding employed for research infrastructure	1	3	4	4	2	4	2	5	4	4	2	3	5	3	3.286	1.204
The amount of research funding spent	3	3	1	3	2	4	2	5	4	4	5	2	5	3	3.286	1.267
The number and size of collaborative partnerships	4	4	4	5	4	4	3	4	3	3	4	4	4	4	3.857	0.535
Output Indicators	**Ratings**														**Avg**	**Std Dev**
Number of publication equivalents (DoE formula)	5	4	1	3	5	3	5	4	3	2	4	5	3	5	3.714	1.267
Number of new technology/ knowledge packages	5	4	1	5	2	4	5	4	4	3	5	4	4	5	3.929	1.207
Number of SANRAL endorsed national research reports	4	4	3	5	4	4	5	5	4	4	4	3	5	5	4.214	0.699
Number of new or updated national guidelines	5	4	3	5	2	5	5	4	5	5	5	3	3	4	4.143	1.027
Number of new Master's degrees completed	3	4	3	1	5	2	3	4	3	2	3	3	4	4	3.143	1.027
Number of new PhDs completed	3	3	4	1	5	3		4	3	2	3	3	4	4	3.231	1.013
Quality assessment of publications (eg journal impact factors)	3	4	3	3	5	3		5	4	3	5	4	3	4	3.769	0.832

Outcomes Indicators	**Ratings**														**Avg**	**Std Dev**
Number of technology demonstration projects where new knowledge/ technology was implemented	5	4	4	5	4	5	4	5	4	4	5	5	4	4	4.429	0.514
Monetary value of demonstration projects	1	3	2	2	1	2	2	5	3	4	4	2	4	2	2.643	1.216
Number and size of social impact	5	5	4	5	5	3	3	5	3	2	5	5	3	4	4.071	1.072
Number of projects where positive environmental impact is made	4	4	4	4	5	3	4	4	4	3	5	3	4	3	3.857	0.663
Number of practitioners trained in use of new technology or knowledge package	4	3	3	5	5	4	4	4	4	4	4	5	4	3	4.000	0.679
Cumulative cost/benefit ratio	4	4	4	3	3	3	5	5	5	4	5	5	5	5	4.286	0.825
Number of small contractors involved in projects emanating from research programme	5	5	1	4	5	4	3	3	3	3	3	3	3	3	3.429	1.089
Life stories and success stories of new technologies implemented	5	4	3	5	5	4	3	4	3	3	4	4	3	4	3.857	0.770
Impact Proxy Indicators	**Ratings**														**Avg**	**Std Dev**
Number of retrospective studies to determine current impact resulting from past R&D	4	3	4	3	3	5	1	5	4	3	4	4	4	4	3.643	1.008
Fatalities/ 100,000 trips on roads where new solutions have been implemented	5	4	3		4	5	4	5	5	4	5	2	4	3	4.077	0.954
Traffic through-flow rate at crucial bottlenecks	5	3	3		4	5	5	4	4	5	3		3	3	3.917	0.900
Number of job opportunities created	5	4	3		5	3	3	5	4	3	3	5	4	5	4.000	0.913
Road condition index	5	3	3	5	5	5	5	5	5	4	3	3	4	5	4.286	0.914
Facility performance index	5	3	4		5	4	4	5	4	4	3	3	4	5	4.077	0.760
User satisfaction index	5	5	4		5	4	3	5	4	5	5	2	5	5	4.385	0.961
Number and nature of community involvement projects	1	5	4	3	5	4	2	4	3	3	4	4	3	4	3.500	1.092
Cumulative monetary value of SANRAL involvement in communities	1	5	5	3	1	4	2	5	3	3	5	3	3	4	3.357	1.393
Freight flow rates on road where new technology has been implemented	1	4	5		4	4	3	5	4	4	4	2	5	4	3.769	1.166

CONCLUSION

This article contributes to the knowledge pool of Research Management and an R&D benefit/impact assessment by offering a set of indicators across the full innovation value chain that can be used in a BSC to assess the performance of a roads and transport focused R&D programme. The indicator set was developed taking cognisance of a systems approach to R&D management and provides the vital element of assessment through a "performance sensor" to provide strategic feedback to the R&D manager. This indicator set can be used as the basis for developing a framework for any roads and transport research programme. The approach can also be used to develop a BSC with indicators for any R&D programme that requires assessment through more than mere financial return on investment tools.

NOTE

* This work was funded by SANRAL and is published with the permission of SANRAL.

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Measures for the Development of Corporate Governance Practices for State-owned Enterprises in South Africa

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ABSTRACT

Despite the lack of a universally accepted definition for State-owned Enterprises (SoEs), there appears to be general consensus that an SoE is an enterprise in which the state holds a substantial level of "control through full, majority, or significant minority ownership" (PwC 2015:9). This article, by way of a desktop literature study using unobtrusive research methods, provided the purpose for the establishment of SoEs and identified the important role played by SoEs in providing the public with key services. The article examined the performance of SoEs in South Africa, with particular focus on South African Airways' (SAA) continued failure in governance caused by irregular appointment of board members, political interference, and corruption. Finally, the article provided measures that can be taken to improve the development of corporate governance practices for SoEs in South Africa.

INTRODUCTION

The King IV Report (2016:20) defines corporate governance as "the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes: ethical culture, good performance, effective control and legitimacy".

According to Benassi and Landoni (2018), the purpose of SoEs is threefold; they support the government in the production of positive externalities when there are inefficiencies in the allocation of resources, they provide basic services to the general public when the economy of the country is declining, and they support the development of certain areas (Benassi and Landoni 2018). These social and economic objectives serve as evidence that SoEs are created in the public interest and serve as pillars of the economy of several developed and developing countries.

SoEs exist to provide a specific service by implementing aspects of governmental policy and principles of governance sourced from legislation, statutes, codes, and regulations. SoEs assist a state in obtaining and improving sustainable levels of economic growth; thus, improving the country's overall global competitiveness and local standard of living (Malan and Maphalla 2014:6).

History shows that these enterprises emerged to inflate socio-economic development and to transform social and economic discrepancies through trade, investment, production, consumption, and distribution (Lwanga and Vyas-Doorgapersad 2008:182). In addition, SoEs have also been established with socio-political motives (Peters *et al.* 2017:99).

The article discusses the statutory and regulatory framework that underpins SoEs, the role of SoEs in post-1994 South Africa in general and the cases of the SAA, Eskom and Transnet in particular. It outlines the performance of SoEs in South Africa and finally provides measures to develop corporate governance practices for SoEs in South Africa.

STATUTORY AND REGULATORY FRAMEWORK THAT UNDERPINS SOES

Enacted in pursuance of section 216(1) of the "*Constitution of the Republic of South Africa*'s, 1996 imperative to establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government" (Serongoane 2021), the Public Finance Management Act 1 of 1999's, (PFMA) objective is to maximise service delivery by promoting good financial management and to improve the financial management of the government.

The PFMA promotes good governance standards, improved transparency and accountability, and public faith and confidence in organisations; thus, enhancing wealth creation and shareholder value. Through the PFMA, good governance protects organisations from managers and directors who elect to pursue their self-interest, loot corporate assets, and engage in corrupt activities (Ramano 2018).

The PFMA's purpose can be summarised as follows: to provide for regulation of financial management in the government to ensure that all revenues, expenditures, assets, and liabilities are managed efficiently and effectively, and to provide for the responsibilities of persons entrusted with financial management. This study highlighted that SoEs have been accused of lapses in corporate governance despite the PFMA being in place and this is because the boards and management of SoEs merely pay lip service to the PFMA as a guideline for good management, ethical accountability, and corporate governance, which are integral to running organisations and delivering governance outcomes.

Ideally, every SoE must have a philosophy of respecting the PFMA, keeping in mind the nature of its business, the objectives, and its relationship with its stakeholders. Furthermore, all the members of the board and senior management should confirm compliance with the PFMA (Ramano 2018).

To achieve its purpose, the PFMA contains provisions aimed at obliging SoEs to allocate an accounting authority that will be accountable for purposes of the PFMA (section 49), defining the fiduciary duties of the accounting authority (section 50), mandating the meticulous planning, directing, and control of the state's financial resources in order to achieve efficient and effective delivery of public service goals, and ensuring that the governing bodies steer the SoE's financial resources in a way that is transparent, limits risk, and promotes efficiency and effectiveness within the entity (section 51).

The Companies Act 61 of 1973, on the other hand, requires SoEs to have a board of directors that is accountable to the shareholders of the SoE for the performance and affairs of the SOE (section 66). The Companies Act mandates the observance of good corporate governance measures by obliging the board of directors to act in good faith, promote the best interests of the SoEs, and act with a reasonable degree of care, skill, and diligence (sections 75–77). Section 159 of the Companies Act also protects whistle- blowers by granting them "privilege in respect of the disclosure; immunity from any civil, criminal, or administrative liability for that disclosure; and compensation for any damage suffered as a result of the disclosure" (Serongoane 2021). Employees are well placed to act as daily surveillance mechanisms that effectively inform their corporations on corrupt and other detrimental forms of behaviour that counter the efficiency and productivity of a corporation (Nwoke 2019:427). Furthermore, the incentives and protection provided to whistle-blowers must be expressly communicated to encourage employees to report corruption.

Aside from these two pieces of legislation, other Acts, regulations, and guidelines exist that are applicable to the governance of SoEs, such as the "Preferential Procurement Policy Framework Act 5 of 2000, Treasury regulations and policy guidelines, the Public Audit Act 25 of 2004, the Employment Equity Act 55 of 1998, and the Skills Development Act 97 of 1998; to name a few" (Serongoane 2021).

In terms of regulatory issues, the King IV Report is a set of voluntary principles and good practices of corporate governance. If the King IV Report **conflicts with**

any legislation, the legislation will prevail. However, for entities with a primary listing on the Johannesburg Stock Exchange, certain aspects of the King IV Report are binding by virtue of the listing requirements that impose obligations on issuers to comply therewith (Harduth and Sampson 2017:25).

The King IV Report provides extensive guidance in relation to the implementation of the principles by listing recommended practices under each principle. These recommended practices describe how each principle should be implemented and serve as a guideline in this regard; that is, the application of these practices should be adapted and varied where necessary, with the aim of realising the intended governance outcome (Harduth and Sampson 2017:19).

It should be noted that because the King IV Report is not legally binding in itself does not mean that there are no legal consequences arising from non-compliance. A court will consider the King IV Report when evaluating what is regarded as best practice in a particular situation, especially where governance duties are involved. Failure to meet corporate governance practice, and by implication the principles set out in the King IV Report, may invoke liability of the board in certain circumstances.

Regarding Principles 1 and 2 of the King IV Report, namely promoting ethical and effective leadership respectively, this study highlighted that corrupt and fraudulent behaviour in SoEs is predominantly uncovered by chance and often too late because management disregards control measures and often colludes in circumventing these measures to benefit in some way. The following three possible solutions to this problem were proffered:

- Implementing an anonymous "ethical mailbox" open to all employees for comments and suggestions regarding the value system within the entity and the values and integrity of management within the entity;
- Appointing a wholly independent and impartial party to conduct interviews and inquiries into potential misconduct and unethical behaviour; and/or
- Implementing an anonymous "whistleblowing system" where employees may report unethical behaviour and misconduct (Venter 2007:79).

With regard to Principle 11, which necessitates the regulation of "risk in a manner that supports the organisation in setting and achieving its strategic objectives" (Serongoane 2021), there is a need to manage risk through Enterprise Risk Management (ERM), which is a comprehensive approach to risk management that amalgamates the whole of an organisation's internal procedures with all potential risk to decrease the potential for loss, by assessing and managing all potential sources of risk through rules and policy that guide decision-making, in order to attract as little risk as possible (Vergotine and Thomas 2016:678). In South Africa, the trend has been that risk is recognised after the damage has been done and is irremediable (Matsiliza 2017:41). An example of this is the discovery of corrupt activities long after SoEs such as Eskom incurred large amounts of debt and initiating investigations after this realisation.

ROLE OF SOES IN SOUTH AFRICA: POST-1994

The post-apartheid government, declared that priority would be given to the restructuring of its four biggest SoEs, namely Telkom (telecommunications), Eskom (electricity), Transnet (railway), and Denel (defence production). SoEs have played an important role in building South Africa's economy (Cheteni and Khamfula 2018:4). The four abovementioned SoEs jointly comprise up to 90% of the assets of the top 30 South African SoEs as they provide approximately 86% of the turnover and 94% of the net income earned by these top SoEs (Fourie 2001:206). Ngqumeya (2012:7–8) submits that the key role of SoEs in South Africa is "to remove policy burdens and to create a level playing field so that market conditions can provide sufficient information for the managerial performance of the SoEs and make the managers' incentives compatible with those of the state". "It is therefore necessary to improve SoEs' performance as this is vital for social stability and sustainable growth" (Serongoane 2021).

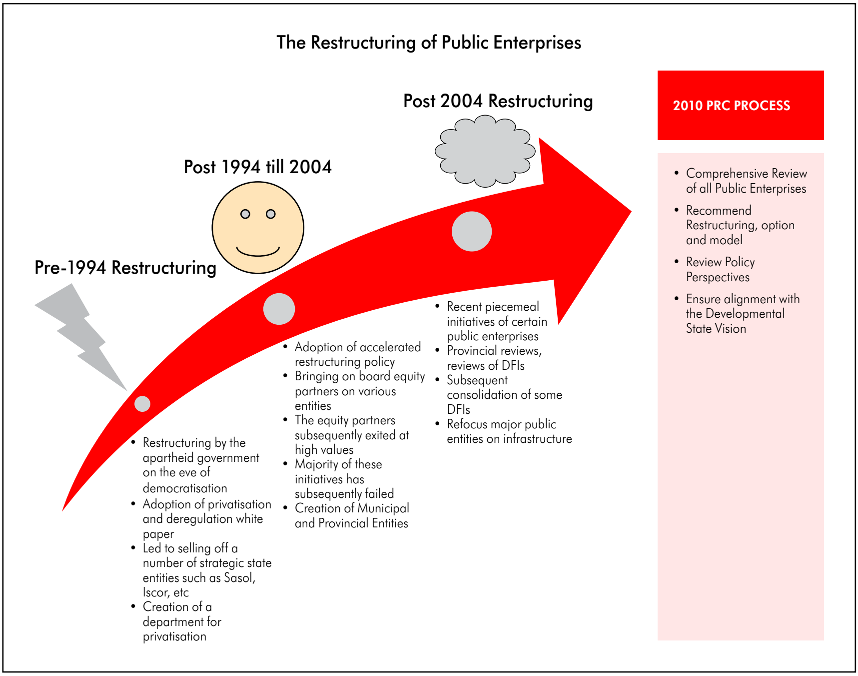
In South Africa, SoEs have not been performing as well as they are expected to. Wendy Ovens & Associates (2013:9) outlines that "although SoEs play a crucial role in providing critical services for development in South Africa, there are concerns surrounding their poor performance". In some instances, current investment levels are insufficient and maintenance programmes are lagging. "The NDP suggests that the performance of SoEs may be improved by increased cooperation and competition" (Wendy Ovens & Associates 2013:9). SoEs in South Africa continue to play a significant role as they continue to contribute to the growth of the South African economy and to the development of its key sectors such as transport, telecommunications, manufacturing, and energy (Sithomola 2019:67). They contribute to the country's economy by creating jobs and generating revenue through their commercial undertakings, which in turn fast-track service delivery to the general South African public; thus, satisfying the social developmental mandate that some of these entities were established to fulfil. These entities also promote efficient competition between the public and private sectors in the provision of public goods and services (Sithomola 2019:68).

In order to realise the National Development Plan's (NDP) social and economic objectives through infrastructural development, the efficient operation of SoEs is important. SoEs play pivotal roles in the strategic sectors, such as manufacturing, ICTs, transport, and energy, which, in turn, assist the government in attaining economic growth and providing effective and skilled services (Sithomola 2019:68–69).

In the South African economy, SoEs cannot always address all the challenges, but they serve as "added strategic and catalytic state instruments for transformation, growth, development, service delivery, and employment creation" (Serongoane 2021). According to Mashamaite and Raseala (2019:280), SoEs can play a considerable role towards attainment of a developmental state. "While SoEs have a crucial role to play in service delivery and have critical performance and transformation potential, they are nevertheless faced with significant weaknesses and threats that might become grave impediments to their optimum contribution" (Mashamaite and Raseala 2019:280).

In 1994, taking into consideration the democratic election in South Africa, the transformation of state assets into SoEs occurred in certain sectors to promote service delivery in a more efficient and effective manner in line with cooperation and international trends. When it comes to SoEs, the mandate of the government "is to provide infrastructure services and to help improve social and economic conditions" in South Africa as mentioned in the NDP (Serongoane 2021). "SoEs are expected to assist the state in addressing issues of social and economic transformation and in bridging the gap between rich and poor, black and white, rural

Figure 1: The restructuring of public enterprises post-1994



Source: (Cited from the Presidential Review Committee on State-Owned Entities 2012 in Ngqumeya 2012:6).

and urban, and divisions in South African society as the country aspires to be a developmental state" (Mashamaite and Raseala 2019:280).

In South Africa, SoEs have had "a direct impact on urban growth and development" (Serongoane 2021). SoEs may also have a direct impact on the distribution and generation of electricity, transport, and information communication technology (ICT). SoEs in South Africa play a major role by becoming essential contributors and stakeholders by supporting and promoting urban growth and development. According to Mashamaite and Raseala (2019:280), SoEs in strategic sectors such "as finance, infrastructure, manufacturing, energy, and natural resources are increasingly viewed as tools for global expansion and accelerated development" and SoEs exist to assist governments to achieve service delivery and economic growth (Serongoane 2021). SoEs also lower the tax burden of the country (Mashamaite and Raseala 2019:280). Figure 1 depicts the restructuring of public enterprises after 1994.

Post-1994, SoEs played a major role by addressing the spatial legacy of apartheid. It also led to the establishment "of transportation corridors and the release of affordable and well-located land" (Serongoane 2021). However, "there is concern regarding the poor performance of several SoEs, while some play an essential role in providing important services for urban development" (Serongoane 2021).

South Africa currently has approximately 700 SoEs, which are meant to improve the current socio-economic status of the country (Sithomola 2019:63). However, this has not been the case since many of these SoEs are dysfunctional because of poor leadership and governance. As Sithomola (2019:63) puts it, "this leadership dysfunctionality has led many SoEs into undesirable complexities such as maladministration, lack of accountability, inefficient productivity, lack of respect for the rule of law and a constant financial bailout culture". This can be evidenced by the growing decline in the performance of the following SoEs: SAA, PRASA, Eskom, the South African Post Office, the SABC, Transnet, and the South African National Roads Agency, to name but a few. A discussion of the performance of SAA, Eskom, and Transnet is provided in the following sections.

The case of South African Airways (SAA)

SAA is considered the largest SoE on the African continent. According to South Africa Travel Online (2016), SAA's mission "is to deliver commercially sustainable world-class air passenger and aviation services in South Africa, the African continent, and to its tourism and trading partners" (Serongoane 2021). The 2014 SA Express annual report provides that the five objectives of the SAA are:

- "to support South Africa's national developmental agenda;
- to achieve and maintain commercial sustainability;
- to provide excellent customer service;

- to achieve consistent, efficient, and effective operations; and
- to foster performance excellence" (SA Express 2014).

SAA was not an SoE at its inception. SAA used to be a privately owned company founded by Union Airways in 1929 in Port Elizabeth (SAA Museum Society n.d.). Union Airways was nationalised by the state on 1 February 1934 and was renamed South African Airways. However, Pirie (1990) argues that during apartheid, SAA was affected by growing political pressure due to domestic and international protests against the apartheid policy. Griffiths (1989) reports that SAA was dealt a huge blow when it was denied permission to fly over the territories of some countries. In addition, Pirie (1990) notes that other countries refused permission for their airlines to fly into South Africa. Sanctions were removed from SAA in the early 1990s; however, problems relating to context existed and the aviation space had changed, thus making it difficult for SAA to adapt since new carriers had entered the market (Pirie 1990).

Several factors hindered the ability of SAA to live up to its expectations – key of which is the fluctuation of the rand. When the rand weakens against other foreign currencies, it leads to an increase in operational costs such as the price of fuel. However, it is important to consider that SAA won the "Best Airline Based in Africa" award three times – in 2008, 2013, and again in 2014 (South Africa Travel Online 2016). In addition, SAA won the "Best Airline in Africa" category in 2012. In 2013, SAA was voted the 11th best airline in the world and won an award for being on time in the Middle East (South Africa Travel Online 2016). However, when it comes to commercial sustainability, SAA faces major challenges (*Mail & Guardian* 2016). SAA's losses for the 2014/2015 financial year amounted to R5.6 billion, which was R1 billion more than was predicted. Furthermore, in September 2016, the *Daily Maverick* reported that SAA's losses have become a yearly occurrence (Thamm 2016).

In 1990, SAA became part of Transnet, which was seen by many to be a move that would later lead to the privatisation of SAA (South Africa Travel Online 2016). However, this did not happen because there was a change in the political system of South Africa, and new policies that were thought to be of help to SAA were adopted. According to Birns and Srodes (1998), between 1996 and 1997, SAA incurred a loss estimated at R323 million. Furthermore, there have been accusations that the SAA board has only been pursuing its own interests at the cost of SAA. When Coleman Andrews earned more than R22 million for the 20 months he was the CEO of SAA, it was justified that SAA generated profits (Vermeulen and Williams 2001). However, in sharp contrast to this assertion, it was later revealed that the figure was not true and SAA did not make profits through its general business but through the sale of aircraft. In SAA's 2014 annual report SAA acknowledges that the "risk in commercial aviation is complex and diverse, with many parts of the organisation working toward managing the risk exposures" (SA Express 2014:40). However, Vergotine and Thomas (2016) maintain that SAA has an inadequate risk management system.

In 2019, SAA was placed under business rescue and SAA required a bailout estimated at R2 billion. It was understood that the bailout had to be received by SAA before 19 January 2020 and that SAA would have to suspend certain flights (Mabatha 2020). The National Planning Commission (NPC), which was established within the government in 2010, is seeking to review the NDP's implementation failures (Mahlaka 2019). The NPC has already suggested that the new version of the NDP must, instead of the 1 500-odd issues previously targeted, focus on seven socio-economic issues. Professor Mokgoba states that the new NDP might be based on only seven key priorities that will help in fast-tracking South Africa to success (Mahlaka 2019). These seven priorities are: economic growth, education, skill and health, transformation and job creation, "ethical and developmental state, promotion of a better Africa and the world, and social cohesion and safe communities" (cited in Mahlaka 2019). Furthermore, Mokgoba states that one of the early findings "from the NPC's review is that the NDP has too many priorities compared to countries such as Botswana, Namibia, and Rwanda, which have three to five priorities each, but they have been doing developmental plans for over 30 years" (cited in Mahlaka 2019). Mokgoba proposes that the NDP should have less priorities, and more effort must be made to ensure their implementation (cited in Mahlaka 2019).

President Cyril Ramaphosa plans to consolidate over 740 SoEs (*The South African* 2020). The president did not, however, go into specifics. He said that the Ready to Govern policy document will guide the ANC. The Ready to Govern policy document states that the "balance of evidence should continue to guide our structuring and restructuring and whether to increase or reduce public ownership in order to advance our economic programme" (*The South African* 2020).

Eskom has blamed poor leadership for the lack of good corporate governance and has held that in many instances, the problem was not the result of the failure of internal controls, but management's decision to override those controls (Eskom 2016:11). Eskom acknowledged that the lack of implementation of corporate governance principles led to instability, corruption, and overall poor service delivery (Eskom 2016:11). Furthermore, the report of the Portfolio Committee found that various board members not only failed to investigate illegal activity within Eskom, thus failing to hold these wrongdoers accountable, but several members were found to be involved in these corrupt dealings themselves (Eskom 2016:130).

It has been acknowledged that leadership plays a fundamental role in an institution – in this context, SoEs. The fulfilment of the objectives of these enterprises lies in the strength and quality of those holding leadership positions; put in clear terms, the failure and the success of these SoEs lie in the hands of those in leadership positions (Sithomola 2019:72). Unfortunately, South Africa faces a leadership conundrum as SoEs are not performing to the best of their ability (Sithomola 2019:72). This can be evidenced by SAA having lost more than R10.4 billion in the past two financial years, resulting in its liabilities exceeding its assets by approximately R13 billion and a loss amounting to approximately R5.4 billion, as shown in its March 2018 financial year-end report (BusinessTech 2019).

Moreover, Eskom has been performing poorly as it has been proved to have debt amounting to R454 billion. These SoEs have been relying on the National Treasury to bail them out of debt (Serongoane 2021). This illustrates nothing but the fact that for far too long, South African taxpayers have been funding inefficiency and mismanagement in SoEs (BusinessTech 2019). The primary cause that leads to the SoEs' inefficiency is the interference of politicians who primarily seek to protect their political goals. Sithomola (2019:72) refers to this as "political patronage and interference". The notion behind the "political patronage and interference" phenomenon is that the SoEs have been used for "cadre deployment", as certain members of a political party are appointed in executive positions in order to accomplish plans set by the government within different levels of the state. This is a challenge as it opens doors for corruption and the abuse of power, which are mainly used to benefit loyal political members of the ruling class (Sithomola 2019:72).

Sadiki (2015:22) outlines more reasons why South African SoEs are failing to fulfil their objectives. The author mentions reasons such as corruption, inefficiency of resource allocations, and monopolies in key sectors such as electricity, public transport, and communication. Pertaining to corruption, Sadiki (2015:22) explains that corruption is caused by the government's involvement in the supply of goods and services. This is so because bribes for public contracts are usually offered by business people, which results in government officials awarding contracts in exchange for bribes. Corruption takes place both in the private and public sectors; however, it is more serious in the supply of public goods because the government uses taxpayers' money to finance the provision of public goods (Sadiki 2015:22–23).

Regarding the inefficiency of resource allocations, this is caused by the government misusing its resources and sometimes even wasting them in the production of goods. This is because of government officials who want to please their constituents and the bureaucracy under the influence of special interest groups (Sadiki 2015:22). Furthermore, the government's decision-making process is very slow as too much time is spent on deciding whether, where, and how to produce public goods and provide services (Sadiki 2015:22).

Notably, regarding the dangers of a monopoly, an example is electricity supply in South Africa. There is little or close to no competition as Eskom dominates the electricity supply industry. As a result, the management team of public goods receives an incentive without any improvements to products or service delivery (Sadiki 2015:23). Monopolies lead to poor service delivery if they are not managed efficiently.

Deputy President David Mabuza has also admitted that South African SoEs are in a state of collapse (Tandwa 2019). As seen with Eskom, the parastatal is facing challenges when it comes to power provision throughout the whole country (Tandwa 2019). South Africans have been experiencing extreme load-shedding. The underlying problem behind this is the failure to maintain the power stations, which are old and poorly maintained (Tandwa 2019). Eskom continues to be a burden on South Africa's economy as it has a debt of R450 billion (Khumalo 2019).

Furthermore, looking closely at SAA, the national carrier has been placed under business rescue (Khumalo 2019). The decision is as a result of the parastatal receiving government bailouts and guarantees, as well as the recent strike that took place in November 2019, which caused SAA to suffer an estimated loss of about R52 million a day during the eight-day strike (Khumalo 2019). The financial crisis facing SAA can be said to be a result of "claims of financial mismanagement, leadership instability, allegations of corruption and wider pressures facing the global airline market" (Khumalo 2019). This has left SAA with debt estimated at R12.7 billion (Magubane 2019).

Denel, on the other hand, is faced with decreasing orders because of the South African National Defence Force's declining budget and must rely on international customers (Magubane 2019). Additionally, the arms manufacturer has been experiencing financial troubles as its balance sheets are over-indebted to the amount of R3.4 billion, notwithstanding the fact that the National Treasury had granted Denel R1.8 billion following its inability to pay salaries (Magubane 2019).

It is therefore evident that the chief impediments in the efficiency of SoEs in South Africa are corruption, substandard governance, and undue political interference (Qobo 2018). The Public Protector's State of Capture Report published on 14 October 2016 (hereafter referred to as the State Capture Report) laid bare the extent to which various SoEs have departed from the legal and regulatory standards of governance that these SoEs ought to follow (Qobo 2018).

Furthermore, the "report of the Portfolio Committee on Public Enterprises on the inquiry into the governance, procurement, and financial sustainability of Eskom is indicative of various cases of governance failure in Eskom" (Portfolio Committee on Public Enterprises 2018:130). The report of the Portfolio Committee on Public Enterprises and the State Capture Report indicate copious levels of substandard governance (Portfolio Committee on Public Enterprises 2018:130), whereby these SoEs are used to benefit politically affiliated stakeholders using public finances, while grossly decreasing the ability of these SoEs to achieve their developmental, social, and economic obligations (Qobo 2018).

Ultimately, the above statements are signposts of an ailing state of governance that, without much difficulty, is open to corruption and undue influence from various parties (Cheteni and Khamfula 2018:6). These failing SoEs are subject to gross amounts of wasteful expenditure and large profit decreases; an example of this is SAA that has been besieged by poor performance for a period of over 15 years due to penalties, non-adherence to standard supply chain processes, delays in signing necessary contracts, and stiff competition (Cheteni and Khamfula 2018:5).

The government has often had to bail out various SoEs such as SAA through substantial amounts of bank credit and financial injections; this, paired with a lack of sanctions or punishment of the parties responsible for these deficiencies in governance, has led to a lack of accountability and creativity in problem solving on the part of these SoEs (Cheteni and Khamfula 2018:6). The lack of a punitive or a compensatory incentive to act diligently therefore leads to a lack of attentiveness and caution by the parties that lead these SoEs (Cheteni and Khamfula 2018:6).

According to South Africa's Minister of Finance, Tito Mboweni, using public finances to bail out SoEs largely hampers the development of South Africa, which has experienced large numbers of calls for the privatisation of SoEs (Phakathi 2019). Private entities with large amounts of capital and various business-style structures could take over these entities with the desired result so that the burden on the government could be relieved and private entities with significant business acumen would be better able to deliver these services (Mutize 2017). The problem is that even though these private entities would have a large incentive to deliver these services to make a profit, the very fact that these entities are driven by profit would "contribute to a decline in the standard of living for a number of masses relying on the state" (Cheteni and Khamfula 2018:7). New Public Management (NPM) and corporate governance are two concepts that may remedy the above deficiencies in the operation of SoEs.

Eskom and Transnet

Generally, SoEs are needed in South Africa to improve the development of the economy in order to improve the country's service delivery. Financial assistance by the state is imperative to enable SoEs to achieve their mandate. The mandate is set out by the government through the shareholding department. The South African government has complete ownership of Eskom. The ownership is managed by the Department of Public Enterprises (DPE).

The government is responsible for ensuring that Eskom is financially supported and is operational. In South Africa, SoEs receive financial assistance primarily from the state and funding from different sources (Sadiki 2015:1).

SoEs are experiencing major challenges in accessing financial markets on their own. The government provides funding to SoEs to ensure the continuation of their operations. The state issues financial guarantees and loans to "promote projects that are deemed to be in the public interest. The guarantees are used as economic incentives" to pay for public projects (Sadiki 2015:50). The South African government promotes road infrastructure and rail infrastructure and energy supplies through financial guarantees (Sadiki 2015:50).

According to Sadiki (2015:71), another reason why the government issues loans and guarantees is to eliminate the borrowing of funds for SoEs and to ease pressure on capital markets. It will be very expensive for Eskom to borrow money without a government guarantee. Another major reason for the government to give guarantees to public entities like Eskom is because SoEs carry out the government's mandate to accelerate development and job creation. Without government support through guarantees and loans, Eskom will not have the necessary funds to finance its projects (Sadiki 2015:510).

Eskom's financial performance

Sadiki (2015:71) states that Eskom is responsible for generating profit and dividends. In 2008, the high increase in electricity tariffs was granted. Higher electricity tariffs resulted in growth in revenue. The environmental levy that the power utility charged from April 2011 and the 25.8% increase in 2010 also strengthened the financial performance of the power utility. In 2010 and 2011, two and a half years were reported by Eskom as strong financial performance. In March 2011, Eskom increased its revenue by 29% due to tariff increases that were implemented in 2010 (Sadiki 2015:71).

