

**FISCAL DECENTRALIZATION AS EFFICIENCY TOOL FOR SUPPLY CHAIN  
MANAGEMENT AT EMFULENI LOCAL MUNICIPALITY**

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## **DECLARATION**

I, the undersigned, hereby declare that the work contained in this dissertation is my own work, all the sources that I have quoted have been indicated and acknowledged by means of a complete reference; and the work has not previously in its entirety or in part been submitted at any university for a degree.

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M.A Mahloko

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Date

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First and foremost Glory, Peace and Dominion be to the Father, and to the Son, and to the Holy Spirit, who made all things possible.

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## ABSTRACT

Decentralization is a buzzword in current discussions on Public Management and its debate has always been a contentious one. The concept involves the restructuring or reorganization of authority so that there is a system of co-responsibility between institutions of governance at the central, provincial, regional and local levels according to the principle of subsidiary, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities of sub-national levels. The dispersal of financial responsibility is a core component of decentralization. Similarly, fiscal aspect is one of the decentralization programs. Moreover, fiscal as a tool is to change from inefficient to efficient public sector functioning and to improve relations between local governments for more efficient in public service. Importantly, decentralization of fiscal responsibilities is envisaged to increase efficiency in service delivery and reduce information and transaction costs associated with the provision of public services. By implication, efficiency in this context means how a country's public finances are structured and how nation-state that is fragmented holds its finances together in the first place.

The concept of "Supply Chain Management" (SCM) is the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services delivered to the ultimate customer. Public sector SCM is seen as an acquisition of goods and service which has broader social, economic and political implications. Effective public sector SCM has potential benefits such as inventory reduction, improved service delivery and cost reduction across supply chain. Despite these benefits, South African (SA) public sector encounters challenges of SCM. In Emfuleni Local Municipality (ELM), these challenges range from a paucity of human resources due to lack of skills and capacity in the implementation and execution of SCM functions, poor implementation of SCM practices, quality of service in the SCM and to poor collaborative planning. Other barriers are lack of fiscal accountability, tight budget constraints and conflict of interest in the awarding of tenders which leads to political elite and bureaucratic corruption which cascades into unethical and unfair procurement dealings. These costly burdens result in ELM's failure to meet community needs. Due to these challenges, the *Fiscal Decentralization* of SCM functions currently occupies a center stage in the financial management reform process at ELM.

Evaluating the efficiency of fiscal decentralization within the Supply Chain Management Department of Emfuleni Local Municipality requires an in-depth understanding of criteria. The concepts and principles from an examination of documentary data and analyzed by the researcher were applied. In addition, semi-structured interviews, focus group discussion and observation methods were conducted to solicit comments from senior managers, employees and service providers. This study reports the results of a full survey among a sample of the municipality-wide customers in the study area. It was found amongst other that:

- Fiscal Decentralization as SCM efficiency tool has had only marginal positive effect at ELM
- Effective implementation of fiscal decentralization is a function of well trained, qualified personnel crop, an attribute which is only beginning to get at ELM
- Fiscal decentralization is best promoted with performance management, a strategy which is well performed at ELM

The study ends with recommendations for management action in committing themselves to take strategic fiscal decisions and actions that hold the key to the success of decentralized decision making.

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## **CHAPTER 1**

### **INTRODUCTION, ORIENTATION AND RESEARCH METHOD**

#### **1.1 INTRODUCTION**

This chapter of the study will give the orientation and background to the study. The problem statement and the reason for the need for this research is outlined. The hypothesis is stated, so are the research questions and objectives for the study. Furthermore, the method for the research, consisting of the literature review and the empirical research and design are described. An outline of chapters concludes this chapter.

#### **1.2 ORIENTATION AND BACKGROUND TO THE STUDY**

Decentralization is a buzzword within contemporary discussions on Public Management and the debate has always been a very contentious one. In its original sense, Scott (1996:3) defined “Decentralization” as the restructuring or reorganization of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiary, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities of sub-national levels”.

Previous theoretical and empirical studies of decentralization have focused on *basic underlying of societies* that might affect the costs and benefits of adopting a decentralized fiscal system. The most important arguments see fiscal decentralization as an efficient response to the underlying heterogeneity of preferences in the society. In the standard literature of decentralization and fiscal federalism, the focus is on allocation of funds and it is implied that allocated funds automatically reach their intended beneficiaries (Oates, 1972:4; Panizza, 1999:103).

In some developing countries and societies in transition where fiscal decentralization reforms have been successful, it is indeed quite hard to come up with developing countries examples where fiscal decentralization reforms have been an indisputable success. Fiscal literature discourse that the inability of central government to meet increasing demand for local services underpins moves towards decentralization in developing countries. Decentralization of fiscal responsibilities is geared to increase efficiency in service delivery and reduce information and

transaction costs associated with the provision of public services (De Mello 2000:365). By implication, Bird and Ebel (2006:7) point out that efficiency in this context means how a country's public finances are structured and how nation-state that is fragmented holds together in the first place. Furthermore, rigorous academic research has been done on the potential benefit of decentralization, but little systematic evidence is recorded about fiscal decentralization on local government.

