

RULES of the GAME

a practitioner-centric review of the
municipal performance management
system in five South African cities



RULES OF THE GAME

A Built Environment Integration Task Team project

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Acronyms

AGSA	Auditor-General of South Africa
BEITT	Built Environment Task Team (a community of practitioners established by the SACN)
BEPP	Built Environment Performance Plan (a spatially targeted budgeting instrument used in cities, introduced by National Treasury)
COGTA	Department of Cooperative Governance and Traditional Affairs
CSP	City Support Programme (National Treasury)
DPME	Department of Planning, Monitoring and Evaluation
FAQs	Frequently Asked Questions
HR	Human Resources
IDP	Integrated Development Plan (by law, each municipality is required to prepare a comprehensive development plan that focuses on local development priorities, as articulated through community consultation)
IUDF	Integrated Urban Development Framework (South Africa's national policy framework for the development of urban areas)
KPI	Key Performance Indicator
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act (No. 32 of 2000)
MTREF	Medium Term Revenue and Expenditure Framework
NEPF	National Evaluation Policy Framework (introduced in 2011)
NPM	New Public Management
PARI	Public Affairs Research Institute
SACN	South African Cities Network
SDBIP	Service Delivery Budget Implementation Plan (a statutory reporting requirement in terms of the MFMA detailing the annual implementation of key service delivery projects and the associated budgets)

1. Introduction

1.1 Background

Ideally, performance management systems should contribute to aligning organisational goals with bureaucratic actions, so that everyone's efforts are focused on doing the 'right' things, and outcomes match planned goals. However, recent research undertaken by the South African Cities Network (SACN) suggests that local government spatial planning outcomes may diverge from particular transformational 'societal' goals (SACN, 2020). The research, as well as the experiences of municipal practitioners in SACN's Built Environment Integration Task Team (BEITT), revealed that a certain institutional behaviour, sometimes loosely referred to as 'compliance culture', has emerged through a number of rules. These rules, which are both written and unwritten, reward institutional compliance rather than transformative development (with the implicit assumption that compliance with the rules and transformative development are often not related).

The SACN's initial research suggests that a complex set of rules, both codified and uncoded, drive the actions and decisions of built environment practitioners in cities – and thus the tangible outputs of those cities. Such rules are most clearly reflected in how the institution measures both itself and the people who work there. Therefore, the details of performance management systems in cities are central to what gets done (and what doesn't get done). The SACN's research also indicated the presence of both formal and informal performance management systems within cities, with the formal being based on codified rules, contained in legislation, policies, regulations and other 'official' systems; and the informal being based on uncoded rules and practices, such as bureaucratic tradition and political influence. A closer investigation of the nature and impact of these codified and uncoded rules, and their impact on prioritising outputs and bureaucratic actions, will provide key insights into the drivers of institutional outcomes.

1.2 Aim of the research

The main aim is to obtain insights into the structure and operation of municipal performance management systems in South African cities, and the impact of these systems on what actually gets done, with particular reference to the built environment and spatial transformation.

This research is specifically intended as an exploratory piece of work in an under-researched area, and aims to provide initial answers to the following questions:

1. What are the main features of the performance management systems applicable in a sample of South African cities?
2. Do these features vary among cities, or do they have similar characteristics? What appears to be the main reasons for this deviation or convergence?
3. What is the impact of these performance management systems on institutional outcomes, and what are the pathways of influence on these outcomes?
4. What are the implications of these findings for built environment practitioners?
5. How are performance targets developed, and how do they relate to city plans and frameworks?

1.3 Approach and method

This work is located within a Logics of Appropriateness methodological framework, which is premised on the assumption that human action is driven by the following of rules, rather than a completely random or ad hoc response to a particular set of circumstances. Institutions embed rules and associated routines that define what actions are considered 'appropriate', and what actions are not. The details of these rules thus provide insights into how and why institutional outcomes take one

particular form rather than another. These action-motivating rules encompass both codified rules (such as legislation, official policies, formal regulations, etc.) and uncoded rules. Uncoded rules include a wide range of factors:

- traditional bureaucratic practices ('the way that things have always been done around here');
- the form and effect of the political-administrative interface; and
- the informal pressure to prioritise one set of codified rules (such as the attainment of a clean audit) over another.

Organisational analysis often ignores uncoded rules, largely because they are not immediately visible in the same way that official policies or regulations are visible. Yet the reality is that actual bureaucratic decisions and practices (and thus institutional outcomes) reflect a complex interplay between codified and uncoded rules, and different categories of codified rules. Failing to take careful account of uncoded rules in institutional outcomes means that only part of the causal picture is revealed.

This study seeks to uncover the details of both the codified and uncoded rules that constitute the municipal performance management systems within which built environment practitioners operate. The main tool used is ethnographic research, conducted as semi-structured interviews, with the aim of better understanding the details of bureaucratic decision-making from those who actually make the decisions inside the state. The over-arching goal is to surface the various appropriate institutional rules that prompt particular decisions and actions (and effectively prevent others), thereby defining the reality of day-to-day bureaucratic actions. It is the sum of these bureaucratic actions that generate particular institutional outcomes, and so understanding what drives these actions is crucial.

Under this approach, interviews are almost always conducted with only one person at a time and under strict confidentiality conditions, in order to encourage frank discussion. The semi-structured nature of the interviews (as opposed to the use of a formal questionnaire with bounded questions) allows for issues to be explored that were not anticipated by the researcher, and for the more complete capture of a wide range of interpretations of events. This flexible approach to knowledge gathering is particularly important because the research aims to investigate uncoded rules, which are by definition not immediately obvious or visible.

The impetus for this research was in response to insights from the BEITT, and so the BEITT practitioners were given the chance to nominate their city for the study. Five cities chose to take part in the project: Ekurhuleni, eThekweni, Johannesburg, Msunduzi and Nelson Mandela Bay. Within each participating city, a BEITT member or a colleague of the BEITT member took the role of interview coordinator, which involved developing a list of interviewees and sending out an initial introductory email, explaining the aims of the research and introducing the Public Affairs Research Institute (PARI) research team. The interview lists contained a fairly wide range of functional areas. Most of the suggested interviewees were from units and departments directly responsible for performance management, but also included officials responsible for planning, HR management, service delivery, internal audit and financial management.

Each person on the interview list was allocated to a PARI researcher who then scheduled a time to conduct the telephonic interview. Each participant was requested to submit a consent form (see Annexure A). Participation in the project was entirely voluntary, i.e. no one was compelled (or offered any reward) to participate in the interviews. Under normal circumstances, researchers would travel to the municipality in question and interview officials in person at their place of work. Unfortunately, this was not possible under the Covid-19 pandemic national lockdown, and so all interviews were conducted telephonically.

The interview process took place during a very busy and difficult time for officials who were struggling under the twin demands of the coronavirus pandemic and local government's financial year-end (30

June). This made it difficult for people to find time to fit in the interviews, and participation in the study was (understandably) not a pressing priority under these circumstances. However, officials were willing to talk and, as many were working from home, had the space to speak freely, even under the stressful conditions of lockdown. The highest numbers of interviews were conducted in municipalities where the process started the earliest (in Msunduzi, in March 2020). The initial combined interview list comprised 68 persons across all five cities, and by the interview cut-off date (31 July 2020), 32 interviews had been completed, which represent a suitable sample size for this kind of work.

Once the interviews were completed, the researchers wrote up detailed notes. These notes form the basis of Chapter 3, which describes in detail the structure and operation of performance management systems (reflecting the impact of both codified and uncoded rules) in the participating cities. All of the quotations contained in this report are drawn from the interviews but are not credited to a particular person in order to respect confidentiality. It is important to highlight that the aim of the interviews was to capture the actual details and the perceptions of officials of the performance management systems in operation in each city. The perceptions from officials of how a system works provide important insights, even if they are not completely and/or objectively a 'true' reflection of that system. They provide a better understanding of what drives the actual operation of a system from the point of view of the participants, rather than how it is supposed to work in some ideal situation described in a policy document.

In addition to the telephonic interviews with officials, two virtual workshops were held to present the findings of the draft report, and to obtain additional insights. The first workshop was held on 2 October 2020 and was attended by officials who had been interviewed, as well as officials who had been included on the initial interview lists, but who – for various reasons – were not interviewed. A second workshop was held on 6 October 2020 and was attended by people who had not been included in the interview process. Participants were invited from several organisations, including the Department of Cooperative Governance and Traditional Affairs (COGTA), National Treasury, South African Local Government Association, Western Cape Economic Development Partnership, Department of Department of Planning, Monitoring and Evaluation (DPME), Department of Rural Development and Land Reform and the Human Sciences Research Council. This second workshop provided an opportunity to obtain insights from organisations outside of local government that have a strong interest in the outcomes of the performance management system.

A draft report was circulated to all participants prior to the workshops, and a high-level summary was presented at both the workshops. The comments and insights provided by the participants in these two workshops were then incorporated into the final report.

1.4 Structure of this report

Chapter 2 sets out the wider context for this research by reviewing literature on the development and progression of performance management in the public sector, both internationally and in South Africa. The international literature review is focused overwhelmingly on the global North, given that public sector performance management is still very new (or unknown) in many developing countries. Chapter 3 presents the main findings in respect of the structure and operation of municipal performance management systems in the five cities, based on the interviews, while Chapter 4 presents the main implications of these findings.

2. Managing Performance in the Public Sector: Literature Review

Most of the reviewed literature comprises peer-reviewed academic articles, with a strong bias towards the United States and Europe, as there is considerably less research on developing countries, particularly African countries. A growing research area appears to be the challenges and outcomes of performance management in *local government*. Although the local contexts of many of these countries differ from that in South Africa (most notably in respect of the intergovernmental framework, and thus the ability of the centre to exert performance pressure on local government), there are many parallels. A significant percentage of the literature also deals with institutional environments where performance management has only been implemented fairly recently (within the last 10 years), which also adds to the local relevance.