According to Sadiki (2015:71), Eskom's strong financial performance is important because it raises funds to be invested in electricity infrastructure in the future. During winter, electricity demand is very high; Eskom's financial performance is therefore highly seasonal. The biggest consumer of electricity is BHP Billiton. This company and Eskom signed a pricing agreement in 1992. It was revealed in court papers that Eskom sold electricity to BHP Billiton in Richards Bay and Mozambique.

Eskom and electricity in South Africa

According to Cheteni and Khamfula (2018:5–6), Eskom made a profit of R8.3 billion for the period 2011/2012 as a result of a combination of factors, mainly the environmental levy charged to customers, which contributed approximately R4.3 billion, and the sale of electricity, which increased by 0.2%. Furthermore, an increase in tariff of 25.8% translated to a 24.8% revenue increase. Eskom contributes approximately 3% to the country's GDP. A comparison of its spending behaviour in recent years shows that for the period 2012/2013, the enterprise spent over 73.2% compared to the 2011/2012 period, when it spent 52.3% on Broad-Based BEE companies (Cheteni and Khamfula 2018:6–7).

Cheteni and Khamfula (2018:5–6) state that other SoEs have been making profit because of preferential treatment. The lack of performance evaluation among SoEs means that they will continue to have low profitability capabilities since their return on equity ratio is usually lower compared to private firms. Abuse of power and monopolistic tendencies due to a lack of oversight and fair competition mean that they use monopoly pricing and still receive state protection. This may be justified to control critical sectors of the economy (Cheteni and Khamfula 2018:6–7).

SoEs tend to squash competition from private firms; however, losses are always justified on the basis that they provide social welfare services to the public. Corruption and cronyism have been a major problem in several SoEs in South Africa. Eskom's procurement processes have been under scrutiny because of corruption claims and misinformation. Brian Molefe, the former CEO of Eskom, was found to have received a golden handshake in several coal deals, as well as his retirement package of over R30 million that is currently under scrutiny by the courts. This is an example of where SoEs' senior managers and executives are given too much power, without proper checks in place (Cheteni and Khamfula 2018:6–7).

Sadiki (2015:71) submits that the office responsible for privatising SoEs in South Africa is the DPE. Eskom "is listed as a Schedule 2 public entity in terms of the PFMA of 1999" (as amended) (Sadiki 2015:71). The government's priorities have shifted as the government's fiscal position shifted. SoEs have not been privatised due to the essential role they play in economic growth. In the 1970s and 1980s, Eskom spent a great deal of money on building more power stations. As there was an increase in demand for energy, the power stations built in the 1970s and 1980s were no longer sufficient (Sadiki 2015:17). The demand for electricity supply was, however, not accurately addressed, and by that time, Eskom ran into serious financial difficulties. In 2007/2008, the shortage of power supply led to load-shedding and blackouts. Eskom was the lowest-cost producer in the world. Despite reporting a profit of R2 billion per annum, the profits made by Eskom were not enough to invest in electricity generation (Sadiki 2015:17).

In South Africa, the transition to an economy that is more diversified and inclusive, and that provides significant opportunities for growth, poses substantial risks and costs, which present themselves in the form of intense demands for electricity and possible damage to the environment (Sadiki 2015:17–18).

Duty of the Department of Public Enterprises (DPE) and the Department of Energy (DoE) towards Eskom

Sadiki (2015:71) states that "Eskom is governed through a shareholder compact with the DPE, with the overall energy and electricity policy in the domain of the DoE. Formal policy for the South African electricity sector was recorded in the

White Paper on Energy Policy published in 1998". South Africa has a shareholder representative, which is the DPE. The DPE has oversight responsibility over Eskom (Sadiki 2015:42).

The interrelationship between Eskom and the DPE "is governed by the shareholder compact. The shareholder compact sets and agrees on Eskom's strategic intent, targets, and performance areas" (Sadiki 2015:71). Areas such as performance indicators and reporting requirements, policies and strategic objectives, and financial and technical requirements are included in the compact. The DPE requires quarterly and annual reports from Eskom. These reports indicate Eskom's performance against the compact's requirements. The DPE manages the reporting, approval, and responsibilities of Eskom in terms of the PFMA (Sadiki 2015:42).

SoEs play an essential role by driving investment in advanced manufacturing capabilities and economic infrastructure in the economy of the country. The DPE ensures that the SoEs do so, on behalf of the government. It also ensures that they operate efficiently and effectively and deliver on their respective mandates. The main primary objective of the DPE is that of ensuring shareholders of the state that these enterprises are financially sustainable and viable and that they deliver on the strategic objectives of the government (Sadiki 2015:42).

Sadiki (2015:71) reports that the policy management of Eskom was vested in the Department of Minerals and Energy before the cabinet of former president Jacob Zuma was announced in 2009. Eskom was moved under policy leadership when Jacob Zuma requested the establishment, reorganisation, and the renaming of some national departments to support the ministers in the execution of their mandates in May 2009. The policy leadership was under the newly established DoE (Sadiki 2015:43).

According to Sadiki (2015:71), policy measures are developed by the DoE for the electricity sector. The DoE is involved in policy initiatives such as the pricing of electricity proposed in 2009. The 2006 Electricity Regulation Act governs the activities of the electricity sector. Energy policy and planning must be set by the DoE. Formal and informal influence over many decisions made by the DoE is exerted by national entities such as Eskom, the DPE, metropolitan and municipal governments, and the Inter-Ministerial Committee on Energy (Sadiki 2015:43).

Duty of the National Energy Regulator of South Africa (NERSA) towards Eskom

A national energy regulator for the regulation of electricity was established "by the National Energy Regulator Act 40 of 2004. NERSA regulates Eskom in accordance with the Electricity Regulation Act 4 of 2006" (Serongoane 2021). "The objectives of the Energy Regulator Act are investment in the industry; a fair balance between the interests of customers and end users, licensees, investors, and the public; competitiveness and customer care; diverse energy sources; energy efficiency; and universal access to electricity" (Serongoane 2021). Other objectives of the Act include the long-term sustainability of the industry and "efficient, effective, sustainable, and orderly development and operation of electricity supply for infrastructure in South Africa" (Sadiki 2015:44–45).

According to Sadiki (2015:71), NERSA must license the generation of electricity, distribution, and transmission, and import and export when trading electricity. Lastly, the trading activities of electricity must also be licensed by NERSA. Issues such as consumer interest, industry issues, and the pricing concern NERSA and it carries a government role. The key powers of NERSA include "determining and approving electricity prices and tariffs; the conditions under which electricity may be sold; issuing of licences for the operation of generation, distribution, and transmission facilities; and regulating of imports, exports, and the trading of electricity" (Sadiki 2015:45).

According to Sadiki (2015:71), "separate licences for the generation, distribution, and transmission of electricity" are regulated by Eskom. NERSA provided Eskom with a nuclear licence. The licence regulates the operation of the Koeberg nuclear power station in the Western Cape. All SoEs in South Africa are classified and categorised under different PFMA schedules (Sadiki 2015:45).

Entities involved in the South African electricity sector

Sadiki (2015:71) notes the functions of the following entities:

- The DPE is the national government department responsible for "the shareholder representative of the South African government".
- NERSA is the regulatory authority of the electricity sector.
- National Treasury provides oversight over the funding and the borrowing programmes of SoEs.
- The DoE is the national government department responsible for developing policy for the electricity sector and formerly a part "of the Department of Minerals and Energy".
- Eskom is the vertically integrated utility company and the municipal electric utilities that provide distribution services to approximately 60% of the power customers in South Africa (Sadiki 2015:49).

PERFORMANCE OF SELECTED SOES IN SOUTH AFRICA

In the South African context, SoEs are used as an instrument of socio-economic advancement as they are established to contribute to the general standard of living by creating sustainable socio-economic benefits (Fourie 2001:206). SoEs have played an important role in building the economy of South Africa (Cheteni and Khamfula 2018:4). Despite the crucial role played by SoEs in providing critical services for development in South Africa, there are concerns surrounding their poor performance (Wendy Ovens & Associates 2013:9). This decline in performance levels can be attributed to the lack of proper leadership in SoEs. The consequences of this dysfunctional leadership are undesirable complexities such as maladministration, lack of accountability, lack of productivity, lack of respect for the rule of law, and a constant financial bailout culture (Sithomola 2019:63). South Africa is therefore currently faced with a "leadership conundrum", as evidenced by SAA's loss of more than R10.4 billion in the past two financial years (BusinessTech 2019).

Another leading cause of institutional inefficiency is unwarranted interference in the management of SoEs by politicians seeking to protect their political goals, which is referred to as "political patronage and interference" (Sithomola 2019:72). The appointment of certain political party members in executive positions of SoEs for the purpose of accomplishing plans set by the government opens the floodgates for corruption and abuse of power, which are mainly used to benefit loyal political members of the ruling class (Sithomola 2019:72). The root of corruption in SoEs is the government's involvement in the supply of public goods and services (Sadiki 2015:22). This leads to inefficiency in resource allocations as government officials face the temptation of awarding public contracts in exchange for bribes.

It is evident that the challenges faced by South African SoEs are not unique to the country. Developed countries have also faced similar crises in the management of SoEs. Not all the measures employed by SoEs have been successful in improving the performance of these enterprises. As a result, some states have opted to privatise their SoEs. Although privatisation promotes economic development and self-sufficiency, it can also be used to monopolise industries. Previously, the privatisation of SoEs was implemented to empower Afrikaner enterprises in the agriculture, mining, finance, and commerce industries (Cheteni and Khamfula 2018:5).

Considering the need for SoEs in the provision of public goods and services and creation of employment in South Africa, it is important to determine whether the privatisation thereof would be beneficial to the country. A review of the privatisation programme in South Korea showed that the operational performance of SoEs increased due to privatisation pressure (Serongoane 2021). However, the sudden peak in operational performance might also be traced back to the "hard budget constraints" associated with the privatisation programme. The threat of limited access to credit and stringent tax rates therefore also served as an incentive for better performance.

South Korea's history makes it clear that current soft budget constraints may be contributing to the mismanagement of SoEs in South Africa. For example, SAA had to be placed under business rescue following several government bailouts over the years (Serongoane 2021). If SoEs are provided with subsidies that are negotiable and subject to bargaining, as well as credit contracts between the state and SoEs that are not strictly enforced, then there is no incentive to perform well. The government has had to bail out various SoEs through substantial financial injections. Such bail-outs, paired with a lack of sanctions or punishment for the parties responsible for these deficiencies in governance, have led to lack of accountability in the management of SoEs (Cheteni and Khamfula 2018:6). Ultimately, the lack of incentive to act diligently leads to weak leadership in SoEs (Cheteni and Khamfula 2018:6).

The NDP 2030 states "that the performance of SoEs may be improved by increased cooperation and competition" (Wendy Ovens & Associates 2013:9). Such an approach will only be successful if it is spearheaded by great leaders. South Africa can learn from Malaysia in this regard (Serongoane 2021). The three-step approach implemented by Malaysia for the management of SoEs may assist in the prevention of corruption, substandard governance, and undue political interference.

First, South Africa may benefit from implementing government-linked companies that will drive change through their active role as professional shareholders. The presence of such companies will limit unjustified political interference. Second, the creation of SoE boards that govern, guide, and monitor overall company performance will prevent corruption and promote accountability and transparency. Finally, the establishment of SoE management that is responsible for execution and implementation will contribute to the improved operational and financial performance of SoEs (Shawtari *et al*. 2016:1068).

SoEs make mention of the requirements of the PFMA and its inherent principles in their reports but fall considerably short in the application of these principles to their corporate governance models (Serongoane 2021). Kikeri (2018:8) argues that one of the challenges faced by South African SoEs is the multiplicity of overlapping pieces of legislation that apply to SoEs, which, in turn, create loopholes that may be exploited by unscrupulous boards. This may be detrimental to the attainment of sound corporate governance because multiple scapegoats can be utilised through other Acts, which will lead to poor application of sound corporate governance principles.

The Dullah Omar Institute for Constitutional Law, Governance and Human Rights (2019:4) states that one of the biggest stumbling blocks in the governance of SoEs is the "lack of a clear, uniform legal framework that governs all of them". However, despite the myriad of legislation that govern SoEs and the difficulties anticipated in ensuring that SoEs adhere to them, the fact remains that the statutory and regulatory frameworks are in place and that the problem lies with the application of these principles in practice. Thus, despite the obvious lack of coherence in the legislative framework, the principles necessary to inform the corporate governance of SoEs are indeed in place. The binding legal framework is buttressed by the non-binding King IV Report that recommends practices that assist with the application of the corporate governance principles.

South Africa has reported evidence of irregular appointments of board members in SoEs (many of whom lack the necessary qualifications). Political interference with the functioning of board members and a high turnover in those board members, who are meant to be accountable, are telling of poor corporate governance (Thabane and Snyman-Van Deventer 2018:15).

MEASURES TO DEVELOP CORPORATE GOVERNANCE PRACTICES FOR SOES IN SOUTH AFRICA

To ensure that SoEs adhere to principles of good corporate governance, this article recommends the adoption of the following eight principles, which largely emulate those adopted by the ASX Corporate Governance Council (2014):

- **Laying solid foundations for management and oversight:** SoEs should recognise and disclose the respective roles of the board and management.
- **Structure the board to add value:** SoEs should have a board with an effective composition, size, and commitment to adequately discharge its responsibilities and duties.
- **Promote ethical and responsible decision-making:** SoEs should actively promote ethical and responsible decision-making.
- **Safeguard integrity in financial reporting:** SoEs should have a structure to independently verify and safeguard the integrity of their financial reporting.
- **Make timely and balanced disclosures:** SoEs should promote timely and balanced disclosures of all material matters concerning the entity.
- **Respect the rights of stakeholders:** SoEs should respect the rights of shareholders, investors, and other stakeholders and facilitate the effective exercise of those rights.
- **Recognise and manage risk:** SoEs should establish a sound system of risk oversight, risk management, and internal control.
- **Remunerate fairly and responsibly:** SoEs should ensure that the level and composition of remuneration are sufficient and reasonable and that their relationship to performance is clear.

The following measures may also be implemented to re-establish faith among the stakeholders of SoEs:

- Constant conducting of mandatory lifestyle audits on all executives, all senior management, and other occupational levels to ensure that all employees comply with the highest standards of compliance, ethics, and integrity and are not engaged in illicit activities in the performance of their duties;
- Mandating that all members of the board and the executive committee complete a declaration of interest to ensure that there is no conflict of interest, to limit the potential for fraud;

- Investigation of supplier contracts and application of sanctions or termination of contracts in instances of non-compliance with procurement and supply chain management procedures;
- Review of the delegation of authority framework to ensure that risks associated with governance and oversight of transactions are managed more effectively; and
- Addressing incomplete investigations and disciplinary action.

This article also recommends that the OECD's (2005) Guidelines on Corporate Governance of State-Owned Enterprises are utilised to help the South African government to assess and enhance the way it exercises its ownership functions of SoEs in order to better ensure the optimal running of SoEs.

Concerning the need for governance reform in SoEs, the article recommends that the following measures be taken to ensure adherence with the set standards for good governance as confirmed by the South African Government (2020):

Reducing the mandate of SoEs by cutting non-essential activities

Here the NPC identified three priorities to be evaluated in the Shareholder Compact KPI Framework, namely (i) delivery of a core economic mandate on commercial terms, (ii) strong governance standards, and (iii) financial sustainability. A more focused mandate for SoEs will go a long way in facilitating implementation as boards will be more aware of the tasks assigned to them and the duties they are expected to fulfil.

Implementing changes in management and board leadership

The NPC indicates that this is a necessary step in any SoE seeking to clean out corruption, as well as improve and optimise its operational performance. It is further recommended that the appointment of board members must be conducted in line with acceptable corporate governance norms and the Department of Public Service and Administration's (2009) *Handbook for the Appointment of Persons to Boards of State and State Controlled Institutions*, and not political patronage or nepotism, which have been rife in South African SoEs.

Nomination and appointment of board members

Board appointments "in SoEs should be conducted at the annual general meeting of shareholders and that the existing board should be involved in the nomination process in an advisory capacity" (Serongoane 2021). Non-government shareholder participation in the nomination process should also be facilitated to ensure that the interests of various stakeholders are better served. The OECD (2012:6) submits that establishing "a transparent and consistent method to identify applicants from a wider pool of talent will improve board composition and bring uniformity to the assessment and appointment process".

Improving corporate governance, organisational culture, and developing skills

This measure requires greater "public disclosure of corporate governance policies, board charters, and board committee terms of reference to enhance transparency on governance practices" (South African Government 2020). Furthermore, there must be compulsory training for all SOE boards and executives on the NDP before appointment and core mandate outcomes are prioritised.

Improving internal accountability

Internal accountability can be improved by narrowing performance management indicators to only the core outcomes envisaged by the NDP. The South African Government (2020) proposes a linkage between executive remuneration and the outcomes achieved by the SoE, "rather than to the measurement of activities, inputs or outputs, which are typically easier to achieve". To improve the independence of the process, it is recommended thatindependent experts or external committees be involved in the performance evaluation of SoEs.

SUMMARY AND CONCLUSIONS

This article provided an overview of the purpose for the establishment of SoEs and identified the important role played by SoEs in providing the public with key services. The article examined the performance of SoEs in South Africa, with particular focus on SAA's continued failure in governance caused by irregular appointment of board members, political interference, and corruption. Finally, the article provided measures that can be taken to improve the development of corporate governance practices for SoEs in South Africa.

South African SoEs, in particular Eskom and SAA, are in dire need of "strong leadership, governance structures, and processes to effectively manage their operations to achieve their core mandate of ensuring that South Africa's energy and transportation needs are met" (Serongoane 2021). The resignation and subsequent reappointment of Brian Molefe as Eskom's CEO in 2017, a few months apart, coupled with the contradictory statements released surrounding his return to the helm of Eskom, are indicative of a lack of accountability in this SoE. Three years after this saga, Eskom still finds itself falling behind in terms of accountability as evidenced by the South African Federation of Trade Unions' call on 14 October 2020 for the immediate resignation of the Eskom board, the Eskom CEO, the Eskom chief operating officer, and the Eskom spokesperson, for issuing false narratives that cleared Jan Oberholzer of all wrongdoing in the SoE.

Turning to SAA, one can identify a pattern of constant "bailing out" of the SoE simply to keep it afloat, while little is done to address its corporate governance challenges that lie at the heart of its repeated failure to operate effectively as the country's main air charter. Africa Check revealed that just over R29 billion was spent on bailing out Eskom in the 18-year period between 1999 and 2017 (Wilkinson 2018). Despite Finance Minister Tito Mboweni's constant and vehement opposition to this trend of bailing out the SoE, this protest has seemingly fallen on deaf ears and in 2017, National Treasury announced that it would financially bail out SAA again. In 2020, National Treasury was speculated to be reluctant to bail out the SoE yet again, while not entirely ruling out the possibility of doing so. It must be noted that the trend of bailing out the SoE without addressing its corporate governance and leadership challenges sends warning signals to investors and multilateral lenders who have helped fund South Africa's Covid-19 response efforts.

In conclusion, it is envisaged that the implementation of the measures outlined in this article will serve to improve the performance of SoEs in South Africa and ensure that the principles of good governance set out in the domestic statutory and regulatory frameworks are adhered to. This will ensure that SoEs attain their primary goal of rendering services to the public and allowing the state to succeed as a commercial enterprise.

NOTE

* The article is partly based on an MA dissertation completed under the supervision of Dr Damian Ukwandu, titled: Serongoane, TM. 2021. *Variables influencing the role of state-owned enterprises in South Africa*. Unpublished MA Dissertation. Johannesburg: University of Johannesburg.

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Investigating the Potential Use of Public Private Partnerships to Fund Green Building Initiatives

The Case of the Department of Environmental Affairs

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ABSTRACT

Green buildings as part of sustainable development action plans can help mitigate the devastating trends of global warming, climate change, greenhouse gas emissions and collapsing ecosystems. In South Africa, conventional buildings depend on coal for electricity supply and climate control and municipal water supply for operations and consumption. Green buildings are designed to provide their own energy and water supply from sustainable sources. Designing and constructing green buildings is costly and not an affordable alternative for public organisations reliant on public funds. Co-funding these costs through alternative sources like public private partnerships (PPPs) provides a potentially viable strategy to promote green buildings within cost constraints.

This article analyses the case of the head office of the Department of Environmental Affairs (DEA) a green building designed and constructed through a PPP funding strategy. The study concludes that PPPs provide a potential funding mechanism for green building projects, but face a number of impediments. There is a need for improvements in decision-making processes, risk mitigating planning, and enforceable legislation and regulatory frameworks to maximise the potential contribution of PPPs in constructing green building projects.

INTRODUCTION

Global warming, climate change, and greenhouse gas emissions are worldwide challenges which have catastrophic impacts on the environment, natural resources, and human beings. South Africa contributes negatively to global warming and greenhouse gas emissions because of its dependency on coal for energy supply and fossil fuels for transportation, which is perceived as a huge threat to sustainable development (The Republic of South Africa 2010:4).

Conventional buildings are deemed to contribute a substantial percentage of greenhouse gas emissions transmitted into the atmosphere from daily operations such as the utilisation of water, energy/electricity, waste, and fuel. The unsustainable utilisation of these resources has a negative impact on the environment and atmosphere. Sinha, Gupta and Kutnar (2012:46) and Steedman, Del Percio and Kimball (2014:90) concurred with the above assertion that buildings are the biggest users of energy, water, and air quality systems resulting in adverse effects to the environment, global warming, and climate change.

The greening of buildings plays an important role in mitigating against greenhouse gas emissions, climate change, and global warming effects. Greening buildings mitigates global warming, climate change, greenhouse gas emissions, and the depletion of natural resources transmitted from the daily operations of buildings, for example, water, electricity, and the generation of waste materials. According to Akadiri, Chinyio and Olomolaiye (2012:132), the concept of green building projects encompasses the construction and/or renovation of conventional buildings including accommodation with elements that promote the utilisation of water, energy, and airflow inside properties in an efficient, effective, and environmentally friendly manner. It also includes the reduction of material waste, recycling/re-utilisation of building materials and elements, utilisation of non-toxic materials such as paints, adhesives, and chemicals (Akadiri *et al.* 2012:135–136). Greening of buildings advocates for building infrastructure to be energy, water, and waste resources sustainable, efficient, and effective.

The South African government has committed to environmentally sound practices, which may include green building initiatives; however, the current economic environment pertaining to limited public budgets impedes the implementation of these sound environmental commitments and practices. Green building projects are mostly infrastructural in nature and imply large capital outlay. "Infrastructure is typically under-funded, most countries are not investing enough to meet infrastructure needs and support economic growth, suggesting economically beneficial projects are not being implemented" (World Bank 2012:15). State departments and public institutions have specific mandates to fulfil and diverting large amounts to green building infrastructure projects becomes less important in comparison.

Public Private Partnerships (PPPs) provide a possible means to co-fund the transition to green buildings in order to relieve some of the financial pressures on state and local governments (Steedman Del Percio and Kimball 2014:91). Hodge and Greve (2007:34) described PPPs as a "mega credit card for governments". To overcome the impediments posed by public fiscal ceilings, PPPs offer an alternative funding model (see Merk, Saussier, Slack and Kim 2012:10; Kościelniak and Górka 2016:235) to move from conventional to green buildings.

The aim of this study is to investigate the potential implications of PPP funding strategies to enable green building initiatives, using the DEA's green building project as a case study. In addition, the study further intends to investigate the viability, management, and problems encountered on such funding models.

METHODOLOGY

The DEA, which coordinates environmental management matters, became a pioneer in the public domain by adopting and implementing the green building concept in 2006. The DEA's facilities department does not have a green building policy, but was guided by the Green Building Policy Framework that applies to all government departments and parastatals.

This article analyses the case of the South African DEA Head Office building project in the city of Tshwane. This green building project was co-funded through a PPP with Imvelo Concession Company and Grinaker Ltd, Keren Kula, Wiphold, and Kagiso Tiso as the private partners.

The case study design focuses on either, individuals, groups, or an institution, thus allowing the researcher to have direct interaction with the participants, including the review of documents and reports pertaining to the subject project or case. Marczyk, DeMatteo and Festinger (2005:148) contended that this type of design "lacks experimental control" but it is vital for collecting information directly from the participants regarding the project through interviews.

A qualitative research approach was adopted. Mouton (2001:161) states that "qualitative research methods describe and evaluate the performance of programmes in their natural settings, focusing on the process of implementation rather than on quantifiable outcomes". A thorough review was undertaken of available literature on green building designs, PPPs and the policy and legal framework for sustainable development as it pertains to the South African public sector. Empirical data in this study was compiled virtually due to Covid-19 restrictions. Data was collected through virtual semi-structured interviews with respondents representing the entities involved. The Stellenbosch University Ethical Clearance Committee granted approval on 6 October 2020 for the research. Permission for the interviews was obtained separately from the DEA, the PPP Unit, the Green Building Council of South Africa and the Imvelo Concession Company.

The DEA's view was represented by a director in Facilities Management; Imvelo Concessionary Company the private party involved in the project, was represented by one of the executives; the PPP Unit was represented by a senior project advisor; and the Green Building Council of South Africa was represented by a technical manager. The questions were shared with the respondents before each session to allow them to prepare their responses. The perspectives from the respondents complemented each other in this study as they provided broader insights on the DEA's green building project through the PPP funding strategy. This method thus created opportunities for the various respondents to share their respective experiences on green building projects and PPP funding, accomplishments, challenges, lessons learnt, and other related issues.

GREEN BUILDINGS TO PROMOTE SUSTAINABLE DEVELOPMENT

Sustainable development and greening buildings are critical interventions needed to mitigate against global warming and the emission of greenhouse gases into the atmosphere (Eichholtz, Kok & Quigley 2011:1). Swilling and Annecke (2012:26) and Miller (2016:11) provided definitions of sustainable development from the Brundtland Commission's Report as "the development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

The concept "green buildings" is related to sustainable development, as it is a process of producing, preserving, and maintaining buildings to be environmentally efficient and effective on the usage of natural resources. Green buildings are deemed to use water and energy more efficiently and effectively, recycling waste material, having better air quality especially natural air and lighting – hence, the need for the effective implementation and management of green building initiatives/projects.

The above statement is collaborated by Gunnell (2009:3–4) who stated that the significance of greening buildings is to improve water and energy consumption in a sustainable, effective, and efficient manner, resulting in improving global warming challenges. Globally sustainable development initiatives such as green buildings require funding, action plans, and public awareness to ensure that both new and existing buildings are greened and aid in the pursuit of environmentally healthy infrastructures that support sustainable development initiatives.

According to Slabbert (2013:44), "Green building is the practice of creating structures and using processes that are environmentally responsible and resource-efficient throughout a building's life-cycle from design, construction, operation, maintenance, renovation and demolition". This definition emphasises an important aspect that relates to 'environmental responsibility' which entrenches stewardship towards the limited natural resources. The environment, global warming, and depletion of natural resources are the biggest challenges internationally that have prompted actions, such as greening buildings, to be taken as part of sustainable development initiatives.

Steedman *et al*. (2014:93) argued that "there is no single definition of green buildings". In some instances, green buildings are referred to as "high performing buildings" due to their perceived efficiency on saving costs of water and energy consumption/utilisation and creating better air quality for the occupants of the buildings, while on the other hand, they are "environmentally friendly structures". However, all definitions seem to agree that a green building needs to be resource efficient and effective to reduce unsustainable practices that hold negative implications for the natural environment.

Green building features

Buildings and the construction industry utilise huge quantities of water for drinking, flushing of ablutions, building material, production of materials, and equipment and other related resources (Slabbert 2013:36). Technological advances that improve water efficiency in ablutions and cooling facilities, and promote rainwater capture, treatment and reuse systems, can improve the sustainability of the building (Chanan, White, Howe and Jha 2003:4–5). Low pressure taps, waterless urinals, and rainwater harvesting systems that recycle water for irrigation or flushing of ablutions play an important role in shifting towards green buildings.

South Africa is highly dependent on coal for the production and supply of electricity, but current practice is not sustainable and contributes to greenhouse gas emissions (Darko, Nagrath, Niaizi, Scott, Varsha and Lakshmi 2013:33). Buildings consume exorbitant amounts of electricity for lighting, heating and air conditioners. Green building initiatives include the installation of solar panels for lighting, heating, and air conditioning systems to reduce the dependency on electricity from coal. Energy can be saved through automatic motion sensor lights, LED bulbs and fluorescent tubes and the appropriate use of natural daylight (Slabbert 2013:27). Optimising natural light implies more windows and glazing to prevent overheating. This must form part of the original design process as retrofitting existing buildings is expensive and not always structurally possible.

The generation and disposal of waste from redundant food products, plastic materials, printed papers, and equipment from buildings also negatively affects the environment and increases pollution into the atmosphere. The sustainable management of waste to reduce air pollution and prevent toxic items from entering waste fill sites can be promoted through "recycling centres and waste drop-off centres where waste is divided into different sections, such as glass, paper, cans, plastics and garden waste" (Slabbert 2013:85).

Benefits of green buildings

The Deutsche Bank (Nelson and Rakau 2010:5) advocates that green buildings offer numerous benefits, for instance, the use of energy efficient elements and water saving systems offers environmental, economic and social benefits. Green buildings have lower operating costs as they use energy and water efficiently and effectively. According to Nelson and Rakau (2010:5), "the owner can benefit from increased occupancy rates (+ 8%), higher rents (+ 6%) and higher building values (+ 35%)". This statement suggests that although green building projects are costly, there is a demand for such accommodation as they are deemed as healthier premises, environmentally- and eco-friendly. Potential tenants are prepared to pay higher rental premiums for green buildings rather than conventional buildings. There may also be social benefits as green building employees and tenants are prone to be more productive due to the enhanced space they are working in. Green buildings are deemed to be beneficial to the population, encouraging a healthy environment and resource efficiency.

The South African Green Building National Framework (2011) "provides an enabling environment for the construction and operation of sustainable building construction activities by the public and private sectors in South Africa" (Republic of South Africa 2011:21) to help further the objectives of section 24 of the Constitution (RSA 1994), the aims of the National Framework for Sustainable Development (NFSD 2008) and the National Environmental Management Act 107 of 1998 (RSA 1998).

Impediments to green buildings

Despite the benefits, green building initiatives may be hampered as the initial high costs and long-term returns on investments may not be favourable to investors. Darko *et al.* (2013:25) pointed out that "the initial costs of green buildings can be prohibitive, especially when combined with uncertainty and/or long-term returns". The private sector is profit-driven, therefore the long-term return on an investment could have negative effects on investors, as it can only be achieved after several years, while debt repayment is expected. Designing green buildings is complex thus requiring a variety of professionals, for instance, architects who possess the relevant knowledge on green building elements, standards, and principles which are limited in the public sector. The same applies to the limitation of building contractors in the public sector with the right skills and knowledge on green building projects. Serpell, Kort and Vera (2013:274) illustrated that lack of knowledge on designing and constructing green buildings inhibits the implementation of such crucially sustainable development initiatives which are drivers for the reduction of greenhouse gas emissions, climate change, and global warming.

Budget limitation is not a South African problem only, other countries also face similar challenges. Green buildings as a sustainable development action plan for the various global governments, necessitated the public sector to seek other methods and options of funding the projects in the absence/limitation of public budgets. This fact is collaborated by the BRICS governments stating that "an innovative way to bridge the infrastructure investment gap is Public-Private Partnership (PPP) which seek to improve the efficiency and quality of public goods and public services" (BRICS China Report 2017:1).

INCREASING ACCESS TO FUNDS THROUGH PUBLIC PRIVATE PARTNERSHIPS

Although the PPP concept is popular globally, there is limited agreement about its content and meaning. This is based on the fact that the purpose and function of PPPs varies from country to country, sector to sector, and covers a range of types and uses of PPP projects.

