



National Economic
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Labour Council

BRIEFING NOTE: NEDLAC 30 YEAR OF DEMOCRACY PROJECT

Nedlac social partners reflecting on 30 years of democracy and planning for the future

Theme: Economic development and employment

Sub-theme: State capacity

Welcome to the discussion on state capacity, which will cover:

- recruitment and capacitation of public servants;
- reform of state-owned enterprises (SOEs);
- public procurement reforms;
- enhancing capability and capacity of the state; and
- strengthening anti-corruption measures.

This briefing note will assist you in your discussion by:

- Highlighting key issues¹
- Setting out questions for you to consider.

You are free to add additional issues and questions to your discussion.

A. Key issues

1. Variables and driving forces

The Indlulamithi project has identified the following variables and driving forces to consider when planning for future scenarios:

- State capacity will remain weak but it will be more inhibiting of corruption.
- Civil society will continue to hold the state accountable.
- In the wake of the moral, ethical and human resource capability erosion experienced in the recent past, leadership capacity is a key determinant for the future of social cohesion.

The NDP review indicates that:

- Improving governance of SOEs can potentially lead to better economic and social outcomes (NDP: 49)

The AfdG dialogue series report argues that:

- The issue of stabilising the public administration and professionalising the public sector is urgent. Factionalism and the rise of messy coalition politics has generated enormous instability. The public service is one place where we have the chance to move fast and implement substantial reform (AfdG:4)
- State capture has impacted the sustainability of our state entities and put enormous strain on the fiscus. SOEs need a clear – and not overburdened – policy mandate and

¹ These issues have been sourced from the DPME 30 year review, Indlulamithi driving forces scenarios, and AfdG dialogues held in 2022/23



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a clear outline of how the state best exercises its policy imperative in relation to the strategic direction of SOEs (AfdG:4)

2. Achievements and changes

- Over 80% **satisfaction rates** concerning social security, public schools, Sars, higher education, home affairs and correctional services. Below 80% satisfaction with public housing, SAPS, public clinics, public hospitals and courts (Summary: 12 from Stats SA)
- **Trust in government institutions** has declined. Overall satisfaction levels in the public service declined from 72.5% in 2019/20 to 61.1% in 2022/23, with respondents citing concerns about waiting times and corruption in the public service (Summary: 14)
- The Transparency International Corruption Perception Index for South Africa was 41/100 and oscillated between 42 and 45 between 2012 and 2021. It has regressed from 50+ scores of the late 1990s and early 2000s (Summary:14)
- There has been a net **improvement in audit outcomes** (more auditees improved their audit outcomes than regressed) every year over the administration term.(AG Report 2022/23).
- Institutions to **fight corruption** have been elevated to a whole of society effort through the National Anti-Corruption Strategy and related actions (Summary: 12)
- There have been successful **public sector operating models** established, such as Sars, AGSA, DBSA, Rand Water, Operation Phakisa, etc (Summary:12)
- Amendments made to the **Public Service Act** devolve administrative powers to heads of department, thereby aligning themselves to the financial responsibility as prescribed in the PFMA (NDP: 40)
- The **Financial Action Task Force (FATF)** grey-listed South Africa at its February 2023 plenary meetings, 22 action items linked to the strategic deficiencies were identified.
- A **National State-Owned Entities Bill** was introduced to provide a centralised shareholder management model for state-owned enterprises in South Africa. The model involves establishing a holding company (HoldCo), which will be the sole shareholder and ensure proper governance and commercial sustainability of its subsidiaries.
- The **National Framework Towards Professionalisation of Public Sector** was approved by Cabinet in October 2022, and contains important policy direction for professionalising the public sector and stabilising the political-administrative interface.

B. Questions to be addressed

- a) What are the achievements and lessons with respect to the **capacity of the state**?
- b) What are the most **significant reforms** that social partners would like to see in government relating to:
 - Public procurement and addressing corruption;
 - State-owned enterprises; and
 - Recruitment and capacitation of the public service;
 - Coordination with the private sector, trade unions, and civil society (in and outside of Nedlac).

