



Writer: Busani Ngcaweni

A new public service cadre can do things differently

Lately, a question has arisen seeking to establish how the President's call to "do things differently" implicates the public sector manager. Understandably, this pertinent enquiry invokes assorted feelings of doubt, flux, excitement, hope and pride.

In conversations, public sector managers doubt whether they indeed can "do things differently". Some feel the very same question results in volatility. But more encouraging is a noticeable rise in energy and patriotism when prospects of a new way of doing things are explored.

All in all, indications point to a public service pregnant with the possibilities of efficiency, responsibility, caring, responsiveness and innovation.

"... we need public servants that will always uphold the interests of the people they are employed to serve ... we want to build an administration that knows where people live, which knows what they think, and which acts fast, efficiently and effectively on the issues they raise."

Developing a "new public service cadre" should not be mistaken for winning a lottery – for it's neither a gamble nor an instant gain. It is a long haul. First, there must be appreciation of the President's call:

This ought to develop out of a meta-consciousness premised on normative values which our democratic society and government stand for: a united, non-racial, non-sexist and prosperous society.

Understanding the volcanic effects of accumulated disabilities of apartheid on the majority of the population is what should inspire public servants to want to do more,

faster, responsibly and efficiently.

In the pilot issue of this ground-breaking magazine, a treatise was offered on the concept of "public service mandarins";

the advanced detachment of public sector managers who constitute the nucleus of a democratic developmental state.

Let us add that possibilities of such a cadre abound largely because the political, policy and material space permits.

Apart from political interventions, the emergence of public service mandarins will be a cumulative outcome of individual and collective efforts of senior managers through deliberate interventions of training and development, performance management, mentorship and talent retention, waste reduction, improved coordination, better planning, monitoring, evaluation, professionalism and better communication.

What informs this conviction, you may ask. South Africa's success in delivering the single biggest project does. The successful hosting of the 2010 FIFA World Cup™ can safely be attributed to a growing culture of delivery among public sector managers.

How did they do it?

- n They elaborated and worked towards meeting the targets set by the leadership. Various project teams were organised to tackle each guarantee which had a defined specification and timeline. No game could not be televised since broadcast and telephony infrastructure was specific and functional before kick-off. Event visas were issued, passengers swiftly processed, cargo was facilitated and emergency services were deployed.
- n Delivery was against clearly defined timelines albeit tight schedules and in some instances, lost labour hours. Project teams were never at a loss about when they were expected to deliver, on each guarantee and more. For example, it is now history that no soccer fan sat on wet cement since stadiums were completed on time.
- n Project teams coordinated efforts across sectors, disciplines and spheres of governance, that is, national, provincial and local government departments.
- n They organised themselves in project teams with defined roles and responsibilities. Except for a few instances



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where major deliverables organically grew into a "guarantee", roles and responsibilities were clear, thus making it possible to deploy resources and hold people accountable.

n Governance structures and reporting protocols were in place and respected.

From local coordinating structures to the 2010 Inter-Ministerial Committee at national level, the message was consistent – monitoring reports had to be delivered to appraise the leadership, facilitate decision and debottleneck where necessary. In principle, no task was too small to asphyxiate from the leadership. Again, it is now history that public sector managers are perfectly capable of better coordination.

n Contrary to many other projects, perhaps even less complicated, managers were able to recruit and retain talent. Speculating about this development, some argued that perhaps the knowledge of what was at stake (delivery, on

time, according to specifications and within limited budgets) pushed managers to employ the right people in correct positions. With the world's eyes on South Africa, there was pressure to do things right.

As the country continues to bask in the glory of a successful World Cup, so should public service mandarins be inspired by their contribution to this achievement – the most decisive evidence to date of gravity towards "doing things differently."

The stage is set; cast selected; script rehearsed; enter the new public service cadre and do things differently! We must aspire for excellence and save ourselves from the "chorus" when the theatre of our developmental state is so rococo.

South Africans deserve better. And public servants can do better. They have proven it with the World Cup.

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A new way of doing things:

Focus on development finance institutions

South Africa is facing huge developmental challenges. It has the highest levels of inequality among middle-income countries with a Gini Coefficient of 0,578. The unemployment rate of 24% indicates that inequality is likely to worsen unless there is rapid labour-absorbing economic growth. The South African Government seeks to achieve rapid labour-absorptive economic growth through the Industrial Policy Action Plan and the new macroeconomic economic policy, the New Growth Path. These initiatives are aimed at growing the economy at a growth rate far above 6% and the creation of five million jobs by 2020. Government has also characterised itself as a development state, which highlights its developmental characteristics and ideology.

