

# THE CHALLENGE OF PRIORITISATION AND ALIGNMENT IN PUBLIC SECTOR PLANNING AND IMPLEMENTATION

LITERATURE REVIEW

**Submitted to Twende Mbele**

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26 November 2018

Version 3.0

## Contents

Contents.....	2
1. Introduction .....	3
2. Summary of Main Findings and Implications.....	5
3. Literature Review.....	8
3.1. Background .....	8
3.2. The Importance of the Socio-Political Environment.....	8
3.3. What appears to have worked?.....	10
3.4. Case Study of Participatory Governance .....	24
4. The South African Context .....	28
5. References .....	34

## 1. Introduction

*“One day, I am going to live in theory, because in theory everything goes perfectly...”*

*Marc Levy*

Strategic planning has become increasingly popular in the public sector around the world, and is generally understood to mean “a systematic process of strategy formulation during which an organization’s environment is analysed and strategic goals are defined” (George, 2017, p 527). In theory, plans should be matched with accurate and relevant budgets, and implemented in a manner that ensures that the desired goals are achieved. An over-arching monitoring and evaluation process provides information about how well the implementation has progressed against targets, and that information is used to refine the planning-budgeting-implementation cycle. This kind of governance structure – planning and the setting of objectives and performance indicators - is generally “deemed necessary to administer complex systems” (Nutti, Vainieri and Vola, 2017, p277).

In reality this ideal situation is seldom achieved in its entirety. By international ‘standards’, South Africa has done well in adopting a range of formal institutions and processes for planning and associated budgeting, especially those advocated under the rubric of Public Financial Management, and Public Expenditure Management. The National Treasury spearheaded major reforms to the planning and budgeting environment aimed at producing more effective and accountable government programme implementation, including the adoption of the Medium Term Expenditure Framework (MTEF) approach. A clear formal cycle of planning has been established from national to departmental level, and there are guidelines for Integrated Development Plans (IDPs) and other planning requirements in local government. The Department of Planning, Monitoring and Evaluation (DPME) has developed systems, process and tools to support improved planning, and especially to ensure the development of evidence-based planning through the incorporation of monitoring and evaluation (M&E) practices. South Africa has also experimented with a number of approaches to fast track the development of programme design and delivery in key strategic areas - such as adapting a version of Malaysia’s Big Fast Results approach under ‘Operation Phakisa’.

Despite this framework of planning and oversight, there are general concerns in South Africa that plans are often disconnected from the reality of their implementation, particularly the budgets that are required to give them effect. In particular, these plans are often silent about the choices that have to be made in an environment of limited fiscal resources (“prioritisation”), and how these choices can be made in a coordinated and complementary manner across the public sector (“alignment’). In addition, while considerable resources have been allocated to developing monitoring and evaluation and performance management systems, it is not always clear how these can be linked to and support prioritisation and alignment.

The introduction of strategic planning is often associated with New Public Management reforms, particularly those which are designed to counter the tendency by politicians to make “purely intuitive” decisions (George, 2017). It is thus assumed to be a process that will contribute to more rational or consistent approach towards managing and directing public resources. Central to the attainment of these goals of rational and consistent decision-making are the concepts of prioritisation and alignment – identifying what government should be focused on (its objectives), and ensuring that all parts of the public sector are in fact focused on achieving those selected goals. The theory is straightforward enough, but actually going about “doing” prioritisation and alignment is considerably more difficult, given the enormous complexity of the system that comprises the public sector. Nutti, Vainieri and Vola (2017) suggest that the process of managing by objectives (i.e. strategic planning) requires two critical outcomes: setting a number of objectives that are appropriate in particular circumstances and selecting “a rigorous principle to define which indicators should be considered as high priorities”. The real difficulties arise, of course, in determining exactly **how** to do that in the particular institutional and political context presented by one country. The process of prioritisation requires balancing long-term against short-term goals, assessing the

interests of multiple and competing groups, and – most importantly – making these decisions in the face of imperfect and incomplete information (Andres, Biller and Dappe, 2016).

A great deal has been written about the importance of achieving prioritisation in public sector planning, and even more has been written about how this could be done, but most of the latter work focuses on the **theory** of how this is to be achieved (the assumed characteristics of a successful prioritisation system, the suggested components of a performance management system, etc.). There is little systematic work that considers critically what works, what doesn't work and why, and how these conclusions might be relevant in the South African context. One of the reasons for this appears to be the uneasy relationship between the private sector origins of strategic planning (an environment where priorities are quite obvious – turnover growth, profit growth and competitive advantage) and its application in the very different environment of the public sector, where objectives are much more numerous and much more difficult to rank in some kind of objective order of importance (Hoglund *et al*, 2018).

With respect to the issue of “alignment”, there is less critical research to be found, nor is there universal agreement on exactly what “alignment” means in the complex environment of the public sector. The term is often used without having a clear definition attached to it. However, two useful conceptualisations of the terms suggest that alignment may be used to assess what is happening **within** one particular organisation (that is, are all the day-to-day operations of this organisation in line with what is required to achieve its strategic objectives) as well as how this dynamic is manifested across the public sector (that is, are all public sector organisations engaged in activities that will maximize the likelihood of achieving national strategic objectives) (Nel, Raga and Mbanga, 2014). Alignment thus has clear intra- and extra-organisational implications, and as a result will be directly impacted by the over-arching regulatory and institutional environment that determines that nature of those relationships and their complexity. Alignment might be said to have occurred when “all share a sense of purpose and where processes, systems and structures are compatible in supporting a common vision and goals” (*ibid*). Finally, it is helpful to conceive of alignment as a *process*, something that needs to be actively and continuously managed, rather than a static structure or regulation.

The aim of this research is to undertake a literature review focusing on two areas:

- Approaches, processes and tools that could support more effective plan prioritisation and budget alignment; and
- The utilization of monitoring and evaluation systems and information to support better prioritisation and alignment.

This paper is made up as follows: the following section (Part 2) presents a summary of the main findings of the literature review, highlighting the main lessons that can be learned. Part 3 comprises the detailed literature review – what are the approaches, processes and tools that have been used in other countries to improve prioritisation and alignment, and how relevant are these for the South African challenges? What is the role of M&E systems in these? It includes a short case study covering one particular approach to prioritisation – that of participative governance. Part 4 considers in brief the particular characteristics of the South African planning environment that impact on the ability to achieve perfect prioritisation and alignment in planning and budgeting. This contextualisation is key to the interpretation of the findings of the literature review.

## 2. Summary of Main Findings and Implications

- Context matters: we cannot just assume that something that has worked in one place will automatically work in another that has a very different institutional and political environment. Our research shows that countries which have developed strong capacity for prioritisation (and corresponding resource allocation) across a range of policy areas have tended to have a clear centre of power within the state (i.e. not a highly decentralised structure), a stable political-administrative interface, and stable well institutionalised bureaucratic cultures. In the context of democratic countries, they have also tended to have more homogeneous civil societies or civil society groups which are well capacitated and well represented in the state (through strong and predictable institutions of representation — both formal and informal). (See Mann, 1993).
- In most countries, states tend to develop strong capacity for goal setting and policy implementation in some areas or sectors and not in others, and these strengths are often tightly time bound — supported by a sudden groundswell of support for an area, or the concentration of technical expertise in one area over another (see Skocpol, 1985).<sup>1</sup>
- Successful approaches **specifically and explicitly address the issue and challenges of prioritisation at the national planning level**, and do not simply cascade responsibility for this process downwards, assuming that it will materialise. This prioritisation is reflected in the various sectoral and regional plans, and clear tools and processes are required to ensure that this is carried through the entire planning period (see the literature on the Malaysian case, for example, such as Kunicova, 2017).
- Substantial improvements in the planning environment, and the ability of the public sector to prioritise in planning, requires politically difficult, slow and incremental changes to the wider institutional environment shaping the public sector. Our brief literature review suggests that some countries have managed to make incremental or partial improvements in the planning prioritisation capacity through the development of strong capabilities in one or more of the following areas:
  - **Improved analytical capacity within the state.** Here we are referring to improved analysis of the causes (and their interrelation) of any particular problem under review — and thus improved capacity to identify what kinds of interventions are needed to fix a developmental problem / challenge, and in what sequence. This analytical capacity is a function of a range of factors, including the supply of strong technical expertise in various fields in the education and professional system; a function of the extent to which this expertise is then located within the state (as opposed to contracted out); a function of the space provided for identifying political problems that may bedevil a particular sector (how a powerful group might block reform for example); and a function of stability within management and leadership in a sector and relevant agencies (time is required to develop experience in a field, to experiment at a smaller scale with different type of interventions, and adapt according to programme evaluation data). (See for example Carpenter, on ‘analytical or informational capacity’, Carpenter, 2011).
  - Mechanisms to support **improved inter-organisational cooperation in the development of strong sectoral level planning** (horizontal coordination and cooperation) are key. (For example, improving education outcomes requires the cooperation of the departments of education, social development, health and so forth). This can be established through the development of formal mechanisms of coordination, but the critical issue is the oversight of these — how do we ensure that the theory of cooperation becomes reality? This is a particularly important question for South Africa. The literature indicates that achieving this usually

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<sup>1</sup> “There is no reason to assume a priori that the pattern of strengths and weaknesses will be the same for all policies. One state may be unable to alter the structure of its medical system but be able to construct an efficient transportation network, while another can deal relatively easily with getting its citizens around but cannot get their illnesses cured.” (Skocpol, 1985: 17, citing Stephen Krasner, 1978).

requires that performance incentives are linked to cross-agency work, and not only to key performance indicators related to departmental / agency work. Where collaboration across agencies has been established, it is often on particular programs for a period of time, on a very specific problem or programme area, and backed by a degree of leadership pressure (senior political or administrative leadership). For more on this latter point – the level of commitment required by senior leadership - see Sabel and Jordan, 2015.

- The development of mechanisms to support an **iterative process of analysis and strategy making between sectors and central planning**. This facilitates the wide communication and buy-in of developmental goals, and facilitates appropriate choices in inter-sectoral resource allocation. Based on our analysis of the Malaysian and Ugandan example below, this appears to require a lead department / agency to facilitate rounds of interactions on planning (see references in the sections below on Malaysia and Uganda).
- Improved **clarity on the right balance between central goal setting on the one hand, and locally-responsive government planning on the other** (and appropriate institutions for supporting this balance). This requires both clarity on the relative authority of various levels of government in particular areas, and that funding mechanisms support this division of authority.
- **Stable practices of public participation** in which citizen priorities can be fairly and realistically integrated into the planning process. This is a complex challenge: it requires a degree of capacity within civil groups to organise programmatically (see Mann, 1993, Khan, 2005) Factional based politics can undermine the development of programmatically organised politics at the local level — as we noted in the section above (Khan, 2005). The case study on participative governance in part 4 of this report investigates this issue on more detail.
- Inter-sectoral and inter-organisational resource allocation is also facilitated by **improvements in budgeting frameworks and mechanisms** — such as the adoption of MTEF approaches. South Africa has a fairly good MTEF in place, though there are improvements needed in developing a stronger link between development plans and budgets. There are numerous proposed methodologies to achieve better alignment, such as programme-based budgeting, results-based budgeting and activity-based budgeting. However, these demand a good deal of skills from relevant officials, and organizational capacity / maturity, as it requires organizations to submit their work (programmes) to a degree of scrutiny, and to have mechanisms in place to gather M&E data.
- **Pragmatism**. Understand what can be achieved, rather than striving for an unattainable perfection. The main implication here is that it is better to aim for fewer prioritisation processes (focusing perhaps on only one sector, such as infrastructure) and to focus resources on getting these right, rather than trying to build a large and complex system covering every government activity when there is no capacity to do so.
- Mechanisms to improve the **development of plans that are ‘implementable’**. The capacity of the state (or components of it) to implement plans should be addressed right up front in the development of a national strategy, plan or policy. ***A plan that cannot be implemented in its own context is not a good plan.*** Plans which cannot show to a high degree of likelihood that they can actually be implemented should not be adopted, no matter how impressive they seem. Different countries have used different mechanisms to try and address the implementation challenge. This includes institutionalising regulatory impact assessments for the development of new legislation; improving the costing of strategies through the development of dedicated central capacity for this; testing detailed implementation scenarios; and other mechanisms. Developing implementable plans does require some leadership commitment to goal and resource prioritisation, and honesty with stakeholders about what is possible, rather than what is politically desirable.

