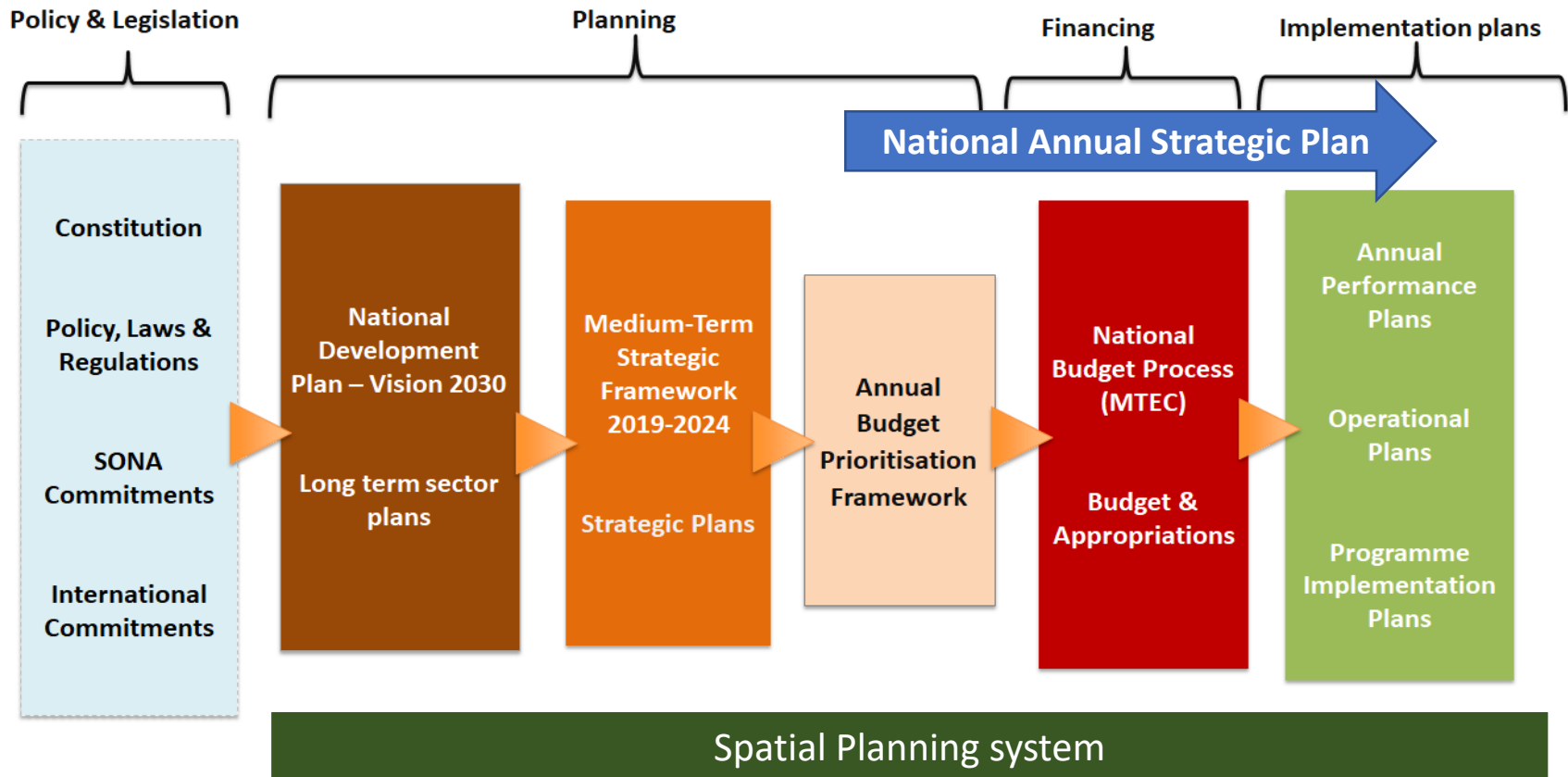


STATE CAPACITY CONFERENCE

April 2022

LET'S GROW SOUTH AFRICA TOGETHER

The national planning system



UNDERPINNED BY:

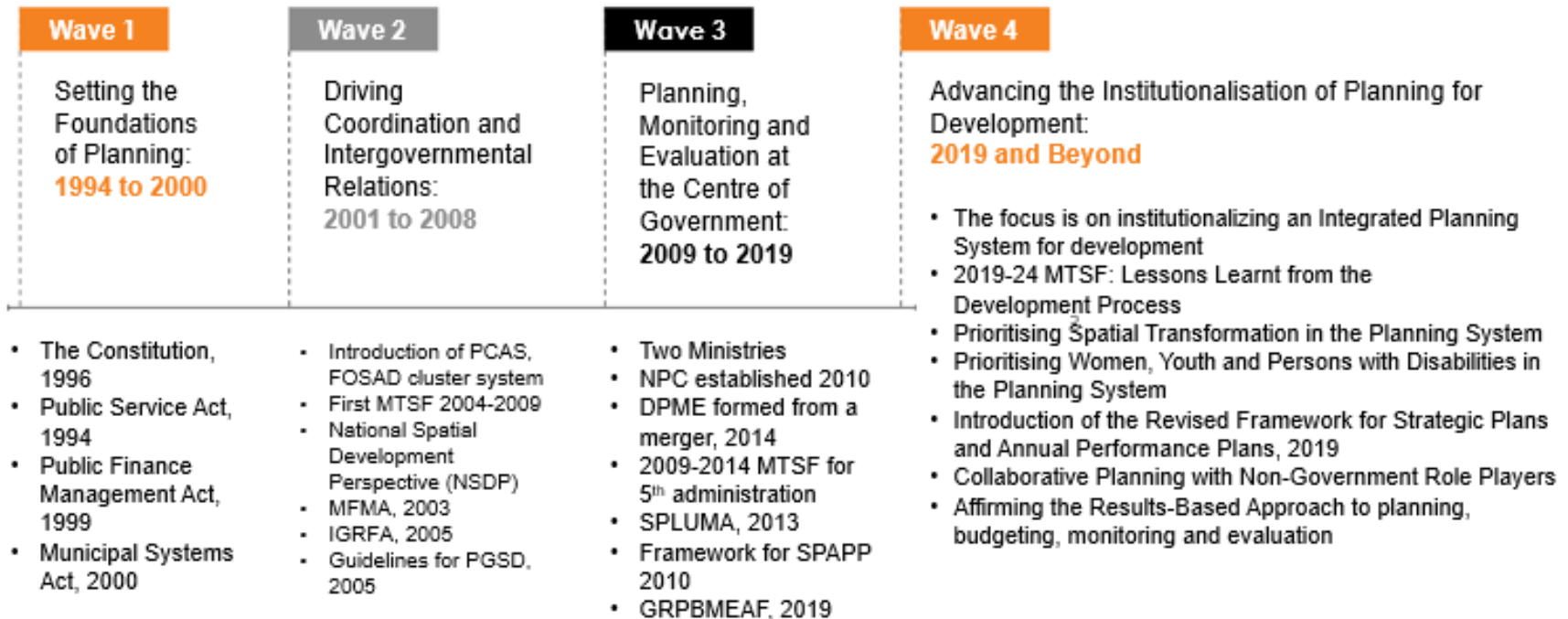
Planning tools and systems; Monitoring and reporting systems; Evaluation systems

ANALYTICS: Research, Data and Analysis

Policy Framework for Integrated Planning

- The Policy Framework for Integrated Planning represents an important building block in efforts to build a capable, developmental and ethical state in line with the National Development Plan 2030 and the Medium-Term Strategic Framework 2019-2024
- The Framework seeks to build on existing progress in the planning system to address gaps in the public policy and planning landscape by Strengthening coherence and outcomes across spheres of government and with other stakeholders and improving alignment between short, medium and long-term planning systems and instruments.
- The purpose of the Policy Framework for Integrated Planning is to Strengthen integrated planning towards the achievement of the country's development goals.
- Provide an overall framework for planning across the state machinery and improve synergies and alignment of existing planning legislation, policies and processes.
- Provide the basis for the revision of the Integrated Planning Framework Bill

