Report on the Evaluation of the Role of Agencification in Public Service Delivery in Selected Sectors

Public Service Commission

July 2011
Vision

The Public Service Commission is an independent and impartial body created by the Constitution, 1996, to enhance excellence in governance within the Public Service by promoting a professional and ethical environment and adding value to a public administration that is accountable, equitable, efficient, effective, corruption-free and responsive to the needs of the people of South Africa.

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The Public Service Commission aims to promote the constitutionally enshrined democratic principles and values of the Public Service by investigating, monitoring, evaluating, communicating and reporting on public administration. Through research processes, it will ensure the promotion of excellence in governance and the delivery of affordable and sustainable quality services.
Report on the Evaluation of the Role of Agencification in Public Service Delivery in Selected Sectors

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Foreword

In South Africa, both prior and post 1994, there have been efforts to establish agencies as part of a strategy to improve service delivery. Since 1994, there has been a proliferation of agencies established by various government departments both at national and provincial level. Many such agencies seem to be the implementing arms of the key functions of the departments.

World-wide, there are concerted efforts by governments to find new and creative ways to deliver services to the citizens at a faster pace. Many government departments seem to have found the establishment of agencies as one such model that could fast-track the delivery of services in an efficient and effective manner. This process is generally known as agencification. Among others, it seeks to ensure the separation of policy-making and implementation functions. Furthermore, it is argued that such separation enables government departments to focus on developing policies and providing strategic direction while the agencies are tasked with the implementation of such policies and the direct provision of the services to citizens. In many countries, agencies have been established by different departments to fulfill different government functions ranging from regulation, research, implementation and policy advice to service delivery.

The Public Service Commission (PSC) has over the years sought to establish the value-add of the agencies in the value-chain of service delivery in the country. To this end, in 2003, the PSC undertook a study on the Evaluation of the Service Delivery Innovation of the Creation of Agencies at the Department of Transport to determine whether the objectives of the regulatory transport agencies were met and whether government needed to promote the establishment of agencies to deliver these services in future. The findings of the study showed that through the creation of such regulatory agencies as the South African National Roads Agency (SANRAL), service delivery had indeed improved as a result of a greater focus by the agency on its core business, and the competence of its staff. As a result, the study acknowledged that agencification, as an innovative service delivery model, was a viable option in the regulatory Transport environment.

During the 2010/11 financial year, the PSC further conducted a study to evaluate the role of agencification in public service delivery in selected sectors. The agencies included in the study were the South African Social Security Agency (SASSA) and the Small Enterprise Development Agency (SEDA). The findings of the study show that agencification, if properly implemented, can contribute to public service delivery.

I am pleased to present this evaluation of the role of agencification in public service delivery in selected sectors. It is hoped that the report will serve as a source document to government in the search of sustainable ways to fast-track service delivery, especially in decisions on the establishment of agencies.

MR B MTHEMBU
CHAIRPERSON: PUBLIC SERVICE COMMISSION

Table of Contents

FOREWORD ii
LIST OF FIGURES iv
ACRONYMS v
EXECUTIVE SUMMARY vi

CHAPTER 1: INTRODUCTION 1
1.1 Background to the study 2
1.2 History of agentification in South Africa 2
1.3 Mandate of the Public Service Commission 2
1.4 Aim and objectives of the study 3
1.5 Structure of the report 3

CHAPTER 2: THE LANDSCAPE OF SOUTH AFRICAN AGENCIES 4
2.1 Introduction 5
2.2 Agentification conceptualised 5
2.3 Benefits of agentification 5
2.4 Legal context of agentification 6
2.5 Overview of previous studies on agentification 8
2.5.1 Report on the Evaluation of the Service Delivery Innovation of the Creation of Agencies at the Department of Transport 8
2.5.2 Review of National Public Entities and Government Business Enterprises 8
2.5.3 The Snapshot Survey Measuring Service Delivery Against Norms and Standards 9

CHAPTER 3: METHODOLOGY 10
3.1 Introduction 11
3.2 Methodology 11
3.2.1 Sampling 11
3.2.2 Data collection process 11
3.3 Data analysis 12
3.4 Limitation of the study 12

CHAPTER 4: OVERVIEW OF KEY FINDINGS 13
4.1 Introduction 14
4.2 Key findings 14
4.2.1 Factors that led to the establishment of the agencies 14
4.2.2 Agencies’ role in public service delivery 15
4.2.3 Benefits and, opportunities, and challenges 17

CHAPTER 5: KEY FINDINGS: SOUTH AFRICAN SOCIAL SECURITY AGENCY 18
5.1 Introduction 19
5.2 Key findings 19
5.2.1 Factors that led to the establishment of SASSA as an agency in the Department of Social Development 19
5.2.2 SASSA’s role as an agency in public service delivery 21
5.2.3 Benefit, opportunities and challenges 27

CHAPTER 6: KEY FINDINGS: SMALL ENTERPRISE DEVELOPMENT AGENCY 29

6.1 Introduction 30
6.2 Key findings 30
6.2.1 Factors that led to the establishment of SEDA as an agency in the Department of Trade and Industry 30
6.2.2 SEDA’s role as an agency in public service delivery 31
6.2.3 Benefits, opportunities and challenges 35

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS 37

7.1 Introduction 38
7.2 Conclusion 38
7.3 Recommendations 38
7.3.1 Clarification of accountability with regard to SASSA’s performance and operations 38
7.3.2 The finalisation of appeals with regard to SASSA should be expedited 38
7.3.3 Efforts to improve access to SEDA services 38
7.3.4 Efforts to obtain funding for marketing services should be intensified 39
7.3.5 Need to consider the provision of finance 39
7.3.6 SEDA’s performance monitoring and reporting needs to be strengthened 39
7.3.7 Agencies need to strengthen consultation with service users 39

ANNEXURE A 40
Examples of agencies established prior and post 1994 41

ANNEXURE B 42
Key findings from the Gauteng Shared Services Centres (GSSC) 43

LIST OF TABLES
Table 1: Legislation with regard to the establishment and functioning of SASSA and SEDA as agencies 6
Table 2: Senior managers of the National Department of Social Development, SASSA and SEDA interviewed 11
Table 3: SASSA and SEDA offices where officials were interviewed 12
Table 4: Service delivery points of SASSA and SEDA where service users were interviewed 12
Table 5: Comparison of the grant administration process before and after the establishment of SASSA 22

LIST OF FIGURES
Figure 1: Rating of the SASSA’s level of access by service users 23
Figure 2: Consultation of SASSA service users 25
Figure 3: Rating of the quality of services by SASSA’s service users 25
Figure 4: Ratings of the SEDA’s level of access by service users 32
Figure 5: Level of consultation about services provided by SEDA 33
Figure 6: Rating of quality of services by SEDA’s service users 34
Acronyms

ARC  Agricultural Research Council
BDS  Business Development Service
CBRTA  Cross Border Road Transport Agency
CPPPP  Community Public Private Partnership Programme
CSO  Civil Society Organisation
DBSA  Development Bank of Southern Africa
DPSA  Department of Public Service and Administration
DSD  Department of Social Development
DTI  Department of Trade and Industry
EA  Executing Authority
ECRFC  Eastern Cape Rural Finance Corporation
GEPF  Government Employee Pension Fund
ICROP  Integrated Community Registration Outreach Programme
IDT  Independent Development Trust
MoF  Minister of Finance
MPSA  Minister of Public Service and Administration
MTSF  Medium Term Strategic Framework
NAMAC  National Manufacturing Advisory Centre
NDA  National Development Agency
NPM  New Public Management
PFMA  Public Finance Management Act
PSA  Public Service Act
PSC  Public Service Commission
PSR  Public Service Regulations
RAF  Road Accident Fund
SACAA  South African Civil Aviation Authority
SAMSA  South African Maritime Safety Authority
SANRAL  South African National Road Agency Limited
SASSA  South African Social Security Agency
SEDA  Small Enterprise Development Agency
SMME  Small Medium Micro Enterprises
UIF  Unemployment Insurance Fund
Executive Summary

BACKGROUND TO THE STUDY

Governments world-wide strive to ensure the delivery of quality services to citizens. One of the strategies governments have over the years introduced in the delivery of public services, is agencification. Through agencification, departments are allowed to establish semi-autonomous agencies or public entities which render public functions on behalf of departments. Among others, agencification seeks to ensure the separation of policy-making and implementation functions. Furthermore, it is argued that such separation enables government departments to focus on developing policies and providing strategic direction while the agencies are tasked with the implementation of such policies and the direct provision of the services. In South Africa, agencies have been in existence both prior and post-1994.

The PSC decided in the 2010/11 financial year to conduct a study to assess the role of agencification in public service delivery.

AIM AND OBJECTIVES OF THE STUDY

The overall aim of the study was to assess the role of agencification in public service delivery in selected sectors. The specific objectives of the project were to:

- Establish the factors that led to the establishment of the agencies in the respective departments.
- Determine the role played by the agencies in public service delivery.
- Determine the benefits and opportunities created by the establishment of agencies in public service delivery.
- Based on the information obtained, generate a set of recommendations to assist in the effective management of agencies in the Public Service.

METHODOLOGY

The assessment used mixed-methods and triangulated data to achieve the research objectives. Two agencies, namely, the South African Social Security Agency (SASSA) of the Department of Social Development and the Small Enterprise Development Agency (SEDA) of the Department of Trade and Industry were selected to participate in the study. The selection of agencies was based on their potential contribution to government’s priority areas as contained in the country’s 2009–2014 Medium Term Strategic Framework (MTSF). Structured and semi-structured questionnaires were developed and used to collect data from service users and departmental officials, respectively. Key documents were reviewed and face-to-face interviews were conducted with key officials of the selected agencies, and with 130 service users (84 of SASSA and 46 of SEDA) at the selected service delivery points. In addition, the Gauteng Shared Services Centre (GSSC), although not an agency, was included in the study and the findings thereof are contained in Annexure B.

KEY FINDINGS

The results of the assessment of agencification with regard to SASSA and SEDA showed that:

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Different factors led to the establishment of the agencies

The findings show that different factors led to the establishment of SASSA and SEDA as service delivery agencies in 2004. The findings show that SASSA was established to address the challenges with regard to the grant administration process in the country. According to the business case for establishing SASSA, such challenges included a fragmented social security system, a lack of uniform grant administration processes, lack of human resources capacity, a lack of financial management skills and poor management of service providers, amongst others.

Furthermore, it was established that with regard to the social grant administration process, the implementation function in terms of the Social Assistance Act was assigned to the Provincial Departments of Welfare and Social Development. Based on different interpretations of national policies by the Provincial Departments of Welfare and Social Development and provincial differences in the allocation of funds for the implementation of such policies, the provincial departments developed different service delivery strategies and priorities which led to unequal service levels and quality of services between the various provincial departments. This further necessitated a national agency that would ensure uniform implementation of the process throughout the country.

It was established that prior the establishment of SEDA, services of the small enterprise support function were provided by different agencies mainly in the more urban areas of the country, and such services differed from one agency to the other. This resulted in unequal access to the much needed services, especially by the poor.

The disjuncture between the objectives of the small enterprise support programme and government’s strategy on integrating small business development in South Africa, the lack of coordination and integration between the different initiatives focusing on small businesses, the limited population outreach of the support to small businesses and a fragmented national delivery network called for a consolidation of small business support services. To ensure that service users throughout the country receive all the small business enterprise services through the same level and quality, the DTI decided to establish a single agency (SEDA) as proposed in the Integrated Small Business Development Strategy in South Africa 2004 - 2014.

Overall, the main factor that prompted the Departments of Social Development (DSD) and Trade and Industry (DTI) to decide on agencification as the most appropriate organisational form to address the above-mentioned challenges, was the need to ensure that service delivery in terms of the grant administration process and small enterprise support, respectively, is uniformly provided to all service users in need of such services.

Agencies’ role in public service delivery

The role both SASSA and SEDA played in public service delivery is discussed in terms of the service delivery processes, accessibility, consultation, service users’ satisfaction and governance arrangements:

- Improved service delivery processes

The establishment of both SASSA and SEDA, led to changes in the specific service delivery processes that each of the agencies are responsible for; namely, the grant administration process, which SASSA is responsible for and the delivery of business support services to small enterprises, which is the competency of SEDA. In the case of SASSA, the changes include the computerisation of steps in the process, increasing the credibility of beneficiary data, as a result of on-line verification, and a reduction in human interference in the acceptance of applicants on the system. All these measures have led to improvements in terms of turn-around time of the grant application.

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process. Unlike when the services were provided by the Department of Social Development where it used to take three to six months for applications to be finalised, with the establishment of SASSA, it takes one day. It was reported in the Snapshot Survey Measuring Service Delivery against Norms and Standards⁸ that seventy three percent (73%) of beneficiaries’ applications were completed within the standard of one day. Eighty two percent (82%) of these applications were completed within 45 minutes. This means that SASSA has largely succeeded in completing the whole application process within the 45 minutes standard time set for the verification of applicants’ details step in the grant application process.

Similarly, in the case of SEDA, the changes to the service delivery processes include the introduction of a uniform set of business processes in terms of which services are rendered across the SEDA offices. The standardised processes consist of service user intake or/registration, service user diagnosis, the provision of support and client relationship management. The establishment of these uniform processes ensures the provision of a uniform national process that all prospective service users can equally benefit from, compared to the previously fragmented process where service users got different levels of support from two different agencies. The changes in the process further provide a platform for managing and organising service user data in such a way that it facilitates reporting to management, and establishing interfaces with stakeholders in the support programmes. According to SEDA senior officials, the provision of this uninterrupted support to small businesses, even from the business being just a business idea, has safeguarded these small businesses from failure and assisted them to grow into medium businesses. The findings further show that with the establishment of SEDA, service users, regardless of their geographic location, received a uniform network of services.

