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# Editorial

**N Holtzhausen**

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In a recent study conducted on the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, Mmudi Maphalla and Lianne Malan found that the policy faces the serious challenge of failing to achieve the intended outcomes and among others argue for a new funding formula to be developed. When the national policy on the measurement of research output was introduced in 2003, the aim was to sustain current research strength and to promote research and other knowledge outputs required to meet national development needs. The main problem that encouraged the study was the recognition of a gap that exists between the intentions of the research output policy, and what is happening practically. Higher education institutions are tasked with the responsibility to effectively implement this policy and to ensure increased research capacity and productivity in order to improve research output (Maphalla and Malan 2014).

Despite the policy having been in place for a number of years, research outputs of higher education institutions remain low at approximately 0,4 research outputs per researcher per year. Challenges facing the implementation include lack of commitment to implement; lack of human resource capacity; lack of communication between various stakeholders involved in the implementation process; incorrect data capturing; misunderstanding of the research output policy content characterised by the tendency of researchers to submit research output not meeting the policy requirements of subsidy; and ineffective internal control measures. As solutions, the authors suggest the decentralisation of the research output capturing process, stronger research collaboration, more effective monitoring and evaluation, the expansion of the content of the policy, and the development of the research output communication division (Maphalla and Malan 2014).

In the article “Managing the outsourcing of repairs at SAPS garages: a call for a new approach”, emerging researchers Zacharia Vanto and Zwelinzima Ndevu determine the nature of sourcing vehicle maintenance at the various SAPS garages, and the strength of the sourcing strategy that is being used in various provinces. The article provides an overview of financial aspects relating to outsourcing and elaborates on six aspects that must be considered when a sourcing decision is made. It was determined that the SAPS garages could not handle all the work

they were receiving, major capacity constraints exist to deal with the volume of vehicle repairs that were coming in, and that the variety of sourcing strategies at the different garages was not effectively reducing the backlog (Vanto and Ndevu 2014). The article concludes by providing a number of suggested solutions.

Danielle Nel provides the rationale for the importance of developing an effective and efficient model for Public Private Partnership (PPP) programme development measures and activities through a number of stages on the PPP development curve in order to optimise risk transfer. In this article, an assessment of international best practice is provided for risk in PPPs and the management thereof. According to CBI in Nel (2014), the development of a PPP is a multifaceted task, requiring the surmounting of major political, fiscal, institutional, legislative and regulatory barriers and obstacles. The PPP development curve consists out of three stages and the article suggests that South Africa is still in stage one. Nel provides suggestions on how South Africa can move up the development curve and how to develop the PPP market. Nel recommends an increased emphasis on systematic risk management in PPP projects. Systematic risk management is the process of expecting the unexpected and it serves as a tool to help control risks.

The practice of gift giving is the focal point of the article "Best practices to regulate gifts in the South African public sector" written by Vincent Jones and Hannes Bezuidenhout. According to the authors, a delicate balance exists between what is interpreted as a mere gift or donation, or "whether the objective of the bestowal is to seek a benefit, create a relationship or to generate an understanding of *quid pro quo*, or sense of beholdenment, which will benefit the giver privately. This is deemed a bribe, irrespective of what it is called" (Jones and Bezuidenhout 2014). The article is conceptual and provides a theoretical overview of existing literature on current South African and international legislative instruments and guidelines dealing with the acceptance of gifts. In the article an overview of South African legislation is provided as well as international examples that could be considered as best practice. The research suggests that the South African legislative frameworks regarding the acceptance of gifts are fragmented, ambiguous and not comprehensive enough. In conclusion, the article provides options that could be explored to expand on South Africa's framework for accepting gifts in the public sector (Jones and Bezuidenhout 2014).

The article, "Bitter battles for survival: assessing the impact of the political factionalism in Nelson Mandela Bay Municipality's post-Polokwane landscape" examines the root causes of factionalism within the ANC that characterised the Polokwane conference and discusses its impact on governance and service delivery at the local sphere of government. Joleen Steyn-Kotze and Mpumezo Ralo describe factionalism as a political phenomenon and contextualise the contested nature of macro-economic policy as a key justifier for the emergence of factions within the ruling party. In the context of local governance,

factionalism played out through, for example, the disruption of council meetings by the ANC councillors through a boycott, or factions disrupting meetings in the ANC regional offices known as Standard House (Steyn-Kotze and Ralo 2014).

The article, “An informal business sector perspective on local economic development (LED) in Buffalo City Metropolitan Municipality” explores whether the informal business sector in Buffalo City Metropolitan Municipality (BCMM) is prioritised as a contributor in the municipality’s local economic development strategy. The potential of the informal business sector to contribute to local economic development is disregarded and hence government’s attempts to ensure economic growth and job creation falter. This is exacerbated by local government’s hesitation to provide sufficient support to the informal business sector. In their article, Lunga Hita and Rozenda Hendrickse (2014) determine the level of responsiveness of municipalities in the facilitation of LED. The aim is to demonstrate that where informal trading is encouraged, substantial socio-economic benefits can be derived for the community at large.

The article, “Implementation challenges facing performance management systems in South African municipalities: selected cases” authored by Gerrit van der Waldt, examines current performance management implementation challenges faced by municipalities. The research makes use of a case-study design including Ngwathe Local Municipality, Dr Kenneth Kaunda District Municipality and Matlosana Local Municipality. The aim of this case-study methodology is to obtain a general perspective with which to assist municipalities in general to prioritise interventions, in order to remedy similar or associated challenges relating to performance management (Van der Waldt 2014).

Core research questions posed are:

- What are the current realities as far as municipal performance is concerned?
- Which particular implementation challenges do municipalities experience?
- What type of political, institutional and administrative-managerial interventions could help place municipalities on the right performance track?

Van der Waldt (2014) identifies three main challenges, firstly the lack of a performance orientation or culture, secondly, issues relating to the development of human capital, and thirdly domain concerns regarding institutional and operational arrangements. The article concludes by recommending remedial actions to address these identified challenges.

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# The implementation of the Research Output Policy in South Africa

## Challenges and solutions

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### **ABSTRACT**

In South Africa, writing and publishing scientific articles is an important activity of academic life. It not only enhances the academic status and profile of the author and his or her institution, but also contributes towards the subsidy transfers of the Department of Higher Education and Training to universities. Furthermore, academic promotion is increasingly subject to a strong track record of research publications. Most importantly, academic publishing is the primary vehicle for the advancement of scientific knowledge required to enhance the quality of life of the society and also to strengthen the economy. Therefore, the government introduced the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, as a tool to sustain and encourage research productivity in order to increase research output. However, despite the compelling advantages of academic publishing, research outputs of South African universities are very low and are largely contributed by a small number of academics. Therefore, it is clear that the policy faces the serious challenge of failing to achieve the intended outcomes. One of the main causes of this challenge is attributed to the inability of higher education institutions to effectively carry out the implementation process. The article evaluates the implementation of the



Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, however paying specific attention to the University of Pretoria and the University of Venda. In conclusion, the implementation challenges faced by these institutions are examined and solutions provided.

## INTRODUCTION

South African institutions are in place to provide public goods and services for the maintenance of the state through a variety of generic functions, including among others public policy, public financial administration and management as well as human resource management and administration Cloete (1981:2). The crucial fundamentals of an action oriented government to ensure that public administration is effective, efficient and economically viable, rely on these six generic administrative functions. The description of the generic administrative functions indicates that policy making provides the point of departure for public activities (Hanekom and Thornhill 1986:7). This article does not explain in detail all the generic administrative functions, but a particular emphasis is placed on the policy implementation function of public administration. In South Africa, every government institution exists because it is tasked with implementing a specific part of government policy, and these policies are captured in terms of the legislative statutory prescripts. Through the relevant policy documents approved by government since 1994, it is clearly indicated that Higher Education Institutions (HEIs) bear a profound moral responsibility to, amongst others, obtain and sustain a high level of economic growth; improve the living standards of the people; develop a new base of knowledge and initiate socio-economic change and development; and to allow South Africans to compete internationally in the quest for excellence (Kuye 2007:2). Research is one of the primary vehicles through which all these can be achieved. As such, it is important that a research culture be promoted and encouraged in all higher education institutions.

It has been estimated that advances in knowledge account for about one-third of the increases in the Gross Domestic Product (GDP) of a country (Vaughan 2008:91). Since the research function of academia remains a prime source of that knowledge, governments across the world saw a need to put measures and strategies in place to stimulate research in their countries; hence the development of the Policy and Procedures for Measurement of Research Output of Public Higher Education Institutions, 2003, in South Africa. The

development of this research output policy was driven by the imperatives for transformation of the higher education system contained in the White Paper 3, a Programme for the Transformation of Higher Education (1997) and the National Plan for Higher Education (2001). As one of the objectives intended by the National Plan for Higher Education (2001) this policy aims to sustain current research strength and to promote research and other research outputs required to meet national development needs by rewarding quality research output at public higher education institutions (DHET 2003:4).

Like many developing countries, South Africa faces the challenge of translating the objectives of public policies into measurable outputs. Government policies are very logical on paper but some might fail to achieve the desired results. The Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, is no exception in this regard. Rogan and Grayson (2001:2) argue that all too often policy makers and politicians are focused on the desired outcomes but neglect the contextual factors that influence implementation. Public policy implementation is a core function of public administration and in order to ensure efficient and effective public administration, there is a need to address the policy implementation challenges that exist in government institutions. This article focuses on the challenges encountered by public higher education institutions in the effort to effectively implement the research output policy.

## **BACKGROUND AND LITERATURE REVIEW**

According to Taylor and Procter (2008:1) a literature review is an account of what has been published on a specific topic by accredited scholars and researchers. In any research, it is necessary to establish what is already known about the topic at hand. It was crucial to evaluate the empirical claims of other scholars and researchers so as to identify the weaknesses or the gap that exists in this published knowledge, which served as a justification for the particular focus of this article. However, it must be highlighted that the point was not to find all published material that is somehow related to the research topic, but to avoid missing a relevant publication that lies outside the main scope, thus ensuring that the habitual channels of communication will not bias the results obtained by the study.

For the purpose of this article, it is important to provide clarity to the meaning of research output in the South African context. According to the Department of Higher Education and Training's Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, research output is defined as textual output where research is understood as original,

systematic investigation, undertaken in order to gain new knowledge. This can be in the form of the university's original research papers, research letters, review articles which appear in approved journals, and also books for the specialist and patents. However, for the purpose of the Department of Higher Education and Training subsidy, recognised research output comprises only journals, books and proceedings that meet the criteria listed in the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003.

Scholars such as Madue (2007:35) have criticised this definition of recognised research output by arguing that textbooks and monographs are also important transmitters of knowledge and they should be considered by the policy for subsidy. Madue (2007:35) concluded that the Department of Higher Education and Training listing of recognised research outputs is intended to be indicative rather than comprehensive; it is designed to compare relative output between higher education institutions, across a selective sample of publications that meet prescribed criteria, thus excluding other important research outputs. Okafor (2011:181) also argues that research output is a means by which academics contribute their own knowledge to the existing body of knowledge, and other output such as technical reports, chapters in books, patents, supervision and training of students should not be ignored. However, Ashworth and Harvey (1994:110) compliment this policy and assert that publications which have clear evidence of research activity are usually taken to include, in order of their importance, publications in academic journals, professional journals, books, reports, edited works and proceedings. The meaning of research output is highly contested amongst scholars and many criticise the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, for only recognising journals, books and proceedings as being eligible for subsidy.

The measuring of research output is not a new phenomenon. Scientists have communicated and codified their findings in a relatively orderly well defined way since the 17<sup>th</sup> century (Van Raan 2005:2). The most commonly used approach to measuring research output within a given discipline is biometrics. According to Moed, Glanzel and Schmosh (2004:26), biometrics has been used from as early as 1917 but it gained popularity after the introduction of the Science Citation Index (SCI) in 1961. The measurements of individual or institutional research output are often based at least in part on the number of publications produced over a specific period of time.

South Africa has a long history of measuring research output. According to Steyn and Villers (2007:253), the South African research subsidy formula has been used by the state for almost 20 years. Since 1951 and until the New Funding Framework (NFF) for Public Higher Education was established in 2004/05. There are four formulae which have been used as a basis for funding universities.

These include the Holloway formula which was introduced in 1953 and was used as a state funding instrument until the early 1970s. The discontinuance of the Holloway formula followed an interim recommendation by the Van Wyk de Vries Commission of Enquiry into Universities. This formula was implemented in 1977, and after its termination the South African Post-Secondary Education Information System (SAPSE) subsidy formula was implemented until 2003/04, when the National Research Fund (NRF) came into effect (Steyn and de Villers 2007:13). The NRF was introduced through the National Research Foundation Act (Act No 23 of 1998), subsequent a system-wide review conducted for the Department of Arts, Culture, Science and Technology (DACST). The new entity integrated the roles of the research funding agencies that were previously servicing various segments of the research community. These agencies were the former Centre for Science Development (CSD) of the Human Sciences Research Council (HSRC) and the former Foundation for Research Development (FRD) that encompassed several National Research Facilities.

However, it is important to mention that the need to develop a new funding framework for the measurement of research output was first clearly articulated in the 1996 report of the National Commission on Higher Education (NCHE). The National Plan for Higher Education (NPHE) in South Africa quoted limitations of policies which were previously used for measuring research output. This led to the establishment of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, based on Section 3(1) and 3(2) of the *Higher Education Act, 1997* (Act 101 of 1997) and in consultation with the Commission on Higher Education. The Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, has been in operation since January 2005 (considering the 2004 output). This policy was intended to replace the Information Survey Manuals, that is, research output of the binary system of universities and technikons. This initiative was driven by the imperatives for transformation contained in the *White Paper 3*, a Programme for the Transformation of Higher Education (1997) and the National Plan for Higher Education (2001) (DHET formerly DoE 2001).

According to Onyancha (2010:86), publications count, patents count and citation count and impact are the commonly applied measures in measuring the performance of individuals, journals, institutions and countries in research. It is argued that such counts provide a general view of the production activity in a field or institution as well as highlighting an individual's performance. In South Africa, the Department of Higher Education and Training through the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, expects every academic to publish at least 1,25 articles annually in journals the Department has accredited. Institutions receive financial rewards for meeting this target and are penalised for failing

to meet it (Schulze 2008:644). Therefore, the most commonly used method to measure research productivity and output of higher education institutions is the counting of publications in accredited journals, books and conference papers (Fox 1992; Creamer 1998; Dundar and Lewis 1998; Porter and Umbach 2001; Onyancha 2010).

Scholars have criticised this method of equating the measuring of research output with journal publications. Moed *et al.* (2004:26) argue that journals are not equivalent elements in the scientific process, as they differ widely in importance, and they are challenged as the 'gold standard' by new types of publication behaviour, particularly electronic publishing. Ashworth and Harvey (1994:110) base their criticism on the fact that patents and licences are also relevant, particularly in departments in which a significant portion of the work is practical and applied. They argue that groups of academic staff that are involved in this form of innovative research activity are disadvantaged if only publications in journals are used as the main criterion in judging research productivity. Vaughan (2008:91) mentions that instead of an emphasis on the number of publications, the focus should rather be on a subsidy system that inspires institutions to aim for a level of scholarship that is able to withstand the scrutiny of an international audience. Vaughan (2008:92) states that the country should consider using the National Research Foundation's rating system instead of the publication count. The policy should emphasise quality rather than quantity, as publication count does not provide any indication as to the quality of the research carried out.

## **Research output of South African Universities**

The following table indicates the total publication output of higher education institutions by clusters. This is from the year 2006 to 2011. For the purpose of this article, the clustering of institutions is based on their individual proportions, that is, the volume of research production.

Table 1 indicates that the five institutions in Cluster A which have traditionally produced more than 60% of publications outputs experienced a gradual decline in their overall sector contribution from 62% in 2006 to 54,2% in 2011. It is clear that the percentage share of overall output produced by the University of Pretoria has been dropping steadily over the past six years from 15% in 2006 to 11.7% in 2011.

It can also be noted that both Cluster B and Cluster C institutions, that is, the seven institutions that traditionally produced about 30% of outputs and the eleven institutions that traditionally produced less than 10% of overall research publications outputs respectively, have been increasing their publications outputs over the past six years. The percentage share of overall output produced

**Table 1: Percentages of research outputs by clusters of institutions:  
2006 – 2011**

<b>Cluster A</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
UP	15%	14.9%	14.2%	13%	12.2%	11.7%
UCT	11.3%	13.1%	13%	13%	12.9%	11.7%
UKZN	13.5%	11.3%	11.7%	12.2%	11.8%	11.2%
SU	11.7%	11.4%	11.4%	11.5%	10.6%	10.3%
Wits	10.5%	11.7%	10.1%	10.1%	9.6%	9.3%
<b>TOTAL</b>	<b>62%</b>	<b>62.4%</b>	<b>60.4%</b>	<b>59.8%</b>	<b>57%</b>	<b>54.2%</b>
<b>Cluster B</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
UNISA	7.3%	7.1%	7.8%	6.9%	7.5%	7.1%
UJ	4.8%	4.5%	4.7%	5.1%	6.3%	6.9%
NW	4.5%	4.9%	6%	4.9%	6.0%	6.6%
UFS	5.8%	6.1%	5.3%	5.6%	5.1%	5.1%
RU	3.7%	3.5%	4%	3.9%	3.3%	3.2%
NMMU	2.3%	2.3%	2.2%	2.5%	2.6%	3.1%
UWC	2.5%	2.8%	2.9%	3.1%	2.7%	3.1%
<b>TOTAL</b>	<b>30.9%</b>	<b>31.2%</b>	<b>32.9%</b>	<b>32%</b>	<b>33.6%</b>	<b>35.1%</b>
<b>Cluster C</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
TUT	1.3%	1.3%	1.7%	1.4%	1.9%	2.2%
UFH	0.9%	0.9%	1%	1.5%	1.5%	1.6%
UL	1.3%	1.3%	1%	0.8%	1%	1.3%
CPUT	0.8%	0.6%	1%	1.4%	1.6%	1.3%
UV	0.2%	0.2%	0.4%	0.6%	0.8%	1.2%
DUT	0.4%	0.5%	0.3%	0.5%	0.5%	0.8%
VUT	0.3%	0.2%	0.2%	0.4%	0.5%	0.7%
UZ	0.7%	0.6%	0.8%	0.8%	0.7%	0.6%
CUT	0.5%	0.4%	0.3%	0.4%	0.4%	0.4%
WSU	0.3%	0.2%	0.2%	0.3%	0.5%	0.4%
MUT	0.1%	0%	0%	0%	0.1%	0.2%
<b>TOTAL</b>	<b>6.8%</b>	<b>6.2%</b>	<b>6.9%</b>	<b>8.1%</b>	<b>9.4%</b>	<b>10.7%</b>

Source: Adapted from DHET (2011:16)

by the University of Venda in Cluster C has been increasing over the past six years from 0.4% in 2005 to 0.8% in 2010. However, despite an increase in publication outputs of Cluster B and Cluster C institutions, the overall research publication output of these institutions remains low. Furthermore, the fact that a high proportion of research publications are contributed by only five institutions is a problem that needs to be addressed. Given the issues and background, the article evaluates the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, however paying specific attention to the University of Pretoria and the University of Venda. The purpose of the study is to investigate the policy implementation challenges that exist in both universities in the effort to effectively implement the research output policy, and thereafter suggest options for overcoming these challenges with the aim of improving and increasing research output produced by higher education institutions.

## **RESEARCH PROBLEM**

The nature of public policy, its development and subsequent implementation in real time, is one of the most important features of defining democratic societies and, more specifically, of those in transition (Manganyi 2001:27). Public policies contain broad guidelines, procedures and recommendations to encourage concerted efforts toward the attainment of stated government goals. South Africa as a developmental state relies on public policies to address problems in the country and bring about change in the status quo. However, for public policies to be successful in achieving the intended outcomes, there is a need for appropriate implementation of these policies. Public policy implementation is a crucial process and its success relies on the capacity of all the respective role players to execute their responsibilities effectively, efficiently and economically.

The main problem that encouraged this study was the recognition of a gap between the intentions of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, and what is evident in practice. When the government introduced the national policy on the measurement of research output in 2003, the aim was to sustain current research strength and to promote research and other knowledge outputs required to meet national development needs (DHET formerly DoE 2003:4). The aforementioned aims would be achieved through the encouragement of research productivity, marked by rewarding quality research output, enhancing productivity by recognising the major types of research output and by using proxies to determine the quality of such research output. Higher education institutions are tasked with the responsibility to effectively implement this policy

and to ensure increased research capacity and productivity in order to improve research output. However, the policy does not seem to be effectively achieving this goal. The policy has been in place for eight years but research outputs of higher education institutions are very low at about 0,4 research outputs per researcher per year. South Africa spends 0,92% of GDP on research and is still struggling to reach the elusive 1% spend, which is the government's strategic aim (International Education Association of South Africa 2011:16).

The Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003 sets out all the rules, procedures and criteria for recognised research output. However, only a relatively small number of South African scholarly journals and books are recognised by the Department as meeting the minimum requirements for state subsidy as outlined in the policy. A small percentage of these journals appear on the ISI Citation Index (9,0%) and the international Bibliography of Social Sciences (5,5%) (Ligthelm and Koekemoer 2009:28). An important reason for this low research output by higher education institutions is closely related to the fact that a high proportion of research publications are contributed by a small number of academics; and also because of the high rejection rate by the Department of Higher Education and Training of research publications submitted by researchers of higher education institutions due to not meeting the requirements of the policy. The 2011 Report on the Evaluation of the Institutional Research Publications Output highlighted that a large number of submitted outputs were not recognised based on non-compliance with the policy, for example, 67% of these books were not scholarly (DHET 2011:26). It is clear that the acceptance rate of good scholarly research outputs is typically quite low, so the chances of rejection are always relatively high.

It is evident that the policy faces the serious challenge of failing to achieve the intended outcomes, and the main cause of this challenge is attributed to the inability of higher education institutions to effectively carry out the implementation process. The unsuccessful implementation of the research output policy could be due to the universities' incapacity (institutional, human, financial), owing to a number of factors, however this is to be discussed in the subsequent sections of the article.

## **RESEARCH METHODOLOGY**

The methodology used in this article is qualitative, because findings were not derived by statistical procedures or other means of quantification, but the research relied on qualitative measures including interviews, case studies and literature review (Straus and Corbin 1998: 10). Qualitative research is typically



associated with participant observation, semi and unstructured interviewing, focus groups, literature review, and language based techniques such as conversation and discourse analysis (Brannan 1992:59). For the purpose of this article, three sets of interviews were conducted with those involved in the implementation of the research output policy. The participants were selected through purposive sampling method, whereby participants are chosen based on who, in the judgment of the researcher, will best supply the necessary information. Therefore, the sample originated from those individuals at the University of Pretoria and the University of Venda residing in the research offices who are directly involved in the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003. Relevant employees of the Department of Higher Education and Training were also interviewed, in order to gain insight on the measures and mechanisms put in place by the Department to monitor and support higher education institutions so as to ensure a proper and effective implementation process of the research output policy. The purpose of this is to draw from the experiences of those who are directly involved in the implementation process.

An interview schedule comprising of 18 carefully constructed questions inquiring into the status of the implementation of the policy, was utilised to interview those involved in the implementation process at the University of Pretoria and the University of Venda. Questions posed to the University of Pretoria and the University of Venda had to be similar and structured in order to allow for comparative analysis. The interview held with officials in the University Education Policy Development Unit within the Department of Higher Education and Training was also structured, and inquired about the efforts of the Department in supporting higher education institutions and ensuring proper and efficient policy implementation processes of the research output policy.

The study uses the 5-C Protocol Model of policy implementation as a critical apparatus for analysing data acquired interviews and textual analysis of relevant books and documents. This provides the researcher with critical aspects of the policy that are important for the implementation process.

## **THE 5-C PROTOCOL OF POLICY IMPLEMENTATION**

While there is no single exhaustive theory of public policy implementation that has been adopted thus far, there is however evidence that a measure of consensus exists with regard to the critical variables that impact on implementation. These variables include the content of the policy; the context in which the policy is implemented; the commitment of the policy implementers; the capacity of government institutions; the clients the policy is expected to

serve and coalitions of influence. Cloete (2006:194) argue that these five interlinked variables also known as the 5-C Protocol are critical to the success of policy implementation. It is important to highlight that even though every case of policy implementation is unique, these variables can be applied to a whole range of cases to serve as a frame of reference for successful implementation (Brynard 2005:13). Therefore, for the purpose of this study, the 5-C Protocol Model will be used as a critical apparatus for evaluating the implementation status of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003.

## **Factors affecting the implementation of the research output policy**

The following section deals with factors leading to difficulties in effectively implementing the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003.

### ***The capacity of the university to implement***

For policy implementation to be successful, it is fundamental for institutions to have the necessary administrative and other abilities required to carry out the implementation process. The research revealed that it is important for higher education institutions to have the necessary skills and resources to implement the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003. These necessary skills and resources include the availability of sufficient numbers of qualified staff within the research offices to evaluate and capture research output data, and also academic and research staff having skills and greater ability to perform useful research, together with financial resources and infrastructure that will allow them to effectively engage in and produce quality research.

The assessment of the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, within the University of Pretoria and the University of Venda depicts severe capacity limitations. The lack of sufficient staff was found to be of particular concern during the implementation process. Both Universities and the Department of Higher Education and Training sited this as a burning issue and a major stumbling block. The implementation of the research output policy at an institutional level requires the production of sufficient quality research output focusing on national development needs, the capturing of research output and the evaluation of submitted research output against the requirements of the policy. All this requires adequate personnel which is lacking at the moment. In other words, the implementation of the research output policy is personnel intensive.

Data yielded revealed that the University of Pretoria lacks sufficient administrative staff in the Research Office, whereas the University of Venda lacks both the administrative staff in the Research Office and academic staff having appropriate qualifications to oversee postgraduate research and advance knowledge creation. The University Education Policy Development Unit within the Department of Higher Education and Training which is charged with managing the national research output policy and providing support to higher education institutions also has a shortage of staff.

The important question in understanding how capacity influences implementation effectiveness is not simply one of ‘what capacity is required and where?’ but also of ‘how this capacity can be created and enhanced?’ Effective implementation of public policies can be achieved by building capacity where it is lacking. The analysis of the content of the research output policy reveals that mechanisms to ensure adequate capacitation of the actors involved in the implementation process are not incorporated in the policy.

### ***The content of the policy and the extent of its implementation in the university***

The fundamental question that must be raised at this level of inquiry about the implementation of the content of the research output policy within the University of Pretoria and the University of Venda is twofold. On the one hand, it is important to indicate on the basis of the data collected, whether the policy is regulatory, distributive or redistributive in content. On the other hand, based on the data collected there is a need to indicate whether the content of the policy is implementable. In a sense, what needs to be interrogated is whether the content of the policy is realistic and easily understood by all parties involved in the implementation process.

There is a clear regulatory content in the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003. The policy stipulates rules and procedures that regulate how higher education institutions are expected to produce research output. This regulatory content is expressed in the policy’s expectation that every academic publish at least 1,25 articles annually in journals that the Department has accredited. Higher education institutions receive financial rewards in the form of subsidy for meeting this target, and are penalised for failing to meet it.

The regulatory content of the research output policy is coupled with a strong redistributive content evident in the policy’s intention. The democratic government saw a need to overturn the inheritance of a fragmented, racially divided and inequitable apartheid higher education system by introducing the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, as the new funding framework. This

funding framework is a goal-oriented and performance-related redistributive mechanism that explicitly links the allocation of funds to academic activity and research output contributing to the social and economic development of the county.

The data collected also suggests that not all parties involved in the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, understand its content. Whereas employees in the research offices at both the University of Pretoria and the University of Venda understand the content of the policy, researchers in both universities seem to be struggling in this regard. This is exemplified amongst other things by the inability of researchers to comply with the policy and submit appropriate research output meeting the policy requirements. This presents a threat to the potential that the policy has to resolve, in a targeted manner, the nature of the problem it seeks to address. Public policy is intended to be an integrated intervention that seeks to resolve a specific problem experienced collectively and has been politically constructed as warranting solution. To this extent, public policy presupposes a type of theory intended for social change. Therefore, there is a need for all the stakeholders involved in the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, to have a mutual understanding of the policy in order to ensure effective and efficient implementation processes.

The research also revealed that there are gaps in the policy content which impact policy implementation. These gaps include the research policy's non-recognition of other research outputs important to academics such as textbooks, artwork, music and artefacts and other important journal indices in which academics publish.

### ***The role of the institutional context in the implementation of the policy***

According to Brynard (2005:17), the focus should be on the institutional context which, like other variables, will inevitably be shaped by the larger context of social, economic, political and realities of the system. In South Africa, social inequalities were entrenched and replicated in all spheres of social life, as a product of the systemic exclusion of black people and women under colonialism and apartheid. The higher education system was no exception. Social, political and economic discrimination and inequalities of a class, race, gender, institutional and spatial nature strongly shaped, and continue to shape, the South African higher education system. Consequently, South Africa's democratic government dedicated itself in 1994 to transform the higher education system as well as the inherited apartheid social and economic structure and therefore institutionalising a new social order.

There was a need to formulate a comprehensive research policy framework that would suit the needs of a democratic South Africa and overturn the inheritance of a fragmented, racially divided and inequitable apartheid higher education system. The Policy and Procedures for the Measurement of Research Output of Higher Education Institutions, 2003, was formulated in the context of the social, economic and political variables confronting the higher education system.

Though policy makers had considered the social, economic and political variables, they have often failed to connect institutional environmental variables of higher education institutions to deliver upon the mandate. It is evident in the Policy and Procedures for the Measurement of Research Output of Higher Education Institutions, 2003, that higher education institutions are given a greater developmental mandate to produce scientific knowledge output required to meet national development needs, however, data collected reveals that institutional context of universities has a great bearing on the manner in which universities will successfully achieve their research mandate and properly implement the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003.

There are various contextual factors impacting policy implementation at both the University of Pretoria and the University of Venda. Firstly, when comparing both universities, it is clear that the University of Pretoria as a Historically White University (HWU) has always been well-resourced and well developed, whereas, to a large extent, the opposite exists in the University of Venda which is a Historically Black University (HBU). Although the democratic government has put intervention programmes and policies in place to address this imbalance and also to ensure that the role that HBU can play in the social and economic development of the people and the country is enhanced, these universities are still deeply divided in terms of material resources, research performance, research capacity, academic credibility and in the connectedness to international research environments. All these are factors in the institutional context which hamper implementation. The University of Venda finds it difficult to implement the research output policy as compared to the University of Pretoria which is well resourced.

The lack of effective strategic direction demonstrated by the profound absence of specific institutional programmes of action particularly designed to regulate the implementation of the research output policy in both universities, is another factor in the constitutional context hampering implementation. If an institution lacks a scientific mechanism designed to guide all parties involved on what and when is required of them, it is likely for the implantation process to be unsuccessful. Both the University of Pretoria and the University of Venda lack such a mechanism.

### ***The commitment of actors to implement***

The commitment of those entrusted with carrying out implementation at various levels is one of the key factors identified as crucial to the successful implementation of policy. The use of appropriate leadership and management styles, motivation and reward systems can have an impact on implementers' attitudes and therefore commitment. According to the implementation data collected, it is evident that the University of Pretoria and the University of Venda use various strategies to motivate and encourage researchers so that they can be committed to research production. Firstly, the different reward systems used by both universities, such as research bonuses, publication awards and research funding, play a crucial role in promoting a high performance research culture and commitment. Secondly, interventions to promote research such as the Post-doctoral Fellowship and PhD funding where participants are funded for a couple of years and in turn produce useful original research, are also meant to ensure the commitment of researchers. Thirdly, the mission and vision statements of both the University of Pretoria and the University of Venda also indicate the commitment of these universities to achieve their research mandate and properly implement the national research output policy.