Waves of Planning Reforms in the Country's Planning System Since Democracy

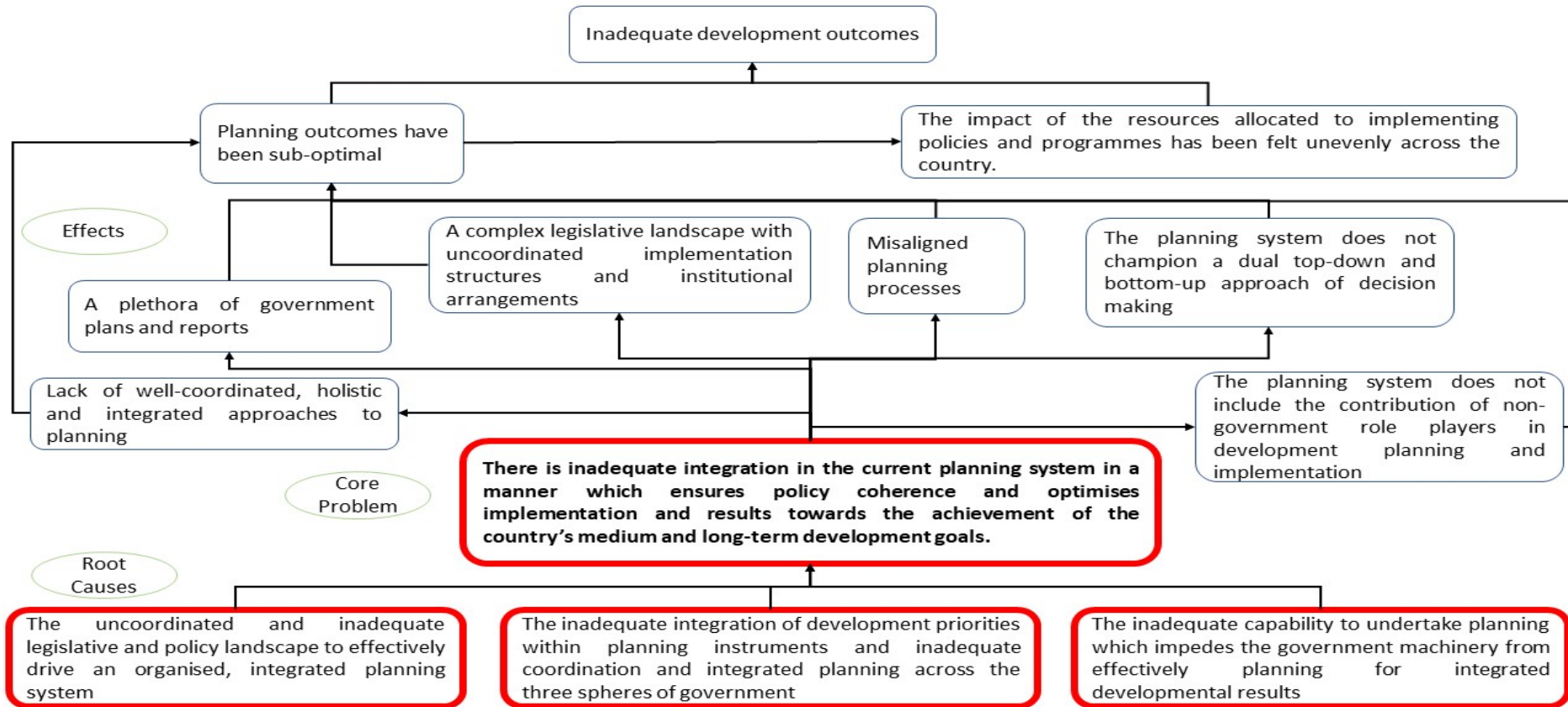


Challenges

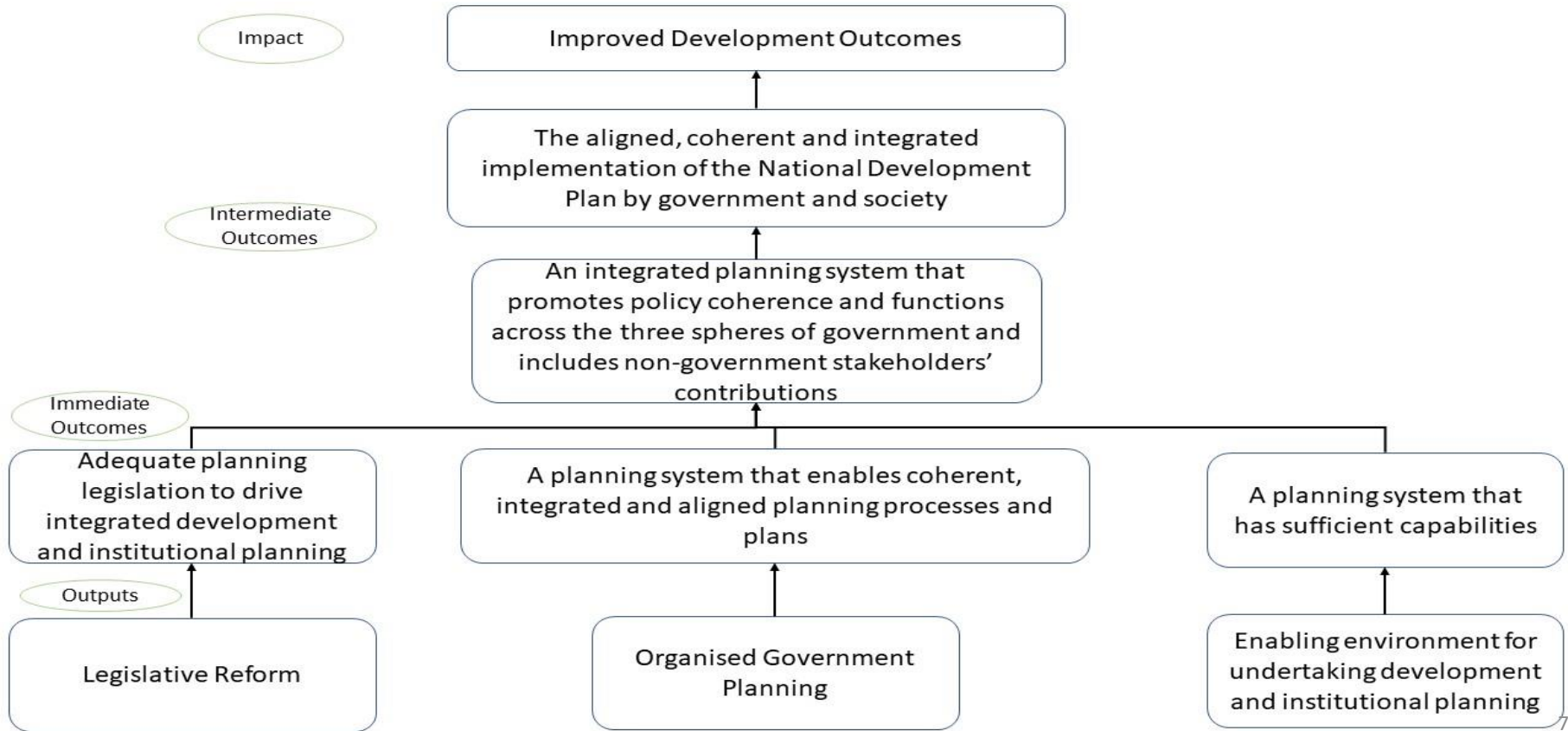
Despite progress, a number of challenges in the planning system persist:

- Planning instruments do not sufficiently prioritise policy interventions and development goals and translate these into measurable outputs, outcomes and impacts
- Insufficient evidence-based planning
- Fragmentation of the planning system and inadequate alignment and coherence across three spheres
- Lack of coherent planning policy and legislation to harmonise the planning system
- Lack of alignment of planning frameworks guiding SOEs
- Inadequate collaboration between centre of government departments on planning and budgeting
- Plethora of inter-governmental forums
- Compliance-based approach vs performance and results-based approach

Problem Tree



Policy Framework Theory of Change



Policy Recommendations (1)

A. Legislative reforms that lead to the promulgation of integrated planning legislation.

B. Integrated Planning System responsive to development priorities across government

1. Long-term national development plans are reviewed every ten years and based on extensive research and consultations across the three spheres of government and with social partners.
2. The national medium-term development plan is developed every five years for a particular government term of office and is based on the electoral mandate and the long-term development plan.
3. The Budget Prioritisation Framework is developed on an annual basis to identify the policy and planning priorities for the forthcoming year and utilized to guide resource allocations in line with short, medium and long-term priorities and results.
4. The National Annual Strategic Plan is developed on an annual basis to give expression to the priorities and targets of government for a particular year and to guide the development of institutional plans.

Policy Recommendations (2)

5. The approved long and medium-term plans are institutionalized by the three spheres of government including through the institutional five-year and annual plans (Strategic Plans and Annual Performance Plans).
6. The approved National Spatial Development Framework is revised every five years in alignment with the long-term national development plans and is implemented and institutionalized across the three spheres of government.
7. Provincial Governments will develop long- and medium-term plans aligned with the national long-term plan and the national medium-term plans whilst considering provincial priorities and mandates.
8. Institutional Strategic Plans and Annual Performance Plans are results-based and aligned to the medium and long-term national plans in accordance with the Revised Framework for Strategic and Annual Performance Plans and provide geo-spatial referencing for the location of interventions at a local level.

Policy Recommendations (3)

9. National sector and cluster plans are aligned to the medium and long-term strategic plans.
10. The DDM One Plans and IDPs are aligned to the medium- and long-term plans at a provincial and national level.
11. A Revised Framework for Corporate Planning and Shareholder Compacts aligned to the government's results-based planning principles and methodologies is developed to guide planning by SOEs.
12. National, provincial and local government planning frameworks and guidelines should make provision for collaboration with non-government stakeholders in the development and institutional planning processes across the three spheres of government.

Policy Recommendations (4)

C. An enabling environment for undertaking development and institutional planning including where

1. Planning is professionalised to improve the institutionalisation and integration of medium to long-term policy priorities, outcomes-based planning and planning alignment across the spheres of government.
2. The establishment of a Knowledge Hub as a repository for data and information necessary for evidence-based planning and decision making.
3. Evidence-based and results-based planning and budgeting is mandatory and capacitated across the three spheres of government.
4. Technology and innovation is utilized to strengthen the planning system and instruments should be automated, including through linkages across short- and medium-term instruments.

Policy Recommendations (5)

C. An enabling environment for undertaking development and institutional planning including where:

5. Appropriate institutional arrangements across the three spheres of government are institutionalized to serve as vehicles to coordinate engagements and dialogues on planning towards coherence, alignment and integration. Planning forums should be aligned to oversight structures to ensure effective and efficient decision-making. Where appropriate, social partners should be included in planning forums.
6. Capacity building programmes on planning should be expanded, including in collaboration with higher education institutions and professional bodies.
7. The DPME, in consultation with centre of government departments and Offices of the Premier, should issue an annual planning and budgeting cycle as well as schedules of technical support services to be provided within the planning system for a financial year.
8. A compendium of common definitions for the three spheres of government must be issued by DPME in consultation with centre of government departments and Offices of the Premier.