While there are various forms of a developmental state in economic history literature, the Government's character is informed by its ideology, governance and public policy-making approaches as well as the role of development finance institutions (DFIs). The following features of a South African developmental state are critical:

- n an ideology of accelerated economic development in the form of rapid industrialisation with products targeting the export market with the State determined to influence the direction and pace of economic development by directly intervening in the development process rather than relying on the uncoordinated influence of market forces to allocate resources
- n the State actively intervening in the market to guide, discipline and coordinate the private sector (private capital) towards the strategic allocation of economic resources to meet national interest and priorities
- n a strong state with the capacity to negotiate and bargain with other non-state sectors to champion a particular economic growth path and the mobilisation and channeling of critical financial, human and technological resources towards prioritised economic activities
- n an adaptive, flexible but decisive state with respect to policy and strategy choices and their implementation
- n rational and competent government bureaucrats, employed

on merit, are the key to the successful intervention by the State

- n social cohesion influenced by a homogenising culture is key to the consensus-building processes and the collaborative relationship between captains of industry and bureaucrats.

DFIs such as the Industrial Development Corporation (IDC) have mirrored the structural change of the South African economy and benefited heavily from economic theory and instruments of developmental state such as the infant industry theorem. South Africa as a developmental state, attempts to address its problems of economic inequality, poverty and unemployment, by highlighting the significant role of state-owned enterprises (SOEs) and DFIs. Moreover, a significant institutional and organisational effort is required to devise appropriate instruments for active production policies, as the old apparatuses of inter-



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“South Africa has transformed itself from a primary producer to an industrial and service powerhouse in Africa. At the centre of this massive performance is the critical role played by the State in using instruments such as DFIs to finance new industries.”



vention under apartheid were either dismantled or significantly weakened during the phase of liberalisation in the first 10 years of democracy.

Crucially, the financial sector relies on information to assess risk and this means that it tends to fund projects in sectors that are well developed in the economy, of which much is known, and where there are readily available examples.

This implies an intrinsic bias against products which are undeveloped, but where there is potential, and a bias against groups of agents (for example, small and medium black-owned and -run businesses) of which relatively little is known because, historically, banks have not focused on them.

As such, the financial sector tends to be conservative, reinforcing existing patterns of economic flows, and yet it is potentially critical for new ventures for which access to finance is necessary to break the self-financing constraint. The particular problems with information also have reinforcing tendencies. In many sectors, linkages between firms engaged in similar interlocking activities are important for the success of each. A network of firms ensures that complementary products are produced and that a skills-base is developed. Failure to finance one project, therefore, means that others are less likely to succeed (and to attract finance).

Finance patterns are important

Most economists agree that financing of investment is an area where the assumption of efficient markets is least warranted. The nature of finance, and in particular, the importance of information, means that market “failures” are intrinsic to the financial sector rather than being rare and temporary aberrations that can be “corrected”. Indeed, it is misguided to refer to intrinsic factors in the organisation of production as “market failures”.

Instead, the implications of the inherent characteristics of the financial sector should be recognised and built into economic policies. The far-reaching interventions in the financial system by East Asian governments such as in South Korea and Taiwan were a very important part of their ability to support large-scale investments in developing new industrial capabilities.

The fundamental reorientation of the South African economy means patterns of finance are particularly important. This

The financial sector plays an important role in economic development as it channels resources from sectors where there is a surplus to those where there is a deficit. It therefore selects firms and groups of economic activities, which will receive resources for investment, and potentially act a catalyst for structural change in an economy. However, there are many reasons why financial sectors tend to follow, instead of lead developments in the real economy.



relates both to the need to promote balanced growth and development, with employment creation and more equitable outcomes, and to the importance of financing the development of “sectors of tomorrow”. But, the intrinsic nature of the financial sector highlighted here, suggests it will not respond adequately to these imperatives.

DFIs thus have a crucial role in increasing investment rates, through lending where the orientation of private institutions means the private sector will not extend finance (or only on onerous terms). In addition, private institutions only consider private returns and not the linkage (and positive externality effects) of projects, nor the wider development impact. The “insider” position of institutions such as the IDC may also, in itself, improve the prospects of certain projects through ensuring the appropriate connections with other branches of government (including the use of incentives and the provision of necessary economic infrastructure).

Mechanisms for ensuring development finance for industry have played a significant role in the industrialisation of many countries. While much of recent attention is focused on the experiences of the East Asian newly industrialising countries, countries such as the United States of America (USA) employed proactive industrial policies, including finance. Even today, the USA provides high levels of financing for priority areas such as research and development in the space and defence industries, and pharmaceuticals.

