

HSRC: Democracy Governance and Service Delivery (DGSD) Unit Submission to the Appropriations Committee

Introduction:

The Medium Term Budget Policy Statement (MTBPS) delivered last week does not waiver from its commitment to ensure that public spending continues in order to grow the economy. This is to be welcomed even as the economy faces both internal and external pressures. As Minister Gordhan said, our progress has been ‘uneven’ in dealing with the twin challenges of poverty and inequality and in some areas, such as service delivery, we have ‘failed’.

In the eighteen years since democracy much progress has been made in dismantling the legacy of apartheid. The South African constitution is much-admired around the world, socio-economic gains include increased access to housing and basic services such as electricity, water and sanitation, improved access to health care, a greater number of people in employment and a social security system that provides a safety net for the aged and most of the very poor.

However, these advances are matched by as many remaining challenges. Chief amongst them are increasing inequality, very high levels of unemployment and very high levels of poverty. South Africa’s unemployment rate is officially 25.3%ⁱ, with unemployment amongst youth being especially high at about 42 percent. While the Human Development Index (HDI) has steadily improved since 1995 and was at 0.60 in 2010 (ranked 110 out of 169 countries), income inequality is vast and increasing – in 2008 the gini coefficient was 0.70, indicating South Africa as having one of the most unequal income distributions in the world. 42.9% of South Africans have less than \$2 a day to live on and can be considered to be poor, with the majority of the poor being black South Africans.ⁱⁱ

South Africa’s National Development Plan, released in August 2012, was informed by a diagnostic report which indicates the nine primary development challenges as being:

1. High unemployment
2. Poor quality of school education for black people
3. Infrastructure is poorly located, inadequate and poorly maintained
4. Spatial patterns working against inclusivity
5. A resource intensive economy
6. A public health system that doesn't meet demand nor sustain quality
7. Public services are uneven and often of poor quality
8. High levels of corruption and
9. South Africa remains a divided societyⁱⁱⁱ.

One of the 'big ideas' of the 2012 budget is the roll-out of large-scale infrastructure projects in an attempt to kick-start growth and create employment. Minister Gordhan reaffirmed government's commitment to this strategy last week and to the allocation for strategic infrastructure development. Crucial to this of course are the economic linkages which these sorts of projects are meant to foster.

The National Development Plan (NDP), referred to by Minister Gordhan in multiple ways during the MTBPS speech is an attempt to advance a multi-dimensional approach to development, advocating strong leadership, active citizenry and effective government to improve the country's future. The NDP asserts that: "South Africa needs to invest in a strong network of economic infrastructure designed to support the country's medium and long term economic and social objectives. This economic infrastructure is a precondition for providing basic services such as electricity, water, sanitation, telecommunications and public transport, and it needs to be robust and extensive enough to meet industrial, commercial and household needs."

Similarly, the New Growth Path (NGP) announced in 2010 sets out the goal of 5 million new jobs by 2020 and identifies a range of structural economic problems that need to be addressed. It also

identifies various jobs drivers i.e. opportunities in specific sectors and markets, with infrastructure being the first jobs' driver identified.

The 2012 budget emphasises both the need to adequately fund infrastructure as well as improve the **planning, implementation and monitoring** of infrastructure projects. Over the three-year medium-term, about R845 billion has been allocated for infrastructure of which R300 billion is in the energy sector and R262 billion is for transport and logistics.^{iv}

Despite a significant budget allocation, the challenges with infrastructure include inadequate investment levels, weak implementation capacity that cause significant delays and cost over-runs, particularly at local government level. Other contributing factors are poor project planning, the misalignment of some strategic infrastructure projects with national priorities, poor coordination amongst government agencies and spheres of government (national-provincial-local) as well as insufficient communication and partnerships between government and the private sector.

As a response to the above set of issues, a high-level commission on infrastructure - the Presidential Infrastructure Coordinating Commission (PICC) - was formed to coordinate and accelerate the long-term infrastructure build. A single, common infrastructure plan was developed, key players were identified in order to enable monitoring and accountability, and a twenty year planning framework was established to avoid the stop-start patterns associated with the electoral cycles. The mandate of the PICC is to, ..."ensure systematic selection, planning and monitoring of large projects" with the objectives articulated as:

- i. Identify five year priorities
- ii. Develop a twenty year pipeline of projects
- iii. Pursue the development objectives of skills, localisation, empowerment and research and development
- iv. Expand the maintenance of both new and existing infrastructure

- v. Address capacity constraints and improve coordination and integration
- vi. Improve infrastructure links especially in rural areas and the poorest provinces
- vii. Scale up investment in infrastructure
- viii. Address the impact of prices
- ix. Support African development and integration.

The creation of the PICC acknowledges the need to move away from a fractured way of dealing with infrastructure towards greater institutional coherence, collaboration, an examination of barriers to efficiency and a greater commitment to monitoring, evaluation and accountability.

Minister Gordhan emphasized the need to ensure that there is a reduction of 'waste and inefficiency' and that there needs to be 'financial discipline' in relation to the roll-out of these projects.

In light of the above, our submission would therefore be two-fold:

1) Infrastructure development can be an effective way of lifting millions of people out of poverty yet for this to happen there needs to be a participatory element to any plans government may have as regards infrastructure and creating economic linkages. This would ensure that local communities benefit from the infrastructure projects and that it is not only about big business securing contracts while the local communities are not involved or do not benefit directly.