Bovaird (2004:200) defines PPPs as "working arrangements" agreed upon jointly by the public and private sector partners. There is an obligation and commitment by both the public and private parties (such as government and private corporations) to act upon the agreements. Osborne (2000:11) regards PPPs as "collaborations among business, non-profit organisations and government in which risks, resources and skills are shared in projects that benefit each partner as well as the community". Harris (2007:82) regards PPP "as a concept involving the public and private sectors working in cooperation and partnership to provide infrastructure and services". Steedman *et al.* (2014:115) adds that through "this agreement, the skills and assets of each sector (public and private) are shared in delivering a service of facility for the use of the general public". Finally, Roehrich, Lewis and George (2014:110) described PPP "as a long-term contract between a private party and a government agency for providing a public asset or service, in which the private party bears significant risk and management responsibility".

Infrastructure projects such as green building projects, require substantial capital for the projects which includes costs for material and appointing professional teams for the design and construction of the buildings as well as related building elements, which makes it imperative that the PPP strategy is considered for the realisation of green building projects.

Types of PPPs

Different PPP arrangements are used internationally to build and manage infrastructure projects. Table 1 summarises these alternative arrangements.

Table 1: Types of PPP arrangements for infrastructure projects

Type	Description
i) Build, Operate and Transfer (BOT)	This type of PPP involves the private sector financing the project, operating the facility (such as tollgates whereby the private party charges fees to the end users of the facility), and thereafter transferring ownership to the public entity on completion of the project or at the end of the PPP contract. For example, the construction of roads (Haarhoff 2008:18).
ii) Design, Finance, Build, Operate and Transfer (DFBOT)	The private party would design the infrastructure, fund it through debt from the markets or other financial methods, build the facility, and maintain and operate it based on the terms and conditions of the concession or contract. Ownership would be transferred at the end of the contract period, which could range from 10 to 30 years. Examples are projects such as building of hospitals, offices, and prisons. The Gautrain Rapid Rail Link was contracted on a DFBOT type project (Chikagwa 2014:62).
iii) Build, Own and Operate (BOO)	The private party builds, owns and operates the facility which is used by the public entity. For example, the private party constructs a building for the public partner who would rent the facility on a long-term lease agreement from 10 years onwards. At the end of the leasing period, the public institution can have the option to buy. An example is commercial offices for use by state departments and other state-owned enterprises, and industrial and warehouse space for government's operations and storage facilities (Chikagwa 2014:20).
iv) Design, Finance and Operate (DFO)	The private partner designs, funds and operates the project; an example of this type of PPP is a public entity requiring vehicles for its operations; instead of an outright purchase, the private party will provide, finance and manage the vehicles. At the end of the contract period, the private party takes the vehicles back (Grimsey & Lewis 2004:10–12).
v) Build, Transfer and Operate (BTO)	This type of PPP does not include the financing, building or maintenance of the asset, but rather that on completion of the building work, the asset is transferred to the public sector. An example is building a school on behalf of the public sector, which is handed over to the public sector after completion (Yescombe 2007:7).
vi) Design, Build, Finance and Operate (DBFO)	The private partner is responsible for designing, funding, construction and operation of the infrastructure. The term of the contract is for a specific period and thereafter the asset is transferred to the public sector. Examples are hospitals and public tourist buildings (Rogerson 2016:421).

Source: (Haarhoff, 2009; Chikagwa, 2014; Grimsey & Lewis, 2004; Yescombe, 2007; Rogerson, 2016)

Yescombe (2007:7–8) summarises that, "in developing countries BOT, BTO and DBFO contracts provided ways for cash constrained government power utilities to fund investment in more efficient plant, without relinquishing control over ... the generation of the power". The private partner does not only undertake the role of financier in DFBOT, DFO, DBFO PPP projects, but operates the service through its technical and managerial "know how" or expertise on behalf of the public sector until the contract is terminated and the asset or service is handed back to government.

Advantages and disadvantages of PPPs

PPPs increase the public sector's access to funding, skills and expertise from the private sector and thereby increase the effective, efficient and timeous delivery of projects. PPPs serve as enablers for the public sector to produce the costly green building despite the limited budgets, lack of technical and operational skills (Colverson & Perera 2011:3, Grimsey & Lewis 2004:52). Risk transfer on the designing, creation, and operation of the various infrastructure projects may be shared between the public and private sectors based on the ability of the respective partners. Risks are mostly transferred to private parties who are better equipped and qualified to carry or mitigate such risks instead of the public sector (Delmon 2010:23). Furthermore, the capital cost of the PPP projects may be repaid over the life cycle of the contract which may benefit the public sector's budget limitations (Khuzwayo 2014:25–26).

Several disadvantages should be considered before embarking on a PPP agreement. Infrastructure projects delivered through PPPs are mostly contractually long-term in nature and therefore, finances borrowed from the market may be costly, thus defeating the notion of cost savings or value for money for the public entity. The longer the repayment period, the higher interest rates are on the debt, which may outgrow the lifespan of the infrastructure and result in higher costs of sourcing funding from the financial markets (Roehrich *et al.* 2014:116). Inappropriate risk allocation in PPP projects is a disadvantage that may impact them negatively if not properly assessed from the conception and feasibility phases (Grimsey & Lewis 2004:171).

Private partners with access to huge funding are limited (more especially the historically disadvantaged contractors), which could result in creating a monopoly in the markets, resulting in the exclusion of the previously disadvantaged and emerging businesses. This statement is collaborated by Roehrich *et al.* (2014:116) who stated that "limited competition due to the lower number of contractors" is challenging.

Changes in the economy and political environments may have a negative impact on long-term contracts. New political dispensations may come up with new policies and ideologies that may be in contrast with existing policies, resulting in the cancellation of contracts and penalties. This notion may occur when there are changes in the political environment from one political party to another, and/or from one minister to another. "The interests and resources of the actors who participate in the political decision-making process as well as the rules of the political process have a powerful influence on whether, in what areas, and in what form PPPs are realised" (Gawel 2011:24).

Most of the PPP projects are complex as they need various skills, technical knowledge and expertise, for instance, in the building sector, the services of various engineers, designers/architects, contractors, investors/funders, project managers, and inspectors for the success of the project, which skills are scarce within the public sector but available in the private sector (Colverson & Perera 2012:7). If these skills were readily available in the public sector, the need to source these services from the private sector would be minimised resulting in lower costs of PPP projects and reduced project timelines in sourcing the skills.

There are multiple role players and stakeholders in PPP projects requiring proper allocation and management of risks in line with the expertise and ability of the different parties. Risks should not be allocated to a party that will not be able to carry them or fulfil its mandate as this will produce catastrophic results for the project. Technical risks may arise from either the design phase or construction phase of infrastructure projects; if proper mitigating factors are not taken into account or planning is not done this could have a direct impact on project costs, timelines, and reputational risks (Grimsey & Lewis 2004:176).

Relationship management may be another disadvantage if not managed properly from the onset. PPPs are prone to fail if an understanding of collaboration, cooperation, and trust building is not created and agreed upon, as alluded to by Das and Teng (1997:50). Grimsey and Lewis (2004:194) suggested that "having satisfied value-for-money and risk transfer principles, fundamentally PPP projects are viable only if a robust, long term revenue stream, over the period of the concession, can be established".

For this reason, the Public Finance Management Act 1 of 1999 (PFMA) and the National Treasury Regulation 16 as per Government Gazette, No. 25773 of 28 November 2003 provide precise and detailed instructions for PPPs to ensure that the management of government's financial resources and spending is conducted efficiently and effectively in line with the PFMA. There is a need for legally binding contracts for green building infrastructure projects due to the complex nature of services, risks, and technical specifications required from the private partners which encompass the design, construction and operation of the facility.

CASE STUDY FINDINGS

The respondents agreed that the DEA embarked on this project to demonstrate leadership and stewardship on its environmental mandate. The project also aimed to reduce water and electricity consumption charges with specific limits and penalties in the PPP contract over the 25-year period.

Benefits gained through the green building design

Based on the data from the respondents, the following elements of green buildings were implemented in the DEA green building project:

- Energy – they installed solar photovoltaic panels which reduce the use of electricity and the dependency on coal for the production of electricity. There was an agreement between the public and private partners that the usage of electricity should not exceed 115kW per annum. Strict instructions were issued to staff prohibiting them from using their own warming appliances such as heaters, kettles, etc., as part of saving energy usage in the building (Respondents 1 & 4).
- Water – a rainwater harvesting system was installed and grey water was used for watering gardens and flushing of ablutions instead of using water supplied by the municipality. This grey water was also used for operating the air conditioning system (Respondents 1 & 4).
- Indoor air quality – they installed windows that open automatically should the temperature warrant it; air conditioning systems were also connected to the solar panels due their high usage of electricity (Respondents 1 & 4).
- Materials re-using and recycling – materials used during construction of the green building project were recycled and the respondent quoted steel as an example of such materials (Respondent 1).
- Fixtures – the list of greened elements includes wall coverings, furniture, fixtures, and fittings that can be re-used as part of saving the manufacturing of such items thus saving energy (Respondent 4).
- Transport – pool cars powered by solar panels instead of fuel were also purchased by the DEA, reducing greenhouse gas emissions into the atmosphere (Respondents 1 & 2).

Respondents 1, 2, and 4 stated that the benefits of green buildings were lower water and energy utilisation which culminate in resource efficiencies and cost savings on municipal accounts. Waste management was stated as another element crucial in green buildings, which encompasses recycling of materials instead of dumping; building owners also benefit in lowering operating costs for water and electricity. Additional data provided by Respondent 4 via email presents the statistics of green building potential savings achieved between 2009 and October 2020.

Respondents agreed that the green building showed substantial reduction in electricity usage as a result of the photovoltaic panels. Furthermore, restrictions

Table 2: Summary of key savings

Certified green buildings/m² 2009–2020	9 million square metres
Electricity/kWh	900 million kWh/annum
Water	900 million litres of potable drinking water will be saved annually
Carbon Emissions saved	1,100 million of CO_2

Source: (Respondent 4)

were imposed on employees to ensure the efficient usage of electricity in the building and ensure that usage does not exceed the agreed 115kw per annum, failing which would result in penalties as well as contravening the PFMA in terms of fruitless and wasteful expenditure.

The DEA's initiative of installing a rainwater harvesting system was crucial in the efficient usage of this resource. Water for flushing toilets, watering gardens, and the operation of the air conditioning system is obtained from the harvested rainwater system instead of using water directly supplied by the municipality. This culminated in savings on both the municipal bill and decreasing the unsustainable usage of this scarce natural resource. One of the gaps identified in this study is lack of empirical data on measuring the level of water savings in green buildings versus conventional buildings, including the impact on the preservation and conservation of this natural resource. The negative impact on rainfall was also not quantified in this study due to lack of additional information received from the various respondents; especially in the case of the DEA, quantities were not provided on how much rainwater was harvested and the sufficiency thereof.

However, green building elements as healthy facilities are costly in nature and not affordable for public sector organisations, hence the public sector requires funding such as PPP strategies to finance these infrastructure projects. Literature indicated that PPPs have been used by other public sector organisations to fund infrastructure projects such as green buildings for many years.

Benefits of the PPP funding mechanism

Respondent 1 stated that other funding methods such as conventional and leasing methods were explored for the DEA's new Head Office building, but were found more expensive for the type and size of building that was envisaged; steering the decision towards a PPP option. Respondent 2 confirmed that a version of a DFBOT PPP option was adopted, with the private partner designing the infrastructure, funding, building, maintaining and operating the asset until it transfers to the DEA at the end of the contractual period.

According to Respondent 2, the DEA utilised excess budget at a specific year-end to finance part of the project's capital expenditure (actual year not specified), while the balance of the funds was contributed by the private partner through debt raised from the financial markets over a period of 18 years. With the DEA/government making an upfront payment for the initial construction fees and the private partner paying the balance through debt obtained from financial markets, it explains why the debt obtained was for 18 years and not the full 25 years. The public entity pays the private partner through monthly unitary payments, which covers the repayment of the private partner's capital outlay, and monthly service fees for the management and operation of the facility. Respondents 1 and 2 who were involved in this project declined to provide information pertaining to the cost of the project and the percentage split between the parties. A newspaper article published on 13 August 2012 reported that "government's initial capital injection amounted to R366m – R95.5m to be paid to the private partner per annum for 25 years…The contract is estimated at R8bn over 25 years" (Flanagan 2012).

Challenges in the PPP funding mechanism

Respondent 3 highlighted the various delays in the DEA's PPP project; it took four years to reach financial closing, while the construction process was delayed for two months, which was over and above the buffers that had already been provided. The "buffers" were not stated nor clarified by the respondent, which was crucial for providing a clearer picture of the periods added on to the project.

The drafting of contract agreements is an essential part of the PPP project, and these contracts should be fair for all the parties and allow certain levels of flexibility and commerciality to allow for timeous and efficient decision-making. Lack of collaboration was raised as an issue by Respondent 2 stating that during the drafting of the contract, parties were not in agreement about certain clauses of the contract. The respondent deemed the contract as inflexible as it was standard for all elements irrespective of the nature thereof, and ambiguous which created conflict among the partners. Interpretation of clauses in the contract differed from the public and private partner's perspectives, which could create challenges, dissatisfaction, and conflict among the partners over the lengthy implementation period of the contract.

With this project, Respondent 2 stated that the DEA transferred the full construction and finance risks to the private partner. The complexity and multidimensional nature of green buildings and the PPP project, compelled government to seek/employ the skills and management of private partners due to lack of or limited skills within the public sector. That came with huge risks for the partners stemming from designing, constructing, financing, and managing the facility after completion. The design and construction risks were allocated to the private partner's subcontractors, part of the operation's risk was transferred to the operation's sub-contractor while the balance was allocated directly to the private party. Respondents 1 and 2 alluded to structural defects which were identified during the construction and post- construction phase of the DEA's green building project. The structural defects issues are still being dealt with by the private partner which has a negative impact on the financial implications and profitability of the project.

In terms of value for money Respondents 1 and 2 commented that the real value for money will only be realised at the end of the 25-year contract term; however, savings on water and electricity consumption are being achieved on a monthly basis. The downside, however, is that the return on investment has been negatively impacted, as articulated by Respondent 2; the reasons thereof were attributed to interest rate assumptions being lower than budgeted for. The second aspect was the remedial work currently being carried out in rectifying construction defects also impacting negatively on the estimated return on investment.

LESSONS LEARNED

When analysing the DEA's case study there are both positive and negative lessons to be learnt. The positive aspect relates to the fact that green buildings are healthy facilities compared to conventional buildings. The attainment of savings on electricity and water consumption culminates in green buildings pronounced as resource efficient structures.

Not only are green buildings resource efficient and healthy structures, respondents in this study also elucidated that they provide a conducive and productive working environment for staff, a fact emphasised by Respondent 1. The negative aspect learnt from this study is the high cost of implementing these healthy infrastructures due to the public sector's limited budget or absence of a budget, which necessitates funding strategies such as PPP to be sourced from the private sector.

The study illustrated that PPPs enabled the DEA to implement the technically complex green building project despite the fact that there were limited financial resources, and no skills or expertise were readily available within the public sector to construct this type of building. PPPs therefore provided part of the required funding, skills, and expertise from the private sector for designing and constructing the green building while the DEA concentrated on its main functions and mandate, with the result being a new green head office building. The various responses exhibited that green buildings contribute towards sustainable development imperatives as they utilise less water and less energy hence, they are deemed efficient. In addition to building elements that attribute to green buildings, recycling and re-using old building materials contribute to sustainable development.

The contracting aspect of the PPP project was emphasised throughout the case study. Two of the respondents emphasised the lengthy period it took from advertising the tender up to concluding the financial aspects, which posed a risk on pricing for materials and other related items. Lengthy decision-making processes/bureaucracy, delays in the tender procurement processes, delays in commencing the construction project, pricing risks, and defects on the building post-construction are some of the aspects that need improvement to maximise PPPs as a delivery mechanism.

A further aspect of contention related to the perceived inflexibility of the contract's terms and conditions which lacked an element of fairness for each party, with clauses perceived to favour the public partner as opposed to being fair and agreeable to both parties. Changes in the political, economic, and social environments and the public sector's rigidness are some of the barriers in PPP projects. The issue of the defects in the green building seems to have resulted from the disagreements between the two parties.

It was gathered from the interviews that the PPP funding strategy served as an enabler for the project by crowding in part of the capital budget through the private partner as the major funder and main risk holder, and obtaining skills and expertise from the private partner with the assistance of the PPP Unit. Partnering with the private sector enabled the public sector to concentrate on its core functions, while the private partner delivered the green building project.

One of the respondents emphasised the fact that government needed the expertise and skills from the private party to execute and deliver this complex project. Another lesson learnt is that there was no transference of any knowledge, skills, or expertise from the private sector, which means that the public sector will always depend on the private sector whenever embarking on these complex infrastructural projects.

CONCLUSION AND RECOMMENDATIONS

This case study finds that the green buildings can offer environmentally healthy infrastructure and help to reduce global warming, climate change, and greenhouse gas emissions. Green building elements that were installed in the DEA's Head Office building assisted with reducing the utilisation of water and electricity in a more sustainable and efficient manner. According to some of the respondents, this fact was evidenced by the reduction of water and electricity consumption charges, and higher productivity in the workplace created by the conducive air quality in the offices.

This study finds that PPPs are a potentially useful funding strategy for green building projects. In the DEA's case, the green building project provided the public sector with technical skills, expert knowledge, and management capabilities from the private sector. However, there are a number of impediments in utilising

PPPs that negatively impact these projects, for instance, issues relating to delays in decision-making stemming from the bureaucratic nature of public institutions, lack of enforceable legislation, policies and regulatory frameworks for green buildings, inflexible PPP contracts, and poor risk management planning and allocation.

Recommendations offered in this study state that risk management and mitigation plans, good governance structures, balanced PPP contracts, and a reduction in bureaucratic processes are required for a successful green building project through the PPP funding strategy. The lifespan of PPP contracts is very long, 20 years and above, therefore, contracts should be structured in such a way that it caters for any unforeseeable events that may occur during that period. PPP projects such as the DFBOT type are complex and multifaceted which requires that contracts of that nature should have very clear objectives, milestones per project phase, provision for any variation orders agreeable by all stakeholders involved in the project. Contracts should also be discussed prior to signing in order to forge a way for collaboration, trust, and mutual agreement on the clauses. The transference of knowledge, skills, and expertise from the private sector to the public sector pertaining to green buildings is required as a means of reducing the high cost of these projects.

Value for money in this study offered contradicting opinions in that, from the public sector's perspective, value for money was realised through the delivery of the healthy green infrastructure, while for the private partner, value for money will be realised at the end of the 25-year period to determine profitability of the project. This case study indicated that more empirical research is required in order to determine the PPPs' value for money proposition.

NOTES

* The article is partly based on a mini-thesis that was completed under the supervision of Prof Babette Rabie at Stellenbosch University. Khoza, S. 2021. *Investigating the Potential Use of Public Private Partnerships to Fund Green Building Initiatives: The Case of the Department of Environmental Affairs.* Master of Public Administration. Unpublished master's dissertation. Stellenbosch: University of Stellenbosch.
* Views expressed here are those of the authors and not Stellenbosch University, the Department of Environmental Affairs and the Land Bank.

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Performance Management for Responsive Local Governance

The Case of Chris Hani District Municipality

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ABSTRACT

The aim of the article is to analyse the tools and systems that inform organisational performance for responsible and responsive managerial and administrative praxis. The methodological approach is qualitative and entails a desktop literature analysis, semi-structured interviews and focus group discussions conducted at the Chris Hani District Municipality to assess the implementation of the organisational performance management system relative to service delivery. An exposé of the challenges that impede the implementation of the performance management system in the district municipality is presented. The findings show that service delivery is compromised, mainly due to poor strategic management that guides and directs performance, consequently an absence of a performance culture prevails. The recommendations derived at indicate that organisational performance failure can be averted.

INTRODUCTION

Local government is statutorily mandated to facilitate seamless service delivery, thereby displaying organisational performance that meets the expectations and aspirations of citizens for quality of life. However, this sphere of government is plagued with many challenges, often dysfunctional and consequently unable to meet its mandate. Holistic organisational performance remains a policy objective to be achieved, as systemic and structural organisational problems undermine its implementation.

Responsible and responsive local governance, to the chagrin of citizens and a cohort of committed municipal officials, is thwarted in its entirety, elusive and a fallacy to some, thus questioning the relevance of this sphere of government.

Organisational performance and responsive governance at the local government level are intertwined chiefly because statutory provisions define responsiveness as can be expected at this sphere of government. Responsive governance is the enabling function particular to the sphere of government. The geographical and relational proximity of local government to citizenry places this sphere of government in a focal position to ensure quality of life within a particular locality. In addition, it positions this sphere in the glare of the citizenry that assesses its performance relative to observed and experienced consistency and reliability, as well as tangible and intangible change and development. Responsible government is underpinned by the principles of internal accountability and compliance with statutory objectives, strategic plans and business systems that enable performance. Moreover, a consistent display of performance leads to positive change that garners organisational trust in this sphere of government on the part of citizens. Organisational performance is, therefore, the sum-total of systems, processes and resource allocation as well as the display of the competence and commitment by officials, leading to appropriate output and outcome in the service delivery chain (Ndevu & Muller 2018).

Responsive governance, in terms of the relational proximity of local government to communities, and the specific mandate of this sphere of government assumes that a collaborative relationship can and should develop to coproduce a performance ethos for mutual benefit. The mutual benefit is the organisational trust held by the community that informs the continued relevance of the local sphere of government. Responsive governance at this sphere of government manifests in meeting the aspirations of a community relative to its challenges and rate of change experienced (Van Donk & Williams 2015:9). Consequently, continuous interaction is expected between the community and the local sphere of government, leading to collaborative engagement that is premised and affirmed in the periodic electoral mandate.

Ward councillors are key to facilitating deliberative engagement and are accountable to the municipal committee, where they hold portfolios. They have a dual role of representing the interest of their constituencies at council meetings and promoting citizen-based monitoring and evaluation by providing feedback on the performance as well as reporting on council matters to their constituencies. Statutory provision seeks to inform and where it is implemented appropriately in terms of the vision espoused seeks to inculcate responsible and responsive local governance and shared accountability for the provision and quality of service delivery, with the exception that local government is the enabling body (National Development Plan (NDP) 2011:48; Reddy 2016).

However, municipalities have been implicated in weak spending trends, corruption, maladministration and inefficiency that defy suggestion of responsive governance. The level of citizen trust in local government is at its lowest. Organisational trust and confidence are transactional and informed by the level of reliable performance and service quality of the local sphere of government (Esau 2016; Afro Barometer 2018). In addition, local government is plagued by political interference at the administrative interface, which thwarts organisational performance. The overt politicisation and coalition politics of this sphere of government have rendered local government dysfunctional and compromised organisational performance (Maqoko & Asmah-Andoh 2020:70).

Nevertheless, a cohort of skilled and committed officials, if powerless to effect meaningful change in the service delivery chain, coexists with the chaos that has engulfed municipalities (Merten 2020). These officials not only try to stem the complete erosion of the purpose of local government but also attempt to sustain this sphere so that it does not disappear into a total abyss, making electoral promises a complete fallacy. The challenges experienced by communities at the local sphere of government lead to frustration, community inertia, political apathy and declining trust (NDP 2011:48; Reddy 2016). Citizens have shown frustration and discontent with the lack of accountability and the inability of municipal managers and the administration to enable responsible governance that meets the mandate of the local sphere of government (February 2018; Mthethwa 2019).

The aim of the article is to analyse the tools and systems that inform organisational performance for responsible and responsive managerial and administrative praxis. The article posits that it is not the absence of policy and statutory frameworks that challenges municipalities but rather the implementation thereof that impedes responsive governance. Thus, the article presents a critical exploration of challenges in the implementation of performance management that impede responsible and responsive governance at the district municipal level. The discussion directs its focus to the statutory committees and functionaries tasked with strategic leadership for performance, related oversight, and deliberative inclusion in decision-making. Two questions guide the discussion: What informs a performance culture in rural local government characterised by inequality and poor service delivery (NDP 2011:59)? How can the tide of poor and low performance be changed? Inherent in the analysis of these questions the study aims to determine why the implementation of performance management at local government is failing.

Therefore, the implementation praxis of performance management and responsive governance is viewed through a theoretical lens. Brief statutory reference situates performance management as an important tool that demands strategic managerial and administrative leadership, collective decision-making in service delivery and accountability. The fundamental importance of statutory and regulatory frameworks is implementation and compliance with planned objectives. Furthermore, performance management requires an organisation to assume a learning character, to be agile and responsive to change, crisis and disaster management and to sustain organisational relevance. The findings from a qualitative study conducted in Chris Hani District Municipality (CHDM) are presented in this article. The study assessed performance measures implemented and organisational compliance that informs responsive governance.

PERFORMANCE AND PERFORMANCE MANAGEMENT

Performance is the articulation of defined policy intent translated as targets in strategic plans to derive output and outcome. The output is the final service and product delivered, and the outcome is the impact thereof. Performance is, therefore, the rate of tangible and intangible change that citizens want to see, experience and observe. Performance management seeks the implementation of performance measures and the periodic assessment of individual employees as well as holistic organisational activity (Van Dooren, Bouckaert, Halligan 2015:19). The individual performance of functionaries in the implementation chain is part of the larger organisation that feeds into a cumulative assessment of the unit and team interaction to meet the overall vision and mission of the organisation. The fundamental importance is to affirm that the organisation remains relevant in meeting its objectives.

Periodic assessment of performance seeks justification for the purpose and function of the organisation. Performance assessment is both internal and external to the organisation as defined by efficient and effective local administration and management of service delivery and enabled by the various performance tools, committee systems and processes. Consequently, performance is defined and measured in terms of the strategic, functional and technical implementation of objectives, with accompanying targets and indicators that inform service delivery. The objectives defined in strategic plans expressly define the purpose and longevity of an organisation. Therefore, organisational performance is the articulation of plans and the allocation of revenue or public funds. In addition, it is the optimisation of resources by local government to realise developmental goals, to provide basic services, and to conduct infrastructure development and maintenance within an economically active locality (Fourie & Poggenpoel 2017:172). The optimisation of resources includes the effective use of financial and human resources to meet the output and outcome relative to service delivery.

Therefore, internal assessment of performance is defined and informed by performance planning and auditing. Performance planning also requires a skilled and competent staffing complement to comply with performance measures. Additionally, performance planning requires resource allocation, financial accountability accompanied by the fluidity and integrity of business systems to support administrative and managerial efficiency and effectiveness in service delivery. Moreover, the manifestation of a relationship between the administrative and political interface is defined by integrity and moral leadership (Van Donk & Williams 2015:11). Therefore, performance is directional and intentional, action-oriented and purpose-driven. It is also relational and people-orientated, as it enables the manifestation and legitimisation of behaviour internal and external to the organisation. The manifestation of internal behaviour is in the work ethic displayed by skill competence held by officials and familiarity with functional and technical tools that enable performance. External performance manifests in the trust displayed by communities to collaborate readily within the ward system.

Performance at local government level manifests in the statutory requirements that seek compliance with stipulated measures and responsible governance, which can only be realised by astute managerial and selfless political leadership. Furthermore, performance requires an organisational climate that affirms a value system that fosters a work ethic among employees and a commitment to and compliance with standard operating procedures and efficient task accomplishment (Adonis 2018:263). The Local Government: Municipal Planning and Performance Management Regulations (2001) define the performance system required at the local sphere of government. Section 57 of the Local Government: Municipal Systems Act, 32 of 2000 specifies the functional competence required at managerial level, which includes providing strategic direction in relation to key performance areas. The implication is that competent officials at senior management level, who have technical knowledge and strategic leadership ability, should heed their contractual obligations and comply with statutory requirements that specify their functionality.

Performance assessment is both functional and technical in its realisation because the local government has the statutory authority to exercise particular functions within a locality (Van Dooren, Bouckaert, Halligan 2015:19). Functional knowledge concerns the targeted service delivery areas specified in service delivery plans and the accompanying standard operating procedures, which are, in essence, the statutory obligations that legitimise the local sphere of government. However, technical knowledge is critical in achieving performance at local government level so that service delivery is realised as intended in strategic plans. These plans should define clear, measurable key performance areas aligned to targets and indicators that inform outputs against budget projections, and within defined time frames. Therefore, indicators are defined in terms of each functional area for the collection of performance information. The targets and indicators should comply with the SMART principles, they should be specific, measurable, accurate, reliable and timely to allow for the accurate collection and collation of information (National Treasury 2007:7).

Performance appraisal is critical to the collection of performance information that tracks progress against defined key performance areas and invested revenue. The definition of reliable targets against key performing areas as well as measurable indicators is crucial. Performance information provides valuable insights into the definition of decision-making and the overall assessment of strategic priorities (Manyaka & Sebola 2015:674). Performance appraisal via monitoring and evaluation of service delivery is action-orientated and evaluative, both externally and internally in the local sphere of government. Therefore, performance information collected via periodic monitoring and evaluation is key in decision-making and planning. Of critical importance is the collection and collation of quantitative and qualitative data that provide an indication of programme and project implementation progress within a particular area.

In addition, monitoring and evaluation allow the assessment of progress made in output and outcome as well as assessment of projects that warrant closure, where targets of projects are not being met and the redirection of public funds is required in financial management regulations. Monitoring and evaluation allow for the realignment of the overall organisational strategic goals and objectives, the corrective action and adjustment of plans and the identification of benchmarks in programmes. Therefore, agile performance is affirmed in benchmarking and applied corrective action (Draai, Raga, van Rooyen 2016:141; Zazi 2017:30).

Performance management is measured in relation to the service quality rendered, perceived and experienced by communities. Service standards are the functional and technical indicators that inform the type of service delivery envisaged in strategic documents, such as the integrated development plan (IDP) and the service delivery improvement plan (Draai *et al.* 2016:143). The White Paper on the Transformation of the Public Service (1997) introduced the concept "Putting People first" and treating them as customers, which is the basis of the Batho Pele principles. The eight Batho Pele principles include consultation; redress; value for money; courtesy; service standards; information; increasing access; and openness and transparency, which are determinants for the provision of service quality and responsive governance.

Performance management is measured in relation to target areas and accompanying service standards defined in strategic plans that inform the level of service quality that should be met and can be expected in the outputs and outcomes of service delivery. The indicators define the intended impact and measure the progress of implementation. Citizens can assess the service delivery against the output and outcomes (Van Dooren *et al.* 2015:10). However, the implementation of service quality can be contentious where the requisite functional and technical skills are not commensurate, thus influencing performance.

Performance is the rate of tangible and intangible change that citizens want to see, experience and observe. It is the articulation of defined inputs in strategic plans to derive outputs and outcomes, the outputs being the final service and product delivered, and the outcomes being the impact thereof. In addition, the assessment of organisational performance is external to the organisation via the engagement and process of citizen-based monitoring and evaluation of service delivery in the local ward system (Department of Planning, Monitoring and Evaluation (DPME) 2013). Citizens' perceptions of service quality and the related performance of local authorities are informed by value judgements and are subjective. These perceptions are defined by existing living conditions and the community's aspirations and expectations in relation to the information communicated in the IDP service delivery improvement plan (Van Dooren *et al.* 2015:10).

STATUTORY IDEALS FOR SERVICE DELIVERY AND SERVICE QUALITY

Local government is statutorily mandated to develop and implement a performance management system that defines a performance ethos, internal and external accountability and meets service delivery goals within a locality. Statutory provision such as Chapter 6 of the Local Government: Municipal Systems Act, 32 of 2000 stipulates the implementation of performance management for achieving the constitutional mandate of the local sphere of government. The Local Government: Municipal Structures Act, 117 of 1998 on the other hand specifies the formation of structures and systems pertinent to realising performance management. The Local Government: Municipal Systems Act, 32 of 2000 and the Municipal Finance Management Act, 56 of 2003 seek alignment between planning and reporting instruments.

The statutory provisions encapsulate performance measures that include the definition of committees, which defines and informs internal accountability and seeks commitment to service delivery and responsive governance. Thus, various committees are instrumental in seeking accountability that includes answerability in the oversight function. Accountability cannot be delegated, whereas responsibility is shared with the implementation team or the administration that enables service delivery (Van Donk & Williams 2015:11). Answerability is achieved by means of periodic reporting to the various committees to establish financial integrity and transparency as well as progress and overall performance in the process approach followed in the decision-making and business activities during the implementation phase to realise the intended output and outcomes (King VI Report 2016:11).