Budget Prioritisation: Role and purpose

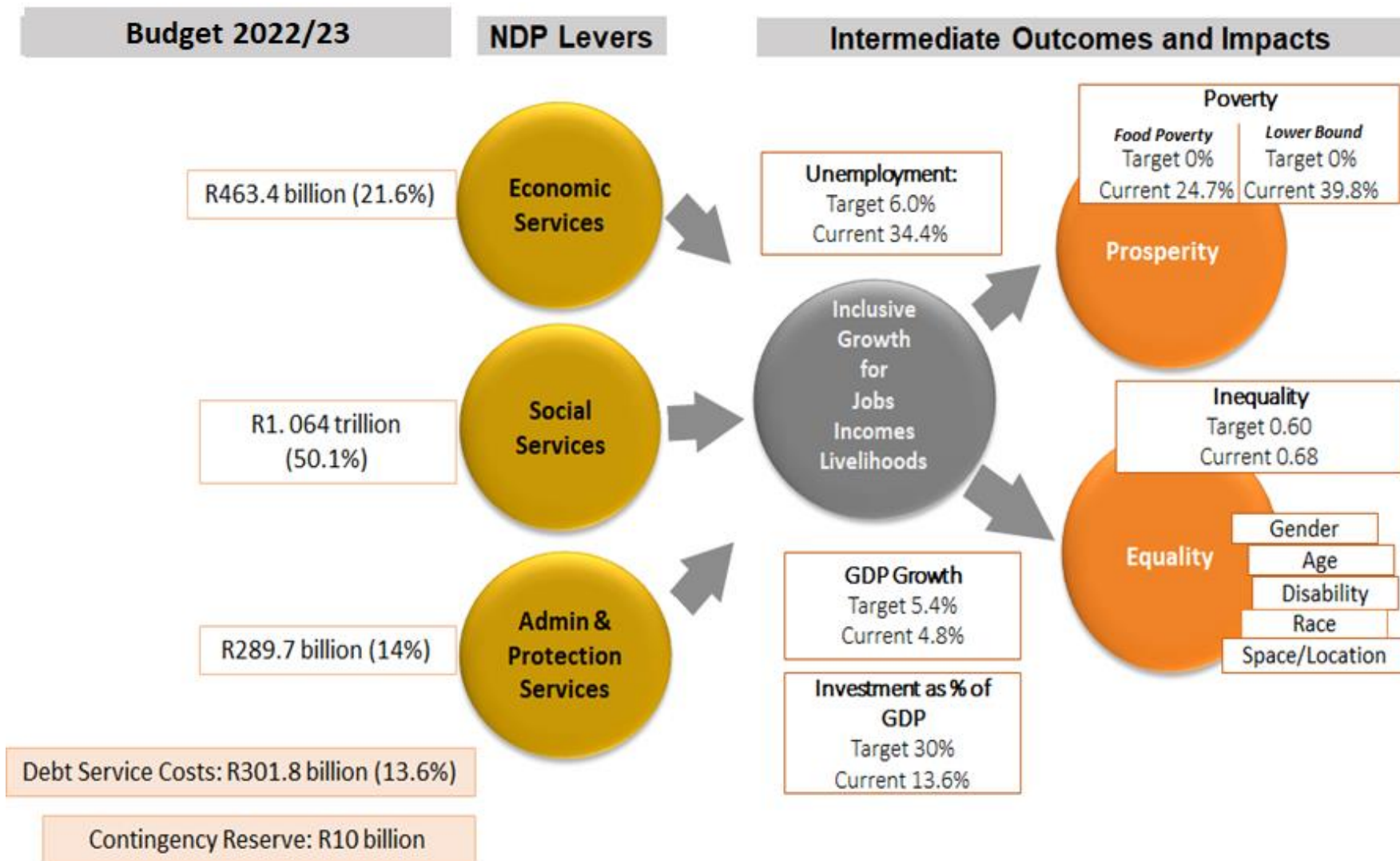
Problem statement:

- The NDP Review raised concerns about whether there is optimal alignment between the national budget and the plans and priorities (NDP/MTSF/SONA) of government
- This could result in the inadequate resourcing of plans and priorities and thus result in sub-optimal development outcomes
- It should also be noted that the environment is dynamic and can thus be subject to external shocks. This therefore requires an annual assessment of contextual factors and how these impact on prioritisation

The purpose of the Budget Prioritisation Framework (BPF) is therefore:

- To facilitate and strengthen the alignment between key national plans (and priorities) and the national budget process
- To provide a framework for refining priority setting given contextual factors as well as performance of government
- To optimise the impact of development outcomes through improved alignment between resources and government plans

Linking the budget to development goals



Strategic Imperatives: BPF 2022/23 (1)

- **Maintain an equitable share of resourcing** in line with Constitutional and intergovernmental mandates. Support to stabilise local government finances.
- **Continue to fund public goods:** In the context of severe fiscal constraints, need to prevent regression in developmental outcomes achieved by key social and basic service delivery sectors, including education, social development, health, basic services and peace & security (~71% of current budget).
- The BPF proposes the following criteria that should be considered during the budget deliberations:
 - **Stabilisation**
 - **Recovery**
 - **Efficiency and effectiveness**
 - **Transformation and inclusion; and**
 - **Sustainability.**

Stabilisation

- Support the stabilisation given the significant disruptions caused by the COVID-19. The highest priority is given to **saving lives by reducing health risks** while also protecting those that are most at risk from socio-economic hardship. Public employment programmes remain key in supporting household incomes.

Recovery

- **Support economic recovery and employment through the ERRP.** Focus on least cost interventions and **crowding private investment.** Entities that operate within competitive markets that don't have significant market failures should be considered for rationalization or should **source strategic equity partnerships** to support sustainability. **Appropriate regulatory frameworks** should be put in to place to manage these markets and promote transformation
- **Support sectors that have a higher potential for job creation and export potential.** These include manufacturing, construction, agriculture and trade. Public employment programmes should be more targeted and support household incomes during the crisis.

Strategic Imperatives: BPF 2022/23 (2)

Efficiency and effectiveness

- Prioritise interventions that are most cost-effective and impactful, especially in promoting inclusive growth and job creation. Improved efficiency and effectiveness is essential given that resources are constrained. This includes reducing regulatory red tape, freeing up sectors that support private investment (supported by appropriate regulatory frameworks) and leverage private financing. Most of these issues are dealt with in the ERRP. National Treasury has adopted zero-based budgeting and expenditure reviews to support this process.

Transformation and inclusion

- Improve equity and inclusion across society to reduce high levels of poverty and inequality. Economic transformation and redistribution are vital for a more inclusive and equitable society, with a particular emphasis on black people, women, youth and persons with disabilities. Government should **ensure that inclusion and transformation remains a cross-cutting priority.**

Sustainability

- Enhance medium to long-term social, economic and environmental benefits. Lays the basis for long term resilience, while building capability to deal with future needs and challenges. Support a **sustainable fiscal strategy**, increase access to education and develop skills, reform long-term structural impediments, conserve natural capital and that build adaptive capacity all help improve socio-economic resilience

Reinforce complementarities and co-benefits with a mix of mutually reinforcing policy options to achieve multiple objectives linked to NDP goals. For example, interventions to improve equity and fairness, resulting in less inequality, are also essential for long-term social and economic sustainability. Interventions with synergistic effects with broader strategic objectives should be given priority.

BPF Key Pillars for 2022/23

- The Budget Prioritisation Framework 2022/23 adopted a strategy of ***Stabilisation & Recovery*** as endorsed by Cabinet Lekgotla
- This approach was supported by four pillars as outlined below:

Manage the pandemic

- Interventions that save lives and support the health sector;
- Rollout of the National COVID-19 Vaccination Programme;
- Support food security within households.

Drive economic recovery

- Implement ERRP priorities
- Network industries reforms, esp energy, water, transport, telecoms;
- Localisation, empowerment, inclusion and job creation
- Skills strategy to support economic recovery and Master Plans

Employment support and relief

- Given unemployment levels, public employment programmes should continue to support household incomes while the economy recovers.

Enhance state capability to deliver

- Supporting implementation capacity and capability for reforms;
- Reforms and restructuring of key SOEs;
- Combatting corruption and fraud;
- Managing the public sector wage bill.