• Accessibility improved

Both SASSA and SEDA have put in place measures to ensure that accessibility to services by service users is improved. There has been a roll-out of service delivery points across the country, especially in the remote rural areas. For instance, the findings also show that SASSA introduced a standard social security card across provinces (as opposed to the different cards previously used by the different Provincial Departments of Social Development) to enable easy access for those in need, regardless of their geographic location. The Snapshot Survey Measuring Service Delivery Against Norms and Standards⁹ found that eighty four percent (84%) of SASSA’s service users were staying less than 40 km from a SASSA service point as per the national norm, and that eighty percent (80%) of service users rated SASSA facilities to be clean. Social security grants are government measures to address poverty and it is important that they should be available, accessible and affordable to many people in the country. On the other hand, with regard to SEDA this meant that many people country-wide were receiving the small enterprise support services which are necessary for the economy of the country. The main contribution in this regard was the development of a strategy to decentralise service provision and roll-out service delivery points to all district municipalities in the country, except in the Gauteng Province. While this effort is commendable, it should be noted that the location of district municipalities may still be far from some of the service users, thereby requiring them to travel long distances to access services of SEDA. Rural economic initiatives in particular, are central to the overall economic development of the country. Interviews with service users largely corroborated the finding on improved accessibility and the general sense is that service users were finding the improved service delivery helpful to them.

• Consultation needs to be strengthened

Senior officials of both agencies indicated that they use various methodologies to consult service users about their service needs. Key to the methodologies applied were public meetings. In the case of SASSA, outreach programmes were also applied, where officials of the agency use mobile units to visit remote communities and raise awareness about the services they provide and how to access them. The finding suggests that both agencies
are committed to consult service users about their service needs and to include service users’ views in decisions about the provision of services. Interviews with service users, on the contrary, indicated that only thirty three percent (33%) of service users in the case of SASSA and (38%) of service users in the case of SEDA, have been consulted about their specific needs in terms of level and quality of services. This finding suggests that service users were not entirely satisfied with the state of consultation and were of the view that there is still room for improvement in this area. Services that are not aligned with service user needs have a potential to impact negatively on the achievement of norms and standards with regard to service delivery.

- Service users are satisfied with the quality of services

The findings show that, of the 84 service users of SASSA services interviewed, eighty two percent (82%) were satisfied with the services they received from the agency. This percentage is higher than the targeted standard of seventy five percent (75%) developed by the National Department of Social Development for SASSA10. Findings of the Snapshot Survey Measuring Service Delivery against Norms and Standards11 support this finding at SASSA. The findings of this Survey reported that eighty percent (80%) of service users are either satisfied or very satisfied with the grant administration process. Similarly, with regard to SEDA, the findings of this PSC study show that of the 46 service users interviewed, seventy two percent (72%) were satisfied with the services they receive. SEDA further conducted follow-ups with service users telephonically to establish whether they are satisfied with the services provided to them.

- Appeals are addressed effectively

With regards to SASSA, the study found that the National Department of Social Development has appointed an Independent Appeals Tribunal to ensure independence in addressing appeals for the eligibility of the grants. According to the National Department of Social Development, there was a backlog of 65 000 cases at the beginning of 2010, and the backlog has decreased since then to 45 000. The finding shows the Department's commitment to ensuring that appeals are addressed in a fair and just manner and that backlogs in this regard are reduced. The finding does, however; not pronounce on the fairness of SASSA's decisions regarding who qualifies for grants as no figures were, for instance, available on the number of cases where the Independent Appeals Tribunal confirmed SASSA's decisions.

- Systems for managing corruption are in place

The study found that SASSA has introduced various mechanisms to limit fraud and corruption with regard to the payment of social grants. Central to these were the entering into an agreement with the Special Investigations Unit (SIU) to “manage, investigate and prosecute individuals identified in fraudulent activities within the social security system”12; the establishment of a Social Security Inspectorate, drafting of a Compliance Framework to enhance the special investigations, and the continuous identification of anomalies in the grant administration process13. The finding suggests that SASSA is committed to reduce fraud and corruption. The effective and swift intervention of SASSA when such cases of fraud and corruption emerge, would serve as a deterrent to prospective transgressors of policies and prescripts in the social grant administration process.

- Governance arrangements

The findings show that different governance arrangements were put in place in the agencies that took part in the study. The study found that SASSA reports directly to the Minister of Social Development. Furthermore, a governance structure was created consisting of the Ministry of Social Development, the DSD, the National Development

Agency (NDA) and SASSA to ensure effective information-sharing, reporting in terms of achievement of targets and discussion of plans. However, the Auditor-General (AG) noted in his qualified audit on the financial statements of the National Department of Social Development for 2009/2010, that the accountability lines between the Department and SASSA were ill-defined, which lead to ambiguity with regard to the accountability over the Agency's expenditure. The findings suggest that the current governance structure is not effective in clarifying accountability between the National Department of Social Development and SASSA for SASSA's oversight and operations.

The functions of the SEDA Board are provided for in the National Small Business Act. Accordingly, the Board must ensure that the functions of the Agency are performed and that the objectives are achieved. The Memorandum of Agreement (MoA) between the Minister of Trade and Industry and SEDA, defines the different roles and responsibilities, states expected deliverables and spells out the reporting process that should be followed in reporting on the Agency's performance. Although the current governance arrangements provide for clear accountability lines, the arrangements are not necessarily contributing to effective performance management and reporting, and the achievement of SEDA's service delivery objectives. This is confirmed by the AG in his 2009/2010 Audit Report on SEDA's financial statements where he noted that the Agency did not report its performance methodically against its plans, and that the performance reports were not reliable as a result of the absence of source documents submitted to the AG.

Benefits, opportunities and challenges

- Benefits and opportunities

There are several benefits and advantages that were raised as a result of the establishment of SASSA and SEDA as agencies. Key to such benefits are the improvements in the grant administration process, an improvement of the turn-around time in the process and the uniform service delivery in terms of the implementation of the national norms and standards for social security. On the other hand key to the benefits of SEDA are the bigger section of the population that can now benefit from the business support services provided to small enterprises as a result of the roll-out of service delivery points to district municipal level. Furthermore, service users seem to benefit from follow-up visits conducted by the officials of the Agency as a measure to improve accessibility to its services. SEDA's service users also enjoy the advantage of being supported throughout the process of establishing and growing a new business. A further important benefit of the establishment of SEDA is the facilitation of access to finance for the SMME's and the assistance provided by SEDA in terms of searching for appropriate international markets for the products and services of the small enterprises.

- Challenges

Both agencies recorded several challenges following their establishment. Key to the challenges of SASSA, is the blurred accountability for SASSA's operational expenditure reported in the financial statements of both the National Department of Social Development and those of SASSA. Furthermore, the backlogs with regard to the finalisation of the appeals cases referred to the Appeals Tribunal could contribute to a negative view of the public of the effectiveness of the Tribunal as a redress mechanism introduced to handle their appeals and the service delivery of SASSA. In addition to these challenges, the fact that SASSA has had to operate with an acting Chief Executive Officer (CEO) for well over a year, cannot be in the interest of stability and effective governance.

On the other hand, key challenges with regard to the establishment of SEDA as an agency include the provision of marketing services for the products of service users, a lack of coordination between SEDA's small business support programme and other government support programmes, and a lack of proper monitoring and reporting.
with regard to the achievements of SEDA’s support programme. The unavailability of adequate funding to assist service users with the marketing of their products, could result in a loss of business opportunities and failure of the enterprises. The lack of coordination and integration of SEDA’s support programme and other government support programmes leads to inefficiencies in government spending as a result of the duplication of support service efforts.

RECOMMENDATIONS

**Clarification of accountability with regard to SASSA’s performance and operations**

The accountability for SASSA’s operations on the one hand, and for the oversight of the performance of SASSA on the other hand, should be clearly identified and reflected in responsibilities for reporting at the different levels. This will facilitate proper reporting in terms of performance and financial management and ensure compliance with the Public Finance Management Act.¹⁸

**The finalisation of appeals with regard to SASSA should be expedited**

The finalisation of appeals handled by the Appeals Tribunal should be expedited to ensure that qualifying service users start benefiting from the relevant social security grants. A proper analysis of the backlogs should inform corrective action in this regard.

**Efforts to improve access to SEDA services**

It is inadequate that SEDA is providing services at District Municipality since not all service users will be able to access those services. When considering the area covered by these municipalities, some users may have to pay exorbitant amounts to access these services. It is recommended that SEDA use local municipal offices, which are closer to communities, or the Thusong Services Centres to provide services.

**Efforts to obtain funding for marketing services should be intensified**

Efforts of SEDA to obtain additional funding to ensure the continuation of the provision of critical marketing services to prospective entrepreneurs, should be intensified. The institutional arrangements provided in the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises should be enforced to ensure increased private sector participation in the promotion process. These arrangements allocated the responsibility to ensure that private businesses become more involved in the promotion of the small enterprises, to the DTI.¹⁹ It is important that the DTI formalises the process and monitors and reports progress in this regard.

**Need to consider the provision of finance**

Non-provision of finance by SEDA is a challenge to some users (15%), and leaves the process of small business development incomplete. It is proposed that an integrated approach whereby SEDA services and the financial services provided by other agencies of the Department are rendered within one stop centre to ensure synergy and improved linkages within the agencies as well as citizens’ improved access to services.

**SEDA’s performance monitoring and reporting needs to be strengthened**

The monitoring of SEDA’s services and the reporting of achievements in this regard, should be strengthened to ensure consistency between the different offices in terms of the indicators used to measure performance and the formats used for reporting purposes. The development of appropriate performance indicators will ensure

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the availability of critical performance data for reporting and audit purposes. It will further facilitate proper performance management.

**Agencies need to strengthen consultation with service users**

The study identified shortcomings with regard to consultation of service users in both agencies included in the study. Service users should be consulted about the level and quality of the public services they receive from the agencies. Consultation will provide service users the opportunity to influence decisions on the nature and quality of services provided to them. This will ensure that the Agencies’ services are responsive to the service users’ needs. It is, therefore, important that agencies commit themselves to a proper consultation process, the development of clear standards with regard to consultation and the identification of the most efficient and effective consultation methodologies to use.
Chapter One

Introduction
1.1 BACKGROUND TO THE STUDY

Governments world-wide strive to ensure the delivery of quality services to citizens. One of the strategies
governments have over the years introduced in the delivery of public services, is the establishment of semi-
autonomous agencies or public entities which render public functions on behalf of departments. This process is
called agencification. Agencification allows for the separation of policy making and implementation functions or
responsibilities. Furthermore, it enables government departments to focus on developing policies and providing
strategic direction while agencies are tasked with the implementation of such policies and the direct provision of
the services. Annexure A shows the list of agencies established in the country prior and post 1994.

In 2003, the Public Service Commission undertook a study on the Evaluation of the Service Delivery Innovation of the
Creation of Agencies at the Department of Transport. The study sought to determine whether the objectives of the
regulatory transport agencies were met and whether government needed to promote the creation of agencies
to deliver these services in future. The findings of the study showed that through the creation of such regulatory
agencies in the Department of Transport, service delivery had indeed improved. For example, the study found
that the South African National Road Agency Limited’s (SANRAL) functions which included the construction,
maintenance and management of roads, were more efficiently and effectively undertaken by the agency than by
the Department of Transport (DOT) before the establishment of the agency. All stakeholders (100%) who
participated in the study indicated that service performance of the agency was effective and efficient. This was
attributed to a greater focus by the agency on core business and the competence of staff of SANRAL. As a result,
it was concluded that agencification, as an innovative service delivery model, was a viable option in the regulatory
transport environment.

Since the PSC study in 2003, both national and provincial departments continued to create agencies as a strategy
to fast-track service delivery. Based on this, the PSC has, during 2010/11, decided to conduct another study on
agencification to assess the role of agencification in public service delivery, especially in non-regulatory agencies
in selected sectors, namely, the social security and community development, and the economic growth and
development sectors. For the purpose of this study, the South African Social Security Agency (SASSA) and the
Small Enterprise Development Agency (SEDA) were sampled based on their contribution to the country’s job
creation and poverty reduction initiatives. It is hoped that the study would provide an overview of the contribution
of agencies in providing quality services to citizens and the challenges thereof.

1.2 HISTORY OF AGENCIFICATION IN SOUTH AFRICA

In South Africa, agencies were in existence during the apartheid-led government long before the advent of the
democratic government in 1994. Post 1994, the new democratic order continued to establish agencies to deliver
government programmes and services with the understanding that such agencies would improve service delivery.
Agencies have been established to fulfill different government functions at national, provincial and local levels. The
functions include regulation, research, policy advice, and service delivery.

1.3 MANDATE OF THE PUBLIC SERVICE COMMISSION

The Public Service Commission is a constitutionally created body whose mandate is to promote values and
principles set out in section 195, through, among other, efficient, effective and economic use of resources (s195(1)
(b). Among others, the PSC is required to investigate, monitor and evaluate the organization and administration of
public organizations and to propose measures to ensure effective and efficient performance in the public service
(s196 (4)(c). Through undertaking the Evaluation of the Role of Agencification in Public Service Delivery in Selected
Sectors, the PSC would carry out this mandate. Furthermore, since agencification could be regarded as an innovative
service delivery strategy, this report would also serve as a source document for government in decisions on the management of agencies, in search of sustainable ways to fast-track the much-needed service delivery.

1.4 AIM AND OBJECTIVES OF THE STUDY

The overall aim of the study was to assess the role of agencification in public service delivery in selected sectors. The specific objectives of the study were to:

- Establish the factors that lead to the establishment of the agencies in the respective departments.
- Determine the role played by the agencies in public service delivery.
- Determine the benefits and opportunities created by the establishment of agencies in public service delivery.
- Based on the information obtained, generate a set of recommendations to assist in the effective management of agencies in the Public Service.

1.5 STRUCTURE OF THE REPORT

The following is the structure of the report:

- **Chapter 2** describes the landscape of South African agencies.
- **Chapter 3** describes the methodology applied in the study.
- **Chapter 4** provides an overview of the key findings of the study.
- **Chapter 5** presents the key findings of the study with regard to the South African Social Security Agency (SASSA).
- **Chapter 6** presents the key findings of the study with regard to the Small Enterprise Development Agency (SEDA).
- **Chapter 7** presents the conclusion and recommendations drawn from the study.
Chapter Two

The Landscape of South African Agencies
2.1 INTRODUCTION

The purpose of this chapter is to provide an overview of agencification as a mechanism to improve service delivery in South Africa. The chapter outlines the concept of agencification, the advantages of agencification, the legal context of agencification and an overview of previous studies on agencification.