Executive mayors and senior administrative officers are appointed on performance contracts. Consequently, performance is incentivised. Officials who hold strategic political and administrative portfolios are jointly responsible to the municipal council for realising the short- and medium-term strategic objectives defined in the IDP and the service delivery and budget implementation plan.

The IDP is a strategic plan that guides and informs municipal planning and budget decision-making for five years. Moreover, it seeks synergy between local economic development, service delivery and spatial planning. Council approved strategic plans signify performance planning and agreement between the political and administrative interface at the organisational level and confirm the envisioned developmental change and service delivery within a locality (Adonis 2018:259). These plans are derived from collective stakeholder engagement, which requires continued internal and external collaboration to realise developmental change. The key to realising these plans is the integration and synergy between departments and spheres of government (Municipal Finance Management Act (MFMA)) Circular 88 2018].

The annual Service Delivery and Budget Implementation Plan (SDBIP) is a synopsis of and an operational plan with defined service delivery targets that give effect to the IDP (Adam 2020). The municipal council is tasked with, inter alia, holding the administrative management accountable for performance management.

The performance and audit committee holds a critical function of liaison and oversight over the municipal council as well as external and internal auditors. Moreover, it was established to ensure sound financial management as well as optimal leveraging of resources and to guide efficient and effective service delivery. This committee is instrumental in ensuring the assessment of sound financial practice in service delivery, and it reviews annual financial statements as well as any other reports deemed necessary that inform the performance of the management of a district municipality. In reviewing the performance management system, the committee focuses on economy, efficiency, effectiveness and impact with respect to the key performance indicators and performance targets as defined in the IDP and the SDBIP (Matlala & Uwizeyimana 2020:11).

The implementation of strategic plans such as the IDP can only realise the intended output and outcome if supported by strategic directional management, competent officials, an efficient administrative system and a political interface that supports the ideals of local government. Moreover, the apportionment of public funding enables local government to meet its statutory mandate to deliver tangible or intangible basic service on which communities depend for their existence. Municipalities are required to monitor and evaluate the efficiency and effectiveness of strategic decisions and public spending against the indicators defined in the IDP and SDBIP goals.

SDBIPs with accompanying service quality indicators underscore responsive governance that defines and informs a performance culture. These plans have a commitment, articulated by the municipal council, to transform localities on an annual basis. SDBIPs should be periodically monitored in terms of agreed key performance areas and accompanying indicators that reflect the performance levels of the municipality. Reporting should include the areas that are exclusively the responsibility of the municipality and those that depend on the competence of both the municipality and a national department, as defined by and informed by multiple data sets (MFMA Circular 88 2018).

RESPONSIVE GOVERNANCE

The principles and values of responsive governance, accountability, effective organisational leadership and sound financial management are embedded in performance management. In its most elementary delineation, responsible governance implies that all stakeholders in the service delivery chain have to act, react and interact in the interest of performance and developmental change (Van Donk & Williams 2015:10). The government introduced a number of grand plans that sought to address the challenges encountered at the local government level. In 2015, the government introduced the Back-to-Basics approach, which in terms of its pillars placed responsive governance at its core. The pillars included the following:

- Putting people and their concerns first
- Supporting the delivery of municipal services to the right quality and standard
- Promoting good governance, transparency and accountability
- Ensuring sound financial management and accounting
- Building institutional resilience and administrative capability (Department of Co-Operative Governance & Traditional Affairs (CoGTA) Annual Report (AR) 2015:45).

The Back-to-Basics approach did not have the desired impact in addressing the challenges encountered at the local government level. Performance at the municipal level remains a challenge, which has led to the implementation of another grand plan (CoGTA AR 2019–2020:41). In recognition of the challenges faced by local government, the District Development Model (DDM) was introduced in 2020 that proposed one strategic plan and one budget at district level. It is aimed at improving the coherence, coordination and integration of the various spheres of government to ensure that municipalities are adequately supported and resourced to meet their mandate and to fast-track service delivery (Parliament Research Unit 2020).

The DDM seeks to minimise the silo effect of transversal engagement between the departments in question, consequently monitoring and evaluating service delivery and performance at the local sphere of government in question. The DDM is in the rollout phase and open to scepticism, particularly due to expansive and complex challenges and the politicisation of the administration at the local government level. Partisan affiliation, whether covert or overt, in the bureaucracy is inevitable. However, it has implications when decision-making along party lines replaces merit-based criteria in the selection and retention of municipal officials in strategic positions. Moreover, it has an impact on service delivery (Ramutsheli & Janse van Rensburg 2015:107). The implication is that municipal services are governed and discharged largely by political considerations in appointments, dismissals of officials and the delivery of basic municipal services. In addition, there is a shortage of functional and technical skills, and the systems in place have failed when officials tasked to implement them lack the necessary skills and commitment to oversight and performance (Reddy 2016:8).

Monitoring and evaluation for performance at local government level

The proximity of local government to the community places it at a vantage point, from a bottom-up perspective, for responsive interaction to define the local community's immediate needs and to collaborate in the coproduction of improved service delivery. The community as beneficiaries of service delivery are statutorily expected to be responsive in their articulation of the type of services that they expect to be implemented and the level of satisfaction with the delivery that they receive. In essence, communities are expected to collaborate and participate in the definition of the IDP and SDBIP.

Statutory provisions place ward councillors at the pinnacle of collaborative efforts and citizen-based monitoring in local government. Public participation in ward committees and IDP discussion forums allow for citizen-based monitoring and evaluation of services. Furthermore, the proximity of local government to the community places administrative commitment and efficiency with which services are rendered in the immediate glare of the community, leading to tacit and external assessment of the sphere. An overt display of performance and responsive governance by local government influences the level of citizens' confidence and trust in the competence of officials, the implemented systems and accompanying practices. Therefore, communities can hold local government accountable as the custodian of public funds for responsive governance and the delivery of basic services that meet service quality standards.

In addition, the ward committee system and ward councillors have a role in accountability and answerability to foster responsive governance. However, the ward committee system is in question when poor service delivery perpetually prevails. Moreover, the politicisation of local government places the political-administrative interface of this sphere in direct contestation and obstructs attempts at effective collaborative governance that seeks community participation (Reddy 2016:7).

PERFORMANCE MANAGEMENT, RESPONSIBLE AND RESPONSIVE GOVERNMENT: CHRIS HANI DISTRICT MUNICIPALITY

The CHDM in the Eastern Cape has six affiliated local municipalities. The IDP of the district municipality defines service delivery targets within the district, and the affiliated authorities align their IDPs accordingly. Strategic leadership and management are required from the district municipality to coordinate service delivery of the affiliated local authorities. The CHDM, in its Vision 2030 strategic document, asserts a commitment to and the assurance of efficient and effective municipalities as well as engagement with the citizenry in the provision of service delivery (CHDM 2018–2019:14; CHDM 2020:15). The district municipality is committed to strategic performance areas in its IDP, which includes creating an efficient, effective, accountable and performance-oriented administration (CHDM 2017–18:19; CHDM 2020:199). The district mayors' forum assists in the coordination function and supports the district mayor in monitoring and alignment to meet the objectives defined in the IDP.

Local government performance in service delivery and rural local governance has been persistently poor and below par because municipalities are plagued by a number of challenges and have limited capacity, which thwarts responsive governance. The district municipality has consistently not realised its targets over time, and consequently underperformed in service delivery. The Performance Audit Committee Report (CHDM 2018:3) highlighted several technical issues that continually compromise service delivery. In addition, the performance indicators do not meet the SMART criteria, that is, performance indicators are not specific and well defined therefore not measurable, consequently not achievable, reliable and realistic and timely, hampering the accurate collection and collation of performance information. The report states that incorrect baseline information is provided. Monitoring projects is generally poor and reporting on some targets and evidence submitted for audit are not aligned to defined targets.

The collection of information hampers performance assessment. Technical factors include poor authentication of data collation by directors, leading to discrepancies in reporting and the output and outcome of projects. The report further states that the municipality does not have an approved standard operating procedure to ensure that all documentation is maintained systematically and correctly (CHDM 2018:7). Lastly, the timeous submission of files limits the oversight, thus making the internal audit function ineffective. The remedial actions introduced to improve performance do not address the underlying causes of non-achievement, thus making it difficult for the manager to take corrective action where challenges have been identified (CHDM Annual Report 2019–2021).

The less than optimal performance by the district municipality has led to frustration, which has spilt over into service delivery protests, citizen apathy and low levels of trust in this sphere of government. Praxis informs that consequence management should take place where continuous poor performance and maladministration is evident. However, this is not implemented; moreover, change management does not occur, and there is no accountability. Thus, it appears that municipalities are not synonymous with consequence management, where poor performance is prevalent, and less than optimal performance becomes the accepted norm to the chagrin of the citizenry (Bonani & Mgidi 2018).

METHODOLOGICAL APPROACH

Document analysis of the relevant committees and annual performance plans of the district municipality was undertaken prior to collecting primary data to establish reported performance and corroborate the findings. Semi-structured interviews sought insights from five senior and middle management members of the directorates of the municipality to ascertain their knowledge of the strategic importance of performance management and the implementation of related tools in the CHDM (Zazi 2017:28).

In addition, a focus group discussion was held with six randomly selected officials to assess their knowledge and involvement in implementing organisational performance at the coalface of service delivery and interaction with citizenry (Bukva 2019).

Themes identified in the data analysis of recurring issues included the knowledge of performance tools and prevalence of a performance culture; performance assessment and reliability of performance information; and knowledge and skills that enable performance and organisational leadership.

DISCUSSION OF FINDINGS

Various accounting and oversight committees have been institutionalised and operationalised as appropriate at the district municipality to assess performance. Most of the participants in the study were in the employ of the municipality for a period of six to 10 years, and the managerial officials had relevant qualifications. Interviews with managerial officials were concluded while the operational officials were concerned about their participation even where anonymity and confidentiality were guaranteed. The officials indicated that municipalities are politically charged and had concern for the statements shared on the performance of the sphere of government and their continued engagement in particular portfolios at the district municipality and its affiliates. This concern illustrates the challenges encountered in the political-administrative interface at the local government level.

A performance culture is defined by knowledge of performance tools, implementation thereof, a work ethic and compliance with statutory provisions. This performance culture translates to responsible and responsive governance that informs positive change espoused on the statutory intent and assures compliance with the measures stipulated. Therefore, it is important that all officials and relevant inter- and intra-organisational stakeholders in the service delivery chain are not only aware of these tools but also understand their statutory applicability, the regulations and the systems aligned to intention.

Participants expressed knowledge of the concept of performance management relative to the legislation and regulations that require its implementation. They also confirmed their understanding of performance-related tools that seek to monitor and assess accordingly. An interviewee indicated the following:

"… it tells us where is the institution, where it stands in terms of reaching its goals and objectives... Are we performing to what the accounting officer and the mayor have agreed to for the financial year, or are we deviating? It tells us where are we, [and] where should we improve."

The implication is that the district municipality complies with the statutory provision to institutionalise performance management. However, participants indicated poor compliance with performance tools and related measures, which places responsible and responsive governance in question. The study found that a performance culture and work ethic at administrative- and middle-management does not prevail in the organisation, which casts doubt on the executive and strategic leadership tasked with ensuring that systems are efficient to engender performance. Efficient and systematic workflow is vital performance that is service-orientated and leads to meaningful tangible or intangible change. Furthermore, the unit directors and senior managers cited a challenge with performance information, which points to a lack of technical skills in the planning and determination of accurate indicators in the definition of targets and assessment of progress. An interviewee stated the following:

"There are challenges [with] the quality of the evidence provided to substantiate whatever achievement is being reported. The main issue is we struggle with the usefulness of the data that is being provided; that at times, it is irrelevant on what is being reported."

Participants confirmed that regular training takes place to institutionalise a performance culture. However, training is not always focused on identified training gaps. A senior manager indicated that attempts are made to align training with job requirements to enhance competence for performance. An interviewee had the following to say:

"We normally speak once in a while and discuss training needs. Obviously, if you discuss with the staff training needs, they will give you all sorts of training requirements. But what I then do from my side is that, I assess in terms of those, which are applicable to the job that they are supposed to be doing."

The DDM is in the rollout phase in the Chris Hani District, in recognition of the service challenges encountered. In addition, the model is being introduced, by means of a consolidated approach, to address the prevailing poverty and inequality exacerbated by poor service delivery. The following section identifies particular recommendations, which are relevant to the implementation of the DDM, for responsible and responsive governance at the local sphere of government.

RECOMMENDATIONS

The findings indicate that the officials at the senior and operational levels are familiar with the statutory requirements of performance management and understand the intention of these measures. This finding shows that performance and performance management at this level can be achieved. The articulation of the political-administrative interface in local affairs is inevitable; however, it needs to be redefined to minimise the impact on managerial and administrative performance. Compliance with performance measures is paramount to institutionalise organisational performance and ultimately a performance culture at the district municipality to ensure the continued viability of this sphere of government and to regain citizens' trust. The recommendations focus on managerial and administrative compliance with statutory provisions that emphasise protocols and procedures for an efficient and effective administration. Strategic leadership for performance requires senior managers to ensure that targets defined in strategic plans are realistic and achievable. Second, municipal committees are tasked with oversight during the implementation of service delivery targets. Focused training on monitoring and evaluation is essential to ensure service quality in service delivery, leading to responsible and responsive governance. Key recommendations for improving performance were deduced from the analysis of the findings as follows:

Efficient and effective administration

A culture of efficient and effective internal service delivery that signifies compliance with protocols and internal accountability is fundamental to performance and performance management. Therefore, standard operating procedures have to be devised, adhered to and revised as necessary when policies and statutes are amended and new programmes implemented. Standard operating procedures include internal service quality that defines how units engage in the service delivery chain. The definition and articulation of basic office protocols and administrative standards, such as turnaround times at street level where liaison with clients takes place within defined time frames, are critical to responsive engagement. Furthermore, effective meeting procedures, efficient and accurate documentation, and the collation of information is fundamental to responsive service delivery. These standard operating procedures should systematically articulate to complex activities that allow professionalism in service delivery to prevail.

Focused monitoring and evaluation training

Training should focus on developing skills and competence in monitoring and evaluation from team level to senior management as the tasks of the different functionaries complement each other. Therefore, focused training is required to facilitate compliance with the statutory provisions for performance information collection and appraisal. The training should include technical areas that will lead to skills development for the collection and collation of programme and project performance information. Second, technical skills training and enhancement in the interpretation and analysis of qualitative and quantitative information will be critical to meeting targets and specified objectives in strategic plans. In addition, the training should include the development of technical expertise in service quality indicators, impact assessments and other oversight-related training.

CONCLUSION

Local government is a complex sphere that is accountable for its performance to the locality it serves. Moreover, it is accountable to the national and provincial spheres of government that are instrumental in the coordination of services and disbursement of public funds for service delivery and quality. The dissatisfaction with service delivery that has led to service delivery protests is an expression of citizen-based monitoring and evaluation. Perpetually poor service delivery brings the accountability system of the local sphere of government into question. The implication is that the district local government and its affiliates are not complying with the oversight function. Second, the monitoring and evaluation system in relation to strategic planning and defined objectives is ineffective in fostering an organisational performance culture. Moreover, a work ethic appears to be challenged by dysfunctional internal and inter-organisational leadership and employee inertia.

The relational proximity of the local sphere of government has not yielded the statutorily envisioned responsible and responsive governance. Responsible governance is embedded in the statutory provisions and implementation of tools that include strategic plans, systems and processes that articulate the mandate of the local sphere of government. Therefore, performance management is not a fallacy. Rather, the problem is the implementation praxis that is challenged by a number of factors. This could be remedied by astute leadership and compliance that will potentially restore citizens' confidence and trust.

Responsive governance is the enabling process of the local sphere of government that meets expectations for service quality and service delivery as defined in service delivery improvement plans. Responsive governance is defined and informed by effective strategic management and efficient administrative performance that comply with the implementation of the statutory mandate of the local sphere of government. Organisational efficiency and effectiveness are largely dependent on directional management that does not pay homage to party allegiance. Performance planning and management require astute organisational leadership that places accountability at the core and is value-driven while focusing on collaborative efforts and inclusivity in performance planning and implementation. Compliance in service delivery with systems and processes demonstrates a commitment to internal and external accountability as received and perceived by citizens. Performance can be realised where there is a strong, cohesive administrative interface, which is able to withstand or heed political intervention when necessary. Additionally, performance can be realised where competent and committed officials and ward councillors are able to achieve service quality in service delivery.

NOTE

* This article is based on a dissertation *"The implementation of performance management systems: Chris Hani District municipality"*, by Zazi, L. 2017. Submitted to the Nelson Mandela University, under supervision of Prof Enaleen Draai.

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Performance Management and Accountability Practices in South African Municipalities

Critical Considerations

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ABSTRACT

To institutionalise performance management and accountability in municipalities, the South African government has managed to develop regulations and strategies to guide the development of the municipalities' performance management system as part of the local government reforms. Despite the existence of oversight committees within municipalities, challenges in terms of functionality and performance continue to impact general accountability practices in municipalities. This article briefly focuses on a municipal performance management framework and how performance indicators are set, as guided by various National Treasury documents. Performance and accountability are technical, managerial tools that can support decision-making and enhance public sector organisations' efficiency and effectiveness. The article also reviews accountability practices in terms of internal accountability structures such as sections 79 and 80 committees. The article found that the review process is an ongoing challenge for committees to perform their oversight work, and this does not only relate to the committees' functionality but also to those councillors with little or no expertise in scrutinising financial and other complex reports serving on these committees.

INTRODUCTION

This section discusses the performance management and accountability practices of municipalities in contemporary South Africa, incorporating performance measurement, performance indicators and performance reporting factors. A significant challenge impacting municipalities' performance is the lack of accountability. The performance management system of a municipality should identify underperformance and ensure that performance indicators are linked to measurable performance, outcomes and the impact of the priorities as set out in the Integrated Development Plan (IDP). It should set measurable targets to include performance monitoring elements, review, performance improvement and regular reporting. Nkuna (2015:157) argues that the IDP is critical in developing a municipal performance management system and promoting effective service delivery.

Toxopeüs (2019) believes that the lack of experienced personnel and weaker oversight committees are key to a lack of accountability, impacting the municipalities' ability to take appropriate action against poor governance and maladministration. Furthermore, Toxopeüs (2019) argues that another challenge of responsibility is the operational capabilities of oversight committees. Some of the councillors serving on these committees lack the necessary capabilities to comprehend the information provided, such as financial reports. Auditing has become one of the instruments to promote accountability. The Auditor-General of South Africa (AGSA) audit reports are used as a measure of accountability to measure the work performed by municipalities.

Madumo (2017:119) states that the municipal council's control work, which is associated with accountability, is imperative because it contributes to detecting and preventing abuse of power. It monitors whether municipalities comply with policies and predetermined objectives, enhancing the municipality's ability to provide services, thus promoting community trust. Pretorius (2017:196) adds that municipalities need to be responsive and accountable in performing their constitutional obligations. The nature and extent of various powers and functions should be clarified to contribute and promote effective accountability. The approach includes addressing the political-administrative relations and challenges that have a significant impact on accountability.

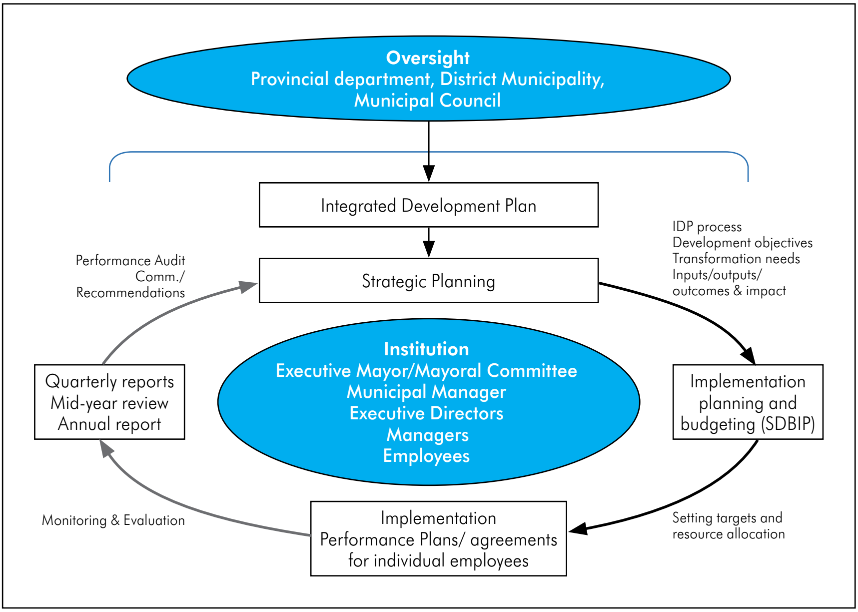
The sections below are based on a conceptual and contextual analysis of the performance management and accountability practices of municipalities in contemporary South Africa and include aspects that concern performance measurement, performance evaluation and review process, performance indicators and performance reporting, financial, legal and hierarchical accountability. It discusses the context of a municipal performance management framework as well as the context of national strategies to improve municipal performance and accountability. It also addresses several challenges in this regard.

MUNICIPAL PERFORMANCE MANAGEMENT FRAMEWORK

Asmah-Andoh (2015:171) argues that before 1994, there was limited use of service delivery standards to measure local government performance. This led to the development of legislation, which required accountability through reporting to citizens, and it further prescribed generic guidelines on how the municipality should develop its performance management system in terms of three steps focusing on: starting the performance management system, creating the system and implementing the plan.

Municipalities are required to develop key performance indicators to measure their performance according to established priorities and objectives (South Africa 2000). Masenya *et al.* (2018:113) argue that work can be clarified through performance management, as well as how responsibilities will be delegated among officials. Lastly, performance management can also help the municipality to have data sources that will contribute to accountability. Radebe, Vyas-Doorgapersad and Grobler (2015:93) opine that the performance management system comprises the processes to plan, review, reward and develop performance. This process should also be linked to employee performance to help employees improve their performance, thus contributing to overall

Figure 1: Municipal planning and performance management cycle



Source: (Merafong Local Municipality 2016:19) municipal performance. Figure 1 depicts the performance management cycle of municipalities.

Figure 1 confirms that the IDP is an overarching guide to municipal planning that fits the performance management system of a municipality. The system should also monitor, assess, evaluate, and manage individuals' performance. Merafong Local Municipality (2016:19) reports that its performance management policy requires each employee to link their performance objectives with their departmental goals to contribute to municipal performance.

Setting performance indicators

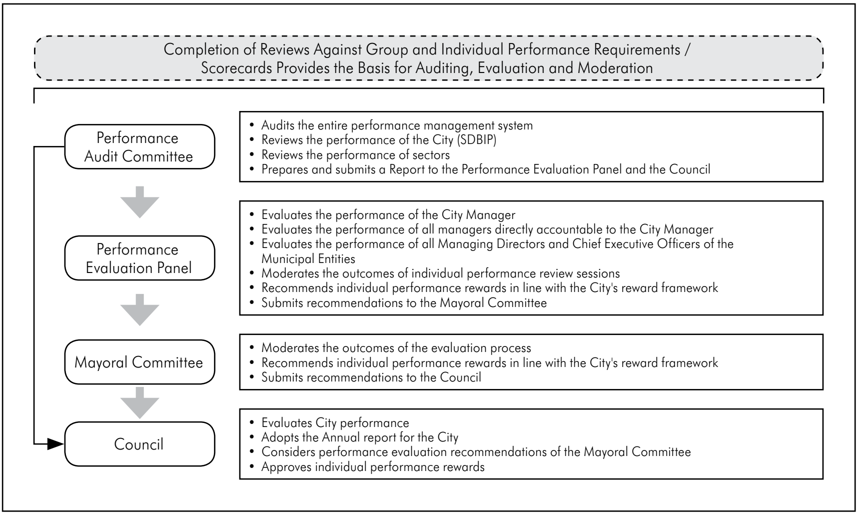
Despite each municipality being required to develop its performance management system, the National Treasury has further developed and prepared a national circular to guide metropolitan cities. The purpose of the Municipal Circular on Rationalisation Planning and Reporting Requirements for 2018/19 (MTREF) is to assist metropolitan municipalities in preparing statutory planning and reporting documents (National Treasury 2017). Furthermore, the circular states that performance reporting is driven by the National Treasury, in collaboration with the Department of Cooperative Governance and Traditional Affairs (CoGTA), Statistics South Africa and AGSA, among others. The broader objective is to enhance the reporting requirements of metropolitan municipalities. The circular provides metropolitan cities with a guide to develop performance indicators, and the results-chain level to inform the selection and application of their indicators. The emphasis is on the set of indicators to ensure a streamlined relationship between the output and outcome levels.

Performance evaluation and review process

Performance evaluation and review are critical components of the performance management system. As part of performance management, municipalities need to evaluate and review their performance quarterly and annually. Selepe (2018:546) emphasises that performance evaluation examines the factors relating to under-performance, assessing whether performance targets were met or not met, reviewing the reasons for non-performance and further recommends corrective action.

Figure 2 depicts the performance evaluation process of the City of Johannesburg as a metropolitan municipality. Figure 2 illustrates the procedure provided by the City of Johannesburg's performance policy management. As illustrated the municipality's performance audit committee audits the performance management system and conducts reviews. The committee then presents its reports to the performance evaluation panel and the council. The performance evaluation

Figure 2: Performance management system review of the City of Johannesburg



Source: (cited from Radebe, Vyas-Doorgapersad and Grobler 2015:95).

committee evaluates the city manager's performance, all those reporting directly to the city manager, managing directors and chief executive officers of the city entities. In completing the process, the performance evaluation committee recommends that the mayoral committee moderate the evaluation process and submit its recommendations to the council. As an ultimate accountability structure of the municipality, the council evaluates the overall performance of the City, adopts the annual performance report, and considers individual senior employees' evaluation recommendations for rewards.

Figure 2 provides a comprehensive approach to the performance management system review of the City of Johannesburg. The City of Johannesburg's performance review system provides for four accountability structures that are responsible for the performance review. These structures are: the performance audit committee, performance evaluation panel, the mayoral committee and the council. The challenge is that the process might be different in another category of municipality and is based on the availability of resources, creating a challenge of applications of various methods and systems. The next section discusses performance reporting informed by the packaging of performance measurement, evaluation and information monitoring. As a critical component of the performance management system, performance reporting provides various stakeholders with the required information to measure and evaluate municipalities' performance.

Performance reporting of municipalities

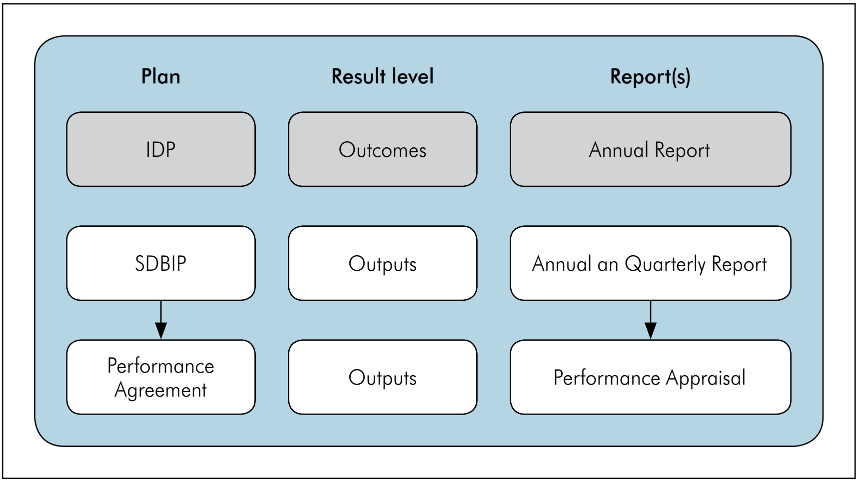
Van Dooren, Bouckaert and Halligan (2015:131) argue that an important component of performance management and measuring performance entails the reporting of the information. They state that for reporting performance information, the format should be suitable for the target group. Furthermore, they suggest that reporting formats to report to top management will be different from reporting to the media or community organisations. The reporting formats intend to package the performance information to suit other target groups. In the context of municipalities, various reports are produced for multiple accountability structures, such as the council, oversight committees, the provincial legislature and national departments, such as the National Treasury. To create performance reports, Van Dooren *et al.* (2015:131) advise that two questions need to be answered: "who is using the information, and what is the right format for that target group?" The questions raised by Van Dooren *et al.* (2015:131) become a guide for the development of reports to multiple accountability structures that need to use the performance information for decision-making. An example of the report by the municipality encompasses the state of the budget of the municipality in terms of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA).

As a response to questions posed by Van Dooren *et al.* (2015:131) above, the information for this report should cover the municipal revenue and resources, existing borrowings, expenditure per municipal vote and any allocations. The report should also include the actual spending on those allocations, excluding expenditures for its share of the local government equitable share. Additionally, the municipality presents performance assessment reports to the mayor, provincial treasury, and the National Treasury. There are also other assessments of performance focusing on monthly financial statements, half-yearly service delivery performance reports, and implementation plans for the approved budget (South Africa 2003).

Similarly, Botlhoko (2017:96) states that the MFMA requires municipalities to prepare and adopt an annual report, which must cover the performance recorded against the allocated budget, as well as financial performance. Hence, annual reports are about progress against the performance targets and budgets of municipal plans. Botlhoko (2017:98) further highlights the importance of annual performance reporting. Figure 3 presents examples of performance reporting that are required in line with planning requirements, as per the National Treasury guidelines.

Figure 3 further depicts the critical relationship between the outcomes and the output indicators found in annual reporting. The National Treasury provides strategic and logical linkages that municipalities can make in their performance reporting. The importance of performance reporting is illustrated by Ntshakala

Figure 3: Planning and reporting instruments



Source: (National Treasury 2017)

and Nzimakwe (2016:115) when stating that reporting critical matters and outcomes contributes to motivate employees and to develop interventions where required. After analysing the available literature on municipal reporting, Botlhoko (2017:100) opines that there are different types of reports used continuously in the public sector for performance and accountability. For example, internal reports, external reports, interim reports and performance reports. Table 1 indicates the type of reports used for performance reporting by the municipalities.

Table1: Overview of current performance reports by municipalities

Type of report	Purpose	Frequency of reporting	Type of report
Financial reports	MFMA Section 71 requires municipalities to submit monthly reports. Their purpose is to provide information on expenditure and revenue collection.	Monthly	Internal External Performance
Mayor reports	The MFMA requires a mayor to submit a report to the council. The purpose of the report is about finances and implementation of the budget.	Quarterly	Internal Performance
Performance assessments reports	The Accounting Officer must table to council the performance assessment considering Section 71 monthly reports and municipal service delivery.	Mid-Year	Internal Performance

Type of report	Purpose	Frequency of reporting	Type of report
In- year financial reports	National Treasury Circular 70 provides that National Treasury should conduct performance measurement for the in-year reporting framework.	Mid-Year	Internal Performance External
Annual report	Annual reports provide information on the municipality's financial and service delivery performance.	Annually	Internal Performance External
IDP and Service Delivery and Budget Implementation Plan (SDBIP) reporting	The information on revenue is monitored and reported monthly and quarterly to help the municipality monitor its revenue to adjust the budget.	Quarterly	Internal Performance
DPLG report and budget	MFMA needs the accounting officer to table the report on performance to the mayor, National Treasury and Provincial Treasury.	Mid-Year	Internal Performance External
Oversight reports	As part of accountability and performance, the council needs to approve the oversight reports on the annual report	Annually	Internal Performance External

Source: (Author's own construction)

The above-indicated reports in Table 1 serve as instruments to account for the performance of the municipalities. They provide various role players and forums with a platform to justify their acts and help municipalities improve where they have identified performance gaps and challenges.

MUNICIPAL ACCOUNTABILITY PRACTICES IN SOUTH AFRICA

The above sections provided a foundation on the regulatory requirements governing performance and accountability within municipalities. This section explores South African municipalities' current accountability practices, including forms of accountability and accountability mechanisms. In addition, it identifies possible gaps that should inform the development of the performance and accountability framework. Kraai, Holtzhausen and Malan (2017:63) note that the *Constitution of the Republic of South Africa, 1996* is the foundation of accountability in the South African public sector, including in municipalities. They argue that ministers, departments, councillors, and state-owned entities are compelled to explain and validate their actions to structures, such as Parliament and its committees, constitutional structures, and the public at large.