- **The basic components of a successful monitoring and evaluation framework are included in the initial planning and prioritisation process.** This includes setting clear direction at the central level regarding how departments / organisations should set indicators for outcomes on a particular policy area and clear indications on how performance should be measured. Good M&E requires that some degree of analytical capacity is established within the sector or relevant agencies. There is a large body of literature on how performance indicators can be ‘gamed’ to reduce accountability. While M&E is often advocated as a tool for improved organisational performance, a good system requires an already well functioning organisation — the maturity of the M&E systems will therefore need to be adapted to the organisation in question. This, in turn, reflects the importance of pragmatism – building a system fit for purpose – outlined above.
- Related to the above, **well designed, routine, and well-funded programme evaluation capacity.** This enables government to make better informed decisions on which programmes to further support or phase out to support high level strategy goals; i.e. this is about the allocation/re-allocation of resources in support of strategic goals. Where governments are not strong in goals prioritisation at the central and sectoral level, they are generally not strong in using such programme reviews as a basis for resource re-allocation — due in part to some of the political problems we identified in the previous section of this paper.
- There are **no quick fixes** for achieving progress in prioritisation, alignment and associated monitoring and evaluation. All the examples of successful approaches were countries where a long view was taken, and the focus was on putting in place the institutional structures associated with desired outcomes.
- Progress is best made in **incremental steps over an extended period of time.** There is no one successful example of a country that has implemented a highly complex structure from day one. Instead, initial focus is on a fairly simple process covering relatively few areas, and this is then gradually expanded in concert with increasing public sector capacity, experience and skills.
- Many of the more successful approaches documented in the literature are *sector- or programme-specific*. That is, these **methodologies and tools have been developed for use in a particular sector or type of programme** – such as infrastructure or health care or education – rather than for general use across the public sector. This is an important finding, since it suggests that a sector-specific approach to prioritisation and alignment may be particularly useful in a national context that does not match the strong central power structure depicted above.
- Significant institutional benefits can be obtained from **a monitoring and evaluation process that considers how outputs were achieved** (or not achieved) as well as whether they were achieved. That is, a monitoring and evaluation system should ideally be designed to investigate the validity of the the causal assumptions made in programme design, as well as actual programme outputs.



### 3. Literature Review

#### 3.1. Background

There is now a growing literature on planning in the context of the public sector. Most of this research constitutes ‘grey’ literature developed in the main by development consultants, international donor, regulatory or policy setting bodies, such as the World Bank. This includes literature in the field of Public Expenditure Management and Public Finance Management (and sub-fields within this). This literature tends to focus on the processes and formal structures that countries have put in place to aid in goal setting and planning, and it is generally not strong on specifying the underlying structural and institutional conditions which underpin strong planning capacity.

The literature from the field of comparative politics and comparative public administration cautions that differences between country outcomes with respect to their ability to set goals and drive policy are primarily located in differences in the structure of their political and economic systems — and associated institutions. This is an important point, and we elaborate on these conditions in the sections below. Much of this literature tends to be pessimistic about the chances of changing these long run institutional conditions through policy or technical tools alone, but emphasizes the importance of socio-political factors in influencing these outcomes. We have thus tried to strike a balance between caution about the applicability of (decontextualised) models and tools from elsewhere and at the same time trying to glean some practical lessons from other country experience.

#### 3.2. The Importance of the Socio-Political Environment<sup>2</sup>

The comparative political science literature tells us that prioritisation and goal setting are *inherently* political acts. They involve, first, a values-based appraisal of the relative importance of one developmental challenge or goal over another (no matter how scientifically rational the analysis of a range of problems). They are also about how leaders, especially political leaders, read their constituencies, and about the nature of these constituencies themselves. Goal setting in any society is shaped by the structure of its civil society and the structure of its state. Therefore, the setting of goals in the National Development Plan is itself a process of prioritisation (some goals have been selected while thousands of others have been discarded), reflecting a particular political agenda. These goals are thus not neutral, and they can (and are) a site of political contestation, with no easy answers for how this contestation should be resolved.

Prioritisation carries risk for political and administrative leaders. In prioritising one goal over another, leaders often require their constituencies (or citizens more generally) to save their hopes for improvements in a particular area for a later date. Or they require citizens to trust in the outcomes of a long-term strategy where the link between strategy and outcomes may appear opaque. Furthermore, any clear strategy for change will run up against vested interest against change. It is for these reasons that political scientists have often highlighted that where state reformers have been able to push through public service reforms, changes in policy, they have done so supported by a powerful class in society, or with the backing of a broad coalition of civil society.

Because prioritisation carries risk, leaders can therefore feel pressure to respond to short term “service delivery” targets over longer term goals which have important but causally complex links with developmental outcomes (like adjustments to the regulatory environment for infrastructure investment). Furthermore, doing a little bit of everything, or being seen to do a little of everything, can be understood

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<sup>2</sup> This and the following section of the paper are based on readings of some of the comparative political science literature on developmental states (see for example, Evans, 1995); on political economy (see for example Khan, 2005) and on state power to see through policy (see for example, Mann, 1993; Evans, Rueschemeyer and Skocpol, 1985); on comparative public administration (see for example Carpenter, 2001), and to a lesser extent on the public administration and public expenditure management literature (such as Allen Schick, 1998).

as a way of maintaining constituencies (and thus power). These problems can emerge more acutely in conditions in which civil society is fairly heterogeneous in character, made up of a number of classes, and other 'differentiated' identities that carry weight in politics (such as race or ethnicity).

Finally, (and related, in fact, to the above conditions), the penetration of *factional based politics* into the state can also serve to undermine long term goal-setting. In settings where factional competition leads to instability in leadership in government (this is seen in many municipalities in the country), government leaders will need to deliver services or access to resources to 'client' groups quickly and will not have the political space or incentives to develop long-term strategies for solving complex local development challenges (see, for example, Khan, 2005, on this incentive structure in many middle income and developing countries).

This kind of political environment also undermines effective M&E and performance management: one of the key points about a useful performance management system – and in particular in using such a system to underpin effective prioritisation – is that it must facilitate *both re-prioritisation and de-prioritisation*. That is, poorly performing programs that are not delivering the desired outcomes must be scaled back or – if necessary – closed down altogether. The ability to do this is a key component of many of the performance management systems around the world deemed to be most effective (such as Germany and Chile). But this is only possible if local political elites are not heavily invested in these programmes, in which case such restructuring will not be possible because of political opposition.

A common way in which factional politics undermines aligned planning and budgeting is that politicians will deliver resources to communities in response to short-term incentives. For example, in a municipality in Mpumalanga in which PARI undertook research, a small group of residents were provided with houses outside of the planned budget and in areas not zoned for housing. This project was provided in response to a sudden service delivery protest: protesters had threatened to remove their support for a particular politician, and these leaders responded by pushing through a new housing project. The long-term planning goals of the municipality (to change the spatial (apartheid) features of a town and prioritise infrastructure for economic growth), were thus undermined, as well as undermining the authority of planners and managers within the municipality. (Note that there was no formal 'corruption' taking place in this example – no public resources were privatised – but factional politics nonetheless undermined planning and development outcomes. See Chipkin, Meny-Gibert and Modisha, 2012. See also Phadi, Pearson and Lessaffre, 2018; and Langa and Von Holdt, 2014 for how this factional politics affects resource distribution by the state).

Even where this factional politics does not dominate in government organisations, PARI's research in local and provincial government has shown that many directorates within departments feel enormous pressure to respond to a wide range of difficult to reach developmental goals and equity targets (for example, to respond to the need for a more 'green economy', or to mainstream sensitively to gender issues into a wide range of programmes). This leads to the development of long lists of goals (rather than the development of a tight, focused strategy which aims to deal with a smaller set problems in an in-depth, long-term and concentrated way). To some extent this pressure emanates from a fragmented system of goal setting at the central level, and sometimes it is a function of the department itself (or how it responds to fragmented goal setting).

PARI has found (in our work around organisational development in SARS and in National Treasury) that where organisational leadership is able to develop (and has the political space to develop) clear organisational strategy<sup>3</sup> they essentially empower middle managers to focus on long-term goals or to appropriately sequence which goals they will attend to when. In the absence of this departmental level strategic goal setting managers are more likely to attempt to meet a wide range of goals, or to engage in malicious compliance in which small gestures are made to a wide range of goals through easy to reach

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<sup>3</sup> Here we are referring to organisational strategy on key delivery areas, i.e. core programme design, and organizational strategy relevant to corporate services – such as developing a strong HR and HRD capability.

targets. Goal setting is thus also a symptom of organisational health and leadership (though often shaped by the wider political and economic climate alluded to above).

### 3.3. What appears to have worked?

Within the caveats outlined above, we have presented an overview of some approaches and processes that appear to have been successful in particular countries, with a particular focus on prioritisation and alignment, and the role of M&E in achieving these.

**Chile** is often cited as an outstanding example of linking evaluation to budget processes in order to enhance programme outcomes. The country first introduced this system in the 1990s, and since then it has seen several iterations and improvements. Guzman *et al* (2014) identify two periods in the development of Chile's M&E system. The first period was made up of two stages: the first stage – from 1990 to 2000 – was characterised by the development of the M&E tools, and the initial phase of their implementation, while the second stage – from 2000 to 2010 – saw the expansion of implementation. The second period, which began in 2010 and is still in progress, saw some changes to both the institutional structure of the system and its emphasis, in response to a change in Chile's ruling coalition. However, many of the system features developed in the 1990s are still in place. This emphasises both the importance of continuity in such initiatives (i.e. not moving from one set of tools to another in short periods of time) and how long it can take to entrench an effective M&E system.

The Chilean system is heavily centralised (in stark contrast to South Africa), reflecting their political structure, and the M&E system is overseen by DIPRES – the Office of the Budget in National Treasury. In turn, their budgeting process is heavily centralised, without the discretionary component that characterises the South African environment. The objective of the Chilean system is to use detailed evaluation information – together with other data – to support budgetary allocation decisions. The system is based on two key components – indicators and evaluation – with both contributing to prioritisation and alignment. Indicators are used for annual agency/programme performance, and indicator setting and calculation is a process separate from evaluation.

While oversight of indicators is located within government, evaluations are conducted by external consultants. Additionally, evaluations are focused on interrogating the causal relationship and assumptions that underpin programmes, not just on determining what their outcomes have been. This makes the evaluation process an important source of management information, feeding into programme design and implementation. The annual number of program evaluations has increased steadily, but not all programmes are evaluated every year. The information from the evaluation process is used to inform recommendations in respect of programmes, and these recommendations include making minor adjustments to the programme, modifying it, substantially redesigning it, relocating it, or ending it. Between 2000 and 2009, 15 programmes (7% of the total evaluated) were ended or replaced, and 13 (6%) were relocated. These evaluations directly impact budgetary allocations, with additional funds allocated to programmes determined to have good outcomes, while funding is redirected from programmes that are less successful at achieving outcomes (all measured against clear indicators). However, this is not their only purpose: the evaluations form the basis of ***Institutional Commitments***, formal agreements that the necessary improvements and/or changes will be made, and which include an agreed timeline on how the recommendations of the evaluation will be implemented. DIPRES considers progress against these Commitments every six months. Since 2009, both the Commitments and the results thereof have been placed in the public domain. In addition, evaluated performance against indicators has been integrated in the public sector bonus scheme.