2.2 AGENCIFICATION CONCEPTUALISED

Agencies as alternative organisational forms in government have been in existence for many years world-wide. Different names are often used in different contexts for this organisational form. These include “autonomous bodies”, “semi-autonomous bodies”, and “quasi-autonomous non-governmental organisations (or “quangos”), among others. In South Africa, the most common name used is “public entities”. However, the amended Public Service Act has also introduced two new variations of agencies and these are called “government component” and “Specialized Service Delivery Unit”, respectively. Although it is argued that agencies are not necessarily a new organisational form and that their existence in countries such as Sweden dates back some 300 years ago, it is also generally accepted that they are now on the increase world-wide. However, any discussion on agencification should take into consideration that agencies differ and that it would, therefore, not be appropriate to generalise. They differ according to, for example, how they are funded, their size, powers, roles, legal status, relationship to the executive, the conditions of employment of staff, and why they were created.

2.3 BENEFITS OF AGENCIFICATION

Agencies are established with the expectation that they will improve the performance of government, whether through their policy advice, regulatory role, or service delivery, depending on why they were established in the first place.

Some of the expected benefits are:

- Bringing direct accountability and decision-making as close as possible to the service delivery point
- Direct control and influence over service delivery
- Administrative and operational arrangements of an agency can be customised to suit a particular service delivery environment.

The above-identified benefits are key to ensure that services are provided with a sense of urgency and accountability. Unlike in the normal departments, where there could be several delays as a result of bureaucratic matters, agencies seem to be more flexible and to have introduced sound work ethics approaches. In the UK, where executive agencies have been established on a wide scale, it has been reported that they had been “successful in achieving radical change in central government to the benefit of customers”.

Contrary to the above benefits, critics such as Pollitt et al have asserted that the intended benefits of agencification are not always achieved and that there are also disadvantages of this organisational form. These disadvantages include problems with accountability between the agency and the relevant Minister; and divergent outcomes such

as “loss of control and coordination, corruption and underperformance”\(^3\). Similarly, certain sections of organised labour in South Africa have argued that agencification compromises accountability and co-ordination\(^3\).

### 2.4 LEGAL CONTEXT OF AGENCIFICATION

In South Africa, various pieces of legislation that provide the framework for the establishment and functioning of agencies have been introduced. Such legislation is also relevant to the South African Social Security Agency (SASSA) and the Small Enterprise Development Agency (SEDA). Table 1 below provides an overview of such pieces of legislation.

**Table 1: Legislation with regard to the establishment and functioning of SASSA and SEDA as agencies**

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Mandate</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Public Finance Management Act(^{32}), Chapter 6 on Public Entities.</td>
<td>Sets out the directives with regard to the accountability for public funds and who should be responsible for this. It further pronounces on financial and non-financial reporting requirements including annual reporting and financial statements, corporate planning and budgeting, and the assignment of powers and duties by the accounting authorities of public entities. It finally spells out the responsibilities of other officials other than accounting authorities.</td>
</tr>
<tr>
<td>Public Service Amendment Act(^{33})</td>
<td>Provides for the submission of a feasibility study which recommends the establishment of a government component. Furthermore, it requires departments to consult the MPSA and the MoF on the establishment of each of the prospective government components.</td>
</tr>
<tr>
<td>Public Service Regulations (PSR)(^{34})</td>
<td>The Public Service Regulations (PSR) provides requirements for the establishment of government components and specialized service delivery units to ensure that the right organizational option is chosen. Specific requirements include the undertaking of a proper feasibility study to determine the need for the establishment of an agency and the presentation of a business case on the preferred organizational form. The PSR further proposes the establishment of an interdepartmental Assessment Committee made up of an employee of the Department of Public Service and Administration (DPSA), employees designated by the Minister of the relevant department (maximum of four) and employees designated by the MoF (maximum four) to assess the institutional option most appropriate. This process ensures that the business case is objective and the best option recommended has been well thought through.</td>
</tr>
</tbody>
</table>

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\(^{34}\) Republic of South Africa. Department of Public Service and Administration. Public Service Regulations. 2010.
LEGISLATION WITH REGARD TO THE ESTABLISHMENT AND FUNCTIONING OF AGENCIES

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Mandate</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Draft Policy Framework for the Governance and Administration of Public Sector Institutions</td>
<td></td>
</tr>
<tr>
<td>Could be regarded as a strategy to enable government to ensure public sector institutions deliver effectively and efficiently on their service delivery mandates. It provides for government to maintain maximum democratic control while agencies are given the optimal level of autonomy to manage the delivery of the function. The Draft Framework provides for a formal analysis of the most appropriate approach to deliver a function, and that the analysis informs the specific corporate form. The Draft Framework further provides a structure for defining and classifying the corporate forms that government may use to deliver functions. The corporate forms include departments, entities, agencies and business enterprises. The Draft Framework also describes the management structures that should be responsible for the development, implementation and overseeing of compliance with the Draft Framework.</td>
<td></td>
</tr>
</tbody>
</table>

The Draft Framework explains the governance arrangements between the relevant Minister; department and agency(s) and the responsibilities of the different role players. The Draft Framework further states that “relevant legislation mandates the [relevant] Minister to delegate or assign powers to the Head of the Agency, subject to conditions of the relevant Minister. The Head of the Agency is accountable to the relevant Minister for the delivery of services against a signed performance contract. A government agency is linked to a department responsible for the relevant policy/functional area in order to assist the Minister to exercise oversight over the agency on policy formulation and implementation. Any Minister may, in consultation with the MPSA and the MoF after notice in the Gazette, establish a government agency”.

SASSA AND SEDA SPECIFIC LEGISLATION

<table>
<thead>
<tr>
<th>Agency</th>
<th>Legislation</th>
<th>Mandate</th>
</tr>
</thead>
<tbody>
<tr>
<td>SASSA</td>
<td>The Constitution of the Republic of South Africa, Act 108 of 1996</td>
<td>“Everyone has a right to have access to social security, including, if they are unable to support themselves and their dependents.”</td>
</tr>
<tr>
<td>SASSA</td>
<td>Social Assistance Act, Act 13 of 2004</td>
<td>Provides for the rendering of social assistance transfers to qualifying persons.</td>
</tr>
<tr>
<td>SASSA</td>
<td>South African Social Security Act, Act 9 of 2004</td>
<td>Provides for the establishment of SASSA as an agency for the administration and payment of social assistance transfers and the administration and payment of social security by SASSA.</td>
</tr>
<tr>
<td>SEDA</td>
<td>National Small Business Amendment Act, Act 29 of 2004</td>
<td>Provides for the establishment of SEDA, to make provision for the incorporation of the Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre and any designated institution into SEDA.</td>
</tr>
</tbody>
</table>

Apart from understanding the legal context of agencification in South Africa, it is also important to provide the perspectives of previous studies on agencification on the contribution of agencification in improving service delivery.

2.5 OVERVIEW OF PREVIOUS STUDIES ON AGENCIFICATION

In South Africa, several studies have been conducted on the evaluation and measuring of service delivery through agencies. Key lessons can be drawn from such studies. The following is an overview of the key studies undertaken:

2.5.1 Report on the Evaluation of the Service Delivery Innovation of the Creation of Agencies at the Department of Transport

In 2003\(^\text{37}\), the PSC undertook a study to evaluate the service delivery innovation emanating from the creation of agencies at the DoT. This study sought to determine whether the objectives of the establishment of regulatory transport agencies such as SANRAL, the South African Maritime Safety Authority (SAMSA), the South African Civil Aviation Authority (SACAA) and the Cross Border Road Transport Agency (CBRTA) were met and whether government needed to promote the establishment of agencies to deliver services in future.

The findings of the study showed that the establishment of agencies in the DOT had benefited service delivery in the regulatory transport sector. For example, the survey found that SANRAL’s functions were more efficiently undertaken by the agency than by the DOT before the establishment of the agency. Almost all respondents indicated that service performance was good due to a greater focus by the agency on core business and the competence of staff of SANRAL\(^\text{38}\). As a result, it was concluded that agencification, as a service delivery model, is a viable option in the regulatory transport environment. The report, however, identified the need to attend to issues such as management, transparency and board processes of the agency.

Key recommendations of the study included the need to clarify functions between the DoT and the transport agencies, and the need to establish a proper monitoring system to enable the DoT to monitor the performance of these agencies.

2.5.2 Review of National Public Entities and Government Business Enterprises

In 2003, the DPSA and National Treasury conducted a Review of all National Public Entities and Government Business Enterprises\(^\text{39}\). The purpose of the review was to design a coherent policy framework supported by sound governance practices which would:

- Promote service delivery and access to services.
- Be flexible enough to allow the Executive to manage various institutions.
- Promote the oversight functions of the Executive over its institutions.

The key findings of the above study were that government approached the establishment of agencies in an ad hoc basis. The regulatory environment was fragmented with multiple accountability frameworks and public entity legislation was cumbersome and too rigid to deal with the changing government priorities. It was also found that different frameworks for remuneration and conditions of service had constrained the successful implementation of policy and that agencies lacked a performance culture. As a result of these findings, it was recommended that government needed a Policy Framework for managing government entities and ensuring that they deliver. In 2005, National Treasury and the Department of Public Service and Administration developed the draft Policy Framework for the Administration and Governance of Public Sector institutions. Following the development of this draft Policy Framework, the former Minister for the Public Service and Administration decided to include the government component organisational model in the Public Service Amendment Act 30 of 2007\(^\text{40}\). The Act provides for the establishment of government components (government agencies in terms of the Framework).


\(^{40}\) Republic of South Africa. Department of Public Service and Administration. Public Service Amendment Act No. 30 of 2007.
2.5.3 The Snapshot Survey Measuring Service Delivery Against Norms and Standards

In 2010, the National Department of Social Development commissioned a study, the Snapshot Survey Measuring Service Delivery Against Norms and Standards41, to measure SASSA’s service delivery against the national SASSA Norms and Standards42 in an attempt to identify best practices and bring about improvements. Norms and standards were developed in a range of areas such as finance, internal business processes, customer satisfaction, people and growth, and core processes. These norms and standards include inter alia the reduction of the turn-around time for the grant administration process to forty five (45) minutes, the improvement of service user satisfaction level to seventy five percent (75%), an increase in the percentage of service users that have received communication from SASSA to seventy percent (70%), and an increase in the number of service delivery sites to ensure that these sites are within a 40 km radius from service users in urban areas and that mobile units in rural areas are within a 20 km radius of service delivery sites.

The findings of this study show that, overall, service delivery has improved as a result of the establishment of SASSA. Proof of improved service delivery include the finding that 82% of SASSA offices country-wide are meeting the 45 minutes turn-around time for the completion and approval of service users’ applications for grants. Service users seemed to be well-informed about the services provided by SASSA and the service standards thereof. The study provides the Department with measures of SASSA's performance against all the SASSA Norms and Standards and the report can be useful in identifying challenges and action plans to counter these challenges.

Chapter Three

Methodology
3.1 INTRODUCTION

This chapter outlines the research methodology used during the study. The study covers two agencies established by national departments namely, SASSA created by the Department of Social Development (DSD) and SEDA established by the Department of Trade and Industry (the DTI). Both agencies operate at national level and have offices in all nine provinces of the country.

3.2 METHODOLOGY

This study employed both qualitative and quantitative approaches in the research process.

3.2.1 Sampling

The two agencies, namely, SASSA and SEDA were identified and selected to participate in the study based on their potential contribution to government’s priority areas as contained in the country’s 2009 – 2014 Medium Term Strategic Framework (MTSF)\(^43\). Government’s priority areas include health, the creation of decent work and sustainable livelihoods, education, rural development, food security and land reform and the fight against crime and corruption\(^44\). In addition, the Gauteng Shared Services Centre (GSSC), although not an agency, it was included in the study and the findings thereof are contained in Annexure B.

3.2.2 Data collection process

Data was collected through the scrutiny of available documents and interviews with selected respondents, and in loco visits to service delivery points.

3.2.2.1 Document review

Key documents were reviewed to inform the data collection tool and to deepen the understanding of the rationale behind the establishment and utilisation of agencies as a service delivery mechanism. The documents further provided insight on the establishment of agencies in South Africa and internationally.

3.2.2.2 Interviews

A face-to-face interview was conducted with a senior official of the Department of Social Development whose key responsibility is to oversee the management of SASSA as a departmental agency. Furthermore, interviews were conducted with senior officials of SASSA and SEDA who were able to provide the historical context on the establishment of the agencies. Table 2 below shows the interviews conducted with senior managers of the National Department of Social Development, SASSA and SEDA during data collection.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Designation of Officials Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Department of Social Development</td>
<td>Deputy Director-General: Social Security</td>
</tr>
<tr>
<td>SASSA</td>
<td>Acting Executive Manager: Strategy and Business Development</td>
</tr>
<tr>
<td>SEDA</td>
<td>Executive Manager: Corporate Services</td>
</tr>
</tbody>
</table>

Unstructured interviews with officials in the SASSA provincial office in the Western Cape, SASSA district offices in Limpopo and Eastern Cape, and at the SASSA Orlando West service delivery site in Gauteng, were conducted.


Officials at the provincial offices of SEDA in Limpopo and Gauteng and at the SEDA district office in the Western Cape were also interviewed. These interviews were conducted to get the officials’ perceptions on the respective agencies’ service delivery in the different provinces.