Municipal accountability is driven by key strategies; for example, the IDP that sets out the vision and objectives of a municipality and informs the budget that determines how revenue should be raised in terms of the expenditure plan. As part of their accountability cycle, municipalities produce yearly reports on implementing the IDP, SDBIP and budgets to the council and its various oversight committees. Botlhoko (2017:137) points out that a municipality should develop an organisational structure that defines the roles assigned to politicians and officials. The purpose of posting such responsibilities is to demonstrate accountability levels, including forms of accountability required from each group of officials and politicians. As reported by the Financial and Fiscal Commission (FFC) (2017:54), accountability in municipalities is not easy, due to the role and availability of many players that are involved with governance and management responsibilities. Furthermore, accountability in municipalities seems to be conflated by various socio-political factors. South African municipalities also experience multiple forms of accountability, such as political, legal, financial and hierarchical accountability.

The following sections discuss various forms of accountability in municipalities, such as political accountability, financial accountability, legal accountability and hierarchical accountability. Roycroft (2018:9) argues that the concept 'accountability' needs some coherence and meaningful understanding, done through different "lenses" that provide various types of accountability mechanisms and help to structure the concept. The review focuses on political, financial, legal, hierarchical and professional accountability.

Political accountability in municipalities

The council of the municipality has both executive and legislative powers as per the provisions of the Constitution. In this regard, the council is responsible for the mayor's election to exercise executive authority and the council's speaker to chair the council sittings. Furthermore, the mayor appoints the mayoral committee to assist with the municipality's day-to-day running from a political perspective (FFC 2017:62). The executive mayor must be politically accountable to the council on behalf of both the administration and the mayoral committees. The council, as elected by the community, must also be politically accountable to its electorate.

Kraai, Holtzhausen and Malan (2017:64) state that according to the Local Government: Municipal Structures Act 117 of 1998, municipalities must establish section 79 committees to play an oversight role over the administration and the executive committee. The section 79 committees play an oversight role, which contrasts with section 80 portfolio committees, because they do not report to the executive. Their function as delegated by the council is to oversee the executive committee and the mayor. These committees provide an opportunity for political accountability by those appointed as mayoral committee members and the mayor. An example of this committee is the Municipal Public Accounts Committees (MPACs) and the Municipal Audit Committee (MAC) (FFC 2017:62).

Furthermore, the FFC (2017:62) reports that the MPAC's mandate is to hold the executive to account and to ensure that municipal resources are used effectively and efficiently. The MPAC considers AGSA's reports and determines whether municipal funds are appropriately spent. In the case of wasteful, irregular, unauthorised and fruitless expenditures, the MPAC can, if necessary, call the executives to account. As indicated by the FFC, the MPAC provides a platform for both financial and political accountability by both the executive and administration members. In contrast to section 79 committees, the mayor establishes section 80 committees that focus on a specialised area of municipal work such as, finance, housing, economy, infrastructure and social welfare (FFC 2017:62). These committees provide various forms of accountability, such as political accountability, financial and legal accountability; due to their oversight functions to check compliance with different legislation.

As part of political accountability, Maimela and Mathebula (2015:143) argue that community participation in municipalities' decision-making processes in terms of programmes such as the IDP, is important. The creation of community structures provides platforms for councillors to account to their constituencies through community meetings. This form of accountability is crucial to councillors' elections, as they are the stewards of their communities by driving their developmental needs.

The next section discusses financial accountability, which is linked to both political and legal accountability.

Financial accountability in municipalities

Sebola (2015:127) argues that the MFMA provides a foundation for municipalities' financial accountability and chapters 12 and 15 of the Act prescribe measures of financial accountability as well as sanctions concerning financial mismanagement of municipalities. Botlhoko (2017:33) contends that municipalities should openly account for the allocation and utilisation of approved budgets by their councils to maintain financial accountability. Financial accountability of municipalities aims to enhance their budgetary control measures and guard against fraud and corruption, which is prevalent in South African municipalities.

Raga *et al.* (2018:168) state that as part of municipalities' financial accountability, they must present all information needed to evaluate whether their operating and capital budgets are funded as per the municipal budget and reporting regulations. As part of strengthening financial accountability, the MFMA prescribes that municipalities' budgets must be transparent, reliable and consistent across the municipality. A delegation system that clarifies the mayor's, the councillors', and the administration members' responsibilities should be developed (Raga *et al.* 2018:168). As part of financial accountability, Chapter 3 of the Act refers to possible linkages in terms of accountability and performance reporting. The financial reporting according to Botlhoko (2017:96), is essential to municipalities due to its prescription by the legislation, requiring that spheres of government provide timely, accessible, and accurate information to the public.

Furthermore, for Botlhoko (2017:103) the annual financial accounts are prepared as part of financial accountability that measures performance against the approved budget and related financial matters for the year.

From the above and accountability literature, it is quite clear that financial accountability has a possible link to legal accountability because of compliance with legislation. The next section discusses legal accountability.

Legal accountability in municipalities

Legal accountability is associated with compliance with legislation governing the role and functions of municipalities. It is also connected to other forms of accountability, such as political, financial and hierarchical accountability because of specific legislative requirements. As part of legal accountability, Motabutse (2016:64) states that the AGSA is one of the Chapter 7 Constitutional structures that audits the annual financial statements and annual performance reports. The AGSA refers to the compliance audit, where they conduct assessments to evaluate whether municipalities have complied with specific procedures, rules, and regulations applicable to local government.

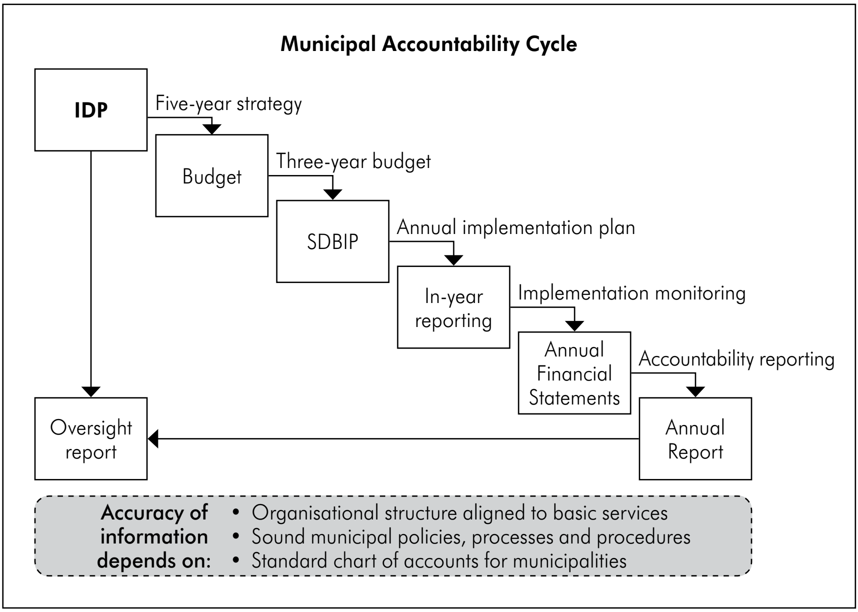
Sections 47 and 48 of the Local Government: Municipal Systems Act 32 of 2000 provide for additional legal accountability where the members of the executive council (MEC) and the minister responsible for local government are also required to provide Parliament with the state of municipalities' performance reports. Similarly, the Act states that both the minister and MEC's accountability reports must address and identify municipalities that do not perform and propose corrective action. Therefore, municipalities must comply with various pieces of legislation, guidelines, and circulars from the National Treasury (South Africa 2000). All these requirements contribute to municipal legal accountability requirements and expectations. Legal accountability forces municipalities to be accountable to various departments, such as CoGTA, the Presidency, the Office of the Premier and Provincial Treasury. These departments play an oversight role and are required to assist municipalities where possible without encroaching on their functions as a third sphere of government.

Hierarchical accountability in municipalities

Kraai *et al*. (2017:64) argue that municipalities are required to create a delegation system to improve their administrative and operational efficiency. Furthermore, Pretorius (2017:120) states that municipalities must appoint managers to report directly to the municipal manager. These officials head various departments or sections responsible for assisting in implementing council programmes.

Municipal managers are accountable for establishing an effective, efficient, and responsible administration. Furthermore, the Act states that a municipal manager should approve the staff establishment in line with relevant pieces of legislation mechanisms to evaluate staff (South Africa 2000). The establishment of staff within the municipality is in line with hierarchical accountability. Tshishonga (2015:71) refers to hierarchical accountability as a form of accountability, emphasising the municipal managers' strategic role in signing performance agreements with senior managers reporting directly to them for implementing their relevant functional area of responsibilities. As part of hierarchical accountability, the managers are accountable to the municipal manager to deliver the performance agreement deliverables they have agreed upon.

Figure 4: Municipal accountability cycle



Source: (National Treasury MFMA Circular No 63 2012:20)

As reported by the FFC (2017:57), municipalities are responsible for implementing various infrastructure projects, and most of them rely on transfers for which the senior manager responsible for infrastructure is accountable to the municipal manager. In addition, managers are responsible for the work and accountability of the lower-level staff, through signing with them performance agreements and assisting them in implementing municipal programmes.

The review of the forms of accountability in municipalities in this section indicates an overlap and complexity of reporting requirements. These complexities relate to the number of reports required for accountability and the existence of various role players, such as council committees, and external legal structures, such as Parliament, the auditor-general and communities. There is also evidence of linkages between multiple forms of accountability, such as financial, legal, and political accountability, because of legislative requirements regarding municipalities' role and functions. Figure 4 highlights the municipal accountability cycle as determined by the National Treasury.

Figure 4 illustrates the relationship between accountability instruments and their key focus areas. For example, the IDP guides the three-year budget, which influences the development of the SDBIP. In addition, the SDBIP is the foundation for municipal in-year reporting, which includes the development of quarterly reports used for accountability of performance on the delivery of services. Furthermore, the accountability cycle encourages municipalities to align their organisational structures to provide essential services.

In addition to the alignment of the organisational structure, this cycle requires municipalities to have sound policies, procedures and processes that should enhance accountability to various oversight structures. Accordingly, the IDP is a pillar of performance and accountability of municipalities as depicted at the top of Figure 4, and related to other instruments. Hence, the budget, in-year reporting, annual financial statements and annual report are instruments driving accountability in municipalities.

NATIONAL STRATEGIES TO IMPROVE PERFORMANCE AND ACCOUNTABILITY OF MUNICIPALITIES

Sithole and Mathonsi (2015:18) argue that despite legislative provisions to perform and be accountable, municipalities continue to face several challenges ranging from capacity constraints, funding mechanisms, political-administrative incoherence, and governance. To mitigate and address these challenges, Madumo (2017:213) notes that various strategies are developed to contribute to building capacity and repositioning councils for municipalities and to respond adequately to the community's needs. These strategies include the Local Government

Turnaround strategy (LGTAS), Project Consolidate and Back-to-Basics strategy. This article briefly pays attention to the Turnaround strategy and Operation Clean Audit Programme (2009–2014), and the Back-to-Basics strategy (2014-to date).

Local Government Turnaround Strategy and Operation Clean Audit Programme (2009–2014)

Madumo (2017:216) points out that the 2009–2014 LGTAS focused on four critical thematic interventions: accountability, responsiveness, efficiency and effectiveness. The strategy intended to reposition municipalities to be responsive to their community's needs and to assist councillors in being stewards of their communities by delivering public value-oriented services. The strategy aimed to strengthen municipal accountability and their engagements with communities on decision-making that concern their development and services.

Tshishonga (2019:165) argues that the LGTAS was developed due to a growing political interference in the administration, corruption, fraud, bad management, increasing violent service delivery protests, factionalism in parties, and municipal capabilities to deliver services. Furthermore, the author posits that the strategic vision is to achieve effective service delivery, better planning and to address challenges of constitutional and legislative weaknesses impeding municipalities' efficiency.

In reporting on the progress made against the LGTAS 2009–2014, PARI (2016:9) states that "50% of municipalities and municipal entities had missed achieving clean audit as part of the key objective of the government turnaround strategy. There is recorded improvement for 2009–2014; opinions increased from 46% to 50%. Unqualified opinions 'without findings' increased from 1 to 9%, and opinions 'with findings' decreased from 45 to 41%". In addition to the clean audit objective, PARI (2016:9) further reports that those municipalities and their entities who missed the Auditor-General's cut-off date to complete the audits and adverse or disclaimer findings declined during this period. While there is no precise quantification of its success around its critical thematic areas, progress made on audit outcomes as reported by PARI (2016:9) needs to be acknowledged. The next section discusses the Back-to-Basics strategy which followed the LGTAS.

Back-to-Basics Strategy (2014–to date)

The Back-to-Basics strategy formulated in 2014 acknowledged the progress made concerning the delivery of services and continuous challenges confronting municipalities. The plan cites institutional incapacity challenges, the viability of individual municipalities, and the low rate of revenue collection, which impact municipalities' ability to have enough financial resources to fund the delivery of services (CoGTA 2014:4). Furthermore, Madumo (2017:217) comments that the Back-to-Basics strategy is a continuation of the LGTAS and others that preceded it.

The Back-to-Basics strategy focuses on improving municipal capacity to deliver essential services to the people: water, electricity, adequate sanitation, and weekly removal of refuse. The author also argues that these services serve as crucial performance indicators of municipalities, and effective delivery will improve municipalities' performance and sustainability.

According to Madumo (2017:217) it implies that more and effective service delivery leads to revenue generation and contributes to the sustainability of municipal finances. In comparison, this might be a challenge to municipalities in rural areas, which do not have an adequate revenue base. Tshishonga (2019:167) states that the Back-to-Basics strategy is about responding to delivery challenges municipalities face when maintaining municipal traffic lights, fixing potholes, delivering clean water, and collecting refuse in time, supplying electricity, and maintaining municipal infrastructure.

The development of these interventions and strategies is in line with national and provincial governments' constitutional responsibility to support the local government. Furthermore, due to South Africa being a unitary state, its central government has a responsibility to make sure that money transferred to municipalities in the form of conditional grants is used to achieve national priorities. Therefore, the development of these strategies is part of the central government's contribution to municipalities' performance and accountability.

The challenges with these strategies are that every five years after elections, the new administration does not assess the previous strategy's impact and focuses rather on developing new interventions. It can be argued that the above strategies were not evaluated for their contribution, and some of the challenges identified years ago continue to exist. The challenges relating to the performance and accountability of municipalities are explored in the next section. Municipalities are a building block to manage the historical imbalances of the past, and direct engagement and access to services is part of the South African developmental agenda. The importance of improving municipalities' performance and accountability is reflected by CoGTA (2014:4) when reporting that municipalities are the critical point of interaction with the communities.

PERFORMANCE AND ACCOUNTABILITY CHALLENGES OF MUNICIPALITIES

Ndevu and Muller (2018:185) argue that the lack of public confidence in municipalities continues to grow and continuous service delivery protests reflect these challenges. Further, Ndevu and Muller (2018:185) suggest that the growth of service delivery protests are not only about inadequate delivery of sanitation, water, electricity, and housing but reflects poor performance and a lack of accountability of elected officials.

Performance challenges of municipalities

Van der Waldt (2014:7) posits that some municipalities continue to experience challenges to implement their IDPs, and as a result, their performance becomes a topical issue. In addition to the inability to implement their plans, municipalities also experience challenges with performance management system implementation due to a lack of alignment between the budgets, IDP and performance processes.

Scheepers (2015:86) states that the National Planning Commission (NPC) identified factors contributing to municipalities' poor performance. These include: tensions within the political/administrative interface; instability of the administrative leadership; skills deficit; erosion of accountability and authority; poor organisational design; inappropriate staffing; and, low staff morale. Some of the indicators of poor performance are raised by Ledger and Rampedi (2019:1), who state that municipal infrastructure is in a state of disrepair. This is the infrastructure that contributes to revenue generation, such as water and electricity meters. Poor performance on revenue generation contributes to poor infrastructure maintenance and lack of service delivery to communities. Despite national interventions, these ongoing challenges and poor performance led various provinces to initiate a section 139 intervention of the Constitution.

Ledger and Rampedi (2019:8) state that, since 1998, 140 section 139 constitutional interventions (involving 143 municipalities) were initiated, of which 15 were set aside either by agreement with the province or by court order. They

Table 2: Provincial distribution of the Section 139 constitutional interventions

Performance	Number of interventions
Eastern Cape	15 (including 3 set aside)
Free State	14
Gauteng	3
KwaZulu-Natal	40 (including 2 set aside)
Limpopo	2 (including 1 set aside)
Mpumalanga	11
North West	43 (including 7 set aside)
Northern Cape	3
Western Cape	9 (including 2 set aside)

Source: (Ledger and Rampedi 2019:7)

argue that almost "all section 139 intervention cases (the exceptions are few and far between, particularly over the past five years), the intervention comes when the municipality is in or very close to a state of complete operational and financial collapse, and after many years of serious problems, including some or all of the following: poor audit outcomes, deteriorating finances, multiple allegations of corruption, severe political in-fighting that has paralysed the council". Table 2 depicts the distribution of section 139 interventions per province since 1998:

Mamokhere (2019:4) believes that municipalities' poor performance since 2007 to date continues to be the most significant contributor to growing service delivery protests and communities' anger. Furthermore, despite interventions made by the national government, performance challenges continue to persist. There is no clear assessment of whether the interventions contribute to improving performance.

Auditing as an instrument to promote accountability

In tabling the municipalities' audit reports of 2017/2018 and 2018/19, the AGSA identified three indicators that impact and are the root causes of deteriorating accountability in municipalities. The three critical indicators identified are: the (1) regression of audit outcomes, (2) rising irregular expenditure, and (3) lack of consequences. The crucial factor leading to the three indicators is that the municipalities have failed to provide the AGSA with credible financial statements and performance reports, which led to regression of audit outcomes, irregular expenditure and there being no consequences.

This challenge is further elaborated by the AGSA when reporting that during the 2018/19 auditing year, the municipalities provided worse financial statements than previous years, to audit the 2017/18 financial year. "Only 19% of the municipalities were able to provide financial statements without material misstatements" (AGSA 2019:22). Furthermore, the AGSA (2019:23) reports that 65% of municipalities could not provide performance reports free from material flaws. These reports were deemed not credible for council use, public use and parliamentary use.

The brief review of performance and accountability challenges, as discussed above, provides a picture that needs intervention. These challenges are evident in the operational environment that lacks a performance and accountability framework. The challenges, therefore, provide an opportunity for the development of a performance and accountability framework.

CONCLUSION

This article highlighted the current accountability and performance practices of municipalities in contemporary South Africa. Accordingly, a brief assessment was done on current performance and accountability practices. The discussion highlighted an example of a municipal performance management framework and how performance indicators are set, as guided by various National Treasury documents. The discussion went further to review the process of performance evaluation and review of which the City of Johannesburg was used as an example. Various forms of accountability, such as political accountability, financial accountability, hierarchical accountability and legal accountability were contextualised within the environment of municipalities. The assessment made when discussing performance and accountability practices also revealed that there are a number of regulations and practices from the National Treasury governing these practices.

Furthermore, the article briefly highlighted national strategies developed by the national government to improve performance and accountability. The national strategies were reviewed from 2009 to 2020. The focus of the review was on the Turnaround strategy and Operation Clean Audit 2009–2014 and the Back-to-Basics strategy (2014–2020). Notably, in playing its constitutional role, the national government has initiated various strategies to improve municipalities' performance and accountability. Municipal performance and accountability are guided by the IDP, which is a five-year strategy of the municipality, as required by legislation.

The assessment of performance practices reveals several performance reports that need to be prepared for internal and external stakeholders, and these reports are required by various legislation, regulations and departments. The analysis of the number of required reports appears to place more demands on officials, which might lead to compromising the quality and accountability within the municipality. There is a need to assess whether these reports can be reviewed and to limit the number thereof by developing a performance and accountability framework.

The article also reviewed accountability practices, including internal accountability structures such as sections 79 and 80 committees. The review process highlights an ongoing challenge emanating from the capacity of committees to perform their oversight work, and these not only relate to the committees' functionality but also to those who serve on them. This challenge relates to councillors serving on these committees, who, other research reveals, have little or no expertise in scrutinising financial and other complex reports submitted by the officials.

NOTE

* This article is partly based on a PhD: Public Administration and Management thesis of Fezile Ngqobe, under the supervision of Prof David Fourie as supervisor and Dr M Tshiyoyo as co-supervisor, entitled, *'Development of a performance and accountability framework for the Gauteng municipalities'* to be submitted at the University of Pretoria in 2021.

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The Political and Administrative Dichotomy

Critical Considerations for Financial Management in South African Local Government

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ABSTRACT

The article explores the effect of polictical involvement in financial management in South African local government drawing on a case study of a local municipality in KwaZulu-Natal. Data for this study was collected by way of a mixed-method data collection approach. The quantitative part used a questionnaire survey with purposively selected participants (N=110) from the local municipality and 10 in-depth interviews. The findings reveal that while political oversight is supported by bureaucrats there seems to be latent as well as overt conflict between politicians and administrators regarding resources management at local government level. In some cases, the conflicts seem to emerge from political appointees influencing the management which is not consistent with the national and municipal financial legislation and related regulations. These findings have profound implications for financial management at the local government level. In view of the available legislation, the mayor's office and the municipal manager and other appointed office-bearers should have well-defined roles on paper and in practice.

INTRODUCTION

Financial management in local government aims to promote financial accountability and judicious use of financial revenue for the benefit of the people.

However, recently, reports of political interference in the administration and management of resources has been a source of concern as it has affected many municipalities in South Africa in the areas of performance and service delivery. Also, this interference has been linked to corruption, fraud, and embezzlement that has undermined the ability of municipalities to function properly.

The ability to manage the financial resources of the people adequately is a hallmark of good governance. The essence of financial management is to ensure accountability and to promote the judicious use of financial resources for the benefit of the people. As a process, financial management involves applying management and financial principles to decision-making. Hence, proper financial management and decision-making fall within the purview of personnel with the requisite skills and knowledge (Munzhedzi 2021:5). At the local government level, this role is critical as it is the organ of government closest to the people. Currently, in South Africa, the local government system appoints the executive mayor to perform functions that are considered to be the basic responsibility of municipality managers (Thornhill 2005:182–184). However, although the *Constitution of the Republic of South Africa,* 1996 as well as the Local Government: Municipal Systems Act 32 of 2000, grants executive powers to the mayor, the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) also empowers the municipal manager to make financial decisions for the local government (Munzhedzi 2021:1–8). Therefore, the relationship of these two principal actors is key to local government's financial performance. Unfortunately, the political-administrative interface at the local government level has been characterised by issues, *inter alia*, of ineptitude, inefficiency, and political interference. This has led to corruption, poor performance management, poor service delivery, and poor implementation of community programmes (Ndudula 2013:2). Drawing from these cases, financial management is at risk in the local government sphere unless the issues related to the political-administrative dichotomy are critically investigated and suitablty addressed.

Data from several studies suggests that the political-administrative dichotomy at the local government level has been receiving notable attention from scholars (Mafunisa 2010:544–560; Mle & Maclean 2011:1364–1383; Ndudula 2013:1–57; Munzhedzi 2021:1–8 and Mngomezulu 2020). For instance, Mafunisa (2010:544–560) explores the myths surrounding this political-administrative dichotomy in South African local government. Also, Ndudula (2013:1–57) examines the interface between the politicians and the administrators and its impact on service delivery at the municipal level. Similarly, Masuku and Jili (2019:1–7) look at the political influence on public service delivery at the local government level. In another study, Mngomezulu (2020:38–44) examines the political interference in the administration of service delivery at a local municipality of KZN (hereafter referred to as the Municipality). However, research on the political-administrative dichotomy at the local government level has focused mainly on the impact of the dichotomy on service delivery. Surprisingly, the nature of the political-administrative dichotomy itself, as a determinant for financial management, has not been closely examined; particularly at the local government level.

The article provides an overview of the political-administrative dichotomy in local government financial management in order to provide a theoretical perspective to underpin the findings from the case study. Drawing on Wilson's (1887,1941) theory of the political-administrative dichotomy, this article argues that the nature of the relationship between politics and the administration in the South African local government sector is a critical factor in financial management. It explains the mixed- method data collection approach that was used to obtain data for this study. It illustrates how respondents perceive the interference of politics in the financial management of local government and draws conclusions and makes suggestions on how local municipalities could regulate such interference.

THE POLITICAL-ADMINISTRATIVE DICHOTOMY IN LOCAL GOVERNMENT FINANCIAL MANAGEMENT

The political-administrative dichotomy has been regarded as one of the most debated concepts in the field of public administration. Its emergence has been traced to the popular article by Woodrow Wilson in 1887. However, this claim has been contested by several scholars in the field of public administration. Irrespective of its origins studies have shown that it became popular as a conceptual theory in the 1940s (Svara 2001:178). The study of the political-administrative dichotomy has been based on the presumed relationship between politics and administration in the organs of government. As a result, there have been several arguments for and against the desirability or otherwise of the involvement of politics in administrative matters.

Taking a cursory look into some of the arguments on the political-administrative dichotomy, two distinct positions are apparent. First, there are orthodox views, and second, there are contemporary views. Drawing from Waldo (1987 in Tahmase & Musavi 2011:131–139) Tahmase and Musavi (2011:131–139) explain that the orthodox scholars who commented on the political-administrative dichotomy such as Wilson (1887), Goodnow (1900), and Weber (1919) projected the dichotomy as a "distinct and separable" relationship. These views hold that the elected political office-bearers should not be involved in the administrative process while the administrators should stay away from policy formulation (Mafunisa 2010:544–560). However, drawing from Svara (2001 in Tahmase & Musavi 2011:131–139) Tahmase and Musavi (2011:131–139) also explain that the contemporary views on the political-administrative dichotomy promoted the principle of togetherness and the relationship between politics and the administration ought to be symbiotic. This view brought about the emergence of the complementary model which presents the political-administrative dichotomy as interdependent; however, with distinct roles. In essence, the politicians and the administrators should work together for a common goal of good governance.

Historically, the political-administrative dichotomy in the context of local government is characterised by a strict adherence to the rule of separation at the local government level (Svara 2001:177). According to Svara (2001:177), though, the term dichotomy was not in use during the early days of local government (the 1920s and 1930s). However, there was a strict rule imposed by the Association of City Managers (International City Management Association) that city managers must stay clear of policy matters, notably a view where there is a strict separation between politics and administration. Unfortunately, this was later referred to as an 'aberration' by Svara (1998). Consequently, there was evidence that things started changing in the 1930s when local government administrators started playing a critical role in policymaking (Svara 2001:178–180). Since then, there has been the advocacy that the expertise of the administrators is needed in politics and in policymaking.

Supporting this view of the complementary relationship between politics and the administration, Mehlape (2018:326) argues that politics also plays a crucial role in the administration. According to Mehlape (2018:326), it is difficult to separate politics from administration. Unfortunately, in South Africa, the politicisation of the administration has been associated with poor service delivery and poor governance (Masuku & Jili 2019:1). This is due to the politicisation of the administration which sees appointments into both political and administrative positions based on party loyalty instead of merit and competence. Hence, local government has become a charade of mediocrity.

THEORETICAL AND CONCEPTUAL PERSPECTIVE ON THE POLITICAL AND ADMINISTRATIVE INTERFACE

Wilson (1887,1941) as cited by Demir (2008:81–82), alludes to the fact that politics and administration are divided along the line of duty, role and authority between political office-bearers and public administrators in terms of skills, competence, leadership and guidance. The political-administration theory was premised on the notion that politics and administration are 'distinct and separable' (Demir 2008:82; Overrem 2014:311–329; Rosenbloom 2018:57–59). In essence, politics should be separated from the administration. The strength of this argument is based on the presumption that the administration needs to be prevented and preserved from the 'polution' of politics to achieve balance and good governance. This perspective has been criticised by many schorlars in the field of public administration. The criticism started with Waldo (1948) who regarded the dichotomy as a flaw and the political-administrative idea as inadequate. Also, scholars such as Montjoy and Watson (1995:231–239), Svara (2001:176–183), and Overeem (2014:311–329) based their criticism on the notion that politics and administration are inseparable and should complement each other where the elected political office-bearers and the administrators work together to achieve a common goal of good governance.

Despite the stated counter-arguments, this article draws on the work of Wilson (1887,1941) that argues that politics and administration are 'distinct and separable'. First, the logic of this theory shows that politics and administration ought to serve distinct purposes for progress and good governance. Politics is a process that deals with conflict management through the process of laws and policies while the administration ensures that the policymaking process emanating from the politicians achieves the best result for the current government. In essence, the purpose of politics is to provide political leadership and guidance for public administration. Providing political leadership and guidance entails that policy formulation and legislative functions rest solely with the politicians. On the other hand, administrators are equipped with technical expertise and skills that give meaning to the policy processes.

Administrators help to limit political influence on policies. Hence, administrators need to maintain neutrality in politics. Second, the logic of the theory also advocates that the political-administrative dichotomy must ensure that democratic accountability and planning ability are achieved. Democratic accountability and the ability to plan refer to the ability of the administrators to effectively implement policies that conform to the legislative intent. While the politicians legislate, the administrators implement the policies (Demir 2008:82–87). This is only achievable through the provision of political leadership and through maintaining neutrality from politics by the administrators.

The political-administrative dichotomy's emphasis on the division of labour and the separation of powers between political office-bearers and the administrators is especially useful for this study's analysis as it allows one to think through how the relationship between the executive mayor and the municipal managers can be managed in local government to promote effective financial management. To this end, Wilson's conceptualisation of the separation of powers, roles, and duties is important to grasp how the political-administrative dichotomy could aid and enhance effective financial management at the local government level.

It is in this regard that Wilson's focus on the neutrality of administrators in politics could help to curtail politician's influence over policy and at the same time ward off the politicisation of the administration. Essentially, administrators' neutrality in matters of politics means that administrators should desist from political activities.

Also, it enhances the administrator's ability to implement policy that conforms with legislative intention. Therefore, it is believed that separating public administrators from politics will help them to fulfill their policy implementation responsibility.

In this article, the political-administrative dichotomy allows for an ideal separation of the roles, duties and authority of the executive mayor and municipality managers. This should give room for effective and efficient financial management in local government to promote accountability and judicious use of financial resources and to generate revenue to improve the well-being of the people at grassroots level.

Political interference

Many scholars have written on the political-administrative dilemma that prevented many municipalities in South Africa to uphold good governance practices (Azunu 2013:60–65; Boshoff 2011:5; De Visser, Steytler & May 2009: 11–17). Mafunisa (2010:544–560) acknowledges the challenges confronting local municipalities when the political authority interferes with decision-making. The battles are usually fought between the mayor and municipal manager as both offices are supposed to promote effective and efficient service delivery (Thornhill 2005:182–183). The Auditor General (2013) in the *Local Municipalities and the State of Local Government Report, 2009* confirmed that political tensions could trigger poor accountability and ultimately lead to poor municipal financial management. The root cause of such conflicts, according to the Auditor General is failure to establish control over municipal resources which is a challenge in achieving financial accountability. Ambe and Badenhorst-Weiss (2012:242–261) also noted political interference in municipal financial management in the local government sphere. According to these authors, in local government procurement systems, contracts are awarded to undeserving parties based on political affiliation. Therefore, political interference defeats the capacity of local municipalities and derails the implementation of the Auditor General's audit opinions including financial control strategies for utilising citizens' money in a cost-effective manner. Furthermore, political interference in the financial matters of a municipality results in conflicts, poor planning, lack of compliance with legislation and poor decision-making (De Visser 2010:11-1). It is arguable therefore that, political interference in the form of political appointments in key municipal positions has a detrimental effect on financial accountability.

Weak human resource capacity

Evidence in the research suggests that the human capital asset of a nation determines its socio-economic growth (Ahmed 2015:506–524). In the context of local government administration and management, it is presumed that mediocre governance at the helm of affairs is a disaster waiting to happen. The fault of having weak human resources capacity in the local government sphere has been placed at the doorstep of the political-administrative dichotomy. Politicised administration has allowed political infiltration and influence over the employment selection process in that, skills and capacity have been sacrificed and replaced by consideration of political loyalty.