STATE CAPABILITY CONFERENCE – SPATIAL PLANNING

Understanding Spatial Capabilities across government

Alignment to national, provincial and local, spatial legislation, frameworks, policies and strategies

All government interventions take place in space – where is this located and why? The pertinent question that is sometimes ignored in planning

The value and importance of the spatial dimension in government is often diminished

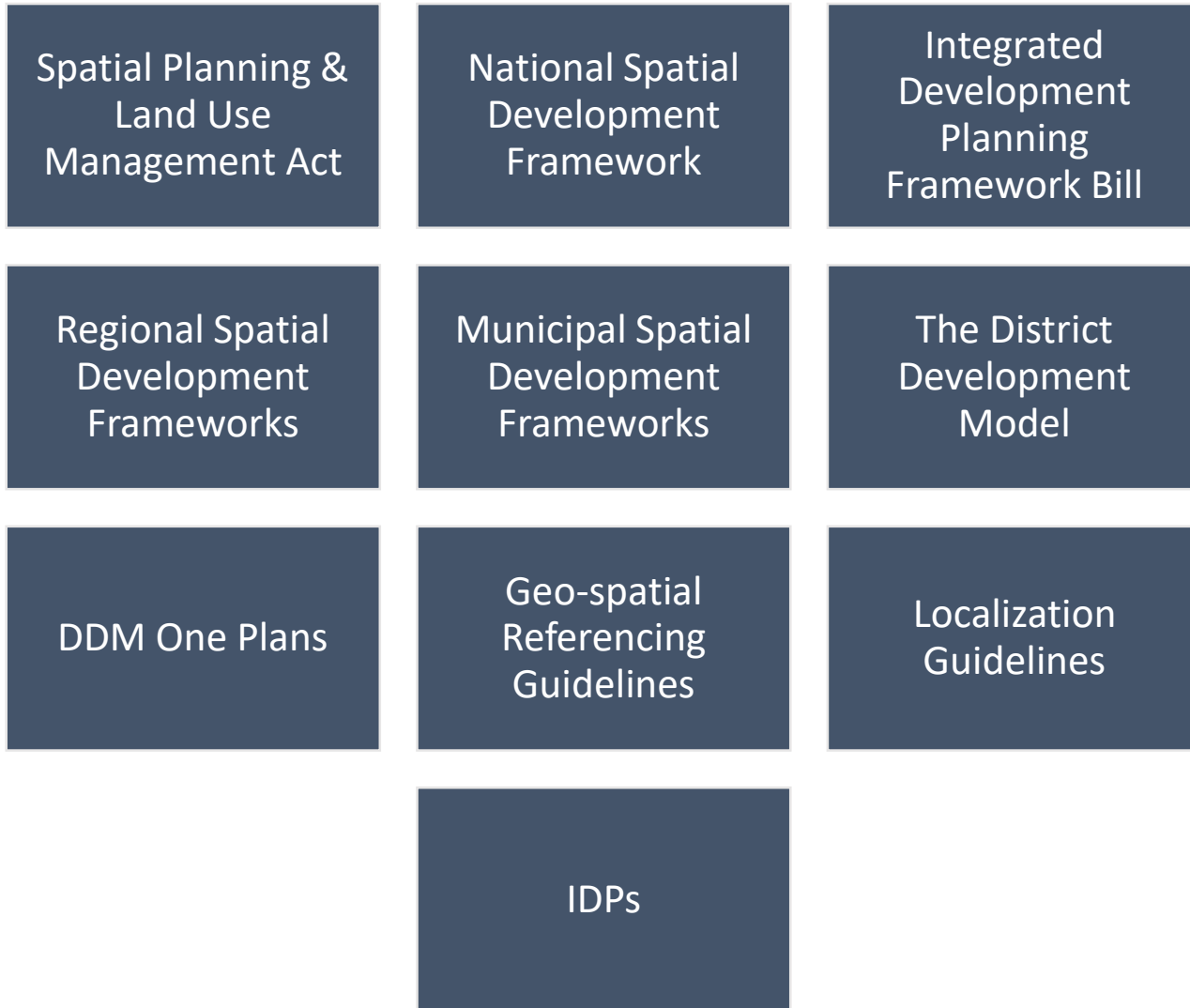
Compliance driven culture in government belies application, though and contextual understanding of space, spatial dynamics and impacts

Plethora of legislation, frameworks, policies and plans – creating areas of contestation, duplication and confusion

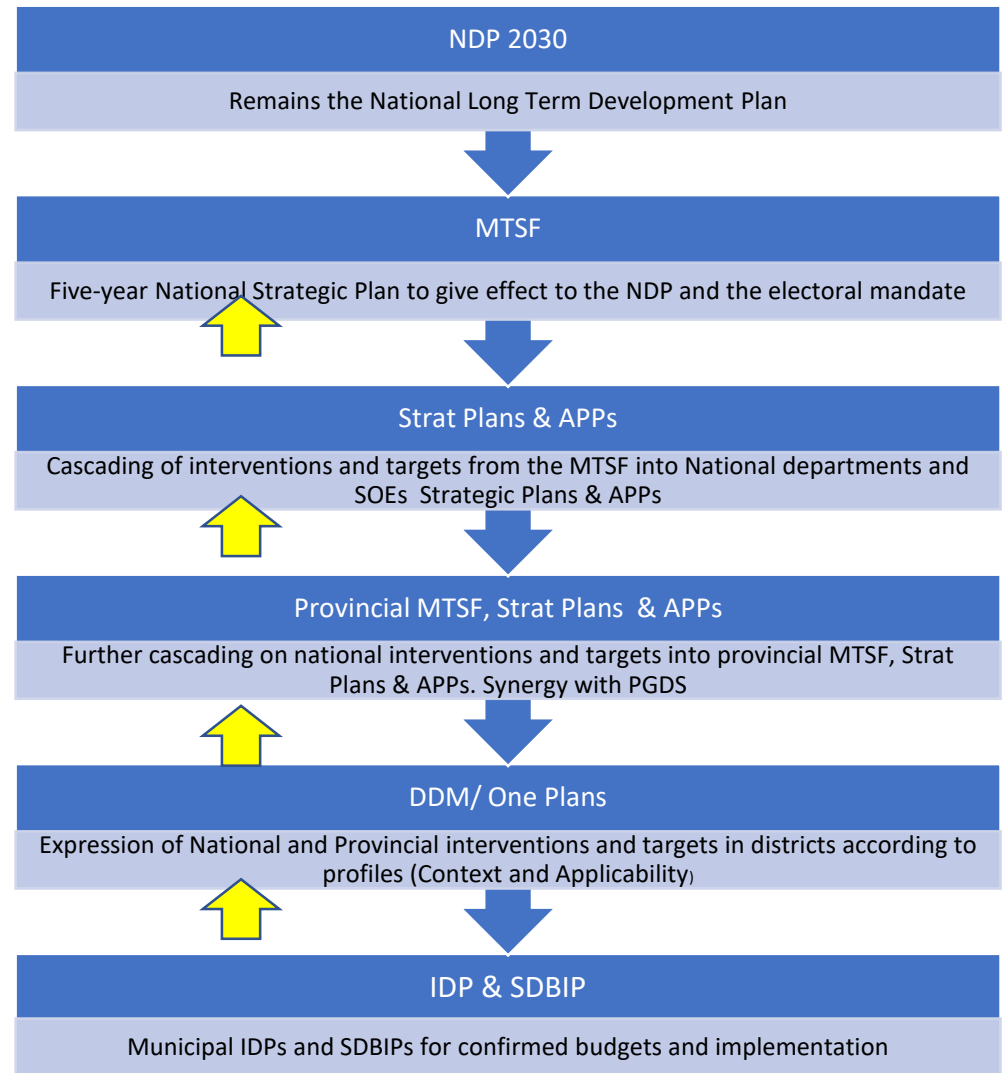
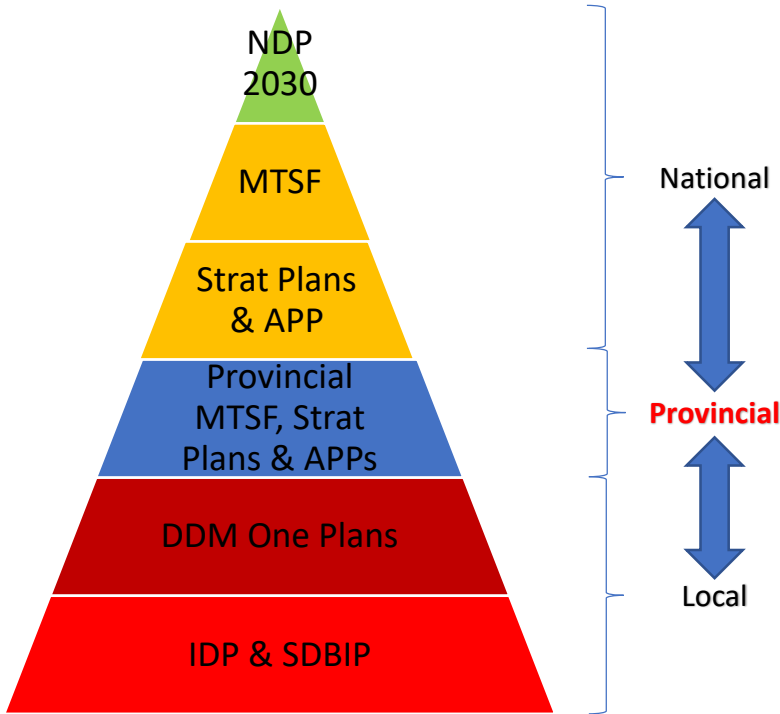
Disconnect between DDM and all of government approach to integrated spatial planning

Spatial systems, tools and hardware to improve spatialisation across government

STATE CAPABILITY CONFERENCE – SPATIAL PLANNING STRATEGIC INTERVENTIONS



LOCALISATION GUIDELINES: Iterative Process towards cumulative impact



Top – Down and Bottom – Up
 Iterative process that provides cumulative contribution to the desired impact of the NDP, MTSF and NSDF in DDM One Plans, IDPs and in the local government space

Diagnostic assessment on the state of planning in the national and provincial spheres of government

- The purpose of the diagnostic research is to
 - undertake a rigorous assessment of the state of planning in national and provincial government.
 - Identify key trends, strengths and weaknesses in the planning system
 - Assess adherence to applicable norms and standards, policies and prescripts
 - Assess changes over time
 - Identify good practice and lessons to improve planning practice and systems
 - Make recommendations for policy interventions to improve performance and outcomes