The data reflects the actual implementation of the policy however depicts low levels of commitment from some of the actors on whose behaviour implementation depends. This is indicated in a number of instances identified during field interviews:

- Responses received from respondents regarding the main challenges faced in the effort to effectively implement the research output policy revealed that researchers tend to submit research output not meeting the policy requirements for subsidy. It seems as though researchers do not consult the policy when producing research and choosing journals in which to publish. This is an indication of lack of commitment.
- Lack of commitment is also evident in the fact that some researchers do not respond on time when certain documentation that would qualify their publications is missing. The research output policy explicitly states that all documents and information must be submitted to the Department of Higher Education and Training timeously and must be accurate. However, researchers tend to submit their research output to the research office subsequent to the deadline.
- At the University of Pretoria data capturers are primarily departmental administrators who treat research output data capturing as an add-on to their portfolios, and therefore tend to inaccurately capture data. This behaviour depicts lack of commitment to implement the research policy by departmental administrators.

- The fact that a high proportion of research publication units (80%) are contributed by a small number of academics (20%) suggests that the majority of academics are not committed to the implementation of the research output policy. Once the academics contributing to the 80% of units leave the university, the units will drop instantly, thus impacting on the commitment of the university's mandate to produce research.

### ***The role of clients and coalition***

To ensure successful implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, there is a need for regular consultation, debate and dialogue with those affected by the policy. The Department of Higher Education and Training and higher education institutions have obvious stakes in the implementation process; however, it is important to identify other key stakeholders and to understand their interests and strategies in relationship to those of decision-makers and implementers (Najam 1995:52). The resources such stakeholders can harness (financial, technological, informational and even moral authority) can significantly direct policy implementation.

Data yielded from respondents revealed that the Department of Higher Education and Training has a tendency of making changes to the lists of journals without prior consultation with higher education institutions and requires immediate implementation. This act discourages researchers who may have engaged with a journal for the publication of an article for over 18 months only to realise that it is no longer on the list of the policy accredited journals when it is published.

### ***Communication as an important requirement for effective implementation***

Although communication does not fall under the domain of the 5-C Protocol, it has been included as a sixth critical variable for implementation in this study. The importance of communication for policy implementation lies in the fact that it is through communication that orders to implement policies are expected to be transmitted to the appropriate personnel in a clear manner, while maintaining accuracy and consistency. As a result of inadequate and unclear information, those responsible for the implementation of a policy initiative may be confused as to what exactly is required of them.

Evidence yielded by the research suggests weak communication between the critical constellations responsible for policy implementation at both the University of Pretoria and the University of Venda, and also between the Department of Higher Education and Training and higher education institutions. This is demonstrated by the misinterpretation of the policy content, particularly by some academic and research staff. The fact that some researchers struggle

to comply with the policy requirements for subsidy is an indication of a gap in communication between researchers, research offices and the Department of Higher Education and Training. It seems as though there are unclear implementation instructions. By the same token this is further exacerbated by the fact that sometimes getting feedback from the Department of Higher Education and Training on submitted research output takes long. Although respondents at the Department of Higher Education and Training mentioned that there is constant communication with higher education institutions through mini-workshops and meetings where presentations focusing on policy requirements are made and clarities are resolved, the actual implementation data collected provides evidence that these visits are not as often as they should be and therefore not efficient. This is exemplified amongst other things by the high rejection rate of research output not meeting the policy requirements. There is also an identified communication gap between the Department of Higher Education and Training and higher education institutions on issues regarding the annual modification of the different lists of journals for subsidy, where the Department makes changes on the list of accredited journals and requires immediate implementation without any prior communication with higher education institutions. These are the communication challenges that hinder effective implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003.

## **POTENTIAL SOLUTIONS**

To this extent, drastic measures will have to be taken to expedite a turnaround if the implementation status quo is to improve significantly, and therefore improve and increase research output produced by higher education institutions. This leads the article to the following recommendations.

### **Decentralisation of the research output capturing process**

In order to overcome the challenge of insufficient human resource capacity, data capturing should be centralised, where there will be a pool of employees residing in the research office employed exclusively to evaluate and capture data. Unlike the current decentralised system employed by the universities where research outputs are captured in the various academic departments by different people who have their own understanding of the policy, and are sometimes not even aware of all the requirements for subsidy publication, the centralised system will ensure more quality control. Both universities should consider having a pool of a minimum of fifteen employees not exceeding twenty who will be charged with



the responsibility of collecting hard copies of research output, capturing it on the RIS system, managing the system and ensuring that submitted output meets the subsidy requirements of the policy.

## **Fostering research collaboration**

It was highlighted that the University of Venda lacks academic staff having appropriate qualifications to oversee postgraduate research and advance knowledge creation. The implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, at an institutional level requires the production of sufficient quality research output focusing on national development needs, and this output can only be produced by research and academic staff. Therefore, the availability of qualified research and academic staff is a critical driver in ensuring the effective implementation of the research output policy. It is imperative for the University of Venda to form research collaborations with other universities, and collaborations amongst authors within the university should also be encouraged and promoted. These collaborations can serve as a research capacity building strategy.

## **Expansion of the policy content**

Other categories of research output should be incorporated in the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003. There should be an expansion of subsidised research output to include artwork, textbooks, music and artefacts. There appear to be few rewards for academics who take part in many of the other research related activities that are excluded by the current measurement system, for example, academics who serve as referees for journals, research seminar participation, supervision of Masters and PhD students, cross discipline etc. While the Department of Higher Education and Training categories listed in the policy remain the primary reference point for research output, it must be recognised that a myriad of research output can result from such activities. Therefore, there is a need to establish indicators that would incorporate neglected research output and other research related activities contributing to the advancement of knowledge production, in order to reach a fair and reasonable measurement of research output.

It is also recommended that the Department of Higher Education and Training conduct an investigation to determine these other journal indices in which academics publish, so that they can be considered for accreditation. The policy should be reviewed regularly and changes should be implemented where gaps are identified, however all stakeholders should be involved in this process.

## **Monitoring and evaluation**

It is recommended that the Department of Higher Education and Training develops a monitoring and evaluation division within the University Education Policy Development Unit to help monitor progress towards the achievement of the research output policy aims and objectives, the impact of the research output policy on higher education institutions and the country's development, and to assess the effectiveness of the policy and provide clear guidance on areas that need to be changed. The Monitoring and Evaluation Division should regularly visit higher education institutions to help them with some of the challenges they face. Research participants from the University of Venda particularly suggested that the Department of Higher Education and Training meetings with staff who capture data should be diarised and the invitation extended to the University on an annual basis, as this is currently not the case.

Monitoring and evaluation of the Policy and Procedures for the Measurement of Research Output of Higher Education Institutions, 2003, will have positive benefits. For example, monitoring and evaluation will bring about better understanding of the intended and unintended outcomes. These results should be well documented, and higher education institutions be provided with copies. By so doing, higher education institutions will be able to redefine their implementation strategies so that the policy can have optimum impact. When the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, is monitored and evaluated at regular intervals on a continuous basis, challenges can be detected earlier, and if the need arises, new or revised policy alternatives can be initiated.

It is also recommended that both universities develop institutional monitoring and evaluation divisions which will be based in the research offices so as to ensure effective implementation of the research output policy at an institutional level. The division in each institution should be responsible for conducting a thorough self-monitoring and evaluation of the university's research performance and its implementation of the research output policy. The division should monitor and evaluate each faculty's research performance by focusing on the strengths, weaknesses and achievements. Faculties experiencing challenges with implementing the research output policy should be assisted accordingly.

## **The development of the research output communication division**

The implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, is decentralised with various stakeholders at both national and university level playing a part.

Referring to the research findings, it is also clear that the University of Pretoria uses a decentralised data capturing system where research outputs are captured in the various academic departments by departmental administrators before they can be sent to the research office for final evaluation and thereafter to the Department of Higher Education and Training. Thus, this indicates the need for continuous communication amongst the various stakeholders for effective implementation of the research output policy. Referring to the interview responses, such communication seem to be lacking amongst the various stakeholders.

It is therefore recommended that for the Department of Higher Education and Training to improve its communication mechanisms so as to reach all higher education institutions, it should develop a division of research output communication within the University Education Policy Development Unit of the Department. This division will specifically be charged with providing information to all stakeholders; ensuring that higher education institutions receive timeous feedback on submitted research output; regularly communicating with higher education institutions about the policy objectives, the policy requirements for subsidisation and issues regarding the modification of the list of accredited journals.

### **Internal workshops on recognised research output**

In order to foster maximum communication at all levels of implementation at an institutional level, and therefore ensure effective implementation of the research output policy, it is recommended that the University of Pretoria and the University of Venda research offices consider conducting workshops on recognised research outputs where researchers attend and presentations are made. These workshops should be conducted quarterly. The workshops will help remedy the challenge of the misunderstanding of the policy content by some researchers which is reflected in their inability to comply with the policy requirements for subsidy.

## **CONCLUSION**

Higher education institutions play an essential role in producing scientific knowledge through applied research that will enhance the quality of life of the society and also strengthen the economy. In this regard, research output of higher education institutions becomes increasingly important for growth and development of a state. Therefore, the country's growth and development relies on the proper and effective implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003. In the problem statement of this article, it was mentioned that the policy has

been in place for eight years but research outputs of higher education institutions are very low at about 0,4 research outputs per researcher per year. South Africa spends 0,92% of Gross Domestic Product on research and is still struggling to reach the elusive 1% spend, which is the government's strategic aim. An important reason for this low research output by higher education institutions is closely related to the fact that a high proportion of research publications are contributed by a small number of academics; and also because of the high rejection rate by the Department of Higher Education and Training of research publications submitted by higher education institutions due to not meeting the policy requirements. This proves that higher education institutions are struggling with the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003. Therefore there was a need to investigate the policy implementation challenges confronted by higher education institutions in the effort to implement the research output policy and provide recommendations for overcoming these implementation challenges with the aim to increase and improve universities' research output.

The study for this article found that the University of Pretoria and the University of Venda are confronted with massive challenges in the effort to implement the policy. These challenges include lack of human resource capacity; lack of the commitment to implement; lack of communication between various stakeholders involved in the implementation process; incorrect data capturing; misunderstanding of the research output policy content characterised by the tendency of researchers to submit research output not meeting the policy requirements of subsidy; and ineffective internal control measures. Furthermore, the absence of regular monitoring by the Department of Higher Education and Training was also identified as another hindrance to effective implementation. The abovementioned recommendations should be considered for improving the implementation of the Policy and Procedures for the Measurement of Research Output of Public Higher Education Institutions, 2003, and therefore improving and increasing research output of universities required to meet the country's developmental needs.

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# Managing the outsourcing of repairs at SAPS garages

## A call for a new approach

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### ABSTRACT

The aim of this article is to explore problems faced by South African Police Service (SAPS) garages that affect the availability of police vehicles. The article will determine the nature of sourcing vehicle maintenance at the various SAPS garages, and the strength of the sourcing strategy that is being used.

The article is structured as a case study design composed of personal interviews and questionnaires focusing at SAPS garage managers in Eastern Cape, Gauteng, Free State and Western Cape. In addition, the SAPS Mechanical Services manager and the SAPS procurement policy manager were interviewed. A literature review explains the use of public money, outsourcing and in-sourcing in conjunction with the current legislative and policy framework.

The fundamental finding of this article is that the SAPS garages could not handle all the work they were receiving, as they did not have the capacity, for various reasons, to deal with the volume of vehicle repairs that were coming in, and that the variety of sourcing strategies at the different garages was not effectively reducing the backlog.

### INTRODUCTION

The South African Police Service (SAPS) relies heavily on the availability of vehicles when operational employees are deployed simultaneously in many

sectors. The SAPS vehicles are traditionally maintained by the SAPS garages and the maintenance of these vehicles is of strategic importance, as a vehicle that is not properly functioning has a great impact on service delivery. Therefore, in alignment with the SAPS mission to combat crime, there needs to be a good, effective sourcing strategy in place for vehicle maintenance in order to ensure that service delivery is not hampered. This research has used the words 'maintenance' and 'repairs' as referring to all types of repairs performed on a vehicle, including services (scheduled maintenance).

Section 205(3) of the *Constitution of the Republic of South Africa, 1996*, states that the responsibility of the SAPS is to 'prevent, combat and investigate crime, to maintain public order, to protect and secure the inhabitants of the Republic and their property, and to uphold and enforce the law'. In order to fulfil this responsibility, the police must have a sufficient number of vehicles available as one of their major tools, mainly to attend to complaints, to patrol neighbourhoods as part of crime prevention, and to investigate crime. A police vehicle plays a major role in helping the police to fulfil their constitutional responsibilities. An efficient and effective sourcing strategy is important to ensure that vehicles are repaired as quickly and as efficiently as possible to keep them continually available for use in fighting crime. The purpose of the article is to explore problems faced by SAPS garages that affect the availability of police vehicles.

The article also addresses the use of public money as an important issue, since SAPS vehicles are maintained using public funds. Procurement of spares or any material to run the garage is taken as the acquisition of goods, and the act of repairing a vehicle is a service. The use of public money is approached as a question of spending public money in the public interest when using it to procure goods and services. The article further provides a literature overview on outsourcing and in-sourcing in conjunction with the legislative policy framework.

The sections of the population observed by the researcher are the SAPS garage managers and the SAPS executive management and, from outside the SAPS, the researcher focused on government and semi-government institutions management that own a large fleet. Of the SAPS population, the top four big SAPS Garages in Gauteng Province, all of the Eastern Cape, Western Cape and Free State, the SAPS Mechanic Services, the SAPS Vehicle Fleet Management, and the SAPS Acquisition Management, were used for the sample in the study. Of the other government and semi-government institutions population, the Passenger Rail Agency of South Africa (PRASA) Vehicle Fleet Management, City of Cape Town Garage Electric Department Vehicle Fleet Management and Western Cape Provincial Fleet Management were included.

The researcher deliberately chose to interview the SAPS Garage commanders from the larger SAPS garages in the Western Cape, which are the Bellville SAPS Garage, the Maitland SAPS Garage, the Oudtshoorn SAPS Garage and



the Stellenbosch SAPS Garage. The interview in Gauteng was held with the manager of Silverton SAPS Garage, the biggest SAPS Garage in Gauteng, and by telephonic interview only, with Diepkloof SAPS Garage and Vereeniging SAPS Garage. The researcher interviewed the SAPS strategy drivers from National Mechanic Services head, National Acquisition Management, and National Fleet management. Further interviews have been conducted with the PRASA Engineering Services Manager, City of Cape Town fleet manager, and the Western Cape Provincial Government vehicle fleet manager.

Subsequently, a self-administered questionnaire was drawn up and sent to all Eastern Cape, Western Cape and Free State Province SAPS garage managers. The questionnaire was based on major points extracted from the initial personal interviews and was designed to elicit the type of information necessary for fulfilling the requirements of this research study. This purposive type of sampling is useful only if the researcher has acquired knowledge of the population that is observed, before he can draw a sample (Burger & Silima, 2006:662). These garages were therefore chosen strategically, from three provinces of different financial strengths. The time frame did not allow the researcher to interview more experts from outside the SAPS. The three interviews from outside the SAPS were from expert executive managers. It was evident that this sampling was strong as it revealed a sourcing strategy that is not consistent.

## **LEGISLATIVE AND POLICY FRAMEWORK**

Section 217 of the *Constitution of the Republic of South Africa, 1996*, is the foundation of the procurement procedures that must be followed by all organs of the State. All goods and services that are paid for with public funds must be procured through a 'fair, equitable, transparent, competitive and cost-effective' system. Section 217(3) provides that a legislative framework will ensure the application of section 217(2) (RSA 1996:131). In order to fulfil these constitutional requirements, the *Public Finance Management Act 1 of 1999* was enacted to regulate the management of public money in the national and provincial governments. It provides guidance on how 'to manage all revenues, expenditure, assets, and liabilities of these governments' (RSA 1999:23). Furthermore, it indicates the responsibilities of all employees entrusted with the use and management of public money.

Section 217(2) of the *Constitution of the Republic of South Africa, 1996* provides that, although pursuing fairness and competitiveness, the system can still allow certain preferences when awarding a tender or allocating a contract. Therefore, in order to redress past injustices, the *Preferential Procurement Policy Framework Act 5 of 2000* (PPPFA), fulfils the requirements in section 217(3),

which instructs that a legislated framework that will ensure the application of section 217(2) be established. For this reason the *Preferential Procurement Policy Framework Act 5 of 2000* requires points to be allocated per price competition and for historically disadvantaged individuals (HDI) status. HDI refers to Black South Africans (Africans, Coloureds and Indians) and all women regardless of colour or race. This Act applies only to the procurement of goods and services above R30 000 (RSA 2000; Treasury 2007c:3).

The *Broad-Based Black Economic Empowerment Act 53 of 2003* (B-BBEE) was promulgated on 9 February 2007. The driving force for compliance with the Act and the development of the black economy has been the Department of Trade and Industry (DTI). The DTI requires South African companies to include blacks both in ownership and management. It therefore focuses on seven pillars: Equity Ownership, Management Equity, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development, and Socio-economic Development. This Act is not fully enforced in government departments as the PPPFA adopts another points-allocation system that is different from that of B-BBEE. Departments can only ensure that their suppliers are B-BBEE compliant, but not allocate procurement points based on B-BBEE status (Treasury 2007d). The companies still benefit from the supply of goods and services less than R30 000, where the PPPFA has no power. Treasury Circular dated 2011/07/29 (Treasury 2011) introduces the revised Preferential Procurement Regulation, 2011 which came into effect on 7 December 2011. This revised regulation integrates the PPPFA and the B-BBEE.

The General Procurement Guidelines from the National Treasury list the five pillars of procurement as:

- value for money,
- open and effective competition,
- ethics and fair dealing,
- accountability and reporting, and
- equity (Treasury 2007a:3).

The outsource turnaround time, warranties and quality of repairs are associated with the first pillar, which is value for money. The second pillar, open and effective completion, helps to curb corruption and acts as the means to achieve the best and lowest price for services. The rotation of suppliers ensures fair dealing, which is the third pillar. The fourth pillar, accountability and reporting, reduces the risk of poor procurement administration. The fifth pillar, equity, promotes the development of small, medium and micro enterprises and historically disadvantaged individuals.

Treasury Practice Note 6 of 2007/2008 (Treasury 2007b) gives directives on when to procure goods and services without using competitive bids. Goods

and services under R200 000 can be procured without using competitive bids by means of price quotations. This Note refers to Treasury Regulation 16A 6.4, which allows for a supplier being a sole provider. The other circumstance in which this is allowed is in cases of emergencies for services where it is not practical to obtain additional quotations. An example of this would be a contractor who must strip a vehicle to diagnose for repair, such as electrical work and some mechanical works.

Section 206(2) of the Constitution requires policies to be in place to address policing needs and priorities (RSA 1996:123). To ensure effective policing, there must be a sufficient number of vehicles available for use. In 2004 the National Treasury compiled a manual called *Supply Chain Management: A Guide for Accounting Officers and Accounting Authorities* (Treasury 2004b:9). This guide acknowledges that, while procuring goods and services there are some risk elements that must be assessed and mitigated. It requires all state institutions to have a sourcing strategy as well as to investigate the best possible methods for sourcing goods and services. The SAPS Mechanical Services Maintenance Manual (SAPS 2011), which is the main guide for the SAPS garages gives limited guidance on sourcing strategy. The RT 46 vehicle fleet management contract was instituted in order to implement control over the management of fuel and the repairs on vehicles of specific government departments and entities (Treasury 2009:9). It provides for departments that have workshops and prefer to do repairs in-house. The sourcing policies for repairs on SAPS vehicles must ensure the availability of vehicles as a critical need in order to fulfil the requirements of Section 206(2) of the Constitution (RSA 1996) in addressing the policing needs.

In addition, the Treasury Circulars dated 2004/10/27 (Treasury 2004a:2) and 2011/07/29 (Treasury 2011) require that all practitioners who do day-to-day supply chain functions be appropriately trained. All newly appointed employees must be trained regardless of their employment levels, including senior management. The types of training that are prescribed in this Notice, cover an introduction to supply chain management, intermediate training with the focus on intensive training in all elements of supply chain management, and advanced training that includes specialised skills in the elements of supply chain management. Therefore, employees who are attached to sourcing activities in the police garages are required to be trained according to the treasury policies.

## **THE USE OF PUBLIC MONEY**

Heald and McLeod (2002) define public money as ‘all money that comes into the possession of, or is distributed by, a public body, and money raised by a private body where it is doing so under statutory authority’. Public managers

are entrusted with public money to render services to the people of South Africa (Pauw, Woods, Van der Linde, Faurie and Visser 2009:1). Therefore public money is referred to as the 'people's money'. It is expected of public managers that they should meet the needs of the people, just as, in the private sector, managers must meet their clients' needs and demands in order to stay in business. The competitiveness of a government institution is about satisfying the public by providing excellent service delivery. If vehicles are repaired on time, they can be returned promptly for policemen to use and thereby render a better service to their communities. Public money must still be used efficiently even in the pursuit of having government vehicles repaired quickly and efficiently.

A democratic government is a government of the people by the people (Qvortrup 2005:1). Money is collected by the government for the people in order to render services to them. The people of a country are the beneficiaries of its money and it is therefore theirs (Pauw *et al.* 2009:3). The population votes for a government in order for their needs to be met, and it is therefore of great importance that the managers of public funds manage their financial budgets as responsibly as they would in the private sector in order to survive. The maintenance of public safety and security is a priority, and if there are not enough police vehicles to help combat crime, the economy of the country and social living standards and lifestyle would all be adversely affected. The managers of public funds are responsible for ensuring that the best use is made of public money when considering the sourcing strategy that will keep these vehicles running.

The public must receive value for its money, which means that goods and services that have been purchased by managers of public funds must be of benefit to the people. The government must be held accountable for the way in which the public funds are used, including the spending of public funds for resources used, which 'requires the demonstration of Value for Money (VFM)' (Heald & McLeod 2002). Heald (2003:345) relates the concept of Value for Money to concepts of efficiency and effectiveness.

Section 38(1)(b) of the *Public Finance Management Act* (1 of 1999) (PFMA) promotes the effective and efficient use of public money, where public managers must commit to and reach their goals according to their business plan and budget (RSA 1999:37; Pauw *et al.* 2009:23). Effectiveness is easily measured by the outcome and impact of government intervention. The concept of effectiveness applies also to the way in which public money should be managed. As the purpose of repairing a vehicle is to keep it in regular, reliable use when fighting crime, an efficient way to repair it must be sought and, furthermore, the effectiveness of the repair must be reported. The PFMA views ineffectual activities as fruitless and wasteful expenditure.

## OUTSOURCING

Chopra and Meindl (2007:417) view sourcing as a process of procuring goods and services. Insourcing is an act of performing the company's activities internally (Leenders, Johnson, Flynn and Fearon 2006:476). This is by producing goods internally or providing services within the organisation's human resources. For the purposes of this research study, outsourcing is defined as the process procurement of goods and services in a contractual form from an external provider for better supply-chain benefits (Leenders *et al.* 2006:476, Van der Walt 2007:23; Buchanan 2008:87; Schniederjans, Schniederjans and Schniederjans 2010:283, and Greaver II 1999:3). In-sourcing and outsourcing must be treated as twins, as organisations often think and talk about outsourcing more than they do about in-sourcing (Leenders *et al.* 2006:476). This means that outsourcing and in-sourcing must both be brought to the table as options, to be considered equally, so that the right decision can be made when choosing between them.

Outsourcing originates when a manager realises that some products and services are cheaper to buy than to make (Hugo, Bandehorst-Weiss and Biljon 2006:74). It is commonly used for cost saving and to achieve strategic goals (Loader 2006:212). By achieving strategic goals, an organisation can achieve outputs and outcomes that are above its internal resource capacity. When there are these advantages, organisations must be able to meet changing service demands by outsourcing only that which is beyond their capacity. Although outsourcing seems to have been focused on cost reduction, it opens a gateway to achieving more objectives, therefore becoming a 'plus' in the economy because of its benefits (Buchanan 2008:87).

Therefore, outsourcing increases the organisation's ability to assemble different and necessary expertise that is available on the market in a quicker and more efficient way. It increases its flexibility to meet changing demands (Thompson and Strickland 2003:184). Outsourcing allows an organisation to focus on activities which it performs much better than do outsiders (Greaver II 1999:5). Outsourcing is 'a strategic management tool to outperform competitors and sustain efficient cost structures' (Arendse 2002:89).

The benefits of outsourcing outlined by the various authors above would apply to the needs of the SAPS garages in several respects.

- The advanced technology in new vehicles demands new, upgraded technology for maintenance purposes, and external providers can provide access to any new technology required, such as for the skimming of brake discs and drums, and flywheels (Leenders *et al.* 2006:478). The SAPS can acquire some of this technology, but cannot be expected to keep pace with the many on-going advances and changes.

- The external providers also provide access to expertise that is not available in the SAPS, and for which referral is made to experts who specialise in dealing with, for example, CV joints, gearboxes, differentials, engine rebuilding, steering boxes, diesel pumps and injectors, and more (Leenders *et al.* 2006:478; Thompson and Strickland 2003:184).
- Outsourcing becomes an opportunity that can be exploited as it provides the flexibility to accommodate ever-changing demands (Thompson & Strickland 2003:184; Burt *et al.* 2003:301). Changing demands can be attributed to the demands of changing or unavailable technology, a shortage of work space, a shortage of manpower, or a sudden increase in the number of vehicles that need to be repaired.

Referring to the state as a guarantor, Obermann (2007:479) is of the opinion that if the government cannot function properly in response to certain public needs, it must outsource the activity. Even when services are outsourced, the State still bears the responsibility to ensure good service delivery; the implication of this is that outsourcing cannot be used as a way to avoid accountability for the standard of service delivery. The State, as the guarantor of service delivery, must still account to the public for its financial and service delivery performance. In fact, sourcing decisions must be done in a strategic way so that the most effective and successful option is taken. The recommended way to go about this is to formulate a strategy for how to deliver the best possible service. As part of preparing the strategy, consideration must be given to what can still be done in-house, and what can practically be done through a service provider, depending on the budget available.

Obermann's (2007:479) theory is relevant in the light of the possibility that, if the police garage capacity cannot handle some of its repairs, it might be wisest to outsource such repairs. This could be beneficial in cases where the SAPS garages are capable of doing such repairs but do not have sufficient personnel, or it might be that the SAPS garages do not possess the skill and technology. Where there is a lack of skill or technology to carry out some of the repairs to the vehicles, the SAPS garages must outsource to suitable network suppliers who are available to fulfil the SAPS vision of repairing its vehicles as a matter of urgency while maintaining a high standard of workmanship.

Good relationships with these providers must be built on the premise that the SAPS vehicles are emergency vehicles and must be given priority. This means that these companies must themselves comprehend the strategic vision of the SAPS garages, which is to have, at all times, sufficient patrol vehicles servicing its communities. Therefore Hugo *et al.* (2006:71) define strategic sourcing as 'a management strategic process whereby commodities and suppliers are analysed and relationships are formed and managed according

to the best practices and appropriate strategies in support of long-term organisational goals.'

The decision to outsource (Burt, Dobler and Starling 2003:302) should not be regarded as a simple one. It should be analysed strategically and at operational level. In their case study of the Muenster Pump Company which manufactures agricultural pumps, the manager worked out that to buy the housing of the L-1012 pump cost \$90, whereas they made it in-house for \$180. He presented his finding to the Company President, but the President had some difficulty in coming to a decision to outsource. His reasons were, first, that their own case housing was known to be of a high quality; second, their employees responded quickly to product demand; and finally, there was the matter of social responsibility, because fourteen men from that small city worked in the Muenster Pump Company's housing section. Closing the housing section would reduce employment in that small city, while boosting employment in another city.

In his research on outsourcing at Sasol Mining, Van der Walt (2007:93) found that results show that outsourcing has not been successful at all times. The writer is of the opinion that, if Sasol Mining prioritises outsourcing in its strategic plan and links it with a good theoretical framework, it would yield better results. It is important to look at both outsourcing and in-sourcing from a strategic sourcing point of view (Leenders *et al.* 2006:463). Decisions to outsource must be made more carefully and be given more consideration as they have strategic implications (Hugo *et al.* 2006:74). Wrong decisions can severely affect the financial health of an enterprise and might have an impact on its profitability. It is therefore a highly strategic decision that can have damaging effects on an enterprise (Arendse 2002:89).

## **GUIDELINES FOR OUTSOURCED MAINTENANCE**

One of the guiding principles mentioned by Loader (2006:217) is that it is important to have an outsourcing policy which regulates the outsourcing of different activities. With this, a buyer at any SAPS garage will know when to outsource which activities according to the specific guidelines. Loader (2006:218) views it as of the utmost importance for the senior manager to take responsibility for formulating relevant sourcing guidelines.

The next step would be for management to develop an outsourcing risk-management programme (Loader 2006:218). This programme will deal with outsourced activities including the relationship with the service providers. To lower the risk, service providers must be selected with care. The outsourcing relationship must be carefully outlined in the form of a contract with approved service providers. This will ensure that when service providers who are on the

database are requested to provide a quotation or render a service, they conduct themselves in the appropriate way.

One of the risks to be mindful of is the fact that it is easy to underestimate the cost of the outsourcing process. This is true when the database is too big. The SAPS vehicles are outsourced to many suppliers in order to enhance competition and advance supplier rotation. This could result in complicated co-ordination where a buyer is required to follow up on quotations, progress of work and then ensure that quality checks are done by a delegated person. Managing the repair of vehicles under one roof is a simpler task than trying to manage work from different premises and sources (Burt, Petcavage and Pinkerton 2010:234; Leenders *et al.* 2006:478).

Another potential risk is that the organisation can lose internal capacity by promoting the growth of the supplier power (Burt *et al.* 2010:234). In such a situation the organisation could find itself particularly dependent on its suppliers. Such heavy reliance could pose a very serious threat if it emerged that a government contractor had been ineffective and unreliable. This could occur if the contractor was not performing as set out in the terms of the contract. The leakage of sensitive information is one of the major problems that can endanger an outsourcing company, and this might be related to whether fixed communication radios can be used by criminals to monitor police movement to the criminals' advantage (Buchanan 2008:88).

## **MAKING A SOURCING DECISION**

Hugo *et al.* (2006:76) mention six aspects that must be considered when making a sourcing decision. These are; assessing technology and demand trends, define core activities, strategic analysis conduct, a total cost analyses of core activities, non-cost factors for decision-making, and the type of relationship necessary must be determined.

### **Assessing technology and demand trends**

Obermann (2007:479) suggested that, if the state cannot function properly on certain public needs it must outsource the activity. The reality is that available technology plays a big role. It is difficult for garages to keep up with changing technology. Each vehicle manufacturer makes certain changes on new models and updates the technology of its dealers. It became difficult for a normal vehicle repair shop to keep up with all these different approved dealer workshops. This includes diagnostic equipment and special tool dedicated to certain makes of vehicles. Moreover the technology on the machinery for machining vehicles



parts must be considered. In the same way technology cannot be upgraded when there is no demand. It will be better to outsource such services than to have an under-utilised technology.

When the internal or external production is poor due to quality or quantity the sourcing decision must be revised. In the same way of the suppliers does not perform or is unable to deliver and there is no other competitive supplier the decision to outsource must be reversed. Changing service demand pattern will always persuade the sourcing decision. There is a stage where a product or service demand will decrease or increase the enterprise's ability. The life cycle of the technology can influence the outsourcing decision, where it may be better to shift the risk of changing technology to a supplier (Hugo *et al.* 2006:76-79).

## **Define core activities**

Hugo *et al.* (2006:76-79) define core activity as primary activities that are essential to create or deliver a product. All non-core activities can be outsourced. The loss of employment must be considered including the pressure from Trade Unions. The primary function of the SAPS garages is to service and repair SAPS vehicles. Specialised repairs such as gearbox and differential repairs, machining of engine parts, and repairs to exhaust system are usually not taken as core activities. Smaller garages normally do not employ an auto electrician, setting the electrical work as non-core activity. Generally mechanics do certain minor electrical work and refer the complicated electric repairs to an auto electrician.