2.1 Public sector performance management

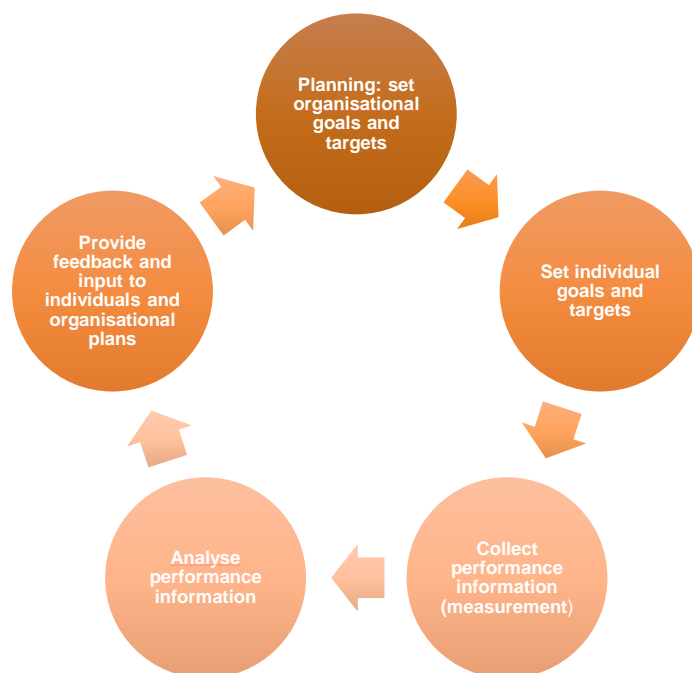
Public sector performance management is closely associated with the new public management (NPM) reform agenda across many countries. NPM aims to improve efficiencies (i.e. the quality of outcomes) in the public sector by introducing a private-sector approach to measuring and managing performance. This approach, of directly translating private sector management tools into the public sector, appears to have had limited success in many places for several reasons, including:

- Measuring and managing performance in most public sector institutions is generally much more complex than in private sector institutions, as the public sector manages multiple goals, and not all of these goals are easily measured in the short-term.
- Several key components of a successful performance management system in the private sector are often not present in the public sector. In particular, “devolved decision authority, engaged executives, and incentives and sanctions tied to performance” are rarely found in the strict hierarchical structures that are common in government institutions (Ammons & Roenigk 2015: 514).

Pollit and Dan (2013: 25) emphasise that “all sorts of contextual ‘conditions’ have to be satisfied for a given performance-oriented tool to work well or perhaps at all”, and these required contextual conditions vary significantly. This finding is important, not least because it suggests that successful performance management depends at least as much on how good the ‘fit’ is with the particular institutional context as it does with the technical details of the performance management system itself.

A key theme in the literature is that performance management in the public sector should be considered in the context of an ‘ideal’ planning–reporting–assessment–revision–planning **cycle**, where each component is relevant to the next, and builds on the previous. Such an approach is generally well-entrenched in the private sector. The ideal performance management cycle involves a series of steps, from deciding organisational goals (which in public organisations involves multiple goals on various dimensions), selecting measures, measuring organisational performance, evaluating the measurement data, and adjusting the plans to take account of the evaluation data (Andersen & Nielsen, 2019). Figure 1 presents this ideal performance management cycle in simplified form, highlighting its main components and the progression from one component to the next:

Figure 1: A simplified ideal performance management cycle



This ideal performance management cycle provides an organising framework for documenting and analysing the various parts of a city’s performance management system, and so the findings and description of the performance management system are organised around these main categories.

This ideal planning cycle approach implies that planning (at all levels) is not a separate organisational function, but rather as an integral part of the overall performance management system. Tangible **administrative** linkages across this process are important (Bianchi & Rivenbark, 2012). In other words, administrative continuity in planning, selecting performance measures, evaluating performance information and the subsequent adjusting of plans. If these functions are not joined up, but are separated and functionally independent, the efficacy of the performance management system will be undermined.

The following factors are necessary for effective performance management, and their absence would mean a lack of effective performance management (Ammons & Roenigk, 2015: 515):

- goal clarity;
- availability and use of performance information that is relevant and actionable;
- greater emphasis on results or outcomes than on inputs and procedural compliance;
- engagement of executive and legislative officials in priority setting, monitoring of performance reports, and data-influenced decision making;
- engagement of top executives in performance management, including frequent monitoring of departmental performance, frequent feedback, but—as is consistent with devolved decision authority— intervention in operating decisions rarely and only when necessary;
- devolved decision authority, with operating decisions made at the departmental or program level rather than by the governing body, top executives, or central administrative officials;
- managerial flexibility in the use of financial and human resources, coupled with accountability for results; and
- incentives and possibly sanctions tied to performance results.

These factors are a “mutually supportive” basket of items and so need to exist together, in one holistic system. If only a few of these factors are present, genuine performance management will be undermined (ibid).

2.2 Goal setting

Planning's critical input into performance management is in terms of setting clear goals (targets) against which performance will be measured. Indicators for measuring or assessing performance cannot be identified without clearly defined goals. Poorly defined or vague goals are a factor that undermines effective performance management. "Goal ambiguity" arises when there is more than one possible interpretation of what the organisation's goals actually are. Definitions of goal ambiguity include goal prioritisation ambiguity, whereby it may be unclear which goals are priorities. As a result, different employees or different parts of government may emphasise different goals (Hall & Handley, 2011). High levels of goal ambiguity make it difficult to determine whether or not goals have actually been achieved, and make it difficult for people to understand how their efforts contribute to attaining the goal. Goal ambiguity may thus undermine employee motivation and job satisfaction in the public sector because people do not understand what is required from them, or how they will be judged (Jung, 2014). Conversely, studies have shown that goal clarity is a key feature of performance management systems that positively impact organisational performance (Kroll, 2015).

Goal ambiguity is particularly relevant because "in the public sector, goal setting is not only a starting point of management but also connected to contemporary governance" (Jung 2018: 1). That is, **goal setting is central to all performance measurement and management, and therefore to what gets done and the oversight of what gets done**. For the purposes of this study, both the process of goal setting in the formal performance management framework and the process of setting goals within the uncodified performance management frameworks are important. A central hypothesis of this study is that goal ambiguity is driven to a considerable degree by the existence of these uncodified frameworks. Investigating the existence of parallel, often competing, systems of goal setting and prioritisation may be a useful starting point for conceptualising the development of parallel performance management systems, since they all start with goal setting.

"Goal incongruence" (Hall & Handley, 2011) occurs when an entity higher up in the hierarchy imposes a goal that is not a priority goal for the recipient organisation, which has its own priorities. This creates a situation where the recipient organisation may be motivated to undermine or give a lower priority to that imposed goal. Goal incongruence can also occur within an organisation, both horizontally and vertically. Horizontal goal incongruence occurs when high-level goals are poorly cascaded into lower level (i.e. operational and individual) goals. Achieving horizontal congruence is made more difficult "when policy goals are complex or when organisational systems are complex; when both are complex, substantial uncoupling of formal and operational goals is observed" (Meyers et al., 2001: 165). Vertical goal incongruence may occur when different parts of an organisation are required to cooperate in the delivery of an organisational goal (such as a large infrastructure project), but different entities prioritise the various components of that goal in different ways. In these operating environments, goal congruence is necessary to generate cooperation (Lundin, 2007).

2.3 Measurement vs management

An important theme across the literature is **the difference between 'performance measurement' and 'performance management'**, but these two are often conflated in the public sector, with *measurement* regularly being presented as *management*. Measurement entails the collection of performance information, while management means using that information in a strategic way to improve organisational performance. Simply collecting performance information does not contribute to organisational improvement (Kroll, 2015). However, when public sector officials refer to *performance management*, they often mean no more than *performance measurement*, particularly at an organisational (rather than an individual) level. In general, there appears to be a great deal of performance measurement happening (the compilation of ever-more complex and lengthy reports), but very little in the way of strategic performance management, especially in terms of making real improvements to programme design and implementation based on the critical analysis of performance information. The failure to use performance information to improve organisational performance in the

public sector is recorded across multiple sectors and countries (Andersen & Nielsen, 2019; Hoontis & Kim, 2012) and is acknowledged as one of the main reasons for performance management systems failing to deliver on expectations (Deschamps & Mattijs, 2018).

The utility of a performance management system should be assessed on the basis of whether or not it contributes to organisational learning, rather than its scope or complexity (Greiling & Halachmi, 2013). Indeed, a performance management system will inevitably fail to deliver if the underlying goal of instituting the system is to give the impression to the public of greater accountability, and not to be a commitment to improving organisational performance (Hvidman & Andersen, 2014). Importantly, it is very difficult for public sector employees to improve their performance (i.e. make it more relevant for overall organisational performance) unless they are given detailed feedback that directly relates their individual efforts to those organisational outcomes (Andersen & Nielsen, 2019).

Lee and Kim (2012) find that federal agencies in the United States vary enormously in their ability to set clear goals, to collect relevant and accurate data, and in the commitment and ability to use this data for strategic decision-making. They attribute the latter to differences in strategic planning and analytical capacity among organisations. Such analytical capacity is central to using performance information to understand why programmes are not delivering as intended.

This general lack of rigorous performance management represents an important gap in what actually happens, compared to the ideal performance management cycle (planning–reporting–oversight) described in Figure 1. Actual outcomes are not being critically analysed (‘why did this happen, instead of what was planned?’) in order to improve the efficacy of plans. This is an issue in the public sector across many countries. “[T]he best indicator of whether performance management is worth the effort” is whether or not public officials actually use performance data (Moynihan & Pandey, 2010: 85) – therefore, the central research questions should be why public sector managers use or do not use performance information, and how they use it.

Systems that ‘enforce’ accountability through strong sanctions and rewards are often counter-productive. Several studies suggest that there is an optimal level of incentives and sanctions beyond which the pressure of the system results in both gaming and cheating, and this is one of the possible reasons why organisational performance may deteriorate after the implementation of a performance management system (Andersen & Nielsen, 2019). Indeed, imposing performance management in vulnerable organisations (i.e. those that struggle with performance) could negatively affect employees’ ethics: employees resort to falsifying performance information in order to give the impression that they are meeting targets. Therefore, imposing unrealistic goals in problematic organisational environments could further undermine outputs and performance (Patrick et al., 2018).

2.4 The South African legislative, regulatory and policy context

National responsibility for performance management in general is divided between the Department of Planning, Monitoring and Evaluation (DPME) and National Treasury. Each department has a slightly different focus in respect of the ideal performance management cycle described in Figure 1. While National Treasury plays a central role in specifying the details of performance measurement, DPME describes itself as “the custodian of evaluations in the country” (DPME, 2019) and in 2011 adopted the National Evaluation Policy Framework (NEPF). In 2019, a revised NEPF for 2019–2024 was published, based on a review of the successes and challenges of the first policy framework.

What DPME describes as “evaluation” is essentially the performance management part of the ideal performance management cycle, where performance information is used to critically assess whether or not a particular programme has achieved its goals and if not, why. DPME stipulates that evaluation should be seen “as an effective decision-making tool” to improve performance. However, their own policy documents also clearly suggest an evaluation process that is undertaken separately from planning and performance measurement, i.e. an activity that is conducted outside of an organisation

as a discrete event by a third party, rather than an integral part of strategic management and organisational learning. This is evidenced by the DPME reporting on the evaluations undertaken, which are long-term processes, subject to extensive peer review and only generate final reports long after the events under consideration. Rather ironically, the DPME's own reporting on evaluations contains no discussion of whether or not this process is resulting in meaningful programme improvements, or internal learning in participating organisations. However, the DPME does admit (DMPE, 2019: 14):

The biggest challenge identified by the evaluation of the National Evaluation System (NES) in 2016/17 was the effective use of evaluation results in government. Although great progress has been made in entrenching evaluations in government, there have been missed opportunities for using evaluations strategically to support planning, policymaking and budgeting processes.