The role of planning in achieving government priorities and objectives

- It must be clearly stated that some excellent plans have been created which are insightful and action oriented. But, over 20 years into the planning process, the desired results from planning have not been achieved as expected. The system has some important merits but has not generated the expected outcomes.
- Political–administrative interface concerns
- Difficulty and unwillingness to prioritise
- Democratic planning in SA is still relatively new and we are still finding a balance between how prescriptive or how flexible plans should be; how consultation and engagement should be undertaken; and how democratically decided political objectives in a five year term can be balanced with long term strategic plans
- NDP Review stated: “the planning system is not fully serving developmental objectives, a key concern being that much planning has become a compliance exercise that occupies large quantities of time but delivers limited developmental impact.”
- The planning process has been negatively affected by compliance processes required in the audit system. This arose after performance reporting was combined with financial auditing post 2010. The focus of government has shifted to a greater emphasis on compliance rather than developmental outputs, outcomes and impacts. This situation is exacerbated in that the auditors are not trained in planning

Recommendations on the role of planning in achieving government priorities and objectives

1. The performance planning process should be delinked from the financial audit system. Instead a methodology should be developed to ensure that the outputs and outcomes and impacts of planning are adequately assessed.
2. Emphasis should be placed on a collaborative planning processes which bring in all relevant government and other role players.
3. Ensure that plans are communicated and well known to all government role players, citizens and businesses alike.

Effectiveness of planning processes and related instruments in the national and provincial sphere of government

- The planning system has been highly effective in creating a culture of plan creation, setting goals, creating visions and listing indicators. But plans are often ineffective
- Whilst there is a good level of referencing of the NDP, plans don't translate it into meaningful programmes and projects which address poverty, inequality and unemployment. This undermines the implementation of the NDP
- The entire planning system hinges on the MTSF translating the aims of the NDP and the ANC's election mandate into actionable programmes and projects. This link, which should be the strongest in the chain of hierarchy, is not as strong as it should be.
- There is generally a lack of inward reflection on the role each plan-creator is playing in creating an environment to perpetuate the problems. Eg: capacity is only a problem in other spheres, lack of alignment is a failure of other role-players.
- The current system of planning allows for very little flexibility. The compliance focus of the planning system make it very difficult to change APP's where other conditions change.
- SA's needs are great, and development is a slow process. A great number of projects are being undertaken throughout the country, but because these are happening at a relatively local level, the impact of these is often not seen or sufficiently appreciated. The problem projects get media attention, not the successful ones.

Recommendations : Effectiveness of planning processes and related instruments in the national and provincial sphere of government?

1. The legislation needs to empower each of the three spheres of government in their roles and responsibilities in defining norms and standards and indicators for their responsibilities in the planning process.
2. This should be a significantly reduced list of norms, standards and indicators, which can be assessed in a simpler and more effective planning process. The planning process will therefore not be trying to assess huge numbers of indicators.
3. Focus on annual monitoring of the strategic outputs and outcomes and quarterly assessments, not audits, of progress made on developmental achievements.

Improving the overall quality of planning

- Some truly excellent plans have been created over the period studied. Good analyses, use of data, developmental insights. At the same time many plans have been developed that fail to clearly identify the problems, that don't link problems to actions, and fail to learn from the failure of previous plans.
- Planning is more than “plans”. A lot of plans have been produced, but without sufficient ‘planning’ having happened behind them.
- Planning is a multi-dimensional and multi-objective process, which aims to provide a best-fit solution to a set of complex problems.
- These problems may be understood differently by different role players, and the role of planning is to outline these problems and embark on a process to reach as-good-as-is possible set of agreements
- Planning guidelines focus on providing guidance to national and provincial departments and entities on how development plans cascade into the institutional plans.
 - However, these do not provide guidance on what development/spatial planning is and how these concepts are, in the South African context, to be translated into both the developmental/spatial plans and institutional plans
- Attempts to align institutional structures and operations to developmental goals, but these are often slow to complete
- A good plan is seen as one that complies with all the requirements in the latest guidelines, has the right headings and format.
 - But these are a very small part of what constitutes a good plan.
 - Planning is seen as a process with the aim of generating a plan. If this is the case, most planning processes are successful: they result in some form of a written or spatial plan.
 - Planning processes have generally been neglected and this has impacted on outcomes
- There must be a recognition of the role of local government in reaching development results

Recommendations: Improving the overall quality of planning

1. To bring spatial and developmental planning in a coherent way, the SPLUMA planning function should be moved to reside in COGTA.
2. Require all government plans to have a developmental focus which aligns with the NDP. This can be done along the same lines as the SPLUMA requirements.
3. There is a need for capacity building to improve planning processes
4. There needs to be greater alignment with the work of local government. Ideally, the responsibility for local and national planning should be united, as should spatial and developmental planning as discussed above.
5. Planning frameworks must be simple, without jargon. They must encourage collaboration and joint working within and between spheres of government; and most importantly encourage and guide a developmental focus across government
6. Use the provisions of the IGRFA to ensure that IGR structures and processes are suited to facilitating greater alignment and cooperation in planning between national and provincial government.
7. In this regard, the DDM must become a centre of government priority, ensuring that all national departments align and synchronise their plans at a District or metro level
8. Intergovernmental processes devised to ensure that plans cannot be changed without intergovernmental agreement.

Institutionalisation and professionalisation of planning in the national and provincial spheres of government

- There are many important elements of institutionalisation of planning already in place.
 - But there are gaps that limit the effectiveness of planning
 - Institutionalisation aims to ensure that the role-players in the planning system work within a common planning framework towards a shared set of development goals.
 - This includes the processes, procedures and legislation through which planning takes place
 - A lot of plans have been produced, but without sufficient 'planning' having happened behind them.
- Centre of government departments must have an integrated and coordinated initiative to build planning capacity at an individual and institutional level across the three spheres of government
- Planning skills need to include the ability to understand the complexity of planning
 - Understand the trade-offs that need to be made.
 - Economics, social science, geography, urban development all provide a good basis for planning.

Recommendations: Institutionalisation and professionalisation of planning in the national and provincial spheres of government (1)

1. Whilst there is a significant degree of alignment between the MTSF and the NDP, this link needs to be strengthened to ensure that the NDP will be effectively implemented.
2. There is a need for legislation which guides developmental planning in the same way that SPLUMA guides spatial planning, providing a clear allocation of roles and responsibilities to all role-players. This must also address the issue of clarifying the distribution of powers and functions across government.
3. Whilst the IGRFA creates a framework for intergovernmental structures and engagements, these are insufficiently focussed around planning and implementation matters. Intergovernmental structures have generally been ineffective in strengthening horizontal alignment. The role of the IGRFA forums in planning and implementation should be more clearly specified and their roles described.
4. All aspects of all institutional, developmental and financial plans have a spatial context and spatial transformation should cut across all the plans of government.
5. Provincially, where the Offices of the Premier are not playing a coordinator role in planning, this reduces horizontal alignment and reduces the effectiveness of planning.
6. Whilst the Revised Framework for Strategic Plans and Annual Performance Plans and the Draft Policy Framework for Integrated Planning provide information on the roles and responsibilities for centre of government departments, DPME, DCOG and National Treasury should also ensure that in those documents planning (at all three spheres) should be defined, including explaining how each of its three key components – institutional, developmental and financial – interrelate, and how integration of these dimensions should occur, particularly at an institutional level.

Recommendations: Institutionalisation and professionalisation of planning in the national and provincial spheres of government (2)

7. There is a need for a greater integration of DDM into the institutionalisation of planning initiatives as it is aimed at ensuring programmes and projects of all spheres and their entities have their plans, implementation programmes and budgets aligned and synchronised in 52 spaces.
8. Given South Africa's development challenges, a strategic, long-term approach needs to inform the allocation of resources so that historical inequities can be progressively addressed. However, operational plans have to be developed within the context of limited resources, informed by longer term plans and priorities.
9. Institutionalisation also requires a strong central management of information to support and inform planning. This requires a publicly accessible centralized database and document management system in order to ensure access to information on all plans across national and provincial government, data on indicators, monitoring and information. All development results should be made available within 30 days of them being provided so as to encourage widespread engagement with progress (or not) being made.
10. Professionalising the PME personnel encouraging far more analytical than process-driven work.
11. DPME and National School of Government should provide continuous training and development for Planning and M&E officials.

Local Government

Challenges in Basic Services Delivery and Infrastructure

- Deteriorating municipal infrastructure due to the neglect and poor asset maintenance
- Municipalities do not budget the required minimum of 8% for maintenance. Consequently increasing quantum of ageing infrastructure which increases operational costs and loss of potential revenue base.
 - E.g. DWS has reported that 41% of the municipal water is not being billed for as a result of water leakages due to ageing and collapsing infrastructure.
- DWS has not eradicated the bucket sanitation systems in formal settlements by September 2021. Progress made is eroded with increasing Bucket toilet systems in North West and Free State (almost 50% of total) - StatsSA, 2021.
- Delays in the assessment of water and wastewater treatment works for compliance with Blue Drop and Green Drop Regulatory requirements, respectively.
- Community actions contribute deterioration of infrastructure:
 - Illegal sewer connections is a growing challenge – local residents especially in informal settlements make illegal connections.
 - destruction of road infrastructure;
 - infiltration of rain water into sewer systems;
 - open manholes compromising safety of residents, etc..