## **Strategic analysis**

A strategy is then the total pattern of decisions and actions which position the organisation in its environment and are intended to achieve its long-term goals (Pycraft, Singh, Phihlela, Slack, Chambers, Harland, Harrison and Johnston 2000:71)

In Hugo *et al.*'s (2006:76-79) opinion, one should identify what gives an enterprise a competitive advantage. This may be the low price of its product or service, or how it differentiates its product. At this the strength of an enterprise must be identified and be advanced. A product or service can be costly to the client but win the market due to it qualify warrant period, and accessibility and fairness of its maintenance. The strategic advantage of other competitors must be identified.

According to Burt *et al.* (2010:219), a competitive analysis will enable the company to see its position relative to other competitors, the market itself. The core competencies of an enterprise are the skills, technology, resources and knowledge it possesses. By doing competency analysis the resource can

be focused on what can bring the unique value that is desired by the client. Forecasting must therefore be done on core competencies that will be needed in future. Both the current core competencies and the future competencies must be compared and analysed in order to create a firm's competitive advantage. When considering what to outsource or to in-source, the decision should promote the full use and advancement of core competencies. Activities which are not directly driving this strategy can be outsourced to competitive companies of low cost.

What the enterprises must be careful of is the supplier dominance (Burt *et al.* 2010:220). It is easy for a supplier to gain indirect controlling power over an enterprise. When a supplier put more investment as an essential need to fulfil the obligation of a contract, it may seem to be a best company to work with in the future. Due to this investment this supplier can convene an amendment request to the original contract. The enterprise might find itself in a lock-in. This will give the provider strength to negotiate better terms for the contract renewal because of the post-contact expectancies and lock-ins it have developed. This can be prevented earlier by well-crafted and managed alliance. If there is a sign of a lock-in, a sourcing decision must be carefully made.

A basic strategic plan is about setting out long-term goals that will guide the day-to-day operations. The strategic plan must result from the organisation's vision (mission and goals). The strategic plan is normally done at a senior management level. The common approach to a strategic plan is to do the SWOT analysis (strength, weaknesses, threat & opportunities). Schniederjans' approach to the SWOT analysis is to divide the planning stage into external environment analysis and internal organisational analysis as in figure 3 (Schniederjans *et al.*, 2010).

## **Conduct a total cost analyses of core activities**

At this stage the internal cost implications of in sourcing core activities is analysed and compared to that of outsourcing. After the cost analysis other factors must still be considered such as risk of other competitors benefiting from the enterprise strategic advantage. The other factor will still determine whether there is no future risk of the enterprise to lose its competency while in-sourcing. In this case the enterprise will start outsourcing in order to build relationships for the future. The other idea will be to outsource the core activities without strategic advantage (Hugo *et al.* 2006:76).

## **Non-cost factors for decision-making**

According to Hugo *et al.* (2006:76), it is not only the cost analysis that must be done. There are non-cost factors that are important to be considered

when making a sourcing decision. These non-cost factors include advantages, disadvantages and risks of insourcing and outsourcing. Van Wyk and Kroukamp's (2007:268) concern is that some state departments are not bothering to compare the cost with benefits. These writers see outsourcing as the government order of the day which needs public managers to do the accurate cost benefit analysis. This means that the cost and the benefits of both sourcing options must be put on a scale for the best decision. Where there are cost savings, disadvantages and risks must be considered.

Muhlermann, Oakland and Lockyer (1992:444) view on deciding whether to repair the vehicles in house or to outsource is that it is not only a matter of cost savings. There are other important factors such as the quality of work that will be delivered by the providers and how the quality is going to be controlled. The other question is whether the providers will be able to offer sustained services. The SAPS requires committed providers who will always create room and time to provide a service. If a provider relies on the availability of time and space in their workshop, they may not be a reliable provider for the SAPS. Accessing the knowledge and technology that is possessed by the prospective providers is important for decision-making. The other fact is that these outsourced works must be managed effectively.

### **The type of relationship necessary must be determined**

The more strategic the activity (Hugo *et al.* 2006:76) which is outsourcing the closer the relationship must be built. A service level agreement will be critical on more strategic activities. Internal cost must include direct labour costs, fringe benefits, direct materials, indirect labour.

## **FINDINGS**

Personal interviews were conducted with five SAPS garage managers. The duration of the interviews was between 30 minutes and 1 hour. For the purposes of the interviews the researcher used a structured questionnaire as a guide. Following on from these personal interviews, self-administered questionnaires, in alignment with the questions asked in the interviews, were drawn up and sent out to a number of garage managers. Five out of 9 garage managers responded from the Free State, 7 out of 10 managers from the Western Cape, and 8 out of 16 from the Eastern Cape. In Gauteng, where only the 4 busiest garages, with the highest turnover of work, were targeted, there were 3 responses.

Observation in the Western Cape at Maitland SAPS Garage and Bellville SAPS Garage indicated that they were very full inside the workshop and the

entire garage premises with vehicles to repair. The observation was carried out to see the standard of the workshop and the number of vehicles on the premises. According to the respondents, the garages are currently outsourcing all specialised repairs as they are regarded as a non-core competency. There are few vehicles serviced under the manufacturer service plan and very few with a maintenance plan.

All types of repairs are done in-house by the SAPS garages. It is only a few respondents in the Free State Province and Eastern Cape Province who indicated that they do not carry out major repairs. Most respondents are not outsourcing vehicle services. The majority of respondents outsourced only a few minor repairs, while a minority of respondents were not outsourcing any of their minor repairs. In the Eastern Cape three garages (respondents) were outsourcing all major jobs and the other three were outsourcing only a few major repairs, while two garages were not outsourcing major repairs at all. Garages in Western Cape, Gauteng and Free State were showing a trend towards partly outsourcing major repairs.

It was clear that the majority of the major repairs were being outsourced, as well as some of the minor repairs, in order for the garages to cope with their current workloads. The patterns from the questionnaires indicated that outsourcing practice differed from province to province proving that there is no clear, uniform strategy for outsourcing. A strategy guide would improve these patterns by standardising them. The responses shows a very poor training trend, in contrast to the Treasury Circulars dated 2004/10/27 (Treasury 2004c:2) and 2011/07/29 (Treasury 2011), which requires all practitioners who carry out day-to-day supply chain functions to be trained.

According to the research's 13 respondents, there is less priority given to SAPS vehicles, while 9 feel that they are being prioritised. The six interviewees were of the opinion that the big workshops, such as dealers, prioritise the cash customers as they face a lot of pressure from them. They were convinced that although they come from a trend where the payment of service providers used to delay, the payments are within treasury regulated time frames. The cash clients give an immediate go-ahead response for quoted repairs, unlike the SAPS processes. Most respondents are of the opinion that the services and minor repairs must be done in-house, while the major repairs could be outsourced

## **RECOMMENDATIONS**

It is clear that the SAPS do not have a uniform sourcing strategy. When the SAPS are devising a sourcing strategy it must consider internal problems in its garages. In-sourcing will not work without improving the current workshop procedures,

structure and performance and addressing the lack of training. In the same way, outsourcing will not work well in the current garage procurement system, with untrained personnel and unmitigated risks.

The main recommendation is that a performance assessment for each garage be conducted. As an independent assessment, it should assess the role and effectiveness of all posts in the SAPS garages. This performance assessment should be prioritised to enable each garage to be restructured according to its expected performance. This performance assessment must be accompanied by an evaluation of the capability of each garage.

In areas where there are developed SAPS garages the recommendations are as follows:

- To clearly define minor repairs and major repairs.
- To undertake all service and minor repairs.
- To outsource specialised repairs as their core in competencies.
- To outsource most major repairs.

For this in-house service and repairs to be effective the garages must:

- Keep the stock of fast moving parts for services and minor repairs
- Develop a spares requisition process that is faster and more effective than the current Workshop Accounting System (WAS)
- Replace the WAS with a streamlined system, from reception of the vehicle to completion of the work.

Vehicles that are stationed away from the SAPS garage, the SAPS can follow the Schniederjans' model (Schniederjans *et al.* 2010) that outsources certain non-core activities. Such a model is used as a working example by the Western Cape Government:

These vehicles must be purchased with an extended maintenance plan from a vehicle manufacturer in order to cut off current administrative procedures. That vehicle Manufacturer will therefore become a strategic sourcing partner.

When a vehicle does not have a maintenance plan it must be outsourced on an RT 46 outsource management contract, or a similar contract, where there is less risk.

## **CONCLUDING REMARKS**

It has become clear that outsourcing offers a serious challenge to in-sourcing and, in many instances, outsourcing is not available. However, there are repair tasks for a vehicle that the SAPS garages cannot attempt to carry out. It is clear that when the SAPS are making a sourcing strategy it must consider internal

problems in its garage. In-sourcing will not work without improving the current workshop procedures, structure and performance. In the same way, outsourcing will not work well in the current garage procurement system and untrained personnel.

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# International best practice in Public Private Partnerships and Risk Management

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## **ABSTRACT**

This article provides the rationale for the importance of developing an effective and efficient model for Public Private Partnership (PPP) programme development measures and activities through a number of stages on the PPP development curve in order to optimise risk transfer. Various attempts have been made to measure PPP activities as alternative service delivery mechanisms but to date there has been a lack of comparison of South African PPPs practices to international best practice PPPs development. There is a lack of a clear codification for best practice comparisons in literature to provide useful benchmark mechanisms to improve a particular situation and to share risks optimally. The aim of this article is to develop a conceptual model to compare international best practice measures to South African practice in the development of PPPs, and to determine means to advance the PPP development curve. The different international best practice guidelines for the management and governance of PPPs will be presented in table format in an effort to simplify the programme development tasks. Findings are derived from South African case studies on PPPs, including the Gautrain Rapid Rail Link, the South African National Parks, head office accommodation for the Department of Education and the Department of Rural Development and Land Reform.

In comparing South Africa to international best practice, the author concluded that there is; a lack of government support for private providers, a lack of oversight, the quality of projects is not ensured, there is a lack of transparency in PPPs, an underdeveloped market of private providers,

a lack of buy-ins from constituents, a lack of public awareness and understanding, a lack of political commitment, inconsistent implementation of legislation, limited programme activity, ineffective procurement and a lack of emphasis on environmental performance of PPPs.

## **INTRODUCTION AND RATIONALE**

A PPP is an arrangement between a public sector organisation and private sector organisation for the provision of a public sector activity or service, the arrangement between the public and private sector organisation is a contractually binding long term agreement (Karim 2011:8).

The development of a PPP is a complex task, requiring the surmounting of significant political, fiscal, institutional, legislative and regulatory barriers and obstacles (CBI 2007:4). Engagement and involvement is an important factor for PPPs. It should not be limited only to the counterparts in a PPP, but should encourage wider community participation and engagement. May and Koski (2013:151) argue that: “the engagement of different private sector entities and of key industry and professional associations means little unless their involvement helps to foster broader communities of interest for addressing risks to critical infrastructures”. Simultaneously, achieving accountability, confidentiality, and fairness are primary practical challenges of PPPs. For example, procedures to safeguard broad accountability make the public sector somewhat slow-moving and inflexible. In contrast, private organisations can be flexible and efficient because their decision-making processes are not subject to public comment (Vigoda-Gadot 2003:77).

In order to preserve a functioning relationship, each side must amend its expectations and agree to compromise. For example, private partners must submit plans for public review, and public partners risk losing some political support when they are responsive to their private partners. The authentic partnership agreements should balance the distribution of risks and rewards prudently, and in advance (Vigoda-Gadot 2003:77). On the whole, there is a definite need for PPP contracting schemes. PPPs are pointed out as meaningful arrangements over and over again. Vigoda-Gadot (2003:65) confirms this, by stating that: “the value of public-private partnership and a wider collaboration doctrine has been recognised and developed enormously in recent years. These relationships are frequently an effective means of improving public outcomes, outputs, and general performances by implementing technologies, methods, and experiences previously tested and evaluated in business firms”.

The concept of PPPs emphasise that no one organisation can solve complications alone and that, to find resolution to complex public policy tasks, public and private sectors actors must form new institutional arrangements that allow for participation from both sectors (Greve and Hodge 2007:181-182). Partnerships are understood as the best way, in the end, to govern the complex relations and interactions in a modern network society. Partnership provides the government with an original lawfulness through the efficiency of the private sector and the participation of civil society. As an argument in favour of public-private partnerships, it is supposed that the linking of the public and private sectors calls for new forms of governance, personified in New Public Management and market-based governance (Teisman and Klijn 2002:197–198).

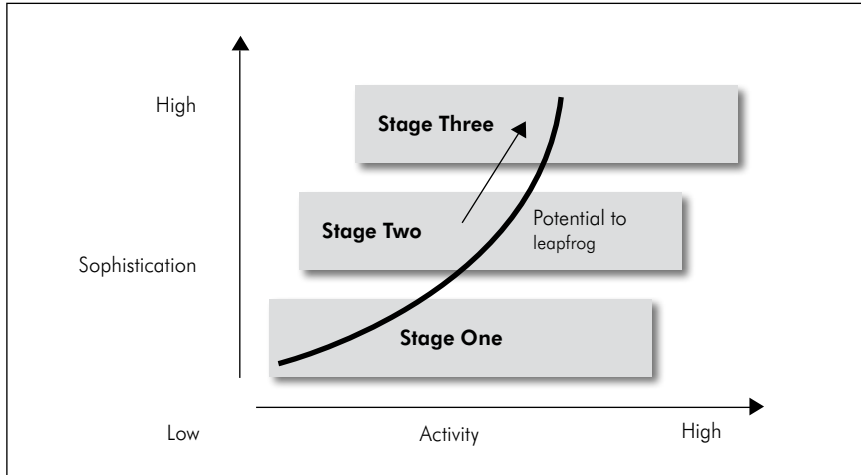
Moreover, PPP contracts are usually for 20 to 30 years, or longer. If the PPPs are to be sustained, there must be a dynamic and continuing management of the contractual obligations (Grimsey and Lewis 2004:6–7). There are a number of key stages involved in developing a PPP project and the roles of the government are at each phase. Among the main elements is firstly, a focus on defining services. Secondly, planning and specification, so that the governments' anticipated outcomes and output specifications are clear to the market. There should be a focus on certainty of process, ensuring that any conditions to be satisfied are clearly understood before the project proceeds. Lastly, project resourcing to enable government to improve the project and address issues in line with published time-frames (Grimsey and Lewis 2004:6).

This article is both empirical and theoretical in nature. Firstly the research is based on cross case analysis of infrastructure PPPs in South Africa in the following sectors, including transport, head office accommodation and tourism and conservation. Secondly, the article advances current conceptual ambiguities and theory by applying it to local conditions.

Specifically, the benchmarking undertaken for this research is qualitative in nature and derives findings from primary data of 64 interviews and secondary data from a conceptual and theoretical analysis of the relevant literature on the phenomenon and the official documents from the above cases, including other governmental official documents and annual reports (cf. Auriacombe 2009:67).

The article suggests that South Africa is still on stage one of the PPP development curve and outlines some recommendations for improving best practice in PPPs. However, in order to gain a better understanding of what PPP programme development measures and stage one are all about, it is necessary to explain the PPP development curve.

**Figure 1: PPP Market Development Curve**



Source: (Adapted from Eggers and Startup 2006:6)

## THE PPP DEVELOPMENT CURVE

The development of a mature PPP market, takes place through three stages. The maturity of the market depends on the countries' developmental needs and capacity. For instance, developing countries lack more sufficient infrastructure to develop, hence their focus is on construction, and is usually an isolated sector. Developed countries would invest more in services such as health, education, capital markets, information and communication technology (ICT), and so forth. Countries that have achieved the second and third stages of maturity typically engage in partnerships in more than two sectoral areas (Eggers and Startup 2006:2). Hence, the PPP market in a country depends on the demand for growth in the country. Thus, the importance of PPPs for rapid economic development in countries cannot be understated, because government alone does not possess the necessary supply for the demand.

The three steps in PPP development range from low, to sophistication, to high. The following figure indicates the market development curve.

The development in the curve upwards depends on the activity on the left axis of the curve. Most countries are still at the first stage of development. The more activity that takes place in the right quadrant, the more the PPP market develops. The United Kingdom (UK), Japan and Australia are examples of countries in the third stage of PPP development. In order to move up the development curve, countries should gain experience from lessons learnt in

other countries. Countries in the lower areas of the PPP development curve should introduce 'soft' services to improve capacity in the public sector.

Eggers and Startup (2006:6) provide an outline of the characteristics of each stage:

### **Stage One**

- create policy and legislative framework;
- establish central PPP policy unit to guide implementation;
- cultivate deal structures;
- accomplish transactions and develop public sector comparator model;
- start building marketplace; and
- apply early lessons from transport to other sectors (Eggers and Startup 2006:6).

### **Stage Two**

- create dedicated PPP units in agencies;
- begin developing innovative hybrid delivery models;
- enlarge and assist the shaping PPP marketplace;
- influence towards new sources of funds from capital markets;
- use PPPs to motivate service innovation; and
- PPP market gains depth and the use is expanded to multiple projects and sectors (Eggers and Startup 2006:6).

### **Stage Three**

- enhance new innovative models;
- more creative, flexible methods applied to roles of public and private sectors use of more sophisticated risk models;
- more focus on total lifecycle of project;
- sophisticated infrastructure market with pension funds and private equity funds;
- public sector learns from private partner methods as competition changes the way government operations function;
- underutilised assets leveraged into financial assets; and
- organisational and skill set changes in government implemented to sustain a greater role of PPPs (Eggers and Startup 2006:6).

In order for countries to become more competitive, they should focus on gaining capacity in the development of their PPP marketplace, and should strive towards the processes and steps outlined by Eggers and Startup (2006:6). The aim of this article is to make recommendations for South Africa to move up the development

curve and to develop their PPP market. Hence this article will benchmark South African PPP development to international best practice by applying a critical success factor framework developed by Jooste, Levitt, and Scott (2009).

As mentioned earlier, governments use PPPs in different sectors depending on their developmental needs. In developing countries, Jooste *et al.* (2009:4) explains that PPPs “have specifically been aimed at overcoming two broad public sector constraints: i) lack of public capital and ii) lack of institutional capacity (the resources and specialised expertise to develop, manage, and operate infrastructure assets)”.

PPPs have successfully been applied internationally in the major infrastructure sectors in transport (including road, rail and ports), water, waste, hospitals, schools, public housing, prisons and defence (Eggers and Startup 2006:2). However, there is still a great demand for improvement on infrastructure internationally. A projection of infrastructure needs internationally by 2010 (Eggers and Startup 2006:2), shows the need for stimulation of new infrastructure.

The projections indicate a great demand internationally; this is of great concern, considering that there is a lack of capacity and resources to increase the current rate of infrastructure development. The European Union ran into trillions of dollars for infrastructure demands. The energy sector alone in Europe necessitates \$1,2 trillion (Eggers and Startup 2006:3). Another example of the importance of infrastructure development through PPPs is the Southern African Development Community (SADC). The SADC countries are dependent on corridor PPPs for the transport of goods to and from sea ports.

Thus, the development of alternative service delivery mechanisms in landlocked countries is of great importance. These countries are dependent on the corridors for the necessary import and export of goods and services. For instance, it can have an economic effect on the respective countries if the transport pipeline is disturbed. The following sections will provide an overview of international best practice in PPPs and compare South African conditions to international practice.

## **INTERNATIONAL BEST PRACTICE IN PPPs**

Best practice is applied in both the public and private sectors as a means to learn from others’ successful practices. The concept of best practice is a performance management tool that developed in private sector managerial theory, and has been particularly applied in organisational development and change management practices (Hallencreutz and Turner 2011; Brannan, Durose, John and Wolman 2008). The notion of best practice has been adopted in recent years by governments for the reform of public management (Brannan *et al.* 2008:23).

As noted before there is a lack of a clear codification of a common definition and model for best practice (Hallencrutz and Turner 2011:61). However, there is a consensus in the literature that best practice entails that a certain practice is industry-accepted and widespread as the best (Hallencrutz and Turner 2011:61; Todaro 2002). Criticism against best practice cautions that best practice often tends to be absolute and prescriptive and can supplant strategy (Falconer 2011:172–173), since best practice is generic and relates to a successful implementation at a certain case and point in time. Thus, best practice in the context of this article is applied as a benchmark mechanism to provide guidelines to the success of PPPs. Furthermore, the literature on best practice in PPPs provides an outline of measures for successful PPP development, and there is a gap in the literature for specific recommendations on case- and sector-specific implementation. This is especially relevant to recommendations regarding capacity, and more specifically, resources. Hence, it should be noted that best practice guidelines should not supplement a systematic approach to PPP development and a ‘one size fits all policy’ alone is not sufficient for the strategic development and management of PPPs.

This section aims to provide an outline of the best practice guidelines for the governance of PPPs. There have not been significant recommendations in the body of PPP literature regarding the monitoring and evaluation of PPPs and to date, few studies have explored the monitoring and evaluation of PPPs. Garvin and Bosso (2008) developed an equilibrium framework and project appraisal template in order to evaluate the effectiveness of PPPs. There is a gap in the measurement of outcomes in PPPs as most attempts to evaluate the performance of PPPs have focused mostly on the short-term impact and outputs, thus there is a gap in determining the long-term impact of PPPs (Garvin and Bosso 2008). In an attempt to assess the performance of PPPs, the equilibrium framework developed by Garvin and Bosso (2008:165) advocates that “the long term success of a PPP program depends heavily on establishing a balance between the interests of the state, society, industry and the market”. In addition, the project performance appraisal template is a scorecard to assess the scope of work of the project, financing considerations, user fee issues, procurement issues and contract management considerations. The framework merely provides a general overview and does not provide an in-depth evaluation of elements considered in the framework and it does not provide any tools necessary for measurement (Garvin and Bosso 2008:165). Similarly, the framework does not provide a system for monitoring and evaluation of PPPs or any recommendations for institutionalising monitoring and evaluation in PPPs.

The general literature on PPPs provides an overview of a wide range of key management areas as best practice guidelines that are critical to the success of PPPs, and they generally refer to the key areas of managerial success as Critical

Success Factors (CSFs) (Hardcastle *et al.* 2005; Tiong 1996; Jefferies, Gameson and Rawlinson 2002; Qiao, Wang, Tiang and Chan 2001; Jooste *et al.* 2009).

A majority of scholarly work provides an array of CSFs for PPPs, providing similar recommendations regarding governance in PPPs (Hardcastle *et al.* 2005; Jooste *et al.* 2009). The work of Hardcastle *et al.* (2005) and Jooste *et al.* (2009) particularly, provide a synthesis of the various resources on CSFs for PPPs. Hardcastle *et al.* (2005) provide an outline of the CSF literature on PPPs, pinpointing 18 factors for PPP attainment. Hardcastle *et al.* (2005:6) suggests that the identified factors are nominal in nature and through the application of factor analysis distinguish five principal groupings in order to establish the basic elements of relevant importance in PPPs. The first grouping factor, effective procurement, includes the following CSF components: transparency in the procurement process, competitive procurement, good governance, well-organised and devoted public entity, and social upkeep, shared authority between the public and private sectors, and comprehensive and accurate cost-benefit analysis. The second factor grouping, project implementability, includes a favourable legal framework, technical feasibility, appropriate risk allocation and sharing, accountability, and a resilient private partner. The remaining factor groupings include government involvement by providing guarantees, complementary economic conditions, and the availability of appropriate financial markets (Hardcastle *et al.* 2005:4–6).

Jooste *et al.* (2009) provide a useful synthesis of the literature on CSFs, and by collating the various resources on CSFs, develop a framework of CSFs for PPP success. Jooste *et al.* (2009:8) identify 19 general measures for PPP success, and include specific tasks and actions that are necessary to develop and sustain a PPP programme.

The framework proposed by Jooste *et al.* (2009) constitutes the most recent and complete synthesis of the literature, therefore the framework is used to compare the development and practice of PPPs in South Africa to international standards. The measures and development tasks as identified by Jooste *et al.* (2009) is outlined in the first column of the below table. Based on 64 interviews and literature assessment, these measures and tasks have been adapted to local conditions in the second column.

The above measures and performance tasks provide a useful outline of factors to consider in developing and implementing PPPs. Partial attempts have been made by a few authors to assess international best practice on PPPs in detail (Delmon 2009; UNECE 2008; Iossa *et al.* 2007; Snelson and Chahbani 2006; CBI 2007; IMF 2004). Delmon (2009) proposes that best practice in PPPs can be encouraged by a number of tasks including:

- coordinating public, investor and political buy-in;
- capacity-building and training;



Table 1: Comparison between International and South African PPP Programme Development Measures and Activities

No	Measure	Practice in South Africa
1	<p>Develop a legal framework and implement consistently:</p> <ul style="list-style-type: none"> <li>• Institute a clear legal and regulatory framework</li> <li>• Implement framework and policies consistently</li> <li>• Ensure that policies are able to accommodate change</li> <li>• Consult the public during policy development</li> <li>• Develop legal capacity</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>South Africa has implemented a legal framework as per National Treasury Regulation 16. However, there is a breakdown in implementation:</p> <ul style="list-style-type: none"> <li>• Legislation is not implemented consistently</li> <li>• The legal and regulatory framework is not clear, a number of respondents confirm that the legislation is ambiguous and onerous. Equally, the legal framework is not flexible and does not accommodate change.</li> </ul> <p>Also, the supporting sectoral legislation is complex and unclear</p> <ul style="list-style-type: none"> <li>• The legal and regulatory framework does not develop legal capacity in South Africa; there exists a high reliance on the capacity of external legal advisors, which is contracted on the basis of a transaction advisory fee</li> </ul>
2	<p>Ensure political commitment:</p> <ul style="list-style-type: none"> <li>• Provide high-level commitment</li> <li>• Warrant political risk management by means of advocacy within the government</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<ul style="list-style-type: none"> <li>• Legislation does not encourage commitment. Public sector and political commitment is limited</li> <li>• The legal and regulatory framework does not warrant political risk management by means of advocacy in government, since there is both a lack of political risk management and advocacy</li> </ul>
3	<p>Encourage public awareness and understanding of PPPs:</p> <ul style="list-style-type: none"> <li>• Grow public awareness and understanding of PPPs</li> <li>• Inform the public of their right to participate in PPPs project development</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>There exists a lack of public awareness and understanding of PPPs in the public and private sector and civil society:</p> <ul style="list-style-type: none"> <li>• No marketing or public awareness advancement takes place in South Africa</li> <li>• There is not sufficient public consultation in the drafting of policies.</li> </ul> <p>Also, there is a lack of participation because the public is not aware of their right to participate in PPP project development</p>
4	<p>Obtain buy-ins from key constituents</p> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>There is a lack of buy-in for the PPP concept by government officials. In addition, due to procedural inefficiency and a lack of buy-ins from government officials, private sector is displaying a reluctance towards PPPs</p>

**Table 1 continued**

No	Measure	Practice in South Africa
5	<p>Advance public sector knowledge of PPPs:</p> <ul style="list-style-type: none"> <li>• Provide training to public sector staff</li> <li>• Communicate the lessons learnt to civic and public sector</li> <li>• Publish guidance materials for public sector</li> <li>• Develop pilot projects</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>Inconsequential efforts are made to advance public sector knowledge of PPPs:</p> <ul style="list-style-type: none"> <li>• The PPP unit provides foundational PPP training. However, training efforts are apparent and respondents have indicated that the training does not bridge the gap between theory and practice</li> <li>• There is no review of lessons learnt in South Africa. Consequently, there is no transfer to the public. In any case, there is no knowledge or experience transfer to civic or public sector</li> <li>• There exists no evidence of PPP pilot projects in South Africa</li> </ul>
6	<p>Establish a market of private providers:</p> <ul style="list-style-type: none"> <li>• Encourage private investment and develop domestic capital markets</li> <li>• Sustain state credibility</li> <li>• Sustain a stable political environment</li> <li>• Publish guidance materials to aid private sector organisations</li> <li>• Ensure early involvement of market in order to influence project scope, size and structure</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>There is an immature market of private providers. There exists a lack of competition and the market of private providers for PPPs is small. Also, there is a slow market development rate in South Africa:</p> <ul style="list-style-type: none"> <li>• Inefficiencies and lack of decision-making in government discourage private investment</li> <li>• The political environment in South Africa is unstable and there is a lack of vision and leadership</li> <li>• Government does not provide current and practical guidelines to aid private sector organisations</li> <li>• The market is not included in early development in order to influence the project scope, size and structure</li> </ul>
7	<p>Establish a PPP unit (Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>South Africa has an established PPP unit. However, due to a lack of resources and capacity the facilitation of the process and leadership to programmes is constrained</p>
8	<p>Coordinate deal flow:</p> <ul style="list-style-type: none"> <li>• Direct deal flow to avoid ‘bunching’ of projects</li> <li>• Communicate forthcoming projects to the market</li> <li>• Coordinate public sector ‘buying power’</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<ul style="list-style-type: none"> <li>• Forthcoming projects are only communicated online on the PPP unit website. However, projects are not communicated timeously</li> <li>• As the scope of this study does not include project finance and financial deal flow, no conclusions can be derived for this best practice measure</li> </ul>

**Table 1 continued**

No	Measure	Practice in South Africa
9	<p>Improve transparency:</p> <ul style="list-style-type: none"> <li>• Improve transparency in project development and the options analysis</li> <li>• Improve transparency in the procurement process, particularly sharing information during and after the bid</li> <li>• Ensure that public is well informed about project details (Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</li> </ul>	<p>There is a lack of transparency in South Africa:</p> <ul style="list-style-type: none"> <li>• A deficiency of transparency in project development</li> <li>• Lack of transparency particularly in procurement process, and there is a lack of information-sharing during and after the bid</li> </ul>
10	<p>Ensure quality of projects:</p> <ul style="list-style-type: none"> <li>• Identify best projects taking local content into account</li> <li>• Appoint strong private partner</li> <li>• Improve government understanding of objectives of private finance</li> <li>• Identify risks early and transfer optimal level of risk to private partner, be willing to retain some of the risk</li> <li>• Ensure good project and contract management</li> <li>• Apply performance specifications</li> <li>• Provide clear contract clauses for step-in rights</li> <li>• Assess value for money (VFM) when selecting a delivery system (Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</li> </ul>	<p>Quality of projects is not ensured:</p> <ul style="list-style-type: none"> <li>• This study questions whether best projects are taken into account, considering the main focus of PPPs in South Africa is Head Office Accommodation (HOA)</li> <li>• Local content is taken into account through Broad Based Black Economic Empowerment (BBBEE) and small medium enterprises (SMEs). However, this is not uniform and consistent</li> <li>• In a number of cases there has been evidence that the strong private partners are not appointed in PPP projects</li> <li>• There is a lack in government understanding of objectives of private finance. On the whole there exists a lack of understanding and capacity for project finance initiatives (PFI) in both the public and private sectors</li> <li>• Risk identification and transfer takes place, however, due to a lack of understanding, risks are not conceptualised appropriately. The transfer optimal level of risk to private partner is willing to retain some of the risk</li> <li>• Good project management by the private party takes place, however, contract administration and management is a challenge</li> <li>• Performance specifications are applied inconsistently or not applied at all. In some cases, performance is not specified. Whereas in some cases, performance is not managed</li> <li>• Contracts include clauses for step-in rights, however, the scope of this study does not include the investigation of step-in rights, and therefore no conclusions can be derived on the clarity of step-in rights in PPPs in South Africa</li> <li>• VFM is assessed when selecting a delivery system, however, the conceptualisation of VFM is a nominal term and more clarity is required when selecting a delivery system</li> </ul>

**Table 1 continued**

No	Measure	Practice in South Africa
11	<p>Implement independent oversight:</p> <ul style="list-style-type: none"> <li>• Institute independent oversight over the procurement process through a monitoring or auditing body</li> <li>• Provide independent oversight for performance monitoring and publish results</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>There is inadequate implementation of oversight. In some cases, independent oversight is not present, whereas in the cases where independent oversight is present, it is ineffective:</p> <ul style="list-style-type: none"> <li>• There is ineffective, and in some cases no institutionalisation of independent oversight over the procurement process through a monitoring or auditing body</li> <li>• In most PPP cases there is ineffective independent oversight for performance monitoring and results are not published</li> </ul>
12	<p>Provide government support for private providers:</p> <ul style="list-style-type: none"> <li>• Provide support through example guarantees and loans, but provide support with care</li> <li>• Ensure even-handed regulation and avoid over regulation</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>Support is provided through BBBEE, but there exist challenges with the implementation of BBBEE</p>
13	<p>Keep line agency discretion in check</p> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>Line agencies are not kept in line. There exist challenges with intergovernmental relations (IGR):</p> <ul style="list-style-type: none"> <li>• Prevent that line agencies make unrealistic commitments on behalf of government</li> <li>• Safeguard quality of project development of line agencies</li> </ul>
14	<p>Monitoring of private partner:</p> <ul style="list-style-type: none"> <li>• Prevent unfair competition, bribes, political influence and corruption</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>There exists evidence of unfair competition, bid rigging and political influence</p>
15	<p>Provide management support to public sector agencies on specific projects:</p> <ul style="list-style-type: none"> <li>• Provide technical advice and support on specific projects</li> <li>• Appoint external advisors where necessary to bridge the skills gap</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>Management support is provided to public sector agencies on specific projects. However, support is constricted</p>

**Table 1 continued**

No	Measure	Practice in South Africa
16	<p>Increase programme accountability:</p> <ul style="list-style-type: none"> <li>• Keep the PPP programme accountable for performance</li> <li>• incorporate user feedback in performance measures</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>There are weak measures to keep the PPP programme accountable for performance. User feedback is not incorporated in performance measures and there is a lack of public consultation</p> <ul style="list-style-type: none"> <li>• There is no communication to the public and government does not define how PPP projects promote the interests of the public</li> <li>• PPP policies provide clear economic and social objectives, however, there is a breakdown in implementation</li> <li>• Government ensures only equity in access to all BBBEE constituents</li> <li>• Adequate stakeholder consultation is not safeguarded</li> <li>• There are systems and structures in place to warrant that the private partner complies with health and safety requirements</li> </ul>
17	<p>Ensure the PPP projects promote the interests of the public:</p> <ul style="list-style-type: none"> <li>• Define how PPP projects promote the interests of the public</li> <li>• PPP policies should provide clear economic and social objectives</li> <li>• Government should ensure equity in access to all citizens</li> <li>• Ensure adequate stakeholder consultation</li> <li>• Warrant that the private partner complies with health and safety requirements</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<ul style="list-style-type: none"> <li>• There are recognised procurement practices to avoid corruption</li> <li>• The PPP unit is neutral and independent from the private sector</li> <li>• There is no established avenue of complaint through an independent tribunal</li> <li>• There is an absence of improved competition</li> </ul>
18	<p>Enable fairness in procurement:</p> <ul style="list-style-type: none"> <li>• Apply recognised procurement practices to avoid corruption</li> <li>• Ensure that the PPP unit retains neutrality and independence from the private sector</li> <li>• Establish an avenue of complaint through an independent tribunal</li> <li>• Improve competition by including non-discriminatory rules</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>The environmental performance of projects is not considered, except for in conservation projects:</p> <ul style="list-style-type: none"> <li>• ‘Green’ technologies are not incorporated to ensure that PPPs deliver public services in an environmentally friendly way</li> <li>• Specific and realistic ‘green’ objectives are not included in bids</li> <li>• Environmental champions are not included in the process</li> <li>• ‘Green’ performance in payment mechanisms is not included</li> </ul>
19	<p>Improve environmental performance of projects:</p> <ul style="list-style-type: none"> <li>• Incorporate ‘green’ technologies to ensure that PPPs deliver public services in an environmentally friendly way</li> <li>• Include specific and realistic ‘green’ objectives in bid</li> <li>• Include environmental champions in the process</li> <li>• Carefully review ‘green’ claims made by bidders</li> <li>• Include ‘green’ performance in payment mechanisms</li> </ul> <p>(Adapted by author from Jooste <i>et al.</i>, 2009:9–11)</p>	<p>The findings of this study reveal that there is little evidence of ‘green’ claims</p>

- managing advisers;
- providing a single point of contact;
- project development funding; and
- efficient risk allocation (Delmon 2009:21-29).