Guzman *et al* (2014) have identified what they believe are the main factors contributing to the success of the Chilean system. These include the following:

- Strong political will and credibility of the key institutions
- Technical abilities that have been developed over time

- Diversity of instruments and methodologies, which makes the system flexible and adaptable
- Phased and gradual implementation, matching implementation with capacity, and building each new step on the foundation of the previous ones
- Institutional design, particularly the central coordinating role assigned to DIPRES

**Malaysia's 'Delivery Unit' (named PEMANDU)** is celebrated in development and public management literature as a model for the effective identification of service delivery priorities, and the focused implementation of plans in support of these. A version of the Malaysian "Big Fast Results" methodology was transplanted to South Africa as "Operation Phakisa." Malaysia is an example of what can be done through strong centrally-led goal setting, planning, and monitoring. But it is also a cautionary tale about the conditions that need to be in place to allow for strong centrally-led planning and delivery, and effective monitoring and evaluation. There are, however, are some valuable lessons for South Africa in reviewing some of the process and incentives that were developed to improve goal setting, coordination and monitoring.

In 2009 Najib Tun Razak was made Prime Minister of Malaysia: while his party and its coalition partners had won the election in 2008, they had lost substantial electoral support for the first time in over thirty years. Najib and senior party members read the decline in electoral support as a loss of faith in the ruling coalition's ability to provide decent services to the population, and concerns about government corruption, amongst other things. Najib looked to achieve very clear and well communicated improvements in service delivery to reassure voters of his party's abilities. PEMANDU was established in part for this purpose (Iyer, 2011). The unit drew from best practice models emanating from New Public Management, on the establishment of delivery units elsewhere, and on corporate models of enhancing productivity (Iyer, 2011; Cassidy and Tsui, undated; Kunicova, 2017; McCourt, 2012).

Located in the office of the Prime Minister, PEMANDU was tasked with overseeing the implementation of the National Transformation Programme, with developing areas for priority intervention to improve service delivery, supporting implementation of these, and monitoring associated performance. PEMANDU supported the establishment a number of 'key result areas' — these were initially informed by a series of cabinet meetings and through PEMANDU's analysis of the issues that meant the most to citizens and voters. While there was some degree of 'bottom up voice' given to sector experts from academia and civil society, agenda setting primarily came from the top.<sup>4</sup>

The delivery unit was given a substantial budget, employing 100 plus personnel (Cassidy and Tsui, undated; Sabel and Jordan, 2015). The unit drew on the expertise of consulting firms and seconded private sector personnel as well as employing experienced former and current public service personnel (Iyer, 2011). Staff were employed on limited terms contracts and did not receive standard benefits such as a pension, but the unit was allowed wide discretion in paying high salaries to attract experienced and well qualified staff (Iyer, 2011; Cassidy and Tsui, undated). The hiring process for staff in the unit was highly competitive. It involved candidates having to complete a range of difficult problem-solving tests in the interview process, and making presentations to demonstrate their communication skills (given that an important component of their work involved interfacing with other stakeholders and departments) (Kunicova, 2017).

Najib appointed Dato' Sri Idris Jala as the unit's leader - Idris had turned around Malaysia state owned airline a few years previously, and was well known for his strong career in multi-national companies prior to joining government. Idris was apparently considered politically neutral, a factor attributed to his success in (eventually) persuading government to adopt his vision and processes in support of the National Transformation Plan (Iyer, 2011). Idris had the strong support of the Prime Minister (Cassidy and Tsui,

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<sup>4</sup> While some of the short case studies of PEMANDU's approach celebrated the 'bottom up' inclusion of voices from civil society and district level officials (Cassidy and Tsui, undated), a peer reviewed article by McCourt (2012) notes that the public and civil society were used to gather information about problems and citizen priorities, and not as key participants in planning and the final prioritization – power which was still very much concentrated at the centre.

undated), and he sat in on all cabinet meeting: he was given the position of a cabinet minister without portfolio (and seems to have straddled a position of executive authority and administrative leader) (Iyer, 2011).

Inter-ministerial and in departmental coordination was supported through Najib assigning a lead Ministry to each of the key results areas (Iyer, 2011). One Ministry therefore had greater decision-making authority over another in a particular delivery area. Ministers were also under a good deal of pressure to show progress in the key development areas — and they cascaded this pressure downwards.

Najib also re-organised the internal structure of Ministries to better facilitate coordination between Ministries on a range of policy and programme areas (Iyer, 2011). The literature is not clear on precisely how these were reorganised, but they were in part explicitly reshaped to report and monitor on the delivery targets set by the PEMANDU process. A team of personnel was established in each Ministry that acted as a parallel PEMANDU unit within the Ministries (Iyer, 2011). Officials in the Ministries then worked closely with PEMANDU staff on a very routine (weekly basis) (Iyer, 2011). Remember that PEMANDU had a large staff component to enable this close working relationship with Ministers and departments.

Not only were parallel offices of PEMANDU (staffed by departmental staff) established in each of the relevant Ministries, but they in turn then established such units the next level down (at federal and then district level). Regular meetings were then attended by all personnel in the units down this delivery chain with the purpose of removing administrative and other blockages to delivery that arose as programs were implemented. (Iyer, 2011; Kunicova, 2017).

While PEMANDU demanded heavy commitment from Ministries and departmental staff, it also carried a good deal of the burden of work in particular areas: it took primary responsibility for facilitating and convening planning sessions, for communicating with the public on the various key results areas, and for logistically setting up public participation forums and events (Kunicova, 2017).

Idris and his team (drawing on his experience in the private sector) developed what they called the Big Fast Results (BFR) 8 Step Methodology which outlined the process from goal setting through implementation and monitoring and evaluation (see box below) (Cassidy and Tsui, undated; Kunicova, 2017). This process has been widely publicized outside of Malaysia, and South Africa has adapted and incorporated it into the Operation Phakisa programme.

### **Box 1: PEMANDU's Big Fast Results Method**

The Big Fast Results 8 Step Methodology can be summarised as follows:

1. Strategic Direction: Ascertain the strategic direction required by the country or sector.
2. Labs: Establish in detail what needs to be done, including the use of Malaysia's 'Laboratory' method.
3. Open Days: Share the outputs of the planning 'Labs' with relevant stakeholders and seek their feedback.
4. Roadmap: Tell the people what government and partners are going to do when.
5. Key Performance Indicator (KPI) Targets: Set KPIs for monitoring and tracking.
6. Implementation: Implementation that involves problem solving on the ground.
7. Auditing: External validation or auditing of results achieved.
8. Annual Reports: Tell the people what was delivered

*Source: Cassidy and Tsui, undated; PEMANDU Associates, 2017.*

The BFR approach included an intensive period of work in analytical 'laboratories' at the beginning of the planning process. These 'labs' comprised six to nine week long intensive workshops attended by public service managers and sector experts (mainly from the private sector, but also from NGOs). In the box

below, we explore the processes involved in goal setting and adjustment in the PEMANDU model.

### **Box 2: The process of goal setting and adjustment in the PEMANDU model**

Goal setting under the National Transformation Programme began at the political level. Shortly after the election, the Prime Minister initiated a series of intensive retreats with the whole of cabinet: these focused on developing the broad level goals that the Transformation Programme would focus on.<sup>5</sup> For these retreats, cabinet commissioned a team of consultants to undertake desktop research into the main areas of concern of Malaysian voters. This in part informed the focus areas that would develop under the National Transformation Programme.

The goal setting retreats were facilitated by consultants and key leaders of “government linked companies”. The broad level goals included for, example, reducing crime, improving education outcomes, and improving rural infrastructure. The following year, a similar process followed in which key results areas were developed for Malaysia’s economic policy. PEMANDU facilitated delivery for both of these national plans.<sup>6</sup> (Sabel and Jordan, 2015; Iyer, 2011).

Once PEMANDU was established, it then facilitated a process of turning these broad level goals into programmes that could deliver on these goals (these were first categorised into “vertical” initiatives, focusing on specific industries or areas, and “horizontal” initiatives, focusing on cross-cutting reforms).

The use of the ‘laboratory method’ was a central step in moving from broadly specified targets that were set politically (improving learning outcomes in the education sector, for example) to clearly defined programmes with detailed targets. (Sabel and Jordan, 2015).

What did the ‘labs’ entail? PEMANDU continues to use this approach in defining new priority areas in government and in adjusting programmes and goals under key results areas. Participants of lab sessions under each of the key results areas comprise a dozen or more people, and included government officials; political principals; and sector experts and stakeholders. These experts and stakeholders include people from the private sectors in particular industries and in relevant areas of specialization (regulation for example). Sector experts and stakeholders also include civil society groups in some of the key results areas (such as education). Given that ‘labs’ do not only take place at the beginning of the process, but in a cycle of planning, those stakeholders who were missed in initial planning can be included in later rounds of revisiting plans. (Sabel and Jordan, 2015; Iyer, 2011, Kunicova, 2017).

The lab facilitators use sophisticated techniques to generate discussion and aid problem solving. Initial (first stage) planning labs involve intensive work over a lengthy period of 6 to 9 weeks. The facilitators take participants through a process of analyzing the conditions for improving a particular policy area / sector, defining priority programmes in support of this, defining key performance targets and indicators, and timelines for delivery. The process is said to improve analytical thinking and problem solving and to generate buy in from relevant government departments and partners. (Sabel and Jordan, 2015; Iyer, 2011, Kunicova, 2017).

At first, the labs were lead by experienced management consultants, and required a substantial budget. Over time, PEMANDU developed strong in-house skills in facilitation. This skill, over a period of years, was then transferred to some of the departmental officials, such that PEMANDU staff’s roles in this regard decreased in some of the programme areas. (Sabel and Jordan, 2015).

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<sup>5</sup> At first apparently, some cabinet members were enthusiastic supporters of the need for priority focus and series of public sector reforms, others skeptical and others opponents of change. The development of greater commitment amongst cabinet members developed over time.

<sup>6</sup> The government’s National Transformation Programme, and its Economic Transformation Programme.

Sabel and Jordan note that, “Two features of the Labs are of particular importance. First, although they are sometimes portrayed as moving from big goals step-by-step in a linear process toward detailed plans, in practice the Labs have recursive features. Broad solutions identified in the first two weeks can be dropped (or new ones can be added) as specific projects are defined, while further additions and subtractions are made as those projects are converted into specific plans. But there are limits to the fluidity at this stage: facilitators estimate that only 20 percent to 50 percent of the original solutions are revised within the Lab, a much lower level of revision than occurs after it.” Sabel and Jordan identified two impetuses for revision: “As participants come to know and trust one another, they bring to the fore knowledge of problems or solutions that, at the outset, they may have held closely to themselves. A second impetus to revision comes from testing solutions against budget possibilities.” (Sabel and Jordan, 2015: 19).

Half way through the lab sessions, the groups working on each of the key results areas have to present their plans to senior officials (sometimes the Ministers) in the Treasury and the Economic Planning Unit. These plans have to include estimated timelines, and an estimate of costs for the planned programmes. Cost estimates are established using an “order of magnitude” approach, in which programmes are costed with a specified range, and a subjective estimates of confidence are provided regarding the accuracy of costing. The visiting officials then question the rationale and details of the projects under each programme in detail, and provide feedback on what is potentially feasible in that and following years’ budgets. These meetings have been referred to as the “stress” test of the labs plans. These meetings often lead to substantial revisions of plans in the form of scaling up or down projects or sometimes dropping projects. This is an important step in helping to ensure that plans can be implemented. (Sabel and Jordan, 2015).