**Table 3: SASSA and SEDA offices where officials were interviewed**

<table>
<thead>
<tr>
<th>Province</th>
<th>SASSA Offices</th>
<th>SEDA Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limpopo</td>
<td>Mankweng District Office</td>
<td>Provincial Head Office</td>
</tr>
<tr>
<td>E. Cape</td>
<td>Umthatha District Office</td>
<td></td>
</tr>
<tr>
<td></td>
<td>East London District Office</td>
<td></td>
</tr>
<tr>
<td>Gauteng</td>
<td>Orlando West Service Delivery Site</td>
<td>Provincial Head Office</td>
</tr>
<tr>
<td>Western Cape</td>
<td>Cape Town Provincial Office</td>
<td>District Office: Bellville</td>
</tr>
</tbody>
</table>

There were *in loco* visits to the following service delivery points of both SASSA and SEDA in Limpopo, Gauteng, Western Cape and Eastern Cape, where service users were randomly selected and interviewed to determine their perspectives on the nature of service delivery, as a result of the establishment of the agencies.

**Table 4: Service delivery points of SASSA and SEDA where service users were interviewed**

<table>
<thead>
<tr>
<th>Province</th>
<th>SASSA</th>
<th>SEDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limpopo</td>
<td>Mokgophong</td>
<td>Polokwane</td>
</tr>
<tr>
<td></td>
<td>Makhado</td>
<td>Groblersdal</td>
</tr>
<tr>
<td></td>
<td>Mankweng</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jane Furse</td>
<td></td>
</tr>
<tr>
<td>Gauteng</td>
<td>Mamelodi</td>
<td>Pretoria</td>
</tr>
<tr>
<td></td>
<td>Orlando West</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tembisa</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pretoria Central</td>
<td></td>
</tr>
<tr>
<td>Western Cape</td>
<td>Cape Town</td>
<td>Stellenbosch</td>
</tr>
<tr>
<td></td>
<td>Gugulethu</td>
<td>Bellville</td>
</tr>
<tr>
<td></td>
<td>EersteRivier</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Khayelitsha</td>
<td></td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>Umthatha</td>
<td>Umtathatha</td>
</tr>
<tr>
<td></td>
<td>East London</td>
<td>East London</td>
</tr>
<tr>
<td></td>
<td>Queenstown</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amahlathi</td>
<td></td>
</tr>
</tbody>
</table>

In total, one hundred and thirty (130) service users were interviewed, representing both SASSA (84) and SEDA (46) at the above-mentioned service delivery points.

### 3.3 DATA ANALYSIS

Both qualitative and quantitative data obtained during the interviews were coded, captured and analysed according to the themes based on the objectives of the study.

### 3.4 LIMITATION OF THE STUDY

Most service users visit SEDA service delivery sites per appointment and were not readily available during the *in loco* visits. This resulted in the views obtained from the service users of SEDA being limited.
Chapter Four

Overview of Key Findings
4.1 INTRODUCTION
This chapter presents an overview of the findings of the evaluation of the role of agencification in public service delivery in selected sectors. This overview is presented according to the key thematic areas of the study which include the factors that led to the establishment of the agencies by the respective departments, the role played by the agencies in public service delivery and the benefits, and opportunities and challenges resulting from the establishment of agencies in relation to service delivery.

4.2 KEY FINDINGS

4.2.1 Factors that led to the establishment of the agencies
The findings of the study show that different factors led to the establishment of SASSA and SEDA in 2004, as service delivery agencies by the respective departments. According to the findings, SASSA was established to address the challenges with regard to the grant administration process in the country. The National Department of Social Development as the custodian of the administration of grants in the country experienced challenges with the overall grant administration. The main factor, according to the National Department of Social Development, was the disintegrated social security system as a result of the assignment of the implementation function in terms of the Social Assistance Act\(^\text{45}\) to the Provincial Departments of Welfare and Social Development. Thus, in terms of grant administration, the National Department was left with the policy making function. Based on how the Provincial Departments interpreted national policies, they developed different service delivery strategies and priorities which often led to unequal service levels and quality of services between the various provinces.

Furthermore, there was, according to the business case for the establishment of SASSA\(^\text{46}\), a lack of uniformity in terms of processes and procedures used by the different Provincial Departments of Welfare and Social Development in the grant administration system. This was especially prevalent in the diverse budgeting processes used by the different Provincial Departments. In this regard, the weaknesses in the financial management process increased the risk of fraud and corruption.

The lack of human resource capabilities in grant administration within Provincial Departments of Welfare and Social Development was also one of the factors that led to the establishment of SASSA\(^\text{47}\). These included staff shortages, lack of role clarification of officials, lack of training, the lack of proper performance management systems and the lack of financial management skills. Furthermore, the IT systems that were used by the Provincial Departments of Welfare and Social Development prior the establishment of SASSA, did not support the business processes of the Provincial Departments and did not provide the necessary management information\(^\text{48}\). It was further established that the important parts of the grant administration process such as the capturing of applications were still done manually which led to delays in the process and problems with the verification of such data.

According to the National Department of Social Development’s Blueprint Service Delivery Model\(^\text{49}\), the different Provincial Departments of Welfare and Social Development did not have a system in place to effectively manage service providers which are mainly used to assist in payment processes, with the result that these service providers were providing services of different levels and quality, even where the same service provider was providing services in different provinces.

As a result of the above-mentioned factors, the grant administration process was costly especially due to the challenges in terms of human resource capacity and the resultant rework that was needed, and the inefficiencies caused by the unavailability of sufficient IT systems. The clumsy hierarchies responsible for the process including service points, district offices, regional offices and provincial offices, also contributed to these costs. It is on this basis that SASSA was established to bring efficiency and uniformity in the administration of grants across the country. However, the study could not establish which options other than agencification were considered by the National Department of Social Development, and whether agencification was thus the best of all these options.

On the other hand, SEDA was established as a result of the lack of coordination and integration between the different initiatives focusing on small businesses. Before SEDA was established as an agency, small enterprise development support services were, according to SEDA, provided in an uncoordinated manner by Ntsika Enterprise Promotion Agency (Ntsika) and the National Manufacturing Advisory Centre Trust (NAMAC). The disintegrated and uncoordinated way in which these Agencies and institutions provided these services, did not ensure that all sections of the population were provided access to these services. This often meant that the outreach to communities was also not coordinated and that large sections of the population, especially in rural areas where these agencies did not have offices, were not targeted by either of the Agencies rendering support to small enterprises.

Furthermore, the different government agencies and institutions involved in the support of small enterprises before the establishment of SEDA, had different functions and, therefore, required different skills and technology to provide their services. To ensure uniform benefit to service users would mean that the business consultants providing such support services should have the same skills and use the same technology in the provision of the same support services to service users. Where institutional capacity is lacking in some of the support areas, service users would be disadvantaged. These findings show that both SASSA and SEDA were established to ensure effective service delivery with the particular services provided by the respective departments.

4.2.2 Agencies’ role in public service delivery

The findings of the study show that agencies have played different roles in service delivery in the different departments. The establishment of both SASSA and SEDA led to changes in the specific service delivery processes that each of the Agencies are responsible for, namely the grant administration process, which SASSA is responsible for and the delivery of business support services to small enterprises, which is the competency of SEDA. In the case of SASSA, the changes resulted in an improvement of the turn-around time with regard to the approval of the service users’ applications for grants. Unlike when the services were provided by the Provincial Departments of Welfare and Social Development where it used to take three months or longer for grant applications to be finalised, after the establishment of SASSA, the findings show that it takes one day.

Similarly, in the case of SEDA, the changes resulted in the provision of a uniform national process that all prospective service users could equally benefit from compared to the fragmented process that was in place before the establishment of SEDA and which led to different levels of support provided to service users at different service delivery points. The findings show that with the establishment of the two agencies, SASSA and SEDA which are central in the provision of public services, service users, regardless of their geographic location, received uniform services. In many instances, as a result of the establishment of the two Agencies, rural-based service users no longer have to travel to urban service delivery points to access such quality services.

Another area of service delivery that was improved through agencification, was accessibility to services. There has been a roll-out of service delivery points across the country, especially in the remote rural areas. Social security grants are government measures to address poverty and it is important that they should be available, accessible and affordable to many people in the country. On the other hand, with regard to SEDA this meant that many...
people country-wide were receiving the small enterprise support services which are necessary for the economy of the country, particularly rural economic initiatives. Interviews with service users of the two Agencies largely corroborated the findings on the improved accessibility and the general sense is that service users were regarding the improved service delivery helpful to them.

The study found that both Agencies are committed to consult service users about their service needs and to include service users’ views in decisions about the provision of services. Although officials from SASSA further indicated that service standards have been developed, which include that seventy percent (70%) of the targeted audience groups are reached and vehicles would go out to communities three times in ten consecutive days, service users indicated that only thirty three percent (33%) of them have been consulted. In the case of SEDA, only thirty eight percent (38%) of service users have been consulted about their specific needs in terms of level and quality of services. This finding suggests that service users were of the view that there is still room for improvement in this area. Service users are well-placed to provide the necessary information about the nature of services and how they should be improved.

The findings further show that of the 84 service users of SASSA interviewed, eighty two percent (82%) were satisfied with the services received from the Agency. This percentage is higher than the standard of seventy five percent (75%) developed by the National Department of Social Development for SASSA. Similarly, with regards to SEDA, seventy two percent (72%) of 46 service users interviewed were satisfied with the service they receive. SEDA further conduct follow-ups with service users telephonically to establish whether they are satisfied with their services. Based on the findings of the follow-ups with service users, SEDA improved its strategies to interact with service users.

The study found that the appointment of an Independent Appeals Tribunal by the National Department of Social Development in line with the Social Assistance Act, 2004, has improved the redress system of SASSA with regard to the eligibility of citizens for grants. Such an Appeals Tribunal was established during 2009 to ensure independence in addressing these appeals. Of the 65 000 cases of appeals backlog experienced at the beginning of 2010, it was established that the backlog has decreased since then to 45 000. The finding shows the Department’s commitment to ensuring that appeals are addressed in a fair and just manner and those backlogs in this regard are reduced. The finding does, however not pronounce on the fairness of SASSA’s decisions on whether citizens qualify for grants. No figures were, for instance, available on the number of cases where the Tribunal confirmed SASSA’s decisions.

The study noted that SASSA has introduced various mechanisms to limit fraud and corruption with regard to the payment of social grants. Central to these were the entering into an agreement with the Special Investigations Unit (SIU) to “manage, investigate and prosecute individuals identified in fraudulent activities within the social security system”, the establishment of a Social Security Inspectorate, drafting of a Compliance Framework to enhance the special investigations, and the continuous identification of anomalies in the grant administration process. The finding demonstrate SASSA’s commitment to reduce fraud and corruption. The effective and swift intervention of SASSA when such cases of fraud and corruption emerge, would serve as a deterrent to prospective transgressors of policies and prescripts in the social grant administration process.

On the other hand, the establishment of SEDA ensured the implementation of small business development programme in line with the aim and objectives of government’s Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises. Key to these objectives are the integration of government’s agencies which provided small business support to ensure effectiveness, efficiency, uniformity in delivery, equal access to all citizens and the optimisation of scarce resources and the facilitation of small enterprises’ access to finance.

4.2.3 Benefits, opportunities, and challenges

There are several benefits and advantages that were raised as a result of the establishment of SASSA and SEDA as agencies. Key to such benefits are the improvements in the grant administration process, an improvement of the turn-around time in the process and the uniform service delivery in terms of the implementation of the national norms and standards for social security. There has also been a significant increase in the number of grant recipients from 4.9 million in 2003/4 to 14.5 million in 2010. While this could have been achieved by keeping the process under direct control of the Provincial Departments of Welfare and Social Development and carrying it out according to national norms and standards developed by the National Department of Social Development, it might have taken much longer and much more effort in developing cooperation agreements between the different Provincial Departments and the National Department to accomplish.

Key to the benefits of SEDA is that a larger section of the population that can now benefit from the business support services provided to small enterprises as a result of the roll-out of service delivery points to district level. Services provided by SEDA seem to be standardised throughout the country and service users can expect to receive competent services regardless of their geographic location. Furthermore, service users seem to benefit from follow-up visits conducted by the officials of the Agency. SEDA’s service users also enjoy the advantage of being supported throughout the process of establishing and growing a new business. A further important benefit of the establishment of SEDA is the facilitation of access to finance for the SMME’s. Financing of these enterprises was one of the major challenges in the past which led to the failure of many of these prospective enterprises. Adding to this benefit is the assistance provided by SEDA in terms of searching for appropriate international markets for the products and services of the small enterprises.

Both agencies recorded several challenges as a result of the establishment of the respective Agencies. Key to these challenges of SASSA, is the blurred accountability for SASSA’s operational expenditure reported in the financial statements of both the National Department of Social Development and those of SASSA. It is important that the accountability for SASSA’s operations, is clearly vested in SASSA and the accountability for the oversight of SASSA which includes the monitoring and reporting of SASSA’s performance, in the National Department of Social Development. Furthermore, the backlogs with regard to the finalisation of the appeals cases referred to the Appeals Tribunal could contribute to a negative view of the public of the effectiveness of the Tribunal as redress mechanism introduced to handle their appeals and the service delivery of SASSA. In addition to these challenges, the fact that SASSA has had to operate with an organisational acting Chief Executive Officer (CEO) for well over a year, cannot be in the interest of stability and effective governance.

On the other hand, key challenges with regard to the establishment of SEDA as an agency include the provision of marketing services for the products of service users, a lack of coordination between SEDA’s small business support programme and other government support programmes, and a lack of proper monitoring and reporting with regard to the achievements of SEDA’s support programme. The unavailability of adequate funding to assist service users with the marketing of their products, could result in a loss of business opportunities and failure of the enterprises. The lack of coordination and integration of SEDA’s support programme and other government support programmes leads to inefficiencies in government spending as a result of the duplication of support service efforts. Furthermore, the study identified the need to regularly monitor SEDA’s implementation of the different services and to appropriately report on these achievements. As a result of the lack of such a monitoring system, critical performance data could not be reported for audit purposes.

Chapter Five

Key Findings: South African Social Security Agency
5.1 INTRODUCTION

This chapter presents the key findings of the study with regard to the South African Social Security Agency (SASSA). The findings are presented according to the themes derived from the objectives of the study, namely, the factors that led to the establishment of the agencies in the respective departments, the role played by agencies in Public Service delivery, and the benefits, opportunities and challenges resulting from the establishment of agencies.