Annexure A sets out proposals from sector dialogues hosted by the Association of Former DGs, which could be considered.



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Annexure A: Proposals for enhancing state capacity emerging from the cross-sectoral dialogues on 'state capacity' hosted by the Association of Former Directors-General, in partnership with the Public Affairs Research Institute:

The state needs to enhance its capabilities across a wide range of areas to strengthen the economy, address massive inequality, and enhance social cohesion. It also needs to develop new capabilities brought on by large-scale social change.

Nevertheless, the AfDG Dialogue Series, in partnership with PARI, identified a range of cross-cutting initiatives that would enhance the basic functioning of the public administration. These would facilitate better service delivery and support the development of the more complex capabilities outlined. These cross-cutting initiatives include:

- **Building on existing institutional reform efforts** that were initiated as a response to state capture and earlier policy decisions to enhance the capacities of the state: this includes initiatives to enhance oversight of SOEs; initiatives to build the capacities and independence of key criminal justice agencies, such as the National Prosecuting Authority; and initiatives that have been spearheaded under government's Framework Towards the Professionalisation of the Public Sector. Momentum in these areas should not be lost.
- **Professionalising the public sector and stabilising the political-administrative interface:** The Framework Towards the Professionalisation of the Public Sector includes, for example, proposals for enhancing selection processes for senior officials, enhancing checks and balances in appointment processes to ensure fit-for-purpose appointments that reduce inappropriate interference; enhancing in-service training; and adopting more innovative approaches to attracting skilled professionals and managers into the public service. The Framework should be incrementally and progressively implemented.
- **Addressing capacity gaps in the shorter term:** The government lacks skilled officials in many areas. Therefore, it requires partnerships with various sectors of society, including professional bodies, that can provide these skills.
- **Building the capacity of institutions that underpin the success of the professionalisation agenda:** This includes further building the capacities of the National School of Government to deliver high-quality and long-term training for public servants and enhancing the independence, role, and capacities of the Public Service Commission to support a developmentally orientated, professional civil service.
- **Towards greater integration of administrative practice:** Parliamentary staff, local governments, the public service etc. all have their own regimes and systems. This fragmentation and lack of standardisation is a major challenge. Greater standardisation in this regard, which respects the Constitutionally defined roles, powers, and spheres of government, would facilitate the professionalisation of the public sector. It could also facilitate learning and capacity-based secondments between spheres of government.
- **Part of professionalising the sector should involve addressing the question of professional discipline:** Measures intended to protect employees from workplace abuse and ensure decent conditions of service for all state employees were important post-apartheid progressive developments. This system has been abused by some senior officials facing disciplinary measures: disciplinary cases take years to complete and cost the state an



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exorbitant amount of money. Careful attention should be given to better equipping the state to deal effectively and fairly with disciplinary incidents.

- **Addressing compliance-focused cultures in the public service – towards agency and action:** The bureaucratic system now works to comply rather than to serve citizens: this is, in part, a reaction to corruption and state capture in which increased rules and controls have exacerbated a culture of compliance. Officials have become risk averse. We need to support senior public sector managers in making bold decisions – to broker complex procurement projects, for example, to plan and develop ambitious socio-economic programmes. This will require careful and incremental adjustments to the planning, budgeting, auditing and procurement regimes to support this more strategic orientation.
- **Public procurement reform:** SOEs are often bound by procurement policies and regulations that conflict with their functions. Reform to our procurement regime must give these institutions muscle.
- **Enhancing the performance of state-owned entities** to play a strong developmental role in the economy must be a priority. The Zondo Commission highlighted that board appointment processes need reform and, flowing from this, a clearer framework for appointing executive teams. Further, the government needs to provide SOEs with a clear – and not overburdened – policy mandate and a clear outline of how the state best exercises its policy imperative in relation to the strategic direction of our SOEs.

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