The success of the ‘labs’ depends very much on caliber of participants and the openness to engaging in discussion and sharing information about the sector (and challenges within in). The length of time in these labs facilitates trust, but it might also require certain institutional conditions to ensure that the labs are a space of analysis and problem solving (Sabel and Jordan, 2015). Departments are instructed to send their ‘best’ operational staff to the labs (and not to send personnel on the basis of rank) (Iyer, 2011). They are also instructed to ensure that these personnel are freed up from routine departmental work for the duration of the lab sessions with PEMANDU (Iyer, 2011). For this period of time then, these officials’ work with PEMANDU takes priority over their work within the department. This seems to suggest the political clout that PEMANDU has established with Ministers and departmental heads. This is also demonstrated in the fact that the Prime Minister himself and cabinet ministers spend substantial amounts of time in these ‘labs’ (Iyer, 2011) — prioritizing this over other ministerial and constituency and party based work. This also aides in inter-ministerial coordination and agreement on agenda setting.

The labs in Malaysia have resulted in a very detailed set of plans and roadmaps to guide and enable monitoring of government’s national and economic transformation programmes (Sabel and Jordan, 2015). According to the literature, national level plans in Malaysia are very detailed. More so, than, for example, the NDP or the MTEFs. For example, one of the targets set in the National Transformation Programme was that Malaysia planned to ensure clearer rivers by a particular date. The plan specified precisely how this would be measured, in which rivers and at what date. More importantly, it specified the activities needed to attain this: including listing the building of five water treatment plants, and timelines for their completion (Kunicova, 2017). The development of these detailed plans takes enormous concentration of capacity, but there is probably more scope for South Africa to generate more detailed plans at the national level.

Once these plans and roadmaps are developed, they are carefully tracked through a complex cycle of monitoring and evaluation (see Box below on the monitoring system). Data from the monitoring cycle is then used to inform further cycles of planning on particular programmes and projects.

There is a hierarchy of forums or groups developed within the PEMANDU and Malaysian government

system for addressing problems in delivery. These forums have specified authority to adjust plans as needed based on new information (including monitoring related data): for example, technical working groups can change plans for projects for tactical reasons, as long as there is reasonable consensus in the working group. Changes to the budget requires the approval of a committee one level up. Where there is a need for a fairly major review of a programme intended to support goals under a key results area, PEMANDU will facilitate a “mini lab” of about two weeks in length. The need for a major relook at the key result area can trigger a full-scale lab session. (Sabel and Jordan, 2015).

Delivery targets and performance indicators developed through the PEMANDU process were publicly communicated (Iyer, 2011; Cassidy and Tsui, undated). A common challenge in M&E systems the world over, the system established by PEMANDU has struggled to provide effective data on impact evaluation across the various key results areas (Kunicova, 2017). Despite the uneven data on the impact of the relevant programmes under the National Transformation Programme<sup>7</sup>, the monitoring system did play an effective role in both performance management and in the supporting the planning and project management cycle. The Box below outlines the key processes and institutions that enabled this.

### **Box 3: The Monitoring System in the PEMANDU model**

Targets and indicators were very clearly developed near the beginning of the planning process — largely facilitated by the ‘lab’ method (outlined above) and the close support provided to Ministries and departments from well-trained PEMANDU staff (Iyer, 2011; Cassidy and Tsui, undated; Kunicova, 2017). Regarding their own performance targets, Ministers were first invited to develop their own indicators for meeting targets under the key results areas — and over a period of months, there were refined and improved through negotiations between PEMANDU and the Ministers (Iyer, 2011).

The use of clearly defined KPIs and their wide publication has assisted in performance management, but the system is very resource intensive — fairly data hungry and involves weekly reporting. This was enabled by the size of the staff component dedicated to PEMANDU work streams. Some analyses, though, have noted the increasing reporting burden on departments in Malaysia and cautioned that this could decrease productivity (Kunicova, 2017).

Sabel and Jordan (2015) have suggested that it was not so much the detailed specification of KPIs and their weekly reporting that aided in performance management and planning, but the institutions for information exchange, problem escalation and resolution that developed as an integral part of the PEMANDU M&E system. They describe the M&E system as a “nested set of monitoring routines reinforcing and disciplining each other” (p.23).

Monitoring of project related information is undertaken at different levels of detail within the system (very detailed at the lower, working group level, and less detailed at the top). Problems experienced in delivery with particular projects and programmes are escalated (as needed) through this hierarchy of decision-making forums. For example, if the biweekly technical working groups of programme managers and partnering firms and organisations cannot resolve an issue it is escalated to the steering committee, which meets monthly or quarterly and is comprised of senior officials and relevant ministers.<sup>8</sup> If the problem is not solved here, it is escalated to a half yearly performance review meeting of the relevant Minister or state owned entity head and the Prime Minister, and then (if necessary) to an annual or biannual meeting chaired by the Prime Minister and including other participants needed to clear a deadlock.

<sup>7</sup> Partly due to the common challenge of ‘attribution’.

<sup>8</sup> Note that the working groups do not necessarily correspond with internal departmental units – they are developed to aid in coordination and problem solving across functions and units.



In this system, the escalation of problems to the level of semi-annual meetings with the Prime Minister is considered a failure on the part of the relevant Minister, creating pressure for Ministers and those further down the chain to try and resolve issues (including coordination problems) before this point.

PEMANDU's support in helping departments and agencies collect relevant data for decision making has helped ensure that few issues get escalated to the highest level. (Each forum upwards through the chain uses data provided to it for decision-making by the forum below it, and this data generation is supported by the monitoring team at PEMANDU). The degree to which PEMANDU facilitates these monitoring and problem escalation meetings depends on the level of capacity within the programme area. And newer programmes get more support from PEMANDU staff than older ones). (Sabel and Jordan, 2015).

Every six months, the PEMANDU staff generate a progress report on the various indicators under the key results areas which is widely publicised. Monitoring data is also used to inform the next interrelation of budgeting for the various programmes.

While development targets are well communicated, the individual cabinet members' performance agreements were not — and pressure here appears to be applied 'politically' either through the Prime Minister's office to cabinet or through the party (McCourt, 2012). Minister's performance reviews happen twice a year.

We have already noted that PEMANDU has a good deal of authority in the government system. Sabel and Jordan (2015: 25) note that, "if an important KPI is consistently missed, and if the problem is traceable to a single issue requiring ministerial-approval, then PEMANDU has the ability to call a meeting between the relevant ministers and the PM."

A public policy unit at Princeton has attributed the success of PEMANDU to "including civil servants in initial planning, identifying measurable targets, developing a distinct delivery chain, and defining a clear reporting framework" (Iyer, 2011). PEMANDU's success is also attributed to the dynamism of its leader [Idris], to the strong resourcing of the unit (Kunicova, 2017), and its location within the Prime Minister's office, who have strong political backing (Cassidy and Tsui, undated) (Najib was very involved in the work of the unit: he had detailed monthly meetings on each key delivery area with the PEMANDU staff and their departmental and Ministerial counterparts (Iyer, 2011)). We have also noted the heavy concentration of technical expertise in the unit, and the selection processes and budget that facilitated this.

The impact of the Big Fast Results approach and the concentration on 'results' has also been much celebrated (Iyer, 2011; Cassidy and Tsui, undated; Kunicova, 2017). We suggest, though, that BFR is simply an outline of a process, and that it was not this process itself that produced good outcomes. We believe that the success of PEMANDU does not lie so much in the Big Five Results approach, but rather in the innovative methods within the process (such as the 'labs' and the 'problem escalation' and monitoring structures in the system), and to a set of particular incentives, pressures and institutional conditions that surrounded these.<sup>9</sup>

An important contextual factor in PEMANDU's success was that electoral pressure created incentives for improvements in government performance. As noted, in 2008, the ruling coalition suffered major losses, failing to achieve the two-thirds parliamentary majority for the first time since it came to power in the late

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<sup>9</sup> In fact, the most analytically rigorous and empirically detailed work we have seen on the PEMANDU experience does not mention the 8 step methodology at all. The authors note that, "After observing [PEMANDU] up close, we believe that PEMANDU has outgrown its initial presentation [of its own success] ...those prior materials can suggest, misleadingly, that the principal innovations are limited to deliberate and inclusive initial planning linked to more rigorous monitoring of execution (the descent from 30,000 feet to 3 feet), rather than the construction of a more adaptive and ultimately more effective system that learns how to revise goals and methods in the process of implementation itself." (Sabel and Jordan, 2015: 49).

1960s. The ruling party forced the head of the party to resign and Najib was chosen as his successor with the explicit mandate to regain strong electoral majority by improving service delivery. This provided pressure for Ministers to coordinate and provided an incentive to accept the degree of performance monitoring they did under the PEMANDU model (Iyer, 2011, McCourt, 2012).

We should *not* assume, however, that electoral competition always necessarily leads to positive government reform or improvements in government programmes, as noted by political economist Mustaq Khan (Khan, 2005). In the case of Malaysia, substantial losses at the polls saw government respond to demands for improvements in service delivery and public sector performance, rather than politicians using patronage to develop and sustain an electoral base in selected constituencies, which is another possible response (and a common one in many developing and some middle-income countries settings). In comparison to many other countries, in Malaysia there appears to have developed greater opportunity for rent seeking outside of the state given the larger size and structure of the economy, and thus less pressure on the use of the state for rent-seeking (McCourt, 2012; Gomez and Jomo, 1999). Furthermore, the Malaysian state is fairly technically capable of driving service delivery and has seen voters respond to its capacity in this regard (McCourt, 2012).

Further, while there is a good deal of patronage embedded in the Malaysian system (McCourt, 2012; Gomez and Jomo, 1999), the patronage system also appears to be more tightly controlled by the centre of the party and state than in South Africa (and in many other countries). This provides more space for the state to see through policy down the delivery chain. Priority setting as defined by policy therefore does not appear to be distorted by (factional) competition at the local level as it sometimes is in South Africa (see our analysis in the previous section of this paper).

In comparison to South Africa, Malaysia has a heavy concentration of power at the centre of the state (McCourt, 2012; Gomez and Jomo, 1999). While Malaysia is set up as a federal system, federal state power is relatively weak in comparison to the national level. Furthermore, there is a major concentration of both formal and *de facto* power in the central executive, and in particular in the Prime Minister's office.<sup>10</sup> In this regard, Malaysia is characterized by strong top-down public administration (McCourt, 2012). Power in the centre of the Malaysian state is supported by (and created) an enormous concentration of administrative capacity in the Prime Minister's Department (planning capacity for economic growth in particular). The department comprises over 50 agencies - PEMANDU being only one of these (Kunicova, 2017). This has facilitated the generation of strong central plans that are fairly well coordinated — even prior to PEMANDU's notable successes.

PEMANDU developed strong in-house capacity for its work in goal setting and problem diagnosis. Analytical work was not outsourced to consultants, but sector specific understanding was developed through close engagement with sector experts (often in the private sector).<sup>11</sup> Malaysia had some of the characteristics of developmental states described by Peter Evans as “embedded autonomy”. Senior state officials were “embedded in a concrete set of social ties that binds the state to society and provides institutionalized channels for the continual negotiation and renegotiation of goals and policies.” (Evans, 1995: 12)

This embedded autonomy has been supported by a relatively well-bureaucratized civil service (Kunicova, 2017; McCourt, 2012) and a more stable political administrative interface than in South Africa. Many

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<sup>10</sup> The country has been described by political scientists as both repressive and responsive: “its government was a ‘repressive-responsive regime. It was repressive in its raft of measures which included the Internal Security Act and the Printing Presses and Publications Act. (That Act severely restricts conventional but not internet publication). However, it was also responsive because the ethnic basis of the ruling coalition required leaders to respond to their ethnic constituencies (Means, 1996; see also Case, 2002; Crouch, 1996; Zakaria, 1989)”. Cited in McCourt, 2012.