This statement makes it very clear that many parts of government see evaluation more as a form of performance *measurement*, rather than performance *management*. One of the likely reasons for this is that evaluations take a long time, which greatly reduces the efficacy of the information when it becomes available. This, in turn, is a factor of the cumbersome, externally driven process, which is poorly suited to quick, operational evaluations.

Finally, the DPME acknowledges that many of the plans for the programmes being evaluated have themselves been developed without a clear theory of change. In other words, the plans were developed with little detailed understanding of causality – if we do X, then Y will materialise through these mechanisms. Without this foundation, evaluations have little strategic utility: they might tell you whether or not an outcome materialised, but they cannot provide meaningful input into the underlying causal assumptions if none were made. And in this latter area (what worked, what didn't work, and why), evaluations make the real value to improving performance.

As a result of all these restraining factors, the DPME's main focus is on evaluating implementation (how the programme is meeting its implementation targets) rather than impact (how the programme is impacting socio-economic development indicators). Of course, it is the latter that is integral to linking performance management to development goals.

In 2010, National Treasury issued a Framework for Strategic Plans and Annual Performance Plans, which clearly states that the framework is located within the government-wide monitoring and evaluation system, signalling the belief that these are integrated activities and that performance management is the ultimate goal of performance measurement. However, National Treasury's framework offers very little practical guidance for how this could or should be done. Instead, it contains a lot of detail on how to **measure** performance, but basically nothing on how to use that information in a strategic way to improve performance. In addition, while some guidance is given on how to evaluate individual performance, none is provided for evaluating the organisation or programme, beyond a vague instruction that it should be done.

This Framework also provides very little guidance on how organisations should go about prioritising goals for the purpose of performance management. Instead it states (National Treasury, 2010: 7):

An Annual Performance Plan should be linked to the Strategic Plan, the budget and the MTEF [Medium Term Expenditure Framework], and should be informed by any updates to government's long term plans, the MTSF [Medium Term Strategic Framework], Government Implementation Action, provincial growth and development strategies and local government IDPs [Integrated Development Plans], Performance Agreements between the President and Ministers, Service Delivery Agreements and any other relevant long term government plans.

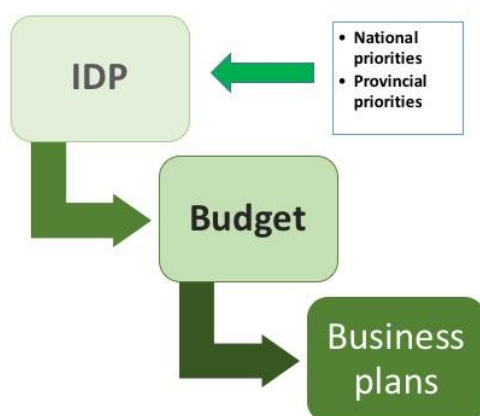
Nor does National Treasury offer much more in the way of practical guidance in other key policy documents. In the 2007 Framework for Managing Programme Performance Information (National Treasury, 2007: 13–14), the sole guidance on **how** to manage performance is noting that the accounting officer is responsible for:

5. Processes to ensure the information is appropriately used for planning, budgeting and management within the institution, including:
 - Processes to set performance standards and targets prior to the start of each service delivery period
 - Processes to review performance and take management action to ensure service delivery stays on track
 - Processes to evaluate performance at the end of a service delivery period.

Once again, no practical guidance is offered as to how this might be done. Instead, the assumption is that organisations will develop their own processes to achieve performance management goals.

A recent (but undated) DPME policy document emphasises that the Integrated Development Plan (IDP) is intended to be the apex planning document in local government and the guide for developing the budget, and should be reflected in departmental and sector plans. The Municipal Systems Act (MSA) includes the provision that an IDP “must be compatible with both national and provincial development plans” (RSA, 2000: Chapter 5). However, neither of these documents provide any practical guidance on how to achieve this alignment, or how to resolve the practical problem of having insufficient resources in the budget to fund everything in the budget. There appears to be a general understanding that the simple planning relationship shown in Figure 2 will be relatively easily implemented.

Figure 2: Local government planning as assumed in national frameworks



The clear assumption is that a smooth line of causality will run from the IDP to the municipal budget, to the individual business plans of the various business units. Simultaneously, there is an assumption that national priorities (such as the National Development Plan) will automatically be reflected in the IDP. However, the policy does not deal with the practicalities of addressing any of the following situations: what if community priorities do not reflect national priorities? How is a municipality to choose among IDP goals if there is insufficient funding to finance all of them? How is a municipality to select which of the IDP goals will materialise in individual business plans? **That is, the overarching framework is almost completely silent on the key issue of goal prioritisation.**

In terms of the specific regulatory context within which performance management in local government operates, Chapter 6 of the MSA deals with performance management and requires all municipalities to establish performance management systems:

38. A municipality must—
 - (a) establish a performance management system that is—
 - (i) commensurate with its resources;
 - (ii) best suited to its circumstances; and
 - (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan;

- (b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and
- (c) administer its affairs in an economical, effective, efficient and accountable manner.

The focus in the MSA is very much on individual performance, based on the assumption that this will directly translate into improved organisational performance.

In 2001, national government published the Local Government: Municipal Planning and Performance Management Regulations in terms of the MSA, in which Chapter 3 deals with performance management. The Regulations set out the nature of a municipal performance management system; the setting and review of key performance indicators (KPIs) and a list of general KPIs for municipalities; the setting of performance targets; monitoring, measurement and review of performance; and internal auditing of performance measurements. Chapter 4 of the Regulations deals with community participation in respect of the IDP and performance management, stating that:

- 15.(1)(a) In the absence of an appropriate municipal wide structure for community participation, a municipality must establish a forum that will enhance community participation in –
- (i) the drafting and implementation of the municipality's integrated development plan; and
 - (ii) the monitoring, measurement and review of the municipality's performance in relation to the key performance indicators and performance targets set by the municipality.

In 2006, national government published the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers in terms of the MSA. These Regulations focus entirely on managing individual performance, specifically that of the Municipal Manager and the managers that report directly to that position, who are often referred to as Section 57 managers (as they are dealt with in this section of the MSA). The Regulations contain considerable detail about the content of employment contracts for these managers, including the performance component.

Regulation 25 highlights the expected linkages between the content of the performance agreement and the municipality's IDP (i.e. that the primary role of managers is to implement the IDP):

25. (1) The performance plan sets out:
- (a) The performance objectives and targets that must be met by the employee; and
 - (b) the time frames within which those performance objectives and targets must be met.
- (2) The performance objectives and targets reflected in the performance plan are set by the employer in consultation with the employee and based on the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality, and shall include key objectives; key performance indicators; target dates and weightings.
- (3) The key objectives describe the main tasks that need to be done. The key performance indicators provide the details of the evidence that must be provided to show that a key objective has been achieved. The target dates describe the timeframe in which the work must be achieved. The weightings show the relative importance of the key objectives to each other.
- (4) The employee's performance will, in addition, be measured in terms of contributions to the goals and strategies set out in the employer's Integrated Development Plan.

Organisational performance reporting requirements are further stipulated in the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA), which prescribes a wide range of financial and non-financial reporting requirements for municipalities. Performance information is regularly assessed during the annual audit process conducted by the Auditor-General of South Africa (AGSA).

A performance reporting reform initiative undertaken by National Treasury (in collaboration with COGTA, DPME, Stats SA and in consultation with the AGSA) recommended that the reporting requirements of metropolitan municipalities be rationalised, in order to address inconsistencies among the IDP, Service Delivery and Budget Implementation Plan (SDBIP) and the performance part of the Annual Report.

In 2017, National Treasury issued MFMA Circular No. 88, which “provides guidance and assistance to metropolitan municipalities on the preparation of statutory planning and reporting documents required for the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF)” (National Treasury, 2017).

Circular No. 88 is an important framing document in respect of performance management in cities. The circular acknowledges that, while the MSA and MFMA require alignment between planning and reporting instruments (including the IDP, SDBIP and Annual Report), “there has been some confusion as to the results level that indicators in the SDBIP occupy”. The circular aims to clarify this by prescribing municipal performance indicators for metropolitan municipalities, applicable from the 2018/2019 financial year. Since the introduction of Circular No. 88, municipalities have raised numerous questions of clarity and asked for more practical guidance. These were circulated in April 2018 as a list of frequently asked questions (FAQs), and in May 2019, National Treasury circulated a second list of FAQs in respect of Circular No. 88. During the interviews (see Chapter 3), issues raised included the challenge of having to ‘re-engineer’ existing performance indicators to try and match the requirements of Circular 88. This has proved particularly problematic when reporting on existing infrastructure projects that were not initially designed around these indicators.

Importantly, the promulgation of the Spatial Planning and Land Use Management Act (No. 16 of 2013) led to the introduction of the Built Environment Performance Plan (BEPP), which serves as an additional planning instrument for metropolitan municipalities with a specific spatial imperative for the built environment. Cities are provided with guidance and support from the Cities Support Programme (CSP), located currently within National Treasury.

IN SUMMARY

There is a great deal of regulation of planning, performance management and performance reporting across local government. However, the interviews suggest that not all of this regulation has contributed directly to a more efficient and effective performance management environment.

3. Performance Measurement and Management in Cities

This chapter explores the actual municipal performance measurement and management in five cities: Ekurhuleni, eThekweni, Johannesburg, Msunduzi and Nelson Mandela Bay. Political and organisational differences among these cities translate into different approaches to performance measurement and management, although all cities are working within the same broad legislative and policy framework.

3.1 Introduction and approach

The findings and insights are organised according to the ideal performance management cycle (Figure 1). This enabled a considerable amount of field data to be organised in a systematic way, and assisted in presenting the information in a manner most conducive to clearly describing the prevailing performance management system.

The analysis begins with the planning process, the outcome of which should be **a clear set of goals to guide activities**. The activity of planning correctly includes setting both organisational and individual goals, which should be well aligned in order to ensure that the goals pursued by individuals are linked to the goals pursued by the organisation. Once goals have been set, regular measurement of performance is required to **track progress against those goals**. Once again, this is an exercise that is undertaken in respect of both the organisation and individuals.

Ideally, performance measurement data should not be seen as the end result of the system, but rather used as a **performance management tool**, to assess and analyse progress, and to use that information to improve planning, and thus organisational outcomes.