With the preceding remarks as the precursor, political liberalization and economic globalization have opened up possibilities for South Africa (SA). In the post-1994 era, Supply Chain Management (SCM) is a significant and yet understudied phenomenon. Hence, numerous studies defined a "Supply Chain Management" (SCM) as the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services delivered to the ultimate customer". Accordingly, "Public Sector SCM" is a concept that offers a reference framework for the composition of Public Sector SCM and multilevel networks. For that matter, "Public Procurement" is seen as the acquisition of goods and services on the possible terms, which has also broader social, economic and political implications (Labuschagne, 1985; Ireland & Webb, 2007; Morris, 1998; Turpin, 1972). To provide a comprehensive insights into the definition of concepts, words such as "Supply Chain Management (SCM), Public Sector SCM and Public Procurement will be used interchangeably in the public procurement domain.

In the light of the legislative and statutory requirements, procurement was used to channel funds to designated categories of economic actors (e.g. previously disadvantaged groups) in South Africa. Beyond the issues associated with the scale of public procurement, the existing literature has focused attention on a number of important issues. In this regard, it has been employed to achieve certain more direct social policy issues such as to:

- Foster the creation of jobs;
- Promote fair labour conditions,
- Promote the use of local labour with the possible impacts of efficiency as a means to prevent discrimination against minority groups,
- Protect the environment,
- Encourage equality of opportunity between men and women; and
- Promote the increased utilization of disabled in employment (Watermeyer, 2000:227).

For its implementation, Section 62 (1) (f) (iv) of the Municipal Systems Act (2000) provides a very pragmatic approach to call the accounting officer to set out the internal systems of municipalities that enable municipalities to operate in such a way that they move towards the social and economic upliftment of local communities aimed at ensuring universal access to essential services that are affordable to all. In the light of the debate concerning the transparency of public procurement, a growing interest in using *Fiscal Decentralization* as an efficiency tool for Supply Chain Management (SCM) is not well documented. To that end, this study seeks to examine *Fiscal Decentralization* as an efficiency tool for Supply Chain Management (SCM) by utilizing Emfuleni Local Municipality (ELM) as the locus for this research.

### 1.3 PROBLEM STATEMENT

Emfuleni Local Municipality (ELM) is one of three constituent local municipalities that fall within the jurisdiction of the Sedibeng District Municipality (SDM). Of particular interest is that, Emfuleni was at some stage placed under Project Consolidate which is a hands-on local government support and engagement programme to receive assistance in delivering services and management of resources placed under the curatorship of the Municipality. Traces of New Public Management (NPM) suggest that the tentative steps down the path of decentralization might be the direction chosen for the future. This entails a transfer of power and functions to lower levels or to other departments which did not previously exercise jurisdiction over functional area. The objective in NPM is more concerned with cost-effectiveness and seeking to establish units accountable to management. Yet, retaining central control while devolving responsibility is well illustrated in Osborne and Gaebler's (2001:2) account of what they consider to be Decentralization. Therefore, fiscal decentralization is one of the programs and is a tool to change from inefficient public sector towards the improvement of the relations within local government spheres for more efficient public service

Initially, ELM's SCM functions were centralized, with the SCM unit responsible for planning, forecasting, procurement, warehousing and distribution to the ultimate user in order to address socio-economic objectives. Within the context of this study, Daugherty et al. (2005:73) observed that the Public Sector SCM has potential benefits such as inventory reduction, improved service delivery and cost reduction across the SCM. However, despite these benefits, the South African

public sector encountered challenges of SCM. In ELM, those challenges ranged from a scarcity of human resources due to lack of skills and capacity in the implementation and execution of SCM functions, poor implementation of SCM practices, quality of service in the SCM and to poor collaborative planning. Other barriers were evident through lack of fiscal accountability, tight budget constraints and conflict of interest in the awarding of tenders which led to political interference and bureaucratic corruption which cascaded into unethical and unfair procurement practices. These costly burdens resulted in ELM's failure to meet the community needs. Due to these challenges, the fiscal decentralization of SCM functions currently occupies a center stage in the financial management reform process at ELM.