Furthermore, elected office-bearers and administrators are saddled with the responsibility of providing leadership. Hence, there is a level of capacity required from those at the helm of affairs for a functional society. Local government is confronted by poor human resources capacity to ensure effective talent management because local municipalities fail to demonstrate knowledge of talent management, which is crucial in order to identify experts in municipal finance to drive the developmental agenda in a cost-effective manner (Koketso 2011: 2221–2233; Nzewi, Ijeoma, Sibanda & Sambumbu 2016:39). Due to weak and incompetent human resource staff, unskilled people are hired to fill key positions in the municipality which results in poor performance management. The failure to deploy skilled staff may be influenced by cadre deployment where politics interferes in the administration of municipalities (Thornhill 2005:182–183). When municipalities become politicised, the identification of talent becomes a challenge as the recruitment and selection procedures are manipulated to serve political party interests (Masuku & Jili 2019:1). Financial accountability in such a scenario is non-existent, paving the way for the embezzlement of municipal finances through lack of compliance with legislation regarding management of municipal finances (Vermeulen 2015:711). The lack of an effective human resources department to implement talent management programmes carefully, has a detrimental effect on municipal performance management. This can further lead to misalignment of the vision and mission of local municipalities with legislation concerning municipal finance (Van der Westhuizen 2016:5–129). Hence, a weak human resources department leads to poor management of municipal finances and this has an adverse effect on community service delivery. At this point, it is safe to say that the political-administrative dichotomy is fundamental to the nature and availability of human resource capacity in the local government sphere.

Corruption and financial management

Corruption is one of the major problems that has been linked to the political-administrative dichotomy. The inability to define the relationship between the politicians and the administrators in terms of their roles and duties in the political-administrative context has contributed to corrupt practices. For instance, the politicisation of the administrative functions reduces the authority of the administrator because they only take orders from the politicians. Some administrators dance to the tune of the politicians due to the power and the influence of politicians wielded over them and also for fear of losing their jobs. With this type of relationship, financial managers are easily compromised or polarised to aid fraudulent activities. Studies have shown this is a recurring problem in the history of public administration (Macedo & Valadares 2021:164–186).

According to Craythorne (2003:260) corruption has been identified as a factor constraining financial management in local government. It emanates from unethical practices and manipulation of various municipal systems to benefit a few individuals. Local government corruption is rampant in public procurement systems where tenders are awarded to friends, families, and individuals without following legislative prescriptions and due procedure. In many cases, huge amounts of municipal funds are stolen either through overpricing of municipal contracts or through tenders submitted by the service providers. Craythorne (2003:260) defines corruption as a moral deterioration that reveals itself through corrupt activities that include theft, fraud, and bribery. Following various commissions of inquiry in South Africa such as the Zondo Commission, revelations of corruption came to light that senior public officials at the local and national levels are involved in corrupt practices. Corruption has adverse effects on the functioning of government departments and community service delivery at large (Basheka &Tumutegyereize 2011:1–2). Several communities have been deprived of much-needed services due to corrupt activities which result in many service delivery strikes. It can be deduced from these arguments that corruption can deplete municipal funds especially through the procurement system which leads to poor service delivery as municipalities underperform and some end up under provincial administration. Mitigating corruption is never a simple job, nonetheless, local municipalities together with stakeholders can devise, for example, whistle-blowing mechanisms that can help minimise corrupt activities for the benefit of communities who depend on services from local municipalities.

METHODOLOGICAL ISSUES

The data for this study was obtained through a mixed-method data collection process including structured interviews and survey questionnaires.

Participants

The data for this study emerged from a broader project that used interviews with purposively selected participants and randomly chosen surveys participants. The study draws on 110 purposively selected participants from a local municipality in KZN. These are the Municipal Manager as the Accounting Officer (AO) and Chief Financial Officer, five cross-functional directors, 10 cross-functional managers, 54 finance and accounting officials, 36 political members in the council as well as the mayor, whip, and speakers. The choice of the sample was determined by the central role these participants play in financial management in local municipalities. For ethical reasons, the identities of key informants in this study are not revealed. For instance, the alpha-numerical indicator KI1 is used for the first key informant.

Instrumentation and data collection procedures

To solicit information from the Executive and Managers, Finance and Administration Staff, the Public Participation Manager, and Ward Councillors of the Municipality, a structured interview guide was used. An interview with 10 officials was conducted on Zoom and telephonically due to the Covid-19 restrictions. This method provided a platform for the study to gather detailed information from the research participants. Furthermore, it was more suitable for this complex phenomenon that sought to assess the financial management challenges in local government. The interview questions were derived from the research questions of this study. In addition, the quantitative data was gleaned through a questionnaire survey. The study used a structured and unstructured questionnaire survey (N=100). The questionnaire survey was used to solicit information on the perceptions of municipal officials in the Municipality regarding the handling of municipal finances earmarked for delivering services. This method was useful in gaining detailed information on the challenges in financial management being encountered in the Municipality.

A few broad themes were covered in the questionnaire to obtain some insights into the use of oversight structures in the financial management of local municipalities and to see how the processes can influence service delivery. The data collection instrument included a five-step Likert scale where respondents were asked to rate their level of agreement in terms of financial management rating as 1=Strongly disagree, 2=Disagree, 3=Somewhat agree, 4=Agree, and 5=Strongly agree. The Cronbach's Alpha was used to measure the internal consistency ($\alpha = 0.7$).

Data analysis

Before analysing qualitative data, audio files from the interviews were transcribed verbatim. The transcripts generated approximately 30 A4 pages. The transcripts were carefully studied to identify emerging themes in an iterative process as noted above. A four-step thematic analysis process was followed. The study identified major themes, allocated codes to main themes, classified themes, and integrated the themes to make sense of the data. Regarding quantitative data, the study relied mainly on descriptive statistics to read the trends and patterns emerging from the data. Tables and graphs were used to give a pictorial view of issues that emerged from the data.

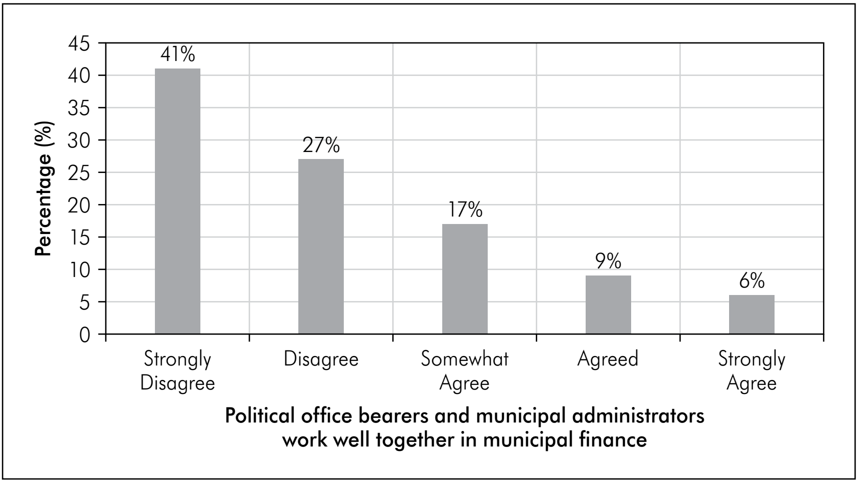
FINDINGS

Political office-bearers and municipal administrators work well together in the management of municipal finances

The study established that municipal workers and their political principals seem to work together well but they acknowledge that political interference does affect service delivery and financial management. The study also wanted to find out whether or not the nexus between political-administrative dichotomy affected the financial management matters of the Municipality. Figure 1 shows the relationship between the political influence and administration functioning.

Figure 1 shows that a majority of respondents (41%) intensely disagreed that political office-bearers and municipal administrators work well together while 27% disagreed. Only 17% of the respondents somewhat agree that politicians and administrators work well together. The figure indicates that 9% of the respondents agreed, and a smaller percentage of 6% strongly agreed that political

Figure 1: There are political and administrative disputes in the financial management process



Source: (Authors' own construction)

office-bearers and municipal administrators work well together concerning municipal finances. It is evident from this figure that a majority of 68% disagree with the view that politicians and administrators work in harmony. This perhaps reflects the fact that in the Municipality, the relationship between political office-bearers and administrators should be well-managed to ensure that municipal finances are used to achieve their intended purposes.

One of the interviewed participants, however, holds a different view and stated that: *Infighting between the mayoral and the office of the municipal manager is rife in this Municipality. This always affects our municipal, budgeting processes as the dispute drags on, which affects our capacity to effectively render services to our communities* **(KI 2)**.

Across various municipalities in South Africa, disputes between the office of the mayor and that of the municipal manager occur. In the Municipality, it appears to be controlled by an acceptance of common goals. This is supported by another participant who holds that: *Yes, we have our differences when it comes to municipal budgeting and control as each office pushes towards our own goal. However, as a Municipality our overall goal is to see communities prospering so when doing our meeting on finances and budgeting, we make sure we reach a common ground for the sake of the citizens who entrusted us with their money* **(KI 9)**.

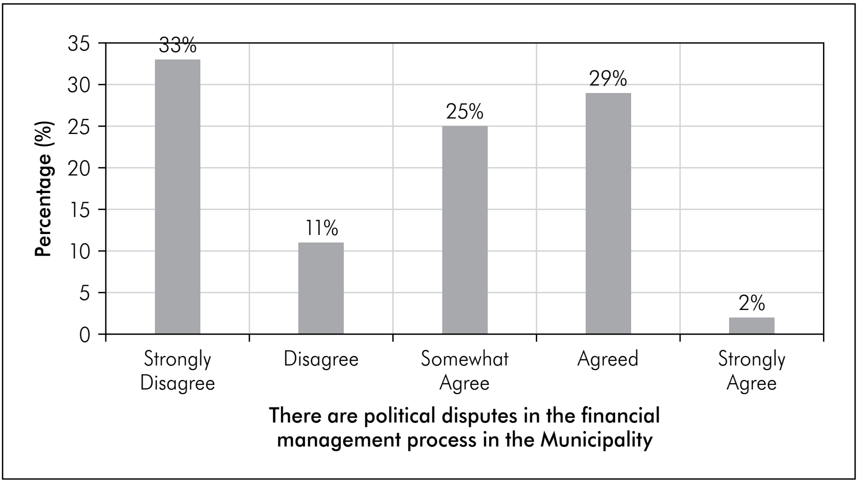
A closer analysis of these two assertions alerts the study to the political-administrative dichotomy that is well documented in South African literature. The findings show that although in the Municipality disputes often arise between politicians and administrators, this can be controlled as both offices have the interest of the citizens at heart and are geared towards achieving a common goal which is service delivery. Managing differences in a municipal setup helps minimise issues of corruption and poor decision-making which will affect the Municipality in future.

Political disputes in the financial management process

The study aimed to determine whether or not political disputes exist in the financial management process in the Municipality. Figure 2 reflects the views of the respondents in this regard.

Figure 2 shows that 33% of the participants firmly disagree, and 11% disagree that there are political disputes in the financial management process of the Municipality. The results indicate further that 25% somewhat agree, 29% agreed and a smaller percentage of 2% strongly agreed that there are political disputes in the financial management process in the Municipality. It is evident from these findings that a majority of 56% of respondents are in favour of the statement that political disputes in the financial management processes of the Municipality affect the functioning of the Municipality. This is because political interference is

Figure 2: There are political disputes in the financial management process in the Municipality



Source: (Authors' own construction)

felt in many administrative sections of many government departments, including municipalities. One of the interviewed participants expressed the view that: *The municipal budgeting process is the most affected by political disputes in this Municipality. We take long to make sound decisions and communities are at the receiving end of these disputes as service delivery gets delayed in many circumstances* **(KI 3)**.

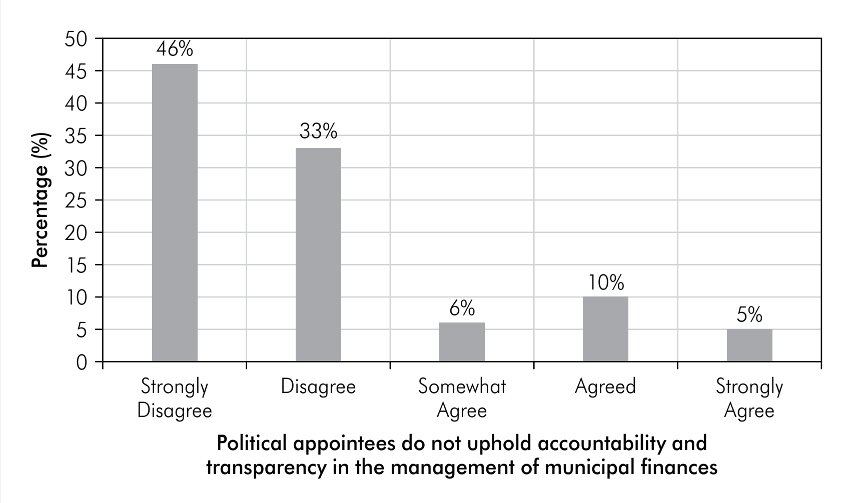
It can be argued from these findings that, disputes between political office-bearers and administrators regarding the way forward on the use of municipal finances do affect the communities who rely on essential municipal service provision. Reaching consensus in the face of political disputes can lead to good basic service delivery such as for water or sanitation for the communities. The analysis of findings indicated that a shift in the operational strategy can be vital in enhancing municipal service delivery.

Accountability and transparency of political appointees

The study also aimed to determine whether political appointees uphold accountability and transparency in the use of municipal finances. Figure 3 examines this statement through the views of respondents.

Figure 3 shows that the majority of respondents (46%) strongly disagreed while 33% disagreed that political appointees do not uphold accountability and transparency in the management of finances in the Municipality. The results further

Figure 3: Political appointees' accountability and transparency



Source: (Authors' own construction)

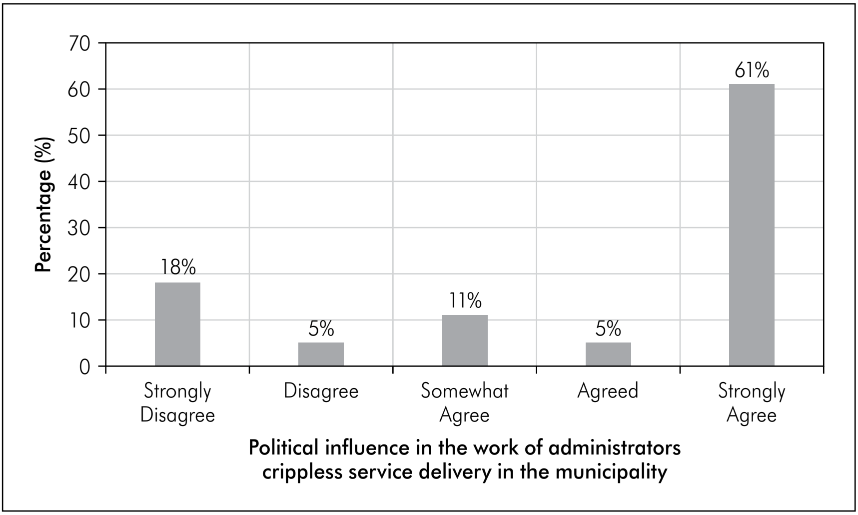
show that, a smaller combined percentage of 21% agreed that political appointees do not uphold accountability and are not transparent concerning municipal financial management. It is clear from these results that the majority disagreed with the statement that political appointees do not account for nor are they transparent in the municipal financial management of the Municipality. The analysis of these findings may dismiss the general view among the people that those who are appointed to municipal positions in terms of the ANC policy of cadre deployment are bosses unto themselves. The findings here seem to point in another interesting direction in which political cadres unexpectedly are the most abiding with municipal legislation on financial management.

Political influence in the work of administrators cripples service delivery in the Municipality

The study also wanted to know whether or not political influence has any effect on the work of administrators in the Municipality. Figure 4 shows whether or not political influence, in the opinion of the participants, cripples service delivery in the abovementioned municipality.

Figure 4 shows that many respondents (61%) strongly concurred that political interference adversely affects the implementation of service delivery mandates in the Municipality, this is followed by 18% of the participants who strongly disagreed that political interference affects the work of administrators. It can be noted

Figure 4: Political influence in the work of administrators affects service delivery



Source: (Authors' own construction)

from these findings that, a majority of 77% agree that political interference affects the work of administrators in the Municipality. These findings appear to contradict previous findings as stipulated in Figure 1 where the respondents agreed that a good relationship exists between politicians and administrators. Given the current circumstances in South African municipalities, politicians seem to be taking centre stage as the local government procurement systems are influenced by politicising. This observation is confirmed by one participant who stated that: *It is a public secret that politicians always bulldoze their way in the financial management of this Municipality. Some of the decisions we have as financial administrators are forced decisions that do not correspond to our values or what we believe in. To protect our jobs sometimes we give in to political pressure thereby weakening our financial oversight expectations* **(KI 5)**.

It is noted from the findings above that, municipal officials are sometimes forced by prevailing circumstances to give in to political pressure for the sake of protecting their employment. The reason is that politicians are believed to wield enormous political influence when it comes to municipal affairs. Therefore, the fight between politicians and municipal officials does affect service delivery and management of municipal finances. Commenting on this issue, another participant who corroborated the findings stated that: *In many cases in these municipalities, political office bearers always advance their cause by supporting poor ventures that lead to depletion of municipal coffers. They are aggressive and uncontrollable and trying to fight them can result in one losing a job* **(KI 10)**.

The analysis of these findings clearly illustrates the damage caused by political influence in the work of municipal administrators in financial management matters of the Municipality. Although, previous findings attest to the existence of a complementary relationship the evidence presented here indicates the opposite. It is evident that municipal protesters are rendered powerless by political office-bearers and enforced management decisions show how fearless politicians are as administrators mainly seek to retain their jobs. Therefore, it can be concluded that political interference is detrimental to financial management in the Municipality and can harm the capacity of the Municipality to deliver services to communities under its jurisdiction effectively.

DISCUSSION

The objective of this study was to examine the nature of the abovementioned relationship between political-administrative dichotomy as it affects financial management in the Municipality. As alluded to in the literature the political-administrative dichotomy is rampant in South African local government. This is a very complex phenomenon because political office-bearers and municipal administrators should work closely together from policy formulation to the implementation stages of rendering service provision. Vilakazi and Adhetiba (2020:48) affirm that the political-administrative dichotomy in South African public administration is a significant concern regarding the operation of municipalities. Naidoo (2017:73–86) laments that when disputes arise between politics and the administration, it results in corruption which adversely affects municipal finances and in the process derails public service provisions. Although there is advocacy for enabling structures to be put in place to safeguard public money, the political-administration disputes create siphoning loopholes, leaving municipal finances vulnerable to embezzlement.

The analysis of quantitative findings indicated that overall, the political-administrative relationship in the Municipality is a constraint to effective municipal financial management. Through analysis of qualitative findings, municipal officials confirm that there is bullying by politicians when it comes to decision-making regarding municipal finance. Although there is a demarcation between the political office of the mayor and the office of the municipal manager, evidence shows that political interference has become a scourge to municipal financial management in the Municipality. Although the relationship is contained sometimes for the sake of service delivery, its debilitating effect on community service delivery leaves a long-lasting legacy. This is confirmed by Pretorius (2017:1) who states that tensions in local government emanate from those in management who share different political affiliations which then influence their decision-making and interfere with various processes in local government. This is detrimental to municipal financial management; hence, the relationship between political office-bearers and municipal officials should be properly handled to realise adequate service provision. Maqoko and Andoh (2019:80) further advocate for the tensions between politicians and administrators to be well-managed to enable the development of local municipalities. It can be deduced from these discussions that, for the Municipality to excel in municipal financial management, the existing relationship between political and administrative structures must be handled in a professional manner where the leaders work collaboratively to safeguard municipal finances and to improve service provision to communities.

The analysis of findings appears to contradict some of the provisions of the political-administrative dichotomy for this study. Regarding oversight structures for sound financial management, the theory seems to be appropriate as it advocates for institutions within the public sector that should play various roles, to produce an outcome. The findings have stated clearly that the availability of oversight committees is influential in the management of municipal finances in the Municipality. Nevertheless, these structures appear to be poorly coordinated as the findings have stressed clearly that they exist in name only and that their role is quite insignificant in safeguarding municipal finances. In terms of financial management institutions and structures must be interlinked with various stakeholders towards achieving an outcome. The study could not find the proper link within oversight committees hence, the failure by the Municipality to obtain a clean audit.

Furthermore, the findings revealed that the skills and competencies needed to spearhead sound financial management were reported to be missing in the Municipality. Despite the fact that there is advocacy that the control system for methods and procedures must be aligned to functions that safeguard resources, the findings revealed the reality on the ground. The skills deficit was evident in both qualitative and quantitative findings. It means that in this regard, the theory could not properly support the findings; hence, a gap exists concerning the skills shortage and it heightens the need for the Municipality to reconfigure its skills base to enhance service delivery.

Overall, as mentioned in the introduction, although many studies have been done on the political-administrative dichotomy in local government, the majority of the studies focused on the impact of the dichotomy on service delivery. However, the importance of our findings on political-administrative dichotomy from a financial management perspective has shown that the political-administrative dichotomy could provide checks and balances on financial management as well as on other important matters to the advantage of the local government.

The analysis of findings revealed that processes and systems exist in the Municipality to achieve sound financial management. This is in line with financial control which ensures that instruments, accounting, control models, and related aspects must be reflected in organisations. Although models could not be reported on in the findings, processes such as Integrated Development Planning (IDP) and participatory budgeting processes were reported to have been implemented in the Municipality. Nonetheless, stakeholder participation was missing in these processes which adversely affected the success of financial development programmes. The most important element of citizen input was not found which for some showed that the theory was not properly adhered to in practice.

The nature of political-administrative dichotomy in the Municipality did not appear to be strained as coordination between the two offices was noted concerning municipal finances, although disputes exist. In terms of alignment and coordination towards producing an outcome, the findings seem to support these provisions. As noted before, internal audits and accountability are crucial to improve relationships in organisations. Therefore, the interface between political office-bearers and municipal administrators is of great significance to safeguarding municipal finances. The implication of the political-administrative dichotomy for this study is that policymakers need to ensure that local municipalities are capacitated enough and that committees must be strengthened to make sure that they play a critical oversight role regarding municipal finances. Scholars of public administration can therefore draw a lesson from this regarding the use of control and can relate it to theory in public accounting studies. Lastly, by employing the political-administrative dichotomy in this study, readers can understand the whole, dynamic, and complex public financial environment, how relationships can be managed, processed and systems interact in a web towards improving service delivery. The theory, therefore, informs accountability and transparency in municipal finances as crucial elements in attaining sound financial governance.

CONCLUSION

The aim of this article was neither to vilify nor to glorify political principals in the governance of local government. It is a given that politicians play a critical role in the governance of local municipalities. Important as they may be, this article, however, sought to demonstrate how the nature of the relationships between the elected officials and appointed office-bearers can result in poor financial management. From the analysis of the findings, there seems to be a mixed perception when it comes to the interface between political-administrative dichotomy in connection with the financial management of the Municipality. Some respondents believe political interference is detrimental to municipal financial management while others dismiss the view. It was concluded that although political office-bearers meddle in financial affairs, they often agree with municipal administrators on how municipal finances should be used to render public services. Therefore, the relationship is a controlled one despite the competition between the political and administration offices. Findings revealed that the inevitable clash between the mayoral office and the municipal manager's office triggers conflicts that can be detrimental to municipal finance management in the Municipality. Although, others argued that the existence of the mayor and the municipal management is crucial for development. Hence, there is a need for the two important offices to coexist for municipal and community development. Therefore, the study recommends that the two offices act as checks and balances on each other to ensure that municipal finances are safeguarded against theft and fraud. Increased financial monitoring and evaluation is key to effective and accountable use of municipal finances. Furthermore, the Cooperative Governance and Traditional Affairs (COGTA) is encouraged to increase its oversight role to ensure that local municipalities comply with good principles of financial management and recommendations of the Auditor General in order to accelerate service delivery in communities. Although, this study only covered one municipality, the horizon could be expanded to include other municipalities.

NOTE

* This article is partly based on a Master of Public Administration Dissertation under the supervision of Sybert Mutereko submitted at the University of KwaZulu-Natal of Mbatha, N. 2021. *Examining financial management of local government in South Africa: a case study of a Local Municipality in KZN,* Master of Public Administration Dissertation. Durban: University of KwaZulu-Natal.

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Budgetary Process and Good Governance in Nigeria

Public Bureaucracy as the Pragmatic Recipe for Change

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ABSTRACT

The public bureaucracy is a key stakeholder in public budgeting in developing countries. It is involved in budget formulation and implementation. However, budgeting in Nigeria has become enmeshed in controversy and crisis as in terms of attempts to use it to satisfy institutional and personal goals against the public interest. Within the framework of public choice and the cost benefit theories, this article examined the interface between budgetary process and good governance in Nigeria and how public bureaucracy can serve as a recipe for change.

This article utilised qualitative and exploratory research design to gain an insight into the nexus between budgetary process and good governance in Africa and the role of civil bureaucracy. The researcher also consulted different sources to ensure quality of the article. Subsequently, relevant sources of this research were fairly and professionally scrutinised, understood and tested with the available literature for the purpose of this research.

The article argues that the behaviour aspect of budgetary and governance practices in the country are negative. Corruption and fiscal indiscipline still characterise the budgetary process in Nigeria in particular and the continent of Africa in general. This article concludes that, budget as economic and political blueprint is to help the government meet the yearnings and aspirations of the people. But unfortunately, this has not been the case due to conflict of interests between what the public want and what the individual and corporate bodies' prioritise. Therefore, until the right behaviour

and attitudes are put in place in carrying out matters that concern the state, the country will continue to grope in the dark.

INTRODUCTION

The public bureaucracy is a key stakeholder in public budgeting in developing countries. It is involved in budget formulation and implementation. The final decision on the shape of the annual budgets lies with the political masters who are directly responsible to the electorates while the top bureaucrats in Ministries, Departments and Agencies (MDAs) provide the information on which decisions are reached on the annual budget of government at various levels. A budget is an instrument of socio-economic and political planning. Most especially, it helps to direct economic growth and development (Michael 2006:87). For this reason, a budget is seen as an important document that all should be interested in, because it affects positively or otherwise, the fortunes of virtually all sectors of the economy and society (Akhakpe 2014:298; Oshisami & Dean 1994:62).

For many years under military dictatorship, not much emphasis was given to the annual budget because of the military ways of governance. But with the return to civil rule in 1999, much interest has attended every annual budget. Beginning from the legislature who must scrutinise it, to the media who analyses the budget to the people who are directly affected by it, budgets have generated much interest in Nigeria today. The attention the budget is receiving is not out of place principally because the government is interested in meeting the aspirations and expectations of the people for improved welfare and well-being which is the essence of democratic governance (Henry 2005:102). Sometimes, political and partisan politics are brought into it. The budgetary question is who gets what, when and how much. For many Nigerians, the annual budget is a great lie because it has failed to translate into concrete realities, government socio-economic and political programmes that can bring real development to the country. How therefore, can one explain these phenomena? What forces account for these budget controversies? How can bureaucrats through the instrumentality of budgets ensure good governance? These are the issues that this study seeks to unravel.

To address the issues central to the article, the article is organised into the following sections. Conceptual and theoretical underpinnings are provided. Second, the evolution of public budgeting in the context of public sector management is assessed. Furthermore, the nature and scope of public budgeting is analysed. The budgetary process in developing countries, specifically Nigeria, is analysed.

Finally, the article provides an overview of how the budgetary process could serve as a pragmatic recipe for change and good governance in Nigeria.

METHODOLOGY

This article which is theoretical in nature drew its arguments mostly from secondary data using a qualitative desktop method in deriving data for addressing the issues under analysis. Credible literature sources were consulted and analysed in order to explore the nexus between managerial leadership and public service delivery in Africa. This includes textbooks, journal publications and internet sources relevant to the study. Authoritative scholarly sources were reviewed during a desktop study. The purpose was to identify the relevant publications and apply them in the research.

CONCEPTUAL AND THEORETICAL EXPLORATION

The term budget has undergone a lot of changes depending in most cases on the sphere where it is used or applied. In its simplest sense, budget can be described as a document that shows the expected income and expenditure of an organisation for a particular period, usually a year. In government, budgets are formulated and implemented every fiscal year. The concern of the populace for political accountability, particularly as it concerns the expenditure of public funds, gave rise to modern budgeting (Michael 2006:88). Lee Jr. and Johnson (in Akhakpe 2014:299) define a budget as a document or a collection of documents that refers to the financial condition of an organisation (family, corporation, government), including information on revenue, expenditures, activities and purposes of goals. A budget is a forward looking (perspective) document projecting expected revenue, expenditure and accomplishments of an organisation. Sharma, Salana and Kaur (2012:99) see a budget as a plan of the expenditure and of revenue to balance that expenditure of usually a public authority.

Thus, it is imperative to note that the term "budget" is used differently to mean different aspects of financial transactions of governments. In England for example, the term budget is used only to refer to the revenue or taxation part of financial transactions (Akhakpe 2014; Sharma *et al.* 2012). In the USA however, the federal government budgeting refers to the complete financial process comprising of its preparation, enactment by legislature, its execution and accounting of it (Sharma *et al.* 2012). In Nigeria, a federal state like the United States of America (USA), budgets are more concerned with expected revenue and expenditure of government in a particular year and not how the revenue generated is expended

(Akhakpe 2014:300). The accounting and auditing exercises or processes are often not in the public domain except when there are major crises arising from them. Even in such cases, reasons for such action may not be unrelated to the public interest on how taxpayers' monies are spent.

According to Igbokwe-Ibeto (2019:2), civil bureaucracy is the most visible branch of the executive arm of government, which is responsible for putting into effect government policies and programmes and the provision of goods and services to the people. Civil bureaucracy is constituted as a legal-rational system that produces efficiency. By virtue of their experience and access to information, higher civil servants play fundamental roles in the budgetary processes, particularly the nature it takes and the success or failure of its implementation. All these are possible because of the way civil bureaucracy is constituted and the roles it is expected to play in the polity. Blau and Mayer (in Sharma *et al.* 2012) define civil bureaucracy as an organisation designed to accomplish large scale administrative tasks by systematically coordinating the work of many individuals. The high point in this definition is the capacity to coordinate to achieve set goals. From the angle of efficiency, civil bureaucracy can be seen as an organisation that maximises efficiency in administration or an institutionalised method of organised social conduct in the interests of administrative efficiency (Igbokwe-Ibeto 2019:2; Sharma *et al.* 2012).

If the features embedded in the concept of bureaucracy are put into practice, good governance would easily be achieved. Governance has its different types. But generally speaking, good governance refers to how resources are used to achieve societal goals, particularly the welfare and well-being of the citizenry (Igbokwe-Ibeto, Agbodike & Sam-Okere 2015:88). Public authority and resources ought to be exercised in a responsible and responsive manner in the interest of society and its people. Good governance can also be defined as the manner in which authority, control or power of government is exercised in mobilising a society's social and economic resources to aid the issues of public interests (Sharma *et al.* 2012). These three subjects: budget, bureaucracy and good governance, woven together are aimed at accomplishing the public interests which is the welfare and well-being of the citizenry (Igbokwe-Ibeto *et al.* 2015).

Attempts to come up with a theoretical framework that would incorporate the interests of budget, bureaucracy and good governance have been difficult. Efforts at using economic, management and political science models have not made it easier. Several theoretical approaches, however, have been tried without completely solving the budgetary puzzle. The public choice theory, the cost benefit theory and the political model as incremental behaviour, are some of these efforts. Here, budget is seen as a base for which increments could be added yearly. It is important to state here that whatever model or theory that is evolved, a budget cannot take a neutral course leading to rational decision, rather it often comes to terms with the nationality of political processes concerned by resolving conflicts within an acceptable time frame and the problematic political nature of budgetary decision-making. All these have to come into play for a budget to be successfully implemented. This situation appears to be the case in developing countries where the institutions of governance are not fully developed and political behaviour is highly hazardous.

EVOLUTION OF PUBLIC BUDGETING

Public budgeting did not begin with its present form. It has changed its format, philosophy and principles based on pressure from public opinion that has always pressed for better use of public funds. According to Henry (2005), the evolution of a new budgeting format is driven by evolving public opinion about the proper role of government in the society. Very few governments would willingly open their accounts to public scrutiny unless forced to do so by the electorates. Expectedly, the taxpayers' concern over the public budget is bound to intensify with time going by the failure of government to meet their expectations on various aspects of their lives.