<sup>11</sup> Malaysia had some of the characteristics of developmental states described by Peter Evans as “embedded autonomy”. Senior state officials were “embedded in a concrete set of social ties that binds the state to society and provides institutionalized channels for the continual negotiation and renegotiation of goals and policies.” (Evans, 1995: 12)

departmental heads stay for much longer than their ministers (who come and go with electoral terms) (Iyer, 2011 on Malaysia). This has facilitated technical capacity through more stable administrative leadership.

Malaysia has also been experimenting with a range of ‘results driven’ approaches and the establishment of dedicated units to drive priority setting and delivery prior to the establishment of PEMANDU (Iyer, 2011, Kunicova, 2017). By the time the delivery unit was established it had some 60 years of experience from which to draw (Kunicova, 2017). It was also a very early adopter of results based budgeting and other approaches to improving alignment between development priorities and budgeting. *Communities of practice and training regimes have developed over time to support expertise in this area across the public service (Kunicova, 2017). PEMANDU was built on this foundation, and did not materialise out of thin air. It was in part this foundation above that supported the innovations in the PEMANDU model. Sabel and Jordan (2015) contend that the most significant regimes and tools that have made the PEMANDU approach effective are its goals setting strategies, its monitoring regime, and the iterative process that supports these.*

#### Box 4: The drivers of the PEMANDU model

1. Initial goals and provisional but detailed action plans to achieve them are fixed in lengthy (6- to 9-week) workshops (“Labs”) that include the key public and private stakeholders in a specific domain, such as the palm-oil industry or the national railway system. The goals are translated into key performance indicators (KPIs). The plans are also “stress-tested” against resource viability and must be approved by a steering committee of decision-makers from relevant stakeholders.
2. Progress is monitored in a regular cycle of meetings and committees across departments, agencies and (at times) entities from the private sector or civil society. This monitoring reveals coordination problems or flaws in the initial goals, diagnoses their causes and focuses efforts on solutions. If participants hoard information or reach a deadlock, disputes are “bumped up” to successively higher review bodies. If the deadlock continues, control of the situation passes to superior authorities, with results that may well make all of the participants worse off – inflicting what we call a “penalty default”.
3. When new information casts doubt on the viability of initial goals, a set of tools and governance processes – including procedures for reconvening Labs or more focused “mini” variants of them – allows for the efficient but accountable revision of projects, plans and targets.

*Source: cited directly from Sabel and Jordan, 2015: 5.*

#### **What are the lessons for South Africa from the PEMANDU experience?**

- Delivery units that are able to facilitate major development outcomes, as a number of writers have cautioned, are probably only effective under quite narrow conditions — including very senior political support and large budgets (Kunicova, 2017). And they are probably effective for periods of time when the conditions are just right. The United Kingdom’s delivery unit apparently lost some of its power to coordinate agenda setting and delivery across the state when the attention of then Prime Minister Tony Blair was diverted by the Iraq war.<sup>12</sup> As we have seen, PEMANDU’s successes was enabled by a country with strong power at the centre of the state, and supported by a wider political and economic structure that enabled clear goal setting. However, there are still a number of lessons from the PEMANDU experience for South Africa.

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<sup>12</sup> <https://www.centreforpublicimpact.org/case-study/prime-ministers-delivery-unit-uk/>

- Some of the approaches to goal setting used by PEMANDU could be more widely used in South Africa. For example, it could be fruitful to experiment further in South Africa with the ‘lab’ approach used under the Big Five Results method in carefully chosen sectors and organisations. Negotiation and discussion in the labs in Malaysia are focused on how best to address the problems identified, and develop these into programmes, clear targets and activities (down to a very detailed level) (Iyer, 2011; Kunicova, 2017). It is not the fact of coming together that produced good problem solving and planning, but the fact that strong operational staff were sent from each department, the length of time spent in these sessions per sector, the political support to spend this time on analysis and planning, and the careful facilitation of these sessions by very expert facilitators. It is also this intensity and length of time that facilitated ownership and dedication to the work streams (Iyer, 2011). The lab method therefore could not simply be replaced by short workshops.
- Experimenting with the “nested” hierarchical model of monitoring and problem solving could also be fruitful, if the right sectors and organisations are chosen.<sup>13</sup>
- South Africa also needs to develop greater in-house capacity for sector and policy analysis, rather than using external consultant for this purpose. While Malaysia used the expertise of private sector excerpts and consultants, it retained strong control of the content of plans (Kunicova, 2017).
- Strong accountability is central to the Malaysian model, but that has proven a problematic issue in South Africa, where political expedience has sometimes been prioritised over strong accountability frameworks.

**Uganda** is regarded in some of the development literature as a developing country that has, with reasonable success, adopted a range of reforms to the budgeting process that have enabled it to more strategically allocate resources in support of poverty reduction goals. While Uganda depends heavily on aid, unlike many other developing countries in a similar position, development partners rely to a great extent on the government’s systems of planning, budgeting, and reporting — rather than using parallel donor linked structures (Wilhelm and Krause, 2008; Yates et al, 2006). While the focus on poverty in the national development agenda has officially reduced since about 2010 (when the country launched its National Development Plan – replacing the national poverty alleviation plan) (Hickey, 2013), the process which saw the development of clear priorities for poverty reduction in prioritised sectors provides some lessons.

Like South Africa, national budgeting is undertaken within an MTEF system - Uganda was one of the first African countries to establish a working MTEF (starting first with a Medium Term Budget Framework, which along with apparently strong political leadership, aided in establishing far greater macro-economic stability in the 1990s) (Williamson, 2003; Wilhelm and Krause, 2008). Once the MTEF was in place, Uganda began to experiment with approaches to improving strategic planning and implementation in sectors identified as key to supporting poverty reduction — including using Sector Wide Approaches (SWAPs). Senior political leadership was responding to both domestic and donor pressure for improvements in government performance (Williamson, 2003; Hickey, 2013).

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<sup>13</sup> In organizational environments where officials do not feel empowered to make decisions and there is an organizational culture of constantly deferring decisions upwards, both the labs system of planning, and the problem escalation hierarchy integral to the monitoring system, may not work effectively. For example, in a provincial department in which PARI undertook research, we found that departmental officials were more likely to be punished (though being moved to a less desirable position or location within the province) for making an unpopular decision than making no decision at all. This saw officials refer decision making on even administrative tasks to officials higher up in the chain, bogging senior officials down with administrative issues and reducing the time for strategic planning at senior levels (Meny-Gibert and Brunette, 2015). But many departments in the South African state do not suffer from these acute problems, and could be appropriate space for experimenting with the lab processes and with the development of problem escalation forums as used in PEMANDU.

Uganda is an interesting example because while there are still major weaknesses in the country's ability to undertake detailed sector level planning and delivery, the literature suggests that substantial improvements were made in developing an iterative process of planning between sectors and the central agency tasked with planning and budgeting (Wilhelm and Krause, 2008). The Ugandan model of goal setting and prioritisation is also less determined by strong executive power in the centre of the state, and is shaped by a far more interactive process of negotiation between the centre and sector ministries and departments. It is also, however, more open to fragmentation in planning due to the nature of its political settlement (we return to this briefly in the concluding sections on the Ugandan case).

In 1997, the President of Uganda developed a political platform in large part on the basis of a commitment to reducing poverty in the country. This, along with donor pressure in this regard, led to the development of the country's first Poverty Eradication Action Plan (PEAP) (Williamson, 2003). PEAP laid out a framework for reducing poverty in the country and outlined which sectors would be prioritised in support of the Plan. PEAP became the overall framework for guiding the formulation of government policies and strategies. The Plan's fairly broad-based acceptance in government and civil society came from broad participation in the PEAP formulation process (by both government agencies and civil society), and was supported by the political power base of the President. Within the overall budget, a Poverty Action Fund was established to provide funding for programmes that demonstrated direct relevance to poverty alleviation, thus contributing to a better alignment between budgets and plan priorities (Williamson, 2003; Wilhelm and Krause, 2008).

The PEAP formulation process was primarily led by the Ministry of Finance Planning and Economic Development (hereafter, 'the Ministry') (Williamson, 2003). The first iterations of PEAP outlined broad policies goals. By its third iteration it specified performance indicators against policy objectives. Each cycle of planning, undertaken about every five years, produced a more detailed plan (Williamson, 2003) (though PEAP did not set out detailed plans in the way that national planning was undertaken in the Malaysian case). This incremental approach is very different to the approach adopted in South Africa – particularly in respects of integrated development planning in local government – where very detailed and comprehensive plans have been expected from the very start of the process.

Every year the Ministry estimates the available resources over the medium term (three years) and gives budget ceilings to sectors in at a national budget conference. Specific expenditure areas which are directly poverty reducing (as identified in PEAP) are identified. These areas are 'protected' in that budget allocation to PEAP aligned programmes do not decline as a proportion of the MTEF. (Williamson, 2003; Ulriksen and Katusiimeh, 2014).

Sector working groups (SWGs) then allocate the sector budget between agencies (Williamson, 2003; Wilhelm and Krause, 2008; Holvoet and Inberg, 2014). SWGs are made up of central and local government, donor and civil society representatives (Wilhelm and Krause, 2008) (though most of the writing of budget sector papers is carried out by planning departments in sector ministries supported by the sector budget officer in the Ministry, and non-governmental stakeholder are not as active in the budgeting process as the model holds) (Wilhelm and Krause, 2008). The Ministry provides specific guidelines for SWGs, which review past performance and propose medium term intra-sector budget allocations (Williamson, 2003). SWG have to prepare Budget Framework Papers for submission to the Ministry, which are then discussed in cabinet. A Public Expenditure Review meeting is held annually at a later date in which the Budget Framework papers are discussed more widely by government, donors and civil society organisations. (Williamson, 2003; Wilhelm and Krause, 2008).

This process, and political commitment to prioritising poverty reduction over other goals, saw a notable shift in the budget towards poverty reduction programmes and towards priority sectors over a sustained period (Williamson, 2003; Wilhelm and Krause, 2008). This was partly a result of prioritizing the national budget accordingly, and partly the result of crowding in donor support (in response to successful programmes).

While the PEAP set the broad framework for identifying poverty reduction strategies and targets, after its first iteration it became in part an amalgamation of the sector strategy plans. Sector plans were far more detailed, and used the PEAP as a broad guide and then PEAP was adjusted to reflect more detailed sector level thinking. PEAP priorities were apparently given support by departments in part because PEAP also reflected the input of sector stakeholders and their priorities (Williamson, 2003; Wilhelm and Krause, 2008; Oliveira-Cruz et al, 2006).

This iterative process of planning (between national and sector plans) was primarily facilitated by the Ministry. Clearer alignment between PEAP and sector strategies emerged slowly over time, though, and there was still variation across sectors in this regard between sector level and national plans (Williamson, 2003; Wilhelm and Krause, 2008). There is also variation between plans regarding the quality of analysis informing priorities, and in the specificity and quality of targets and indicators set under the various strategies (Williamson, 2003; Holvoet and Inberg, 2014). The work of the poverty monitoring and analysis unit in Ministry and public consultations on poverty in selected sectors supported some improvement in the quality of analysis informing the plans over a number of years (Williamson, 2003).

While M&E systems in support of PEAP have improved, there is also large variation in the extent to which sector plans reflect findings from M&E (Williamson, 2003; Wilhelm and Krause, 2008) - in the water and health sectors data from programme evaluations fed back into strategy making in some areas of work in later cycles of planning. In the case of the health sector — even though consultants were often used to undertake monitoring and evaluation related functions in the health sector, these consultants were incorporated into long-term working groups on some programmes, helping to ensure these consultants' expertise and relevant evaluation data informed some of the programme planning.