With challenges facing ELM in meeting the needs of the communities it serves coupled with its constitutional service delivery imperatives the following needs and problems have been identified:

- ELM cannot continue to provide services in its current form without resorting to a system change
- The need to provide effective service delivery demands a change in the manner in which these are currently executed.
- Lack or scarcity of skills impact negatively on service delivery
- Customer satisfaction is the least of the concerns of ELM

The foregoing presents sufficient reasons why the need arises for research that specifically investigates the efficiency of the fiscal decentralization of the SCM functions at ELM. Although rigorous academic research has been conducted on the potential benefit of decentralization, Bossert *et al* quoted Bates *et al* (2007:97), indicating that only a few studies have attempted to address decentralization of logistic systems within the private and public sector (Bossert *et al.*, 2006:2). Further, not much systematic evidence is available about fiscal decentralization on local government sphere. Hence, a close analysis of fiscal decentralization as an efficiency tool in the Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM) will form the basis of this study.

## 1.4 HYPOTHESIS

Flowing from the background analysis, the following hypothesis is formulated to undergird the study:

Current SCM operations at the ELM seem disorganized due to lack of human resource capacity to implement the fiscal decentralization of SCM functions, a situation that requires urgent remedy to gain benefits of fiscal decentralization pertaining to SCM functions.

## 1.5 RESEARCH QUESTIONS

This study seeks to provide answers regarding the following questions:

- What does fiscal decentralization in SCM within a municipal environment entail?
- What strategies under the existing structures, processes, systems, methods and tools does the Emfuleni Local Municipality have in place for the continuous improvement of service quality in SCM functions?
- What progress has been made by Emfuleni Local Municipality in fiscally decentralizing the SCM functions?
- What recommendations can be offered regarding the effective implementation of decentralization of SCM at ELM?

## 1.6 RESEARCH OBJECTIVES

Flowing from the above research questions, the objectives of the study are the following:

- To give a theoretical analysis of concepts fiscal decentralization and SCM;
- To describe the strategies under the existing structures, processes, systems, methods and tools put in place for the continuous improvement of service quality in SCM at ELM;
- To assess the progress made by ELM in the decentralization of the SCM functions;
- To offer recommendations regarding the effective implementation of decentralization of SCM functions at ELM.

## 1.7 RESEARCH METHODOLOGY

The following methods were utilized for the collection of information during the research process:

### 1.7.1 Literature Review

The theoretical part of this research consists of the use of available literature of books, journals, legislations, newspapers and electronic database on existing approaches and techniques of decentralization related to SCM functions, both nationally and internationally. Furthermore, existing departmental reports on the systems and procedures for decentralization of SCM functions were consulted in order to establish and explain the difficulties involved in the process of implementing the decentralization of the SCM within the ELM. The synthesis of secondary data consists of historical analysis of decentralization process in ELM.

### 1.7.2 Empirical Study

The scope of the empirical investigation is limited and analytically descriptive to ELM. A semi-structured interview was conducted with the following ELM politicians and officials to draw their experience and knowledge of the issues, particularly relating to SCM policies, strategies and procurement processes, MMC: Finance, Municipal Manager, former Chief Executive Officer of Metsi-a-Lekoa and the Deputy Municipal Manager: Service Delivery, Chief Financial Officer, Manager SCM (Currently Vacant Position), Assistant Manager: SCM, and Chief Buyer. The research instruments were a semi-structured questionnaire. A common questionnaire was distributed to ten SCM officials to understand the existing nature of procurement constraints in service delivery as a result of fiscal decentralization of the SCM within ELM. The user survey questionnaire was used to obtain representative data of ten Service Providers from the ELM's Vendor Registration Database to establish how decentralization affects their timely payment for the service rendered.

## **1.8 OUTLINE OF CHAPTERS**

Against this background, the organization of the research consists of the following preliminary chapters:

**Chapter 1:** Introduction – Problem statement and research method

**Chapter 2:** Theoretical and historical exposition of fiscal decentralization and SCM

**Chapter 3:** A historical overview of fiscal decentralization of SCM functions at ELM

**Chapter 4:** Empirical study on the effects of fiscal decentralization of SCM functions at ELM

**Chapter 5:** Summary, findings, recommendations and conclusions



## **Chapter 2**

### **THEORETICAL AND HISTORICAL EXPOSITION OF FISCAL DECENTRALIZATION AND SCM**

#### **2.1 INTRODUCTION**

The preceding chapter formed the basis of the research by sketching the research problem. The objective and scope of the study were also discussed. The present chapter sets the scene regarding variety of concepts, most importantly decentralization in the public administration domain. This chapter examines the international and national fiscal decentralization as an efficiency tool for public sector organizations, specifically for local sphere of government by shifting public finances “closer to the people”. In particular, there is an analysis of the effects of fiscal decentralization as an efficiency tool for Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM).

#### **2.2 DECENTRALIZATION**

This section of the study starts with a conceptualization of decentralization of SCM with a brief reference to its comprehensive definition. It further explores the origin of SCM.