5.2 KEY FINDINGS

5.2.1 Factors that led to the establishment of SASSA as an agency in the Department of Social Development

The study sought to establish the factors which led to the establishment of SASSA as an agency by the National Department of Social Development. The findings of the study show that SASSA was established in 2004 to address the challenges with regard to the provision of social security services in the country. The National Department of Social Development is the custodian of the administration of social security grants in the country, and had experienced several challenges with the administration of grants. The business case for the establishment of SASSA as an agency compiled by the National Department of Social Development identified these challenges and that these challenges were the main factors that led to the establishment of SASSA to render social security services. The challenges included a disintegrated social security system, a lack of uniform norms and standards, a lack of uniform grant administration processes, a lack of human resource capabilities, ineffective Information Technology (IT) systems and network interfaces with other departments, poor management of service providers, lack of proper performance management, the costly grant administration process, fraud and corruption. Studies such as the Committee for Restructuring of Social Security Report carried out in 1996, and the Delivery of Social Security Services Report of the PSC, 1998, corroborate the pronouncements on these challenges. These factors that led to the establishment of SASSA are briefly discussed below.

5.2.1.1 Disintegrated Social Security System

The main factor, according to the National Department of Social Development, was the disintegrated social security system as a result of the assignment of the implementation function in terms of the Social Assistance Act to the Provincial Departments of Welfare and Social Development. In terms of responsibilities, the Provincial Departments were assigned the grant administration process which aimed at the payment of social grants to eligible beneficiaries such as old age grants, child support grants, disability grants, care dependency and foster care grants. This assignment precluded the National Department of Social Development from being involved in direct service delivery in the grant administration process and left it with a policy making function. Based on how the Provincial Departments interpreted national policies, they developed different service delivery strategies and priorities which often led to unequal service levels and quality of services between the various provinces.

Some of the Provincial Departments ended up being taken to court several times for failure to deliver this service effectively. In one incident in the Eastern Cape, the court remarked as follows: “one shudders to speculate on the height to which the respondents’ total costs liability has escalated for all these cases. Substantial sums are being paid from the public purse solely by reason of the inefficiency of public servants.” It can even be argued that these inefficiencies had a role in what has become one of the most critical court cases involving social security, namely, the case of Mashavha v President of the Republic of South Africa and others. This case challenged the constitutionality of assigning the administration of the Social Assistance Act, Act 59 of 1992 to provinces, and the court ruled against the state and declared the proclamation that assigned the Act to provinces unconstitutional.

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65 Mbanga v MEC for Welfare, Eastern Cape and Another 2002 (1) SA 359 (SE).
66 Mashavha v President of the RSA and Others 2004 (3) BCLR 292 (T).
5.2.1.2 A lack of uniform grant administration processes and procedures

According to the business case for the establishment of SASSA\textsuperscript{67}, there was a lack of uniformity in terms of processes and procedures used by the different Provincial Departments of Welfare and Social Development in the grant administration system. This was especially prevalent in the diverse budgeting processes used by the different Provincial Departments. In most cases, the budgeting processes were not in line with Treasury regulations. Budget estimates were also not based on reliable beneficiary forecasting data and resulted in Provincial Treasuries making allocations to the different Provincial Departments of Welfare and Social Development based on their own forecasts. These allocations were in some instances too small to provide for the actual numbers of beneficiaries which meant that some of the beneficiaries entitled to receive social grants, did not receive any. Furthermore, the Provincial Departments of Welfare and Social Development did not carry out reconciliations on a regular basis. All these weaknesses in the financial management process increased the risk of fraud and corruption.

5.2.1.3 A lack of human resource capabilities

According to the National Department of Social Development\textsuperscript{68}, the Provincial Departments of Welfare and Social Development experienced various challenges regarding human resources capabilities such as staff shortages, lack of role clarification of officials, lack of training, lack of proper performance management systems and the lack of financial management skills. In this regard, staff shortages in the Provincial Departments’ delivery structures often led to the appointment of temporary staff or volunteers who did not have the necessary knowledge, skills and or commitment to fill these gaps. This would lead to problems such as application forms captured incorrectly and or requirements interpreted wrongly and applicants being accepted into the social security system who were not eligible in terms of meeting the qualification criteria. Furthermore, a lack of clarity on the specific roles of officials at the different levels in the Provincial Departments of Welfare and Social Development led to poor accountability and co-ordination between the different Provincial Departments. A lack of skills and training to effectively implement the grant administration process was also identified. In addition, the lack of a proper performance management system led to many complaints about poor service levels experienced through long turn-around times and long queues, because there was no link between the objectives of the social security processes and the indicators used to measure performance. These indicators seldomly focused on service delivery and customer services. The lack of financial management skills such as budgeting, financial accounting, fund management and reconciliations was also identified among line managers and heads of offices which led to ineffective and inefficient operational processes.

5.2.1.4 Ineffective information technology systems and network interfaces with other departments

The IT systems that were used before the establishment of SASSA did not support the business processes of the Provincial Departments of Welfare and Social Development or provide the necessary management information\textsuperscript{69}. It was further established that the important parts of the grant administration process such as the capturing of applications were still done manually which led to delays in the process and problems with the verification of such data. Furthermore, the whole value chain including planning, forecasting, budgeting, funding, application, approval, payment, reconciliation, review and compliance, was hampered by the ineffective IT systems\textsuperscript{70}.

Furthermore, the Provincial Departments of Welfare and Social Development relied on other departments for the verification of information provided by applicants in applications for social grants. The IT systems which were in use, before the establishment of SASSA, were not automated which hampered the processing of applications.

and caused unnecessary delays in the turnaround time waiting for the other departments to manually verify information.

5.2.1.5 Poor management of service providers

According to the Department of Social Development’s Blueprint Service Delivery Model\(^{71}\), the different Provincial Departments of Welfare and Social Development did not have a system in place to effectively manage service providers which were mainly used to assist in payment processes, with the result that these service providers were providing services of different levels and quality, even where the same service provider was providing services in different provinces. This led to service delivery targets in terms of courtesy, timeliness and information sharing not being met. Furthermore, the Provincial Departments of Welfare and Social Development did not use their combined buying power in negotiations with service providers.

5.2.1.6 Costly grant administration process

According to the National Department of Social Development, the grant administration process was costly due to the challenges in terms of human resource capacity and the resultant rework that was needed, and the inefficiencies caused by the unavailability of sufficient IT systems. The clumsy hierarchies responsible for the process including service points, district offices, regional offices and provincial offices, also contributed to these costs\(^{72}\). The above challenges were experienced despite the National Department of Social Development’s efforts to implement government’s service delivery improvement initiatives such as the Batho Pele principles.

The findings suggest that SASSA was established to bring uniformity in the administration of grants across the country. There are SASSA offices in all nine provinces whose responsibility it is to ensure that there is effective administration of grants. However, the study could not establish which options other than agencification were considered by the National Department of Social Development, and whether agencification was thus the best of all these options.

5.2.2 SASSA’s role as an agency in public service delivery

The study wanted to establish the role the establishment of SASSA has played in the delivery of social security services. It was important to establish such a role in light of the previous challenges experienced with regard to the grant administration process.

5.2.2.1 The grant administration process has been streamlined

The study found that the establishment of SASSA resulted in the streamlining of the grant administration process. SASSA introduced various measures throughout the grant administration process in efforts to improve the process. For example, when a service user applies for a grant, the service user’s information is captured electronically on the grant administration system instead of being captured manually as was the case before the establishment of SASSA. The system then verifies the information via electronic interfaces (as opposed to being verified manually in the past) with the information systems of other departments such as the population register of the Department of Home Affairs, Persal and the Government Employees Pension Fund (GEPF). All these measures have led to improvements in terms of turn-around time (where steps have been computerised), credibility of beneficiary data, as a result of on-line verification, and a reduction in human interference in the acceptance of applicants on the system\(^{73}\).


\(^{72}\) The Department could not provide details of these costs.

Unlike when the services were provided by the Provincial Departments of Welfare and Social Development, interviews conducted with officials of SASSA revealed that it used to take three months or even longer for applications to be finalised, after the establishment of SASSA, most of the applications are finalised within one day. In support, the Snapshot Survey Measuring Service Delivery Against Norms and Standards\(^{74}\) reported that seventy three percent (73%) of beneficiaries’ applications were completed within the standard of 1 day. Eighty two percent (82%) of these applications were completed within 45 minutes.

The study also found that the process managed by SASSA provides for the use of a standardised application form which ensures uniformity across the country and limits the differences in interpretation of information provided on application forms to decide on whether an applicant qualifies to benefit from the grant system or not. The on-line automated system further enables SASSA to monitor the time it takes for the application to be approved, ensures speedy verification of the applicant’s details and keeps the applicant and the SASSA system administrator informed of the status of the application. Data capturing at the point of application avoids risks such as losing these forms and that changes are brought about on the application forms while being transported to offices where verification used to take place. The current capturing process allows for a centralised electronic registry of information which facilitates the ability to respond to applicants’ queries and the monitoring of compliance to approved norms and standards\(^{75}\).

For a comparison between the grant administration processes executed by the Provincial Departments of Welfare and Social Development before the establishment of SASSA and the one introduced with the establishment of SASSA, see Table 5 below.

Table 5: Comparison of the grant administration process before and after the establishment of SASSA

<table>
<thead>
<tr>
<th>GRANT ADMINISTRATION PROCESS EXECUTED BY THE PROVINCIAL DEPARTMENTS OF SOCIAL DEVELOPMENT BEFORE THE ESTABLISHMENT OF SASSA</th>
<th>GRANT ADMINISTRATION PROCESS EXECUTED BY SASSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant’s information verified manually</td>
<td>Applicant’s information verified electronically</td>
</tr>
<tr>
<td>Furnish applicant with receipt</td>
<td>If the verification cannot be completed immediately, a receipt is issued to the applicant acknowledging the application and advising on the next step</td>
</tr>
<tr>
<td>Calculate means test</td>
<td>The system will then process the captured data and calculate the means test</td>
</tr>
<tr>
<td>Complete record of application and open a file for the applicant. Checking Officer checks application form and supporting documentation and send original application for with documents to the capturing centre and file copies</td>
<td>If approved, the application is sent to a supervisor to attest and quality assure</td>
</tr>
<tr>
<td>Capture application form electronically and obtain approval. Print letter of rejection or approval</td>
<td>A receipt is issued to the applicant or a notification letter with reasons for the decision is sent out</td>
</tr>
<tr>
<td>Enter into payment record if approved</td>
<td>Where the applicant is approved, the system enters the approved applicant’s information into a payment record</td>
</tr>
<tr>
<td>Receive download of payment information and perform payment</td>
<td>A download of the payment record information is sent to the Payment Service providers and payment is made to the beneficiaries</td>
</tr>
</tbody>
</table>


5.2.2.2 Impact of the establishment of SASSA on accessibility

The study aimed to establish the impact the establishment of SASSA as a service delivery agency has had on accessibility to grant administration services. The study found that SASSA has implemented various methodologies to improve accessibility to its services. Interviews with service users largely corroborated the finding on improved accessibility as a result of the establishment of SASSA. Figure 1 below shows the rating of the SASSA’s level of access by the service users.

**Figure 1: Rating of the SASSA’s level of access by service users**

![Graph showing the rating of SASSA's level of access]

Figure 1 above shows that seventy percent (70%) of the service users rated the level of access to services of the agency as either average (20%), good (40%) or excellent (10%). On the other hand, thirty percent (30%) of the service users interviewed indicated that access to services was either below average (16%) or poor (14%).

The service users who were interviewed during the study, and who provided a negative rating of the agency’s contribution to improved access to services, were mostly those who had to travel long distances by costly public transport to access the agency’s services. In rural areas, where public transport was not available, service users reported traveling long distances on foot to access services. During the in loco visits, it was established that some of the SASSA offices were not adequately resourced, in terms of computers, printers/or fax machines, thus making it difficult to get acceptance letters printed and to achieve the standard turn-around time of one day. In general, the findings suggest that SASSA has largely succeeded in improving accessibility of services to service users.

SASSA National Norms and Standards for Social Security [78] developed by the National Department of Social Development, also provide for various measures to be put in place to ensure accessibility. These measures include that ‘the location of fixed offices are within a 40 km radius reach of service users in major residential areas’, that the South African Bureau of Standards’ (SABS’) standards in terms of the buildings are complied with, the facilities...
provide for the privacy of beneficiaries, technology is applied in ways that enables business processes geared towards delivery, toilets and drinking water are available at all public facilities, mobile pay points are within reach in rural areas and that Thusong Service Centres are within a range of 40 km. The Snapshot Survey Measuring Service Delivery Against Norms and Standards\(^79\) found that eighty four percent (84\%) of SASSA’s service users were indeed staying less than 40 km from their nearest SASSA service point, that only twenty percent (20\%) of service users found that facilities did not provide beneficiaries with the necessary privacy when they apply for grants. Furthermore, the Snapshot Survey found that eighty percent (80\%) of the service users rated SASSA facilities to be clean. The findings of this PSC study also show that SASSA introduced a standard social security card across provinces (as opposed to the different cards previously used by the different Provincial Departments of Welfare and Social Development) to enable easy access for those in need, regardless of their geographic location.

Furthermore, the findings show that SASSA uses different access channels through which service users can obtain social security services. These channels include a properly managed call centre, helpdesks, and internet kiosks for self-service to alleviate queues at face-to-face interaction points. Officials interviewed at SASSA service delivery sites indicated that a programme called the Integrated Community Registration Outreach Programme (ICROP) has been implemented to improve communities’ access to services by taking the services to them. To monitor progress in this regard SASSA developed an M&E system to monitor accessibility at service points, pay points and local offices. According to SASSA officials, the service delivery monitoring activities are informed by an “Agency-wide Integrated Results Based Monitoring and Evaluation Framework”\(^80\). Follow-up enquiries, however, showed that a shortage of vehicles, especially in Limpopo, is hampering the outreach programme.