3.2 Goal setting: organisational

Effective performance management starts with setting clear and relevant organisational goals. The basis of an effective performance management system is having clear goals (unambiguous so that they have the same meaning to everyone in the organisation) and targets for those goals directly related to the long-term mandate of a city. Failures in the planning stage – and particularly the failure to generate clear goals that accurately reflect long-term development priorities – will be reflected in difficulties in implementing and managing an effective performance management system throughout the organisation. Clear goals and associated targets are particularly important in a city, where a huge amount of complex and diverse goods and services must be delivered to a large number of people. But these factors also make goal setting in cities a very complex process:

There are 41,000 people in this city, doing a lot of very different things, so how do you manage performance in a place like that?

Starting with the IDP

In all cities, the IDP is an important planning document, but there are differences among cities as to whether or not the IDP is actually the apex planning document in practice. These variations result in some other document being the *de facto* apex planning instrument, and in the IDP being 'adjusted' to fit with the other planning instrument:

The City has a GDS [Growth and Development Strategy] – with four key outcomes [...] the GDS is the apex planning document [and] the IDP comes under the GDS. [...] if the IDP doesn't reflect the GDS then we have a big problem.

Our IDP is a bit different from any other city: we don't just have a wide open discussion, but work off an 8-point plan – aligned to the structure of the city – the 8 clusters in the city. So in that way we hope to try and focus the IDP, but we don't have that much success.

In theory, the IDP process is intended to ensure that a city's goals reflect the priorities of the local community. However, the practice is much more complicated. In many instances, community priorities are not actually within the city's mandate, or the community want a long list of things that the city cannot fund, or the community's wishes do not correlate well with the city's long-term strategic requirements (particularly in terms of infrastructure):

Most people want things [like jobs] that actually local government cannot deliver, so what does it mean to 'consult' with people and to listen to them when they ask you for things you cannot give them?

We find that communities are actually raising issues [in the IDP consultations] that don't fall under the authority of local government, like housing. But the councillors don't tell the community that they actually can't get those things from the municipality. So when they don't materialise the community gets fed up and they protest.

We have allowed people to demand what we cannot afford [by making them believe that they can have it]. Is the problem that people are unreasonable, or is it because they don't understand what the real constraints are that limit local government?

As the city you might see that there is an enormous strategic need for a clinic, but you find yourself having to explain to the community why you are building a clinic and not a community hall, because they want a community hall.

We get community halls that are not needed and we blame the officials, but we are all involved in this mess – public participation for the sake of compliance.

Many councillors don't understand the differences between local and provincial functions so sometimes they think that the city can deliver these things. Sometimes they do know the difference, but they want to give the impression that they can deliver whatever people want, and so they don't point out contradictions.

You know there is this thing we like to do in government, doing things just for compliance. Let's take for example, public participation for IDPs.

Some of the interviews highlighted that cities do very little long-term "strategic" planning, and that one of the reasons for this is that the IDP is actually a very poor tool to facilitate the objective of long-term, strategic goal setting.

The IDP is not strategic planning. It is nothing more than needs conception – a list of the things that the community would like to have. There is nothing strategic about it in terms of fundamentally changing the city. [...] We need to start thinking differently. We have had so many IDPs and we haven't achieved anything. We can say that since 1994 we have not really done anything.

Adding further complexity to the goal development process is the challenge of sometimes having to reconcile what is good for the city and what is good for the community:

Many things are good for local government but are not necessarily good for wider society or developmental goals. Like constant increases in electricity prices to make sure that the city has enough money. So, the city's performance may be good in respect of revenue, but how good is that in respect of improving people's lives if they can't pay their electricity bill? How do you reconcile goals that are good for the city but not for the people who live there?

For example, if we look at the priorities of City Power six years ago, they were electrifying houses in the formal settlements. When the elections came, things changed. In 2016, they had to go and electrify the informal settlements. If return on investment analysis is done, electrifying the shacks does not make business sense because they will not pay for the electricity. Electrifying those houses does not bring any serious income, and this is why Eskom has been complaining.

Linking the IDP to the budget and operational plans

In theory, the finalised IDP should be reflected in other city planning documents, especially the budget and the SDBIP, and then cascaded down into the various departmental and sector plans. In reality, this is not the case, due to:

- The enormous practical difficulties of trying to ‘translate’ a very imperfect planning document (the IDP) into business plans.
- The fact that there is never enough funding for everything in the IDP, which means that some goals cannot be delivered (the process of goal selection – prioritisation – is discussed in more detail below).
- Most cities have a long-term strategy for infrastructure development, which does not always reconcile well with the development goals articulated by the community.

According to one interviewee:

There is an absence of a logic model or theory of change. We plan in siloes. We implement in siloes. We hope the magic will happen and be nicely integrated and produce good results. We don’t consider sports, space for clinics; we don’t consider churches in housing projects – we hope these will be integrated by magic. Then you have youngsters roaming in the streets.

As a result of these complexities, cities have developed their own approaches to setting goals that will actually be implemented, with a common sentiment being that “the IDP is for the community and for politicians” – the day-to-day work of what actually gets done in the city is determined to a far greater extent by the SDBIP and sector plans, as well as the realities of the budget and local political priorities. In the workshop with officials, points made included that it “seems like when we do our IDPs, we are ticking boxes, not necessarily planning” and that political interference plays a big part in the day-to-day operating of the city. There was considerable discussion among workshop participants about this reality, with one participant raising the fact that City Strategy (situated in the office of the City Manager) is often “too close to the politicians” and issues get blurred because of political pressure, while another participant responded that “when you have strong technocrats leading, you can crack it. The GDS remains consistent”.

One workshop participant highlighted the fact that there is a difference between accountability within the city and accountability with the community:

[The Mayor signs a contract with the Municipal Manager,] but with the IDP you don’t necessarily sign it with the community. But we assume it is a community contract. But if it’s not implemented, what tools are there for communities to hold the city accountable? The community does not have that power if the city is not delivering or if money is being stolen. We need a mechanism to assist with the IDP – a contract with the community. There is also, however, a need for continuity in long-term infrastructure project implementation that cannot be abandoned because of new or different community priorities.

The IDP is some kind of wish list rather than an operational guiding document, and so it is the budget [not the IDP] that determines what gets done.

Every year we go through the motions of public consultation because the legislation says that we must. We record all these [community] needs, but what actually makes it into the plans and budgets is a very different thing [from those needs].

Our biggest challenge is infrastructure maintenance, but this is exactly what the community doesn’t see as a priority. The community might say that they need a community hall, but we know that in that area we have to do critical water infrastructure maintenance, and we only have so much money, so what should we do?

[The IDP] is this idealistic document that doesn’t actually talk to what needs to be done. It is supposed to talk to the budget and the SBDIP, but it doesn’t.

You collect as many community concerns as possible, and then you put them all into the IDP and then you see what you can fund, and that's what you plan to do. But the municipality is financially challenged and so we should be planning for what we can fund, and not the other way around.

Most of the projects that are planned are multi-year projects, but community needs change in the short-term, and they want results now. So how do you actually link the organisational performance to the IDP as you are required to do by law?

We do have genuine cases where the community raises things [in the IDP consultations] that we should be doing, but how do we then incorporate these into our existing plans and priorities? We can't just change all our plans because the community has a new priority.

It should be noted that in the second workshop, several participants disputed the claim that the IDP was a problematic planning tool, arguing that the *implementation* of the IDP was problematic, not the IDP itself. This point highlights the different experiences of planning regulation across cities and the importance of understanding the source of these differences in order to have a regulatory system that works in a wide variety of contexts.

The political-spatial demarcation of a city into wards, and the issue of ward-based planning creates particular challenges for the development of large-scale infrastructure projects.

Many projects – especially big infrastructure projects – don't fit neatly within ward boundaries. They reflect a different spatial logic. This is particularly problematic where you have projects that run across ward boundaries where the wards are run by different parties. [...] Logical developmental spatial units do not coincide with ward boundaries (most people don't even know where these boundaries are) so how does that reconcile with the necessity of ward-based planning?

Some of the interviewees noted that national government is trying to address the shortcomings in the current planning system by adding more and more planning frameworks, which is simply making things worse.

Instead of trying to make the IDP work better, we just keep adding new planning frameworks – the district model, built environment plans, IUDF, etc, but all of these are actually trying to fix the problems in the IDP. Instead we should be making sure that the IDP is done better, that it is more integrated with the kind of planning that we need to do.

We keep getting new frameworks and policies for what is essentially the same thing: the BEPP is coming to an end and now we are going to have the District Development Model. Each Minister wants to have their own flagship programme and this creates a huge burden and confusion. We have to run around adapting to this.

The role of the SDBIP

The SDBIP is intended to 'operationalise' the long-term IDP into shorter performance management plans. In all the cities, **the SDBIP is an important part of the performance management system**, since it is the document against which progress is reported to National Treasury, and from where many of the senior managers' individual performance targets are drawn. As a result, "it is the SDBIP that determines what actually gets done", rather than the IDP. Although the general sentiment is that the SDBIP is supposed to be some kind of an "annual plan" of the IDP, not everything that is in the IDP will actually end up in the SDBIP (and not everything that is in the SDBIP reflects the IDP). This is due to a combination of existing plans, budgetary constraints, political factors and other 'filters'. A goal that is in the IDP, but not in the SDBIP, will not be implemented. Many city officials believe that this lack of alignment is a key reason for conflict with communities:

The community thinks the IDP determines what will get done, but that isn't the reality.

The SDBIP contains all of a city's key development deliverables, including those associated with conditional grants, and each deliverable in the SDBIP has targets associated with it. **These SDBIP**

targets perform a central role in the performance management regime in cities, which are required to report progress against these targets as part of organisational performance management.

Furthermore, the level of progress towards achieving these targets is a key factor for **individual performance management**. The setting of both organisational and individual targets is a complex issue, driven in part by funding limitations.

The process of developing the SDBIP involves both top-down (i.e. from the IDP) and bottom-up (i.e. from the various sector plans) processes, but how this actually gets done varies considerably among cities – as discussed above, the process is not clearly regulated. Also, as discussed in Chapter 4, the link between the SDBIP and individual performance agreements can (and does) result in the contents of the SDBIP being adjusted to suit the requirements of senior managers. Finally, not every organisational goal is included in the SDBIP: some find their way into the operational plans, while some are not included in any official documents. The entire process of drafting the SDBIP is thus complex and unique to each city.

Many questions must be asked about how good the SDBIP actually is as a planning (and thus performance management) for guiding organisational outcomes.

The contents of the IDP are supposed to be reflected in the SDBIP, but in general the municipality produces very poor SDBIPs, both in terms of how well they reflect the IDP and the quality of the [organisational] KPIs that are in the SDBIP.

The translation gets shaky along the way. At the top are the mayoral targets – battling inequality, making the city more liveable etc. – but when it trickles down to people below, this will be translated into pure numbers, some that are often not related to long term goals.

What we actually do is follow a bottom-up approach: we develop the SDBIP and then use this as the IDP scorecard and not the other way around. [...] What should drive the budgeting process is the IDP and the SDBIP, but in reality it's the other way around – the budget drives it [the IDP and the SDBIP]. You get given a budget and then you have to plan your programmes around what will fit into that, instead of starting from a zero base.