##### **2.2.1 Meaning of Decentralization**

Decentralization is a buzzword in current discussions on public management and its debate has always been a contentious one. As it is Scott (1996:3) emphasized that decentralization has often been the rock on which a considerable burden of expectations has been dashed, expectations which have been amplified by association with political and social aspirations with different schools of thought in public administration. In its original sense, Decentralization is the transfer of power from central to a devolved jurisdiction; hence it might be seen as a simple structural consequence of a re-allocation of functions within government. The results of a real power, however, have profound implications for the state, central, provincial and local relations as well as citizens.

Some of the confusion that prevails about Decentralization arises because the concept can, and does mean very different things to different people. The term “Decentralization” embraces a variety of concepts. In its most basic definition, Godana & Naimhwaka (2002:1) describes Decentralization as the transfer of some power of central government to regional or local authorities. Scott (1996:3) in concurring and that Decentralization is defined as the restructuring or reorganization of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiary, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities of sub-national levels. Decentralization could also be expected to contribute to key elements of governance, such as increasing peoples opportunities for participation in economic, social and political decisions; assisting in developing people’s capacities; and enhancing government responsiveness, transparency and accountability.

### **2.2.2 Historical Background of Decentralization**

A number of publications have suggested that the emphasis given to the key concept of decentralization has changed over time with further confusing purpose and outcome. In the 1950s and 1960s, the notion of decentralization underlay attempt to create or recover indigenous local government from colonial practice. In 1970s, it was a central plank in the New Public Administration (NPA) movement’s efforts to achieve greater responsiveness and responsibility. In the 1980s, it was emphasized as an essential component of effective “bottom up” planning. In the 1990s, the doctrine of New Public Management (NPM) has resulted in a further redefinition of the concept, changing its application from a focus territorial and structural concern to a functional division between policy-making and execution (Conyers, 1986:89)

### **2.2.3 What Decentralization is not**

In 2002 the need to look at the Decentralization of Capital Projects started to appear in a research funded by the Namibian Economic Policy Research Unit. This study provided evidence that Centralization is in response to the need for national unity, whereas Decentralization is in response to demands for diversity. However, both forms of administration can coexist (Godana & Naimhwaka, 2002:1).

In concurring to this approach, the October 1999 United Nation Development Programme Report (will be referred to as UNDP in the rest of this study) entitled “Decentralized Governance Monograph: A Global Sampling of Experiences” cited that Decentralization is not an alternative to centralization, but both are needed. The finding of this initiative showed that the complementary roles of national and sub-national actors should be determined by analyzing the most effective ways and means of achieving a desired objective. In designing a decentralized strategy it is imperative that such an analysis be done (UNDP, 1999:3). In this case, Decentralization is much more than public sector, civil service or administrative reform. With this in mind, it involves the roles and relationships of all of the societal actors, whether governmental, private sector or civil society. The design of Decentralization Programmes must take this into account. This is why UNDP prefers the use of the term “Decentralized Governance” rather than the term “Decentralization” (UNDP, 1997:1).

## **2.3 TYPES OF DECENTRALIZATION**

Different types of Decentralization show different characteristics, policy implications and conditions for success. In the context of this project it is worth outlining the three distinct types of Decentralization discussed in “Wikipedia the Free Encyclopedia of Decentralization” as follows:

### **2.3.1 Political Decentralization**

The article on Times of Swaziland written by Dr A.T Dlamini on 20 June 2009 indicates that political decentralization aims to give citizens or elected representatives more power in public decision – making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. Advocates of political decentralization assume that decisions made with great participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The concept implies that the selection of representatives from local electoral constituency allows citizens to know their political representatives better and allow elected officials to know better the needs and desires of the constituents. Political Decentralization often

requires constitutional or statutory reforms, creation of local political units and the encouragement of effective public interest group.

Political Decentralization not only has the over concentration of business and political power been a problem in holding back worldwide economic development, it has also fostered corruption and dictatorship. A century ago, the British political commentator Lord Acton noted that power corrupts, absolute power corrupts absolutely. Indeed, much of the recent emphasis placed on the strengthening of local government has been motivated by a desire to break the grip of sometimes quite corrupt national bureaucracies on the development process (UNDP, 1999:9). To this end, Scott (2009:10) commended that this form of decentralization is synonymous with democratic decentralization or devolution.

### **2.3.2 Administrative Decentralization**

Administrative Decentralization seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of governance. It is the transfer of responsibility for the planning, financing and management of public functions from central government or regional government and its agencies to local government, semi – autonomous public authorities or corporations, or area wide, regional or functional authorities (Rondinelli *et al* 2003:50)

A cursory review of literature on administrative decentralization disclose that in developing countries Governments attempted to implement a variety of Administrative decentralization policies which ranged from those that are more comprehensive in scope and designed to transfer development planning and management responsibilities to local units of government. Others have been narrowly conceived, deconcentrating or re-allocating administrative tasks among the units of central government. But on an unprecedented scale, central governments are allocated more substantial portions of the national budget to local authorities. Hence, the more administrative authority, the more economic responsibility and more political autonomy (UNDP, 1997:5).