The word budget according to Lee Jr. and Johnson (in Akhakpe 2014) refers to a little compartment variously described as a leather pouch, wallet, bag or purse (Lee Jr. & Johnson 1993). Jesse Burkhead (in Lee Jr. & Johnson 1993) observes that in Britain, the term "budget" was used to describe the leather bag in which the Chancellor of the Exchequer carried to parliament the statement of the government's needs and resources. However, with time, the budget came to represent the statement within the bag and not the bag itself (Akhakpe 2014). Even then, the term budget assumed different connotations in different political jurisdictions.

A perspective view on the evolution of budget from England has it that the budget was used in England as early as the 18th century to control the king's power of taxation which provided the revenues and to control governmental expenditures. It is interesting to note that this early use of the budget principle in England, dealt with the supply as well as the use of funds – a concept which is fully recognised in modern business budgeting.

Consequently, when English immigrants travelled to the United States and Canada in the early days, apparently to trade and settle, they brought with them into these two countries the concept of governmental budgeting which they began to apply in their transactions. Although, the introduction of budgeting to municipal authorities was not to begin until 1920 when the majority of cities and towns had recognised budgeting as an essential part of municipal financial administration (Woxon 1991). Yet, it remains ambiguous what the budget is actually used for. This point becomes apposite going by variations in their content and applications.

In the USA, the budget takes more or less a legal status. It is the official recommendation of the president to the Congress but it is not the document with which the government carries out its activities. The official operating budget can be found in several documents known as the Appropriation Act. But local budgets put forward by mayors could become their operating manual as adopted by the various city councils. Similarly, in India, there are several official budget documents while the one presented to the congress may not represent what would be used by its operators. Indeed, various aspects of government operations have their own official budget documents.

In developing countries in Africa, Asia and Latin America, a budget is more eclectic and all encompassing. This is not unrelated with the state of development in these areas and the lack of a viable private sector to champion the course of development. In these countries, government took on responsibility for accelerated economic and social development. Thus, as has been observed, the growing and diversified activities undertaken by governments, the whole array of fiscal, monetary, credit and other policies pursued by them, and the way and manner of financing public expenditures, are all to a considerable extent reflected in a government budget (The United Nations 2006). But it is one thing to have an all-inclusive budget and yet another to implement it. Perhaps, this is where the problem of budgeting lies in developing countries.

The functions of public budgeting cannot be over emphasised; the article shall highlight briefly, the purposes or functions of government budgets which include: to mobilise and allocate resources; to manage and implement programmes; to contribute to the overall stabilisation and distributional goals; to facilitate the efficient execution of the functions and services of government; to assure the accountability of subordinates to superiors in the administrative hierarchy; and to ensure financial and legal accountability of the executive to the legislature (Laxmikanth 2011).

NATURE AND SCOPE OF PUBLIC BUDGETING

Public budgeting has had a rich antecedence particularly as it relates to the desire of the people to control the sovereign rights to raise tax and to match taxes with benefits that accrue to them from this process. In the US, the people wanted to be consulted more in the government's role of raising taxes when they raised the battle cry "no taxation without representation" (Akhakpe 2014). In Africa, this has not been the case because authoritarianism has held sway for so long that the people hardly know how to claim their rights in a democratic setting (Akhakpe 2014).

As representation took root in the political system, emphasis shifted to how to ensure political accountability using the budget as an instrument. In the early times, the size of government was small, mainly restricted to issues of law and order and the provision of rudimentary administration. But as society grew bigger, government activities extended to areas of health, education, and public works, among others. Even at this stage, government's budget was just simple statements of expenditure anchored on finances from taxation (United Nations (UN) 2006).

The scope and nature of public budget continues its rise in the context of industrial economies, particularly in the developed countries. The industrial revolution brought on its heels intended and unintended consequences. Government had to step in to perform regulatory functions such as working conditions, safety and other measures relating to organisational tasks. As industrial development increased, the demand for government intervention in the provision of infrastructures such as transportation, power to mention but a few accelerated. Similarly, social services demand increased especially in education and health.

Also, the great depression that engulfed the world gave impetus to the rise to the interventions of government in the socio-economic lives of the people. As the UN (2006) put it: the onset of the Second World War placed on government substantial responsibility for mobilising resources and channeling them into war efforts. In the post-war period, governments devoted much of their attention to the rehabilitation and reconstruction of their economies. In developing countries "welfare states" took the "bull by the horn" to jump-start social welfare services.

In developing countries, following the attainment of political independence, most of their governments took up the responsibility for accelerated economic and social development of these countries. Apart from these roles, government also got involved in production and distribution of goods and services. Government further extended its tentacles to the maintenance of macro-economic stability and distribution of the dividends from development. All these elements in the macro-economic environment became incorporated into their annual budgets.

The government budget therefore, is not just a list of projects and activities, but a process in which different phases are linked to each other. A government budget can then be seen as an instrument that "mobilises and allocate resources, to manage and implement programmes and activities, to evaluate the results of budget execution, and to contribute to overall stabilisation and distributional goals" (UN 2006). By these roles of the budget, it is safe to say that it has become a significant instrument for economic forensic policy as well as management of the national economy. But it is not clear how many of these functions have been achieved since the raising of the flag of independence in most African states.

The scope of public budget will depend on the level and function of government and structure of the public sector in a country. In some countries like

Nigeria with its federal structure it has an expansive public sector. Therefore, a budget in this system will comprise transaction with the other levels of government and its agencies. The national budget therefore, concerns itself mainly with MDAs. Where other levels of government have their own budgets, the federal government budgets should show transfers to and from such entities. This is perhaps the case in Nigeria where there are different (three) levels of government with equally numerous entities that majorly rely on government funding and other activities.

A government budget should also show receipts and expenditures ingredients of a budget both current and capital and they should be stated clearly. Receipts should include: revenue from taxation, licences, fees and charges, and so on. Also, proceeds from domestic and external borrowing, repayment of loans and sales of assets. The expenditure side should include: all direct expenditures of MDAs and transfers to entities in the public as well as in the private sector (UN 2006). Of course, this would include current subsidies as well as loans and equity capital put into their operations by government to public enterprises. In Nigeria, the monies given to public enterprises, parastatals and corporations are often not well scrutinised, as the kerosene subsidy scandal has shown. This brings to the fore the need for budgets to be highly transparent. Public budget as an instrument of good governance can only achieve its roles, if those (bureaucrats) in charge of its formulation and implementation are sincere enough to use it to influence public probity in the use of taxpayers' money for the economic and social development of the country. In the context of Nigeria, to what extent has this been put into practice?

THE BUREAUCRATS AND POLITICS OF THE BUDGETARY PROCESS

Bureaucrats or higher civil servants have become principal actors in public policymaking, specifically budget formulation. The ascendancy of this crop of public officials in this process could be attributed to a number of factors among which are: access to better information, experience garnered from doing the same job for many years, technical skill derived from specialised training and intellectual inferiority of partisan politicians relative to their civil servants' counterpart (Akhakpe 20014:312).

As Guy (in Akhakpe 2014) persuasively put it, a more impartial analysis of the (budgetary) situation would have to accept the argument that bureaucrats have by now acquired considerable political clout even to the point of coming to dominate policymaking in many modern political systems. Have we come to the point where a new elite structure based on information, technical expertise, position and policy ideas has come to determine who gets what, when, where and how?

Also, Guy (in Akhakpe 2014) went on to proffer justification for this rather abnormal situation thus: Many political leaders, when put into a ministerial role or cabinet role, simply do not have the background in the policy area to contribute much in the way of policy direction and the demands of the job often prevent them from developing such direction. The civil servants who work within the department, even the generalists of relatively high level, rarely have such difficulties and are quite capable of providing a direction for the department's programme.

Given the edge higher civil servants have over their partisan political counterparts, they are able to maximise their budget requests from the various departments and agencies even as the legislature seeks to minimise such requests. These differentials in abilities and competencies have limited to a large extent, the ability of the legislature and political appointees to control the annual budget from MDAs. Sometimes, legislators lobby the bureaucrats or make a kind of trade-off to get certain concessions imputed into the budget formulation. But since the civil service operates under the veil of anonymity, some of these developments never come to light nor are perpetrators persecuted.

A rather propitious question is, whether or not a budget is a political or economic blueprint? To answer this question, one may have to make a more in-depth analysis of the intrigue that characterises the budgetary process. Drawing from Key (in Akhakpe 2014) the fundamental budgetary question is, "on what basis shall it be decided to allocate 'X' naira to activity 'A' instead of activity 'B'?" For Wildavsky (in Caiden 1992) to answer this question is to admit an end to conflict of government's role in the society. Theoretically, in a democratic society, it is the responsibility of the political process acting through an extant democratic governmental system of shared power, to implement checks and balances to decide what governments should do and how they should do it. Wildavsky (in Caiden 1992) again, posits that budgeting is an incremental process proceeding from a historical base guided by an acceptable notion of a fair share in decision-making which is fragmented, made in sequences by specialised bodies and coordinated through repeated attacks on problems and multiple feedback mechanisms in attempts to resolve socio-economic and political problems at hand.

What this suggests is that, a budget is a rational construct in the sense that all parts fit in. Decisions are assumed to be taken based on data or information available to decision-makers. But in practice, it is not always so. Government policies do not actually go through alternative means of accomplishing a particular goal ranked through such criteria as cost-benefit analysis; which in any case is difficult to accomplish because data and time constraints make rational decision-making difficult. Attempts to achieve rationality through specialisation and fragmentation of the budget procedure, hinder the development of a comprehensive understanding of what government as a whole ought to be doing.

As Lindblom's Muddling Through thesis has shown, the rational model is Utopia. All government and decision-makers merely muddle through budgeting on account of paucity of information. Hence, the notion of incrementalism. This involves reviewing what is already on the ground. Again, data is difficult to get and time is of the essence. Decision-makers use their worldview, what satisfies them is said to be in the public interest. In other words, government hardly has the final decision on any issue or problem (Akhakpe 2014). Rather it makes repeated attacks on the problem, such that through trial and error, government comes up with what works or the problem is regarded as foreclosed.

It is important to note that budgetary decisions are decisions about who gets what, when and how much. To this end, budgets are the result of bargaining and negotiating by stakeholders in the process, including interest groups (Igbokwe-Ibeto 2020). Therefore, any annual budget represents in some ways, a compromise between what an agency sets out to get and what other decision-makers thought it should have received (Akhakpe 2014). This brings to the fore the ever-recurring question "is budgeting a purely technical affair or is it a political act whereby what an agency or department gets is merely a function of policy"? This question brings to the fore the issue of preference in deciding what should be budgeted for. In most cases, this is within the ambit of individuals or groups in bureaucracy. Are budgets therefore, statements of preferences? Lee Jr and Johnson (1993) argue that whether intended or not, the allocation of resources among different agencies, and/or among different activities, and/or among different accomplishments, reveals the preferences of those making the allocation. These may be the actual preferences of some decision-makers or more often, they may be taken as the collective preferences of many decision- makers produced by complex bargaining.

To a large extent therefore, budget making is not really the technical act we are made to believe. Perhaps, this is because man is not value free. But what should be emphasised is the right bureaucratic behaviour that will put the collective interest over and above the individual ones. Here lies the crisis in the budgetary processes in developing countries. What are the limitations and possibilities of budgeting under democratic governance? In what follows, this article will attempt to answer these questions.

THE BUDGETARY PROCESS IN DEVELOPING COUNTRIES: NIGERIA IN FOCUS

It is a traditional practice that government should have plans for its people and development of the political entity that it presides over. Such development plans have to be implemented for it to realise its goals. But implementation of plans requires financing. To ensure that such financing of plans is done efficiently and effectively, there has to be a budget. The essence of a budget therefore, is to ensure that resources are allocated in such a way as to have a match between on the one hand scarce means and on the other, several ends (Olomola 2016). There are three stages in a budget process. These are: budget conception; preparation, approval and execution, monitoring and control; as well as evaluation (Olomola 2016). Also, a good budget should achieve three important goals and objectives: (a) maintenance of fiscal discipline especially in taking a realistic view of things in the area of expenditure proposals, realistic revenue projections, compliance with budget provisions, compliance with financial regulations, timely release of funds and avoidance of fiscal imbalances, (b) to ensure allocation efficiency, and (c) to ensure operational or technical efficiency (Olomola 2016).

Based on these general objectives, one can assess or interrogate budgetary processes in developing countries. Since the return to democratic governance in Nigeria, budget preparation, presentation, approval, publication and implementation has suffered unnecessary delays (Akhakpe 2014). In terms of budget articulation, not much can be faulted except where budgets are loaded with unnecessary items on the expenditure side that end up sometimes not being implemented. A lot of things are incorporated into budgets that in actual fact do not impact positively on the populace. More aircrafts are budgeted for when those in the residential fleet are not properly maintained.

In Africa and Nigeria in particular, it would appear that annual budgets are mere official ritual by public officeholders; going by the shoddy manner in which it is treated by those concerned. More often than not, issues are raised on such mundane considerations of when and where to present the federal annual budget. By the time this is decided, the parliament goes on intermittent recesses or breaks. When they get back from recess, questions are raised on items in the budget, only for them to be resolved secretly on nebulous grounds. All these intricacies impact the budget negatively.

Also, yearly the federal budget is hardly implemented up to 65% (Akhakpe 2014). This is due to the delay in the passage of the Appropriation Act that sometimes goes into the first quarter of the implementation year and the usual claim by government officials of scarcity of funds to implement the budget as approved. Yet, things go on as if the budget is being implemented. All these create the impression that perhaps, there are other documents which the executive uses to carry out the act of governance. But the publicity and interest annual budgets have generated in the country in recent times, can be regarded as a positive development because for a long time, taxpayers' money was not put under public scrutiny (Akhakpe 2014). How such funds are managed was not in the public domain but in the hands of individuals and groups in the executive arm of government (Igbokwe-Ibeto, Osakede & Nwobi 2020). Only recently, scandals have emerged regarding budget padding. So, many of these financial improprieties, waste, mismanagement, corruption and mal-administration have come up by virtue of the invocation of the oversight functions of the National Assembly.

Public budgeting in Nigeria has come to be seen by many as a conduit for stealing or siphoning public funds into private pockets. It is difficult to justify certain 'jumble' allocations to inconsequential needs such as two billion naira for the president's travels etc. Certainly, this proposed expenditure cannot be justified in a country where there is a high level of hunger, deprivation, diseases and poverty. Over 70% of Nigerians are living below the poverty line. Many children are either out of school or not in school at all (Alagbe 2018).

Extra budgetary spending has also characterised fiscal operations in the country. In 2013, the then Minister of Aviation, Stella Oduah was caught in the murky waters of extra-budgetary spending when it was discovered that she authorised the purchase of two bulletproof cars for an outrageous sum of N255 million for her own use (Aworinde 2013). This scandal was unearthed by the National Assembly and after some prevarication, President Jonathan had to drop her from his cabinet in 2014. But this could not have been carried out without the knowledge of higher civil servants in the ministry of aviation. Since they are covered by the veil of anonymity, these powers behind the curtain were not brought to book. They are supposed to be the conscience of the nation and they swore to protect the peoples' interests.

It is doubtful if enough consultation is made before the budget is formulated yearly. The Medium-Term Economic Framework (MTEF) as provided for by Section 8 of the Fiscal Responsibility Act is the basis for the preparation of the annual budget. It is prepared by the ministry of finance and endorsed by the executive council of the federation and is eventually approved by the National Assembly (Alagbe 2014). It has three years' duration. It would seem no adequate consultation with stakeholders is done before it goes into its formulation. For a vital blueprint, all stakeholders should be involved and popular participation ensured. Its initiation, formulation, implementation and evaluation should ordinarily involve all stakeholders. But it would seem this is seldom done. This leads to a deficit in policy legitimacy – a vital ingredient for the success of any policy (Alagbe 2018).

Nigeria operates a mono-culture economy. Although the price of oil has always gone up year in year out, the oil benchmark for the annual budget has always been put at USD54 to USD76 per barrel. Although, the global economic meltdown occasioned by Covid-19 has affected the oil price in the international market, when oil price per barrel was going for an average of USD113.47 per barrel, the differentials were not mopped up and deployed into other critical areas of the economy. Rather, the government continues to say it has depleted the excess crude account and sovereign wealth fund. Surely, there are leakages somewhere that need to be blocked (Alagbe 2018). Interestingly, the country can boast of seasoned economists within and outside the country, yet the economic system cannot be fixed. It would seem everyone is culpable because every society deserves the leader they have. It is easy to criticise the leaders but the followers also have not lived up to expectations by being vigilant and attentive.

The oil benchmark has become the most trumpeted issue in every national budget in the country. It has been an issue that has brought the executive and legislature to be at logger heads. For example, while the legislature wants the budget for 2016–2017 predicated on an oil price lower than what obtains in the international market, the House of Representatives members are interested more in how to bring the benchmark closer to the world market price. Even the two chambers of the National Assembly (Senate and House of Representatives) are not in agreement on what the realistic price should be. While the House of Representatives feels it should stand at USD79 per barrel, the Senate insists on the price of USD76.50 per barrel (Aworinde 2014). As a member of the House of Representatives put it "you are complaining of revenue short fall and cannot fund projects, but you want to save money" (Alagbe 2018). But there is sense in saving for the rainy day and equally to build capital.

The prevailing politics of impunity in the polity seem to be carried into the realm of the budgeting process as the opposition party sees it as an instrument to cajole the ruling party into conceding to some of its demands. Recently, the People's Democratic Party (PDP) the main opposition party in Nigeria, decided to stall debate on the 2019 budget because the All Peoples' Congress (APC) government at the centre is adamant in its demands for the removal of the commissioner of police in River State who was alleged to be against the Governor of the State. One would have thought a serious issue such as the budget should be taken out of the purview of interparty conflict and crisis in the interest of the common good. But this seems not to be the case in this democratic dispensation. How do we retrieve the budget from the albatross called politicking? Some recipes are provided below.

THE BUDGETARY PROCESS AND GOOD GOVERNANCE: THE PRAGMATIC RECIPES FOR CHANGE

From the analysis of the state of public budget and governance in Nigeria in particular and Africa in general, much needs to be done to correct anomalies identified and discussed in the preceding part of this article. No universal solution can resolve these hydra-headed challenges explored here. Only a multidimensional and configurative approach can resolve them. This is what the section seeks to address.

There is an imperative need for the executive, legislators and politicians to equip themselves with the requisite tools to carry out their job. When pitted against their better educated, informed and technically endowed bureaucrats, they cannot compete favourably. Modern politics is about the ability to outwit your opponents or competitors. But this can only be done where competitors are matched in terms of knowledge, skills and access to information. As it is today, bureaucrats are miles ahead in these areas which puts them ahead of their nearest competitors. This explains why they have commanding control over the budget and policymaking. Until there is balance of power and influence among these three groups, good governance cannot be served in the interest of the general public.

Closely related to the above point is the need to pursue and realise transparency and accountability in the budgetary process. As it stands, there is so much wastage and neglect of due process in budget preparation and implementation. Stakeholders in the process of budget making should be properly monitored and motivated to work in the interest of the common good (Moses-Ashike 2018).

Another factor that needs to be instituted is the imperative of inclusive participation. According to Sae (in Kura 2013), inclusive participation in the budget process has the following advantages: it allows groups to work together for the fulfillment of set objectives; it gives individuals and groups ownership of adopted decisions, it contributes to sustainability of power and it allows the people to demand accountability of those bureaucratic and political institutions in charge of public policy and the budgetary process.

Corruption and fiscal indiscipline still characterise the budgetary process on the continent of Africa. In a democratic system, it cannot be business as usual. Questions must be asked on how taxpayers' money is collected and spent. According to Akhakpe (2014), Aworinde (2014), the USD20bn unearthed by the Central Bank of Nigeria as proceeds from oil sales but not remitted to the Federation account is yet to be accounted for by the Nigerian National Petroleum Corporation (NNPC). Also, over USD30bn of kerosene subsidy spent without budgetary provision or approval from the federal government is speaking volumes to the level of financial recklessness at the federal level. Similar cases are emerging at the state and local government levels. Financial sanity is required if good governance is to be realised and consolidated (Alagbe 2018; Adelani 2019).

Much of the financial profligacy going on at all levels of government is not unrelated to the over-reliance on oil as the chief revenue earner for the country. The easy way oil money comes to the state and its officials makes any serious scrutiny of its income and expenditure difficult. Easy come easy goes, appears to be the case with the oil economy in Nigeria. The behaviour aspect of budgetary and governance practices in the country is negative. Therefore, until the right behaviour and attitudes are put in place in carrying out matters that concern the state, the country will continue to grope in the dark. The human element is crucial to effective budgeting and socio-economic and political transformation. All these have to be brought to bear on the polity for development to take place.

There is need to institute a budget implementation benchmark. Nigeria should not only rely on an oil price benchmark but should do the same for the budget itself in a scrupulous manner. There is so much laxity with the issue of the budget. A scheme should be put in place for a systematic, periodic and objective evaluation of the extent to which an ongoing or completed programme or policy achieves its intended objective and it has to be institutionalised and formalised in order to better optimise public spending (Alagbe 2018). This will take the budget process away from a yearly ritual to a true mechanism for socio-economic control.

Budget monitoring, control and evaluation should be stepped up. Also, the budget is an integrated system therefore, all efficiency and effectiveness. As has been argued, efforts should be made to "streamline process around key decision stages in the annual budget. A review of key deadlines in the budget process could help address the delay in budget submission and approval" (Alagbe 2018).

Information they say, is power. Data gathering in both the formulation and implementation of the annual budget is as important as the end product of the budget itself. Government appears not to have realised the importance of this aspect of the budget. Funding research centred adequately on relying on its input is necessary for the successful implementation of the annual budget for good governance. But the goal of the budget must be clear and doggedly pursued; that is, for the greatest happiness of the greatest number in the society.

CONCLUSION

This article has examined the nexus between budgetary process and good governance with an attempt at clarifying the intellectual cobweb surrounding budgetary process and good governance and how bureaucrats can serve as a recipe for the much-needed change in the public bureaucracy. In addition, the searchlight was also beamed on the theoretical framework for a better understanding of the issues under analysis. Thus, the public choice theory and the cost benefit theory have been examined as postulated by scholars.

Public bureaucracy is traditionally set up to serve as both think-tank and purveyor of the good policies and governance in political societies. Over time, this ideology appears to have changed. This explains why poverty, hunger and diseases, and a breakdown in social services are the order of the day in developing countries. The budget as economic and political blueprint is to help the government meet the yearnings and aspirations of the people. But unfortunately, this has not been the case due to conflict of interests between what the population want and what the individual and corporate bodies prioritise. All this, however, can be resolved in the interest of the people if there is a change in behaviour and attitudes of the stakeholders in the budgetary process of the political economy of the developing countries.

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The Challenge of Administrative Sanctions Against Suppliers in Public Administration

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ABSTRACT

Sanctions are imposed against countries or organisations when they fail to comply with a set of legal rules. This article focuses on the process of implementing a supplier sanction model at the Federal University of Minas Gerais, Brazil. It identifies the contributions and limits of the administrative sanctions model in public procurement. The article follows a qualitative research approach and triangulates data sources obtained from semi-structured interviews, a document analysis of university purchasing records and field diaries. It was found that there is an increase in efficiency in the delivery time of purchased items. However, the research found that there is a need for certain improvements, such as the disclosure of the services offered, an expansion of the scope of action, and user empowerment to extract all the potential benefits that the implemented structure offers. The article concludes that this supplier sanction model contributes to the improvement of administrative sanctions management and serves as a

reference model for public services. It also assists public managers at the federal university to comply with the law while gaining efficiency.

INTRODUCTION

Sanctions are imposed when countries fail to comply with a set of legal rules. According to Carlos (2014), agencies and authorities with competence in this area must be responsible for the application and registration of sanctions. Administrative sanctions in bids and public contracts are the result of an action or a set of actions that cause damage to the public administration when dealing with the violation of rules. It is up to the administration to impose punishments to ensure the rigidity of public order to prevent and repress conduct that violates the general legal good and punish behaviour that disregards obedience duties in the pursuit of the general interest (Nobre Júnior 2000). While sanctions are provided for in the legislation, a sizable portion of public bodies lack structures or formal processes to prosecute companies that commit illegal acts.

From 27 November to 7 December 2015, telephone consultations were held and a survey was conducted on the websites of 11 Federal Institutions of Higher Education (IFES) in the State of Minas Gerais, Brazil. The state was selected because there were no structures or formal processes for invoice collection. This finding is corroborated by Judgment 1793/2011 of the Brazilian Federal Court of Auditors. In its topic 3.3–item 109, it reinforces the need to create these structures and warns that the lack of notice without justification may culminate in application of sanctions to managers. In 2015, the new Judgment 754/2015 reintroduced this theme and expanded the discussion.

The legislation is strict, both in terms of the inappropriate acts committed by the companies and managers who fail to apply the sanctions provided for by law. Despite this, the study did not find literature-based content guiding the implementation of this service as an organisational public administration process. If there is no formal structure to implement administrative sanction, it is difficult to enforce sanctions with legal certainty. Moreover, the manager may be uncertain as to how the legislation should be implemented.

Administrative sanctions play a key role in facilitating public-private relationships. In addition, failure to adhere to these contracts, sometimes makes it impossible to provide essential services to communities. Given this context, this study aims to describe the implementation process of the supplier sanction model at the Federal University of Uberlândia (FUU), which took place in 2010. Furthermore, it aims to clarify the model's role in the application of sanctions provided for in contracts between public and private entities. Thus, it is possible to identify its contribution under the vision of different actors involved (public managers, public agents and control bodies). This, in turn, supports the dissemination of practical and theoretical aspects, contributes to the dissemination of this model to other public agencies, and supports more efficient application of public resources, which helps improve the provision of services to society.

PRINCIPLES OF THE DISCIPLINARY ADMINISTRATIVE PROCESS

Law 8.666/93 does not establish which procedural rites should be followed to assign administrative responsibility and apply administrative sanctions. The Office of the Comptroller General (CGU) believes that bodies may use the procedural form they deem appropriate. However, the CGU, in its *Manual of Disciplinary Administrative Process* (which focuses on the relationship between the public administration and its servers), proposes conditions to the application of sanctions to suppliers, applying the same principles used in the Disciplinary Administrative Processes. Therefore, in the administrative process involving the public administration and its servants, it must obey the Principles of Due Process and of Contradictory and Broad Defense (CGU 2016).

According to Mello (2012) and Carvalho Filho (2014), the Principle of Due Process, provided for in art. 5th, LIV section of the Federal Constitution, is the fundamental principle of administrative law. Other principles help ensure that the public administration does not condemn anyone without being assured the right to defence, allowing the accused to answer the charges against them.

Carvalho Filho (2014) states that, in the legal process, it is important to refer to the Principle of Contradictory and Broad Defense. However, the "contradictory" is a natural consequence of the "broad defense". The Principle of Contradictory and Broad Defense is based on the need to assess and resolve litigious situations that arise from competing interests. Furthermore, it also guarantees the right to challenge and redress accusations, as well as to challenge acts and activities. Mello (2012) adds that, before making decisions on a process, the public administration must consider the possibility of a contradictory and broad defence, including the right to appeal the decisions made.

ADMINISTRATIVE SANCTIONS

Behaviour that violates service conditions should be sanctioned by applying penalties (Pereira 2000). Administrative sanctions have preventive, educational and repressive aspects. In addition to seeking to protect the public's monetary interests, sanctioning an organisation helps prevent another public body from repeating the sanctioned agent's behaviour. This repressive action includes educational action against other private organisations that may want to oppose a public organisation (Brasil Ministério do Planejamento, Orçamento e Gestão (MP) 2015).

According to Mello (2012:863), infringement and administrative sanctions are inseparable issues because the infringement is foreseen in one part of the legislation and the sanction in another. Both must be studied together to avoid difficulty in understanding one of them separately. Mello (2012:863) conceptualises 'administrative infraction' as a voluntary breach of a rule that provides for sanctions. In this regard, Vitta (2003:2008) emphasises that administrative penalties and sanctions have received little attention due to a lack of specific law.

LEGISLATIVE PENALTIES AND SANCTIONS

In terms of the requirements of Law 8.666/93, the sanctions described below can only be applied by establishing and completing an autonomous administrative process, where the right to contradictory and broad defence is assured to the contractor:

- **Warning (Art. 87, I):** This is the mildest sanction, and it is used for any minor inaccuracies in the contractual clauses. It serves to warn the contractor to address possible violations and inconsistencies under the penalty of applying more severe sanctions. Because it is moral in nature, this sanction should be used only once. However, it leaves a record of the administration's intent to ensure sanctions and penalties are applied, where necessary (Vieira 2011).
- **Fine (Art. 87, II):** A fine and pecuniary penalty is imposed due to a legal or contractual duty breach. The value must be proportional to the damage committed or expected conduct, with the function of deterring illegal conduct. The percentage of the fine must be provided for in the call instrument or contract. In theory, it does not entail contractual termination, but the repetition of the conduct may culminate in contractual termination (Vieira 2011).
- **Temporary suspension (Art. 87, III):** A temporary suspension (not exceeding two years) is imposed as a result of bidding participation and impediments to contracts with the administration. Due to the penalty, the supplier is no longer eligible for bidding or public administration. However, this theme is not clear-cut due to the use of the terms 'administration' and 'public administration' at different times. This leads to a deadlock over the scope of the sanctions (Vieira 2011).
- **Declaration of Inequity (Art. 87, IV):** This penalty represents a declaration of inequity in a bid or contract with a public service while the reasons for the punishment are determined or until reparation is made to the body that

applied the penalty. This sanction has an indefinite term of at least two years and covers the entire public administration. This includes entities that are personally governed by private law under the control of the public authority and the foundations that it creates or maintains (Vieira 2011).

These punishments are intended to make the system fairer and to ensure efficiency in public service. Furthermore, the aim is to make it impossible for suppliers to continue with detrimental activities that compromises the application of public resources and causes harm to the end-user.

METHODOLOGY

This study employs a qualitative approach. The data collection technique used was a triangulation of the content analysis of interviews with semi-structured scripts (primary data), document analysis of university purchasing records and a field diary of the implementation of the sanction process (secondary data).

The research included the following two primary data sources: The first included participant observation and field notes. The field notes provide the timeline of activities, how the activities were executed and the results achieved. This is a helpful observation about the sequence of activities during the implementation process at the university.

The second primary source consisted of semi-structured interviews that were conducted between December 2016 and June 2017. The semi-structured interviews included seven different agents involved with the implemented process, namely the Dean, Purchasing Director, President of the Bidding Committee, Auditor, Equity Coordinator, Coordinator of the Service of Collection of Invoices and Users. The actors were selected based on the relationship that these functions have with the model that was implemented.

The analysis of the interviews followed the content analysis procedure, as suggested by Bardin (1977). According to Bardin (1977:31), content analysis "is not an instrument, but a range of devices; or, more rigorously, it will be a single instrument, but marked by a great disparity of forms and adaptable to a very wide field of application: communications". The following phases were performed in the content analysis process.

- **Pre-analysis:** Exploratory reading, documents selection, development of indicators;
- **Coding:** Attributing register units to each phrase or text block within the data;
- **Categorisation:** Classification of the registered units through groups of similar variables; and
- **Analysis:** Interpretation of the coding system and its implications to theory.

The implementation of the primary data collection procedures was followed by an explanation of the origin of the secondary data. The data was based on a documentary analysis of FUU equipment tipping data from 2010 to 2016. It was extracted from the university's information systems to determine whether there was an improvement in the efficiency of the public purchasing process. In this case, the documentary survey technique was used for data collection (Zylbersztajn and Sztajn 2005; Di Pietro 2002).

ANALYSIS OF RESEARCH RESULTS

This section outlines the research results derived from triangulating data obtained from field notes, a field diary, the analysis of the interviews and the documentary analysis.