Health appears to be a sector in which improvements in development outcomes in the sector were concretely linked to improvements in sector level planning (partly through SWAPS). Resource prioritisation under the PEAP Programme (and project funding) became more concentrated / focused — rather than the funding of a wide range of projects (Yates et al, 2006; Oliveira-Cruz et al, 2006; Nazerali et al, 2006).

In the Malaysian model the Prime Minister's Department (and PEMNDU) retained strong control over prioritisation within sectors. In Uganda, after priority sectors were identified at national level (i.e. for supporting goals in PEAP), a more consultative process (through forums within the health sector) led to the identification of a number of sector priority areas (Yates et al, 2006; Oliveira-Cruz et al, 2006). One of these, for example, was on reforming medicines financing and logistic systems for distribution of medicines to hospitals and district health centres (Nazerali et al, 2006).

The key decision-making body within the health sector was the Health Sector Joint Review Missions which were the primary vehicle for priority setting, decision-making, and monitoring and evaluation in the sector. This is an annual forum to which all stakeholders in the health sector are invited (government, donors and NGOs). It delegates operational work to various structures below it — organised around priority areas established in the health sector strategy. These working groups focus on specific programmes identified as relevant to meeting strategic objectives in the sector strategy. These working groups function across units within the health department, facilitating coordination on health programs, and they meet regularly (Oliveira-Cruz et al, 2006). Unfortunately, the literature we found on sector planning in Uganda was silent on precisely what provided the incentives or motivation for these structures to meet on such a (planned) regular basis to facilitate problem solving and coordination on a range of programmes. It does appear to be the case though, that once they were established they became a problem-solving resource for managers, which sustained some momentum for continued participation in these forum (Oliveira-Cruz et al, 2006).

As forums for undertaking robust monitoring and evaluation on programme implementation, they appear to have been less effective. This appears to be in part due to the immaturity of the M&E system in general. For example, there is a lack of data integrity control at the various levels of the health management

information system, resulting in unreliable data for programme evaluation and performance monitoring. Performance monitoring has also been undermined by the nature of Uganda's political system (which we comment on briefly below).

The relative success of PEAP and associated sector planning has been linked to a number of factors: first, to the development of a (partly contingent) coalition of interests that developed in the country in the 1990s and early 2000s: the President, senior state reformers and donors became very focused on poverty alleviation over other goals. Successful prioritisation of development goals in support of poverty alleviation has also been linked to the increased capacity for planning and budgeting in the Ministry (developed over a decade), and the location of both budgeting and planning capacities in one body (Williamson, 2003; Wilhelm and Krause, 2008). The establishment of strong sector forums also assisted in agreement on priorities and supported inter-agency coordination (Oliveira-Cruz et al, 2006; Nazerali et al, 2006).

However, commentators have noted that the successes noted above have varied a good deal across sectors, depending on human capacity, leadership and sector-specific politics in each of the sectors (Oliveira-Cruz et al, 2006). Forums for supporting coordination on prioritisation and programme implementation have thus been very unevenly institutionalised.

By the late 2000s, the coalition of interests that supported the focused concentration on poverty alleviation strategies and targets in Uganda had weakened (Hickey, 2013). This has been attributed to a number of factors. For one thing, as a result of donor concerns with worrying trends in political accountability (with the changing of the constitution to allow for a third term for the country's president), some donors pulled back from channelling funding through SWAPs – back into directly funding individual projects (Stierman et al, 2013). This reduced the room for coordinating and focusing sector funding. The government of Uganda also shifted its focus from poverty alleviation to 'growth and development'. This happened against the backdrop of a shift in international development agency preferences from poverty reduction strategies to more broadly conceived national development plans for economic growth. Here the focus was on growing productive sectors in the economy, through greater investment in infrastructure, amongst other things.

This change was also precipitated by shifts in domestic politics. The President of the country no longer ruled as a leader of a broad post-conflict movement, but had begun to develop more concentrated but unstable power as the political leader of the ruling party-based coalition. He sought to take greater control over the setting of the national agenda – and did so at a time when Uganda had discovered oil reserves in parts of the country (Hickey, 2013). These changes happened at the point at which the PEAP process and its iterative and more broadly consultative process of sector planning had just begun to mature – creating a break in this process of learning. The national development plan appears to have been more ambitious in scope than the PEAPs, even if many of the goals were laudable, and appears to have assumed a level of institutional capacity on the part of the Ugandan state that it does not necessarily possess (assuming that it had the characteristics of a 'developmental state') (Hickey, 2013).

According to a number of commentators, the Ugandan government has become more constrained in pushing through public sector reform initiatives which support improved planning (including to the M&E system) due to the current political settlement: "In Uganda, prospects for effective reform are complicated by the delicate settlement that involves the president forming a broad-based government through appointing officials on the basis of ethnic, religious and regional balancing." They argue that the president is constrained in his ability to discipline leaders who act against formal policies and reform programmes as this can be read as an attack on a particular faction within ruling coalition (Bukonya and Muhumuza, 2017). Since the development of a strong Ministry for Finance and Planning (see above), other institutions tasked with a role in planning and monitoring of government programmes have been established – this fragmentation appears to be related to the fragmentation of politics (factionalism within the ruling coalition). While the Ministry appears to have retained good technical capacity for supporting planning, institutional confusion has undermined the national planning and monitoring system (Bukonya and Muhumuza, 2017).

The impact of the above context on sector level planning appears to have varied. Despite the above, the institutions tasked with planning, coordination and monitoring at the sector level (such as the Joint Review Missions) continued to function in the health sector, as well as many others. Even within the constrained institutional environment for effective performance monitoring of health programmes mentioned above, Holvoet and Inberg (2014) suggest that the M&E systems in health has slowly began to improve – through a very slow process of learning (even though the system is far from ‘mature’ i.e. using robust evidence to inform cycles of evaluation and planning). In 2011 the development of formal M&E plan for the health sector was developed, data sources for M&E have been improved, and are now used to some extent in evaluating senior officials’ performance (Holvoet and Inberg, 2014).

One of the clearest shortcomings identified in the literature on sector planning and prioritisation in Uganda, though, is that while a stronger relationship has been developed between central and sector planning, the relationship between sector planning and local government planning remains weak (Williamson, 2003, Oliveira-Cruz et al, 2006). Uganda has a decentralised system of government with local governments responsible for the implementation of many government services (Williamson, 2003). The vast majority grants from central government are provided to local government as ‘conditional grants’, earmarked by central government to specific areas of primary service delivery in sectors (Williamson, 2003). A good deal of these were under the Poverty Action Fund. Tension has emerged between Uganda’s highly decentralised local government system and the sector planning processes where sector service delivery targets have been established at the national level (Williamson, 2003; Oliveira-Cruz et al, 2006).

#### *What are the lessons for South Africa from the Ugandan experience?*

- Like Uganda, South Africa is more constrained than Malaysia in its ability to develop highly focused programmes of action due to both the formal architecture of the state, and due to the more factionalised nature of its politics. Nevertheless, the Ugandan government was able to develop – at least for a period of time – a more focused national agenda (on poverty alleviation) due to both a particular political moment (the mid 1990s to about 2010) and due to the development of concentrated planning and budgeting expertise at the national and then sectoral level.
- The Ugandan case also highlights that while the ‘best practice’ literature argues that M&E tools and processes can support the development of a more mature planning system – this idea probably puts the cart before the horse: mature M&E systems are a function of a mature and maturing planning environment and require a range of quite demanding institutional and structural conditions for their operation. This is related both to technical capacity and resources (data gathering and analysis, for example), but primarily to a political structure in which political leaders feel they have the room and incentives to evaluate performance and programme outcomes on objective programmatic grounds rather than on other criteria.
- However, the Ugandan case shows that slow, incremental improvements in the M&E system can develop within pockets of the state, through slowly formalising M&E systems, increasing familiarity with the concepts and tools of M&E, and with officials and development partners seeing some value in having greater knowledge about the programmes they run.

Finally, it is important to highlight that many approaches towards prioritisation are sector-specific, rather than national. That is, the adopted process of prioritisation is specific to what is required in a particular sector and is based on an understanding that evaluation of programmes and projects in different sectors is best approached in a differentiated manner. The key sectors where such specific approaches are adopted are most likely to be infrastructure, healthcare and education, with most of the analytical work around alternative approaches taking place in infrastructure development. This is largely because of the large amounts of money that are involved in this activity, and the negative long-term implications for a national economy of getting these decisions “wrong”. Andres, Biller and Dappe (2016) provide a useful analysis of the shortcomings of some of the more commonly use approaches, such as cost benefit analysis. They highlight the environment of incomplete information and uncertainty about the future as greatly limiting



the usefulness of these technical and quantitative models, advocating for a multidisciplinary approach, in which consensus building and political negotiation to determine priorities is central.

In this line of thinking, Welham and Hadley (2015) ask the key question – “what should you do when you can’t do everything?” They consider the reality of low-capacity states who are trying to achieve an ideal planning-budgeting-implementation arrangement, and suggest the concept of a “basic enough budget”, reflecting on Allen Schick’s “basics first” approach. Their basic enough budget focuses on basic controls, and a limited reporting functionality that aims to give an accurate picture of expenditure, rather than detailed programme performance. They also include a basic framework for the allocation of resources. This might be a useful approach in certain low-capacity areas of the state, where it might make better sense to aim for fewer goals in respect of planning, prioritisation and monitoring that can actually be achieved.

### 3.4. Case Study of Participatory Governance

“Participatory governance” (often referred to as “participatory budgeting”) offers one approach towards prioritisation (and thus monitoring and evaluation in measuring progress towards achieving these priorities) that has the possibility of entrenching meaningful citizen engagement in government, particularly local government. In many places, participatory governance has succeeded in improving public sector oversight, reducing corruption and enhancing the link between public spending and community priorities.

#### *What is “participatory governance”?*

As indicated above, the most commonly used term in this respect is “participatory budgeting”, since the practice is generally associated with – and started in most places as a form of – greater citizen involvement in setting budget priorities. However, we believe that it is perhaps more appropriate to refer to “participatory governance” since as the participatory budgeting model has developed it has expanded to encompass monitoring and evaluation of budget outcomes and in this manner has become more a model of governance than only one of budgeting. In addition, decisions around the allocation of budgets impact far more than just government finance, and link directly into public-sector planning and implementation.

There is no single definition of either participatory governance (PG) or participatory budgeting (PB), reflecting in large part considerable regional differences in how citizen ‘participation’ in government is conceptualised. Some practices labelled as “participatory” in one country would not be recognised as such in another. Sintomer *et al* (2014) suggest the following *minimum* criteria in order for a practice to be labelled genuinely “participatory”:

- Citizens must be directly involved in discussions around the allocation of scarce resources among competing ends (i.e. a general involvement of citizens in setting long-term goals without being directly involved in the allocation of funds to those goals would not qualify as ‘participatory’). Thus, a key feature of participatory governance is around direct citizen involvement in the process of **prioritisation** – which projects should be selected for implementation out of a long list of possibilities.
- This is a practice that is deeply aligned with *local* government, rather than the setting of national objectives or participation in national budgeting.
- It should be a process that is regularly repeated over a number of years – once-off events do not qualify. We believe that this is a particularly important differentiator; that genuine participatory governance is an institutionalised and entrenched **process** rather than a collection of discrete events at which citizens are invited to receive information or to voice their opinions.

- Some *innovative* forms of public deliberation must be included (simply including citizens into existing forms of democracy – such as making council meetings open to the public as audience – do not count as ‘participatory’).
- Some accountability of public servants back to citizens on the results of the participatory process is required. Participatory governance is thus specifically designed to incorporate monitoring and oversight.