### **2.3.3 Fiscal Decentralization**

Dispersal of financial responsibility is a core component of decentralization. Scott (2009:4) provided a remarkable insight by defining fiscal decentralization as the transfer of financial resources in the form of grants and tax –raising powers to sub – national units of government. If local government and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenue – either raised locally or transferred from the central government – as well as the authority to make decisions about expenditures. More interestingly, Neyapti (2003:1) defined fiscal decentralization as devolution of policy responsibilities from the central government towards local governments with regard to spending and revenue collection.

Flowing from the above, a distinction has been made to distinguish decentralization in the sense of devolution of decision- making power from such a mere administrative delegation of functions of the central government to their local branches. Furthermore, a separation has been highlighted in the political and administrative aspects of decentralization from those of fiscal decentralization. For the focus of this study, the latter (fiscal decentralization) will form a basis of discussion. At the same time, this research will confine the analytical focus of decentralization to the governing authority at the local community level.

### **2.4 Modes of Decentralization**

A closer analysis from the abovementioned types of decentralization reveal multiple modes of decentralization opted by a number of countries which would be used throughout this study.

De-concentration is often considered to be the weakest form of decentralization; it redistributes decision authority, financial and management responsibilities among different levels of the central government. It can merely shift responsibilities from central government officials in the capacity of the city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries. De-concentration functions are normally not entrenched in laws and can easily be withdrawn at any point in time (Boschmann, 2009: 19)

Delegation is a more extensive form of decentralization. Through delegation central governments transfer responsibility for decision making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations. Usually these organizations have a great deal of discretion in decision making, they may be exempted from constraints on regular civil service personnel and may be able to charge users directly for services. Delegation is often legally recognized (Boschmann, 2009:20).

Devolution as a third mode of decentralization is legally entrenched, often in the Constitution. When governments devolve functions, they transfer authority for decision making, finance and management to quasi autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities/districts that elect their own mayors and councils, raise their own revenues and have independent authority to make investment decisions. In a devolved system local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. In this type of administration is decentralization that underlies most political decentralization. Eventually, Godana & Naimhwaka, (2002:10) indicated that the ultimate goal of a Decentralized process is the devolution of functions to the Regional Councils.

ELM is using the combination of De-concentration and Devolution mode since it redistributes decision authority, financial and management responsibilities of Supply Chain Management among different Clusters within the municipality. These clusters are headed by Deputy Municipal Managers, who have clear and legally recognized boundaries over what they exercise authority and within which they perform public functions.

## **2.5 POTENTIAL BENEFITS OF DECENTRALIZATION**

Decentralization which is best manifested in strong, autonomous and vibrant systems of local government, offers numerous benefits or advantages as a model of governance/public administration which is able to address the many challenges and trends which presently confront Caribbean states, and which may be applicable to the South African context are enumerated above (Miller, 2002:11). The advantages/benefits of decentralization are:

- Assumes that decentralization takes the form of a strong, autonomous and participatory model of local governance, which enjoys extensive and real powers for local self-management, and for spearheading the local sustainable development process.
- More functions will now be performed at the local level, thereby creating opportunities for locals with technical, managerial and leadership skills to remain in the region, thus reducing the rural/urban brain-drain, and enhancing local capacity to manage local affairs and spearhead local development.
- Devolution enables each region to take initiatives for their own development, as they see fit. In doing so, they will know of the opportunities, indigenous resources and comparative advantages on which development can be based. Development is therefore driven locally, rather than by external agents who are pre-occupied with many other priorities, and know little about local potential for development.
- Planning for local sustainable development is effected through a participatory process in which the partners forge a collective vision for local development, agree on common goals, and on strategies/ plans for achieving the goals and realizing the vision. Devolution is essential to this approach, and development plans produced through such a process will enjoy full support/commitment of the local community, and therefore is very likely to be realized, unlike the usual fate of centrally produced plans (Miller, 2002:7).

### **2.5.1 Challenges of Decentralization**

Notwithstanding the many, and substantial, advantages and benefits of decentralization this model of governance does not come without some potential disadvantages or risks. It is therefore very important that there is a clear understanding of such disadvantages or risks, so that appropriate safeguards or preventive measures can be taken or put in place (Miller, 2002:11). Among such disadvantages or risks are the following:

- Decentralization can bring higher risks of resource/power captured by local elites or special interest groups. Without adequate safeguards, there is a risk that powerful or well-placed local elites may be able to capture the resources/powers allocated to or conferred on local authorities, and use these resources/powers for their own benefit /interest. It is

therefore essential that in formulating the Decentralization arrangements, provisions are included to prevent the process being high-jacked by any single group or small elite.