The challenges of “catch-up” by follower countries in industrial development indicate even greater returns from effective financing of industrial development. Rather than focusing on pushing back the technological frontiers, rapid industrialisation can be achieved through the adoption and adaptation of existing technologies, coupled with rapid accumulation of physical and human capital. Key to this process is the flow of finance to potential areas of high growth, meaning that development finance is key to the “rise of the rest”.

The South African Government placed investment at the core of the macroeconomic Growth, Employment and Redistribution (Gear) Strategy. Yet, few direct mechanisms were put in place to increase investment. It was largely assumed that



macroeconomic stabilisation would in itself encourage investment, recognised in recent references to Gear as a stabilisation strategy rather than a growth plan. In addition, investment is particularly important in South Africa as the economy undergoes protracted and painful restructuring associated with liberalisation. Restructuring implies some sectors contract, and production shifts to sectors in which the economy is more competitive and/or has greater future potential. New ways of doing things are introduced. To borrow from Schumpeter: new goods and services, or new qualities of goods and services; new production methods or marketing strategies; the opening of new markets; new sources of raw materials; and new market structures.

All these innovations involve active learning and diffusion processes, characterised by dynamic scale economies. Without new investment, productive capacity in potential growth sectors does not expand, while other sectors contract. The economy gets the “pain” with little of the “gain”.

Given the crucial linkages between economic and social development, a developmental state should design integrated policy frameworks to take such connections into account, as well as those of social policy linkages and economic policy. A major weakness in this regard is the lack of appropriate coordination between economic and social authorities. Coordination should start by creating mechanisms that facilitate the “visibility” of social effects of economic policy and provide effective systems for mainstreaming social priorities into economic policy.

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Promoting the spirit of entrepreneurship for public sector excellence



Writer: Professor Shahida Cassim

The public sector comprises those organisations that are either directly controlled by the State or public authorities that operate for the common good of citizens. The quality and size of a country's public sector is generally used as an indicator of its well-being. Whichever way one measures it, South Africa's public sector is large and impacts on the everyday lives of its citizens in a myriad ways.

Despite several criticisms relating to the challenges encompassing the systems, and human and institutional weaknesses in service delivery, South Africa understands its responsibilities in ensuring public sector excellence. In his State of the Nation Address in 2010, President Jacob Zuma called for improved state performance.

This call for excellence may be interpreted as a call for the delivery of high-quality public services, the antecedents of which may be construed as efficient and well-run public sector organisations. The search for efficiency and effectiveness in public sector organisations is not new and is manifest in several laudable initiatives which have been launched over a period of time, such as the Public Sector Excellence Initiative; the Public Administration Leadership and Management Academy; Centre for Public Service Innovation Initiative; Batho Pele; and Productivity South Africa's Managing Performance in South Africa's public sector training.

These initiatives parallel the development of thought throughout the developed world where there appears to be a recognition that social development and economic growth depend on efficiency and effectiveness in public sector organisations.

Innovation is a complex concept

The importance of a focus on what really drives efficiency and effectiveness in public sector organisations is more relevant now than ever before. Administrative manoeuvring, reconfiguring human and financial resources, re-engineering, and moving the accountability are all techniques that appear not to be delivering on the promise. More recently, attention has turned towards innovation in the public sector as the strategy with potential.

The concept of innovation is a complex one and has been applied in different interpretations. The academic literature on innovation in the private sector is vast. There have been many attempts to adopt and apply the principles and practices of innovation in the private sector to public institutions. The literature on innovation in the public sector may at best be described as being in

the formative state with a clear reflection of a surge in interest and research in the past few years.

The research is varied as some researchers have, for example, focused on the national systems of innovation in a country, others on the process of invention and yet others on the impact of innovation in the economy. The common theme in the description of innovation does, however, refer to the processes by which new ideas, products and/or processes are developed. This definitional focus on the creative or invention activity has been expanded in recent years to incorporate the aspect of added value through changes in behaviour. Interesting literature from the London School of Economics Public Policy Group (Dunleavy, 2008) refers to "invention-based"

"The Public Service has to respond to the call to make this term one of faster action and improved state performance. We require excellence and hard work. We need public servants who are dedicated, capable and who care for the needs of citizens."

innovation (focusing on the invention aspect) and “diffusion-based” innovation (where an invention is adopted in a particular setting) as two categories of innovation in the public sector. Innovation in the public sector may thus be described as creating and adopting changes in the way government work gets done.

Public sector entrepreneurship

This expanded notion of innovation with a focus on implementation is akin to what is now beginning to emerge in literature as public sector entrepreneurship. The terms public entrepreneurship, public sector entrepreneurship, corporate entrepreneurship in public settings, strategic entrepreneurship in the public sector, enterprising government, and so forth, are now featuring in the literature.

