

Leadership, management and governance for sustainable service delivery

Executive Summary

Infrastructure is key for the delivery of basic services. However, while the government has been allocating funding for infrastructure projects over the years, in a number of cases, projects are not completed on time and cost overruns are common. While there are various reasons for infrastructure project failures, poor leadership and lack of accountability also contribute significantly. The Auditor-General South Africa (AGSA), in releasing the municipal audit results for the 2017/18 financial year, noted that the state of deteriorating audit outcomes shows that various local government role players have been slow in implementing their audit recommendations, and in many instances, have even disregarded them. This resulted in accountability for financial and performance management worsening in most municipalities. The 2018/19 consolidated general report on national and provincial audit outcomes of the Public Finance Management Act (PFMA) (AGSA, 2019) also reflected on disappointing audit results. Furthermore, the AGSA raised concern that municipalities lack accountability for finances and that accountability should trigger service delivery.

Lack of discipline results in irregular expenditure and service delivery failures. In that report, the AGSA also indicated that irregular municipal expenditure had ballooned by more than 50%, and that this could be attributed to the lack of internal controls and accountability. Therefore, the main aim of this policy brief is to analyse various interrelated factors, such as public leadership, good governance and accountability in as far as they relate to big and complex infrastructure projects and how these factors hamper the effectiveness of the public service. The study utilised a case study approach of two catalytic housing projects (Duncan Village in the Eastern Cape and Greater Cornubia in KwaZulu-Natal) and a bulk water project (Giyani Bulk Water Project in Limpopo). The study revealed that the implementation of infrastructure projects, among other things, shows non-compliance with supply chain management policies, which results in a number of challenges that encompass project cost overruns, court interventions and project delays, and that the intergovernmental relations arrangement is silent



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The Financial and Fiscal Commission is a body that makes recommendations and gives advice to organs of state on financial and fiscal matters. As an institution created in the Constitution of the Republic of South Africa, it is an independent juristic person subject only to the Constitution itself, the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997) (as amended) and relevant legislative prescripts. It may perform its functions on its own initiative or at the request of an organ of state.

The vision of the Commission is to provide influential advice for equitable, efficient and sustainable intergovernmental fiscal relations between national, provincial and local spheres of government. This relates to the equitable division of government revenue among three spheres of government and to the related service delivery of public services to South Africans.

Through focused research, the Commission aims to provide proactive, expert and independent advice on promoting the intergovernmental fiscal relations system using evidence-based policy analysis to ensure the realisation of constitutional values. The Commission reports directly to both Parliament and the provincial legislatures, who hold government institutions to account. Government must respond to the Commission's recommendations and the extent to which they will be implemented at the tabling of the annual national budget in February each year.

The Commission consists of commissioners appointed by the President: the Chairperson and Deputy Chairperson, three representatives of provinces, two representatives of organised local government and two other persons. The Commission pledges its commitment to the betterment of South Africa and South Africans in the execution of its duties.

on how coordination between these spheres should be managed. Hence, the Commission recommends that the Minister of Finance, in the Division of Revenue, should incentivise consequence management and that the Minister of Cooperative Governance and Traditional Affairs should review the intergovernmental coordination policy framework and consider strengthening intergovernmental coordination both vertically and horizontally.

Background

A critical objective of the public service is to deliver services to all South Africans in an efficient, equitable and sustainable manner that contributes to the progressive realisation of citizens' socio-economic rights, as enshrined in the Constitution. Service delivery performance in the public service could either be inhibited or accelerated, depending on how well its leadership and governance framework is aligned to its policy objectives. The stronger and more suitable the leadership and governance framework, the more likely the public service will be to achieve its service delivery outcomes. Since South Africa, like other countries in the world, experienced the COVID-19 pandemic early in 2020, the need for good governance and strong leadership escalated to ensure the efficient implementation of government's response plan to the pandemic.