Delmon (2009) succeeds in progressing from a mere inventory by describing the above tasks. Snelson and Chahbani (2006) also describe a few international PPP best practices, including the required legislative environment, the structure of government and how it affects PPPs, municipal debt control, and experience of the use of PPPs in the sub-national level of a country.

A noteworthy resource, the United Nations Economic Commission for Europe (UNECE: 2008) guidebook for promoting good governance in PPPs, provides universal and distinct references for best practice in PPPs, including suggestions for PPP features for the following:

- PPP policy development;
- capacity-building;
- supporting legal framework;
- risk-sharing;
- procurement;
- customer and service orientation; and
- considering the environment (UNECE 2008:16).

The aforementioned measures for PPPs were developed in the context of several governance principles, including:

- “participation: the degree of involvement of all stakeholders;
- decency: the degree to which the formation and stewardship of the rules is undertaken without harming or causing grievance to people;
- transparency: the degree of clarity and openness with which decisions are made;
- accountability: the extent to which political actors are responsible to society for what they say and do;
- fairness: the degree to which rules apply equally to everyone in society; and
- efficiency: the extent to which limited human and financial resources are applied without waste, delay or corruption or without prejudicing future generations” (UNECE 2008:13–14).

Taking the above governance principles into consideration, the UNECE proposes specific recommendations for best practice in governance in PPPs. In brief these include:

- fairness and transparency in the selection process for partnerships;
- assurance that value for money is achieved;

- an improvement of essential public services especially for the socially disadvantaged, and adequate capacity-building for entities to be involved in the new partnerships;
- reasonable inducements to all parties and fair returns for risk takers;
- efficacy and practical negotiation of disputes that assures prolongation of services and prevents the failure of projects and resultant public waste; and
- improved security in the face of the new threats and for an overall advance in the safety of services provided under PPP arrangements (UNECE 2008:14–15).

UNECE (2008) also accomplishes bridging mere inventory and provides specific recommendations for the above factors.

One of the key features of a PPP is the optimal sharing of risk, with an emphasis on the transfer of risk to the party who is the most capable to manage the risk (Karim 2011:8). For the purpose of this article an assessment of international best practice is provided for risk in PPPs and the management thereof, in line with the objectives of the article, to provide an assessment of international best practice compared to South Africa. Risks originate from risk factors and events, which include any factors or events that may lead to a potential risk. These factors include variables that are political, economic, social, technological and environmental, and all management functions. Risk management is a higher order management function in PPPs. The next section will give an overview of international best practice in risk allocation and the management thereof in PPPs.

## **INTERNATIONAL BEST PRACTICE IN RISK TRANSFER AND RISK MANAGEMENT IN PPPS**

As emphasised before, in order to benchmark international best practice, governments and private providers should consider the successes of leading international practitioners. Delmon (2009:21) contends that best practice in PPPs can be encouraged by ensuring that PPPs are properly developed, as a means to reduce risk for both the public and private sectors. One of the utmost imperative concerns in designing a PPP contract is the appropriate allocation of risks (Iossa *et al.* 2007:3). As mentioned before, one of the proponents of PPPs is the optimal sharing of risk. The process of allocating risk to the party most capable of bearing the risk is determined by whether a particular partner is risk-averse. A partner's aversion to risk depends on the retention of possibilities to diversify control over risk. The control over diversifying the risk relates to the occurrence of the risk, the likelihood of the occurrence, and the impact.

To demonstrate, Iossa *et al.* (2007:4) explains the principles of risk allocation as follows:

- The public sector should stand the risk that the private sector cannot control, or cannot control as well the public sector and *vice versa*.
- In the instance that parties possess comparable risk-aversion, the risk should be allocated to the party who has more control over the risk.
- In the case that parties possess similar control over the risk factor, the risk should be “allocated to the party that is more able to bear it, i.e. the less risk-averse party” (Iossa *et al.* 2007:4).

Control is based on the control over the likelihood of the occurrence and the impact in the case of occurrence. Risk-sharing between the public and the private party is appropriate under certain circumstances.

Firstly, when the private sector can control the risk in terms of impact, and the private sector has less control over the likelihood of occurrence, the risk should be shared between the two parties. Secondly, in the case where risk is difficult to forecast and transferring the risk to the private partner could create an extreme risk premium, the risk should be shared (Iossa *et al.* 2007:4).

Based on the recommendations for risk allocation provided by Iossa *et al.* (2007:4–15), a classification can be constructed for risk allocation.

A breakdown of international best practice for the transfer of risk is indicated in the table below. Table 2 compares the South African PPP risk matrix for risk transfer with the international best practice for risk transfer. An x illustrates that risk allocation or transfer in the South African standardised risk matrix does not correspond or is not consistent with international best practice, whereas a √ signifies that it corresponds to international best practice.

The South African standardised risk matrix is not comprehensive and inclusive of all risks as compared to international best practice. A number of risks in the standardised PPP risk matrix should be reviewed, including output specifications, financial, performance, construction, time-schedule, regulatory and residual value. The determinants in the above table suggest issues that affect the risk allocation, and risk allocation should consider the issues listed under determinants. However, risks are treated on a case-by-case reference because circumstances, context and resources differ from case to case, and the above risk allocation provides a yardstick.

The UNECE (2008:36-38) postulates a number of factors to ensure best practice in risk management, including:

- risk transfer should be balanced; and governed by cooperative sharing and mutual support;
- government should be prepared to mitigate risks;
- governments should identify risks at the beginning of projects; and
- a risk matrix should be utilised as a tool for risk management.



**Table 2: International Best Practice in Risk Allocation for PPPs**

<b>Risk</b>	<b>Appropriate Party</b>	<b>Determinants</b>	<b>South Africa</b>
Planning or statutory	Public	Planning and statutory process undertaken in advance of tender	√
Misspecification of output requirements	Public	Information and resources relevant for output requirements	x
Performance	Private	Works adhere to contract specifications regarding performance	x
Financial	Private	The private party undertakes the investment and is responsible for the financing of capital expenditure	x
Design	Private	A degree of risk-sharing can take place where public partner has an informational advantage	√
Construction	Private	Private sector performance is contractually binding. A degree of risk-sharing can take place where public partner has an informational advantage	x
Operation	Private	Private sector performance is contractually binding. A degree of risk-sharing can take place where public partner has an informational advantage	√
Utilities	Private	Utilise due diligence and contingency plans as mitigation	√
Demand	Public	Government provides guarantees	√
Subcontractor	Private	As mitigation measure utilise professional indemnity insurance	√
Time-schedule	Private	Private sector performance is contractually binding	x
Latent defects	Private	Likelihood or impact can be mitigated through efficient environmental assessment and due diligence	√
Maintenance	Private	Efficient facilities management, sub-contractor agreements and contingency funds can aid risk mitigation	√
Exchange rate	Public	Government provides guarantees for fixed real exchange rate, hedging of costs and by indexing tariffs	√

Risk	Appropriate Party	Determinants	South Africa
Changes in the needs of the wider public	Public	Government has informational advantage and needs of the public are often affected by policy	√
Cost overrun	Shared	Significant percentage should be carried by the private partner, taking into account economy, efficiency, financial management and subcontracting arrangements	√
Legislative or regulatory	Shared	Neither the public nor private partner have influence over change in national legislation	√
Interest rate	Private	Apply denomination tools for bargaining	√
Residual value	Private	Final compensation to private partner based on the condition of the facility	x
Availability	Private	Penalties applied as risk mitigation if private partner does not meet output specifications	√

Source: (Author's Own, ideas adapted from Iossa et al. 2007:4-15 and IMF 2004:18, 31)

In the case of a national project, it is not feasible to transfer all risks of the project to the private partner (EU 2004:119). It is challenging transferring risks in major high-capital intensive projects to the private sector, because if such projects or the project team experience difficulties, governments have few options other than to provide surety and support the existing project team (EU 2004:123). Risk-transfer should not affect the cost of financing a PPP project (IMF 2004:12). Specifically, in unitary cost projects, the risk pricing should avoid excessive premiums. Risk-transfer may affect the pricing of risks in terms of premiums.

Assessing risk is a challenging task and the legal complexity of PPP contracts means that terms relating to risk are hard to interpret (IMF 2004:22). Contract design and contract management is fundamental to successful risk-transfer, and management and diligence should be taken into consideration in the careful design of contracts, ensuring that contracts provide sufficient specifications, but are also flexible enough to accommodate changes. Iossa *et al.* (2007:16) assert that “contract design should exhibit a consistent link between output specifications, allocation of risks and incentives, and the payment mechanism”.

The imbursement method should be based on a pay-for-performance principle and certifiable outcomes of the service standards related to the output specifications. Standards should be interpreted into measurable output indicators, verifiable by an independent third party (Iossa *et al.* 2007:16).

Risk in PPPs can affect the productivity, performance, budget, quality and overall success of a PPP project (Mills 2001:245). Risk management in PPPs is a complex process, with a number of factors coming into play, including:

- legal / contractual obligations;
- the different types of PPPs;
- the interdependencies of risk; and
- different stages of projects.

Due to a growing interdependence between individuals, firms and public organisations, each agent may not have adequate economic incentive to invest in protection against specific risks because they are vulnerable to losses from those who have not embraced protective measures, and private insurance alone may not be enough coverage against losses (Kunreuther 2004:1124). Thus, the public partner is accountable for managing the partnership in an effective and efficient manner to ensure that the objectives are reached to achieve value for money.

Some methods of risk mitigation in a PPP, depending on the type of risk, include: insurance and performance bonds, specialist advisors, business interruption insurance, construction subcontractor entities, cost overruns, quality specifications, due diligence, unitary payments, contingency plans and funds, bank guarantees, regulatory bodies, penalty clauses, denomination tools for bargaining, environmental assessment, indemnification clauses, defined terms and conditions, vendor quality control procedures and owner oversight.

This article recommend an increased emphasis in PPP projects on systematic risk management, systematic risk management is the process of expecting the unexpected and it serves as a tool to help control risks. Systematic risk management identifies opportunities to enhance performance (Mills 2001:245). Mills (2001:245) concedes that systematic risk management “provides guidance for implementing a risk control strategy for projects at all levels”. Moreover, systematic risk management is to entail a structured process of identifying, assessing, monitoring and managing risk.

In addition, systematic risk management presents a number of benefits, making it an essential process. The benefits generally include:

- “questioning of the assumptions that most affect the success of a project / organisation;
- concentrates attention on actions to best control risks;
- assessing the cost benefits of such actions;
- enabling decision-making to be less subjective;
- allowing the robustness of projects to specific uncertainties to be compared;
- making the relative importance of each risk immediately apparent;
- providing an improved understanding of the project through response scenarios; and

- having a powerful impact on management by forcing a realisation that there is a range of possible outcomes for a project” (Mills 2001:248-249).

Risk management in PPPs should be integrated into the strategic control process of the PPP. Strategic control is directly linked to organisational strategic planning and attempts to provide a mechanism for oversight.

## **CONCLUSION**

In order to move up the market development curve, governments should improve risk management capacity in the public sector. In comparing the stages of PPP market development as outlined in this article, Eggers and Startup (2006:6) provide an outline of the characteristics of each stage; South Africa is still in stage one of market development.

This article delineates a number of challenges that can be encountered in the implementation of PPPs. It is essential that government ensures the necessary management capacity is in place to overcome such challenges. Challenges range from lack of supervision, over-regulation, and exploitation by the private sector, to lack of accountability and representation. Increased cooperative-governance and risk management is thus required. The literature reveals that there is a definite need for PPPs internationally, and a number of advantages of PPPs are demarcated, including increased competition, efficiency, economies of scale, cost effectiveness, sharing and transferring of risk, and capacity development.

Risk management in PPPs can be a complex task, and a systematic approach is required where risk is conceptualised, assessed, reviewed and communicated through the PPP project life cycle. Some important factors that management should pay attention to with regard to risk management in PPPs includes sufficient planning, clear decision-making structures and ownership outlines, performance management of projects and communication of risk.

Noteworthy, to date there has been no formal review or evaluation of current practice in PPPs or risk management in PPPs. Moreover, there has been no evaluation of PPPs or risk management of PPPs in South Africa and furthermore, there has been no benchmark of South Africa practice to international best practice. In comparing South Africa to international best practice, a number of conclusions can be drawn. Among these are a lack of government support for private providers, a lack of oversight, quality of projects is not ensured, there exists a lack of transparency in PPPs, an underdeveloped market of private providers, a lack of buy-ins from constituents, a lack of public awareness and understanding, a lack of political commitment, inconsistent implementation of

legislation, limited programme activity, ineffective procurement and a lack of emphasis on environmental performance of PPPs.

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# Best practices to regulate gifts in the South African public sector

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## ABSTRACT

Gift-giving and the acceptance of gifts in the South African public sector is a controversial issue. The bestowal of a gift may generate a negative public perception of corrupt behaviour. Gift-giving and the framework that governs it varies from country to country, together with what can be regarded as acceptable. There is a delicate balance between what is interpreted as a mere gift or donation, or whether the objective of the bestowal is to seek a benefit, create a relationship or to generate an understanding of quid pro quo, or sense of beholdenment, which will benefit the giver privately. This is deemed a bribe, irrespective of what it is called. As corruption is rife in the South African public sector the abuse of public power for private gain is a problematic issue that needs special attention. The current existing legislative framework in South Africa is fragmented and does not provide public servants with clear, comprehensive or adequate guidance relative to the acceptance of gifts. The multiple ambiguities in legislative instruments make it unfeasible and impossible for an auditor or enforcement agency to establish links between gifts and corrupt practices; the overlaps create loopholes, of which corrupt officials take advantage. It is therefore deemed imperative that the existing South African legislative instruments, which currently govern and manage the acceptance of gifts, be assessed and evaluated, in an endeavour to establish best practices in supervising gift-giving to public officials. It is crucial for South Africa to fight corruption, and an essential element of this is the necessity of strengthening the controls which prevent and identify

corrupt activities in the Public Service. Through comparisons drawn it is apparent that the legislative framework regarding the acceptance of gifts should be reviewed, and possibly consolidated into one guideline or code, then implemented nationally in the Government sector. This would result in clarification, with a single, consistent and universal set of rules across the government sector, with which public servants must comply. A possible solution has been proposed, whereby if an unsolicited gift is received it is shared or distributed between all employees; if everyone benefits equally, it may lessen the perception that the gift was intended to influence the action of a single employee.

## INTRODUCTION

Aeneid said “do not trust the horse, Trojans. Whatever it is, I fear the Greeks, even when they bring gifts” (Aeneid BK.2.148). Unfortunately, the fear of gifts, along with the frequently associated *quid pro quo*, is not shared by public sector employees. A recent example of this behaviour was highlighted in a trial against a former Commissioner of the South African Police Services (*S v Selebi* (25/2009) [2010] ZAGPJHC 58).

The principal issue with the bestowal and acceptance of gifts is frequently the unstated, but tacit, recognition that the recipient, through acceptance is thereby beholden to the giver, and may have to perform a ‘favour’, which may not be strictly legitimate, appropriate or customary. Certain basic values and principles governing public administration are considered very relevant to this particular discussion and are contained in Section 195 (1) of the *Constitution of the Republic of South Africa, 1996*:

- “1. Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:*
- a. A high standard of professional ethics must be promoted and maintained.*
  - b. Efficient, economic and effective use of resources must be promoted.*
  - c. Services must be provided impartially, fairly, equitably and without bias.*
  - d. Public administration must be accountable.*
  - e. Transparency must be fostered by providing the public with timely, accessible and accurate information.”*

Public sector employees succumbing to personal greed is behaviour contrary to, or the antithesis of, the principles proclaimed in Section 195(1). It is possible that certain individual employees may receive the occasional gift and continue to maintain and



exercise their duties in a way which is ethical, impartial, fair, unbiased and equitable, but the bestowal and acceptance of gifts may also create situations wherein employees contravene the principles stated in Section 195(1) of the Constitution Relative to enforcement and control of gift distribution, the initiation point must be the legislative framework governing the activities of public sector employees. Since the Constitution is the supreme law of the country, Section 195(1) is used as the starting point. The principles laid out in this particular section are uncomplicated and clear cut, however regarding the implementation and enforcement of gift acceptance policies, the receipt of donations or offerings by employees in the government service is deemed to be a controversial issue, with cultural and individual qualities, augmented by issues of self-interest, influencing diverse opinions as to whether these bequests should be accepted (PSC 2008:39). Allowing free interpretation of these principles, for instance instructing an administrator to act without bias, creates difficulties in implementing and enforcing policies; whereas if the rules are explicitly outlined, stating, for example, that an administrator may not receive gifts, such as overseas trips, invitations to golf days or weekends away, contraventions, violations, transgressions or infringements to the regulations are immediately apparent and corrective or remedial action may be imposed (PSC 2008:39).

This article comprises a descriptive study, which is conceptual in nature, providing a theoretical overview of the existing literature on current South African and international legislative instruments and guidelines dealing with the acceptance of gifts. To achieve the above objectives, the research relies on secondary data sources, inclusive of, *inter alia*, journals, conference papers, newspapers and text books.

The study will initially provide an overview on the existing South African legislative instruments, relative to the acceptance of gifts. This is succeeded with an overview of conceptual issues, which arise from the statutes. In order to create a more comprehensive and detailed overview comparisons will be drawn from international practices, to obtain insights from lessons learnt. The discourse includes an international study, which supplies contextualisation of the issues discussed, displaying, presenting and evaluating the way in which other countries manage the acceptance of gifts in the public sector. Utilisation and extraction of the insights provided therein, in conjunction with the collected data and review of the related literature, provided a foundation which facilitated interpretation, analysis, conclusions and recommendations to be delineated.

## **BACKGROUND**

Caille (2000:47) asserts that gift-giving may be defined as an action or allowance made without expectation, guarantee or certainty of return, and therefore, due to

this aspect, has a dimension of gratitude. Roy (2010:1) explains that, depending on the cultural customs of the country, they can also be called gifts and donations. However, if the objective of any of these acts of bestowal is to seek a benefit, create a relationship or generate an understanding of *quid pro quo* which will benefit the giver privately it is considered a bribe, irrespective of what it is called. Roy (2010:1) contends that, in evaluating whether a gift may be categorised as a bribe, three aspects need to be considered, *viz.* the extent, the nature and the intention behind the gift. The World Bank (1997:24) defines corruption as, “the abuse of public power for private gain”, and may include asking for, giving or taking a payment, gift or favour in exchange for the performance of a customary, legal or illegitimate task; “It is a price, reward, and gift or favour bestowed or promised with a view to perverting justice.”

Melgar, Rossi and Smith (2009:120) posit that high levels of corruption-perception may have a greater negative impact than corruption itself, generating a “culture of distrust” towards certain organisations or entities, potentially leading to a cultural tradition of gift giving and, therefore, raise corruption levels. Transparency International’s Corruption Perception Index (2012:3) ranked South Africa as the 69<sup>th</sup> least corrupt nation in 2012. A comparison of preceding years clearly demonstrates that South Africa’s rating is slowly declining, with the rankings in 2011 and 2010 placing the country in 64<sup>th</sup> and 54<sup>th</sup> positions, respectively. The Corruption Perception Index provides a ranking of countries according to their level of perceived public-sector corruption (Transparency International 2012:3). The index draws on different assessments, augmented by company opinion surveys, conducted by independent and highly regarded institutions. Questionnaires are used to obtain assessments and perceptions regarding the bribery of public officials, in relation to kickbacks, tender fraud, or embezzlement, in conjunction with queries designed to evaluate and test the effectiveness of the anti-bribe controls in place (Transparency International 2012:2). It is imperative for South Africa to fight corruption and to strengthen the current controls intended to prevent and identify unethical activities in the Public Service, therefore, making it crucial to scrutinise the statutes, in order to determine if these embody the values demarcated in Section 195(1) of the constitution and, additionally, establish whether they contain clear, comprehensive guidelines.

## **SOUTH AFRICAN LEGISLATIVE FRAMEWORK**

### ***Public Service Act 103 of 1994***

Section 31 of the *Public Service Act (PSA) 103 of 1994* (as amended) proclaims that if any remuneration, allowance or other reward is received by an officer or

employee in connection with the execution of their duties in the public service, such remuneration, allowance or reward, or the equivalent monetary value shall be paid into the National Revenue Fund, managed by National Treasury (Section 216(1) of the *Constitution of the Republic of South Africa*, 1996). Furthermore, it is decreed that the monetary value will be determined by the accounting officer of the relevant department; if a public servant does not concur with the outcome of the determined value, an application may be lodged with the relevant executing authority, which may then approve the recipient retaining the whole, or a portion, of said remuneration, allowance or reward.

Although the term reward is not explicitly described in Section 31, the *Oxford Dictionary* defines the term as an advantage, benefit or thing given in recognition of service, effort or achievement.

## **Public Service Regulations**

Chapter 2 of the Public Service Regulations (PSR) (2001), Regulation C.5.3 stipulates that public service employees must refrain from using their official position to obtain private benefits during the execution of their roles, and they may not accept any gifts or benefits when offered, as these may be construed as bribes. This particular section is in contradiction with Section 31 of the PSA, as the PSA indicates that remuneration, allowances or rewards may be received if approved by the relevant accounting officer. Despite this section specifically referencing and dictating the non-acceptance of gifts, the term private benefits is not clarified or defined, leaving it open for interpretation. Hypothetically, is it therefore permissible to accept benefits for the organisation as a whole, as long as the advantage is not personal or private? A theoretical instance could entail the sponsoring of soccer match tickets for the entire supply chain management team, raising the issue of whether accepting these tickets could create a negative perception of corruption in the public arena.

## **Treasury Regulations**

Paragraph 21.2.1 and 21.2.2 of the Treasury Regulations make provision for the accounting officers of departments to approve the acceptance of any gift, donation or sponsorship to the state, whether in cash or kind. It is stipulated that all cash gifts, donations or sponsorships must be paid into the relevant revenue fund. These regulations are in contradiction with Chapter 2 of the PSR, Paragraph C.5.3, which clearly indicates that public servants should refrain from accepting gifts.

## **Prevention and Combating of Corrupt Activities Act**

Section 3 of the *Prevention and Combating of Corrupt Activities Act* 12 of 2004 (PRECCA) (2004:4) prohibits the offering and/or acceptance of any gratification

in broad terms. The term 'gratification' includes any gifts, rewards or benefits. However, it indicates that the offer or acceptance must constitute an illegal, dishonest, unauthorised, incomplete or biased exercise, carrying out or performance of any powers, duties or functions arising out of a constitutional, statutory, contractual or any other legal obligation; or the abuse of a position of authority; or a breach of trust; or the violation of a legal duty or a set of rules; designed to achieve an unjustified result; or must amount to any other unauthorised or improper inducement to do or not to do anything. This demonstrates that the proviso contained in Section 31 of the PSA is not in line with the outlined stipulation contained in PRECCA.

## **Draft Public Administration Bill**

The proposed draft Public Administration Bill (draft Public Administration Management Bill of 2008) was developed to address some of the specific, identified inconsistencies, which could potentially lead to possible conflicts of interest. The proposed bill includes a provision that prohibits public servants involved in a procurement process, from accepting any gratification (including gifts) from a service provider within 12 months after the appointment of such service provider or individual. The proposed bill does not elucidate further with clarity or guidance regarding the acceptance of gifts by public sector employees. Moreover, it may be debated whether the 12 month window period for not accepting gifts or gratification is sufficient in the prevention of corrupt relationships between employees and service providers. The new Bill's proposed provision is in further contradiction with PRECCA, which indicates that employees are not allowed to receive any gratification in return for providing a service.

These preceding illustrated inconsistencies in the relevant legislation may instigate or sanction opportunities for potential conflicts of interest, which may initiate instances of corruption or perceived corruption when accepting gifts. Compounding the issues and problems of overlaps, inconsistencies and ambiguities in primary legislation, subordinate legislation further defines the governing of gifts, which may create challenges from a monitoring and enforcement perspective.

## **Public Service Commission Initiatives**

The Public Service Commission (PSC), as the public administration's watchdog, is mandated to promote the values and principles contained in Section 195 of the *Constitution of the Republic of South Africa*, 1996. The PSC has, since its inception, developed and managed several initiatives aimed at addressing

conflicts of interest in the public sector, which includes the acceptance of gifts by public sector employees.

- *Code of Conduct*

The Code of Conduct for Public Servants (Chapter 2 of the PSR) has been incorporated as Chapter 2 of the PSR and is applicable to all public sector employees. The Code of Conduct acts as a guide to public servants as to what constitutes ethical conduct. Compliance with the Code is obligatory and transgressions can be viewed as misconduct and, as in the case of any misconduct, the transgressor is subject to the application of the Disciplinary Code and Procedures for the Public Service.

Extending the scope of the Code of Conduct for the Public Service, the PSC developed an explanatory manual in 2002. The manual advises that the issues surrounding the receipt and acceptance of gifts are very contentious, thereby making it impossible for the PSC to provide comprehensive guidelines, advocating that departments should approach the PSC when in doubt (PSC Manual 2002:54). Nevertheless, the manual does contain certain guidelines, which reconfirm that the acceptance of any gift or item of monetary value can only be accepted with the written approval of the head of the department and that all gifts and hospitality in excess of R350, by a source other than a family member, must be declared; and that employees may consult the PSC in instances of uncertainty (PSC Manual 2002:54). The PSC manual does not provide an interpretation of family members in the context of declaring gifts, leaving this open to interpretation. This lack of clarity may potentially lead to corruption or nepotism issues, whereby extended family members are awarded contracts in return for gifts or bribes or the inference may be taken that any extended family member who does business with government is allowed to reward their relative(s) in a particular department, without any requirement to disclose such rewards, ultimately eliminating the audit trail for possible corrupt transactions.

- *Senior Management Services Handbook*

In addition to the Code of Conduct and the auxiliary Manual, the PSC developed a Financial Disclosure Framework for senior managers in the government service, which has similarly been included as part of the PSR. The handbook requires Senior Management Service members to disclose (and register) consultancies, retainerships, sponsorships, gifts and hospitality from a source other than a family member (PSR 2001). *The Senior Management Service: Public Service Handbook* (SMS Handbook 2003:207) extends the stipulations, continuing that Senior Managers must not solicit or accept any bribe or other improper inducement, and that gifts can only be

accepted in exceptional circumstances where the gift is offered as part of a formal exchange of gifts. The SMS Handbook (2003:207) allows that senior officials may accept unsolicited gifts or moderate acts of hospitality, with the acceptance of these gifts or benefits essentially a matter of judgement for the individual concerned, advocating they must be satisfied that their position will not in any way be compromised through receipt of the bestowal. However, it is required that all gifts and hospitality with a value in excess of R350 be disclosed.

## **Concluding Remarks – Legislative Overview**

There is some reassurance the PSC having drafted the two aforementioned major instruments regarding the governance of gifts and bestowals, in conjunction with the potential posed as possible sources of conflicts of interest and to address possible misconduct, however the ambiguities and lack of comprehensive, detailed rules in the numerous acts, guidelines and frameworks leaves this area open to abuse.

Certain of the guidelines contained in the SMS handbook are open to interpretation, as evinced by the senior manager's prerogative to accept or not accept a gift. Descriptive terms, including 'exceptional circumstances' and 'moderate acts of hospitality', are not clearly defined and diverse inferences by public service senior managers are possible (*Senior Management Service: Public Service handbook* 2003:208). The extrapolation of the legislative meaning of 'hospitality of a traditional or cultural nature' could be a potential problem, as senior managers are not obliged to disclose such 'hospitality'. The definition of cultural gifts is not explicated, with no guidance provided as to which gifts should be classified under this item. The risks associated with the lack of clarity may result in difficulties in determining the monetary value of such hospitalities or gifts. Certain hospitalities not requiring disclosure could create opportunities for corrupt officials to abuse these benefits for their own personal gain, for instance the acceptance of free accommodation and weekends away, with no requisite disclosure, if the senior manager deems it to be of a traditional or cultural nature.