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Local Government

Challenges in Basic Services Delivery and Infrastructure

- Access to electricity increasing at a slower pace: slow progress in Gauteng and Western Cape not keeping up with rapid in-migration experienced by these provinces.
- Slow progress on the non-grid electrification of households – delays in the procurement of service providers.
- Fraud and corruption in capital expenditure projects leading to slow progress in the improvement of municipal infrastructure to provide services.
- Lack of accountability and consequence management exacerbates the problem. e.g. Collapse of the R3 billion Giyani bulk water project after allegations of corruption. Project was intended to provide clean running water into the taps of 55 villages in Giyani in Mopani District of Limpopo.

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Local Government

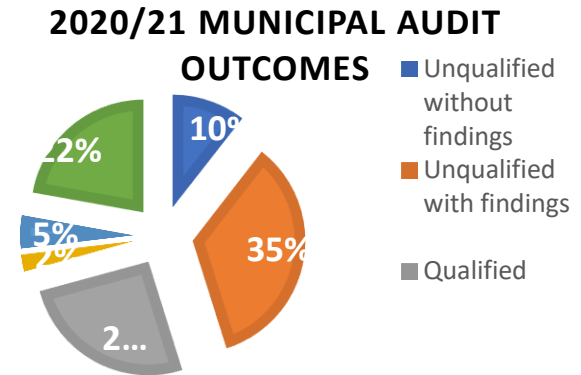
April 2022

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Local Government

Financial Health and Viability of Municipalities

- Audit outcomes show: 53 municipalities are in a dire financial position and will be continue operating as a going concern in the foreseeable future.
- National Treasury further identified 163 municipalities to be in financial distress; 43 municipalities in a financial and service delivery crisis; and 23 municipalities with Financial Recovery Plans.



- Year-on-year increase municipal consumer debts – increase from R230,0 billion in Dec 2020 to R261,5 billion in Dec 2021 (14% increase).
- Government debt accounts for 7.5% or R19.6 billion of the total outstanding debtors. The largest component of this debt relates to households which account for 69.7% or R182.4 billion.
- This demonstrates a growing culture of the non-payment of services by citizens. Moreover, the lack of commitment by municipalities to ensure the collection of this debt is concerning and limits the municipalities' ability to provide services in a sustainable manner.

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Local Government

Financial Health and Viability of Municipalities

- Municipal debt owed to water boards and Eskom is continuing to soar
 - Municipalities owed water boards R12,6 billion as at 31 March 2021; and total debt owed to Eskom amounted to about R35,3 billion as at 31 March 2021, of which 78% is owed by municipalities
- The municipalities, continue to underspend available budgets. COVID-19 is one factor that has delayed the rollout of services to the communities. However, municipalities still need to improve their procurement processes to ensure spending the moment the municipal financial year starts.
- The change in municipal leadership after municipal elections in November 2021 adversely contributed to slow spending and affected service delivery by municipalities.
- Little action been taken to address unauthorized, irregular, fruitless and wasteful expenditure due to non-compliance with legislations.

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Local Government

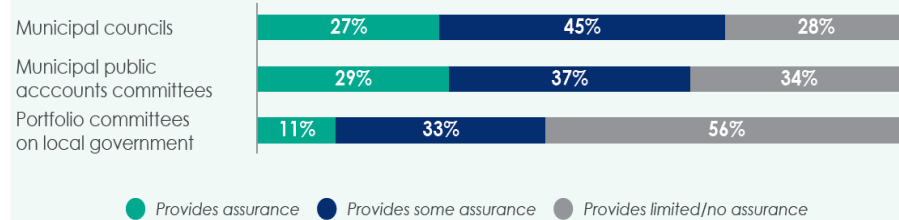
Institutional Capacity and Governance

The poor state of local government is attributed to the lack of functional institutional and governance structures; high administrative vacancies; and lack of consequences for accountability failures.

- Poor governance is shown by:
 - Tensions between the political and administrative interface – common in municipalities under section 139 intervention.
 - Poor capability of many councillors to deal with the demands of local government
 - Poor functionality of ward committees to foster public participation and a consultative municipal government.
 - Poor functionality of governance structures e.g. Audit Committees, Internal Audit, Disciplinary Boards, Municipal public accounts committees.

External independent assurance and oversight

(Independent assurance providers objectively assessing municipal reporting)



Source: MFMA AG General Report 2019/20

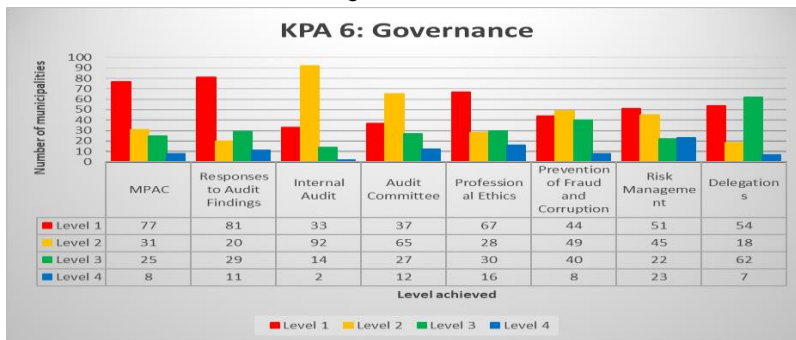
- Limited capacity happens despite R1.8 billion invested in capacity building programmes in local government during the 2020/21 financial year to assist municipalities in the development of their management, planning, technical, budgeting and financial management capabilities
- Scarcity of technical skills in municipalities are a major contributing factor to the failure of infrastructure development and basic services provision

LET'S GROW SOUTH AFRICA TOGETHER

Local Government

Institutional Capacity and Governance

The DPME conducted a five year review of the Local Government Management Improvement Model (LGMIM) - a tool developed to measure the institutional performance of municipalities across a number of critical key performance areas. From the 141 participating municipalities assessed over the 5 year period, one of the key performance areas, Governance, reflected the following:



Level	Description
Level 1	The municipality lacks basic adherence to management practices in line with legal, regulatory and prescribed best practice requirements. Affected management standard require serious attention from the management team.
Level 2	The municipality has some management practices in place that partially adhere to legal, regulatory and prescribed best practice requirements. A platform exists to become fully effective, but will require some attention from the management team.
Level 3	Municipality employs management practices in line with legal, regulatory and prescribed best practice requirements. The municipality is fully effective and the management team should endeavour to sustain the good performance.
Level 4	Municipality employs management practices in line with legal, regulatory and prescribed best practice requirements and shows innovation.

- It was found among the participating municipalities (level 1 and 2):
- MPACs in 108 (76%) were not fully compliant with the legal, regulatory and prescribed best practice requirements to render them functional.
- MPACs seem to lack resources and expertise in certain areas which might undermine their effectiveness as a council oversight committee.
- 101 (72%) failed to show the prescribed responsiveness to audit findings as per the Auditor-General. It seems that the monitoring of the implementation of the Audit action plan is not done consistently on a quarterly basis. This can be seen as an indication that the municipal leadership did not adequately monitor or exercise appropriate oversight over the implementation of the existing audit action plan to ensure that corrective actions were taken where required.
- Internal Audit units in 125 (89%) participating municipalities (level 1 and 2) were found to be not fully compliant with the legal, regulatory and prescribed best practice requirements to render them functional. Through the assessments it was found that quarterly reporting on the implementation of the Internal Audit plan did not occur consistently. This hampers the leadership's ability to improve audit outcomes and internal control measures.
- Where participating municipalities did not achieve full adherence in respect of the functioning of Audit Committees, they were unable to provide sufficient evidence that the Chairpersons of the Audit Committees' reports served before Council on a quarterly basis. The assessments did not establish whether this is due to the reports not having been submitted or that Council did not consider such reports.

Local Government

Recommendations to unblock and accelerate the implementation of strategic policies and programmes

- MISA in collaboration with municipalities to elevate the **restoration and maintenance of municipal infrastructure**. Deliberate steps need to be taken to prioritise maintenance over new infrastructure and shift the focus decisively towards maintenance to avoid dilapidation and collapse of the existing infrastructure.
- DMRE together with municipalities and Eskom should intensify the implementation of catch up installation plans for the **connection of electricity to households** in Gauteng and Western Cape provinces .
- The **rehabilitation of energy distribution infrastructure** in municipalities is necessary to effect delivery through the INEP - Cabinet approval of NERSA review on enforcement of municipal distribution license conditions for implementation in the 2021/22 financial year.
- Ensure robust monitoring of the Eskom's Active Partnership Model to **address municipal electricity debt challenges** for defaulting municipalities.
- **Water and sanitation services are particularly vulnerable because of the combined impact of falling revenues, the vicious cycle of rising debt and weak institutional and technical capability**. It is imperative that the IMC on Service Delivery and stakeholders in the water sector make intentional effort to prioritise the implementation of water service interventions to prevent the looming water crises in South Africa.
- **DWS to support and monitor the implementation of municipal priority action plans to address high and extreme vulnerability factors** in key functional business attributes such as financial management, water conservation and water demand management, the operation and the maintenance of assets within WSAs.
- The Multi-Disciplinary Revenue Committee to continue building enforcement measures that ensure the implementation of credit control and debt management policies in **managing the debt crisis in municipalities**.
- Intensify efforts to establish functional disciplinary boards **to reduce unauthorized, irregular, fruitless and wasteful expenditure** in non-compliant municipalities.
- Expedited **review of the capacity building system** for local government to ensure that resources are used in the most efficient and effective manner.