The sector plans are the link between the IDP and the SDBIP. So if the sector plans are weak or poor or vague, then the SDBIP will also be.

Timing is an issue in the entire City planning [...] ideally we should do the IDP first, and then after that we should do the budget to decide what [from the IDP] gets funded, and only then we should compile the SDBIP. But in reality all these processes run at the same time and are run by different teams, so there is very little alignment among the three.

The challenge of prioritisation

Prioritisation is a central part of the goal-setting process. From the long list of possible outputs, how do cities select which outputs to prioritise, since they cannot do everything, given budgetary and other capacity constraints? How do items/projects get selected (or discarded) from the various sector plans for inclusion in the SDBIP? The lack of project prioritisation models – and the difficulty of identifying what is key in terms of the IDP and SDBIP – were raised in the workshop.

One participant in the workshop with officials stated that although there are challenges:

The IDP is the best way to get information; the challenge is how do we go about prioritising.

In some cities, there is a clear attempt to focus on long-term development strategies around spatial and socio-economic transformation. This means that these projects are prioritised, even though they may not be well aligned with the community priorities articulated in the IDP.

One of the challenges of prioritisation in a city is how to reconcile a very wide range of community and development goals.

Ward-based planning means that the plans are supposed to be 'tailor-made' by each ward. But the different wards do not have the same priorities. So very often, the plans/priorities that are pushed by a particular ward are not necessarily the same as city priorities. So how do you do prioritisation in such an environment? Who exactly is the "community" whose needs you are supposed to be prioritising in a place like [this city]?

Two key factors affect project prioritisation in all cities: politics and the conditional grant system, although the impact of the latter is much greater in cities that have smaller capital expenditure (capex) budgets and so rely much more on conditional grant funding. A participant in the workshop held with officials raised the issue of the focus on capex projects in cities, rather than on operational expenditure (opex) and related performance.

Politics matters

The priorities of whoever is in political control of the city will be reflected in the choice of what gets done (and what doesn't get done), through inclusion in – or exclusion from – the SDBIP. Workshop participants highlighted that the political factor is even greater in coalition government settings.

The SDBIP needs to reflect what the leadership thinks are the most important things [...] different mayors have different priorities and strategic focus areas. From the four mayors that I have worked with, the IDP takes the bias of those who are in power.

The SDBIP reflects the priorities as they are articulated by the leadership. [...] The politicians 'cherry pick' from the sector plans those things that are the political priorities, and those things end up in the SDBIP. The other things in the sector plans will not be prioritised [i.e. will not be included in the SDBIP].

The effective result is that a line department may draw up a sector plan that (in their assessment) reflects the city's long-term development priorities, but if the plan's goals are not aligned with the political priorities of the day, it will most likely never be implemented. In addition, a change in political leadership may lead to existing projects being side-lined or downscaled.

Every time there is a political change, you are not sure if the stuff in your policies will be supported by the incoming administration [...] That tends to derail whatever projects – good or bad – that were being implemented. That is a big frustration. You spend resources in implementing a programme, underwritten by multiple projects. Whenever there is a change, you get edgy because you don't know whether your project will continue.

Interviewees pointed out that it was "almost impossible to implement a programme to change the landscape of the city over five years", but every five years (at most) priorities change, even if the same party stays in power. Although this political influence on priorities is both to be expected (and is something that is seen all around the world), the situation is complicated for city officials by coalition politics, factionalism and the effective redrawing of priorities at every local government election cycle. This makes it very difficult to retain a long-term focus, or indeed to focus on doing the 'right' things. Matters may be further complicated by a new political authority insisting that additional projects are added to existing ones, creating a very difficult situation for officials.

We are pulled every five years in a different direction, and this is ultimately not good for the residents.

The current Executive Mayor when he came into the office, he said we need to be building 159 000 housing units – he just made the announcement. No costing was done. The MMC said it was non-negotiable. There is no way we can do it.

Prioritisation is a mix of existing continuation [i.e. of projects already underway] plus political decision making. The election is coming up next year so we have a lot of 'political' projects. At the beginning of the term, there is a genuine commitment to proper projects and catalytic investments, but not so much towards the end of the term, when people are thinking about getting re-elected.

Most of the municipality's own capital budget is allocated to projects that are the window dressing of community concerns so that [ward councillors] can get elected again. Instead, we should look at what we need to invest in to fundamentally transform the socio-economy.

Our priorities are essentially the outcome of what's actually needed in terms of our long-term plans (especially maintenance and infrastructure development) balanced against what the [current] politicians want.

Every time there is new political leadership, they want their own priorities.

There is a push by incoming leadership to reprioritise existing projects that are already underway plus they often want to put in new projects that are not in the IDP. This creates huge challenges with unfunded mandates. It makes it very difficult for managers – they might have one project they are spending all their time on, and now they will have a new project and have to make both happen. But there is often no budget for this new project, and then you have to steal from Peter to pay Paul, and you have to try and do this because you have to make the political leadership happy.

In the workshop held with officials, challenges posed by the shifting dynamics of coalition governments were raised, particularly around stability, common vision, purpose and goals. Although participants accept that a city's plans will reflect the priorities of the ruling party, they also believe that the constitutional priorities of local government should remain, no matter who is in power.

Some of the cities realise that they need a better (more rigorous) approach towards prioritisation and the integration of efforts, but also recognise the difficulties of doing so.

We have tried a project prioritisation model, but it is not really working. The reality is that the strongest projects get into the budget, and 'strongest' usually means those with the greatest political support. [...] So you might actually end up with the community hall instead of the water maintenance if that actually enjoys the greatest political support.

Our priority should be project selection, but we can only do that if we can do zero budgeting and use a proper project prioritisation model, but politically who will agree to that?

Municipalities are trying to be everything to everyone, and so we allocate small amounts of resources to lots of goals and objectives, so you don't really do anything very well.

In local government, how are we supposed to work out what the national development priorities actually are? How do we align what we do with provincial and national policy? You just don't know, and so you just maliciously comply with what you think it is.

The role of the conditional grant system

The conditional grant system has an important impact on what cities actually prioritise, particularly when they depend on these grants for a significant portion of their infrastructure capex budget. The need to obtain this funding effectively forces a city to focus on delivering the details of the grant requirement, even when this is perhaps not a good reflection of local priorities.

So we need to use grant funding (because we don't have enough own funding), and that makes things worse, because you have to adjust what you do to fit what that grant requires, and not what is strategic for your city.

If National Treasury has imposed all these conditions, where is the room for public participation (i.e. you can't do something that the community wants if it doesn't fit with these conditions)? Local government is supposed to respond to local needs, but the entire [conditional grant] structure is designed to ignore these. National departments don't always understand what is going to work best on the ground [in a particular city] in how they design a policy or a programme or a grant.

Did the national department ever insist on a local assessment of all the complexities and details required to implement a project like this in a place like [this city]? National says to the municipality "we will give you

money”, but who is going to do the detailed studies to establish actual needs, etc. The assumption is – you got the money, now go and have a project. And so the project is off on the wrong foot from the start, but the municipality can hardly refuse to be part of the national strategy. And then once the programme gets going, the only thing that Treasury is really interested in is how much money has been spent, not the details of what is getting done or the problems that are being faced precisely because there wasn’t better original planning. That creates a different kind of performance pressure – meet the spending targets of the grant. If you don’t meet the spending targets, someone else will get the money.

Every year you will be measured against other cities, and if you are not keeping up [in spending the grant] then you lose the money.

Measuring goals

At the workshop with officials, a point raised was that cities often have little or no control around the cutting of budgets, particularly by provincial government, and reasons are not always provided. Some of the officials interviewed believe that many of these external parties to whom cities report, do not select the ‘right’ factors as measures of performance. This indicator bias contributes towards cities not focusing on doing the things that will contribute to meaningful socio-economic transformation. This is the perverse version of ‘what gets measured, gets done’ in that ‘what doesn’t get measured, doesn’t get done’.

As much as there is built environment experience in Treasury, most of the people are economists or have a commercial background. The only thing they are interested in is return on investment [...] But quality of life is a critical outcome of public investment in a poor area that we should be aiming for. How does quality of life fit into the goal of achieving return on investment? [But Treasury will say] that quality of life is not “performance”, it is not “economic return” and thus is not a good thing to aim for in an infrastructure investment. [But] when we improve the public environment, there might not be an economic return, but we are adding to life. But when you prioritise that in a project you are accused of wasting money. So who gets to determine what constitutes ‘return on investment’? We don’t ever have that discussion, and so there is no agreement.

We have the wrong KPIs: the CFO gets a bonus if we get a clean audit, but instead it [the bonus] should be because he has managed to improve the financial position of the municipality, because that is his actual job.

Our performance measurement indicators are completely incorrect, and as a result people are focusing on doing the ‘wrong’ things that have been prioritised by virtue of some other process.

Clean audits are also pushed by the MEC for COGTA – clean audits in municipalities are seen as proof that the MEC is doing a good job. They get a bonus if local government ‘improves’ and the measure that they have chosen for ‘improve’ is a clean audit.

As a general rule, the targets set in the SDBIP focus on quantitative, not qualitative measures, even though qualitative measures are often the most important for having positive impacts on long-term socio-economic development.

You might have housing goals, but when it finally gets down to a project manager he or she will be only measured on the number of units built. Whether those are habitable, far away from the city, transport or jobs is irrelevant. There is no focus on the quality of the work but instead on box-ticking. More than three million houses have been provided so far by the government but most of them are not good.

Interviewees also highlighted their perception that the over-regulation of planning and performance management was stifling exactly the kind of creativity that cities need in order to address their serious challenges.

We have to work within a number of boxes so we are unable to transform the city in the way that we want to. [There are] hundreds of planning processes for everything that local government might do – everything is regulated and with a layer of regulatory compliance over it. This means that there is no room whatsoever for any kind of innovation in planning or delivery. They have created a system that favours compliance over any kind of impact work.

No one really has any autonomy to make any strategic decisions: politically the risk or the fear of making the wrong decision or contradicting a more powerful political person, or sticking your head above the political parapet, acts as a huge disincentive. The entire system is rigged to eradicate any kind of initiative or any kind of risk-taking.