Field diary

FUU originated in the 1950s and was federalised on 24 May 1978 (Law nº 6.532). It is organised into 32 academic units, with 68 undergraduate courses, as well as 46 graduate programmes that offer 39 academic master's degrees, seven professional master's courses and 21 doctoral courses. Several campuses are distributed throughout the cities of Uberlândia, Ituiutaba, Patos de Minas and Monte Carmelo. Like the other public universities in Brazil, its funding is derived exclusively from public coffers and is distributed among institutions based on Decree 7.233, 07/19/2010. After the resources are distributed, the institutions have autonomy in financial execution, as established in art. 207 of the Federal Constitution.

To carry out administrative and financial management, FUU has a structure called the Pro-Rectory of Planning and Administration, which consists of the following five boards: the Budget Board, the Purchasing and Bidding Board, the Materials Management Board, the Financial Management Board, and the Information Technology Center. This organisational structure provides the appropriate segregation of tasks in the budget-related execution of public resources.

The FUU's Materials Administration Board (DIRAM) is responsible for receiving all consumption and permanent material acquired by the institution, as well as equipment maintenance, and asset control. In 2009, an operational difficulty in the process of receiving consumption and permanent material was identified, both in delivery delays and in the management of divergent deliveries as per the public notice.

In the case of consumption materials, the management initiatives occurred through the Warehouse Division (DIALM). Acting in isolation, permanent material was managed by the Equity Division (DIPAT). This performance reached a low rate of effectiveness due to the lack of pressure on the suppliers. The related success was determined by the FUU's interlocutor server's persuasive ability and the provider's goodwill.

A pattern of non-compliance with delivery deadlines, as agreed upon in the notice, as well as a large volume of outstanding payments and signed invoices that were not honoured by suppliers in previous exercises was discovered. In most cases, it failed to meet users' needs at the end of a lengthy purchasing process and eventually lost the resource. Ultimately, this jeopardised the institution's final activities. This is because, unlike private enterprises, contractual performance in the public service occurs as a contingency. Once the purchase process is completed, the resource is reserved for that contract. As the Union implements the budget per year, a delay in the delivery of the contracted product or service generates a budget loss for the contractor.

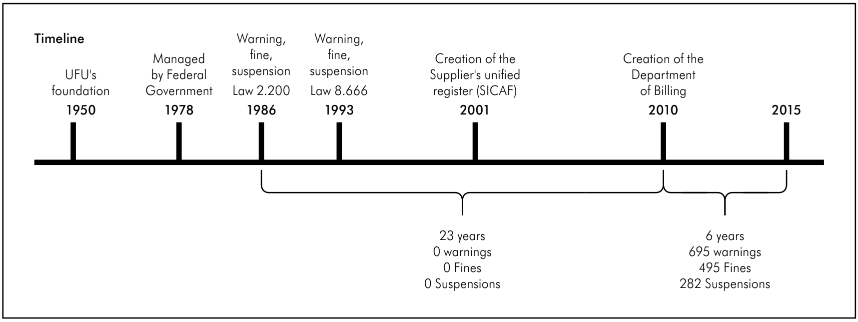
The objective of a public body is not to punish a supplier. However, if harmful conduct towards public finances is not discouraged, it is to the detriment of the end-user of the service that the institution provides and to society in general. Therefore, the administrative sanctions in bids and contracts are intended to reprove the conduct of the sanctioned party, discourage its recurrence, and prevent its future practice by other bidders and contractors. This action is preventive, educational, repressive and aims to repair the damage done by parties that misappropriated public finances.

DIRAM began a search among several public agencies for invoice collection process models that the FUU could apply to improve the process. However, no structured model was found among the various institutions consulted. Ultimately, this led to an internal discussion between DIRAM, the Purchasing and Bidding Board and the Attorney-General's Office to develop a process model.

Based on the current legislation, DIRAM has formulated some proposals for structured processes that would grant suppliers access to broad and contradictory defence, as well as to safeguard the institution from possible legal action that might arise from the application of penalties. It is particularly challenging to obtain an institutional legal opinion that provides security for implementation. The guidelines are verbal and not always accurate. As such, it is only possible to determine post-application how parties involved in the process will react to the proposed flow

The sanction model, which was called the Sector of Collection of Invoices (SECOE), was implemented in 2010. Minor adjustments were necessary during its complete implementation until 2012, with an adequate physical structure, equipment, and servers to conduct the process. The institution's management changed in 2013, but the collection process remained unchanged. In this new proposal,

Figure 1: Timeline of the inception of the institution, procurement, and bidding legislation with respective forecasted penalties forecast and the implementation of SECOE



Source: (Authors' own construction)

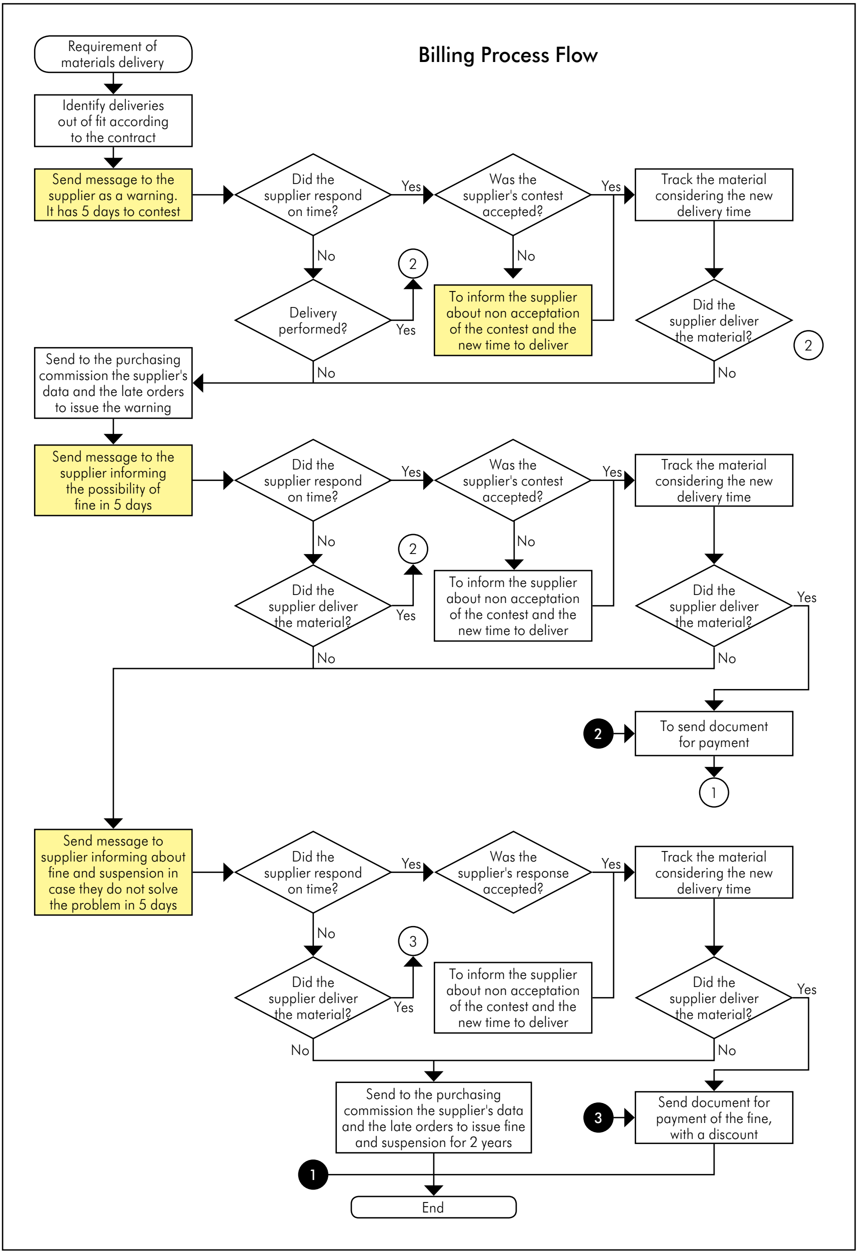
the collection process would no longer be done with every invoice. It would be conducted by the state register (National Register of Legal Entities). In this regard, the National Register of Legal Entities would consider all delayed invoices together, both for consumption and permanent materials.

Figure 1 represents a timeline that identifies relevant facts relating to the inception of the institution, procurement, bidding legislation with respective forecasted penalties and the implementation of SECOE. Notably, in 1986, legislation was ratified to support the imposition of penalties. However, during the 23-year interval until the implementation of SECOE, no records of its application were found. The establishment of sanction processes began in earnest with the implementation of SECOE in 2010. During the six years of implementing the new model, managing the relationship with suppliers has become more efficient.

The implemented process model has suspended 282 companies from bidding for public service for two years. This led to an extreme situation of divergence in public-private relationships. Despite this, the FUU was not sued on any occasion, which demonstrates the legal certainty of the process.

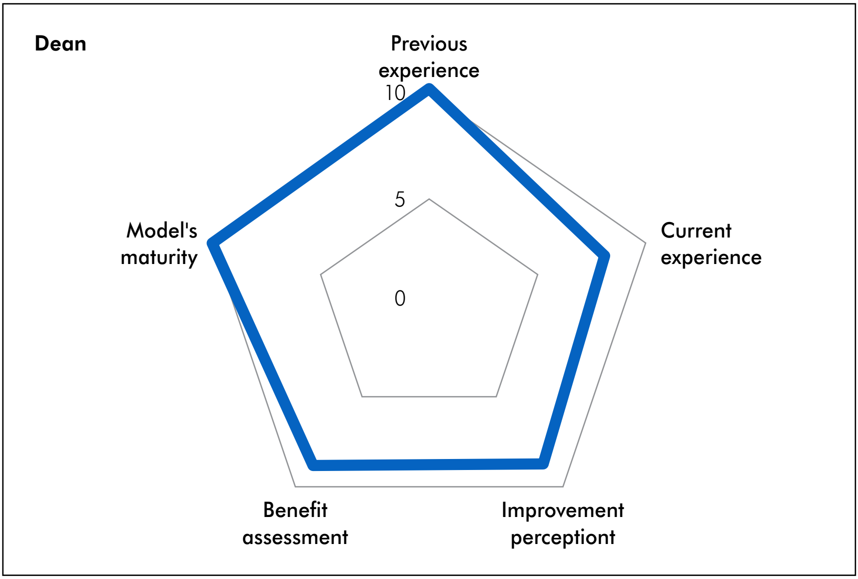
Tests were performed on versions of documents that were improved during the implementation process, depending on the responses from suppliers and coverage of identified weaknesses. The clearance process took several months before the documents constituted a satisfactory process model. Notably, this ensured respect for the principles of legality, purpose, motivation, reasonableness, proportionality, morality, broad defence, contradictory legal certainty, public interest and efficiency. Furthermore, it resulted in a set of acts ordered in a logical sequence to determine administrative infraction that may result in the possible application of sanctions. See Figure 2:

Figure 2: Timeline of the billing process flow



Source: (Authors' own construction)

Figure 3: Perception of the Dean



Source: (Authors' own construction)

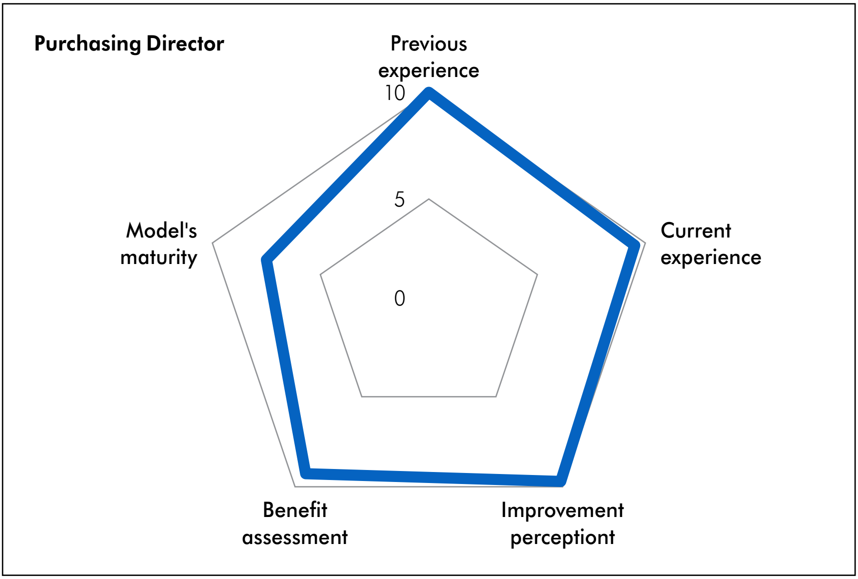
Content analysis of interviews

This section presents the analysis of how each stakeholder relates to the process based on the answers to the interviews. With 41 years' experience, the Dean of FUU (see Figure 3) has extensive knowledge of the structure prior to the implementation of SECOE, as well as knowledge of the process implemented as an indirect user. The Dean had a positive view of the process improvements and the benefits realised. The respondent did not see an immediate need for process improvements and viewed the model as an essential initiative for institutional protection.

The Purchasing Director of FUU (see Figure 4) has 35 years' applicable experience. Having worked in this position for 17 years, the Purchasing Director of FUU has extensive knowledge of the structure prior to the implementation of SECOE, as well as knowledge of the process deployed as a direct user. The Purchasing Director had a positive view of the process improvements and the benefits realised. In terms of further process improvement, the respondent highlighted the need for greater investment in the training of process operators.

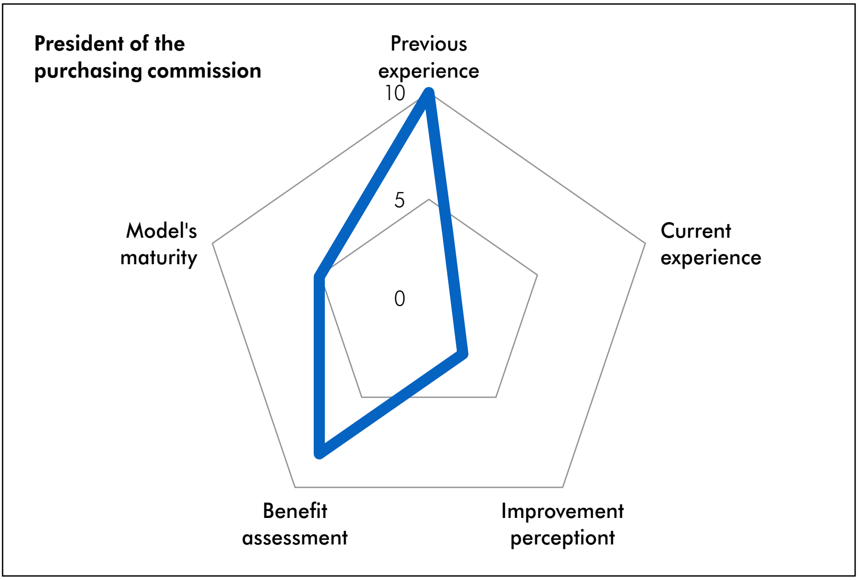
Figure 5 indicates the perception of the President of the FUU Bidding Commission, who has 25 years' working experience and 17 years' experience in this position. The results show that the respondent was aware of the structure prior to the implementation of SECOE. However, he was not a direct user of the

Figure 4: Perception of the Purchasing Director



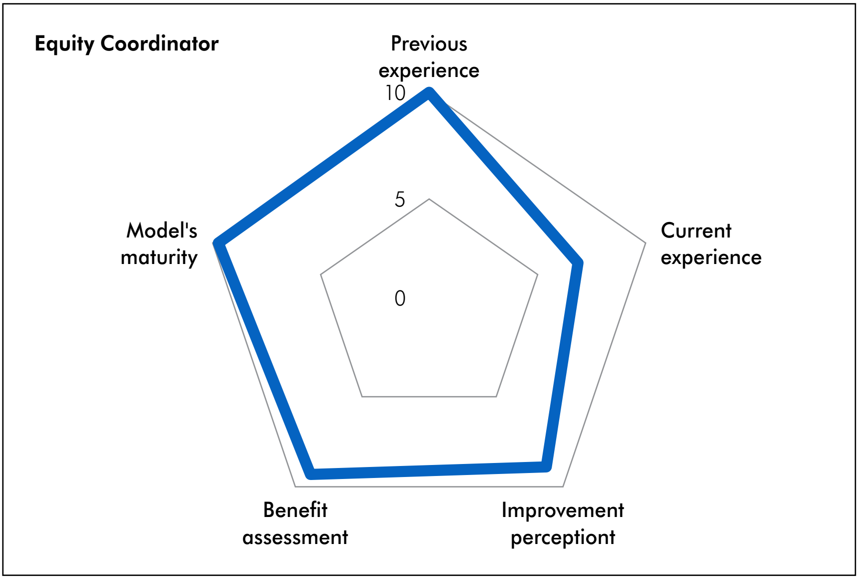
Source: (Authors' own construction)

Figure 5: Perception of the President of the purchasing commission



Source: (Authors' own construction)

Figure 6: Perception of the Equity Coordinator



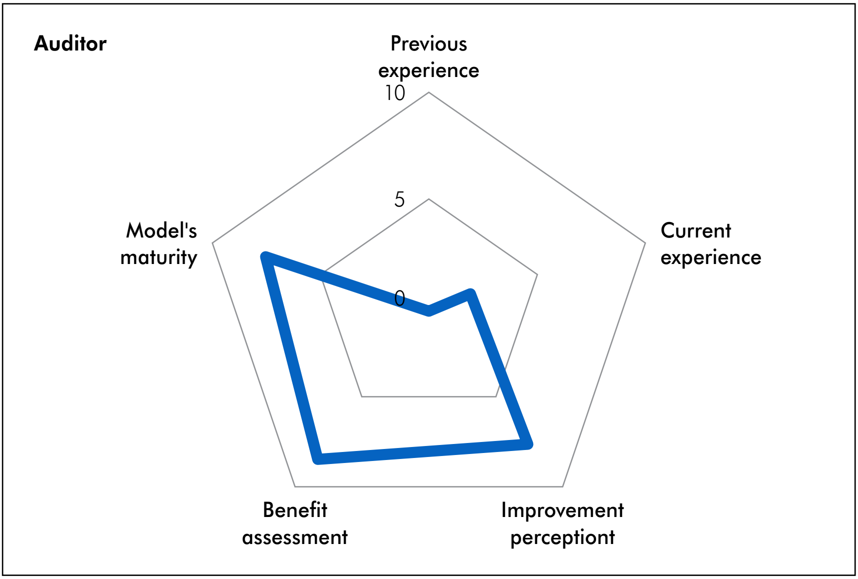
Source: (Authors' own construction)

implemented process and had a negative view of the model's improvement. The respondent believed a formal contact does not provide the same level of effectiveness as a verbal contact. He was aware of the limitations of the benefits generated by the new process and identifies the need to improve the formal collecting process.

The FUU Equity Coordinator (see Figure 6), who has 39 years' working experience and has served in this position for 17 years, has extensive knowledge of the structure prior to the implementation of SECOE. The respondent has knowledge of the implemented process as an indirect user, has a positive view of the process improvements and benefits realised, and does not see an immediate need for process improvement.

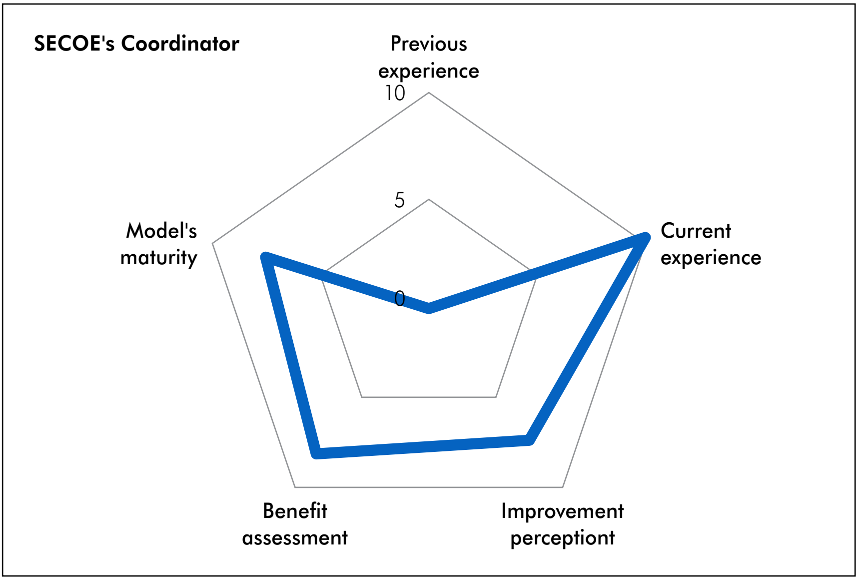
The FUU Auditor (see Figure 7) has 32 years' working experience with 26 years' experience in this position. The results reveal that the respondent carried no knowledge of the structure prior to the implementation of SECOE. He carries partial knowledge of the implemented process, has a positive view of the improvement of processes and benefits achieved, and identifies the need for improvement in the dissemination of the service. The FUU is an Auditor involved in the creation of operating manuals and stresses the importance of implementing initiatives such as this one, which promotes the control and governance of FUU activities.

Figure 7: Perception of the Auditor



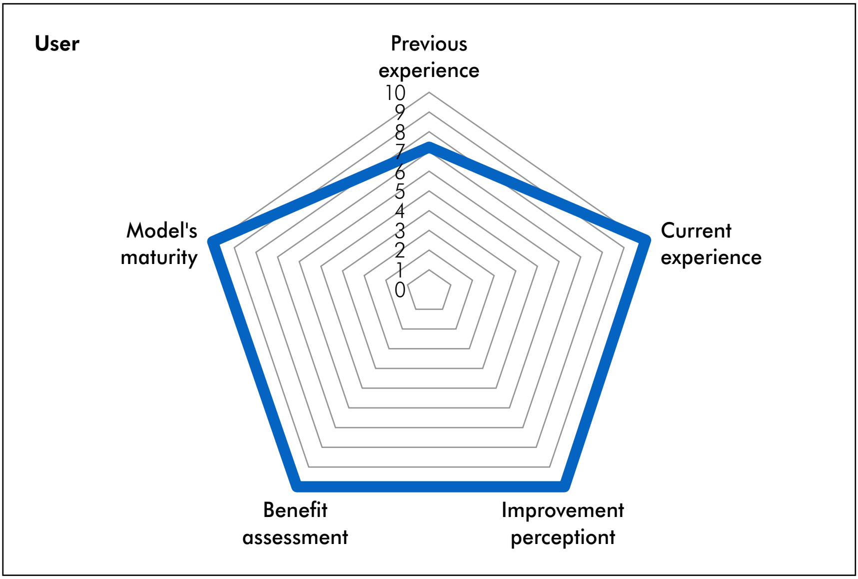
Source: (Authors' own construction)

Figure 8: Perception of SECOE Coordinator



Source: (Authors' own construction)

Figure 9: Perception of a user



Source: (Authors' own construction)

The SECOE Coordinator (see Figure 8) has been working in this position since joining the institution six years ago. Therefore, the respondent has no knowledge of the structure prior to the implementation of SECOE. However, she knows the implemented process and has a positive view of the benefits achieved. The respondent identifies the need for improvement in the dissemination of the service and expansion of the legal knowledge of servers who work in the collection process. Furthermore, she emphasises the importance of equal treatment in conducting the process, and the decisive role institutional support plays in related activities.

The user of SECOE services (see Figure 9). With seven years' working experience, the respondent is responsible for the purchase control of materials and equipment of an academic unit at FUU. The respondent has partial knowledge of the structure prior to SECOE implementation, is aware of the process implemented, and has a positive view of the process improvement and the benefits achieved and does not identify the need for process improvement. However, she points out that more FUU services that face difficulties in their execution should be structured according to the efficiency model proposed for SECOE.

Based on the above interviews, it became evident that the process presented an evolution of the previous model and has generated direct benefits for most stakeholders involved. Nonetheless, the respondents highlighted certain improvement needs.

Document analysis

In sequence, SECOE's data was used as a basis for document analysis. Table 1 presents the history of SECOE's letters sent from 2010 to 2016:

Table 1: Application of sanctions at UFU – 2010/2016

Year	Warning notification	Warning register in SICAF	Fine issue	Document of fine and suspension	Register of suspension in SICAF for 2 years
2010	242	63	63	43	35
2011	509	125	125	64	47
2012	365	98	98	50	38
2013	455	123	123	84	46
2014	341	105	105	53	31
2015	227	75	75	46	39
2016	338	108	108	65	46
Total	**2477**	**697**	**697**	**405**	**282**
Average	**354**	**100**	**100**	**58**	**40**

Source: (Authors' own construction)

Out of every 100 companies that failed to comply with deadline delivery or those that delivered with divergence, sending a Warning Letter resolved the situation in 72% of cases. A Fine Letter resolved 58% of the cases among the remaining 28 companies that had a warning registered with the Unified Supplier Registration System (SICAF). Of the 16 remaining companies, the Letter of Fine and Suspension resolved 30% of the cases. As such, only 11 companies were suspended by the SICAF for two years.

According to Table 1, the collection calls of 2 477 companies over a six-year period, resulted in the suspension of 282 companies. This represents an 89% solvency index in the collection processes and indicates a high-efficiency index achieved by the process. The data sources that were used as a basis for document analysis focused on equipment tipping acquired by FUU during the period 2010 to 2016, and the data on FUU's invoice records generated during the purchase process. The combination of the two databases determine the time elapsed between generating invoices to the delivery of invoices.

It was possible to verify whether there was an improvement in the efficiency of the public purchasing process and to identify whether there was a reduction in the average delivery time after the service was implemented. Information on the average delivery time of equipment was used (Zylbersztajn and Sztajn 2005; Di Pietro 2002).

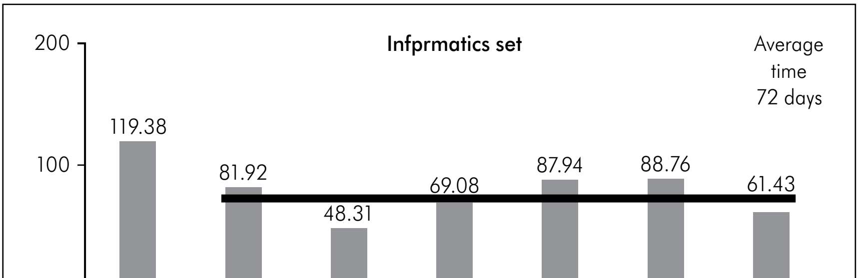
It was decided to verify information relating to the purchase of equipment for the confirmation of delivery data. This was due to the fact that it was a scarce and important investment resource for the institution. The items with the greatest representation in the data processing group were identified. This included computers, notebooks, netbooks, tablets, printers and stabilisers, which corresponded with 70% of the volume of data processing purchases.

The analysis of three groups began with computers, laptops, netbooks and tablets, followed by printers and stabilisers. In 2010, the delivery time of computers, notebooks and tablets of 115.82 days was reduced to 47.27 days, a reduction of 59.19%. At the end of the SECOE implementation period in 2012, the printer group's delivery time of 166.45 days, was reduced to 61.03 days, a reduction of 63.33%. Lastly, the delivery time of stabilisers was reduced from 111.42 days to 46.64 days.

Figure 10 corresponds with the junction of all the previous items. In 2010, the average delivery time of the set was 119.38 days. At the end of SECOE's implementation period in 2012 it was reduced to 48.31, a reduction of 59.33% in the average delivery time. From 2013, the average time of fluctuations maintained an average reduction of 35.67% from the initial term.

It was possible to notice a reduction in the average delivery time, to corroborate the primary data collected, to indicate greater efficiency of the acquisition process and reduce the service time of the users' needs, as well as to maximise the results with less loss and effort, as proposed by Zylbersztajn and Sztajn (2005) and Di Pietro (2002).

Figure 10: Average time of delivery



Source: (Author's own construction)

PROPOSAL FOR IMPROVEMENTS TO THE SANCTION MODEL

The current research aims to identify the contributions and limits of the implemented process and to propose improvements identified by the different stakeholders involved in the process. In this regard, the responses to the interviews highlighted the need to improve the disclosure of the service offered and the corresponding user training to extract all the potential that the implemented structure offers.

The identified SECOE delivery deadlines were not met. For this reason, a structured disclosure of the services performed by the sector was not prepared. Users only became aware of the service when consulted about certain positions related to defence presented by the company. Therefore, it is necessary to organise a disclosure of the services offered. The performance of SECOE is restricted to the purchasing process after an invoice was generated. However, the judgments of the Brazilian Federal Court of Auditors pointed to the need to penalise suppliers who engaged in harmful behaviour towards the institution during the electronic trading process. This includes refusing to honour proposals made, which is equally harmful to the institution.

Likewise, the process should broaden its scope of action. Besides initiating processes related to consumption and permanent materials, there should be a structured system to impose implementation penalties for trading, for service contracts, as well as for the operation of warrantees and the maintenance of equipment. Furthermore, SECOE should expand the number of servers. This is due to the volume of processes that need to be managed, because of the increase in the scope of operation, and the necessary investment in server-related training, mainly in the expansion of the legal and procedural scope.

CONCLUSION

The objective of this article was to outline the implementation process of the supplier sanction model at the FUU in 2010. The research focused on contracts signed between public and private entities within the relations established in the contract, demonstrating their contributions under the spectrum of different actors. In this sense, the process was fully described, and the contributions were presented.

The field diary pointed to the difficulties of structuring a formal collection process that made the institution vulnerable and failed to defend the institution's interests. Interviews with the different stakeholders pointed to how crucial the process is for the institution, either to protect the manager or to serve the end-user more efficiently. Therefore, opportunities to take advantage of the bureaucratic weaknesses of the public service should be prevented.

Most interviewees identified improvements in the collection process. Moreover, the benefits generated by its implementation and structural improvements were identified. In terms of the invoice collection processes, the secondary data on the execution of SECOE's collection process between 2010–2016 demonstrated a solvency index of 89%. At the end of the implementation period in 2012, databases of goods tipping and invoice generation revealed a 59% reduction in the average delivery time of the equipment and a 36% reduction in the four years that followed the original deadline.

In this sense, there is a brief reflection on the increase in the medium-term after the end of its implementation in 2012. According to Gouvêa (1994), it is not only an isolated aspect that determines the success of an initiative, but a set of elements that subsidise the efficiency factors. During one of the interviews, the Coordinator of SECOE highlighted that the commitment to higher management is essential, especially concerning the defence of institutional interests and the standardisation of performance in the collection processes. In 2012, the new management generated a new learning cycle, which may justify the increase in the average time during this period. However, after this period of adaptation, the average delivery time decreased in 2016.

The difficulty in looking at the issue of bureaucracy begins when one realises that not only structural constraints, group interests and the founding features make up the ideal Weberian model. Moreover, not only corporatism and the context, but all these elements, delimit the bureaucracy's power space and its logic of action (Gouvêa 1994).

The process proved to be consistent and efficient. While the institution suspended 282 companies from public service bidding for two years, it was not sued on any occasion. This aspect is relevant because of the initial insecurity in the implementation. Furthermore, it serves to reassure other public agencies that apply the model as a basis for service implementation.

According to Zylbersztajn and Sztajn (2005) and Di Pietro (2002), efficiency plays an important role in the public administration. Based on the perception of internal stakeholders, the model has increased efficiency, the solvency index of the collection process and lowered the average delivery time. Furthermore, compliance with legal requirements, the protection of managers and meeting the needs of internal users improved service delivery.

This study focused on broadening the discussion on the importance of public management, by creating mechanisms that modernise management. Notably, there is a lack of scientific research on administrative sanctions' effect on public procurement. In line with this, the researcher hopes that the current study's focus on government purchases, administrative sanctions, and public-private relations will add to other studies that have emerged in the same direction.

The research followed a case study design. As such the findings can help other public bodies to overcome certain challenges, even if they cannot be generalised to all public management structures. It is suggested that future research on the subject focuses on the financial representation of the 11% of companies suspended, in comparison to the FUU budget; determines whether the model's application interferes with the generation of leftovers to pay; and evaluates the results of applying the FUU's invoice collecting model to another public body.

NOTE

* This article is partly based on the Master's dissertation, '*Contribuições da Aplicação de Sanções Administrativas em Compras Públicas na Universidade Federal de Uberlândia*' (Contributions from the application of administrative sanctions in public purchasing at the Federal University of Uberlândia), by Nelson Barbosa Júnior, under supervision Luciana Oranges Cezarino at the Federal University of Uberlândia.

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ISSN 1015-4833