The South African Constitution envisages a representative as well as a participatory democracy. Decisions of government affecting the lives of ordinary citizens require a genuine participatory element seeking the views of citizens and incorporating those in a meaningful way. For the infrastructure programme to have life and to give rise to the inclusive growth which the country

needs and for development to be directly linked to what citizens expect, this participatory element ought to be present at every stage of development processes.

In a study in 3 pilot municipalities in South Africa and China done by the HSRC ¹ in 3 best practice municipalities in both countries, the following was found:

- Vast discrepancies exist between resident perceptions of development benefits and local government stakeholders' perceptions of the quality and efficacy of participatory mechanisms to bring about such development;
- More often than not, the officials indicated that there is meaningful engagement with the communities while residents' had opposing ideas suggested a range of issues from lack of local government interest in the community to a lack of knowledge of or interest in government representatives on the part of residents themselves;
- In many instances communities were not consulted about issues, but just informed about it after it had been implemented thus hampering 'service delivery';
- Public-private partnerships and engagements with local NGOs are also important for effective service delivery since it add to limited skills and capacities, and assist municipalities with services that are not their core competency.

¹ Pillay, U., Vivier, E., Wentzel, M., Dong, D.L., Zhao, Y., & Jin, Y. (2012), The Role of Infrastructure in Accelerating Service Delivery: Lessons Learnt from South Africa and China, HSRC and CASS Commissioned Report.

Of course the imperative to create decent livelihoods is urgent; yet, proper planning will require government to be attuned to the needs of the citizens affected by large-scale infrastructure programmes. Recently in South Africa we have seen the social conflict which arises as a result of a lack of participation from communities. This is particularly so as regards the plans for more effective public transport. The right to mobility is crucial if citizens are to be economically active and be near to economic opportunities. This will require a multi-stakeholder approach which would need to include government, communities and businesses in the relevant spatial nodes.

An inclusive approach moves towards citizens as being active participants in development and not merely passive recipients of services. This requires a shift in the mind-set of those planning and implementing large-scale infrastructure projects.

2) The Presidential Infrastructure Co-ordinating Commission (PICC) has identified monitoring and accountability as key issues in relation to the rolling out of large infrastructure projects. This recognises the enormous potential for corruption and maladministration when large-scale infrastructure projects are embarked upon. To this end, the HSRC has begun to forge links with the Construction Sector Transparency Initiative² (CoST) whose Africa Launch happened this week in Gauteng and which has been supported, in principle, by the Ministry of Public Works. The aim of the project is to ensure transparency at every stage of the infrastructure development process and to ensure that citizens get both value for money and understand what will be rolled out and at what cost? It ensures that local communities benefit from infrastructure projects by avoiding corruption.

² CoST: www.constructiontransparency.org

What is CoST? What is its Purpose?

1. The Construction Sector Transparency Initiative (CoST) is a global initiative with a very simple but important goal: to help ensure that in the case of publicly financed construction projects, the public gets what it paid for.
2. CoST works with government agencies to gather, verify and disclose information into the public realm. CoST's core purpose is that by making public infrastructure projects as transparent as possible, those responsible for planning and implementing them will be accountable and corruption will be eliminated.
3. Creating a more transparent sector ultimately leads to better public infrastructure, offering potentially huge human benefits, for individuals and communities. It also reduces waste in public budgets, enables fairer competition in the private sector and increased opportunities for investors.
4. CoST was successfully piloted in eight countries between 2008 and 2011 with funding from the UK Department for International Development and support from the World Bank. The pilot countries were: Tanzania, Ethiopia, Vietnam, Guatemala, the United Kingdom, Zambia, Malawi and the Philippines.
5. Though CoST is principally concerned with publicly financed construction projects, it provides a global standard for the construction sector as a whole that can also be applied to privately financed construction projects such as PPPs.

6. CoST seeks to complement rather than replace a country's supervision, audit, regulatory, investigative, and judicial functions. CoST relies on existing oversight bodies to use the information generated.

How does CoST function in practical terms?

7. It does this through its core methodology, which is a multi-stakeholder approach. In each CoST country, a multi-stakeholder group will be at the heart of the initiative, to ensure that all the main actors are involved and to help forge consensus about the standards that should be set and adhered to.
8. Participating procuring entities establish and operate disclosure for relevant projects based on the standards set by the multi-stakeholder group and respond to any reactions or requests for information. In this they are guided by a formal disclosure requirement that is issued by the government.
9. The multi-stakeholder group (MSG) will include representatives of key government departments and agencies – for example, the Department of Public Works, National Treasury and the main procuring entities such as the Departments of Health or Transport – as well representatives of the private sector and civil society.

How can South Africa benefit from CoST?

10. Public sector infrastructure projects make a major contribution to economic growth and poverty reduction but mismanagement and corruption during the planning, implementation and monitoring of construction projects can undermine the expected social and economic benefits.

11. While there is broad support for the infrastructure plan, there are also widespread concerns about corruption generally and the potential for corrupt actors to exploit the infrastructure programme and for corruption to contaminate the implementation of the plan.

12. Public tendering has been a particular haven for corrupt practitioners and there is a government commitment to strengthening public procurement processes to protect them from corruption.

Transparency requires champions within government and outside of it. Parliament has the opportunity to champion such transparency to ensure that the requirements of the PICC are met and also that Minister Gordhan's concerns regarding waste, inefficiency and corruption are allayed. In this way, citizens are able to benefit directly from infrastructure projects which are rolled out in their areas.

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i http://www.statssa.gov.za/key_indicators/keyindicators.asp

ii Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008)

iii National Planning Commission, National Development Plan, August 2012

iv National Treasury, Budget 2012, Budget Speech