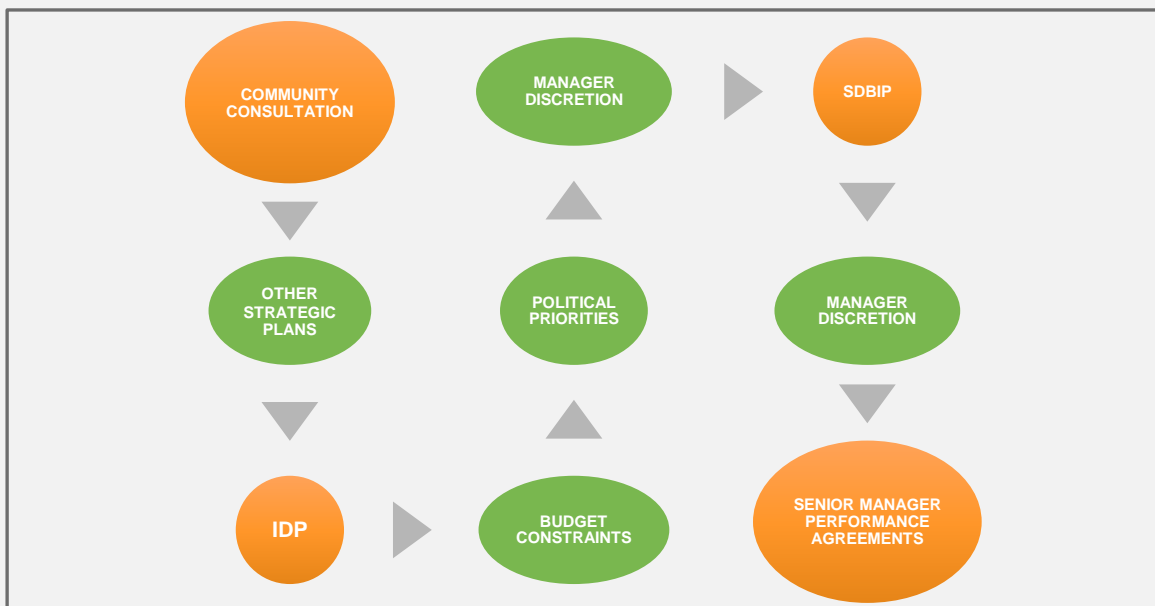
Individual managers are deeply involved in setting the SDBIP targets against which they will be assessed, which creates opportunities for gaming the system. There are multiple opportunities for the SDBIP targets to be revised during the financial (reporting) year, with considerable discretion allocated to senior managers in this respect.

Senior managers come up with targets that are favourable to them, instead of what is favourable to the development of the municipality.

IN SUMMARY

What actually gets done in a city does not directly link only to the IDP (or even to the SDBIP), but instead reflects the impact of many other development plans and longer-term priorities (not all of which reflect the city’s own priorities), the available funding and political goals – and these factors are not constant. Instead their relative importance varies, both among cities and over time within a city. The SDBIPs or related performance management documents do not capture many of the most important long-term developmental goals around quality of life, as these cannot be measured in terms of what is generally considered ‘verifiable’ evidence.

In contrast to the neat assumptions of the linkages between the IDP, the budget and business plans (Figure 2), the actual process of determining what gets done (i.e. goal selection and prioritisation) is a much more complex affair, with multiple factors affecting the final decisions. The actual process could be depicted as something much more like what is illustrated below, where the orange shapes denote the planning (goal determination) outputs, and the green blocks denote the various ‘filter’ processes that actually determine what is included in the official planning/performance management outputs, and what is discarded along the way.



3.3 Goal setting: individuals

Effective performance management systems require individuals to be set goals that are well aligned with their organisation's goals, against which individual performance can be measured. This is necessary to ensure goal alignment across and throughout the organisation. All the participating cities have some form of individual performance management system that involves setting goals for individuals, although the details vary among the cities. All the senior managers are set goals and targets that are (in theory) linked to the city's SDBIP. However, as indicated above, the SDBIP is very often a poor reflection of the city's IDP. This means that even if the city-wide individual performance management system were a perfect reflection of the city's SDBIP (which it isn't, as discussed below), it would still be very poorly aligned with the city's IDP.

The first issue is the differences in how far down the management ladder this system of performance management goes. None of the cities have a comprehensive performance management system (i.e. one that is aligned to the articulated goals of the IDP and/or the SDBIP) that applies to all staff. Many interviewees and participants in the workshop with officials raised the lack of cascading performance management all the way down the system. Instead, this system is reserved for senior managers. The senior management goal-setting process generally falls under the supervision of the performance management unit, and managers sign performance agreements that are usually publicly available.

Senior manager scorecards

These agreements contain performance scorecards, against which the manager in question will be assessed. The individual scorecards are made up mostly (80% seems to be the average) of targets taken from the SDBIP (or the operational plan), which reflect that person's area of authority, together with the competencies that are required from that position. The performance agreements reviewed contain, in general, relatively vague and open-ended goals and targets. As annual performance reviews are undertaken against the contents of these scorecards, the more vague and limited the individual goals, the weaker the relationship between the organisation's goals and individual goals. In addition, some of the goals included in a senior manager's scorecard often do not appear anywhere in the IDP, such as achieving a clean audit for the city.

In practice, the linkages between the SDBIP and senior manager scorecards may be tenuous and/or subject to a certain amount of gaming. As one example, senior managers are responsible for setting the indicators and the targets for those indicators in the SDBIP. **This effectively means that they set their own performance targets against which they will be assessed.** In some instances, this results in some goals simply being excluded from the SDBIP because the managers are not convinced that they can be achieved, even though they are important to the city. The city's performance management unit has some input into the setting of targets, but generally cannot override senior management in this process. If goals are excluded from the SDBIP, they effectively become 'invisible' for the purposes of measuring and managing a city's performance.

The building of substations is important for the city, but there are many reasons why a substation might not get built, and if it is in the SDBIP then it is in the manager's performance agreement and he/she would be penalised if it wasn't achieved. So the managers are very careful about what they put in the SDBIP. They become reluctant to include things in the SDBIP that they can't achieve, and focus on the easy things because of the link with individual performance.

In theory the City Manager could insist that these things go in, but his performance agreement is linked to the managers' performance agreements, so he also doesn't want these things in the SDBIP.

In other instances, managers set low targets for goals, or regularly revise the targets downwards, in order to ensure that they can still meet the new target, and thereby obtain a high score on their personal scorecards.

When we do the mid-year [January] budget adjustments [...] project managers use this system to revise KPIs down when the project is not going very well. That way they can still meet their targets even if the project is going really badly. [...] They use this loophole even when the project is not directly affected by the lower revenue projections [such as when it is fully funded by a grant].

The problem it seems is that as soon as you meet or exceed your targets, then the politicians insist on pushing the targets, and then you find yourself having to explain why you didn't meet the [new] target. This puts unreasonable pressure on managers. Also, they [the managers] know how the system works – they have got an incentive to just underperform, to prevent the target being increased beyond what you believe you can achieve.

Some interviewees expressed the opinion that the scorecards are not really contributing to the long-term improvement of cities for residents because they are inflexible and can only measure a limited number of things. In addition, some people believe that the scorecards make it difficult for people to cooperate in project design and/or delivery, either with other units within the city, or with other cities.

What the scorecard system can do sometimes is that it actually does not only limit creativity, but also discourages that creativity. For example, when someone gets land use applications, their scorecard says that they must deal with the application according to policy, so if the person just works to the letter of the law and approves or doesn't approve that application in line with policy, they will be rewarded in terms of the scorecard management system. They essentially would have done a good job. But doing that might not necessarily be good for the city and its inhabitants. Someone dealing with land applications might have one for social housing flats and that would generally be good for society and the community concerned, but the policy says 'no', that project is not viable, so they'll take the safe route and say "no, I reject this application", but in the scorecards they would be rewarded for that. They never get rewarded for other measures, such as having increased social inclusion in society. That is not measured. What is measured is what the policy says, and whether people follow the law or not.

In my scorecard, when developing the development framework, it will have the ultimate goal that the policy be approved by Council. If I get the policy approved by Council, I'll get 100%, but it does not mean that it is a good policy or that it is actually going to transform the city in a way that we want. So there is no measurement of the actual impact of the policy. So people get 100% on their scorecards, and you find that they have not had any impact on development.

There is often an interesting new piece of work that is not on people's scorecard. Some people would say "no, I am not doing that" when asked for their input on some documents. Maybe [another city] has got a project that impacts our work greatly but it is not on anyone's scorecard. Many people would not want anything to do with this even if it's important to the context of the job. You can get in trouble for doing things that are not in your scorecard.

These assessments reflect a general view (discussed earlier) that the current form and implementation of the performance management system actively discourages exactly the kind of creative thinking and innovation required to address the considerable development challenges facing cities.

Lack of aligned devolution of performance management

A completely different system is implemented below senior management level. In most of the participating cities, lower-level staff have performance plans against which they are assessed, but the development of these plans falls under the authority of the human resources (HR) unit, not the performance management unit. In drafting these plans, reference is almost never made either to the city's goals (as articulated in the IDP and the SDBIP) or to the targets set for the various heads of department using the other system.

We have a problem with aligning the city's scorecard and individual scorecard. When you get to lower level performance, this is managed by HR instead of [the performance management unit]. This creates a misalignment of performance, and we will never get it right if this system remains. The way people write their individual performance plans [at these lower levels], you will find that they would focus on small things,

such as approving applications as their main task. The department will show poor performance at the end, but some people will appear to be excelling in their work.

The HR department doesn't look at the IDP or whether everyone's performance plan is actually related to what the HOD is supposed to do. All these lower-level performance agreements are based on an agreement between worker and supervisor, so there is absolutely no alignment in this process and no common goals or concentrated effort. We have raised this issue with HR, but they have no interest (giving themselves extra work) in rolling out a different system. As a result, staff cannot see how they contribute to the big picture and how their input contributes to the overall picture and this is very demotivating.

HR personnel are generally pretty poor at setting appropriate KPIs, as are the staff in question [...] you get KPIs like "produce a monthly report", without any reference to what would be in the report, how the quality would be assessed, etc.

This creates a difficult situation for senior managers (who are on the IDP/SBDIP-linked performance system) to get the people who work for them to contribute directly to attaining those targets that they are responsible for.

It is a big problem that there is no proper system or mechanism in place for officials lower down, which means you find that you can't touch anyone below you, but they're supposed to be working for you. You end up begging them for work.

This is an even bigger issue in cities that have no performance management system in place for the lower-level staff.

For the rest, everyone just works. There are no individual [performance] plans, so there is nothing that you can hold even the low level staff accountable for, no matter what they do. You will find people [in the city] who will say – "I have been here for 15 years and things have been happening, so what do I need this [performance management] for?"

IN SUMMARY

The current process of individual goal setting in cities is far from ideal: in many instances it is not making the required contribution to ensuring that organisational goals are met. The main reasons being:

- An aligned performance management system that is only applied to the most senior managers in a city, and excludes most of the employees
- The process of setting goals and targets for senior managers is subject to extensive subjective 'adjustments' and effectively creates a situation where the alignment between organisational and individual goals is poor.

The result is that there appears to be a considerable gap between the daily activities of many city employees, and the city's long-term developmental goals.