Rose-Ackerman (1999:213) maintains that gift-giving is a treasured aspect of African tradition, with gifts serving as informal symbols of expected gratitude for generosity received. The author continues that, while a culture of patronage and gift giving may be viewed as creating a favourable environment for corruption, generally traditional customary bestowals thereof do not create the wrong perception among people, as the public can distinguish between traditional behaviour and serious acts of bribery. Teachout (2012:37) contends that a gift, whether to an official or citizen, is only threatening if

it has the potential, power or control to shift the orientation of the receiver towards the giver and away from the interests of the institution. However, Verhezen (2003:1) asserts that in contemporary cultures, where the bestowal of gifts is highly valued, frequently the difficulty arises in distinguishing between gifts and bribes. The differences of opinion between the pundits, Rose-Ackerman, Teachout and Verhezen, substantiates the argument that gift giving is a highly contentious and subjective issue, emphasising that if clear guidelines are unavailable to employees as to the correct and ethical conduct in these circumstances it may instigate or result in corrupt behaviour or the perception thereof.

The fragmented legislation and guidelines with regards to the acceptance of gifts poses a risk of non-compliance by public servants. Not all public servants are trained legal professionals and the numerous fragmented sections in different acts makes it difficult for public servants to interpret and understand what should be complied with. It may be argued further whether it is constitutionally justifiable to have a different set of rules regarding the acceptance of gifts for senior management service staff in the public service, since all public servants should comply with one set of rules. Conversely, it could be appropriate due to the role profiles of senior managers and the requirements of building relationships with the public and service providers and, therefore, senior managers may be exposed to higher risks of corruption and therefore requires specific guidelines. However, as highlighted above, the requirements in the SMS handbook (2003) are vague and could be interpreted differently by senior managers. This area constitutes a control weakness and is not sufficient to address the corruption risk.

Consequential to the inconsistencies identified between the current primary and secondary legislation it can be deduced that existing legislative measures are confusing, contradictory and in need of reform. Kassam (2011:218) affirms that any ambiguity in legislation that creates incentives for corrupt behaviour should be removed.

In order to establish how best to rectify the ambiguities which have been identified in the current South African legislation, a study of international and local best practices in selected countries regarding their legislation and guidelines in place for the management of gifts in the public service was performed.

This was undertaken with the objective of evaluating possible weaknesses and best practices, in conjunction with lessons learnt and the amelioration of the South African statutes. Utilising Transparency International's Corruption Perception Index, countries ranked the least corrupt were selected to provide an overview of these policies and practices.

# INTERNATIONAL BENCHMARK OF GUIDELINES AND LEGISLATION

## New Zealand

New Zealand was ranked as the least corrupt country, number one on the Transparency International (TI) Corruption Perception Index (2012:2). The New Zealand Public Service Code of Conduct (2005:23) edicts that public servants must not abuse their official position for private gain, or solicit or accept gifts, rewards or benefits which might compromise, or be seen to compromise, their integrity and the integrity of their department and the Public Service. This is extended, stating that a public servant should not accept a gift (whatever its nature or value) if it could be seen by others as either an inducement or a reward, which might place the employee under an obligation to a third party. Where offers of gifts or inducements are made, they should be reported by the public servant to his or her manager or chief executive, who will determine the appropriate response. A public servant who accepts a gift should declare the gift to their manager or chief executive for a decision on the correct disposal or distribution thereof (New Zealand (NZ) Public Service Code of Conduct 2005:23). The ranking and perception of New Zealand as the least corrupt country is considered predictable, following the State Services Commission issuing a Statement of Intent (2012:22) which emphasised that they will be using the corruption index as a means of tracking the state sector's collective level of trustworthiness, together with the effectiveness of their integrity and conduct work programme. Additionally, the New Zealand Treasury (2011:1) commissioned an independent review by Deloitte relative to the Treasury's gift policy, stating that the recommendations presented in the report will be adopted accordingly.

The recommendations in the Deloitte (2011:1) report advocated that gifts should not be accepted, excluding instances where they have a value of less than \$50 (NZ) (R400), or where refusing them might cause embarrassment or offence. The report also counsels that all offers of gifts or hospitality with a value exceeding \$50 (NZ) should be recorded on a gift and hospitality register, irrespective of whether or not the gift is accepted. Deloitte further proposed that recording the business rationale for gifts and hospitality received should be a requisite (The Treasury 2011:1).

In comparison, South African guidelines do not necessitate recording the business rationale for accepting gifts and hospitality, the exclusive requirement entails the recording of the gift, if the value is in excess of R350. (PSC Manual 2002:54). To promote greater accountability and transparency, the NZ Treasury (2011:1) initiated the periodic publication of their gift register. In the South



African public sector there appears to be no requirement for departments to publicly disclose gifts and hospitality registers, except for the relevant departments' reporting of gifts and donations received by the state in their respective annual reports. The publication of a gift and hospitality registry to promote transparency, especially with regard to the principles espoused in Section 195 (1)(e) of the *Constitution of the Republic of South Africa, 1996* could be a good recommendation to explore.

## Sweden

The TI Corruption Perception Index (2012:3) ranks Sweden fourth in 2012. Despite Sweden and certain other European countries, including Denmark, Finland and the Netherlands, not having formal codes of conduct, these nations are among the least corrupt in the world, according to the Corruption Perception Index (Bossaert *et al.* 2001:235). Sweden recently reviewed the Swedish Penal Code (Linklaters 2012:1), which deals with bribery rules, and the code now specifically highlights that it is prohibited for an employee or agent to accept, agree to an offer, or request an undue reward for the performance of their duties and prohibits officials from accepting an offer or requesting an undue reward in order to influence another person's decision, if that decision involves the exercise of official authority or public procurement. This requirement is in line with the rules contained in South Africa's overall legislative framework.

Private sector institutions in Sweden designed effective gift policies based on the newly updated legislation. In 2012, Riks Bank in Sweden updated the Ethical Regulations for bank employees, which require personnel to consider numerous factors before accepting gifts. This policy stipulates that when investigating cases of the acceptance of possibly unlawful gifts, consideration will be given to the strength of the connection between the benefit and the exercise of duties, the nature and value of the benefit, and the relationship between the parties concerned (Riks Bank 2013:9). Comparatively, in South Africa, such specifics and details are not provided in existing gift frameworks. The policy further outlines that employees should not accept gifts with a monetary value exceeding 400 Swedish Kronor (R618), unless the employee cannot refuse the gift for reasons of politeness; the policy then advocates that the gift should be accepted and handed over to the inventory manager to be included as part of the bank's inventory (Riks Bank 2013:9).

The Diplomatic Guide for Information on Gifts (states that within the current ethical guidelines for Government Office officials, gifts exceeding a value equivalent to 300-400 Swedish Kronor (R618) should not be kept by the receiving official, but must be handed over and placed into the Ministry's official gifts repository. In the Swedish public service, gifts consisting of alcoholic

beverages, gift tokens, vouchers or monetary gifts are not recommended and public officials are not allowed to accept them (Ministry for Foreign Affairs 2012:1). South African requirements are not in line with this, as individuals, with the approval of the head of the department, are only required to declare gifts, regardless of their nature, and these gifts do not form part of the department's gift repository, but remain the property of the official.

## **Singapore**

In Singapore, Teik (2008:1) reiterates an old saying, that *“there ain't no such thing as a free lunch”*, explaining that lavish business entertainment is the norm in many Asian countries if one wants to be successful in concluding a contract. The Prevention of Corruption Act, Chapter 24 stipulates that public officers in Singapore are not permitted to receive any present in money or in kind from people with whom they have official dealings. Furthermore, they are not permitted to accept any entertainment that will place them under any real or apparent obligation. Conversely to the policies laid out within South Africa's legislative framework, gifts or entertainment in Singapore may not be accepted, unless an official feels obligated to accept such a bestowal, it may then be accepted and retained by the department. Another interesting comparison is that, in Singapore, an official, who wishes to retain a gift, may do so if they pay for it, at a value determined by the Accountant General (Corrupt Practices Investigation Bureau 2006). Sweden Section 8 of PCA (2012:29) further stipulates that where, in any proceedings against a person, it is proved that any gratification has been paid, or given to and received, by an employee of the government from a person or agent of a person who has, or seeks to have, any dealings with state, the gratification shall be deemed to have been paid, or given and received, corruptly as an inducement or reward, ultimately placing the burden of proof on the recipient to demonstrate that the gift or reward was not received in return of a favour (PCA (2012:29)). In Singapore, the Corrupt Practices Investigation Bureau (CPIB) was established as an independent body that investigates and prevents acts of corruption. Cases of confirmed corruption are publicised on their website, which serves as a fraud awareness and prevention method (Teik 2008:1). This prevention technique is in accord with the South African Justice Minister's (Jeff Radebe) decision to publish the names of all officials found guilty of fraud and corruption (*Mail & Guardian* 2013:1)

## **Australia**

The Australian Public Service Code of Conduct (APS Code) (2012:1) decrees that when a public servant receives an offer of a gift or benefit, it is important

that they consider the ethical issues involved, together with advocating that an open and transparent process in the department for discussing such issues is established. The APS Code proposes that officials should consider every offer on its merits, taking into account the relationship of the organisation making the offer. The APS Code (2012:1) extends its advice, emphasising the risk that the acceptance of a gift or benefit could result in an actual or perceived conflict of interest and, in the worst case scenario, could be perceived as a bribe. The APS Code (2012:2) provides departments with freedom to develop policies relevant to the acceptance of gifts and benefits, but indicates that agencies should clarify in what circumstances accepting a bestowal may be appropriate, taking into account the agency's functions and objectives, the roles of employees within the agency and the types of relationships employees may have with the organisations and people who may offer gifts or benefits. The APS Code (2012:4) provides examples and indicates that bestowals may include offers of cash or shares; gifts, such as bottles of wine, manufacturer's samples or personal items; promotional materials; sponsored travel; benefits under loyalty schemes, for instance frequent flyer schemes; airline competition prizes; meals or other hospitality; accommodation and hire car discounts; entertainment, such as meals, seats at sporting or theatre events or golf days; discounts on commercial items; and free or discounted places on training and development courses.

The APS Code of Conduct (2012:4) stipulates that offers of hospitality from sources outside the Australian Public Service have the potential to cause perceived or actual conflicts of interest, indicating that offers of hospitality may be accepted if they genuinely assist the department to develop and maintain positive relationships with stakeholders. This section stipulates that officials should consider the scale of the hospitality offered, in conjunction with whether it is comparative to that which the department would provide under related circumstances. The APS Code of Conduct (2012:4) requires that offers of sponsored travel or entertainment be referred to the department head for consideration. The APS Code of Conduct (2012:4) stipulates that while it may be in the interests of the government for senior public servants to accept invitations to certain events, it is not suitable for them to accept offers of paid travel or accommodation in relation to their attendance and that offers that are accepted should be recorded and declared. The Treasury Department publishes their gifts and benefit register, which includes gifts and benefits valued at more than \$150 (AUS) (R1 370), which have been given and received by the Queensland Treasury and its employees. This register is updated each quarter and all items of cultural importance are reported, regardless of their value. Important information captured in the gift and benefits register includes the date received, the description of gift or benefit; the value, the recipient, the reason or rationale

for accepting the gift and the name of the person accountable for approving the retention of the gift (Australia, Queensland Treasury 2012:1).

Comparatively, within the South African framework, it is not required to declare any hospitality of a cultural and traditional nature. There is evinced a clear lack of coherence when the South African requirements are compared with those of Australia and New Zealand, where both Antipodean governments require all items of cultural significance to be reported, regardless of their value.

A significant aspect mentioned in Directive 22/09, (Australian Public Service Commission 2010:1) relates to the frequency of gift giving, highlighting the negative perception-risk of receiving multiple gifts from one source. It is required that departments should take into account previous gifts given by an individual or organisation to a public service employee and all gifts, with a cumulative value in excess of \$100 (AUS) must be reported. Furthermore, it is advocated that there is mandatory reporting of all gifts or benefits tendered to public service employees in sensitive roles, for example, providing advice or making decisions about, *inter alia*, granting licences; inspecting and regulating businesses or giving approvals; internal audit; tendering; and purchasing. It could be debated further whether it is ethical for officials performing these functions to accept any gifts, due to the nature of their work and the possible risk of perceived bribery. If, for example, a supply chain officer accepts a trip to a lodge that belongs to a supplier recently awarded a tender, with which the officer was involved. An additional condition stipulates that if public service employees attend sporting events, theatre or recreation attractions as part of a gift or benefit, they must ensure it occurs outside their normal working hours or should take place during approved leave (Directive 22/09, Public Service Commission, Queensland government, 2009:1). In South Africa, there is a lack of clarity regarding the frequency of accepting gifts, as well as the declaration of hospitality of a traditional or cultural nature, which creates loopholes in the system for corrupt officials to abuse to their advantage, and which could occasion an official accepting excessive gifts from a supplier or suppliers. Section 195 (1) (b) of the *Constitution of the Republic of South Africa, 1996* which requires that public resources must be used efficiently, effectively and economically, also demarcates that South Africa explore the option of providing guidelines which indicate that the attendance of sporting events and other benefits takes place outside the employee's normal working hours.

Although there are lessons to be learnt from the developed economies' guidelines, assessed above, it is both useful and necessary to draw comparisons with countries that experience similar challenges and have comparable economies.

## **BRICS**

South Africa forms part of BRICS, which consists of Brazil, Russia, India, and China. The agenda of BRICS meetings encompass topical global issues, inclusive of political developments of relevance; institutions of global governance (inclusive of the UN; IMF; World Bank Group); international terrorism; climate change; food and energy security; and the international economic and financial situation (Fifth BRICS Summit 2013). It is considered worthwhile to compare the guidelines of India and China. Brazil and Russia were not selected due to the limitations in translating the applicable legislation. Qobo (2013:1) highlights that corruption is a major threat to the rise of BRICS, due to underlying pervasive public service corruption. Qobo (2013:1) contends that BRICS countries fall horribly short of Organisation for Economic Co-operation and Development standards, due to weak institutional mechanisms to combat graft. Qobo (2013:2) further argues that companies from western countries are prone to bribery in order to facilitate access to large-scale procurement contracts, and that if BRICS countries are to maximise their potential as global leaders, they should demonstrate seriousness in tackling corruption. The author continues, suggesting that this should be one of the main areas of cooperation between these countries, because, as the levels of co-operation between the BRICS countries grow, so might cross-border corruption.

## **China**

Steidlmeier (1999:121) describes gift giving as a common social custom in China, and asserts that, from a governance perspective, it is difficult to know when it is appropriate to give or receive a gift, in conjunction with determining which gifts are deemed suitable in a social setup. The Code of Ethical Conduct for leading officials in China (2005:1) requires officials to be honest and faithful in performing their duties, and specifying that officials are prohibited from seeking unlawful benefits through abuse of their power. Officials are not allowed to insist on money or any items of value from entities who deal with government; accept gifts or attend events that may affect judicious performance of duties; accept money or any kind of negotiable securities provided as gifts in official activities; or accept credit cards or other payment instruments from subordinate units, other enterprises, institutions or individuals. The guidelines in the People's Republic of China are in accord with those within South African legislation, however China's guidelines are more specific and comprehensive, providing examples of gifts that may not be accepted.

## India

In India, the Guidelines of Corporate Governance for Central Public Enterprises (2007:78) state that executive management shall not, directly or indirectly through their family or other connections, solicit any personal fee, commission or other form of remuneration arising out of transactions involving a company. This includes gifts or other benefits of significant value, which might be extended at times to influence business for the organisation or awarding a contract to an agency (Guidelines of Corporate Governance for Central Public Enterprises 2003:1). The Commission in India highlighted the risk of gift giving practices to government officials during festive occasions, for instance Diwali, Christmas and New Year, and is of the view that this practice should be discouraged (Acceptance of Gifts by Government Servants 2003:1). The Government Employees Conduct Rules (2009:11) stipulate that no Government employee shall accept, or permit any member of the family or any other person acting on his behalf to accept, any gift, except on certain occasions, for example weddings, anniversaries or religious functions. Additional guidance is provided to businesses, highlighting that gifts are to be provided only to promote commercial interests and that businesses should refrain in sending gifts to government officials who are merely doing their duty to serve the people and businesses of India (The Government Employees Conduct Rules 2009:12). The spirit of India's model is comparative with the South African framework, however, it differs in that the practice of gift giving is discouraged; as it is the Commission's view that government officials get paid to render services to the public and should not receive gifts in this regard.

In addition to the lessons learnt from the aforementioned guidelines of the least corrupt counties assessed, as well as evaluating those of comparable economies, it is deemed both useful and requisite to draw a comparison with a South African state owned entity, to determine if its frameworks are aligned to the overall parameters prescribed by the nation's legislation. For the purpose of this study, Eskom's policies were selected to be utilised as a benchmark, as they award large scale contracts, and may be subject to the risks associated with the acceptance of gifts and hospitality from service providers, which could potentially be construed as bribery, graft or nepotism.

## ESKOM

Eskom's Code of Ethics (2009:4) emphasises a culture of transparency, specifically stipulating that their objectivity will not be compromised through the acceptance of inappropriate gifts and entertainment.

Eskom's Conflict of Interest Policy (2008:5) provides detailed guidelines as to how employees should act; a clear definition of what constitutes immediate family; and provides detailed examples of the composition of acceptable or inappropriate business courtesies. Business courtesies, as defined by the company's Conflict of Interest Policy, comprise a gift or favour from an individual or supplier, regardless of whether a business relationship exists between Eskom and that entity, for which fair market value is not paid by the recipient. The policy extends the definition, elaborating that the business courtesy may consist of either a tangible or intangible benefit, with examples of quantifiable or tangible benefits incorporating, *inter alia*, meals; drinks; entertainment; hospitality; recreation; attendance prizes; transportation; discounts; tickets; and promotional items; while less definable or intangible examples include the use of a donor's time; materials; property; or equipment (Eskom's Conflict of Interest Policy (2008:5).

Employees are prohibited from accepting gifts deemed excessive, which may create an impression that their objectivity is impaired. Furthermore, the policy implements the mandatory disclosure of all bestowals in a gift register, which is then required to be assessed and signed off by the head of the department every three months. In an endeavour to prevent the risk that gifts could be construed as improper, guidelines are provided advocating that suppliers include their business logo or trademark on gifts. However, while this requirement could potentially negate or minimise the risk of misconstruing the gift, it could also be open to abuse, depending on the magnitude or type of gift bestowed. For example, if an employee is offered an expensive Mont Blanc pen engraved with a company's logo, it would be considered improper due to of the value of the gift.

## **MAIN FINDINGS**

Spahn (2012:298) contends that global traders need to develop relationships with local officials abroad, often through gifts and hospitality, and continues, emphasising that diverse cultural elements factor into the practice and it is important to distinguish between legitimate gifts or hospitality and criminal bribes under contemporary, global anti-bribery laws, further stressing the significance of, and necessity for, transparency. In addition, Kassahun (2011:221) asserts that the most effective approach in dealing with corruption in Africa is for each nation to develop, and effectively enforce, constitutional provisions for the accountability of public officials; in conjunction with guaranteeing participatory democracy, which promotes the widespread participation of civilians, in order to safeguard accountability and transparency in governance. The author extends his advice, maintaining that good governance is not a

luxury, but a basic requirement for development in Africa. A study performed by the Organisation for Economic Co-operation and Development (OECD) determined that, irrespective of the differences amongst countries, cultural, political and administrative, it appears that there is an increasing convergence in what is seen as 'good, correct and proper' behaviour.

## **Legislative Framework**

The research suggests that the South African legislative frameworks regarding the acceptance of gifts are fragmented, ambiguous and not comprehensive enough. There are several unaligned and contradictory acts and guidelines, which can create opportunities for corrupt officials to abuse the situation to their advantage. Despite the legislation being fragmented and in some instances indefinite, the framework is predominantly in accord with the overall practices followed within the benchmarked countries and entities.

## **Guidelines Relative to the Accepting of Gifts**

The primary tenet, consistent in all the reviewed frameworks, is that public servants should not solicit gifts in return for a favour. Lessons can be learnt from Singapore, Australia, New Zealand, India and China. Overall, the legislation in these countries was more specific and detailed in providing guidelines to public servants, as to the circumstances which dictate whether the acceptance of a bestowal is suitable or inappropriate.

## **Hospitality**

South African guidelines lack clarity regarding the declaration of hospitality of a traditional or cultural nature by senior management members. In Australia all cultural gifts are disclosed, irrespective of the value and enumerated with in register, with public disclosure to promote transparency. Similarly, in New Zealand, all gifts are disclosed, regardless of whether or not they are accepted, with the rationale for accepting the gift or hospitality recorded within a gift register, which is published periodically to promote greater accountability. South Africa, comparatively, currently has no requirement to publicly disclose gift and hospitality registers, and the establishing of guidelines to promote transparency, in terms of Section 195(1) (e) of the *Constitution of the Republic of South Africa, 1996* are deemed a good recommendation.

In Singapore, if a bestowal must be accepted due to a cultural custom, the gift should be handed over to the relevant department, becoming part of the gift repository. Alternatively, if a public servant wants to retain the



gift, it may be purchased from the department at a value determined by the accountant general.

## **Acceptance of Invitations to Sporting Events**

Smith (2010:1) maintains that sporting events, entertainment and gifts have always been used to leverage business relationships in South Africa. The review of the current guidelines established that there is no requisite specified that, after acceptance, attendance of these events should take place outside of normal working hours, compared to Australia, where it is stipulated that attendance must occur after hours or during official leave periods. Relative to Section 195 (1)(b), which requires that public resources must be used efficiently, effectively and economically, additional guidelines in this respect could be considered by the Public Service Commission when updating the gift frameworks, indicating that the attendance of sporting or cultural events (if accepted) should occur outside the employee's normal working hours.

## **Frequency of Gift Acceptance**

There is lack of clarity in the South African frameworks regarding the frequency of accepting gifts, although there is a proviso that a bestowal must be declared if it has a value in excess of R350. Conversely, in Australia, guidelines are provided that departments should take into account previous gifts given by an individual or organisation to a public service employee, arising from the perception that one gift may not be considered sufficient to cause a public service employee to act outside their official duty, but the aggregate sum of multiple gifts may result in corrupt behaviour. The frequency of accepting gifts should be considered by the Public Service commission when revising the relevant guidelines.

Smith (2010:3) suggests that where unsolicited gifts are shared with all employees and if everyone benefits equally, it may lessen the perception that the gift was intended to influence the action of an individual employee. Within the frameworks of China, Australia, Singapore and New Zealand detailed examples are presented as to what may be classified as gifts and hospitality; contrarily, South African legislation provides no description, or categorisation and, therefore, the principles and guidelines could be expanded to prevent ambiguity and uncertainty regarding what constitutes gifts and hospitality.

Gilman (2005:25) asserts that there are fundamental values, closely associated with democracy, the market economy and professional bureaucracy; political values, incorporating freedom and justice; and administrative values, comprising efficiency, effectiveness and responsiveness. The author continues that, no matter what those values are, however, it appears the most imperative

factor is how they are operationalised into the routine, daily work of public servants. This is significant, as if detailed guidelines are not provided to public servants, there arise potential loopholes which may result in possible corrupt practices. Additionally, certain experts contend that codes of conduct, a system of disclosure of financial interests, and training courses all constitute crucial mechanisms in an effective ethics programme, which should be instituted with enforcement and monitoring procedures to ensure efficacy (Balía, Sangweni and Mavuso 1999:8). Qobo (2012:2) advocates that the South African Government should identify alternatives, learn from other countries and show commitment in fighting corruption, in order change the perception of taxpayers.

## RECOMMENDATIONS

The existing, current legislative framework in South Africa is fragmented, not comprehensive enough and has multiple ambiguities, resulting in inadequate guidance for public servants relative to the acceptance of gifts. The ambiguities identified in legislative instruments make it virtually impossible for an auditor or enforcement agency to establish connexions between gifts and corrupt practices; the multiple overlaps create loopholes of which corrupt officials may take advantage. The confusing volume of seemingly unrelated statutory provisions makes it difficult to train public servants and to monitor compliance. The identified inconsistencies may create further issues, wherein initiating proceedings against corrupt officials may be perceived as problematic, ineffective or useless, as establishing corrupt practices linked to the acceptance of gifts is impractical, unachievable or unfeasible due to flawed and tenuous policies. The aims of Section 195(1) of the *Constitution of the Republic of South Africa*, 1996 may ultimately be undermined, if corrupt officials are not found guilty of bribery due to the inconsistencies identified in legislation. The current legislative framework regarding the acceptance of gifts should be reviewed, and possibly consolidated into one guideline or code, then implemented nationally in the Government sector. This would result in clarification, with a single, consistent and universal set of rules across the government sector, with which public servants must comply.

The following options could be explored to expand on South Africa's framework for accepting gifts in the public service:

- The appointment of ethics officers, who are empowered to decide on the suitability of accepting a proffered gift. The Public Service Commission could explore the creation of ethics committees within National and Provincial Government Departments, with the responsibility of reviewing and monitoring departmental gift registers.

- The Public Service Commission could develop a template of a gift register, to be circulated to all government departments for implementation. The gift register could include the date of when the gift was received or offered; the value of the gift; the name of the company or individual proffering the gift; the relationship with the gift giver; the rationale for accepting the gift, and the name of the person accountable for approving the retention of the gift.
- The Public Service Commission could consider amending the guidelines, clarifying and detailing, as comprehensively as possible, what may be categorised as hospitality of a cultural or traditional nature, in conjunction with ensuring that these, accepted or not, be declared within the departmental gift registers, irrespective of their value.
- The PSC could further investigate the possibility of amending the guidelines to require all government departments to publicly disclose their gift registers annually, in the required format, to ensure compliance and accord with the stipulation of transparency in Section 195(e) of the *Constitution of the Republic of South Africa, 1996*.
- Regarding the mitigation of reputational risks, for instance ‘perceived corruption’, the PSC should consider developing a policy which mandates that all gifts received by public servants are donated to non-profit organisations; or, alternatively, that unsolicited gifts are shared between all employees, as if everyone benefits equally, it may lessen the perception that the gift was intended to influence the action of a single employee. The PSC could consider informing suppliers that acceptable gifts should include the logo or trademark of the company.

The implementation of the best practices advocated above could assist the government in mitigating the risks of non-compliance with legislation and perceived corruption. It is imperative that once the revised guideline or code is compiled, with the proposed amendments incorporated, that proper monitoring and enforcement mechanisms are implemented. This could be achieved through developing a training and awareness programme for government employees relative to the acceptance of gifts, as well as providing oversight regarding the implementation of the gift frameworks by instituting specific reporting requirements.

## CONCLUSION

Gift-giving and the acceptance of gifts in the South African public sector is a controversial issue. The bestowal of a gift may generate a negative public perception of corrupt behaviour. If proper preventative controls are implemented, and the transparency of the process enhanced as suggested in

this study it would assist it reducing the risk of perceived corruption when gifts are accepted by public servants.

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# **Bitter battles for survival**

## **Assessing the impact of the political factionalism in Nelson Mandela Bay Municipality's post-Polokwane landscape**

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### **ABSTRACT**

This article examines the root causes of factionalism within the ANC that characterised the Polokwane conference and discusses its impact on governance and service delivery at the local sphere of government using the Nelson Mandela Bay Municipality as the case study. Although the ANC has historically been riddled with factionalism, the divisions that emerged within the context of the Polokwane Conference resulted in an escalation of political infighting that directly impacted on governance structures on the local government level for a protracted period of time. The article demonstrates that factionalist competition at the national sphere translated into fierce factionalist battles on a local level, affecting governance capacity of the Nelson Mandela Bay Municipality. Factional battles at the local sphere however, were seemingly driven by personal political agendas, and not necessarily a concern for greater service delivery.

### **INTRODUCTION**

Factionalism and ideological contestation within the ANC is not a new phenomenon. Historically bitter factionalist battles led to break-away political organisations and parties, including the Pan-African Congress in 1959 and,



more recently, the Congress of the People in 2008 (Butler 2007; Fikeni 2009; Gevisser 2007; Gumede 2009; Kagwanja 2009; and Legassick 2007). The 2007 ANC Elective Conference, dubbed the Road to Polokwane, proved to be the most hotly contested in contemporary ANC history. Deviating from traditional ANC practices where delegates would know who the next leader will be; the Polokwane conference was an open contest for leadership position, characterised by severe political tensions between factions that supported either Thabo Mbeki or Jacob Zuma (Fikeni 2009:10). The divided national climate had a direct impact on local municipalities, where very often severe factional battles led to a break-down in governance and service delivery. This was largely due to ANC members canvassing for support for their preferred candidate, and as such, each faction sought to undermine the other in order to gain a political upper hand. Following his victory at Polokwane, Zuma supporters at the provincial and local government sphere flexed their political muscles to purge provincial and local governance structures from perceived Mbeki supporters. Booysen (2009) noted that, “state employees were often vulnerable, courtesy of either being deployed under Mbeki’s auspices, or associated with COPE”. The factional battle within the ANC played out in the theatre of local government, affecting service delivery and governance as ANC councillors serving in the NMBM were often high-ranking municipality figures embroiled in a battle for political survival. For example, former mayor, Nondimiso Maphazi was *redeployed* on 21 November 2009. Although seen as an ally of former President Mbeki, the ANC justified her redeployment to “protect and guard her dignity” and cited underperformance that had led to political and administrative difficulties in the Nelson Mandela Bay Municipality, (*Mail and Guardian*, 21 November 2009). Unionist Zanololo Wayile replaced Nondimiso Maphazi as Mayor of the NMBM following her redeployment, perhaps a move to placate the unions given his strong union background.

The article will first present an overview of factionalism as a political phenomenon. This discussion will contextualise the contested nature of macro-economic policy as a key justifier for the emergence of factions within the ANC. Departing from the point that economic policy and transformation was key to the factional political agenda that underlined the 2007 Polokwane Conference, the article demonstrates that the slow pace of transformation and deep-rooted divisions on economic policy and vision was the core defense of the emergence of factionalism that culminated with the “ousting” of former President Thabo Mbeki in 2008. The article demonstrates that the issues justifying the political expulsion of Mbeki supporters at the national sphere also played out at the local government sphere. This political reshuffling was not necessarily grounded in concerns for service delivery, but rather factionalist political survival of those involved.

## **POLITICAL FACTIONALISM AND POLITICAL SURVIVAL IN DOMINANT PARTY SYSTEMS**

In order for a political system to be classified as dominant in nature, three conditions must be met (Dunleavy 2010:23–24). Firstly, the dominant political party is able to get an overwhelming portion of the vote in at least four consecutive elections. Secondly, by securing an overwhelming slice of the electoral pie, a dominant party must have an extensive core which the opposition seems unable to penetrate. Lastly, the dominant party needs to maintain a perception of effectiveness within this protected core. The perception of effectiveness is used to get supporters to the polls, thus ensuring that the dominant party is seen as having a wider appeal than the opposition. South Africa has been classified as a one party dominant system since 1948 (Myburgh and Gilliomee 2010: 175). Under the National Party apartheid system, and subsequent democratic rule of the ANC "...opposition parties could entertain only a faint hope of ever defeating the incumbent" (Myburgh and Gilliomee 2010: 175).

Green (2010: 155–158) highlights that both dominant party democratic regimes (DPDR) and dominant party authoritarian regimes (DPAR) use resources at their disposal to maintain dominance. A key difference is the nature of the system and how informal rules are able to facilitate dominance. In DPARs undemocratic means such as imprisoning opposition members, violence and intimidation are regarded as an acceptable to justify and maintain dominance (for example, the apartheid state).

In DPDRs, however, clientistic ties and rewards are used to maintain dominance. For instance in a DPDR "...joining the incumbent typically brings a salary, steady employment, access to business contacts and deals, and potentially an array of side payments as well as eventual access to elected office or an administrative post" (Green 2010:158). Cadre deployment as a reward for political loyalty or assistance to achieve some political goal is thus characteristic of the structure of a one-party dominant democratic system.