- A frequently advanced argument in support of centralization is that of economies of scale. The burden of this argument is that central delivery of most services is usually more efficient, particularly in relatively small states, because of likely savings arising from reduced overheads, bulk purchasing, and other areas of cost savings. To the extent that this is valid, it would represent disadvantage of decentralization. However, such claims of increased efficiency and cost savings are usually proven to be more imaginary than real, as factors such as elongated chains of command/supervision, remoteness from the scene of action, inability to apply solutions which best fit the local situation, all lead to higher costs which offset and savings realized. Furthermore the value of local involvement is lost, and that also carries a price.
- Misuse of authority due to inadequate supervision/weak accountability mechanisms constitutes a real risk of devolution.
- Devolution creates the potential for conflict between local and national interests. With each region having the means of identifying and articulating its particular interests, differences between local and national interests are sure to emerge. Such conflicts are not necessarily harmful, as it can serve to ensure that in arriving at any policy or course of action, the interests and concerns of all regions are taken into consideration and suitably addressed.
- If not properly managed they could become extremely destabilizing, and therefore an important aspect of any decentralization arrangement must be an appropriate framework for resolving such conflicts.
- Decentralization represents a more complex form of governance. Creation of several levels of government brings complexities as to role and functions, relationships, and revenue and power sharing. The most controversial issue is usually related to finance and mandates. Definition of roles and functions of and relationships between different clusters in the municipality or operations is critical to a successful exercise (Miller, 2002:11).



## **2.5.2 Fiscal Decentralization and Fiscal Federalism**

Previous theoretical and empirical studies of decentralization have focused on basic underlying of societies that might affect the costs and benefits of adopting a decentralized fiscal system. The most important arguments see fiscal decentralization as an efficient response to the underlying heterogeneity of preferences in the society. In the standard literature of decentralization and fiscal federalism, the focus is on allocation of funds and it is implicitly assumed that allocated funds automatically reach their intended beneficiaries (Diaz-Cayeros, 2000:12).

With this in mind, fiscal federalism is a set of principles that can be applied to all countries attempting fiscal decentralization. In fact, fiscal federalism is a general normative framework for assigning of functions to the different levels of government and appropriate fiscal instruments for carrying out these functions. While fiscal federalism constitutes a set of guiding principle, a guiding concept, that helps in designing financial relations between the national and sub national levels of the government, fiscal decentralization on the other hand is a process of applying such principles (Sharma,2005: 178).

Fiscal decentralization has to do with the degree of fiscal autonomy and responsibility given to sub national government. It is a subject on the policy agenda in many developing, transition and industrialized countries. There always has been a cry for more decentralization of government resulting from a combination of people wanting to get more involved in the process of government and the inability of central government “to get the job done.”

## **2.5.3 Applicability of Fiscal Decentralization**

All around the world in matters of governance fiscal decentralization is the rage. What is the best arrangement of fiscal powers and responsibilities between the different levels of governments? This is a question at the center of policy debate in countries around the world (Birds, 1993:208). It is not an issue restricted to big countries, as many may believe. Some countries answer fiscal balance question with new policy thrusts, some with newly elected politicians with different views, and some even attempt to solve the issue by means of force. However, some common justifications for fiscal decentralization have had a particularly strong significance in the light of

these countries' specific historical experiences. The reasons for rethinking fiscal arrangements are manifold and the importance of each factor is country specific. Even apart from the widely debated issue of subsidiarity and devolution, fiscal decentralization has been at the center stage of policy experiments. Hence, this section sheds light on the International Experience and the South African context.

### **2.5.3.1 Fiscal Decentralization: International Evidence**

The rationale for fiscal decentralization has not been different from elsewhere in the world. In particular, previous empirical literature on the efficiency of fiscal decentralization produced mixed results that vary with countries and time periods.

The demise of the collective ownership model prompted a major change in government organizations, especially in the Eastern Europe and the former Soviet Union (Shah 2004:2). These countries sought guidance from the principles and practices pursued in the industrial countries where market preserving systems of public decision making have evolved over a long period. Similarly, the European Union's (EU) policies and principles regarding subsidiary, fiscal harmonization and stabilization checks are also having demonstrable effects on the policies of developing and transition economies.

In the 1980s and 1990s most notably Brazil, Mexico, Peru and Spain considerably decentralized expenditure by more than 10 percent of total expenditure (Garret & Rodden, 2001:4). Like in the United States (US), where previously sovereign policies gave up part of their sovereignty for the efficiency gains from resource pooling and a common market, and multi-nationals democracies of India, Belgium and Spain, put emphasis on redistributive or compensating transfers to keep the contending policies together. Specifically, Argentina and Chile provide a good case study: both countries experienced Fiscal decentralization with a substantial difference in outcomes. In the same period (between the 1980s and 1990s), about 10% of total government revenues and expenditures were shifted from central to sub-national budgets in Chile and 15% in Argentina. It is well documented that in Chile, transfer of expenditure responsibilities and financial resources from central to municipal governments helped to improve provision of public health and education (Bossert et al., 2003:96).