Public Service Challenges

Public Sector and Capacity Development



planning, monitoring
& evaluation

Department:
Planning, Monitoring and Evaluation
REPUBLIC OF SOUTH AFRICA



Background

- According to Atkinson, “Capability is evidenced when institutions respond effectively to change, make decisions efficiently, effectively and responsively” (Public Service Commission, 2021).
- Most strategies implemented by African countries to reform their public sectors have been unsuccessful, in large part due to difficulties in implementation (Ayee, 2005, p44)
- South Africa was very successful in amalgamating the disparate administrations that existed at the dawn of democracy in 1994. We started very well.
- This was followed by a raft of legislative reforms (PSA, PFMA etc.). However many challenges remain.
- Despite an increase in government spending and a highly qualified cadre of senior managers, the public service continues to be characterised by lack of delivery, corruption and maladministration.
- The weary public has become cynical whenever they hear statements about fighting corruption. Sadly, the public service has become a butt of joke and is viewed with contempt by the public.

Background

- According to Hunter, Singh and Wicks “The so-called “Eight Days in July” suggest a denuded capacity and capability of the security apparatus of the state” (Public Service Commission, 2021). To what extent is this representative of the state of the entire public service?
- What are the main challenges facing the South African public service?
- Whilst it is clear that the public service is not delivering as it should, the challenges facing it are not insurmountable and measures are afoot to address them.
- The first step in the science of problem solving is problem identification
- What, therefore, are the challenges facing our public service?

Overview of Capacity and Capability in the Public Service

- According to the Public Service Commission's 2021 Report on the State of Public Service, the main challenges facing the public service can be summarised as follows:
- State capacity and capability in South Africa has weakened over time
- Fiscal consolidation has led to reductions in headcounts and decreases in budgets in goods and services
- Inefficiencies in resource allocation and poor conversion of resources into outcomes
- The growing capacity and capability challenges have resulted in courts taking up space to resolve matters where state capacity and capability to respond to service delivery challenges is severely weakened.

Achievement of Targets

Using various monitoring tools and reports such as the AGSA and the DPME 's Electronic Quarterly Performance Report System, the DPME highlights the following...

- The Public Finance Management Act, exhorts departments to ensure efficiency, economy and effectiveness in delivering goods and services. However, the public service has been bedeviled by wastage, inefficiencies and lack of effectiveness.
- The AGSA lamented the fact that the audit outcomes of Key Service Delivery Departments within the sectors of health, education, human settlements, public works lag behind those of other departments, indicating weaknesses in financial and performance management and compliance with legislation
- Procurement and/or contracting remains a concern as many projects are consistently delayed due to contractor appointments and/or disputes.
- A number of departments are also struggling with contract management, resulting in delays in major projects
- The AGSA has lamented the continued failure by a number of departments to meet their performance targets

Financial Management

- **Audit Outcomes**

A clean audit outcome is a n indication of good governance. AGSA indicated that a number of departments are increasingly heeding the message around putting in place proper controls and processes, resulting in the improvements that are emerging.

Whilst there have been some notable improvements in audit outcomes, departments are still struggling to sustain an improvement trajectory.

- **Lack of financial management expertise in critical areas**

AGSA has lamented departments' inability to produce financial statements that are credible, with many auditees placing undue reliance on auditors to enhance their credibility. This points to lack of skills and expertise necessary to produce financial statements that are credible and reliable.

- **Expenditure Management (Unauthorised, Irregular, Fruitless and Wasteful Expenditure)**

Poor financial Management has resulted in the continued incurrence of Unauthorised, Irregular, Fruitless and Wasteful expenditure: The impact of the failure to curb these unwanted expenditures on the fiscus is huge. Most of the unauthorised expenditure in the 2020/21 financial year was mainly incurred by departments **overspending** their budgets. The Eastern Cape, Free State and Northern Cape were the main contributors to the unauthorised expenditure, being responsible for 87% of all unauthorised expenditure incurred by departments in the 2020/21 financial year. The AGSA further noted that the provincial health and education departments incurred R2,83 billion in unauthorised expenditure.

Financial Management

- Public funds are not being managed effectively and efficiently
- Audit Outcomes show that departments lack effective internal controls and processes
- General lack of capacity and skills within the finance units

Financial Management

- The incurrence of unauthorised expenditure is indicative of the pressure on the education and health sector, due to increased demand for services.

- **Expenditure on Infrastructure and Maintenance**

The decline in capital expenditure is reflected in the deteriorating infrastructure in areas such as construction, roads, public buildings and rail network, which for the backbone of any economy. Existing infrastructure have deteriorated, with little investment made to rehabilitate them in recent years.

- **Management of State Liabilities**

Claims against the state continue to increase unabated, with the AGSA indicating that the value of claims against the state at the end of 2020/21 financial year was estimated at R166,07 billion. Provincial health departments accounted for the largest portion of this amount, at 75%.

- **Payment of Suppliers**

Departments are struggling to pay service providers within the stipulated period of 30 days after receipt of an invoice. A report by the AGSA further shows that an average of 52 departments take more than 30 days to pay service providers. Departments owed service providers R4,9 billion at the end of December 2021 with 38 384 invoices older than 30 days not paid.

Governance & Accountability

Good governance and accountability in public administration are enshrined in the South African Constitution.

- **Corruption and poor ethical behaviour**

The public service is characterised by corruption and maladministration. This image is the cause of lack of trust in government institutions.

Collusion and circumvention of Supply Chain Management processes is robbing citizens of much needed services

There are measures to ensure that civil servant do not do business with the state as evidenced by improvements in compliance with submission of annual financial disclosures across the public service

The Overall HOD's compliance rate for the 2020/21 financial year was at 94% (ND's - 88% and Provincial- 94%)

A higher level of financial disclosure compliance is noted at a national level across all categories of staff required to submit their disclosures.

Governance & Accountability

There has been a drop in the number of cases lodged with the National Anti-Corruption Hotline (NACH) along with a decline in feedbacks provided to PSC and cases closed.

Challenges experienced by the PSC with reference to NACH cases is that departments do not submit detailed reports when providing feedback.

Lack of detailed feedback from departments hampers the analysis of cases and the determination whether cases should be closed or not.

- **Leadership**

Lack of effective leadership. There is evidence that departments that have good, ethical leadership have been able to improve their performance. Although various aspects contribute to inadequate service delivery, ineffective leadership is the ultimate key problem (Francis, 2013).

Lack of stability in leadership has also contributed to poor performance by departments.

Governance & Accountability

- **Consequence Management**

There is a culture of impunity that permeates the public service, with lack of consequences for transgressions.

Non-compliance is prevalent across various functions

Human Resource Management

➤ Vacancy Rates

Departments are struggling to recruit and retain skilled personnel essential for effective delivery of services to the citizens. A number of departments continue to reflect high vacancy rates.

- The overall vacancy rate for the whole public service (National and Provincial depts) stood at 12,2% during the 2021/22 financial year
- The overall Senior Management Service vacancies stood at 22,2%
- These figures are above the required 10% target set for departments.

• Recruitment and appointment of women in SMS positions

There has been a noticeable progress in achieving equity targets.

- Female representation in SMS positions stands at 44,2% overall – still below the required 50% target.
- HOD's 32% female appointments for the public service.

• Employment of Persons with Disabilities

- The overall representation stands at 0.9% for People With Disabilities (PWD) for the Public Service – well below the 2% target.

Human Resource Management

- **Employee Costs**

- Government still spends disproportionately high amount of money on compensation of employees vis-à-vis goods and services (Compensation of employees will consume R682,5 billion out of a budget of R2157,3 billion for the 2022/23 financial year)

- **HOD Performance Agreement submission**

- The compliance rate for the submission of performance agreements by Heads of Department (HoD) is still not at 100% (89% for the 2021/22 financial year)

- **Disciplinary Cases**

- The following major findings were made in the management of disciplinary cases within the national and provincial department spheres:
 - Departments are still struggling to finalise disciplinary cases within the stipulated period of 90 days for misconduct cases; appeals; precautionary suspensions. This is costing the state lots of money with suspended officials continuing to draw their salaries whilst doing nothing.

Operations Management and Service Delivery

- **Operational bottlenecks**

- Service delivery is hampered by inefficient processes, resulting in long queues and delays.

- **Lack adherence to Batho Pele Principles**

- Public servants lack ethos and work ethic that should characterise those who serve the public. Public servants behaving in a manner that tarnishes the image of government.

- **Corruption**

- The taking of bribery by those entrusted with serving the people, creates a notion that those who have money are above the law.