The study also identified efforts by SASSA to move to more integrated services in cooperation with related programmes such as social welfare services and poverty reduction programmes. This process would ensure that service users get access to these programmes and that poverty reduction initiatives are supported by the social security grants.

5.2.2.3 Consultation on service users’ needs to be strengthened

The study sought to establish whether the establishment of SASSA has contributed to the improvement of consultation with service users. Citizens should be consulted about their specific service needs in terms of the type, level and quality of services they would like to receive and be encouraged to take part in policy decisions about service delivery. The findings show that SASSA uses various methodologies to consult service users about their service needs. Findings indicated that key to the methodologies applied was public meetings and outreach programmes, where officials of the agencies use mobile units to visit remote communities and raise awareness about the services they provide and how to access them. Officials from SASSA further indicated that service standards have been developed, which include that seventy percent (70\%) of the targeted audience groups are reached and vehicles will go out to communities three times in ten consecutive days\(^81\).

However, interviews with eighty four (84) service users indicated that sixty five percent (65\%) had not been consulted about their service needs in terms of the level and quality of services they require from SASSA (see Figure 2 on the following page). Only thirty three percent of service users (33\%) indicated that they had been consulted and two percent (2\%) fell under “other” because they were either not sure or did not respond to this question.


The finding suggests that SASSA needs to keep strengthening and implementing its consultation standards rigorously to ensure that the needs of service users are incorporated in service delivery decisions, and that feedback in this regard is provided to service users. Service users are well-placed to provide the necessary information about the nature of services and how they should be improved.

5.2.2.4 SASSA service users are satisfied with the quality of services

Most of the service users (82%) viewed SASSA’s services as either average (22%), good (46%) or excellent (14%) as indicated in Figure 3 below. This percentage is higher than the standard of seventy five percent (75%) targeted by SASSA (as a minimum) in its National Norms and Standards for Social Assistance Service Delivery manual.82

Figure 3: Rating of the quality of services by SASSA’s service users

The service users’ rating as shown above is in line with the findings of the Snapshot Survey Measuring Service Delivery Against Norms and Standards indicating that eighty percent (80%) of service users are either satisfied or very satisfied with the grant administration process. A higher percentage of service users (89%) indicated in the Snapshot Survey84 showed that they were either satisfied (54%) or very satisfied (35%) with the services they received at the helpdesks.

The findings further show that the outcomes of the bi-annual customer surveys conducted at SASSA’s service delivery points also confirm that service users are satisfied with SASSA’s services. These customer surveys are conducted to provide service users the opportunity to express their views on SASSA’s quality of services. Service delivery points reported that they obtain feedback from service users on the customer satisfaction when they conduct public meetings.

Findings also indicated that district offices of SASSA collect feedback on customer surveys from the service points and report on the service user satisfaction. However, during interviews with service users, it was established that they were not provided with feedback on the incorporation of their inputs in service delivery decisions in a structured way. The findings indicate that service delivery points may understand the importance of obtaining service users’ views on the quality of services, but not enough has been done to ensure that feedback to service users on how their views were considered in service delivery decisions is structured. The non-provision of feedback to service users is also cause for concern.

Service users were asked to compare services provided by SASSA to those provided by other government departments. The findings of the study show that the turn-around times of the services provided by SASSA are perceived to be shorter than those of government departments such as Home Affairs and Health. Sixty four percent (64%) of service users indicated that SASSA’s services had shorter turn-around times and were of a better quality compared to those received from government departments e.g. Home Affairs and Health. It should, however, be appreciated that, depending on the kind of service and what it takes to deliver it, different departments may have different turn-around times. According to the findings, SASSA officials were also perceived to be more approachable, friendly and sympathetic.

Eighteen percent (18%) of service users viewed services as poor or below average. Reasons provided for this low rating included perceived understaffing which results in long queues, service users being requested to return to offices several times before their information is ultimately entered into the SASSA system, a perceived lack of resources such as computers, and a lack of service user information on the application requirements.

5.2.2.5 Appeals are addressed effectively

The study found that the Social Assistance Act, 2004, provides for the appointment of an independent appeals tribunal to “confirm, vary or set aside [SASSA’s] decisions” or take different decisions where these are referred to the Minister of Social Development, with regard to mainly qualification for grants. Such an Appeals Tribunal was established during 2009 in the National Department of Social Development to ensure independence in addressing these appeals. According to the National Department of Social Development, there was a backlog of 65 000 appeals cases at the beginning of 2010 and the number of backlogs has decreased since then to 45 000. The finding shows that the Department has made concerted efforts to ensure that appeals are addressed in a fair and just manner and that backlogs in this regard are reduced.

5.2.2.6 Systems for managing corruption are in place

The study found that SASSA has introduced various mechanisms to limit fraud and corruption with regard to the payment of social grants. Central to these were the entering into an agreement with the Special Investigations Unit (SIU) to “manage, investigate and prosecute individuals identified in fraudulent activities within the social security system”; the establishment of a Social Security Inspectorate, the drafting of a Compliance Framework to enhance the special investigations, and the continuous identification of anomalies in the grant administration process. SASSA reported, during the financial year 2009/2010, that there were over 8 000 cases of fraud where the transgressors acknowledged debt to SASSA worth over R51 000 000. During 2009/2010, the SIU prosecuted

over three thousand people who benefited from social grants illegally. This number increased by 300% to 12,000 during the financial year 2010/2011. The finding suggests that SASSA has made concerted efforts to handle fraud and corruption. The effective and swift intervention of SASSA when such cases of fraud and corruption emerge, would serve as a deterrent to prospective transgressors of policies and prescripts in the social grant administration process.

According to SASSA’s Annual Report of 2009/2010, SASSA has introduced an integrity policy to ensure the “integrity of its systems, processes and staff officials” as well as “Protocol Guidelines” on its Code of Conduct. It was hoped that the implementation of such a policy and guidelines would enhance an ethos of ethical behavior amongst the Agency’s officials. All these measures are indicative that SASSA acknowledges the critical importance of dealing effectively with fraud and corruption. Most of these measures have only been introduced over the last two to three years, and would certainly have even bigger pay-offs over the longer period.

5.2.2.7 Governance arrangements

The study wanted to establish the effect the change in governance arrangements as a result of the establishment of SASSA, has had on service delivery. The study found that SASSA was established without having a Board of Directors as a governance structure to provide strategic direction and guide its operations. Therefore, SASSA reports directly to the Minister of Social Development. In the absence of a Board, a governance structure was created consisting of the Ministry of Social Development, the DSD, the National Development Agency (NDA) and SASSA to ensure effective information-sharing, reporting in terms of achievement of targets and discussion of plans. Furthermore, in the Annual Report for 2009/2010, it was indicated that SASSA has established structures such as the Executive Management Committee (EXCO), the Management Committee (MANCO) and structures between head office and the different regional offices to ensure communication about policy, implementation and operational issues respectively. The Agency has also implemented the necessary controls and monitoring to ensure that it achieves its objectives and accounts for the budget allocated to it.

However, the Auditor-General (AG) noted a qualified audit on the financial statements of the National Department of Social Development for the financial year ended 31 March 2010, that the accountability lines between the Department and SASSA were ill-defined which lead to ambiguity with regard to the accountability over the Agency’s expenditure. The absence of clear accountability lines could have been the main cause of some of the other matters raised by the AG in the same Report such as the lack of performance measurement, inadequate control over reporting, compliance and internal controls, and lack of analysis of the control inadequacies to enable suitable corrective action. This was supported by the AG’s 2010 audit report on SASSA where the AG did not express an opinion on the Agency’s financial statements as a result of shortcomings in terms of inadequate financial controls, undisciplined accounting and insufficient “monitoring controls to ensure the proper implementation of the overall process of reporting”. The AG further noted the Agency’s lack of capacity in terms of reporting. The findings suggest that the current governance structure is not effective in clarifying accountability between the National Department of Social Development and SASSA for SASSA's oversight and operations.

5.2.3 Benefit, opportunities and challenges

5.2.3.1 Benefits and opportunities

There are several benefits and advantages that were raised as a result of the establishment of SASSA as an agency. Key to such benefits are the improvements in the grant administration process, an improvement of the
turn-around time in the process and the uniform service delivery in terms of the implementation of the national norms and standards for social security. There has also been a significant increase in the number of grant recipients from 4.9 million in 2003/4 to 14.5 million in 2010. While this could have been achieved by keeping the process under direct control of the Provincial Departments of Social Development and carrying it out according to national norms and standards developed by the National Department of Social Development, it might have taken much longer and much more effort in developing cooperation agreements between the different Provincial Departments and the National Department to accomplish.

The establishment of SASSA has left the National Department of Social Development with fewer responsibilities and adequate time to focus on key areas such as policy-making, research, the provision of strategic direction to the agency in terms of service delivery and monitoring and evaluation of the implementation of such policies by the agency.

5.2.3.2 Challenges

The study identified challenges experienced as a result of the establishment of the Agency. Key to these challenges is the blurred accountability for SASSA’s operational expenditure reported in the financial statements of both the National Department of Social Development and those of SASSA. SASSA’s non-compliances with regard to financial accountability, impacted negatively on the audit report of the National Department of Social Development to such an extent that the AG gave the Department a qualified audit. It is important that the Agency complies with the prescripts with regard to its financial statements and financial and performance management reporting and that accountability for SASSA’s operations, is clearly vested in SASSA and the accountability for the oversight of SASSA which includes the monitoring and reporting of SASSA’s performance, in the National Department of Social Development.

Furthermore, the backlogs with regard to the finalisation of the appeals cases referred to the Appeals Tribunal could contribute to a negative view of the public of the effectiveness of the Tribunal as redress mechanism introduced to handle their appeals. This would further impact negatively on the assessment of the public of SASSA’s service delivery.

The study found that the fact that SASSA has had to operate with an organisational acting Chief Executive Officer (CEO) for well over a year, cannot be in the interest of stability and effective governance.

Chapter Six

Key Findings: Small Enterprise Development Agency
6.1 INTRODUCTION

This chapter presents the key findings of the study with regard to the Small Business Development Enterprise (SEDA). The findings are presented according to the themes derived from the objectives of the study, namely, the factors that led to the establishment of the agencies in the respective departments, the role played by agencies in Public Service delivery, and the benefits, opportunities and challenges resulting from the establishment of agencies.

6.2 KEY FINDINGS

6.2.1 Factors that led to the establishment of SEDA as an agency in the Department of Trade and Industry

The study found that SEDA was established in 2004 by the Department of Trade and Industry (DTI) to address challenges with regard to the implementation of small enterprise support services in the country101. The specific objectives of SEDA were the design and implementation of development support programmes, the promotion of a service delivery network that increases the contribution of small enterprises to the South African economy, and the promotion of economic growth, job creation and equity102. Before the establishment of SEDA, several challenges were experienced such as the lack of co-ordination and integration in the implementation of the various initiatives focusing on small businesses, limited population outreach of the support to small enterprises, and disintegrated institutional capacity. The following is a brief discussion of each of the challenges which led to the establishment of SEDA.

6.2.1.1 Lack of co-ordination and integration in the implementation of the various initiatives focusing on small businesses

Before SEDA was established as an agency, small enterprise development support services were, according to SEDA103, provided in an uncoordinated manner by Ntsika Enterprise Promotion Agency (Ntsika) and the National Manufacturing Advisory Centre Trust (NAMAC). These two agencies were often targeting the same population and using the same service providers. They were also competing for the same scarce resources. The involvement of two other institutions, namely the Manufacturing Advice Centres in training for small businesses in the manufacturing sector, and the Community Public Private Partnership Programme (CPPPP) in providing partner opportunities, further hampered the development of a coherent SMME development system. The disintegrated and uncoordinated way in which these agencies and institutions provided these services, did not support the objective of government’s strategy on integrated small business development and entrepreneurship. These were “to ensure that adequate support and delivery mechanisms exist across the entrepreneurship continuum from pre-start-up to start-up, business survival, growth and expansion, and turnaround of ailing businesses” through the integration and coordination of the different small enterprise development agencies. This was a weakness that needed to be addressed if SMMEs were to be at the centre-stage of the economy of the country104. The Strategy allocated this coordination and integration role to the DTI to ensure, inter alia, the elimination of duplication of efforts, an increase of the impact of the small business development programmes, uniformity in addressing the needs of small businesses and efficient use of existing resources105.

6.2.1.2 Limited population outreach of the support to small enterprises

The uncoordinated manner in which services were rendered to small enterprises before the establishment of SEDA, did not ensure that all sections of the population were provided access to these services. This often meant that the outreach to communities was also not coordinated and that large sections of the population, especially

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in rural areas where these agencies did not have offices, were not targeted by either of the agencies rendering support to small enterprises. This resulted in the poorer rural communities remaining poor and an increase in the per capita income of the urban communities benefiting from these programmes.

6.2.1.3 Institutional capacity was fragmented

The different government agencies and institutions involved in the support of small enterprises before the establishment of SEDA, had different functions and, therefore, required different skills and technology to provide their services. To ensure uniform benefit to service users would mean that the business consultants providing such support services should have the same skills and use the same technology in the provision of the same support services to service users\(^{106}\). Where institutional capacity is lacking in some of the support areas, service users would be disadvantaged.

6.2.2 SEDA’s role as an agency in public service delivery

The study wanted to establish the role the establishment of SEDA has played in the delivery of small business enterprise support programmes. In the assessment of the issues such as improvements in the small business enterprises support processes, accessibility of SEDA’s services, consultation of SEDA’s service users, satisfaction of service users with the quality of services, and the governance arrangements have been studied. The role of SEDA in these service delivery areas is discussed below.

