



ASSAf webinar: What must be done if the state is to be capable of poverty and inequality reduction?

More than a new path and a more capable state: we need a new institutional and political culture

Prof Andrew Boraine, CEO, Western Cape Economic Development Partnership (EDP)

22 July 2021

1. New development path

After the recent events in the country, many commentators and practitioners are calling for a 'new path' or 'new development trajectory'.

There are many that are saying: 'The state should do this...' or 'the state must do that...'

I agree that we need a new path, and greater societal consensus on a new path.

Policy changes and new government programmes on their own are not enough. In its current form, the state is not capable of delivering on the existing development path let alone a new one.

2. Capable state

The South African state has been severely weakened through:

- Corruption and state capture
- Years of internal factionalism
- Incoherent policies, policy tensions, and competing agendas within government
- Lack of accountability, and protection of poor performance
- Impact of COVID pandemic and economic shut down on the state fiscus

Public confidence in the state is severely weakened. Citizens, business, and organised civil society seem to do a much better job, especially during times of crisis. Rebecca Davis, in a Daily Maverick article on the weekend, asked: ‘What, actually, is the point of government?’

Call me old-fashioned, but I still believe in the role of a developmental state, especially in a country with such high levels of poverty and inequality. We need to rebuild the state to be able to perform its basic functions, like paying grants on time, or maintaining roads, or delivering education and health care.

There are many approaches to (re) building state capacity. My own experience has taught me two things:

- Get the basics right before you try the fancy stuff
- Rebuilding state capacity will not succeed if the abysmal state of politics, including party politics, is not improved.

3. Address the institutional culture of the state

The starting point is to recognise that the state on its own will not be able to address complex problems such as poverty and unemployment and needs to adopt a better ‘whole of society’ approach. It needs to understand that *relationships matter* and that citizens need to be supported to drive their own development, rather than just striving for greater efficiency of ‘service delivery’.

In our work of the past ten years, we have focused on ways in which alliances and partnerships can be built within the state, and between the state and non-state actors: communities, organised civil society, small and informal businesses, and academics and researchers, in a variety of sectors and territories. The objective is two-fold: do development differently and improve development outcomes.

And here is my main point: The current system of regulatory compliance or ‘governance for government’, and linear ‘logical framework’ planning, monitoring and evaluation, paralyses service delivery and decision-making, makes it difficult if not impossible for the state to work with informality, sets government apart from communities, undermines cross-sector partnering, stifles innovation and prevents system change.

If these issues are not addressed, then a ‘new path’ or ‘new development trajectory’, and systematic efforts to ‘rebuild state capacity’, will be in vain.

Let’s look at how a ‘culture of clean audits’ and the weaponization of compliance within state institutions undermine the state’s ability to address complex adaptive systems issues such as poverty and inequality.

1. The sword of ‘irregularity’

An accusation of ‘material irregularity’ is the worst thing that can be levelled against a manager in the public sector. It insinuates fraud and corruption and leads to a feeding frenzy of investigations and hearings. Staff are threatened with personal liability.

'Non-material irregularities', or procedural errors, can lead to disciplinary hearings, even if the process was the right thing to do at the time, and that the outcome of the process enhanced service delivery.

2. The tyranny of 'recovery' and 'consequence management'

Meetings of Municipal Public Accounts Committees (MPAC) takes up hours and hours of senior management time. The focus of the committee, made up of politicians, is on 'recoverability' following any findings of material irregularities. Staff, from senior management cascading down to junior levels, are threatened with recovery of 'irregular' expenditure from their salaries.

3. The danger of 'deviations'

In tendering, adjudication and contracting processes, appeals can often lead to lengthy delays, resulting in the need to extend an existing contract to keep services going. This requires a deviation. If the amount is over a certain limit, it needs to be signed by the accounting officer or Municipal Manager. Often, one of the KPAs is to reduce the number of deviations. Therefore, managers go to great lengths to avoid seeking deviations, even at the risk of jeopardizing service delivery.

4. The curse of 'narrow mandatism'

Many managers now focus only on their functions and mandates, narrowly defined, lest they be accused of spending resources or working on projects outside of their mandate, which could be classified as fruitless and wasteful expenditure. This inhibits managers from working on complex, cross-cutting issues, which typically require the blending of mandates and cooperation in the 'in-between' spaces between mandates. The standard response now to intergovernmental coordination processes is: It's not my mandate, or, don't bring me your unfunded mandate.

This institutional culture has consequences for addressing poverty and inequality:

1. As one senior manager said to me recently: 'It takes the air out of the room for real issues'. Complex developmental challenges and systemic change issues, such as addressing poverty and inequality, or spatial apartheid, are now almost never raised at senior management meetings because the overwhelming focus on regulatory compliance issues.
2. The bulk of management's time is spent on responding to irregularities, dealing with recovery and finding ways to avoid deviations.
3. Departments would rather sit without an extension of a contract, and allow services to be suspended, than apply for a deviation.
4. This is reinforced by linear planning and monitoring systems, driven by compliance not performance, which lock managers into delivering on targets and indicators even if they no longer make sense.

5. Positive deviations, which form the basis of an adaptive management approach, where plans can be regularly adjusted and adapted based on new intelligence from the system and the environment, are not in a manager's vocabulary.
6. The resultant focus by managers is 'inwards' to the institutional processes and procedures, and 'upwards' to politicians, auditors and forensic investigators, rather than 'downwards' to poor and vulnerable communities and 'outwards' to society. The institutional culture is therefore unresponsive to and unsupportive of societal initiatives. This top-down and inward-looking culture is reinforced by 'command and control' attitudes and behaviours of many politicians towards working with non-state actors.
7. The ultra-narrow interpretation of functions and mandates means that the state institution is unable to deal with complex systems change, which require cross-sectoral and inter-disciplinary approaches, and the coordination of a range of functions and mandates.
8. In particular, the state, bound rigidly by formal procedures and rules, is unable to engage with and support informality. Informal community and business networks, organisations and initiatives, often the very drivers of grassroots community economic and social development, are 'unrecognizable' by the formalities of the state system. (There are some experiments with the use of larger civil society intermediaries, which are formal enough to transact with the public sector, yet have good connections with informal structures and networks, to lawfully channel much needed public resources).
9. It becomes too complex for managers to work in partnership with other spheres of government (which is in fact actively discouraged) and with non-state actors.
10. There is a culture of fear. Many managers would rather not make a decision than make a wrong one. Decisions affecting communities can now take years, not months.

The tragedy is that all the rules, regulations and compliance procedures have not prevented abuse of the system. However, they have prevented good civil servants from engaging with communities, responding flexibly to their needs, and creating a more enabling environment, which is the starting point for tackling poverty and inequality.

The experience of this frozen, stagnant and largely unresponsive state system leads communities, business and civil society to say: 'either join us or get out of our way'.

In rebuilding the state, to support a new development path, we need to also address the regulatory systems, and the unhelpful and often toxic institutional cultures and practices that have emerged based on these systems.