As with the term “innovation”, entrepreneurship is a multifaceted construct incorporating innovation, change and new products or organisations. (Kim, 2010) in reviewing entrepreneurial practices in the public sector presented some pieces of research focusing on the concept since as early as 1985. These (and other literature reviews) include some elements of entrepreneurship, for example, citizen participation in the design and delivery of public goods and services; perceptiveness to change; fee-for-service entities within the public sector; use of risk in delivering services; organisational learning; knowledge management; introducing innovation, and so forth.

These previous works appear to generalise on the approaches to reduce inefficiencies and “modernisation” of the State. More recent work on entrepreneurship focuses on the “entrepreneurial orientation” of public sector agencies which manifests in three dimensions: innovativeness, risk-taking and proactiveness (Kearney, Hisrich, & Roche, 2007). Thus, Kim’s definition of public entrepreneurship as “any attempt at creating new opportunities with resulting improvement in government performance characterised by risk-taking, innovativeness and proactiveness” is more encompassing than previous definitions. Their conceptualisation focuses on the three dimensions namely, risk-taking (the ability and willingness to pursue risky alternatives in decision-making); innovativeness and proactiveness (a future defined focus in current operations).

Public sector entrepreneurship encompasses the very important component of innovativeness and innovation but includes the implementation and management of the innovation for added value in the design and delivery of public services. It is acknowledged that public sector agencies are distinct from their private sector counterparts as regards entrepreneurship in many ways but particularly in their goals and objectives (also termed asymmetric incentives), their levels of competition and the requirements of public sector agencies to comply with mandated procedures.

Innovation and entrepreneurship will find application in the full spectrum of public sector operations. Entrepreneurship may, however, manifest in:

- n the services or products offered by the public sector with innovative products or changes in features and/or design of products or services
- n innovative delivery
- n the processes or operations, with new procedures, policies or organisational forms developed for better service delivery
- n policy with new strategy and/or new rules of operations
- n interactions, in new ways of interacting with the various stakeholders incorporating these interactions into the operations.

Types of innovation and entrepreneurship in the public sector

An entrepreneurial orientation can only develop if the environment is enabling and facilitating. The following conditions have to be present to achieve the advantages of entrepreneurship and innovation:

- n an entrepreneurial culture: a common set of values and beliefs in the importance of entrepreneurship and innovation for personal and organisational success
- n an entrepreneurial structure: an organisation that is characterised by flat hierarchies (or short reporting lines), a willingness to find ways of overcoming formalisation (policies and procedures) and higher levels of flexibility
- n entrepreneurial management: management that is committed to innovation and change will be characterised by devolution of authority to lower levels, willingness to tolerate failure, engaging in participatory decision-making, developing performance objectives and providing entrepreneurial leadership
- n entrepreneurial staff: members who adopt innovativeness and proactiveness as their work values, who are prepared to take risks, who can fulfil multiple public goals, who are not threatened by ambiguity and complexity and who are prepared to be held accountable for their decisions.

The presence of these conditions from the bottom levels of the organisation to the top will determine the entrepreneurial and innovative orientation of the organisation.

Conclusion

An entrepreneurial government is thus conceptualised as being driven by goals rather than governed by rules in the provision of public services; a government in which innovation delivers proactive initiatives through a delegation of authority and one in which cross-disciplinary and integrated initiatives are commonly found. The results of such an entrepreneurial orientation must deliver lowered costs and new standards of conduct in the delivery of public services.

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Delivery starts with accountability

Public-sector internal auditors have a significant role to play in our government's pursuit of quality public-service delivery and accountability, writes **Nkoana Dalson Modiba**.

Why is it that as one travels the length and breadth of our country, one sees many visible and tangible service-delivery successes of our government, yet very little is known in the public space about these achievements? Of course, one is under no illusion about the fact that more work still needs to be done.

I can already sense the armchair critics pointing fingers in all directions, seeking to find scapegoats to blame for this. It has become commonplace to engage in blame-game tactics rather than work as a collective to find solutions to the challenges besetting not only our public service but the country at large.

An important resource within the public sector – the Internal Audit function – can play a role in the collective effort to improve governance and contribute to the alleviation of poverty and unemployment.

Internal auditors have an important role in contributing to the success of government institutions by ensuring that risk manage-

ment is applied in strategy setting (goals and objectives), implementation of the strategy (operations), managing external events (compliance), ensuring that communication (reporting) with all key stakeholders takes place and feedback and expectations are incorporated into the institutions' day-to-day operations.