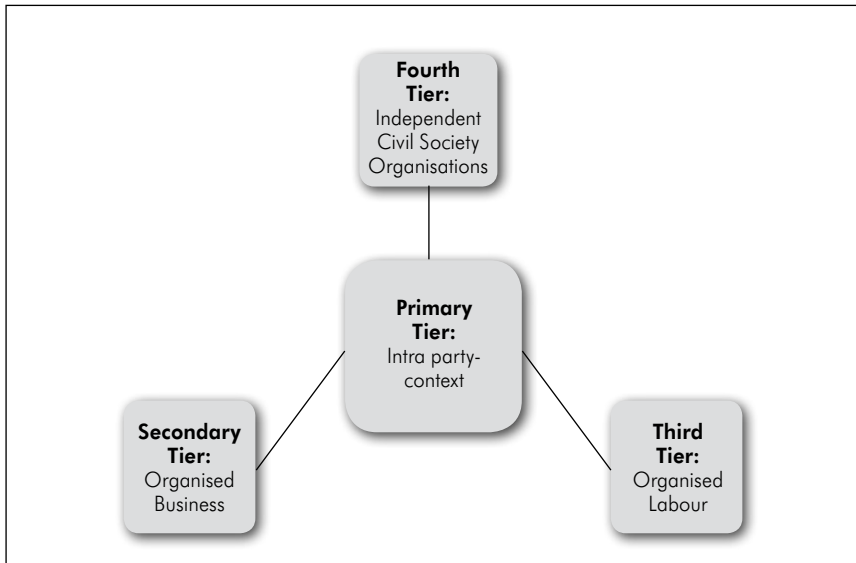
Clientistic ties that underpin one-party dominant system entails a relationship between two or more people that involves exchange and access to a social network that enables a faction leader to achieve a particular political goal (Nathan 1973:37). Nathan further highlights that this relationship of exchange is one of inequality in terms of wealth, status and power, and although not exclusive, there are unstated rules and obligations that guide the clientistic relationship within a factional political context. This also creates a number of factional tiers within a DPDR to construct as a complex factional system. Within this complex factional system the clientistic relationship extends beyond the political party and includes actors such as organised business and labour. This is necessary as it generates some form of broader loyalty. In this sense, "...a strong backing from society,

business as well as state bureaucracy and thus a willingness to work with the ruling party...increases support..." (Lindberg and Jones 2010:198), which in turn generates the conditions for continued dominance.

Within a DPDR context, faction leaders mobilise a portion of their network (including primary, secondary and tertiary clientistic ties) for the main purpose of achieving some political goal (Nathan 1973:39). A complex factional system is built on relationships of exchange. This means that "clientistic ties in a given society articulate to form complex networks which serve many functions, including social insurance, trade and the mobilisation and wielding of influence in political conflict".

Nathan (1973:39) highlights that when factions mobilise their networks for the purpose of engaging in politics, two scenarios may emerge. First, an individual leader may seek to act as a power-broker, and through the clientistic network, seizes a perceived political opportunity by calling favours owed by members of his/her network for some political gain. Second, during election periods, the clientistic nature of the dominant party enables politicians to mobilise their network to generate mass party support. By promising rewards such as positions in political and administrative office, faction members are obliged to encourage their voters to support the dominant party and to generate sufficient community support for the mass party. In this way dominant parties

**Figure 1: A model of a complex factional system (adapted from Nathan, 1973:39).**



persist in a democratic setting as the clientistic foundation of DPDR creates a substantially unfair electoral system (Green 2010:155).

Of the sixteen party dominant systems across the globe; in terms of delivery and governance these had "...failed consistently for decades" (Green 2010:155). Yet, dominant parties are able to survive as governing parties for a protracted period of time. A key element that helps dominant party sustain their supremacy within the political system is their factional nature. To this effect

*Elite competition through factions gave...citizens sense that opposition politics were still operating (albeit imperfectly) and that party policy was moving in a different direction since elections produced alternation in power between different faction leaders and political teams (Boucek 2010:111).*

Factions play an important role in one-party dominant system in that factional politics facilitates the construction of intra-party competition and contestation. There is a cyclical nature to factional politics which affects the power configuration within the dominant party and impact on political survival of elites. A key characteristic of a factional system is the cycle of consensus formation and decline (Nathan 1973:48). Some form of political crisis sets the cycle in motion that generates collective action. Therefore,

*as a result of the consensus among the factions on the need for action, a faction or factional alliance achieves office and receives a mandate to act. The victorious faction takes culturally appropriate action to test and solidify the other faction have been obliged to give it (Nathan 1973:48).*

Once the political crisis has been resolved, the collective consensus reached by the faction declines. For Nathan this is a natural progression of factional politics as the actions of the faction in power have impacts on the power dynamic within the factional system. Inherent to the factional life-cycle is benefit, and as factions seek to gain more benefit than others, once the political crisis has been averted, factions return to a relationship of conflict.

Boucek and Bogaards (2010:3) stress that dominant parties very often narrow the scope of political competition, deny some groups political representation or power, blur the lines between state and governing party, unintentionally encourage corruption, and facilitates policy stagnation due to a lack of policy innovation and through blocking policy initiative. It is in this narrowed spaced of political contestation that factionalism becomes a tool for survival. Livelihoods of politicians are very often tied to the fate of their factional leaders, which in turn generates competitive claims for promotion,

further entrenching the patrimonial character of a DPDR. This constant search for career promotion and advancement within the dominant party context render factions volatile in that “today’s enemies may be tomorrow’s allies” (Nathan 1973:47). Factional conflict will be driven by a need of one faction to gain the proverbial upper hand over another. This result in fierce competition between different factions with primary aim of discredit fellow party members, lure their allies away, and remove them from their positions (Nathan 1973:47).

The political tool at the disposal of factions to drive their personal agendas within the dominant party is ideology. In a DPDR context is it important to remember that dominant parties tend to have some historical momentum that entrench dominance in the electoral system. This is especially so if a dominant party can be credited for founding a nation-state or overthrowing an authoritarian regime and installing democracy (Dunleavy 2010:30). However, Dunleavy further stresses that the historical moment “advantage” will decay over time as the newly established moves further away from its formative years.

As historical moment decays, political opportunity is created for power-seeking factions to use ideological doctrinalism, which focusses predominantly on abstract ideological issues, honour and the historical ideological mission of the dominant party (Nathan 1973:49). In this context, Nathan further stresses that although factions adopt firm ideological stances, they do tend to debate issues which are seemingly minor. In the context of analysing factional conflict, one can conclude that the ideological discourse that surrounds the minor points is of strategic importance in analysing factional conflict in a DPDR. As these debates highlight “the struggle which is couched in abstract terms”, the reality is that the discourse “...is really over the advantages of a policy to one side or another” (Nathan 1973:49).

More importantly, these debates allow one to analyse the discourse of governance within the dominant party. If one accepts that governance is conceptualised as a form of political steering that describes a new policy direction and integration (Blatter 2012:1), then the nuances that colour factional debate hint towards a new governance structure within the dominant party context. It is in this context that factional division can have a direct impact on governance at the lower sphere of government. Bearing in mind that very often in a DPDR context, factions are intimately linked to the state bureaucracy through clientistic ties, the nature of the debate signals to members which faction is able to strategically gain an upper hand. This acts as means to mobilise bureaucrats who become embroiled in the factional conflict as their very livelihoods may become threatened should their faction lose dominance.

## THE POLOKWANE FACTIONAL BATTLE

Following twenty years of democratic rule, the South African political system can be constructed as a one-party dominant democratic system. Although there have been genuine electoral competitions, the ANC is able to maintain an appearance of continued dominance through securing more than 60% of the vote. The official opposition, the Democratic Alliance, by comparison secured around 16% in 2009 and 22% in 2014. Within the context of one-party dominance, the usual difficulties associated with DPDR's have also become characteristic of the South African political system. These include a lack of responsiveness to the electorate, alienation of permanent minorities, demoralisation of the opposition, and serious corruption (Myburgh and Giliomee 2010:175).

Under the ANC-led administration, one has also observed the entrenchment of a clientistic arrangement to governance through the phenomenon of cadre deployment. There are many examples of cadre deployment and the entrenchment of neo-patrimony through rewarding loyalty of ANC members to a particular leader with key position within government. Linking reward and benefit to political support, creates the conditions conducive for factionalism to thrive, and in many instances, creates brutal factionalist conflict as the stakes include not only political survival, but the livelihoods of members. Cadre deployment also served the purpose of creating an image of transformation. In this context, Myburgh and Giliomee (2010:181) conclude that

*At the time it was quite predictable that this programme of 'cadre deployment' would lead to the politicisation of the state machinery and a serious erosion of horizontal accountability. But by and large, civil society welcomed it. It was defended on the basis that it was enhancing democracy, for it was placing power – both symbolically and substantively – in the hands of the black majority.*

Within this context of clientistic political considerations ideology becomes a key tool for factions to attempt to gain an upperhand. However, in the context of the ANC, the factional battle over ideology extends beyond the party, but encompass the structures of the Tripartite Alliance, inclusive of the largest trade union federation, COSATU.

Macro-economic policy and strategy remains a key contested political landscape within the Tripartite Alliance<sup>1</sup> (Booyesen 2011). Mbeki's brainchild, the Growth Employment and Redistribution Strategy, often described as conservative and neo-liberal, signalled a significant shift away from the Freedom Charter-inspired Reconstruction and Development Programme (Habib and Padayachee; 2000:245). GEAR effectively became the opposite of the "socialist vision or

revolutionary romanticism" that informed the liberation struggle" (Adam, Slabber and Moodley 1997:206).

The general sentiment within the Tripartite Alliance was that GEAR was forced upon Alliance members, and, unlike its predecessor, Reconstruction and Development Programme (RDP), lacked sufficient input from Alliance members, thus creating tensions rooted in ideology and differences in the economic vision for South Africa (Legassick 2007:518). In a post-apartheid South Africa, this meant that the ruling ANC through the adoption of conservative economic policies had abandoned the socialist rhetoric that dictated policy during the liberation struggle.

With the adoption (or imposition) of GEAR in 1996, and the increasing centralisation of power in the executive under the Mbeki administration, limited participation within the ANC internal structures and the Alliance around key strategic priorities and policies resulted in a large portion of ANC membership feeling disempowered. Logde (1999:29) therefore concluded that

*policy making within the Tripartite Alliance was participatory and even democratic in the character up to the 1994 election. Since then, macro-economic policy making has become an increasingly circumscribed undertaking. The predisposition of individual ministers in the most important determinant of how widely the policy-making process.*

This alludes to a failure by the leadership of the ANC to provide the grassroots supporters and Alliance partners with an opportunity to partake and influence the policy direction of the ANC and, by default, government. The manner in which the GEAR policy was formulated and implemented is a key example of exclusion and dominant governance of the ANC within the Tripartite Alliance, as well as within its own structures. Legassick (2007:518) cites Mandela and Mbeki speeches to illustrate the tension caused by the adoption of GEAR: "hearing SACP leader Nqakula criticising the manifest failure of GEAR to meet most of its target; Mandela departed from his prepared text to say, "GEAR, as I have said before, is the fundamental of the ANC. We are not going to change that because of your criticism". Similarly, Jordan<sup>2</sup> (1997) defended GEAR on the basis that "the RDP was an attempt to reconcile our vision of transformation with what was immediately attainable in practice. The RDP has been further refined through the government's GEAR strategy which is aimed at operationalising the RDP in the context of global environment within which South Africa has to live..." .

The lack of consultation in the formulation and implementation of GEAR became a key criticism against the Mbeki-led ANC (Prevost 2006:173). Similarly, accusations that the ANC under Mbeki's leadership had effectively abandoned the National Democratic Revolution (NDR) as a key strategy for policy in post-apartheid South Africa emerged in the discourse that characterised the build-up to

the Polokwane Conference. The Polokwane Conference emerged as a campaign to elect leadership that would take the ANC back to its original revolutionary roots, and as such, incumbents in the top structures of the ANC needed to be sensitive to the historical mission of the National Democratic Revolution. This meant that at a grassroots level, Polokwane was perceived as a crucial moment in terms of effecting the necessary changes in the organisation to *bring the revolution back to the ANC*. Within this revolutionary context, Zuma was constructed as a leftist who would take forward the neglected historical mission of the ANC, despite the lack of historical evidence to corroborate this (Friedman 2007). Conversely, Alliance partners saw Zuma as the man who would be sensitive to their cause, as they felt neglected by Mbeki (Fikeni 2009:8; Legassick 2007:535).

On closer examination, the divide between what become commonly known as the Mbekites and Zuma-ites within the ANC thus spoke of the ideological character of the ANC (Fikeni 2009:5). Therefore Gumede (2009) noted that Polokwane essentially became a *battle for the soul of the ANC*. More specifically, the discourse that characterised the Polokwane conference was essentially a battle for the *ideological soul of the ANC*. Mbekites sought to defend GEAR as the legacy of Mbeki in building the African Renaissance, a key foreign policy goal under the Mbeki Administration. The Zuma-ites, however, attacked Mbeki's legacy on the basis that GEAR had failed to produce jobs and alleviate poverty (Seidman-Makgetla 2004:268).

The tension between the two camps presented as an ideological battle also disguised a contestation for power, influence and key positions (Friedman 2007). In analysing the ideological differences between the Mbekites and Zuma-ites, Pillay (2010:6) noted that "...it would be difficult to find a policy quarrel between Thabo Mbeki and Jacob Zuma because they worked closely together, and are said to subscribe to the same political school of thought. Similarly, Suttner (2010:25) stressed that "there is very little difference in content in the Mbeki and Zuma vision. It is in fact a broadly common programme which is being pursued, with a difference in style". Faku (2011) also expressed similar sentiments in discussing ideology as a central point of contestation in the build-up to Polokwane: "There is no ideological tag; it is just different styles of leadership, that's all. Have you seen anything fundamentally different between Zuma and Mbeki?" Therefore, this *battle for the economic soul of the ANC*, although presented as an ideological contestation between different visions for South Africa, essentially was also driven by the need for a more inclusive and open leadership at the top structures of the ANC.

The *Road to Polokwane* demonstrated that the use of ideology became a central tool in presenting the interests of the left, who under the Mbeki Administration, had felt increasingly isolated from key policy decisions within the ANC. Thus, through constructing Zuma as sympathetic to the left and committing



to the achievement of the NDR, the Zuma-ites effectively created a strategy that led to severe internal competition for the very core of what the ANC represented. The increasing dissatisfaction with Mbeki's leadership and stewardship of the ANC thus opened up the political space for marginalised voices to enter a dialogue of change, and more important, an opportunity to retake political power and move the dominant party back to its historical mission.

Within the context of Polokwane ideological language characterised different factions lobbying for support at both a national and local level. The major contentious issues remained the manner in which the ruling party had introduced GEAR, and its failure to involve political party structures and its Alliance Members. While, as Marais (1998:367) stresses, the Tripartite Alliance did not necessarily suffer many defeats because of Mbeki, but the "...habit of personalising complex political dynamics was well established on the Alliance left and Mbeki had become the villain of choice". Similarly, Jordan (2012) notes that "for many in the ANC, Jacob Zuma's election promised relief from the managed internal democracy of Mbeki's incumbency".

Therefore, factionalism that characterised the Polokwane conference, although presented as an ideological contestation over economic policy, essentially embodied growing frustrations with the manner in which leadership and governance was executed under Mbeki. GEAR became thus a convenient *pièce de résistance* in highlighting exclusion of the Alliance partners and grassroots members of the ANC from key policy decisions. Mbeki was perceived as responsible for the systematic sidelining of party structures, which resulted in the Alliance attributing the decline of internal democracy to the leadership style of Mbeki. Indeed, Fikeni (2009:7-8) demonstrates that Mbeki's "...leadership style and alienation of ANC senior leaders, as well as the general failures of government, came under spotlight and were the rallying cry and call to war for the ANC and alliance cadres who were mobilising for new leadership under Zuma".

The politicisation of corruption charges brought against Zuma in 2005 also revealed the extent to which the line between the state and the ruling party was easily blurred by both factions for political expedience. Booysen (2011:363) observed that

*portraying himself as a fall guy, Zuma turned the drama inside out. Instead of fading from the scene as a shamed ANC veteran accused of pocketing backhanders from arms dealers, Zuma would be transformed into an embodiment of political virtue and ANC tradition, hounded by a conniving comrade-turned villain, Thabo Mbeki.*

Zuma did not struggle to find an audience in presenting the view that he was being persecuted by Mbeki through state structures, as dissatisfaction with

Mbeki's centralised leadership style had already reached breaking point. Feinstein (2007:290) therefore concluded that "by creating so many enemies within the ANC, Mbeki handed Zuma a constituency of the abused. This desperate group, united only by their desire to get rid of Mbeki...".

The ability of Zuma to appease the Alliance Leftist emanates from the tendency to equate charisma and populism with the left. The usage of ideology was applied opportunistically to legitimise and lend credence to the existence of intraparty factions and as such presented as a battle for the ideological essence of the ANC. The undertones of factionalism that characterised the 2007 Polokwane conference confirms that ideology was not necessarily as important as capitalising on an opportunity to oust Mbeki as frustrations pertaining to his centralised leadership and perceived exclusion of grassroots members and Alliance partners had finally reached the proverbial boiling point. This had to some extent tilted the political landscape in favour of Jacob Zuma's leadership and presidential ambitions. Indeed, Mthombothi (2009) noted that "Zuma's strong selling point was that he wasn't Thabo Mbeki. Many party delegates who were not too enthusiastic about Zuma voted for him just to prevent Mbeki from hanging on to power".

## **TWO CENTRES OF POWER: STEPPING STONES – STALINI DIVIDE AND ITS IMPACT ON LOCAL GOVERNMENT IN NMBM**

The use of the phrase 'two centres of power' emerged in the context of securing Zuma's victory at Polokwane in 2007. While the South African constitution limits a presidential term to two, the ANC's constitution does not limit the number of times a particular candidate can stand for ANC presidency. Therefore, in terms of internal ANC processes, there were no procedural limitations on the possibility of Mbeki securing a third tenure as ANC president. To counter this, the Zuma-ites effectively coined *two centres of power* in an attempt to block Mbekites by constructing a discourse of discontinuity in policy and political agendas should Mbeki gain a third ANC presidential term as he could not stand for a third Presidential term in terms of the South African constitution. This would thus create *two centres of power*, leading to disparate political and policy agendas. The ANC Youth League's Fikile Mbalula first used the two centres of power language to express its opposition to Mbeki's third term bid for the ANC presidency. Booysen (2011:463) observed that "the dual centres of power discourse at the time of Mbeki-Zuma succession struggle served as a substitute for direct attacks on the incumbent (Mbeki), and both centres and the personal attacks were often anchored in policy". However, role players within the ANC

sought to deny the convenience of the notion *two centres of powers*, and tried to portray the ANC as united, regardless of the fierce factional battle it was caught in. Zuma questioned the logic of two centers of power concept:

*I don't think that has been a debate. It can't be a debate. You recall that when you go for elections, since 1994, it is not the Union Buildings that go for elections, it is Luthuli House, the ANC that campaign, that puts across the manifesto, what the ANC will do for the country if it is elected. And when the ANC is elected, it identifies cadres who must form government. Even when the government is existing, when you go for elections, government doesn't go for elections. That must describe where power lies – power lies in the ANC...it is the ANC, this is the ANC government. It's not a government of its own (De Vos 2008).*

Similarly, Faku (2011) had stressed following the Polokwane Conference that “there is only one centre, which is the ANC”. The articulation and conceptualisation of the *two centres of power* was steeped in factional politics mainly at a national leadership level. What is interesting to note is that in ANC controlled provinces, Premiers are often not the chairperson of the ANC Provincial Executive Committee. Similarly, mayors in ANC-controlled cities and metropolitans are not necessarily the Regional Chairperson of the local ANC. This is indicative that the notion of *two centres of power* could have been constructed specifically to provide a justification to block Mbeki's third-term ambitions. In addition, this term also set to analyse factional battles at a local level.

The political tension between the 'Stalini and Stepping Stones'<sup>3</sup> factions within NMBM presents an interesting case study on how the centres of power dynamics manifested themselves at a local government level political space within the context of factionalism that informed the Polokwane Conference. The development of the Stepping Stones and Stalini faction in the NMBM served as a differentiation between the supporters of Thabo Mbeki and Jacob Zuma. In the region Mike Xego<sup>4</sup> and Nceba Faku became the personalities that represented either the Mbekites or Zuma-ites at the local level. Stepping Stones came to embody support for Mbeki, while Stalini represented the Zuma faction. Political competition was rife, as each group respectively attempted to influence branches to cast their vote in favour of either Mbeki or Zuma. The contestation at local level within the broader national context of Polokwane was characterised by suspicion and mistrust. Faction members also switched loyalty depending on the circumstances and prospects of success for each faction.

In the context of local governance, factionalism played out through, for example, the disruption of council meetings by the ANC councillors through a boycott, or factions disrupting meetings in the ANC regional offices known

as Standard House. Disenchanted ANC councillors eventually succeeded in having the ANC regional executive under the leadership of Mike Xego disbanded following the Polokwane conference on the basis that the ANC regional executive lacked legitimacy. A mere six months after Zuma's victory at Polokwane, it seemed that the Stalini group had mobilised to strengthen its political control over NMBM. This resulted in particularly interesting dynamic, and as Booysen (2011:34) observed, "...the post-Polokwane ANC was intensely contradicted by the co-existence of the old and the new". In this sense, incumbents who occupied key positions of power within local government structures was perceived Mbeki supporters. Stalini supporters were thus able to engage in activities seeking the removal of key personnel like former Mayor Nondimiso Maphazi premised on the suspicion that they might frustrate the implementation of the Polokwane resolutions that would guide the future policy agenda of restoring the historical mission of the ANC.

The Stalini-Stepping Stone political theatre came to an end with the birth of COPE in December 2008. However, the disappearance of the Stepping Stones faction from the political scene did not translate into an automatic end of political tensions in the city.

## **CLEANING HOUSE: POST-POLOKWANE POLITICAL RESHUFFLING IN NMBM**

Immediately following the election of the post-Polokwane REC rumours about the mayoral reshuffling started to make the rounds. At that time Nondumiso Maphazi<sup>5</sup> was the Executive Mayor of the NMBM. Given that post-Polokwane political casualties had already played out in the Eastern Cape, it would follow that further casualties would play out at the local government level. Nosimo Balindlela<sup>6</sup>, perceived as sympathetic to the Mbeki camp was stripped of her Premiership. Writing to ANC Secretary General, Gwede Mantashe, she had stated that, although the Eastern Cape had voted for a third term for Mbeki, they were ready to work with the new ANC leadership. However, she further stated that

*...to our amazement, the newly elected NEC and in particular yourself, comrade SG, came down blazing on the PEC with unilateral decisions that were controversial and divisive in nature – completely void of ANC policies...In a spate of rushed meetings between the PEC and the NWC, you alleged that there were 'three wild dogs' that were destabilising the Eastern Cape. You personally mention me as one of those 'wild dogs'. Your public humiliation of me while I was in China on government business and during the press statement I gave left much to be desired...For every hasty...*

*decision taken by you and the NEC and imposed on the province, we were left to take the blame...This resulted in my removal as the premier of the Eastern Cape following calls from the alliance partners in the province. (Mail and Guardian, 03 November 2008).*

Nondumiso Maphazi was not necessarily perceived as a political heavyweight by some within the NMM region, and consequently, some felt she did not have enough political legitimacy to fulfil her functions as Mayor (Ndube 2011). It is important to note that incumbents who occupy mayoral positions cannot only depend on constitutional prescripts that grant them legal-rational authority, but also need broader political authority and legitimacy within the ANC. As a mayor, she could not implement crucial decisions as she was consistently undermined by the officials in the institution who were her seniors within the ANC party structures. The wish to undermine her as the mayor of the city could be attributed to her low ranking within in the party hierarchy, although she occupied a position of authority within local government structures. Therefore, a paradox existed in that at ANC meetings, the mayor was held accountable to senior party officials who were her subordinates within local government (Siswana 2010).

The paradoxical situation in which former Mayor Maphazi was in was also indicative of a blurring between the realm of the state and that of the ruling ANC. Furthermore, as Maphazi was seen as a Mbeki sympathiser, members of the Stalini group would disrupt Council meetings, as a means to express a desire to be accommodated within the new post-Polokwane political structures. With hostility escalating between City Hall and Standard House, the decision to *redeploy* Maphazi was taken. However, this trend of boycotting meetings continued under the stewardship of former Mayor Wayile, who had replaced Maphazi after she was *redeployed* (Potgieter 2011).

Faku (2011), however, maintained that the *redeployment* of Maphazi had very little to do with purging *comrades* appointed by Thabo Mbeki, but rather the decision was influenced by issues connected to service delivery. His argument was that the removal of Maphazi was based on their assessment of her performance as the Executive Mayor of NMBM, and as the ANC Regional Executive, all ANC deployees were subject to regular performance assessments. There is however a contradiction, in that Maphazi was removed based on failure to advance adequate service delivery at the local level, but was redeployed as an advisor in the Office of the Eastern Cape Premier. It does not make sense to remove someone from a position on the basis of failing to deliver, but place the very same person in a higher structure. The *redeployment* of Maphazi as Executive Mayor can be interpreted as an attempt of the Stalini group to settle political scores following the Polokwane conference and create the political space conducive for ensuring increased factional control of the NMBM.

With the formation of COPE, following the *resignation* of Thabo Mbeki as President of South Africa, some degree of stability was restored with the regional ANC in NMBM. Many members of the Stepping Stones faction joined COPE, and as Faku (2011) stated “that group is no longer there now, and there is stability in the ANC, but no organisation can claim not to have challenges”.

Factionalism, however, did not wane following the formation of COPE as political interference by the regional ANC within NMBM in local governance escalated factionalist divides that gave birth to two new factions: Standard House and City Hall. *Two centres of power* continued to play out in the theatre of local government and factionalism reignited within the local ANC a few months following the appointment of Zanoxolo Wayile as the new Executive Mayor of NMBM.

## **BLURRING THE LINES: STANDARD HOUSE AND CITY HALL DIVIDES AND ITS IMPACT ON SERVICE DELIVERY**

Local government within a DPDR context is a highly politicised terrain and the perseverance of different agendas and interests put crucial institutions meant for service delivery, such as municipalities in the factional crossfire (Siswana 2010). It comes across not as a policy or ideological divide but is rather described as a “battle for control key resources” (Hart 2011:3). Therefore continued factional tensions in NMBM highlight the contest over the location of power (City Hall as the nucleus of local government or Standard House as the headquarters of the local ANC). The tensions surrounding the location of power play out in local government decision-making processes, and appointments of candidates to key positions within the local government structure becomes the theatre of factionalist lobbying and conflict.

It is rumoured that the tension was caused partly by the explosive findings contained in the Kabuso Report<sup>7</sup> detailing state predation and corruption within the NMBM. The report covers, but is not limited to the period in which Nceba Faku was a mayor of the city, and it implicates him in various corrupt activities. Similarly, the Pikoli Report of 2013 has also implicated Nceba Faku in corrupt activities in the development of the NMBM Integrated Public Transport System (*The Herald* 13 August 2013). The Kabuso Report findings feed into the local politics, power plays and dynamics within the ruling party, and also speaks of the intimate relationship between power and wealth that characterise the socio-economic and socio-political landscape of the Eastern Cape. Nceba Faku is perceived both inside and outside the local ANC as the main cause of the trouble in the city because of his business interests (*Business Day* 23 December 2011). Indeed, “tensions between the ANC in the Nelson Mandela Bay region,

led by former chairmain Nceba Faku, and the party's representatives in the municipality were among the reasons for the slowdown of service delivery in the metro" (*Business Day* 31 July 2013).

Service delivery was further hampered by an inability to retain the services of a Municipal Manager. Following a three year period where no permanent Municipal Manager was appointed in Nelson Mandela Bay Municipality, Dr. Lindiwe Msengana-Ndlela, resigned after a mere five months taking up the position. The primary reason for her resignation was a concern for her personal security and political interference, especially with regard to financial accountability in the supply-chain management process (SABC, 2 August 2013). In an open letter to the MEC for Local Government in the Eastern Cape, Mblilo Qoboshiyane, Msengana-Ndlela highlighted the following key issues: (1) The city mayor and his political advisor had thwarted her efforts to address financial accountability and that political considerations seemed to outweigh sound financial management practises in the awarding of tenders and contracts; (2) The city mayor and his political advisor had forced her to appoint a political advisor in the capacity of an acting executive director of corporate services as well as others "...senior managers irrespective of their competencies, qualifications and experience"; (3) Salient threats were made against her for failing to follow the "majority rule"<sup>8</sup> principle which essentially would have forced her to "...perform administrative acts that were contrary to government policies and procedures"; and, (4) The mayor had instructed Msengana-Ndlela to appoint 16 members of the Mkhonto weSizwe Military Veterans' Association as bodyguards for the mayor and deputy-mayor at a cost of around R4,3 million, in spite of the fact that these appointments had not been budgetted for (*Mail and Guardian* 2013).

Continued factionalist battles also had an impact on the electoral success of the ANC during the 2011 Local Government Elections. The ANC was made more susceptible to factionalist infighting which had manifested itself in the election of the candidate contesting the Local Government Elections. It is worth citing Booysen (2011:150–151) at length to illustrate the point,

*The ANC candidate revolts of 2011 directly linked to ANC ward candidacies for local government elections of 2011. This period was essentially an internal ANC development, yet the protests effortlessly fused the party and the state, from the bottom up. The significance of this round of protests was that it foregrounded intra-ANC competition for positions, or that communities raised candidate's issues in the course of their service delivery. Intra-ANC rivalry had already been present in their earlier protest... Only some of the 2011 protests, both before and after local election 2011, were of the candidate revolt type...*

Factionalist battles coupled with a marked increase in service delivery protest actions<sup>9</sup> further undermined political stability in the NMBM. At the height of the divisions in the city pressure from the REC to unseat Zanoxolo Wayile as the Executive Mayor of the NMBM owing to his failure to implement ANC policies (*The Herald* 2011). Nceba Faku argued that

*It's ANC vision that must be carried out in government. Conference resolutions give a framework (on) how the policies of government should be, so that government can pursue the implementation of those policies. We must adhere to the ANC policies because of continuity in governance, so that whoever is deployed should not seek to implement his or her policies (The Herald 2011).*

In sharp contrast, while REC exercised political pressure to remove the mayor, ordinary members of the ANC were disillusioned by the imposition of candidates over their preferred candidates during the candidature nomination process in preparation for the Local Government Elections of 2011. In turn, they had called for the disbanding of the ANC Regional Executive Committee. This created a contradiction that further impacted on the electoral performance of the ANC. Essentially, it seems that the continued practise of disregarding the views of the community, coupled with political divisions that affected the service delivery created the impression that politicians and administrators were no longer concerned with delivering on their electoral mandate, but primarily with their own political survival in the volatile factional context.

Wayile had political support from the Alliance partners in the region such as COSATU and SACP because of his union background. Unionists threatened mass strike action if Wayile was removed as mayor and Nceba Faku remained as the chairperson of the ANC Regional Executive Committee (*The Herald* 29 August 2012). Faku accused the Wayile administration of incompetence, while the Unions warned that they will not accept a mayoral reshuffling as Faku would loot the NMBM (*The Herald* 29 August 2012). While the REC accused City Hall of failure to implement policy directives of the ANC; Standard House stood accused of micro-managing the Mayor (*The Herald* 25 October 2011). The situation was finally addressed by *redeploying* Mayor Wayile and placing the metro under the custodianship of a caretaker Mayor, Ben Fihla. Regional Chairperson, Nceba Faku *resigned* from his position. What is worrying though, was that under the custodianship of Ben Fihla, the trend to use the local government sphere as a means to entrench factional power seemd to continue without due regard for constitutional prescripts and legislative guidelines. This was evident in the reason given by former Municipal Manager Msengana-Ndlela for her resignation.