Sintomer *et al* (ibid) estimate that – based on the criteria set out above – that there were somewhere between 1,269 and 2,778 participatory budgets around the world in 2013, with most being in Latin America, followed by Europe.

The term ‘participatory budgeting’ is strongly associated with Brazil (where the practice emerged in the 1980s) and specifically the city of Porto Alegre. In the 1980s Brazil was emerging from a period of dictatorship, and there was a strong social movement in the country to experiment with new forms of democracy, including participatory budgeting. The basis of the movement was that “(budgets), far from being neutral technical instruments, are political documents that provide a glimpse into the distributive orientation of a government” (Bloj, 2014, p136). Porto Alegre is a fairly small city with a strong history of dissidence towards the central government and with local politics (and thus the municipal administration) dominated by the left-wing Workers’ Party (Dias, 2014). The pressure for a more participatory system was driven both from within local government (i.e. by the Workers’ Party) and by civil society, and this twin pressure – top down and bottom up - was the key factor that resulted in the innovation (it is practically impossible to achieve genuine participation without this concomitant commitment from within government). It should also be noted that when, after 16 years in power, the Workers’ Party was voted out in Porto Alegre, the participatory process was so well-entrenched that there was no discussion about changing it. This illustrates both the importance of institutionalising a participatory process so that it becomes ‘immune’ to local politics, as well as the fact that the *process* of participatory governance needs to be something apart from party politics; something that is not dependent on one particular party or group of individuals.

### *How does it work?*

There is considerable variation across countries in how the participatory model is applied: In many examples, the “participatory” element is confined to contributing to the selection of budget priorities, and here there is also considerable variation in how influential citizens are in the overall decision-making process. All of the participatory prioritisation approaches, however, combine a number of key characteristics. Firstly, as outlined above, this is a *local* method, which means that it is applied to the budgets of local government, and not to national budgets. Secondly, only a portion of the budget is included in the participatory process, and the initial high-level process of prioritisation (how funds will be allocated among current and capital expenditure and the extent of infrastructure budgets) is determined **prior** to the participatory process. In practice, the participatory process is confined to a portion of the infrastructure (capital expenditure) budget, and it may be further confined to a relatively small part of that budget or to the budget of a particular functional area (such as high school education). Most countries also apply some kind of *a priori* “weighting” to the final decision around the allocation of funds, determining in advance the extent to which social justice and transformative considerations will be taken into account (such as, for example, deciding in advance that a certain area will receive the greatest share of capital expenditure).

In some countries – notably those where participatory processes have been well established and institutionalised – the participatory element has been extended to monitoring and evaluation, and public servants are expected to report back regularly to local groups on progress made in achieving “their” priorities.

There are two main models of participation – direct (where citizens may attend and participate directly with government officials in the discussion of prioritisation) or delegation (where open public assemblies nominate a limited number of delegates and mandate them to participate in that discussion on their behalf). Within these, however, there are almost endless variations on which citizens may attend and who may qualify to be delegates can be limited, such as limiting citizen participation to registered property owners, or legal citizens, or limiting delegates to recognised NGOs or civic organisations. Generally, however, citizens are required to participate in meetings/assemblies associated with their place of residence. The details of how each participatory system works is determined locally, but in most places, it has been an incremental process, starting with a very small part of the local budget and then increasing as the system becomes established and operational problems are addressed. This ensures that there is no enormous disruption to the implementation of local budgets due to problems in the participatory system.

In the Porto Alegre model citizens have considerable power: they have direct decision-making power at the very local level (roughly equivalent to the South African ward level of local government), co-decision making power at the City (metro) level and are actively involved in oversight at all levels of the local municipality (ibid). It should be noted, however, that the process does not cover the entire city budget, but only its 'investment' budget – that part of expenditure that has already been allocated towards construction and services (which remains a very considerable sum of money). The system is based on three levels, beginning with assemblies that are open to anyone in neighbourhoods (roughly equivalent to wards). These assemblies discuss what local priorities should be (on a one person-one vote basis) and elect delegates (for a one-year period) to ensure that their suggestions are carried through the municipal decision-making process. In addition to the assemblies, there are participatory councils of delegates in each city district, and a general participatory council at city level. Final decisions about the allocation of resources are made on the basis of locally selected priorities, the number of residents in a particular area and existing infrastructure and quality (that is, there is a strong redistributive and social justice element built into the process.)

It is interesting to note that over time participation in the PB process in Porto Alegre has *increased*, and in addition there has been a significant increase in the participation of lower-income households, women and young people (Dias, 2014).

Argentina has also witnessed a considerable increase in participatory governance over the past 30 years. As in Brazil, the main impetus for this came from a twin process of transition from dictatorship to democracy, and increasing decentralization. As in Brazil, participation is focused on investment expenditure, but Argentinian local authorities set a maximum of the annual budget that will be subject to participatory governance. This ranges in practice from 0.5% to 8%, and the actual figure is a local (political) decision. The eventual selection of prioritized projects for funding is also loosely based on social justice and redistributive criteria, as in Brazil. The form of participation in Argentina varies – some municipalities make use of direct participation, while others use the delegate model.

There are many variations on the participatory model - and the areas of public sector planning and budgeting that can be involved - and there are a number of examples that are much narrower than that of Porto Alegre, or of many Argentinian municipalities. In Poitou-Charentes (a Department of France) the regional government instituted in 2005 the first regional participatory budgeting programme in Europe. It is a relatively narrow programme, focusing on 10% of the total regional budget allocated to high schools in the region (all the high schools are included in the programme). Pupils, parents, teachers and other school employees get together to propose projects for the funds available to each school and to vote on these. Projects with the most votes are implemented, and these projects are entirely at the discretion of each group at each school (i.e. the regional government does not set a predetermined list of possibilities for voting). As in Porto Alegre, there has been an annual increase in participants in this process.

***What are the main benefits of participatory governance?***

The research indicates that participatory governance – when it meets the criteria for genuine ‘participation’ – can have a number of positive outcomes. Firstly, participatory governance can be extremely successful in terms of countering growing voter belief that their votes is “a false power”, and that the true centres of power are far removed from them – they have “an occasional and incidental citizenship” (De Oliveira Dutra, 2014, p 10) Growing voter apathy has resulted in declining voter turnouts in many countries, while in South Africa voters’ sense of powerlessness is increasingly manifested in violent protest and the destruction of public property. The Porto Alegre example shows clearly that it is the groups that are most likely to feel excluded in traditional voting systems – the poor, the youth and women – who clearly feel empowered in a working participatory system (Dias, 2014).

There is considerable evidence that when there is strong citizen participation in the monitoring of progress in delivering plans and budgets there is a decline in corruption and the diversion of public funds (Secondo and Jennings, 2014). Participatory governance is thus well correlated with better fiscal management and use of public resources. In addition, participatory governance has been shown to have improved planning, budgeting and implementation capacity: in Porto Alegre the city invested in a stronger planning function in order to be able to engage meaningfully with citizens on the details of plans and budget (and thus were forced to think carefully about these). In addition, better cooperation between the various government departments was reported, as a result of the same requirement (citizens are interested in how complete infrastructure and/or services will be delivered, not in the targets of individual departments). In this manner, it is clear that participatory governance can make a strong contribution to better alignment in planning.

Greater citizen participation in Argentina has been shown to be positively correlated with higher levels of social cohesion, reinforcing a sense of identity and belonging (Bloj, 2014). Genuine inclusion can also bring tangible benefits to local government through a greater sense of citizen relevance: many cities that have embarked on participatory decision making around the allocation of resources have recorded an improvement in the collection of revenues. Participation in planning and budgeting means that citizens are involved in discussions about how to raise revenue as well as how to spend it, and thus become more aware of the relationship between the two. It also appears that when citizens are genuinely involved in resource allocation decision-making they are more willing to pay their municipal accounts.

Finally, there is considerable evidence from various places that meaningful community participation in planning and resource allocation does have an impact on wealth distribution and equity, through a realignment of plans and budgets to disadvantaged communities.

One noted potential **downside** of participatory decision-making is the need for citizens to take a long-term view, and thus to defer short-term expenditure in long-term social interests (such as the need to allocate funds to maintenance rather than new infrastructure). These can be difficult decisions to motivate, particularly when needs in poor communities are very pressing. The structure of the participatory process can contribute to this problem, as was noted in Porto Alegre in terms of its focus on annual prioritisation (the prioritisation cycle and election of delegates in undertaken on a one-year period). In a longer term over-arching framework – such as South Africa’s MTEF – it would be necessary to balance the need for a long-term expenditure view against the participatory value of delegates only being elected for one year.

## 4. The South African Context

Since 1994, South Africa has progressed from one national plan to another, produced thousands of pages of detailed sectoral plans, provincial plans and local plans, established a detailed MTEF, and introduced an enormous number of reporting obligations across government. Despite this, there has been disappointing progress on achieving many of the goals outlined in all these plans. The mounting reporting obligations appear to have had little impact on implementation, alignment or plan implementation. Public servants regularly repeat the phrase – “we are very good at planning, but we are not so good at implementation.” The dominant explanatory narrative around the planning–implementation gap tends to focus on two factors: a lack of ‘political will’ and a lack of ‘capacity’ in government, particularly at the local government level. This narrative, in turn, reflects the technocratic “business-like” approach of the New Public Management (NPM), and appears to assume that as long as clear targets are set, they can be implemented. If they are not achieved, then the only explanation is poor leadership (NPM places a heavy premium on ‘leadership’) and/or lack of skills or resources. As a result of this dominant narrative, little attention has been paid to the details of how planning and implementation is actually done across the public sector, or what limits or conditions what can be achieved. In particular, little attention is paid to the socio-political realities of the public sector in post-apartheid South Africa.

The literature review contained in the next section attempts to provide some ideas for how this current state of affairs might be improved – what has been done to address the challenges of prioritisation and alignment in other places, and how has the monitoring and evaluation system contributed to these outcomes? However, in order that it is not simply a summary of a random collection of research, this literature should be interpreted against the specific context of planning in South Africa, and particularly the institutional context<sup>14</sup> within which this takes place. Without this contextualisation there is always the risk that what appears to work in one particular set of circumstances is simply cut and pasted into another with very different dynamics. For the purposes of this particular research, we have addressed the following two questions at this point:

- What are the key characteristics of the South African planning-budgeting-implementation context that in our assessment impact on the goals of prioritisation and alignment?
- What are the main factors that appear to limit the effectiveness of performance management through monitoring and evaluation?

In attempting to answer these, we have identified the following issues, based on both our own work in the public sector over the past seven years, the interviews that we have conducted with the Department of Planning Monitoring and Evaluation (DPME) as part of this research, and brief review of the literature that engages with the challenges of aligned planning in South Africa.

### *A constitutional structure of three independent spheres of government*

Many of the country examples of successful approaches to planning and M&E are from places with a strong central executive and a high concentration of power in one place, such as the presidency and/or the national treasury. In contrast, South Africa is characterised by a constitutional structure of three **independent spheres** of government, and the relationship between national, provincial and local government is not the *tiered* one seen in many countries, where national government has clear authority over local government.

The independence of local government is emphasised by the planning and budgeting framework within which it operates. Chapter 5 of the Municipal Systems Act (MSA) deals with integrated planning in local government, stipulating that every municipality has to develop an Integrated Development Plan (IDP). Section 25 of the MSA states that:

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<sup>14</sup> For the purposes of this research we have adopted a broad interpretation of “institutions” to include both the legal, regulatory and operational characteristics of the public sector **and** the socio-political factors that impact its actual operations and outputs.