The response plan not only provided for socio-economic relief measures, but also for the delivery of key infrastructure, which included the delivery and preparation of quarantine centres, emergency shelters and health facilities, as well as addressing matters relating to water infrastructure and services. The importance of good leadership, good governance and accountability during COVID-19 is exacerbated by the fact that key decisions and the approval of processes needed to be made very swiftly. This, however, also created an environment within which the abuse of processes and systems could occur. Accountability is another vital aspect of good leadership and governance. The AGSA, in releasing the municipal audit results for the 2017/18 financial year, noted that the state of deteriorating audit outcomes shows that various local government role players have been slow in implementing their audit recommendations, and in many instances, have even disregarded them. This resulted in accountability for financial and performance management worsening in most municipalities. The PFMA's 2018/19 consolidated general report on national and provincial audit outcomes (AGSA, 2019) also reflected on disappointing audit results. Furthermore, the AGSA raised concern that municipalities lack accountability for finances and that accountability should trigger service delivery.

Lack of discipline results in irregular expenditure and service delivery failures. In that report, the AGSA also indicated that irregular municipal expenditure had ballooned by more than 50%, and that this could be attributed to the lack of internal controls and accountability. The policy brief firstly critically analyses the impact of leadership, management, governance and intergovernmental relations on sustainable service delivery using two catalytic human settlement projects as case studies (Duncan Village and Greater Cornubia), as well as the Giyani Bulk Water Project. While interviews were held with respect to the two catalytic housing projects, no interviews were conducted in respect of the Giyani Bulk Water Project (the analysis of the Giyani Bulk Water Project therefore relied on secondary information, but still provides very useful insights). Secondly, the policy brief assesses how the lack of accountability has resulted in repeated non-compliance with regulations and internal controls, using the audit outcomes of the Department of Human Settlements, Water and Sanitation (DHSWS).

Research findings

Key issues that emerged from the Commission's analysis of the catalytic housing projects include intergovernmental coordination, political interference and absence of policies and regulations, while on the Giyani Bulk Water Project, key findings include supply chain management irregularities, escalation of costs and lack of or poor leadership, and recurrent irregular spending by the Department of Water and Sanitation (DWS).

Intergovernmental coordination in the implementation of projects: The wide range of role players in the implementation of catalytic projects includes, among others, role players in the human settlements, roads and transport, and water and sanitation sectors. These stakeholders have divergent priorities in terms of infrastructure plans and sources of funding. Engagements with municipalities revealed that, in instances where they are not implementors of a catalytic housing project, they are not properly consulted on key decisions, including the appointment of service providers (contractors), even though the project is implemented within their jurisdiction.

Poor intergovernmental coordination delays project implementation. A case in point is the Duncan Village project, where two service providers were appointed (by the Housing Development Agency and by the municipality, respectively) for the same project. This resulted in massive delays in the implementation of the project and costly legal action.

Political interference: The interviews with municipalities accentuated instances of political interference in the implementation of catalytic housing projects. One of the municipalities narrated an occurrence where a province appointed a contractor justified as being a political instruction from higher political principals. Municipal officials are unable to challenge political instructions, no matter how disruptive they may be, in the implementation of catalytic housing projects. Furthermore, political factions within political parties play themselves out in the implementation of catalytic housing projects, given party political dynamics. One of the municipalities in the case study indicated that tensions between the mayor (who belonged to a faction of the political party governing the municipality) and Members of the Executive Council (MECs) (aligned to another faction) contributed to a delay in the implementation of a catalytic housing project.