The electoral performance of the ANC in 2011, and when taken in the context of increased service delivery protest action, the factional divides that had characterised the ANC in 2007 had a longer impact at the local level. More importantly, the factional battle perceived as a battle for wealth and privilege at the cost of service delivery, saw a decrease in the dominance of the ANC. Support in terms of actual votes cast for the ANC dropped from 63% in 2006 to around 50% in 2011. As a case study, the NMBM demonstrates that electoral dominance of the ANC may be undermined by continued factional conflict rooted in personal political agendas which affects the ability of government to deliver. Essentially, if people perceive the intra-party opposition politics is no longer of benefit for them, voters could very well try alternative means to voice their frustration and opinions. This includes service delivery protests, forming alternative political parties, or voting for an opposition party. What is clear from the case study, however, is that continued support for the ANC is not unconditional. Patronage, clientism and factionalism affect the ability to deliver to the electorate and capacity of the dominant party to remain responsive to the electorate. In this context, it seems, factionalism does not serve to maintain dominance, but rather erodes electoral dominance of the ruling party.

## **CONCLUSION**

The NMBM has become a fragile political theatre rooted in factionalist battles that effectively created a factional divide that directly undermines the service delivery. While the Polokwane factional battle played out at a national level, its ramifications were felt for a prolonged period of time at the local level. Effectively, under the guise of restoring the historical mission of the ANC at a national level, political elites at a local level were able to capitalise on the factional divides to pursue personal political interests within the sphere of local government. In the NMBM the Regional Executive Committee (REC) of the ANC was disbanded purely due to its support for Mbeki. The new REC immediately flexed its muscle by ousting the executive mayor of the city, Nondumiso Maphazi. The premier of the province, Nosimo Balindlela, fell victim when she was recalled as the premier of the province. Although the formation of COPE effectively saw a political alternative for those who were seen Mbeki supporters at a local level, it did not necessarily eliminate continued conflict at a local level. What the NMBM reveals is that in their individual capacity, political elites had mobilised their networks to pursue their own political agendas.

Factional political interest could continue to play out at the local government level, predominantly due to the nature of the one-party dominant

democratic system. In this context, factions are triggered by a contingency of factors such as patronage, access to resources and contest for political power, creating a fertile ground for the continuation of factionalism. While factionalism is able to create space for marginalised voices within a political party; factional battles can become brutal and all-encompassing, undermining the electoral mandate of delivery given by the electorate. In this context, as the NMBM has demonstrated, one-party dominance may wash away when factional battles tend to override the electoral mandate the dominant party has been given.

Power plays and factions are imbued by the desire to control state resources, and within the DPDR context, this control of state resources directly impacts on the livelihoods of political elites and high-ranking bureaucrats. This also serves to blur the line between state and ruling party, especially in a one-party dominant democratic system. Power can become entrenched through the deployment of factional allies to key state positions. Cadre deployment based on loyalty as opposed to capacity and skill thus undermines the delivery agenda, and services only to entrench a neo-patrimonial political agenda. It is this cycle of cadre deployment, mediocre service delivery and neo-patrimonial factional battles that starts eroding one-party dominance.

## NOTES

1. Tripartite Alliance consists of the African National Congress (ANC), South African Communist Party (SACP) and Congress of South of South African Trade Unions.
2. Pallo Jordan is a respected Marxist historian and member of the ANC National Executive Committee (NEC and National Working Committee (NWC). The views expressed by Jordan could have taken some members of the ANC by surprise given his lenient views of leftist and he is regarded as such by many both inside and outside the ANC.
3. Both factions' names were derived from the respective venues where they held their meetings.
4. Mike Xego was a staunch supporter of Thabo Mbeki for the third term and his ANC Regional Executive Committee (REC) which was later disbanded because of alleged irregularities in the conference that elected them (The Herald April 30, 2008). He later defected to the Congress of the People (COPE) which was formed by supporters of Thabo Mbeki after he was recalled as the President of the Republic of South Africa. However, he rejoined the ANC after leadership squabbles in COPE.
5. Nondumiso Maphazi was the 2nd Mayor of the Nelson Mandela Bay Municipality (NMBM) after the post political dispensation and she succeeded Nceba Faku. She was appointed by Thabo Mbeki, then, President of the Republic of South Africa.
6. Nosimo Balindlela was the Premier of the Eastern Cape Province that was recalled after the Polokwane conference.

7. Kabuso report is based on the commission led by Kabuso to investigate several lease agreements for the municipal facilities and these lease agreements took place during Nceba Faku's tenure as a mayor of the NMBM
8. The majority rule principle in this context refers to a very simplistic interpretation of majoritarianism where individuals are required to tow the party line regardless of the legality or implications of the party's actions. To within the factionalist context, the principle denotes a view that factional appointments are key to maintain dominance, and as such, appointments are made not in line with legislative considerations, but rather the political loyalty and means to reward members of a particular faction within the dominant party system.
9. The Nelson Mandela Local Government Infrastructure and Development Strategic document of 2011 noted that "This year has been marked by violent service delivery protests especially in the Walmer region. This could be attributable to the slow pace of service delivery premised from insufficient grant funding to address both the infrastructure backlogs, land matters and top-structure construction".

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# **An informal business sector perspective on local economic development in Buffalo City Metropolitan Municipality**

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## **ABSTRACT**

The advent of globalisation coupled with the recent (2008-2009) global financial crisis has caused a decrease in formal employment everywhere in the world in particular the developing nations. This article explores whether the informal business sector in Buffalo City Metropolitan Municipality (BCMM) is prioritised as a contributor in the municipality's local economic development strategy. A survey questionnaire was administered to informal business actors in BCMM and semi-structured interviews were conducted with BCMM managers in the Business Development and LED Directorates. The study found that the municipality acknowledges the contributions of the informal business sector in local economic development from a job creation (self-employment) and poverty alleviation perspective. The lack of financial support, the absence of a clear policy or strategy dedicated to the prioritisation of the needs of the informal sector, and the lack of designated trading space for the informal sector specifically, however, hampers the informal business sector's optimum functioning.

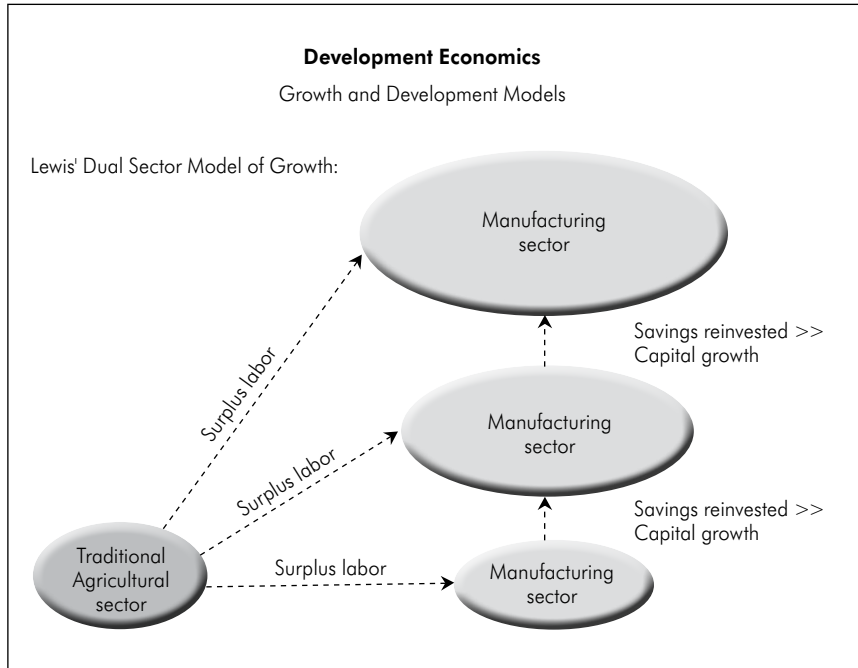
## **INTRODUCTION**

Over the years, the informal business sector has become a strategic platform for employment provision and poverty alleviation (Chambwera, MacGregor and Baker 2011; Van Rooyen and Antonites 2007; Muller 2002). A 2003 International Labour Conference report indicates that the informal business sector accounts for half of employment worldwide, involving an estimated 1,8 billion people compared to the 1,2 billion of the formal sector. The report contends that total expenditure in the informal business sector in 2002 amounted to R51,7 billion (ILO 2003). Despite these figures, little credence is given to the employment creation capability of the informal business sector. Padayachee (2006:156) states that the pace at which governments are embracing the informal business sector as a strategic platform for employment provision and job creation is not encouraging. Governments view informal business sector activities as a separate sector instead of encouraging the informal business sector to form part of the mainstream economy. The potential of the informal business sector to contribute to local economic development is, therefore, disregarded and hence government attempts to ensure economic growth and job creation falter due to local government's hesitation to provide sufficient support to the informal business sector. This article explores how the informal business sector can be given priority to realise local economic development with reference to Buffalo City Metropolitan Municipality (BCMM). The subsequent sections outline the study objectives, a review of literature which provided a framework for the study, the research methodology adopted and it concludes with findings and recommendations. The core objective of the article is to determine the level of responsiveness of local authorities in in the facilitation of LED, and BCMM in particular, towards informal business in order to demonstrate that where informal trading is encouraged, huge socio-economic benefits can be derived for the community at large.

## **THE CONTEXT OF THE INFORMAL BUSINESS SECTOR**

The informal business sector is shaped by the coping behaviour of individuals and families in an economic environment where earning opportunities are occasional. Conversely, the informal business sector is a product of the rational behavior of entrepreneurs that desire to escape state regulations (World Bank 2007). The ILO refers to informal business activities as "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements". It states that these are economic activities that are generally categorised by small or undefined workplaces, unsafe and unhealthy working surroundings, low levels of skills and productivity, low

**Figure 1: Dual Sector Model**



**Source:** W.A. Lewis (1955): *The theory of economic development*

or irregular incomes, long working hours and a lack of access to information, finance, training and technology (90<sup>th</sup> International Labour Conference 2003). A British scholar named W.A Lewis developed the popular “Dual Sector Model” (refer to Figure 1) to explain the emergence of the informal business sector (Lewis 1955).

Through the “Dual Sector Model”, Lewis asserts a theory of development in which he states that surplus labour from the subsistence sector (traditional agricultural/informal sector) is transferred to the modern industrial sector (industrious/capitalist sector) whose growth over time absorbs the surplus labour from the subsistence (informal) sector, and thereafter promotes industrialisation and stimulates sustained development. In summary, Lewis concluded that “traditional forms of work and production – that is the subsistence sector - will disappear as a result of economic progress in developing countries” (Lewis 1955). Lewis’ theory was refuted by Keith Hart, also a British scholar who conducted studies in Kenya in 1971 and in Ghana 1972. Hart’s findings demonstrated that the traditional subsistence (informal) sector activities in Kenya and Ghana are expanding and becoming an integrated part of the economy. Hart’s findings



**Table 1: Differences between the old and new thinking**

Old Thinking	New Thinking
<b>The Informal Business Sector Is:</b>	
The traditional economy that will wither away and die with modern industrial growth.	It is here to stay and expanding with modern industrial growth.
Only marginally productive.	A major provider of employment, goods and services for lower-income groups. It contributes a significant share of gross domestic product.
Exists separately from the formal economy	It is linked to the formal economy; it produces for, trades with, distributes for and provides services to the formal economy.
Represents a reserve pool of surplus labour.	Much of the recent rise in informal employment is due to the decline in formal employment or to the in-formalisation of the previously formal employment relationships.
Is comprised mostly of street traders and very small scale producers.	It is made up of a wide range of informal occupations – both resilient old forms such as casual day labour in construction and agriculture, as well as emerging new ones such as temporary and part-time jobs plus homework for high tech industries.
Most of those in the sector are entrepreneurs who operate illegal and unregistered enterprises in order to avoid taxation and regulation.	It is made up of non-standard wage workers, as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are prepared to, and would welcome efforts to ease barriers to registration and related transaction costs and to increase benefits from regulation and most non-standard wage workers would welcome more stable jobs.
It comprises mostly of survival activities and hence, it is not a subject for economic policy.	It includes not only survival activities but also established enterprises and dynamic growing businesses. Informal employment includes not only self-employment but it includes wage employment. All forms of informal employment are affected by most economic policies (globally and nationally).

Source: South African Local Government Association (2011)

conveyed new thinking about the importance of the informal business sector and this challenged the old view on Lewis’ theory. Table 1 depicts the South African Local Government Association’s (SALGA) (2011) old and new views that have emerged since Hart’s findings.

## UNDERSTANDING THE INFORMAL BUSINESS SECTOR IN THE SOUTH AFRICAN CONTEXT

South Africa, like many other developing nations, represents a clear interpretation of Lewis' "Dual Sector Model" in that, the economy is dominated by large sophisticated firms in the mining, manufacturing, telecommunications, construction and manufacturing sectors. These sectors, by virtue of their area of specialisation require highly skilled labour. The majority of the population is unskilled and, therefore, unable to access the opportunities that are offered by the sophisticated economy (Altman 2007:29). Conversely, the formal sector has become vulnerable to constant labour unrests, retrenchments are affecting the economy, the national tax base is decreasing and more people are becoming unemployable due to advancements in the technological sector (Padayachee, 2006:94). Due to this predicament, many South Africans turned to the informal business sector (Kingdom & Knight 2001:46; Altman 2007:29).

Literature reveals that there is an inherent restrictive view by local governments – that of seeing the informal business sector as a problem (Hobson 2011:86). This view has added to the side-lining of this part of the economy within the official economic development policy. According to Muller (2002:46), this is exemplified in the absence of reference to the informal business sector in many official Integrated Development Plans and Local Economic Development strategic documents at the time. Local Municipalities often consider informal business sector activities as a spatial problem (where to locate informal trading zones) rather than an integral part of the local economy. Furthermore, South Africa has one of the lowest informal business survivals in the world (Majambe 2011). Evidence from the Global Entrepreneurship Monitor (GEM) suggests that failure of informal business "is due to poor delivery, specifically the incompetence of the people delivering the support" (GEM report 2012). The GEM report states that there is a lack of support from government towards the informal business sector in areas such as infrastructure, finance, training, and marketing even though the sector continues to grow and provides immediate relief to the unemployed (GEM report 2012). The post-1994 democratic government instituted key measures, namely, the *National Small Business Act* (Act No. 102 of 1996); *White Paper on Local Government*, 1998; and the National Framework for Local Economic Development (2000-2011) for the deregulation and enablement of small business activities and the removal of barriers to the operation of informal activities (Chen 2005). However, implementation thereof is lagging behind. The circumstances of the informal business sector have not transformed (Sinxoto 2007:89). Nonetheless, the informal business sector has made considerable contributions from a socio-economic perspective.

## CONTRIBUTIONS AND SIZE OF THE INFORMAL BUSINESS SECTOR IN SOUTH AFRICA

Statistics South Africa reported that in 2011 there were 2,1 million people who were active in the informal business sector. Of the 2,1 million people, 1,2 million are men, and just over 857 000 are women (SSA Census 2011). Table 2 and Figure 3 provide an illustration of the types of informal enterprises and number of employees per informal enterprise and the geographical distribution per province in South Africa.

Table 2 shows that there are 184 400 micro survivalist businesses with 184 400 employees. The 184 400 employees are in fact owners of the micro survivalist businesses. Micro-non-survivalist businesses (micro and small businesses) comprise 466 100 and employ 848 549 people. Very small businesses 180 000 employ 1 068 431 people. These are followed by small (58 851 with 1 225 972 employees), medium (11 322 with 909 880 employees) and large (6 017 with 3 159 931 employees) businesses.

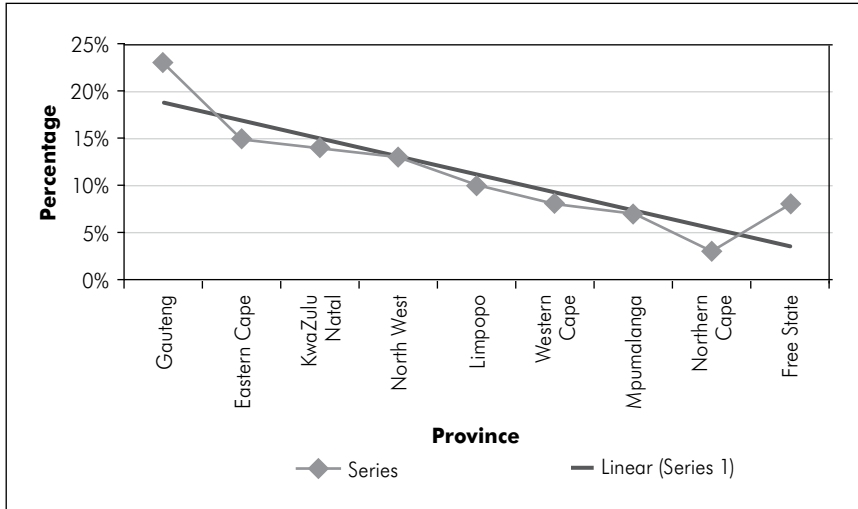
A provincial breakdown shows that Gauteng, followed by the Eastern Cape, has the largest relative informal business sector. The relative share of

**Table 2: Type of informal enterprise and number of employees**

Type	Number of Informal Enterprises (Thousands)	%	Number of Employees (Thousands)	%
Micro-Survivalist	184 400	20	184 400	3
Micro-Non-Survivalist	466 100	51	848 549	11
Very Small	180 000	20	1 068 431	14
Small	58 851	7	1 225 972	17
Medium	11 322	1	909 880	12
Large	6 017	1	3 159 931	43
Total	906 690	100	7 397 163	100

Source: FinScope (2010)

**Figure 3: Geographical distribution**



Source: FinScope (2012)

the informal business sector by province indicates some correlation with the overall unemployment rate, which supports the notion that for many the informal business sector is a substitute due to a lack of jobs (South African LED Network 2011:1).

## **CONSTRAINTS THAT FACE THE INFORMAL BUSINESS SECTOR**

A study conducted by GIZ (a German research institute) as part of its Small Towns Development Initiative (STDI), found that the following are among the key constraints which face the informal business sector:

- There is often strong mistrust between the public and private sectors in small towns and this has cascaded down to varied perceptions on the importance of the non-formal sector.
- Many informal business actors feel that they are not sufficiently informed on municipal developments and are often excluded from key decision making processes, which affect them.
- There is a sense that they are not sufficiently recognised for their role and contribution to the rich tapestry of economic life in small towns.
- Maintained infrastructure, increasing local trading and marketing and the need for continuous information sharing and communication.

- The role of the informal business sector in bridging the resource gap that often exists in small towns and townships is not recognised.
- Closed business communities, foreign traders, access to finance, secure trading spaces and the need for more robust entrepreneurial skills training support.
- There is a need for a more coordinated approach to the management of the informal business sector within the municipality with regard to financial incentive promotion, amongst others (SALGA 2011).

The abovementioned observations of the GIZ study regarding the constraints that face informal businesses correlates with Padayachee's (2006:156) position that "the pace at which local municipalities are embracing the informal business sector is not as encouraging as the traders would like it to be". These constraints do not only stifle the growth and development of the informal business sector but it deprives the municipality of the contribution this sector may add to local economic development. The next section focuses on local economic development and the informal business sector.

## **LOCAL ECONOMIC DEVELOPMENT AND THE INFORMAL BUSINESS SECTOR**

Helmsing (2001:89) states that "the goals of LED tend to revolve around issues of job creation, empowerment, the pursuit of economic growth, restoration of economic vitality and diversification in areas subject to recession, and establishing the locality as a vibrant sustainable economic entity". Section 154 of the *Constitution of the Republic of South Africa* of 1996 instructs municipalities to encourage the involvement of communities and community organisations in matters of local government with the aim to promote social and economic development (South Africa 1996). According to Hobson (2011:3), LED processes and strategies must "harness the potential of the informal business sector, even if they are often invisible in official statistics, if revenue generation and employment creation objectives are to be achieved at a local level".

Dewar (2012:8) provides three complimentary strategies that should be adopted by local governments to expand and exploit the informal business sector as a catalyst for LED:

- Creating conditions to encourage the establishment of numerous new middle-income business ventures. These ventures would add numerous products or services to the taxable product base of the local economy, create significant work opportunities, and raise the level of the local skills pool.
- Creating conditions to establish numerous cooperatives business ventures in the below-income tax sector of the informal economy. Adding the logistical

capability of the formal economy to the creative potential of the informal economy would greatly raise its productivity and earnings, as well as its ability to innovate new products and services.

- Ensuring community-based ownership of all LED infrastructure and services. In this way a parity shareholding in the means of local production could be established. As Public Benefit Organisations, the use of cooperative business units to build, own, and run the enabling infrastructure and services would generate several significant benefits (Dewar 2012:8).

Developmental local government (*White Paper on Local Government 1998*) requires that municipalities build favourable socio-economic conditions for development and community empowerment. Provided that favourable socio-economic conditions and objective relations (partnerships) between community, business and local government exist, huge socio-economic benefits can be derived from prioritising the informal business sector as a contributor to municipal LED endeavours.

## **ROLE OF GOVERNMENT IN INSTITUTIONALISING THE INFORMAL BUSINESS SECTOR**

According to Dewar (2012:89) “the role of local government is not to do actual economic development; rather it is to encourage the workforce of local civil society and business to do it themselves”.

Van Rooyen and Antonites (2007:89) argue that local government should provide measures in order to institutionalise the informal business sector, and these are presented below.

- “Institute transparent, inclusive decision-making procedures, providing regular opportunities for informal business actors to comment on existing and proposed laws and regulations that are intended for the informal business sector by holding public hearings on proposed legislation and regulations, appointing independent ombudsmen to represent informal business sector interests and empower informal business actors to initiate legislation and referendums, and to challenge existing laws and policies.
- Simplify procedures to access business permits and licenses and make them accessible and affordable for entrepreneurs which were previously disadvantaged for historical reasons. Requirements to obtain a permit should be simple, straightforward, well-publicised and accessible to entrepreneurs of modest means. A one-step process that can be followed in different cities throughout a country would greatly reduce start-up costs. Moreover, it should be legally mandated that, once these requirements are fulfilled, permits

and licences are granted immediately and are automatically registered in a centralised business registry for public record.

- Policies that govern businesses should be prioritised as key to improve the business environment. Evictions of informal business actors from their chosen area of business should be mitigated and any evictions should be planned and new sites proposed post evictions. The right to associate freely should be vigorously protected for informal business sector participants.
- Essential business information and training concerning how to obtain permits and licenses; how to access funding or sponsorships; how to access municipal business support; how to invest; and how to understand and comply with business-related laws and regulations be readily available to prospective entrepreneurs.
- Provision of high quality, efficient, and cost-effective infrastructure: improved public services and infrastructure provide an incentive for entrepreneurs to remain in, or to join, the informal business sector. Such measures help to make both the public and private sectors more responsive to citizen's needs, increase efficiency, transparency, accountability and growth.
- Improve the efficiency and effectiveness of government agencies that are mandated to provide support to informal business such as the small enterprise development agencies. The operations of these agencies should be monitored and determined whether they do achieve and reach informal businesses where people are of modest means”.

Various authors (Chambwera, MacGregor and Baker 2011; Muller 2002; Chen 2005 and Dewar 2012) argue that unreasonable government rules and regulations, insufficient material support or lack thereof stifle rather than harness and support the development and growth of the informal business sector. Van Rooyen and Antonites' (2007:8) abovementioned measures suggest that national and local government need to review legislation, policies and by-laws that govern the informal business sector environment in order to leverage the contributions of this sector as a means to aid in addressing the national challenges of poverty, unemployment and inequalities.

## **RESEARCH METHODOLOGY**

Buffalo City Metropolitan Municipality was selected as study area as the Eastern Cape Province has the largest informal business sector. Selecting this area to investigate if local economic development is prioritised, thus proved ideal. Its unemployment rate is estimated at 35,1%. “ The relative affluence of

the majority of BCMM residents remains low, with only 36% of the households in the area earning more than R1 500 per month” (BCMM IDP 2011–2016).

The study adopted a quantitative research approach with some qualitative elements. Quantitative research methodology relies on measurement and various scales, whereas qualitative research uses language and sentences to record information about the world (Bless, Highson-Smith and Kagee 2006:44). Data was collected by means of a survey questionnaire and a semi-structured interview.

The target population from which the sample was drawn by using a non-probability sampling method was made up of informal business actors in Bisho, King Williams Town and Mdantsane. BCMM managers in the LED and Business Development Directorate were purposively selected to participate in the study because of the positions they hold in the municipality. Semi-structured interviews were conducted with them. Two hundred (200) respondents were sourced through accidental sampling. One hundred and fifty five (155) respondents chose to complete the survey questionnaire.

Assistance was solicited from the Cape Peninsula University of Technology’s statistician to analyse quantitative data generated by using the SPSS Version 21. Qualitative data was analysed using thematic content analysis to identify common patterns and themes in the data.

## **RESEARCH FINDINGS**

The following major findings were established.

### **State of the informal business sector in BCMM**

This study demonstrated that the informal business sector in BCMM is underdeveloped. The experiences which confront informal business actors vary from inability to access financial support, basic infrastructure such as designated municipal stalls, training and unavailability of business centers that are focused on providing support to informal business actors in BCMM. This study further demonstrated that there is a lack of consultation, communication and partnership between the municipality and the informal business actors. This finding suggests that local government has not adhered to the articulations of the White Paper on Local Government (1998), which states that local government must work with the citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve their quality of life.



This study found that the municipality does not have consolidated and monitored data of informal business activities within the municipality. The municipality, therefore, is unable to monitor the expansion and economic performance of the informal business sector in BCMM. This study further found that young people (age group 18–25; 26–35 and 36–45) form 67% of informal business actors in BCMM. The respondents indicated that one of the reasons for starting an informal business is because there is a lack of formal jobs, and that they are passionate about business. This study demonstrated a weak relationship between the municipality and the informal business sector in BCMM and that the informal business sector is underdeveloped. It can be concluded that young people create their own employment opportunities in the absence of formal employment.

### **Contribution of the informal business sector from a socio-economic development (LED) perspective**

The findings of this study demonstrate that from a socio-economic development perspective, the informal business sector in BCMM provides various advantages. For example, informal business actors, through their endeavors, are able to assert themselves as entrepreneurs; they become their own “masters” as far as obtaining a sense of personhood is concerned, thereby creating income for their families to transform their lives. This study shows that informal business owners earn approximately R1 986,70 per week or around R3 392,00 per month. Informal businesses surveyed in this study indicated that they employ between 2 or 3 persons, depending on the size and nature of the business. These employees earn approximately R613,00 per week and up to R 2 500,00 per month. This study further suggests that informal business actors buy their goods or products from formal businesses within the established economy, spending approximately R1 062 per week and up to R1 920,00 per month. The researcher argues based on the research findings that if economic development is measured by job creation and poverty alleviation as per Greechie (2003:89), it may be concluded that the informal business sector does contribute to local economic development in terms of job creation. It contributes revenue to formal businesses which in turn are taxed by government. Indirectly the informal business sector plays a role in poverty alleviation.

### **Level of responsiveness of municipalities on the informal business sector**

With regard to municipal support towards the informal business sector, the findings of this study suggest a lack of leadership and vision by the municipality

to develop the informal business sector. This study suggests that the municipality does not have a strategy for the informal business sector and informal business actors do not have access to the services which should be provided by the municipality. There is a shortcoming in terms of the municipality's contribution to skills development programmes in areas such as mentorship programmes, marketing strategies and financial management. The study's findings suggest that there is a lack of support for the informal business sector on the part of municipalities. A new vision should be set, which includes municipal leadership, in order to fulfill the municipality's constitutional mandate which speaks to socio-economic development.

## **RECOMMENDATIONS**

The following recommendations are made based on the research findings of this study:

### **A focus on the informal business sector**

- The Business Development Directorate in conjunction with the Local Economic Development Directorate in BCMM should develop a concrete strategy or policy for the informal business sector. This study showed that the informal business sector's needs are not prioritised. The BCMM LED (2008) strategy embraces all sectors of the economy, however, a specific strategy is required that will address the informal business sector in BCMM. In consultation with informal business actors, the strategy should focus on skills development to build the business capability of informal business actors, and address the issue of partnerships amongst all stakeholders in the informal business sector.

This recommendation will assist the municipality to provide a framework to manage and develop the informal business sector in BCMM. The municipality will further have measurable targets that can be monitored and amended as the need arise.

### **Spatial placement of informal businesses**

- The Development Planning Directorate in conjunction with the Local Economic Development Directorate in BCMM should by means of the Land Use Planning Ordinances prioritise certain areas within the CBDs in Bisho, King Williams Town and Mdantsane, where consumers will be closer to the informal business actors. Municipal designated trading areas with

the required services such as water, electricity and sanitation, should be constructed. As shown in this study, most of the informal business actors operate their businesses at taxi ranks and along pavements. This exacerbates the municipality's perception of the local business sector compounding spatial problems, instead of recognising their socio-economic benefits.

The objective of this recommendation is to address the infrastructural problems faced by the informal business sector in BCMM. The appropriate designation of trading areas for informal business actors will have a spill-over effect on the environment of the CBD areas in Bisho, King Williams Town and Mdantsane. Formal businesses that rely on window advertising will benefit from this initiative as products will be more visible from pavements which are now currently occupied by informal traders. Tourism will be boosted as taxi ranks will appear more attractive and pavements would be free from informal traders which allow for free movement. Where areas are clearly designated for small business trading, this industry may grow, which further alleviates poverty and enhance job creation.

## **Good governance/Strong partnerships**

- The Local Economic Development Directorate should establish a governance structure where consultation between the municipality and informal business can occur. This governance structure will serve as a "Lekgotla" to facilitate partnerships between the municipality and the informal business sector. *The White Paper on Local Government* (1998) encourages the creation of partnerships between local government, businesses and community organisations in order to grow the economy. This study has shown that the informal business sector does contribute to local economic development from a job creation and poverty alleviation perspective. BCMM should leverage the contributions of this sector through well-structured partnerships.

The core objective of this recommendation is to improve and strengthen relations between the municipality and the informal business sector. It encourages engagement between the municipality and the informal business sector where information sharing, consultation and also expansion of this sector which may in turn contribute to towards LED.

## **CONCLUSION**

This article explored the need for the prioritisation of the informal business sector in local economic development with reference to Buffalo City Metropolitan Municipality. It demonstrates that although the informal business

sector contributes towards local economic development from a job creation and poverty alleviation perspective, the informal business sector in BCMM is vastly underdeveloped. It does not enjoy the necessary support services such as infrastructure development (designated municipal trading stalls), skills development programmes and access to financial support, which the municipality is legislated to avail. The study highlights the absence of a strategy or policy that directly deals with the development and stimulation of the informal business sector in BCMM. It is imperative that the informal business sector be recognised as a true and valued contributor to local economic development particular in a province such as the Eastern Cape to help expand the base of black entrepreneurs in the economy. The informal business sector proved to be the answer in the realisation of local economic development.

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# Implementation challenges facing performance management systems in South African municipalities

## Selected cases

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## ABSTRACT

South African municipalities must adhere to the principles of good, developmental local governance and comply with an inclusive statutory and regulatory framework that governs service delivery. In order to achieve this, municipalities need to design and implement comprehensive performance management systems (PMS). Such systems should facilitate the continuous assessment, monitoring, and evaluation of municipal structures, systems and processes. This should be done in alignment with a municipality's integrated development plans and service delivery outcomes, as well as operational plans for implementing the budget.

This article aims to use a case-study design to identify and analyse challenges that hamper the successful implementation of performance management systems in selected municipalities. Such an analysis includes an overview of the selected cases and the identification of particular implementation challenges. The article concludes by recommending remedial actions to address the identified challenges.

## INTRODUCTION

In the early 1980s the traditional bureaucratic model of Public Administration globally came under severe pressure. This was due to this model's perceived

inefficiency, rigidity, unresponsiveness, and its inability to deal with dynamic governance challenges. Traditional bureaucracies were perceived to be concerned mainly with the measurement of *means* (inputs, processes and activities) rather than *ends* (outcomes and impact). Over-emphasis on inputs rather than outcomes implied that public institutions, as Nabaho (2011:2) puts it, "... were focusing on how they were kept busy and not on how they made a difference in the lives of programme beneficiaries".