(1) Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which-

- (a) links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- (b) aligns the resources and capacity of the municipality with the implementation of the plan;
- (c) forms the policy framework and general basis on which annual budgets must be based;
- (d) complies with the provisions of this Chapter; and
- (e) is **compatible** with national and provincial development plans and planning requirements binding on the municipality in terms of legislation (our emphasis).

Further, section 26 of the MSA states *inter alia* that:

An integrated development plan must reflect-

- (a) the municipal council's vision for the long term development of the municipality with **special emphasis on the municipality's most critical development and internal transformation needs** (our emphasis);
- (b) an assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic municipal services;
- (c) the council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs;
- (d) the council's development strategies which must be aligned with any national or provincial sectoral plans and planning requirements binding on the municipality in terms of legislation;

The MSA does include a reference in Chapter 5 to the need for inter-governmental arrangements:

24 (1) *The planning undertaken by a municipality must be aligned with, and complement, the development plans and strategies of other affected municipalities and other organs of state so as to give effect to the principles of co-operative government contained in section 41 of the Constitution.*

However, there are no clear guidelines for how this alignment is to be achieved, or how the notion of 'alignment' is to be related to the requirement of 'compatibility'. More importantly, it is not clear at all how a municipality is required to reconcile local development priorities with national development priorities, when these do not perfectly coincide. These are critical omissions, given the importance of local government in the implementation of many national priorities.

One important point that is seldom discussed in respect of alignment among the various spheres of government is the direction of that alignment: that is, what is it that needs to be aligned – local plans with national priorities, or national plans with local priorities? The unquestioned assumption in South Africa is that alignment is a top-down process, that local plans must reflect national goals and priorities, but the Constitution is far from clear that this should be the case, and how can we reconcile this with political reality? Consider this example: Local government has a constitutional obligation to respond to local development priorities. Assume that in Local Municipality X an opposition party is elected into office with an overwhelming majority on the basis of strong opposition to the economic and agricultural priorities of the NDP. Should this municipality be forced to implement these goals in the national interest of "alignment"? There are no easy answers to this question, but the assumptions that are generally made about the linear direction of alignment need further consideration.

Finally, it is worth noting that the **planning** obligation is the same across all municipalities, although it may differ in the number of functional areas that it covers (large metros have a larger number of these than smaller rural municipalities). There has been no incremental approach to the implementation of IDPs, nor is there a simpler planning environment for smaller and less well capacitated municipalities.

### **Complex funding arrangements across the public sector**

The planning complexity outlined above is compounded by the funding structure across government which is composed of both discretionary and conditional and/or programme related funding. The independent spheres structure in South Africa is – importantly for the purposes of this particular research – reflected in the budgetary arrangements. A considerable part of the budget allocations among the various spheres of government are not made on the basis of aligned budgeting according to national planning priorities, but rather in terms of each sphere’s constitutional rights to have access to an “equitable” share of national revenue. Although the conditional grant structure of funding for local government represents an attempt to “align” local government spending with national priorities, local municipalities retain a constitutional right to discretionary spending, based on local needs and priorities.

### ***A wide range of planning obligations and outputs that create both horizontal and vertical complexity***

The summary above highlights the **vertical** complexities of achieving alignment and prioritisation in planning and alignment in the South African environment. The principle of independence together with the requirement of locally relevant comprehensive local planning greatly reduces the ability of any central authority to command alignment, as is possible in other kinds of systems. Although there is a strong theory of ‘inter-governmental cooperation’ – derived from the Constitution – how does one actually enforce cooperation among three *de facto* independent spheres of government? The huge gap between the theory and the reality of inter-governmental cooperation in South African is evidence of the difficulty of answering this question. A rise in factional politics will also undermine inter-governmental cooperation, as discussed in more detail below.

In addition to this vertical complexity there is considerable **horizontal** complexity in the South African institutional environment, arising both from the requirements of sector planning, which tends to silo planning for specific deliverables in particular departments, but then requires that these plans are diffused vertically, and the requirements of ‘mainstreaming’ of national priorities such as gender, disability and climate change, with no clear indication of exactly how this is to be done in each particular environment. Instead the assumption is that institutions will automatically know how to do this in an aligned manner.

The result is that in many government institutions, but particularly in local government which has a very wide mandate, there is little or no clarity on exactly what the institution should be doing, since there are so many competing plans and priorities.

### ***Multiple reporting and performance management structures***

The institutional complexity outlined above is reflected in complexity of performance reporting and oversight; there is not one entity or one structure that is responsible for all reporting across all vertical and horizontal components of government, or does so according to one set of performance or monitoring criteria. There is no universal set of indicators against which all parts of government report, but rather a bewildering array (and enormous number) of indicators that are used. This particularly notable in local government, where there are competing mandates with respect to oversight between Cooperative Governance and Traditional Affairs and Treasury.

In addition, the constitutional structure of independent spheres of government means that compliance with many reporting frameworks is actually *discretionary*, with one sphere of government unable to enforce these requirements on another. This is well illustrated in the example of the (Service Delivery Budget Implementation Plan) SDBIP, which is (in theory) a very useful reporting tool in respect of tracking and managing basic service delivery, but in practice compliance cannot be enforced.

The difficulties of implementing and managing one comprehensive and aligned reporting and performance management system in South Africa are compounded by the fact that local and provincial/national government do not have coinciding financial year-ends.

Finally, the sheer volume of information that is submitted for the stipulated purpose of performance management means that in many instances this information cannot be critically assessed in detail.

### *A monitoring and evaluation and performance management system that focuses on short-term individual accountability rather than long-term systemic performance enhancement*

In many instances, performance information is used either to assess individual performance, or to determine whether or not a programme has been “successful”, with the aim of ensuring “consequences” for performance deemed to be “poor”. The result is the creation of a system of blame, where the emphasis is on allocating individual punishment or reward. Although we do not dispute that there needs to be an element of individual reckoning in performance management systems, this should only be a very small part of their purpose. Instead, the main value of M&E lies in its ability to effect long-term improvements in institutional performance by functioning as an important source of information about what worked or didn’t work, and – most importantly – a detailed and nuanced assessment of why this was the case. Thus, one of the most important functions of an M&E system should be to provide insights into causality, and thus improve programme design and implementation.

Finally, the **reporting** obligation is the same across all municipalities, although it may differ in the number of functional areas that it covers (large metros have a larger number of these than smaller rural municipalities). There has been no consideration of a simplified reporting system for smaller municipalities with fewer resources to meet this obligation.

### *Relevance for South Africa of participatory governance*

In theory, citizen participation in planning and budgeting at a local government level is legislated in South Africa. Chapter 4 of the Municipal Systems Act (MSA) deals with “Community Participation”. Paragraph 16 reads as follows:

- (1) A municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance, and must for this purpose-*
- (a) encourage, and create conditions for, the local community to participate in the affairs of the municipality, including in-*
    - (i) the preparation, implementation and review of its integrated development plan in terms of Chapter 5;*
    - (ii) the establishment, implementation and review of its performance management system in terms of Chapter 6;*
    - (iii) the monitoring and review of its performance, including the outcomes and impact of such performance;*
    - (iv) the preparation of its budget; and*
    - (v) strategic decisions relating to the provision of municipal services in terms of Chapter 8;*
  - (b) contribute to building the capacity of-*
    - (i) the local community to enable it to participate in the affairs of the municipality; and*
    - (ii) councillors and staff to foster community participation; and*
  - (c) use its resources, and annually allocate funds in its budget, as may be appropriate for the purpose of implementing paragraphs (a) and (b).*

- (2) Subsection (1) must not be interpreted as permitting interference with a municipal council's right to govern and to exercise the executive and legislative authority of the municipality.*

The intention of some kind of community participation appears clear, but it is not clear at all what specific form this should take or how it is to be achieved. It is also not clear how the requirement of “participation” is to be reconciled with the independence of the council described in subsection (2): at what point does ‘participation’ become ‘interference’?



It should be noted that the wording is unambiguous that communities should be involved in the “preparation” of budgets and plans, something that doesn’t really happen in practice. It is clear that most of what passes in practice as “participation” in South Africa would not qualify on the definition of Sintomer *et al*, most notably because of its focus on discrete events that are mostly about information sharing, rather than being a truly participative process where citizens have real power to influence decisions about the allocation of resources. The best example is probably that of “participation” in the development of IDPs, where the completed plans are presented for “input” in local fora, but substantial changes are never made on the basis of that input. Nor do citizens have any meaningful input into the preparation of budgets, since these are linked to the same IDPs.

The lack of meaningful participation (at least on the definitions discussed above) can probably be traced in part to the wording of paragraph 17 of the MSA, which states as follows:

- (1) *Participation by the local community in the affairs of the municipality must take place through-*
  - (a) *political structures for participation in terms of the Municipal Structures Act;*
  - (b) *the mechanisms, processes and procedures for participation in municipal governance established in terms of this Act;*
  - (c) *other appropriate mechanisms, processes and procedures established by the municipality;*
  - (d) *councillors; and*
  - (e) *generally applying the provisions for participation as provided for in this Act.*
- (2) *A municipality must establish appropriate mechanisms, processes and procedures to enable the local community to participate in the affairs of the municipality, and must for this purpose provide for-*
  - (a) *the receipt, processing and consideration of petitions and complaints lodged by members of the local community;*
  - (b) *notification and public comment procedures, when appropriate;*
  - (c) *public meetings and hearings by the municipal council and other political structures and political office bearers of the municipality, when appropriate;*
  - (d) *consultative sessions with locally recognised community organisations and, where appropriate, traditional authorities; and*
  - (e) *report-back to the local community.*

It is important to note that the prescriptive list of measures set out in (2) above would be unlikely to meet the requirements of genuine participation (or the goals of paragraph 16), since it refers specifically to ‘consultation’ rather than ‘participation’. It also appears that local councils have chosen selectively from this list to come to their own decisions about what constitutes ‘participation’, and that is a version very closely aligned with (virtually indistinguishable from) the political structure put in place during the regular election process. In contrast, in most other places where participatory governance has had a meaningful impact it has been envisaged as a process separate from – and thus designed to challenge and oversee – the existing political structure.

From a monitoring and evaluation point of view, para 16 (1) (a) (ii) stipulates that the local community should be involved in *the establishment, implementation and review of its (the council) performance management system* but to the best of our knowledge this has never happened. Implementation of this paragraph would have considerable benefits for oversight at a local level, but the processes set out paragraph 17 do not appear likely to facilitate such an outcome.

We believe that there would be a number of potential benefits for South Africa in the adoption of a more genuinely participatory governance system, including the following:

- The role of participatory governance in countering voters’ sense of apathy is, we believe, particularly relevant in an environment where citizens’ sense of unimportance in influencing the allocation of resources is so often displayed in public violence and the destruction of public infrastructure. In many communities, there appears to be a strong belief that genuine participation is only possible as a result of such violence.

- South Africa’s constitution places a strong emphasis on both the importance of local government in delivering key public services and its place as an independent sphere of government, but there is very little in the way of a meaningful process to determine local priorities. As a result “alignment” has become a process of trying to ensure that nationally-determined priorities are imposed on local government, rather than a more equitable process reflecting constitutional objectives. Better local participation could adjust this situation.
- The role of participatory governance in addressing public sector corruption is of particular importance for many local municipalities in South Africa.

However, the current socio-political realities of South Africa cannot be ignored, particularly the growth of factional politics and the ensuing competition for local resources. These suggest that better public participation – although ultimately desirable – may need to be approached cautiously in order to ensure that it contributes to rather than undermines better planning outcomes. The example of Poitou-Charente may be relevant in this context; where participatory decision making and oversight has been implemented in one particular area – public schooling – and is applied to one part of the total budget. In this way, participatory processes can be developed and entrenched without whole-scale disruption to continuity of operation of local government.

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