The conventional wisdom in the traditional fiscal federalism theory, confirmed that the benefits of decentralization are positively correlated with the variances in demands for publicly provided goods (Panizza, 1999:98). Other thing equal, central governments in larger, more diverse societies will find it more difficult to satisfy divergent preference over redistribution and public goods. Alesina and Spolaore (1997:1029) find that in small, relatively homogeneous countries, public choices are closer to the preferences of the average individuals than in large, more heterogeneous countries. Finally, resurgence of interest in new public management and federalism principles and practices has served as a powerful basis from which to restructure and reorient the public sector.

### **2.5.3.2 Fiscal Decentralization: South African Perspective**

Political liberalization and economic globalization have opened up possibilities for fiscal decentralization in South Africa. Apartheid policies left a legacy of severe economic and social disparities, and most South African families still live in conditions that do not meet the most basic needs. The spiraling effects of this legacy, as well as the new challenges of economic globalization engage the state in its developmental role and test its institutional capacity to correct socioeconomic imbalance (Yemek, 2005:4).

In the fight against poverty, the public sector must lead by providing a framework conducive to social and economic development, while productivity is raised to facilitate private sector activities more effectively. A well-defined public sector, performing clearly defined core functions and using resources productively, offers citizens opportunities to break out of the poverty trap by giving them affordable access to essential services and protecting their basic human rights. With this in mind, L. deMello, in an article called *Understanding fiscal decentralization in South Africa* (Yemek, 2005:3), states that fiscal decentralization holds great promise for improving the delivery of public service while maintaining economic growth.

### **2.5.3.3 Sphere of Government in South Africa**

The 1994 post-Apartheid era created the three tiers (“spheres”) of government classified as national, provincial and local. Although this study is aimed to empirically examine *Fiscal*

*decentralization* as an efficiency tool in the Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM), it is deemed necessary to define and conceptualize these three spheres of government in order to provide the context and better understanding of the fiscal design and institutional arrangements for its implementation.

The Constitution of 1996 refers to “sphere” instead of level, thereby emphasizing the new relationship of co-operation among the levels of governance. The government level refers to a hierarchical relationship as endorsed by experience of the former dispensation in systems of control and intergovernmental relationships (Meyer, 1998:6). Section 40 of the South African Constitution states that the government of the Republic is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated. Since the Constitution was adopted there has been a progressive change in the South African intergovernmental fiscal system. Moreover, these changes aim to build an equitable society. Furthermore, each sphere is assigned its own powers, functions and responsibilities in terms of fiscal division of powers:

#### ***2.4.3.3.1 National Government***

The National government is responsible for managing the country’s affairs, and shares responsibility for the provision of basic social services with the sub-national (Local and Provincial) governments. At the same time, it has power to intervene in the decisions of provincial or local governments as defined and limited by the Constitution. The functions allocated to national government have a national dimension and is solely responsible for nationally raised revenue. Under this current SA fiscal system, the nationally set revenue will be set aside in a contingency reserve and the national transfers to provinces will remain an important proportion of the total resource envelope. Similarly, the national government also has an oversight role over public entities and governance business enterprises in terms of chapter 5 of the Constitution.

The provinces and local are allocated a proportion of nationally raised revenue and have the legal autonomy to formulate their budgets and spend the funds as they wish. In terms of the 2005 National Budget Review, they are now empowered to determine their own revenue within the

ambit of the government's broad medium term strategic objectives. However, they are still heavily dependent on national revenue.

#### ***2.4.3.3.2 Provincial Government***

In April 1994, the new nine provinces replaced the previous four white provinces and nine black homelands. These new provinces' in terms of chapter 6 of the 1996 Constitution, functions consist of exclusive competencies and are thus mandated to deliver most basic services, including education, housing, health and welfare, water and sanitation, electricity and provincial roads. Provincial budgets consist of transfers from the national government and its own revenue. Under this current SA fiscal system, these transfers comprise an unconditional equitable transfers and conditional grants. The most significant own revenue sources are motor car license fees, casino and horse racing taxes and hospital fees.

#### ***2.4.3.3.3 Local Government***

Local government has undergone a two phase transformation. The initial transformation in 1995 created 843 transitional municipalities, combining adjoining white and black areas. The second phase took place in December 2000, when it significantly changed the boundaries by incorporating urban and rural areas and reducing this number to 284.