Conclusion and Summary

- Whilst the problems mentioned above are not unique to South Africa, there is a need to find and implement solutions that are relevant to our challenges
- The current process of rebuilding state institutions will go a long way in addressing capacity and capability challenges with our public service
- As we re-establish the supremacy of the rule of law and the culture of accountability, mediocrity and impunity will not be tolerated
- An improvement in compliance in financial disclosures and lifestyle audits will go a long way in curbing corruption in our procurement processes
- Measures, such as Operation Vulindla and Operation Phakisa that are meant to reduce bottlenecks are beginning to bear fruits
- Government will intensify the implementation of these measures and will continue to review and revise legislative frameworks to ensure a public service that we can all be proud of

Public Entities

April 2022

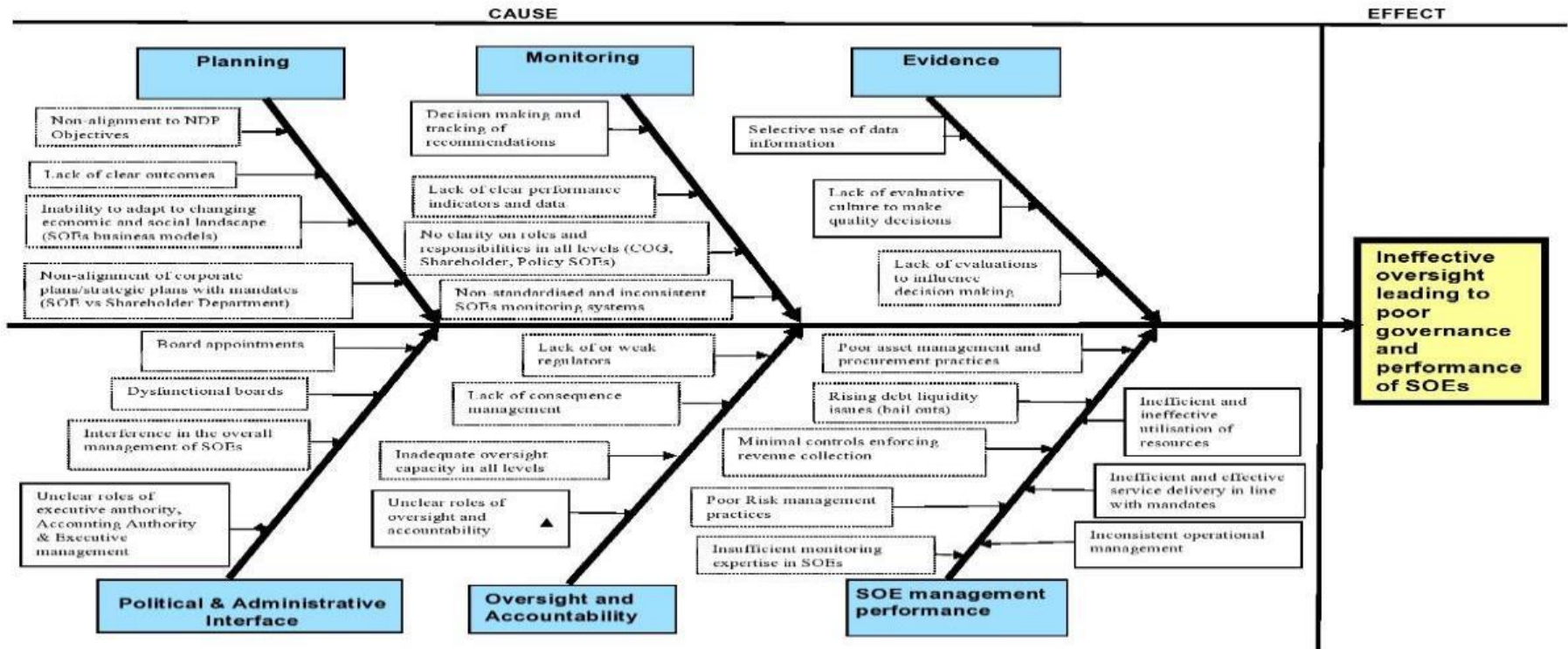
LET'S GROW SOUTH AFRICA TOGETHER

PROBLEM STATEMENT

- State-owned entities are crucial in ensuring that the state delivers on the developmental mandates to improve the quality of lives in South Africa.
- However, in recent years state-owned entities failed to deliver the most basic services such as electricity, water, and etc.
- The recent Auditor General Reports have also highlighted discrepancies in governance and financial mismanagement, which indicate maladministration committed by those entrusted with managing SOEs.
- The Presidential Review Council in its 2014 report, also stated irregularities in SOE governance and poor performance which require urgent intervention and support.
- The recent National Planning Committee (NPC) 2020 findings on SOEs, also indicated instances of weak governance, poor implementation of infrastructure commitments and reckless performance management practices which negatively impacts on the fiscus and service delivery
- This perception of the SOE, has tarnished the image of the state and its role in ensuring efficient and effective service delivery, especially to indigent and vulnerable members of society
- Slow progress or no performance in the implementations of past and proposed SOEs reforms

ROOT CAUSE ANALYSIS

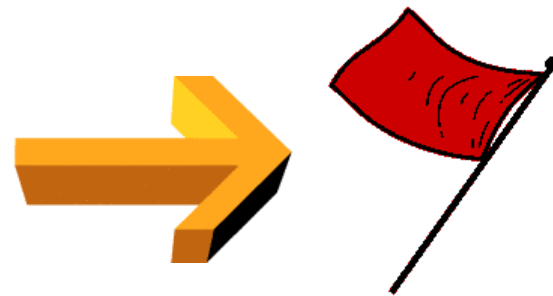
SOEs Fishbone Diagram



SUMMARY OF SOES REFORMS

- **Presidential Review commission (PRC) on SOEs**– Recommendation to address poor governance. (Report 2014)
- **NDP 2030** - Need to have a capable state to deliver and strengthen oversight and governance in all aspects of government.
- **Presidential State-Owned Entity Council (PSEC)** – Restore and preserve the integrity, reputation and governance within the SOE environment (June 2020)
- **Medium Term Strategic Framework (MTSF)** – Make a governance a priority in SOES

**Bottom-Line: Governance
Challenges remain across
SOE environment**



CONTEXT AND PSEC WORK IN PROGRESS

- Post-2018 efforts to address challenges in State-owned Enterprises (SOEs), include:
 - Reforms to governance structures; restructuring entities such as Eskom, PRASA, Landbank, Water Boards and SABC.
 - State Capture most affected key strategic SOEs leading to:
 1. Rapid decline in governance; operational performance & financial instability, including irregular procurement.
 2. Inability to deliver commercial & developmental mandates; & contributing to economic growth and job creation.

State Capture Commission Report

- Part 1 and 2 of State Capture Commission Report findings broadly indicate:
 - Irregular procurement processes, conflicts of interest, inadequate audit procedures & internal controls/procedures.
 - Recommendations include: prosecution of individuals & companies for fraud and corruption; professional bodies to sanction members; attempts to recover funds; declare responsible directors delinquent.
 - Anticipation of specific recommendations on the appointment of Boards and Executives
- PSEC considering ownership models; governance; financial & operational models; consolidation; restructuring interventions in troubled SOEs.
- Major objectives of reform process: stop reliance on fiscus through “bailouts”; build capacity of the State in identified economic and social areas; introduce culture of integrity & service to the country; & professionalism.

DPME SOES ANALYTICAL REPORT

- **DPME SOEs Reports** - Baseline report on Schedule 2 Entities and sectoral reports including entities in water, energy, rail and roads, and broadband & ICT sectors were developed in the second quarter of 2021 based on annual reports
- In addition, data was also collected in the fourth quarter of FY 2021/22 on the latest SOE performance information, regarding Schedule 2 SOEs.
- **Summary findings:**
 - Many SOEs are still struggling to maintain financial management protocols or achievement of an audit outcome that is unqualified;
 - Leadership and management instability hampers performance;
 - Infrastructure SOEs fail to deliver water, electricity, roads, and transport infrastructure,
 - Subsidiaries' operate at arms-length from oversight departments and are not included in PFMA schedules. No documented process to establish subsidiaries and their funding
 - Water Boards struggle to recover money owed by municipalities

LESSONS LEARNED FROM ANALYSIS

- Government cannot afford SOEs that fail to deliver mandated services and contribute towards developmental goals.
- Effective oversight and monitoring are vital for accountability and transparency in the governance of SOEs.
- Investment in SOEs oversight and monitoring capacity important to keep the shareholder informed and take appropriate actions to improve
- Continuity in leadership is important for stability in the operations of SOEs
- SOEs in South Africa are not delivering returns for the shareholder investment
- Rationalisation and repurposing of SOEs remains a priority to determine their relevance

SOEs POLICY RECOMMENDATIONS

- **SOEs policy coordination and oversight structure** –current arrangements of separating the responsibility for policy coordination and oversight between departments be reviewed and explore other arrangement such as centralized SOEs model with all SOEs under the oversight of a central agency with expert skilled in all competencies required for SOEs.
- **Repurposing of SOEs** - repurposing of SOEs be monitored by DPE and reported to DPME to keep track on progress made.
- **Creation of subsidiaries** –policy guidelines be developed to guide the standardized process for the creation of subsidiaries with clear roles defined for the shareholder and entities established in terms of PFMA. Subsidiaries to be included in SOEs register
- **State-ownership and Development of SOEs Register** –the state consider mixed ownership models which allow partnerships with private sector players when necessary (Explore models in China and draw lessons from Telkom which provide evidence that mixed ownership perform better). SOEs Register to include all entities irrespective of degree of ownership

SOEs POLICY RECOMMENDATIONS

- **Review the existing board governance model** –Given SOEs poor performance track record, it is proposed that the current board governance (unitary) model be reviewed and compared to other board structure models including two-tier board structure model (supervisory) which separate the independent board from executive board.
- **Shareholder Compacts:** It is recommended that shareholder compacts are effectively monitored to ensure alignment with founding mandates, NDP and MTSF and ensuring resources are made available.
- **Board appointment and evaluation** - It is proposed that a centralised committee with sectoral expertise be established to develop board appointment standards, recruitment of board members and conduct board performance evaluation.
- **SOE Executive Remuneration** - It is proposed that a SOEs a centralised remuneration committee be established to review the current system of SOEs remuneration to match with the nature of expertise required and performance of SOEs. As well as addressing the pay inequality gap.
- **Implementation of the SOE Monitoring Framework** – This will strengthen oversight and governance in SOEs.

NGIYATHOKOZA

DANKIE **KE A LEBOGA**

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Thank you