6.2.2.1 Improvements in the small business support processes

The study found that the establishment of SEDA led to changes in the small business support services to small enterprises. The changes include the introduction of a uniform set of business processes in terms of which services are rendered across the SEDA offices. According to interviews conducted with SEDA senior officials, the provision of this uniform, uninterrupted support to small businesses, has protected small businesses from early failure and assisted them to grow into medium businesses. Furthermore, senior officials of the agency indicated that after the establishment of SEDA, service users received a uniform network of services, regardless of their geographic location. These standardised processes consist of service user intake or/registration, service user diagnosis, the provision of support and client relationship management. SEDA’s service delivery model ensures the provision of business related information, advice, consultancy, training and mentoring in the areas of human resources, finance and marketing and exporting\(^{107}\). SEDA also provides business and technology incubation services as well as incentives for management systems implementation, product testing and certification, as well as machinery and equipment. The establishment of these uniform processes ensures the provision of a uniform national service that all prospective service users can equally benefit from, compared to the previously fragmented process where service users got different levels of support from two different agencies. The changes in the process further provide a platform for managing and organising service user data in such a way that it facilitates reporting to management, and establishing interfaces with stakeholders in the support programmes.

6.2.2.2 Improving accessibility to SEDA’s services

The study wanted to determine whether the establishment of SEDA has led to an improvement of accessibility to SEDA’s services. The study found that SEDA has put in place measures to ensure that accessibility to services by service users is improved. Interviews with service users largely corroborated the finding on improved accessibility and the general sense is that service users were finding the improved service delivery helpful to them. Figure 4 on the following page shows the service users’ level of satisfaction with the accessibility of SEDA services.


\(^{107}\) Republic of South Africa. SEDA Strategic Plan 2011/12 - 2013/14.
Figure 4 above shows that service users were mostly satisfied with the accessibility of SEDA’s services with seventy eight percent (78%) of the forty six (46) service users interviewed, indicating that accessibility was either excellent (45%) or good (33%). Service users indicated that the satisfaction with the accessibility of SEDA’s services, was largely based on the increase in the number of SEDA offices in the country.

According to SEDA senior officials, the establishment of the agency also contributed to improving access of its service users to local and international markets for their products by conducting market appraisals, analysing producers, processors, input suppliers, wholesalers, and retailers and analysing the value chain to identify possible gaps in the process\textsuperscript{108}.

On the other hand, the findings show that sixty percent (60%) of service users in Gauteng are not satisfied with the accessibility of SEDA’s services in this Province because they still had to travel from as far as Soweto and Nigel, more than 70km away, via public transport to access the services of SEDA. This is as a result of SEDA only having one office in the entire Province, namely, in Pretoria. Service users reported incurring high transport costs as a result of the distances travelled between their homes and this SEDA office. On enquiry, SEDA indicated that there are plans in place to open further offices in the Province, but that funding for these plans was a serious constraint.

Furthermore, twelve percent (12%) of service users were not satisfied with the accessibility of SEDA’s services mainly due to its operating hours, which do not provide for services to be rendered on Saturdays, and the facilitation of training workshops in English only, while service users indicated that they would prefer workshops in local languages. The unavailability of such workshops in local languages impacts negatively on the outcome of these interventions and the quality of the support provided to the service users.

The findings further show that service users were mostly satisfied with the type of services that they can access at SEDA, since it provides a whole range of services such as support in starting a small business, the management and building of a small business, marketing and franchising, accessing markets, identifying appropriate business partners and technical support services. SEDA also provides training on financial management and business processes. A few service users (15%) indicated that they would need SEDA to also help with financial assistance. However, SEDA facilitates the process of identifying suitable financing institutions since financial assistance does not fall within its mandate.

Other contributions to improved access included the development of a strategy to decentralise service provision and roll out service delivery points to all district municipalities in the country, except in the Gauteng Province. This
meant that many people country-wide can receive the small enterprise support services which are necessary for the economy of the country. While this initiative is commendable, it should be noted that the location of district municipalities may still be far from some of the recipients, thereby requiring them to travel long distances to access services of SEDA. Taking the services of SEDA to the local municipal level or the utilisation of the Thusong Services Centres might be a better option that will than the current arrangement. Access to SEDA services is critical to rural economic initiatives and need to be supported since they are important to the overall economic development of the country.

Further efforts by SEDA to increase accessibility include using municipal sites as well as independent consultants to distribute information to prospective service users about the services offered by the agency and to refer such service users to the agency for assistance with small business matters. According to such contracts, municipalities also assist SEDA with raising awareness amongst prospective service users of SEDA through the printed media and the use of their municipalities’ websites to provide information on the services prospective service users can expect to receive from SEDA. The findings further show that the merging of the Ntsika and the National Manufacturing Advisory Centre (NAMAC) agencies resulted in combined skills with regard to the support provided to small enterprises. It further created a single entry point to small business development and support in South Africa.

6.2.2.3 Consultation with service users needs to be strengthened

The study wanted to determine whether the establishment of SEDA has contributed to the consultation of service users. The findings show that SEDA uses various methodologies to consult service users about their service needs. Key to the methodologies were public meetings. Standards with regard to the consultation process could not be identified. The interviews with SEDA service users, on the other hand, indicated that only thirty eight percent (38%) (Figure 5 below) of those who took part in the study, had been consulted on their service needs while fifty six percent (56%) indicated that they had never been consulted.

**Figure 5: Level of consultation about services provided by SEDA**

![Consultation Level](image)

The finding suggests that there is a need for SEDA to improve its consultation mechanisms with service users. It is also important that service users are provided with feedback on how their inputs have influenced policy decisions of the Agency. Promoting entrepreneurship and creating an enabling environment are some of the strategic objectives of government’s vision on small business, and these may not be realised without proper consultation of service users in terms of their needs.

6.2.2.4 SEDA service users are satisfied with services

The study found that seventy two percent (72%) of SEDA service users viewed SEDA’s services as excellent (24%), good (32%) or average (16%) (Figure 6 below) mainly based on SEDA’s system of telephonic follow-
ups on satisfaction with service delivery. Based on the findings of the follow-ups with service users, SEDA has improved its strategies to interact with service users.

**Figure 6: Rating of quality of services by SEDA’s service users**

The findings suggest that overall, there is satisfaction with the quality of the services provided by SEDA. However, service users could not compare the quality of the current services with what used to happen before due to the fact that most of them had only had contact with the services provided by SEDA after the consolidation of the different agencies into one. The service users that participated in the study thus did not have any experience with the institutions that operated before SEDA was established.

It was found that in the delivery of services, SEDA introduced an appointment system where SEDA officials and service users meet as per scheduled appointment to avoid unnecessary long queues at its service delivery sites. Service users’ contact details were kept on a database which enables officials to contact them should there be an emergency prohibiting the meeting to take place. During *in loco* visits, it was observed that service users were attended as per the schedule of appointments. However service users who arrive at service sites without appointment were also assisted. The findings further show that SEDA officials visited business sites of service users to monitor progress and provide on-site support and information.

SEDA has also made a concerted effort to extend its services to the beneficiaries of the Local Economic Development (LED) programmes offered by the district municipalities. The services are rendered on an agreement basis with the municipalities and are mainly aiming at increasing the section of the population benefiting from the agency’s services.

**6.2.2.5 SEDA has ensured the integration of small business support programmes**

Interviews conducted with senior officials of SEDA revealed that DTI has, through the establishment of SEDA, ensured the implementation of small business development programme in line with the aim and objectives of government’s Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises.\(^{110}\) Key to these objectives are the integration of government’s agencies which provided small business support to ensure effectiveness, efficiency, uniformity in delivery, equal access to all citizens and the optimisation of scarce resources and the facilitation of small enterprises’ access to finance. The finding suggests that the DTI has been successful in the implementation of the above-mentioned strategy and in ensuring that government improve its services with regard to the development of small businesses.

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6.2.2.6 Governance arrangements

The findings of the study show that SEDA has a Board as a governance structure and its functions are provided for in the National Small Business Amendment Act. Findings also revealed that the Board ensures that the functions of the Agency are performed and that the objectives of the Agency are achieved. SEDA reports to the Minister of Trade and Industry through this Board.

The Memorandum of Agreement (MoA) entered into between the Minister of Trade and Industry and SEDA, defines the different roles and responsibilities and states expected deliverables. The MoA also spells out the reporting process that should be followed in reporting on the agency’s performance. Although the current governance arrangements between the National Minister of Trade and Industry, the SEDA Board and SEDIA provide for clear accountability lines, the arrangements are not necessarily contributing to effective performance management and reporting, and the achievement of SEDA’s service delivery objectives. This is confirmed by the Auditor-General in his 2009/2010 Audit Report on SEDA’s financial statements. Although he gave SEDA an unqualified audit for the financial year under review, he emphasised that the Agency did not report its performance methodically against all its “objectives, indicators and targets”, that the Agency’s indicators were not clearly stated in measurable terms, and that the performance reports were not reliable as a result of the absence of source documents submitted to the AG.

6.2.3 Benefits, opportunities and challenges

6.2.3.1 Benefits and opportunities

There are several benefits and advantages that have been introduced as a result of the establishment of SEDA as an agency. Key to these benefits are the bigger section of the population that can now benefit from the business support services provided to small enterprises as a result of the roll-out of service delivery points to district level, and the standardisation of the services throughout the country to ensure that service users can expect to be treated more equal as a result of the introduction of the uniform delivery network of services after the establishment of SEDA. Furthermore, service users seem to benefit from follow-up visits conducted by the officials of the agency. Various issues are addressed during such follow-up visits. SEDA’s service users enjoy the advantage of being supported throughout the process of establishing a new business.

A further important benefit of the establishment of SEDA is the facilitation of access to finance for the SMME’s. During 2009/10 a Public Sector SMME Payment Assistance Hotline was established which handled over 15 000 calls during a period of just over six months and facilitated the payment of over R27 million to SMMEs. Financing of these enterprises was one of the major challenges in the past which led to the failure of many of these prospective enterprises. Adding to this benefit is the assistance provided by SEDA in terms of searching for appropriate international markets for the products and services of the small enterprises. This service adds to the growth of many of these small enterprises into medium enterprises, which form part of SEDA’s long term objectives.

6.2.3.2 Challenges

A few challenges resulted from the establishment of SEDA. Key to these challenges are the provision of marketing services for the products of service users, a lack of coordination between SEDA’s small business support programme and other government support programmes, facilitation, and a lack of proper monitoring and reporting with regard to the achievements of SEDA’s support programme. The unavailability of adequate funding to assist service users with the marketing of their products, could result in a loss of business opportunities for the service users, and failure on the part of SEDA to adhere to the objectives of government’s strategy in this regard which

aimed at the provision of improved access to finance to small enterprises\textsuperscript{114}. The lack of coordination and integration of SEDA’s support programme and other government support programmes is also not in line with the Strategy’s aim of integrating all support programmes across spheres of government and also between government and the private sector, and further leads to inefficiencies in government spending as a result of the duplication of support service efforts.

Furthermore, the study identified the need to regularly monitor SEDA’s implementation of the different services and to appropriately report on these achievements. Both at Head Office and at the various district offices of SEDA, data was available on the achievement of overall objectives and interactions with service users, but the basis on which these figures were reported does not support rigorous monitoring of all SEDA’s achievements. Critical performance data can therefore not be reported for audit purposes such as the “number of business projects adopted” which would include figures on the “unsuccessful” interventions, “number of resources/partnerships leveraged to co-operatives”, and the “number of clients assisted” which will include the service users assisted with e.g. information, which the AG noted in his Audit Report of the Agency for 2009/2010 as lacking\textsuperscript{115}. Without the introduction of rigorous monitoring and reporting mechanisms, which will include the development of appropriate performance indicators to facilitate such monitoring and reporting, the Agency would not be able to ensure effective reporting of actual performance and might end up receiving a qualified Audit Report from the AG as a result of poor performance management.

Service users interviewed during the study indicated that the information about SEDA which is available on the internet, is outdated and as a result not useful to them. For this service to be effective, it is important that the information is regularly updated and that links with other stakeholders in the enterprise support process is ensured. This information sharing mechanism could assist the Agency in reducing phone calls from prospective service providers needing basic information.

\textsuperscript{114} Republic of South Africa. The Department of Trade and Industry. Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises. 2005.
Chapter Seven

Conclusion and Recommendations
7.1 INTRODUCTION

This chapter presents the overall conclusion and recommendations based on the key findings of the study.

7.2 CONCLUSION

The overall findings of the study indicate that as a result of the establishment of SASSA and SEDA as Agencies, service delivery has improved in a number of important areas, especially in the rural areas. In the case of SASSA, changes in the grant administration process and the uniform application of the national norms and standards resulted in an improvement in the turn-around time with regard to the approval of the applications for grants. Unlike when the grant administration services were provided by the Provincial Departments of Welfare and Social Development where it used to take three months and longer for applications to be finalised, after the establishment of SASSA, it takes one day.

Furthermore, SASSA has introduced various mechanisms to limit fraud and corruption with regard to the payment of social grants. Central to these were the entering into an agreement with the Special Investigations Unit (SIU) to “manage, investigate and prosecute individuals identified in fraudulent activities within the social security system”, the establishment of a Social Security Inspectorate, the drafting of a Compliance Framework to enhance the special investigations, and the continuous identification of anomalies in the grant administration process. Indications are that SASSA has put concerted efforts to manage and effectively handle fraud and corruption activities through these mechanisms.

In the case of SEDA, the consolidation of the previously independent agencies such as Ntsika and NAMAC to refocus small business development and support programmes, and the roll-out of service points to district level, ensured that small businesses throughout the country have access to a network of uniform business support services and information. The DTI has, through the establishment of SEDA, successfully implemented government’s Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and ensured that government improves its services with regard to the development of small businesses.

7.3 RECOMMENDATIONS

7.3.1 Clarification of accountability with regard to SASSA’s performance and operations

The accountability for SASSA’s operations on the one hand, and the oversight of the performance of SASSA on the other hand, should be clearly identified and reflected in responsibilities for reporting at the different levels. This will facilitate proper reporting in terms of performance and financial management and ensure compliance with the Public Finance Management Act.

7.3.2 The finalisation of appeals with regard to SASSA should be expedited

The finalisation of appeals handled by the Appeals Tribunal should be expedited to ensure that qualifying service users start benefiting from the relevant social security grants. A proper analysis of the backlogs should inform corrective action in this regard.