Evidence-based monitoring and evaluation

The Auditor-General of South Africa (AGSA) recently released a report on the auditing of state institutions for the 2009/10 financial year. Overall, there are improvements, particularly in the so-called traditional audits of finances, compliance and information technology. However, the improvements are minimal when compared to 2008/09 audit outcomes. Once again, the AGSA points to issues of governance as central to the improvement of state institutions' audit outcomes.

Importantly, in the context of the AGSA's findings – and at the risk of being selective – internal auditors can contribute to the institutions' evidence-based monitoring and evaluation (M&E) capacity, which is crucial to good governance.

Good governance is about the institution's ability to craft and implement a strategy centred on identifying the

opportunities available in the service-delivery space. It is also about using internal competitive strengths (resources) to exploit these and to manage the competing forces (challenges) in the external environment and weaknesses in the institution's internal environment. It includes the ability to monitor performance, identify deviations and institute corrective action timeously to achieve its predetermined objectives. The figure below illustrates this more succinctly.

The role of Internal Audit falls within the M&E phase – as the last tier in this assurance portfolio – in an institution and within the broader context of the strategic management discipline.

Most “disclaimer” audit opinions by the AGSA and other external auditors are attributed to the lack of supporting evidence about the transactions – financial and non-financial – within institutions that took place in the financial years that were subject to audit review.

As illustrated in the figure, reporting is an important critical element in the governance process. Internal auditors must

therefore ensure their annual operational plans incorporate scope to audit how information about the institutions' affairs is managed. Institutions, as part of their strategy implementation, do a lot in terms of building state infrastructure. They also deliver social services, develop and disseminate information products about their services and how people can access them, and conduct public participation programmes or stakeholder engagements. Yet, when the time comes to substantiate or account for all these achievements, institutions are found wanting.

Supporting evidence is vital

Perhaps the root cause of this challenge is that the role of information management has been understated or sold short in the past, hence the important role that the M&E unit in The Presidency is playing and will continue to play in future to elevate this important institutional asset to its rightful place.



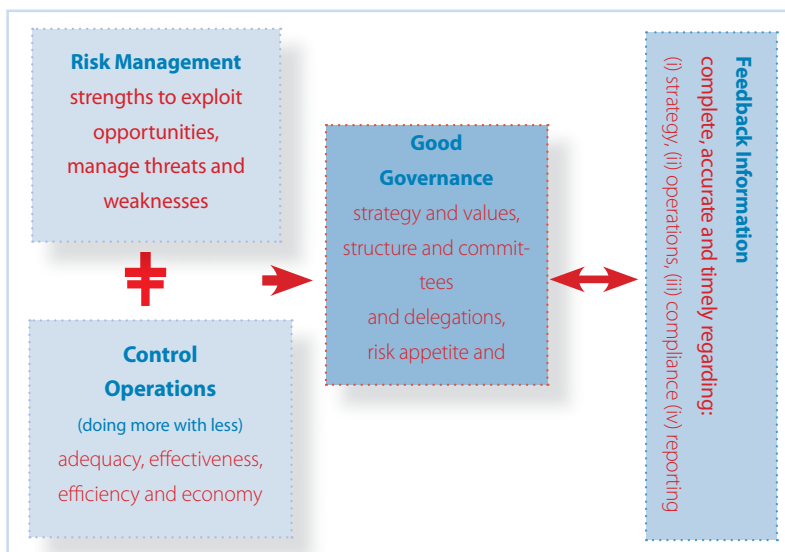
It must be understood that in the absence of evidence to support reported information in the institutions' annual reports and other publications, there will always be questions around the credibility of such reported information.

One way for internal auditors working within the collective governance system is to encourage institutions to compile and publish quarterly performance reports – this is already a legislative requirement – and for internal auditors to examine these reports on a quarterly basis. These reports must be:

- n quality-controlled by the M&E units (to check, among other things, completeness, accuracy and relevance in relation to the predetermined objectives, and for changes to be managed)

- n submitted to senior and executive management committees for discussion to assess progress and take decisions on corrective actions
- n tabled before the relevant authorities as part of accountability mechanisms.

Auditors must obtain the supporting evidence,



including conducting site inspections to corroborate performance information reported. This way, they can add value by identifying organisational performance- and information management-related weaknesses and/or opportunities early in the financial year and inform the institution's leadership to take corrective actions. The absence of evidence-based information about progress or the lack thereof to implement the country's developmental goals through various government institutions compromises the:

- n institutions' learning and growth
- n country's national research efforts to assess progress and identify challenges to contribute to the country's long-term planning capabilities
- n country's competitiveness image globally, impacting on its ability to attract foreign capital and investments.

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