All spheres of government are under continual stress to improve the performance and quality of service delivery. Nevertheless, especially the poor performance of municipalities is under constant scrutiny. A comprehensive statutory and regulatory framework compels municipalities to be accountable to society by ensuring that integrated development plans are implemented successfully. The desired socio-economic outcomes must be reached and scarce resources utilised optimally. Atkinson (2002:5) states that municipalities are one of the foremost developmental agencies within the South African system of government. To capacitate South African municipalities for this developmental role, the former Department of Provincial and Local Government (currently CoGTA) published the *Performance Management Guide for Municipalities* (2001). The aim was to assist councils in developing and implementing a comprehensive performance management system. Such a system needed to enable municipal councils to monitor, assess and evaluate the overall performance of the entire administration. In 2007 the Government-wide Monitoring and Evaluation System (GWM&ES) was implemented to establish a comprehensive framework according to which municipalities could be monitored and evaluated. It was envisaged that the respective Performance Management Systems (PMS) of the 278 local, district and metropolitan municipalities would provide accurate data on the progress made with the so-called "apex" priorities of Government. These PMS would also provide information on the key outcomes specified in terms of the Millennium Development Goals, the National Development Plan: Vision 2030 and Provincial Programmes of Action and Growth and Development Strategies. Furthermore, especially local and district municipalities experience significant challenges in adhering to their Constitutional mandates. Therefore on 2 December 2009 Government approved a comprehensive Local Government Turnaround Strategy (LGTAS) as mechanism to improve performance in municipalities. According to the LGTAS (2009:2) this means ensuring that core administrative and institutional systems and structures are in place to facilitate optimum municipal performance. Despite the relative time and effort already invested in the design and implementation of PMS, significant challenges still remain.

The purpose of this article is to reflect on empirical findings drawn from a qualitative research project based on a case study. The aim is further



to identify core challenges associated with PMS implementation at three selected municipalities (cases<sup>1</sup>). The following core research questions will be operationalised for purposes of this article:

- What are the current realities as far as municipal performance is concerned?
- Which particular implementation challenges do municipalities experience?
- What type of political, institutional and administrative-managerial interventions could help place municipalities on the right performance track?

## **PERFORMANCE AND PERFORMANCE MANAGEMENT – CONCEPTUAL CLARIFICATION**

The concept “performance” has various dimensions and applications. Despite the variety of dimensions, performance generally has two focuses: firstly, on institutional/organisational excellence and secondly, on human capital. Regarding the human-capital focus, Armstrong and Baron (1994:3) argue that performance is about achieving results by employing people. In the same vein Campbell (1990:688) views performance as the conducive behaviour of employees, and differentiates it from the performance of processes and outcomes.

Focusing on the institutional/organisation dimension of performance, Thomas (2004:12) holds the view that performance involves all interactive processes, programmes, projects, and activities of an organisation. Bouckaert and Halligan (2008:100), as well as Kanyane and Mabelane (2009:60), confirm this perspective and add that performance can be regarded as an on-going process that determines the planning, managing, reviewing, rewarding and development of organisational performance. Langdon (2000:13), Holbeche (2005:243) and Van der Waldt (2006:8), came up with a more inclusive and holistic approach. According to them performance can be seen as the integrated, systematic approach to improve organisational performance, in order to achieve strategic objectives and to promote the organisation’s vision, mission and values. Thomas (2004:8) and Van der Waldt (2004:44) argue that the management of performance is essentially concerned with enhancing the value-adding process. This process aims to increase productivity and improve the quality of the relationship achieved between organisational inputs (i.e. resources), outputs (i.e. goods and services delivered), and outcomes (i.e. results).

According to Barnow and Smith (2004:250) and Thomas (2004:5), performance management became popular mainly in response to the complex dynamics of the public sector during the late 20<sup>th</sup> century. Kearney and Bergman (1999:22) add that broader principles guided the evolution of the application of performance management. These include the principles

that originated from Total Quality Management (TQM) and by “reinventing” government reforms.

The South African Government has adopted an explicit performance-based governance system for public services delivery (RSA 2001:10; RSA 2007). Public sector institutions at national, provincial and local governmental spheres are obligated to develop systematic indicators of sectoral policy output and outcome, by which to measure the progress of their service delivery (Cloete 2005:2). This implies that accountability for the outcomes of policy programmes can be pinpointed through a comprehensive framework for performance management. When officials accept accountability for outcomes it generally improves the effectiveness and efficiency of policy programmes, raise public awareness, and facilitate better cooperation and coordination between public agencies in order to meet Government’s priorities. The execution of the various strategies should be structurally planned, analysed, measured and monitored by using critical success factors and Key Performance Indicators (Barnow and Smith 2004:250).

In the context of municipal governance, Fourie, Opperman and Scott (2007:255) are of the opinion that performance management is the means for a municipality to obtain a comprehensive overview of the total performance of its policies, systems, structures, and people. In addition, performance management makes monitoring, evaluation and corrective actions possible. Van der Waldt (2007:111) concurs and adds that performance management can be regarded as an “umbrella” application for the total management of municipal performance. Kanyane and Mabelane (2009:60) state that a Performance Management System (PMS) is an integrated framework to measure performance of the institution and that of its personnel. Section 26(2) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers, to which Municipal Managers are directly accountable (Regulation No. R805, 1 August 2006) stipulates that the purpose of a PMS is to provide a comprehensive system with specific performance standards to assist the employer, management and municipal staff to perform according to the required standards. Verweire and Van den Berghe (2005:7) also emphasise that the purpose of PMS is to achieve institutional effectiveness. Blackburn, Holland and Chambers. (1998:38) state that effectiveness implies the extent to which a tool enables an institution to achieve an objective.

The emphasis on an “outcomes-based” or “results-based” approach for government, however, is not without challenges. Thomas (2004:14), for example, indicates that the widespread adoption of performance management practices in the public sector has led to information overload. The result of this was a reduced scope for the application of performance management system. A further challenge is provided by a tendency where municipalities attempt

to apply a single system or an approach uniformly to all public institutions on all spheres of government. These spheres include parastatal, as well as non-governmental organisations and entities. Such an across-the-board approach may hold its virtues of consistency, comparability and fairness, but the unique mandates, dynamics, structures, and systems of public institutions portray a clear asymmetry.

Municipalities are required to make significant capital investments, in order to develop systems to generate accurate, reliable and up-to-date management information. Therefore municipalities may not perceive these systems as a priority. In this regard Smith (1990:70) warns that the fundamental criterion for adopting any system is whether the benefits of using such a system outweigh the costs of implementing it. Beardwell, Holden and Claydon (2004:529), as well as Van der Waldt (2008:9), also allude to the fact that managers may perceive performance processes as simply as a “form-filling exercise”. As a result they may be reluctant to engage in meaningful performance assessment and appraisal endeavours. Price (1997:304) highlights the key challenges in governmental settings as follows: the lack of a reward system that is tied directly to performance, a lack of an environment conducive to successful performance, as well as the general absence of a performance-based organisational culture. Thomas (2004:3) and Van der Waldt (2006:139) further refer to the political influence in the development of performance management systems and point out that political considerations often outweigh the rational decision-making of management.

It is evident that government in general and municipalities in particular, may experience significant challenges. Nevertheless, the reality is that service delivery and challenges of non-compliance can only be addressed if accurate baseline data is available to give strategic direction to endeavours aimed at improving general performance. The utilisation of a comprehensive performance management system in this regard is thus indispensable.

## **PERFORMANCE MANAGEMENT SYSTEMS: A THEORETICAL AND OPERATIONAL EXPOSITION**

A Performance Management System (PMS) can be regarded as an instrument that is used to measure an organisation’s performance in achieving its strategic goals and objectives (Rogers 1994:85; Van der Waldt 2004:39; Kanyane and Mabelane 2009:60). Such systems facilitate cooperation, integration, and interface between all functional domains within institutions, in order to meet strategic targets (Fisher, Katz, Miller and Thatcher 2003:74; Fontannaz and Oosthuizen 2005:10). According to Wright, McMahan, Snell and Gerhart

(1997:7), as well as Pulakos (2009:133), a PMS has significant potential to improve the performance of the employee and the organisation if it is measured through competent indicators and managed as a systematic review mechanism.

Masango (2000:66) argues that the key aspects of an effective PMS should include, among others, performance targeting, the setting of performance standards and a performance evaluation system. Mohrman, Resnick-West and Lawler (1989:33) agree with this statement and maintain that a PMS should commensurate with the particular context of a municipality. This context includes realities such as available resources, the developmental priorities and strategic objectives, as well as demographics of the municipality. Kraukamp (2007:22) adds that the entire PMS should act as an “early-warning” system to point out areas of underperformance and to provide for management interventions aimed at improving overall organisational and human performance.

Several South African municipalities struggle to ensure that long-term strategic plans are actually implemented; as a result these municipalities are severely criticised for their lack of performance (Haycock and Labuschagne 2006:262). The problem of PMS implementation in the municipalities, according to Butler (2009), is that municipalities operate their IDP, budget and performance processes in silo. This results in poor integration of systems. It is important that processes are fully integrated and that objectives set in the IDP are aligned with the municipal budget, Service Delivery and Budget Implementation Plan (SDBIP) and with other performance processes and systems.

In accordance with the *Local Government: Municipal Systems Act* 32 of 2000, the Department of Provincial and local Government (2006b, 2008) provided municipalities with extensive prescriptions and guidelines to implement performance assessment as part of their statutory obligations towards IDP. The Department also published key performance indicators for local government that were based on international comparative experiences (Cloete 2005:5). In 2006 the Department of Provincial and Local Government, published the Draft Local Government: Municipal Performance Regulations for Section 57 Employees. The purpose of these regulations is to define how the performance of municipal councils is to be directed, monitored and improved uniformly. The regulations include instruments that should be incorporated into IDP to ensure good performance and continuous improvement in the local government set up.

## **Designing and implementing a PMS in municipalities**

A critical point in designing and implementing a PMS is that it should be embedded completely in all organisational processes and functions. The PMS should thus not be seen as an additional system, but be emerged fully and

aligned with key planning, budgeting, and operational activities. This system should also act as an invaluable source of organisational intelligence (see Barnow and Smith 2004:251; Thomas 2004:10). As such, data generated by a PMS, should always be relevant, credible, meaningful and informative to the political leaders and administrative managers of a municipality.

In the process of the development and approval of the IDP of a municipality, a “top-layer” Service Delivery and Budget Implementation Plan (SDBIP) should also be developed based on the strategic direction provided by the IDP (Pauw, Woods, Van der Linde, Fourie and Visser 2009:287). In this regard, Van der Waldt (2004:322) emphasises that the indicators and targets in the SDBIP should be similar to those included in the IDP of the Municipality. The SDBIP acts as the operational plan of the municipality and gives effect to the Municipal IDP and budget (National Treasury 2005:1). In this sense the SDBIP enables municipalities to divide broad objectives of the IDP into service-delivery targets for the senior managers of municipal departments.

On an operational level, a PMS typically consists of four components coupled with performance, namely planning, activation, monitoring, and evaluation of performance (Minnaar 2010:36). In the performance planning component the indicators and targets are set to measure performance. This phase involves the development of institutional strategies to implement policy mandates. As to the implementation of a PMS, Nabaho (2011:3) proposes that a logical model should be utilised that visually depicts the inputs, activities, outputs and outcomes of a programme. Kanyane and Mabelane (2009:60), as well as Fourie, Opperman and Scott (2007:256), further contend that PMS implementation entails a framework that describes and represents the manner in which a municipality’s cycle and its various processes will be conducted, organised and managed. This includes the processes of performance planning, measurement, review, reporting and improvement. Bevan and Thompson (in Price 1997:303) propose that “a model of steps” for implementation should be developed.

This concludes a brief conceptual and contextual orientation of performance management in local government in general and performance management systems in particular. In the next section the focus will shift to an explanation of the research methodology used to uncover challenges associated with the implementation of PMS at three selected municipalities.

## **RESEARCH METHODOLOGY**

According to Brynard and Hanekom (2006:35) research methodology is about collecting and processing data within the framework of the research process.

This study followed a qualitative research design to explore perceptions of key role-players involved in PMS implementation.

## **Research design**

According to Babbie (2007:12) a research design can be regarded as a plan according to which the researcher intends to conduct the research. Such a design focuses on the end product of the study that is planned and the type of results the researcher aims to achieve.

For purposes of uncovering PMS implementation challenges, a case-study design was followed. Stake (in Denzin and Lincoln 2008:237) argues that a case study is appropriate when detailed information on a particular case in context is sought and the goal of the researcher is to describe and understand human complexities within that context. It is thus the researcher's contention that a richness of understanding can only be sought through a "constructivist" case study, which ultimately will allow for an interpretation of implementation challenges (see Fox and Bayat 2007:69).

## **Data-collection method, sampling and respondents**

Semi-structured interviews were conducted as method of collecting data. In such interviews the predetermined questions are posed to every participant in a systematic and consistent manner (Struwig and Stead 2010:98). Maree *et al.* (2009:87) point out that a semi-structured interview requires the participant to answer a set of the predetermined questions with allowance for follow-up questions, in order to get clarification on the answers.

The semi-structured interview schedule in the present research included biographical details of the respondents to enable data analysis and interpretation. The interview schedule consisted of 23 questions. These questions were constructed to probe the extent to which the participants know or are familiar with the expectations for PMS implementation. The interview schedule was pre-tested (piloted) to uncover any potential misinterpretation of questions, as well as to ascertain their clarity and relevance to operationalise the research questions. The content of the initial responses was evaluated specifically in terms of relevance, non-ambiguity, general validity and interpretability. Thereafter the interview schedule was reviewed, amended and adopted for the present study.

The researchers utilised purposive sampling within the three selected cases to identify appropriate respondents for purposes of the study. Babbie (2007:225) and Maree *et al.* (2009:79) stress the need that the population sample commands the characteristics appropriate for them to be the substantive holders of the necessary data for the study. The relevant respondents included:

- Municipal Managers;
- PMS Managers (or officials task with performance-related responsibilities in cases where the position was vacant);
- IDP Managers;
- Human Resources Managers; and
- selection of Section 57 managers who have performance-based contracts and are directly accountable to the Municipal Manager.

In adherence to the principles of ethical research and the strict clearance procedures of North-West University, a thorough explanation of the need for participation was given to respondents prior to their participation. The respondents were assured of confidentiality and that the results would be used for research purposes only. Furthermore, they were assured that their participation was voluntary. Participation was 88% overall in all three selected cases, and only a small percentage of respondents did not appreciate the potential benefits of the study.

## **OVERVIEW OF THE SELECTED CASES**

Based on convenience (geographical proximity) and purposive sampling, three municipalities, two local and one district, were selected as cases (units of analysis). Purposive sampling refers to the selection of a sample (case) on the basis of the researcher's own knowledge of the population, its elements and the nature of the research aims (Babbie 2007:225). The three cases for purposes of this study were selected based on the Annual Reports of municipalities, and the qualified audit reports of the Auditor-General (2011). A brief overview of the three cases is provided below. To operationalise the first research objective, specific reference is made to the status of the process to implement the PMS.

### **Case study 1: Ngwathe Local Municipality**

Ngwathe Local Municipality, a Category B municipality and located in the Fezile Dabi District of the Free State Province, is a municipality with a collective executive system of governance. This implies that decision-making powers are vested in the Council, which in turn may delegate some of the powers to the Mayor working together with the Executive Committee.

The first significant formal process of the Municipality towards implementing a PMS began during the year 2004. The first Performance Policy Framework of the Municipality was approved on 26 August 2004. In 2005, the former provincial Department of Local Government and Housing

in a notice to municipalities concluded that most municipalities in the Free State were not implementing PMS as required by legislation. The Director: Corporate Services thus on 11 August 2005 began designing a process plan for PMS implementation.

On 26 May 2006 the Operations Manager issued an internal memorandum whereby all senior managers of the Municipality were required to compile their Department's scorecard according to the PMS policy. The scorecard of a department is a set of measures that could give senior managers a view of their department's performance in realising the organisation's goals and objectives. Copies of the Organisational Scorecard for the financial year 2005/06 and Part 4 of the IDP 2006/07 were attached to the memorandum. During 2007 and 2008, various workshops were held on the PMS. On 11 January 2009 the Municipal Manager appointed a consulting company to ensure that the system is fully aligned with the measurable implementation of the IDP. A project team was appointed to develop an implementation strategy, which was supposed to link with the framework for implementing the IDP. The strategy also had to include planning, implementation, monitoring and review of the Municipality's performance regarding its priorities and objectives in the IDP. To date, the implementation of the process map is severely compromised by the lack of sufficient political will, leadership, and human power to implement the PMS. There appears to be no dedicated PMS Manager and it seems that performance matters are treated as mere "compliance exercises" rather than imbedded management practice.

## **Case Study 2: Matlosana Local Municipality**

Matlosana Local Municipality is a Category B municipality, which resort under the Dr Kenneth Kaunda District in the North West Province. The City of Matlosana includes Klerksdorp, Orkney, Stilfontein and Hartbeesfontein (KOSH). It is bordered by Tlokwe (Potchefstroom) Municipality in the east, Maquassi Hills Municipal area in the west, Ventersdorp local Municipality in the north-east East and the Free State province in the south. Matlosana has a Mayoral Executive System combined with a ward participatory system.

The Performance Management Framework and Policy was adopted by the Council during the 2007/08 financial year. The framework was reviewed and amended by that Council on 30 June 2009 (CC 72/2009) and again on 29 April 2011 (CC 35/2011). Communities around the KOSH area were consulted in the design of the framework and policy during the IDP process (Matlosana IDP Review 2009/2010). The PMS is regarded as the central management tool that assists the Matlosana Municipal Council to improve service delivery by channelling the efforts of its departments and employees to meet performance



targets, and in so doing, ensure that the municipality achieves its strategic objectives (City of Matlosana IDP Review 2009/2010).

The Matlosana Performance Audit Committee (PAC) was constituted on 27 August 2011 to ensure that the auditing of performance measurements were put in place. According to Section 45 of the *Local Government: Municipal Systems Act* 32 of 2000, the results of performance measurements in terms of section 41(1)(c), must be audited as part of the annual Auditor-General's auditing process (City of Matlosana 2009). Furthermore, the Internal Audit (IA) Unit performs functions of performance auditing independently and has a direct reporting line to the Municipal Manager.

In terms of the PMS, the IA has to make sure that credible audit reports represent a true reflection of the Council's performance in the delivery of services to the community according to the IDP requirements. The Annual Performance Reports reflect the performance of the municipality and directorates in a table format, measured on the approved Key Performance Indicators (KPIs) and performance targets, as contained in the IDP and the SDBIP. The achievements, reasons for the deviation of progress, and planned remedial action are reported by the respective directorates. Data is supported by the relevant evidence that the directorates capture and maintain.

The Human Resources Department provides and establishes a stable and productive workforce for the functioning of the Council's departments. Thereby it strives for a cost-effective personnel management system and procedures. The aim is to provide training to all staff members, and to establish and maintain the recruitment process which will enhance capacitation and service delivery within the municipality's area of jurisdiction (City of Matlosana 2012). In terms of the *Local Government: Municipal Systems Act* 32 of 2000, Section 57(1)(b), performance agreements are entered into between the Municipal Council and the Municipal Manager, and between the Municipal Manager and all Section 57 Managers who are accountable directly to him.

The Council established an Oversight Committee to perform an audit function in the municipality. This includes oversight of the management of public funds, as well as the quality and credibility of information about performance in terms of financial accountability. To this end the Oversight Committee reviews the Annual Reports and submits its findings to the Council. Based on the findings of the Oversight Committee, the PMS Manager, in consultation with senior managers, needs to home in on the most critical aspects of the Key Performance Areas (KPAs). The capital budget and the IDP are aligned to the City of Matlosana's Agenda 16, a document that elucidates the Council's strategic direction and objectives to be achieved by 2016. All projects are referenced to the directorates' Key Performance Areas (KPA) contained in the IDP, and in the performance contracts of Section 57 employees (Municipal

Manager and directors) who are monitored through the quarterly reviews in the SDBIP (City of Matlosana 2011).

The Matlosana Local Municipality uses a Municipal Scorecard as its PMS model. The Scorecard facilitates the following elements: reporting, monitoring, evaluating, reviewing, feedback and suggestions for improvement. Not only does the Council give account of its performance to internal audit structures, but also submits a performance report to the community (City of Matlosana 2012).

The current PMS of Matlosana (revised) was adopted during the Mayoral Committee meeting held on 30 June 2009 (CC 72/200). The PMS Manager for Matlosana Municipality was appointed in 2009.

### **Case study 3: Dr Kenneth Kaunda District Municipality**

The Dr Kenneth Kaunda District Municipality (Dr KKDM) is a Category C Municipality, which consists of the City of Tlokwe, the City of Matlosana, Ventersdorp and Maquassi Hills. This is one of the four district municipalities in the North West Province of South Africa. It is located 65 km south-west of Johannesburg and borders Gauteng in the east and the Free State in the south east.

An Audit and Risk Committee (ARC) was appointed as an independent advisory body to guide the Municipal Council, the political office bearers, the Accounting Officer and the management staff of the municipality on general performance indicators. The ARC meets at least each quarter to perform audit checks. The Internal Auditors of Dr KKDM act as secretariat of the ARC and assess the overall functionality of the municipality's PMS. The Internal Audit Unit currently has five staff members, including the audit manager, two senior auditors, and two internal auditors. The ARC and Internal Audit Unit entered into a Service Level Agreement to serve Maquassi Hills (Wolmaransstad) and Ventersdorp Local Municipalities as well. The Council further approved the establishment of the Employee Assistance Programme (EAP) in May 2008, to guide performance appraisals and the development of staff within the municipality. In addition, all policies related to human resources were reviewed by the Manager: Corporate Services.

The Dr KKDM is currently in the process of implementing a performance management system, which is based on the Balanced Scorecard methodology. To ensure efficient and effective implementation of the performance management system within the Municipality, the Council implemented an automated PMS to replace the former paper-based system that was in place since 2006 (Dr KKDM 2010:23). Facilitated by consultants, the PMS implementation process began on 12 August 2009. An action plan was developed for the implementation

of the PMS during the 2011/2012 financial year. It was envisaged that the implementation would be concluded in June 2012. However, this due date was not met. This was mainly due to various factors, which include political dynamics, the absence of a PMS Manager, the lack of coordination between the District Municipality and the Local Municipalities, and other internal administrative issues.

## **RESEARCH FINDINGS: CHALLENGES ASSOCIATED WITH PMS IMPLEMENTATION**

Due to ethical considerations this article only reflects on general systemic and operational challenges with regard to PMS implementation. Any results that points to particular individuals in certain key positions are excluded for purposes of this article. The aim is rather to obtain a general perspective with which to assist municipalities in general to prioritise interventions, in order to remedy similar or associated challenges. The sampled cases cannot be regarded as representative of the total population of 278 municipalities in South Africa. Data obtained can thus not be generalised. The data does, however, provide a general overview of the key systemic challenges that local and district municipalities experience when implementing their respective performance management systems. It should be noted further that the selected municipalities experience different levels of maturity as far as PMS implementation is concerned. This include the respective support systems that need to be in place to support PMS implementation such as IT-support, staff capacity, records management, and internal auditing and reporting mechanisms. Furthermore, the logistics and challenges that municipalities experience may differ significantly between district and local municipalities and also between so-called high- and low-capacity municipalities.

### **Core challenges**

Question 23 of the interview schedule (questionnaire) was an open-ended question. Respondents were requested to explain briefly why, since the approval of their respective performance management systems, little progress has been made and to list specific challenges that the municipality currently experiences with the implementation of the PMS. Respondents were also asked to list the five most significant (severe) challenges they have to deal with. As far as possible the responses obtained from the respondents in the three selected cases are listed below in descending order to reflect this relative priority order (frequency response).

- There apparently is no political will to make PMS a success.
- Senior political and administrative officials are not aware of crucial guidelines, which should enable municipal practitioners to implement and maintain a PMS successfully.
- “Chopping and changing” of managers (high staff turn-over of Municipal Managers and Section 57 Managers) creates problems with continuity and accountability.
- There are no institutional systems and structures to guide the implementation of performance management.
- Performance management is not implemented at all levels of the municipality but is only directed at Section 57 managers. Deputy Directors and Assistant directors are not part of this system (Case 2).
- The IDP Manager is the only official within the Municipality perceived to be responsible for the PMS. No other Senior Managers are involved with implementing PMS and this responsibility has not been cascaded down to lower levels (staff).
- There is a general failure to improve on issues that led to non-performance. Submitted quarterly reports are simply filed and not scrutinised to ensure that they serve as early indicators of non-performance and that the performance is in line with the set targets.
- The Municipality has relied heavily on consultants for PMS and does not have dedicated internal personnel.
- Councillors show a lack of appreciation for and knowledge of PMS.
- The Municipality is unable to detect early indicators of underperformance because actual performance is not reported.
- The Municipality lacks baseline information on the status quo; “they do not know from which basis we are moving and how to set performance targets to monitor progress”.
- The Council does not get feedback to determine the extent to which PMS is being implemented within the Municipality.
- There is no dedicated administrative unit and Portfolio Committee responsible for PMS within the Municipality to ensure monitoring and evaluation of the system.
- Managers do not take PMS seriously enough and even confuse it with the SDBIP.
- Financial constraints are placing a burden on meeting performance targets.
- There is a lack of commitment and political buy-in to the PMS.
- Municipalities show a general absence of performance orientation and culture.
- Managers regard the PMS simply as something that is “just about performance bonuses”.

- Management does not address the following deficiencies adequately: poor work ethic, general laziness, low morality, and the basic health of employees that affects performance levels. Managers do not pinpoint reasons for non-performance and do not develop remedial actions. They are reluctant to follow up on poor performance due to victimisation, labour union actions, and political ramifications.
- The Workplace Skills Plans are not accurate; they are not based on detailed information that was obtained during appraisal sessions.
- There is a disjuncture between the operation of the IDP, SDBIP and the PMS.
- Predetermined objectives are not recorded in the strategic plan, budget, quarterly reports and annual report.
- Performance indicators do not always measure the things it should.
- The municipality obtained a Qualified Audit opinion from the Auditor General due to a lack of adequate mechanisms to monitor and evaluate performance in the municipality.
- The necessary support structures such as finance, supply chain management, and human resources are inadequate mainly due to staff constraints. Departments are generally understaffed, which resulted in material amendments to the financial statements that were submitted for auditing. This is accompanied by a general non-compliance to supply chain management regulations – all affecting the general implementation of the PMS.

This concludes the respondents' perceptions of challenges that were experienced during the successful implementation of their respective performance management systems. In the section below, some recommendations are put forward to overcome these core challenges.

## **RECOMMENDATIONS TO ADDRESS CHALLENGES OF PMS IMPLEMENTATION**

Considering the nature of the respondents' opinions and experiences highlighted above, it is evident that the challenges that were identified could be categorised in broadly three main domains. The first domain relates to the lack of a performance orientation or culture. The second refers to issues about the development of human capital, and the third domain concerns institutional and operational arrangements. Although these three domains or categories are subjective and interdependent, they are utilised to direct certain recommendations for possible interventions not only in the three cases mentioned, but also for other municipalities in South Africa that may experience similar challenges with implementation.

## **Establishing a performance culture**

Based on the theoretical orientation it is evident that performance management has a fundamental role to play in municipal service excellence. Performance measurement enables municipal councils to demonstrate the impact of their developmental policies and projects to the community. It is a municipality's duty to achieve a balance between goals of national development and targets for local service delivery. Municipalities also have to respond to local needs and circumstances and need to provide leadership. As such it is recommended that strong political will and administrative leadership should be cultivated to establish a performance orientation and performance culture in the municipality. To foster such a culture, it is further recommended that performance management should be infused closely with all major municipal planning and budgeting processes, notably the IDP, top-layer SDBIPs and departmental service delivery (operational) plans. The execution of every strategy should be structurally planned, analysed, measured and monitored by using KPAs and KPIs that are set for comparative benchmarking purposes.

Furthermore, to ensure that performance becomes an integral part of municipalities the administration should develop an effective reporting mechanism for PMS among officials and structures. These structures include the Office of the Municipal Manager, IDP Manager, the PMS Manager, Council Committees and Portfolio Committees, the Office of the Executive Mayor, and the Office of the Speaker. Municipal councils should ensure oversight of the performance of all its structures, systems, processes, and activities. PMS implementation should be politically driven regarding the oversight, monitoring and evaluation of municipal excellence. Without the necessary political will and visible commitment, administrative managers will be reluctant to give performance the necessary priority it deserves. Workshops should be held regularly in order to make the entire staff complement accustomed to the philosophy, principles, and application of performance management.

## **Human capital development**

It is evident that the performance of a municipality is integrally linked to that of its staff. It is therefore important to link organisational performance to individual performance. From the research findings it is clear that certain factors in particular hamper successful implementation of the PMS. These factors are high staff-turnover, clear accountability and the lack of adequate and competent staff.

It is recommended that the entire PMS should be cascaded to all officials in the municipality – in spite of resistance by labour unions. All officials should have clear job descriptions and job specifications to facilitate the setting of

performance targets and performance agreements between supervisors and themselves. A holistic training programme should be designed and implemented to support councillors, managers and administrative staff on the principles and applications of the PMS. The training programme should be run at regular intervals to ensure that the PMS facilitates strategic planning, the communication of performance expectations, and drive behaviour that is appropriate for service excellence. The System further should help senior managers identify areas of poor performance and design initiatives for staff development. The training programme should be all-inclusive and incorporate induction and orientation as phases. It is imperative that the PMS should not be seen as a policing or punishment tool, but rather as an instrument to improve performance and to develop staff. As such, information obtained during regular sessions of performance appraisal, should inform the Work Place Skills Plan to identify gaps in individual performance and design where appropriate interventions are needed to develop capacity. Furthermore, it is important that a reward system should be coupled with the PMS to incentivise excellence.

## **Institutional arrangements and operational interventions**

As for institutional arrangements, it is strongly recommended that a dedicated PMS unit should be created within the organogram of the Municipality. The position of the PMS Manager should be equal to that of Section 57 managers, in order to provide greater influence and direction in the implementation of the system. The PMS Unit should be capacitated to process performance-related activities and information. Such information should be utilised as organisational intelligence to inform strategic planning, budgeting, policy analysis, organisational reviews, and performance appraisals for managers. Performance data flowing from the system should be presented in a balanced, comprehensive and credible manner.

The PMS Unit should develop a Quarterly Performance Management System Implementation Checklist (QPMSIC) to ensure compliance, standardised processes and the adherence to the target dates for reporting on performance. The Council Committee or Portfolio Committee overseeing performance should utilise the checklist to monitor the implementation of the IDP and SDBIP and to determine further targeted areas for assistance.

## **CONCLUSION**

The purpose of this article was to report on the findings of an empirical study conducted at three municipalities to identify the challenges the

officials experienced in the implementation of their respective performance management systems. The findings derived from these three cases could serve as “a-typical” challenges experienced by similar local and district municipalities in South Africa.

It is evident that municipalities by and large have well-designed, consultant-driven, computerised, performance management systems in place. The key challenge remains the successful application of the existing system. It is therefore strongly recommended that municipalities design appropriate interventions with clear sets of responsibilities and targets. This will help establish firstly, a conducive performance culture in the entire municipality; secondly, to design interventions aimed at developing people capacity; and thirdly, to make the necessary institutional arrangements and establish appropriate operational procedures (e.g. reporting templates) to institutionalise the managing of performance in the municipality.

## NOTE

1. The article reflects on the results obtained from studies conducted by Dr RS Motingoe (Ngwathe Local Municipality), Mr MP Tseole (Dr Kenneth Kaunda District Municipality) and Mr MI Kgechane (Matlosana Local Municipality) under the supervision of the author. The author hereby would like to acknowledge their respective contributions in gathering the relevant data.

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