7.3.3 Efforts to improve access to SEDA services

That SEDA is providing services at district municipalities is inadequate since it is not all service users who will be able to access those services. When considering the area covered by these municipalities, some users may have

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to pay exorbitantly to access these services. It is recommended that SEDA use local municipal offices, which are nearer, or the Thusong Services Centres to provide its services.

7.3.4 Efforts to obtain funding for marketing services should be intensified

Efforts of SEDA to obtain additional funding to ensure the continuation of the provision of critical marketing services to prospective entrepreneurs, should be intensified. The institutional arrangements provided in the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises should be enforced to ensure increased private sector participation in the promotion process. These arrangements allocated the responsibility to ensure that private businesses become more involved in the promotion of the small enterprises, to the DTI. It is important that the DTI formalises the process and monitors and reports progress in this regard.

7.3.5 Need to consider the provision of finance

Non-provision of finance by SEDA is a challenge to some users (15%), and leaves the process of small business development incomplete. It is proposed that an integrated approach whereby SEDA services and the financial services provided by other agencies of the Department are rendered within one stop centre to ensure synergy and improved linkages within the agencies as well as citizens’ improved access to services.

7.3.6 SEDA’s performance monitoring and reporting needs to be strengthened

The monitoring of SEDA’s services and the reporting of achievements in this regard, should be strengthened to ensure consistency between the different offices in terms of the indicators used to measure performance and the formats used for reporting purposes. The development of appropriate performance indicators will ensure the availability of critical performance data for reporting and audit purposes. It will further facilitate proper performance management.

7.3.7 Agencies need to strengthen consultation with service users

The study identified shortcomings with regard to consultation of service users in both agencies included in the study. Service users should be consulted about the level and quality of the public services they receive from the agencies. Consultation will provide service users the opportunity to influence decisions on the nature and quality of services provided to them. This will ensure that the Agencies’ services are responsive to the service users’ needs. It is, therefore, important that agencies commit themselves to a proper consultation process, the development of clear standards with regard to consultation and the identification of the most efficient and effective consultation methodologies to use. Similarly, service users should be provided with feedback on how their inputs were effected during decision making.
Annexure A
EXAMPLES OF AGENCIES ESTABLISHED PRIOR AND POST 1994

The following are some of the agencies that were established prior to 1994:

• Independent Development Trust (IDT) created by the Department of Public Works to supply grants for poverty relief, infrastructure development and services in education, housing and welfare sectors;
• Development Bank of South Africa (DBSA) established by the then Department of Finance to develop infrastructure and finance for sustainable development; and
• Agricultural Research Council (ARC) created by the Department of Agriculture to conduct agricultural research, promote agriculture development and ensure technology transfer.

The following are examples of the agencies that were established by national departments, post 1994:

• South African Social Security Agency (SASSA) established by the Department of Social Development to render essential social security grant administration services,
• National Development Agency (NDA) established by the Department of Social Development to provide development funding services to civil society organisations (CSOs),
• uMalusi Council for Quality Assurance in General and Further Education and Training established by the Department of Education to ensure that quality education services are provided,
• South African National Roads Agency Limited (SANRAL) established by the Department of Transport to finance, improve, manage and maintain the national road network, and
• Competition Commission established by the Department of Trade and Industry to investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency in the South African economy.

The following are examples of agencies established by provincial departments, post 1994:

• Blue IQ Investment Holdings established by the Gauteng Department of Economic Development to deliver economic infrastructure to ensure sustainable economic growth, and
• Limpopo Tourism and Parks Board established by the Limpopo Department of Economic Development, Environment and Tourism to promote, foster and develop tourism to and within the Limpopo Province.
• Eastern Cape Rural Finance Corporation (ECRFC) established by the Eastern Cape Department of Agriculture to finance and assist development projects in rural areas, and
• Northern Cape Gambling Board established by the Northern Cape Department of Economic Development and Tourism to develop a gambling industry which promotes tourism, employment, economic and social development.
Key Findings from the Gauteng Shared Services Centre (GSSC)
1. INTRODUCTION

The study on the Evaluation of the Role of Agencification in Public Service Delivery in Selected Sectors included the Gauteng Shared Services Centre (GSSC). Although not an agency, but a division in the Gauteng Provincial Department of Finance, the GSSC was found to render support services in the areas of Human Resources, Procurement, Finance, Information Technology and Internal Audit Services to all the Departments in the Gauteng Provincial Government (GPG) including entities such as hospitals for the purposes of effective service delivery. Unlike the SASSA and the SEDA, which provide services to the public on behalf of their parent Departments, the GSSC provides back office support to enable the Departments to deliver on their mandates. Based on the fact that the GSSC is not an agency and that it does not render services to the public, an evaluation could not be conducted under this study. However, the following section provides the status of the GSSC, the factors that led to its establishment, the role of the GSSC in supporting the departments in the Gauteng Provincial Government and the challenges experienced by the GSSC. It is hoped that this section will yield useful information, especially where there are intentions of establishing a shared service model to support departments to deliver effective services.

2. KEY FINDINGS

2.1 Status of the Gauteng Shared Services Centre

The Gauteng Provincial Executive Council utilised its powers contained in the Public Service Act to establish the Gauteng Shared Services Centre as a 13th Department of the Gauteng Provincial Government in 2001. At the time of its establishment, attempts had already been made and due processes followed in favour of agencification. However, the PSC was informed that organised labour raised concerns about employment inequalities and misalignment that would be brought about by agencification. Furthermore, due to scepticism regarding the concept of shared services, it was resolved that the GSSC be proclaimed and piloted as a Department. In 2006, a review of the GSSC was undertaken which showed that the satisfaction rating (from provincial departments) improved from 69% in 2004 to 75% in 2006. However, there were challenges of, for instance, high executive and senior management turn over which created uncertainty for the GSSC.

Following the 2006 review, a business case was developed as part of the process of agencification. In addition to the business case, a legislation (Bill) supporting the agencification was crafted for presentation to the legislature. The Head of the GSSC mentioned that unfortunately the presentation of the business case and the tabling of the Bill were overtaken by events as they coincided with the 2009 elections and the subsequent incoming of the new administration. As a result, the business case was never presented and the Bill was never tabled. On the other hand, it was established that during June 2009 a review of the GSSC was undertaken by Office of the Premier. During interaction with the Office of the Premier, it was established that the findings of the review had not been tabled. However, with the reconfiguration of departments in the Province, it was decided in 2009 that the GSSC be incorporated as a division within the Department of Finance.

2.2 Factors that led to the establishment of the GSSC

The study found that a number of factors were identified by the provincial government which impacted negatively on service delivery, particularly back office/support services. It was based on these factors that a need arose for the establishment of the GSSC. The factors are as follows:

- **Skills shortages in key support areas such as finance, human resources, procurement and information technology:** Due to the fact that each department used its own resources for the same services, there was a shortage of resources within the province.

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• **Skewed spending patterns where more than 55% of the budget was spent on support services rather than service delivery areas:** It was established that 55% of the total spending of the province was on support services as opposed to service delivery. This prompted a need to consolidate support services in order to ensure that the bulk of the spending is on service delivery.

• **Duplication of support services in departments and regional offices of departments:** It was found that some departments doubled their support services, especially those departments that operate with regional offices and entities.

• **A need to consolidate information technology in the province:** In this regard, it was found that the Gauteng province was using different networks, whereas they could benefit from a single network. This further contributed to over-spending in some of the departments.

• **A need to ensure that economies of scale were taken advantage of to reduce prices of commodities that the province buys:** It was established that the province was not taking advantage of the economy, especially where same products were procured from same service providers at market price without negotiation power.

In summary the following table shows the tangible and intangible benefits of establishing the GSCC:

<table>
<thead>
<tr>
<th>Tangible</th>
<th>Intangibles</th>
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<tr>
<td>1. Reduces expenditure</td>
<td>1. Enhanced customer services</td>
</tr>
<tr>
<td>2. Increased productivity</td>
<td>2. Standardised processes and pooled resources</td>
</tr>
<tr>
<td>3. Economies of scale</td>
<td>3. One-organisation approach (one-enterprise approach)</td>
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<tr>
<td>4. Leveraged technology</td>
<td>4. Improved accuracy and consistency</td>
</tr>
<tr>
<td>5. Improved span of control</td>
<td>5. Better leverage of learning curve</td>
</tr>
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The primary objective of establishing the GSSC was to bring together the functions that were frequently duplicated and inconsistent in departments and to provide these services at lower costs and more efficiently through a shared service centre. In particular the specific objectives of the GSSC were:

• to consolidate all back-office functions (finance, procurement, human resources, information technology and auditing) so as to allow line departments to focus on their primary mandate.
• to standardise business processes, eliminate duplication, increase productivity and improve span of control.
• to leverage the economies of scale in procurement resulting in cost saving and reduced expenditure.
• provide support services to line departments in an efficient and effective manner.
• to attract, retain, and optimally utilise specialist skills.

2.3 **The role of GSSC in supporting departments to deliver effective services**

The GSSC was created to provide support services to the GPG Departments’ frequently duplicated areas of Human Resources, Procurement, Finance, Information Technology and Internal Audit support services. Through the provision of these services along business principles, the GSSC was able to free Departments and allow them to concentrate on line and service delivery related activities. The following shows the GSSC’s support to the departments in the above mentioned areas.

(a) **Human resources**

In the area of Human Resources, the GSSC took over from the Gauteng Departments advertising, short listing and response handling, the administration of all basic conditions of employment. According to the Five Year Review 123 Republic of South Africa. Gauteng Provincial Government. Business Case for the Conversion of the Gauteng Shared Services Centre from a Department into an Agency. 2007.
Report\textsuperscript{124}, more positions are advertised by the province and the administrative burden of processing curriculum vitae has been removed. A dedicated team has been established to render services to the senior management services. According to the review, the number of adverts published in the external media increased by 9\% between 2005/06 and 2006/07, while the cost per advert decreased by 28\%.\textsuperscript{125} The Premier’s target for learnership programme has been met covering 26 sectors and pensions are paid within the first month after retirement date of retirees.

(b) Internal audit services

With the establishment of the GSSC, the Centre handles, for the entire province, Risk and Compliance Audits, forensic audit, computer audits and performance audits. In this regard, the GSSC delivered value-adding audit reports that were tabled at departmental audit committees\textsuperscript{126}. All the departments in Gauteng have been able to close their financial year-end on time, with 2003/04 being exceptional years as all departments received unqualified audit reports from the Auditor-General\textsuperscript{127}.

(c) Procurement services

The GSSC developed sourcing strategies and has assisted government to meet the broad –based black economic empowerment policy. Furthermore the centre has developed and maintained a reduced cycle times in purchasing goods and services, provide support such as legal and secretariat to the Procurement Business Unit and improve on the delivery lead times, stock availability and stock holding. It was further established that the GSSC has negotiated more favoured terms than any other department was able to do in their contract process\textsuperscript{128}. The cost of placing a purchasing order with a supplier of goods and services has come down significantly, from a R1 200.00 to as low as R375.00 per order placed which translate into a 220\% reduction in the cost of providing the service.

(d) Finance services

In the financial services, the Centre provides effective accounting for cash related transactions and bank reconciliation services, general accounting services, account payable, debt management, salary administration, and systems support (BAS & PERSAL).

(e) Technology support

The GSSC developed and implemented a GPG-wide enterprise architecture framework, a unified and consistent programme management methodology through a central Programme Management Office (PMO), provide an information security strategy, monitor the performance of IT, develop IT policies and procedures, provide a flexible and adaptable IT infrastructure and implement strategic e-government to improve access to services.

2.4 Challenges of the GSSC

Despite some of the noted achievements by the GSSC, it was established that the Centre also experienced challenges and cited as a major challenge was the resistance to change. Findings indicated that not all stakeholders were sufficiently consulted and this increased the level of resistance to change. According to the Five Year Review Report, the GSSC had difficulty in demonstrating achievements (in calculated terms) and inability to track performance. The GSSC plan and project itself was an ambitiously large scale project whose sheer magnitude and scale was a challenge. Findings indicated that while the creation of Shared Service Centres are normally done incrementally implementing one area at a time e.g. human resource, and slowly moving to the next as the current area reaches maturity, GSSC’s “big bang” approach created problems instead. The situation was aggravated by


the very high executive and senior management level turnover while general staff turnover stood at almost 20%, making the GSSC task not an easy one. The GSSC continued to also experience a high vacancy rate of between 30% and 40% especially in areas such as IT and audit services.

Major challenges in the procurement area included the agreement on the Procurement Value Chain where Service Level Agreements included more than two parties. Getting all the parties on board became and remains a problem especially when it comes to obligations and accountability. Timeous payment to suppliers of goods and services remained also added to this in that despite an improvement in the procurement area in general, if goods are not paid for, for whatever reason, the entire process collapses. While the study found otherwise, the Review Report had earlier found that the GSSC was not able to show reduced costs since there was no information or data to support this assertion. It also failed to cost its services and therefore was unable to determine efficiency levels. Some of these challenges are related to the fact that the GSSC is said to have been bigger than any shared services project that has been attempted by both the private and the public sectors in the entire world. Lastly getting buy-in from affected management as well as senior executives of the affected departments seen as crucial was not undertaken and should have been in a project of this magnitude.

2.5 Conclusion

The GSSC may not have reached its intended status of being an agency, but went a long way towards achieving that goal. The Department registered both success and experienced challenging situations which it learnt from. Duplication that existed in Gauteng Departments before the creation of the GSSC was reduced drastically and the province was able to consolidate back-office support functions under the banner of the GSSC. However, the GSSC failed to show, for instance, cost savings as a result of this consolidation. The model of creating a unit or department as a phase in the process of agencification and monitoring and evaluate progress before moving to the next stage is what can be learned from this case.
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<tr>
<th>Region</th>
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<th>Contact Details</th>
</tr>
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<tr>
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<td>Tel: (021) 418-4940, Fax: (021) 418-1362</td>
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