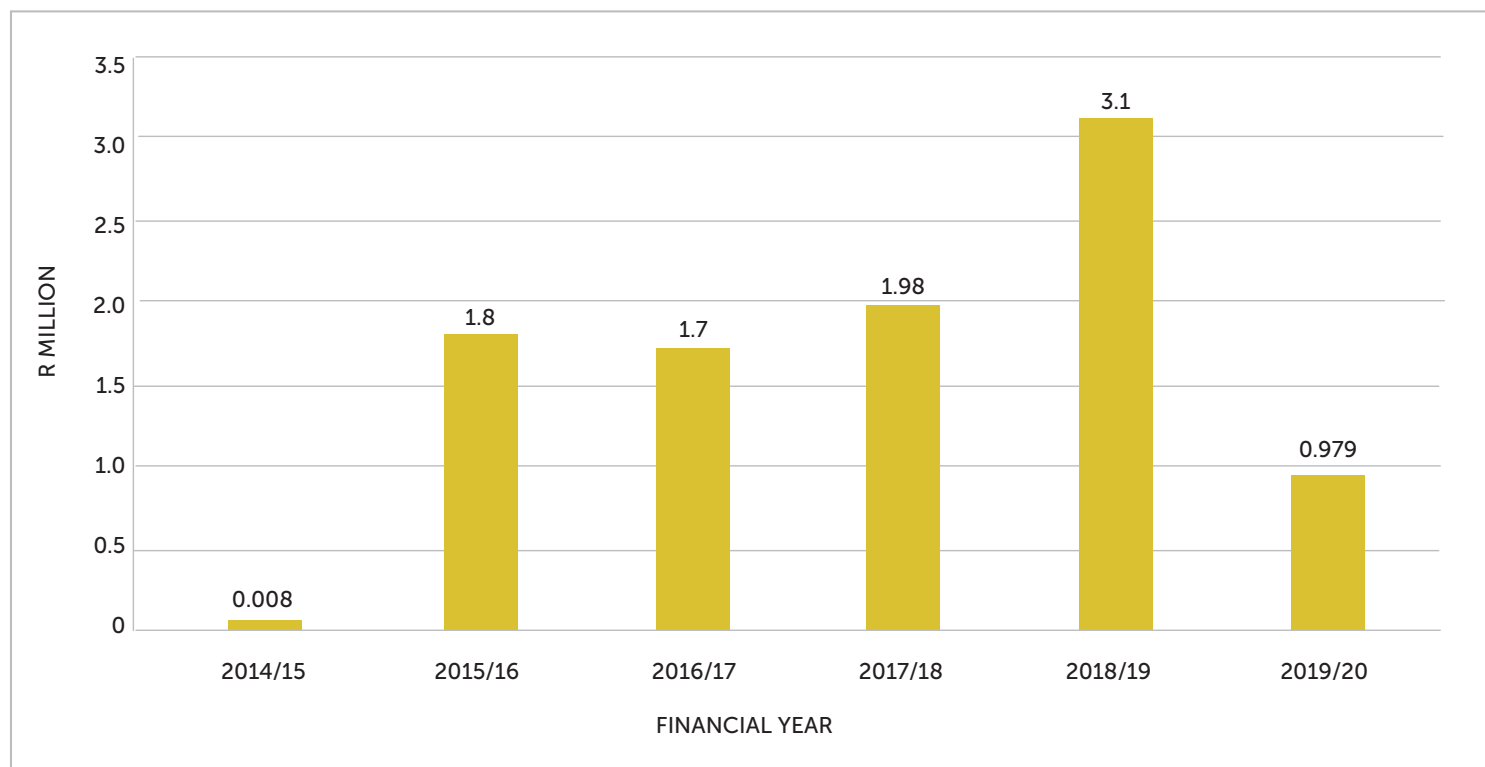
Absence of policies and regulations: The presence of policies and pieces of key legislation plays a key role in resolving several issues. The absence of policies and clear regulatory frameworks means that the adjudication of issues pertinent to the implementation of catalytic projects is left to the judicial system. This implies that the Judiciary instructs the Executive on what is to be done on policy matters that could easily have been resolved through policy and legislation.