3.4 Organisational performance measurement

All of the participating cities undertake some form of organisational performance measurement against the targets set out in their organisational plans (notably the SDBIP) and are required to supply a large number of performance reports to a range of entities in other parts of government (provincial and national). These performance measurement and reporting obligations to external parties appear to be growing. Most of the interviewees are sceptical about the value of this, and highlight the significant work burden it creates.

This [reporting] puts a huge burden on municipalities – in addition to our own scorecards, we have to rework data and draw up multiple reports of the same data for different provincial and national departments.

They do feel like it's a burden. I feel for them. Rightfully so – there is too much reporting. There is SDBIP reporting, Back to basics from COGTA on monthly and quarterly basis. Too much reporting.

There is contestation between National Treasury and the other departments with respect to what are development priorities and what should be reported on [...] This leads to malicious reporting by municipalities that are trying to keep everyone happy, but what choice do we have? [As a result] monitoring on implementation becomes questionable: Treasury cannot oversee all the conditions they themselves have imposed, so the municipality will just report that they have done it.

The challenge of accurate data

A common theme across interviews is the challenge of obtaining accurate data for performance measurement. Most members of the performance management units highlight the problems of trying to get accurate data from managers. Others mention the fact that data management in general in the city is often of a low standard, which makes the task of verifying reported data very difficult.

Most people are irritated [by performance reporting] generally. There are many reasons, but the biggest one is that it takes a lot of time to do and we could be doing other things.

I don't have time to do site visits to verify information submitted to me.

It's a constant struggle just to get people to comply – just to try and get the S57 managers to submit information, and to submit correct information. No one takes the system seriously. They all think it's a pain in the neck.

We set targets for how much and what kind of housing should be in the priority zones, but it is difficult for us to keep records of the data [of what exactly is going on in the housing sector]. The various municipal CCAs [Customer Care Centres] are where the different applications related to housing development are lodged – rezoning, consent use, new developments, etc. But there is no uniform way across these centres of recording these applications. Firstly, this represents a challenge in collating information that we have to report to national. Secondly, we generally have very few standardised processes for reporting information, so how do we manage performance in this environment?

How to track long-term progress?

Submitted performance information is then compared to the KPIs and targets contained in the various plans. But the regular changing of KPIs and targets (either as a result of changes made by the management team or because of changing political priorities) makes longer-term tracking of progress difficult, and creates a situation of high contestation and negotiation about whether or not a particular goal was actually achieved. This is compounded by the fact that in all the cities, one team sets the goals, while another team measures progress towards those goals.

In this municipality we keep changing our KPIs – at an annual level and at an IDP level – so how do we know whether we have progressed or not because our measuring tool is changed every year, so how do you know if you are making progress?

The challenge to performance management is in the fact that the planning of performance is done by one department, whereas monitoring is done by another.

It is common practice for project managers to reduce targets in the mid-year budget review. This means that managers generally always meet their targets, but service delivery never really improves. The IDP targets stay the same, but SDBIP targets keep changing, mostly downwards. And so the gap between the IDP and the SDBIPs gets wider and wider.

The IDP is the main document of reference for the wider population – they think that they are going to get 20 000 houses, but actually each year the SDBIP housing target gets revised down and then after a few

years they want to know “where are the houses”, but all the managers are still on target. So what does that mean for accountability? The population is completely unaware that their promised service delivery targets are gradually being revised away, and no one is held accountable because everyone is on target.

IN SUMMARY

The accurate measurement of organisational performance is made difficult by challenges in obtaining timeous, accurate and relevant information. It is made more difficult by the regular changing of goals and the targets for those goals, and a general view within cities that performance measurement is an onerous waste of time. This makes long-term tracking of a city’s performance almost impossible, and in certain instances the gap between what is actually being achieved and what was promised in the IDP widens each year.

3.5 Individual performance measurement

The individual performance measurement system is designed to collect information about how well city employees are doing against their given performance targets. In general, a fairly well-established process seems to be in place to do this, not least because in many (although not all) cities, there is a financial incentive attached to individual performance for senior managers. This provides an incentive to measure individual performance, which is usually not present in respect of wider organisational performance. In other words, managers are incentivised based on their own individual scorecards, not on the entire city’s performance.

Sub-optimal individual goal-setting practices

Generally poor individual goal-setting practices across all the cities greatly undermine the actual contribution that this performance measurement makes to ‘getting things done’. That is, **it is not very helpful to be able to accurately measure the performance of an individual if what is being measured is not well-aligned to the city’s long-term goals.** In practice, the fact that (1) senior managers are able to regularly review their own targets through the SDBIP revision process, and (2) lower-level staff are often given performance targets unrelated to organisational goals means that most individuals are effectively functioning in a performance management system quite separate from that which applies to their organisation.

The first point means that a city can (and often is) in a position where all the senior managers have very good performance scores and appear to be doing a very good job, but in fact the city is not making much progress towards achieving its goals. This completely undermines the intention behind the regulatory requirement of having a performance management system.

We have the common situation where everyone has met their targets, but nothing has actually been delivered. [...] The municipality has had lots of rollovers of funds for big infrastructure projects, so obviously there is a problem with delivery, but everybody meets their targets.

If the performance management system was really working, given the current state of the city and service delivery you would expect we should be having a lot of performance disciplinary hearings or investigations, but I never hear of any hearings or investigations.

There can be considerable contestations around whether or not a target has been achieved when senior managers are on a bonus system linked to their scorecard. These contestations are often resolved through subjective means rather than an objective assessment of whether or not something was actually achieved.

When it’s bonus time, they [the performance management unit] come running to us and want us to approve whatever performance they have reported.

There are disputes about whether or not individual performance has actually been achieved. Many of these disputes are about what is and what is not actually under the control of the manager. A lot of the time the performance negotiation is an appeal to find that non-performance was not actually the fault of that manager.

Resistance to performance measurement

For lower-level staff, the measurement of performance is often met with hostility and perceived as a process designed to ‘catch them out’ or to ‘punish’ them. They often believe that the whole process is a waste of their time because no direct incentive (bonus) is attached to their performance contracts. This view of performance measurement is sometimes compounded by the heads of department who also often believe that performance measurement is a waste of their time.

The HOD is supposed to go through all the [performance] information and make sure that people are doing what they are supposed to be doing, but not everyone wants to do that.

Some people feel targeted by the performance management system [...] they become defensive [...] they say that this is how they have always understood things.

They regard performance management as a tool to punish them. [...] People say “are you trying to find ways of firing us?”

Where there are no financial rewards, some do not even care. They don’t even give evidence of their performance so that you can compare with the reports that they write because their performance progress reports must be accompanied by the performance information as a means of verification.

IN SUMMARY

Individual performance reporting as an activity is fairly well-established across the cities. However, most of this reporting is not well aligned to the city’s long-term goals.

3.6 Performance management

The literature highlights the important difference between performance *measurement* (collating data and evidence around whether or not targets and goals have been achieved) and performance *management* (using that information both to analyse performance, with a view to effecting improvements, and to provide input into the next cycle of planning and goal setting). In the interviews, how performance management is understood and practised in the various cities was discussed. The consensus view is that in reality very little in the way of performance *management* is taking place in any of the cities.

Performance management is not viewed as a strategic management tool

From the interviews, performance information appears not to be generally used (or viewed) as a strategic management tool. Nor is it routinely used as an input to improve programme design or implementation, or even as a strategic input into planning. The main reasons put forward for this are the general lack of commitment to performance management, and the fact that many of the oversight structures with the final responsibility for performance management (particularly portfolio committees) do not have the requisite skills and expertise to fulfil a strategic performance management function.

You write all these beautiful documents and then they just gather dust. We don’t think that they use these documents – to be honest with you I don’t think they are using them.

The usefulness of these portfolio committee meetings is mixed [...] but I have to say the document that we give them is quite thick and can be quite overwhelming.

There is no capacity to analyse information in [this city] – you go to these different committees and the input that you get [i.e. the feedback on the performance reporting] is very disappointing, very low-level. If you try and push, then people get fed up.

In national government [...] there is an entrenched ‘culture’ of working in this performance management framework. In contrast, at municipal level there was never performance management, and they don’t work and they don’t want to held accountable. Performance management could help them [to improve the municipality], but they think that this will cause a problem with them. [...] Performance management started right from the start in national, but at local level municipalities have never had [proper] performance management systems, and now there is strong entrenched interests not to have them.

People have certainly not embraced the learning aspects of using performance information [to improve outcomes]. How do we create a situation where they see this information as something useful and that can contribute to better organisational performance?”

A lot of this [lack of using performance information strategically] is also a data problem: people don’t keep the right kind of data to provide really information that is needed to do detailed analysis [of organisational problems/outputs/successes].

People are not using the annual reports to say what did we do right, what did we do wrong, and how can we improve next year – they just think about the plans and not the reporting against those plans.

How do you know if you have done a good job or not? Most people have got no idea whatsoever. They get no real feedback about how what they do fits into or supports the city’s long-term goals.

There is also a sense that a particular project with strong political backing will continue, even when performance information clearly shows that it is not delivering, and even if that means effort, time and resources will be redirected away from other more impactful projects.

Some political leaders are attached to certain projects, so even if the writing is on the wall [i.e. the performance data shows that the project is not achieving its goals], because they have their hearts set on that project it will carry on, sometimes for decades [...] it can’t go away.

There is a general sentiment among performance management practitioners that this gap in the system represents a significant lost opportunity to improve city performance. In particular, it means that the city is not able to make clear linkages between the delivery of outputs and progress towards long-term development outcomes.

The same things seem to be cropping up all the time, but there is no knowledge management around problem solving and so people face the same problems over and over again and can’t learn from what has been done in the past.

It is difficult for the city to track performance at an outcome level. Very, very difficult. That is not a gospel we have been talking. By that I mean, as an organisation as big as the city, we need a clear logic model. What outputs are contributing to which outcome? We need to know this so we can track if we are making the change. [...] It will help the city to have a greater appreciation of the progress it has made towards meeting its vision. You can measure number of this and number of that – but are you achieving intended outcomes? If you build 100 houses, and you achieve this goal, but what is the change to people’s lives?

A significant number of city employees believe that a performance management system contains a strong punitive element. That is, that a key reason for having such a system is to try and punish people for ‘poor’ performance. In one of the workshops it was noted that sometimes the performance management system is in fact used for their purpose; ‘weaponised’ in order to get rid of senior officials.

IN SUMMARY

There is very little performance management taking place in cities that would allow performance information to be used strategically to improve planning over time. This is partly because of the lack of general understanding of the value of such a process, and partly because of the role of political factors in determining what actually gets done (rather than the latter being the outcome of an objective assessment process). In addition, the problems presented by the generally poor performance measurement environment in cities cannot be ignored: if the performance measurement process is constantly undermined (as it clearly is), then the data obtained from this process cannot actually provide the basis for an effective performance management system.