Supply chain irregularities and project delays: In 2010, a service provider was appointed to build the Nandoni pipeline. However, the appointed service provider was only formalised as a business entity after it had secured the tender. In essence, this meant that this service provider did not exist before the tender was issued, and it had no employees, assets or income. Consequently, the award was legally contested by an unsuccessful bidder. In 2012, the court ordered the contract to be cancelled, citing fraud by the municipality in 2014, resulting in a two-year delay in the implementation of the project. This shows a lack of technical leadership as it relates to supply chain management issues.

Poor political leadership and escalation of project costs: Given that some work was done, the Supreme Court of Appeal ordered the DHSWS to determine the scope of the work required to perform remedial work to complete the construction of the pipeline and other works for the purposes of publishing a new tender for the Giyani Water Services Project. However, the then Minister of Human Settlements, Water and Sanitation directed Lepelle Northern Water (Lepelle) to act as the implementing agent in violation of the Supreme Court order, which required a tender for the remediation and completion of the works. The Minister further instructed Lepelle to appoint a service provider, which was done without issuing a tender as per the court order. Consequently, the service providers that were appointed by Lepelle to complete the project, instead, initiated other interventions that were outside the scope of the project. These interventions included rehabilitating boreholes and building emergency reservoirs, reticulation systems and new water treatment facilities. All these project scope creeps were done without proper technical planning, budgeting or procurement processes. This non-compliance with a court order not only demonstrates poor political leadership, but also had cost implications, given that it resulted in further legal contestations and project delays. The Giyani Water Services Project was initially costed at R247 million. During the audit of the 2016/17 financial year, R2.5 billion had already been spent, and this was projected to increase to R2.8 billion.

Irregular spending by the Department of Water and Sanitation: Irregular expenditure is expenditure that was not incurred in the manner prescribed by legislation. Such expenditure does not necessarily mean that money has been wasted or that fraud has been committed. It is an indicator of non-compliance with the process that needs to be investigated by management to determine whether it was an unintended error, due to negligence or done with the intention to work against the requirements of legislation. Irregular expenditure for the DWS increased from R88 million in 2014/15 to R3.1 billion in 2018/19, as reflected in Figure 1. There was an improvement in 2019/20 as irregular and fruitless expenditure was just under R1 billion (979 million). While irregular and fruitless expenditure decreased in 2019/20 compared to 2018/19, a matter of concern is the fact that there is a recurrence of similar issues, including the extension of contracts not approved by delegated officials, and irregularities in tender processes.

**Figure 1: Irregular expenditure by the Department of Human Settlements, Water and Sanitation ,
2014/15–2019/20**



Source: Auditor-General South Africa (2019)

Conclusion and recommendations

While the fiscus is constrained, financial resources made available to address service and infrastructure backlogs are not optimally utilised in some instances. Moreover, some projects are not properly planned and implemented, and therefore remain incomplete or are not completed on time, resulting in cost overruns due to various reasons, including weak leadership with respect to project planning, implementation and accountability. Findings from the study revealed, among other things, a lack of intergovernmental coordination, political interference and poor political leadership, the absence of policies and regulations, supply chain irregularities and project delays, and an escalation of project costs.

With respect to the Giyani Bulk Water Project, leadership and governance challenges included poor political leadership and interference, as well as failure to comply with supply chain regulations, which resulted in delays in project completion and escalated costs. The increasing rand value of irregular expenditure in audit outcomes of the DHSWS (2014/15 to 2018/19) confirms that little or no effort was made to implement the recommendations of the AGSA and is indicative of a lack of consequence management. Based on these findings, it is recommended that the Minister of Finance, in the Division of Revenue, should incentivise consequence management and that the Minister of Cooperative Governance and Traditional Affairs should review the intergovernmental coordination policy framework and consider strengthening intergovernmental coordination both vertically and horizontally

References:

Auditor-General South Africa (AGSA). 2019. 2018/19 Consolidated general report on national and provincial audit outcomes.

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