3.7 Summary of findings

The legislation of performance management in local government is intended to improve socio-economic development outcomes, by focusing efforts across an organisation on achieving the goals of the integrated development planning process. The literature review highlights a number of key factors necessary to an effective public sector performance management system. The most important of these are:

- Goal clarity and continuity (in respect of both organisational and individual goals);
- Alignment in planning, so that the organisation's long-term goals are effectively cascaded intact right through the organisation; and
- A strong focus on performance management, rather than just measurement.

The interviews highlight several ways in which the current performance management systems in cities are failing to make the required contribution to the desired long-term development outcomes. The factors originate both inside and outside of cities, and include the following:

- The legislated planning process (i.e. centred on the IDP) is often undermined by the complex realities of planning in cities. Notably, this process does not take sufficient account of the complex trade-offs required to balance community wishes against limited resources and long-term development strategies. As a result, cities have had to develop a range of 'work-arounds' to try and fit the IDP into their actual requirements.
- The resulting performance measurement system has a number of 'leakages' and 'filters' at various points that greatly undermines alignment. These include senior manager discretion in adjusting goals and targets; considerable political influence on changing, removing and/or adding goals or targets; and the fact that the vast majority of staff do not have performance management agreements aligned to the organisation's goals. The end result is that much of the effort expended in a city is not actually contributing in the most effective way towards achieving the long-term organisational goals.
- At the same time, the multiplicity of other external planning and reporting regimes imposed by other spheres of government have become extremely onerous, and contributed significantly to a culture of compliance, not performance.
- It appears that the existing form of the performance management system inhibits both creativity in solution development and collaboration across departments.
- The multiple leakages in the system, combined with its heavy administrative burden, has resulted in a situation where performance management is not considered to be an important strategic issue, outside of individual senior managers' concern for their annual performance review.

- It is difficult to use performance information strategically when so many leakages and filters operate to distort alignment within the system. In an environment where project targets are regularly and subjectively revised, to the extent that that the 'performance' of that project is no longer clear or objective, how can that information be used as the basis of a strategic discussion about the project? In other words, if the performance measurement process is constantly undermined (as it clearly is), then the data obtained from this process cannot actually provide the basis for an effective performance management system.

IN SUMMARY

The existing performance management system contributes little to the attainment of long-term development goals, due to a combination of structural (design) and operational (implementation) issues.

4. Implications of the Research

The scope of this research assignment did not include developing detailed recommendations for translating the findings into policy in respect of performance reporting and performance management in South African cities. However, the findings do have some implications for how to address the multiple issues raised during the research, and were discussed in both the workshops. The main implications are summarised below:

- (i) Institutions responsible for the regulation and oversight of performance management in cities do not always seem to appreciate the 'view' from inside cities. These institutions could take a more collaborative (intergovernmental) approach towards the real challenges faced by cities in implementing the frameworks. There is a perception within cities (partially reinforced during the workshops) that these institutions have little real interest in really understanding how these frameworks unfold in a particular setting, and the unintended consequences thereof.
- (ii) Clearly the 'cluttered' planning landscape in cities is both encouraging a culture of compliance and obscuring the 'basics' that everyone agrees cities should be focusing on. Attempting to resolve this with more planning and performance management regulation and requirements is counter-intuitive. What is required is a simpler, pared-down system that will enable energies to be focused on those basics.
- (iii) Cities require a performance management regulatory framework that encourages, rather than stifles, innovation and collaboration. A performance management system that is based on a strong collaborative culture of learning – of using performance information to improve performance – could make an important contribution to shifting institutional culture towards embracing alternative, more creative ways of approaching problem solving.
- (iv) Many interviewees and workshop participants agreed that the function of performance management needs to be elevated in cities and taken more seriously by everyone as a key strategic function. This in turn requires (at least) that everyone in a city is part of the same performance management system. It also requires a strong commitment from leadership to implementing a collaborative culture of learning in cities that will prioritise performance management and create a supportive environment.
- (v) Circular No. 88 represents a step in the right direction in terms of standardising performance reporting, and thus objective benchmarking across cities. However, the general perception is that details of the Circular No. 88 needs some refinement, particularly in respect of dealing with reporting on large and complex infrastructure projects.
- (vi) A key component of a culture of collaborative learning is the idea that failure is an important part of experimentation. Innovation requires taking risks, and risk-taking always carries the possibility of failure. Organisations that do not accept failure also do not create an environment for risk-taking. This point was made clearly in the second workshop: we need to make more room for failure and see it as part of a culture of piloting and creativity.
- (vii) The relationship between communities and cities leaves a much room for improvement. Community unhappiness with service delivery often reflects a miscommunication in respect of what is possible to do, and what is not possible to do. This, in turn, reflects that cities are not working collaboratively with communities. Instead, the legislative requirement for community 'consultation' is all too often seen as an unwelcome obligation to be complied with as quickly as possible.

- (viii) A different kind of participatory and collaborative relationship with communities can add value to the planning and performance management system in cities. Communities should be seen as development partners, which requires sharing greater levels of information with communities about development priorities and the trade-offs necessary in resource-constrained environments. This will contribute to aligning expectations between what is possible and what the community would like. Taking the time to undertake this co-creation of strategic plans will support mutual accountability between government and communities.

THE VIEW FROM THE NELSON MANDELA BAY DEVELOPMENT AGENCY

The Nelson Mandela Bay Development Agency (NMBDA) has faced many of the same challenges that cities currently face in respect of developing an integrated and aligned performance management system. The NMBDA's experiences and learning provide some insights for how cities could go about addressing their own challenges.

Initially, the NMBDA had a performance management system that incorporated organisational KPIs (on which it reported to the parent municipality), but these were not cascaded down into individual performance management agreements or systems. In addition, the custodian of performance management (including these organisational goals) was the HR department, rather than any dedicated performance management unit. The lack of focused thinking about aligned performance management meant that there was little correlation between how individual targets were set and measured, and the goals of the organisation. This acted as a disincentive to individual staff members (who could not see a direct link between their efforts and the organisation's goals), and undermined the performance of the entire Agency.

A new Acting CEO recognised the importance of a complete overhaul of the system. An extensive engagement process was undertaken with a wide range of stakeholders and all staff. The entire system was revised, and the new system centres around clear linkages between individual and organisational KPAs, and NMDA's five-year strategic plan.

Training sessions have assisted staff to understand the rationale and operation of the new system, and to ensure commitment and buy-in. A trial-and-error approach was adopted in respect of the new system, meaning that it was flexible enough to be adapted and changed as required. This further supported staff commitment to a system that they were involved in creating.

Initially, the system was managed with a high manual work component, which proved to be extremely challenging and time-consuming. The NMBDA now has a fully digital system, which has not only greatly simplified data collection and measurement, but also means that previous reports are easily available for comparison. The system also incorporates reporting on why targets have not been achieved and actions taken in response, and so it functions as a knowledge repository and a basis for organisational learning.

The NMBDA executive team points out that obtaining this staff commitment was not something that happened overnight but was a long (multi-year) process. This underscores the importance of taking a long-term view towards changing institutional culture and entrenching performance management in a working environment.

5. Conclusion

This research was practitioner-centric and aimed to respond to the request from BEITT members to investigate the rules that govern planning practitioners in local government. Over the years that the BEITT has been convening, the sentiment that “we are measuring the wrong things” has emerged time and again. This research has thus explored the nature of the performance management system through both its codified (written) and uncoded (unwritten) rules to understand why practitioners feel this way.

The findings, based on interviews with officials from both performance management units and sector departments within five metros, have revealed very good reasons for practitioners to feel disenchanted by city performance management systems. These performance management systems are functioning sub-optimally at every stage of the ideal performance management cycle: goal-setting for individuals and the organisation; performance measurement for individuals and the organisation; and performance management to improve future planning. In general, the performance management system is not aligning the short-term operational goals to the long-term transformation goals of cities. Instead, the system is promoting a compliance-driven, siloed and unambitious working culture in municipalities that prioritises the banal and administrative tasks of the organisation over innovative, collaborative and creative practices to improve the lives of people in the city.

This research suggests that some very major changes are necessary to improve the way municipalities use their performance management systems. Through workshops with both interviewees and external stakeholders, numerous ideas emerged for how the performance management system needs to change. A systemic change to a governance system of this nature is no easy task and will require ongoing conversation, deliberation and learning with key stakeholders in all spheres of government. This research’s aim is to form an important piece of the task of centring the performance management system as a critical piece of the governance puzzle that needs solving if cities are to fulfil its mandate of improving the lives of communities.

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Annexure A: Interview Consent Form

Background

The South African Cities Network (SACN) has commissioned a research project to investigate the municipal performance managements system as it relates to built environment practice in Cities. In so doing it hopes to generate insights within and across cities that develop a better understanding of how the performance management system institutionalizes a set of both written and unwritten rules that shapes practitioners' behaviour. The focus of the study is on making sense of the entire performance management system rather than critiquing individual Cities' approaches to performance management.

The approach to the research is to interview a set of City officials and built environment practitioners who interface with the performance management system, such as Human Resources (HR), Audit and Built Environment sector departments. A list of interview candidates was developed in consultation with each City, based on expected ability to contribute to this research. Please note that no one can be compelled to participate in this research if they do not wish to do so.

We are seeking reflections, insights and lessons from your time working in local government and your experience of the performance management system in order to build an understanding of what the performance management system comprises and how municipal performance management works in practice.

A highly qualified research team from the Public Affairs Research Institute (PARI), comprised of Dr Tracy Ledger, Mahlatse Rampedi and Kate Tissington, has been appointed by the SACN to carry out this study.

Further information about the aims and method of the research can be obtained from Kayla Brown at SA Cities Network (Kayla@sacities.net) or from Tracy Ledger at PARI (tracy@pari.org.za).

Data and information storage and usage

The interview will be documented through a set of detailed notes drawn up by the interviewer. You cannot be compelled to answer any questions or to volunteer any information if you do not wish to do so.

All of the interview notes will be submitted by the service provider to the Project Manager, Kayla Brown and to the Programme Manager, Geoffrey Bickford from SACN. Within the research team comprised of the three individuals from PARI and the two individuals from SACN, the interview notes shall remain strictly confidential, stored in a secure folder on the SACN server, and will not be shared outside of that research team.

The findings from the interviews will then be synthesised into a report, which will be publicly available. In that report, all individual's input and quotes obtained during the interviews will be anonymized and their respective Cities also anonymized. PARI will also be authorised to use the material for academic publishing purposes and will adhere to these strict confidentiality and anonymity requirements in all such publications.

Consent agreement

By signing this consent form you agree to participate in the project as an interviewee and understand that the outcomes of the interview will be anonymised, analysed and synthesised for the purpose of developing a report to be published by the SACN. Any material intended for publication will be shared with you for review prior to publishing.

I _____ hereby acknowledge and understand the purpose of this interview and accept to participating in the study.

Signed: _____

Date: _____