While the division of powers changed for national and provincial government after 1994, the local government sphere was left with similar powers and functions as the previous white local authorities. In the context of this study, it is important that a clear definition of local government applicable to this study is made since Emfuleni Local Municipality (ELM) is the locus of this study. Different definitions emphasize different aspects of importance as worth mentioning. As a sequence, in terms of the Municipal Systems Act, 32 of 2000, "local government" consists of municipalities which are instituted for each demarcated area, or municipal area, for the whole territory of South Africa. Following this, a municipality, when referred to as a geographic area means a municipal area determined in terms of Local Government Demarcation Act, 27 of 1998. The Municipal Systems Act, 32 of 2000 further referred to a municipality as an entity, an organ

of state within the local sphere of government exercising legislative and executive authority within a specific demarcated area of jurisdiction

With this in mind, approximately two-thirds of local functions (in budgetary terms) involve user fee services like electricity, water and sanitation, while the remaining third involve the provision of public goods such as municipal and household infrastructure, access roads, streets, streetlights, garbage collection and town planning. Local governments have taxation powers (property and regional levies) and generate income from the provision of services. Furthermore, it raises revenue from these sources together with transfers from the national government in terms of unconditional equitable share and conditional grants. These national transfers take into account of the local government's fiscal capacity, complement their revenue source and position them to fulfill their developmental role (Erasmus and Visser, 2009:254)

Based on the above discussions associated with this study, the Division of Revenue Act, 30 of 1999 which annually allocates national revenues to each sphere of government in terms of the SA intergovernmental fiscal system provides a blueprint for fiscal arrangements aimed at ensuring that government responsibilities are met. Equally so, the right mix of public service are delivered to enhance the socio-economic rights of the citizens, especially the disadvantaged.

#### **2.4.4 The Pillars of Fiscal Decentralization in the Local Sphere**

Fiscal aspect is one of the decentralization programs. Fiscal is a tool to change from inefficient to efficient public sector and to improve the emulation between the local governments for more efficient in public service. *Fiscal decentralization* is also used to achieve a certain degree of fiscal autonomy and responsibility given to sub national (Provincial and Local) governments.

Therefore, the central government has to transfer public resources and responsibility to different Provincial and Local government. In turn, the Provincial and Local governments are needed to set up budget systems that are able to get the revenues and to allocate them. In this context, these fiscal resources should be derived from local own resources and grant from the central government.

In his July 2009 Working Paper: “Fiscal Decentralization and Intergovernmental Finance Reform as an International Strategy”, Boex cited that in some developing and transition countries where *fiscal decentralization* reforms have been successful, it is indeed quite hard to come up with developing countries examples where *fiscal decentralization* reforms have been an indisputable success Furthermore, rigorous academic researchers have been done on the potential benefit of decentralization but little systematic evidence is known about *Fiscal decentralization* on local government (2009:3).

Evidently, Boex quoted Oates (1999:10), confirming that shifting public finances “closer to the people”, including a more efficiently sized (smaller) public sector improve efficiency in allocation (as a result of a better match between the services supplied by the public sector and the needs of the community) and a more competitive and innovative public sector. With this view, how much power and responsibility regional and local governments exercise actually depends substantially on (Boex 2009:2) the following:

- What range of public service they finance;
- Whether their revenues commensurate with these responsibilities;
- How much real choice they have in allocating their budget to individual service;
- Whether they can determine the rates of their taxes and charges (both allowing them to vary their level of spending and making them answerable to the payers).

In this view, the questions to be addressed relate to the aims and impacts of the way in which responsibilities are assigned across level of governments (Yemek, 2005:4):

- Who expends the money (expenditure assignment)?
- How expenditure is funded (revenue assignment)?
- To what extent is there an imbalance between revenue and expenditure of Provincial and Local governments (the vertical imbalances, rectified with intergovernmental transfer)?
- How are the varying needs and capacities of governments at the same level (the horizontal imbalances, usually rectified through interregional compensation) balanced?
- What degree of freedom do Provincial and Local governments have with respect to borrowing?

In an attempt to answer these questions in great depth, this study explores the current state of knowledge with respect to *fiscal decentralization* and assesses its relevance within the municipal setting. Based on this, *fiscal decentralization* has four pillars (Boex 2009:4)

#### **2.4.4.1 Expenditure Assignment**

In applying principles of jurisdictional design, the literature of fiscal federalism argues that the assignment of responsibility for spending must precede or at least take the assignment of responsibility for taxation. This helps to ensure a better match between taxation and spending powers for better accountability to avoid over-reliance of transfers in financing own expenditure. Designing revenue and transfer component of a decentralized intergovernmental fiscal system in the absence of concrete expenditure responsibilities would weaken decentralized process such as in Latin America and Eastern Europe (Shah, 1994:716).

In South African context, Wehner (2000:19) indicated that the current assignment of expenditure agrees many ways with the public finance decentralization theory, according to which each service should be provided by the jurisdiction with control over minimum geographic area that would internalize the benefit and costs.

Thus, the design of expenditure assignment in South Africa (SA) aims to achieve three (3) main objectivities: *firstly*, an efficient allocation of resources via a response and an accountable government; *secondly*, an equitable provision of services to citizens in different jurisdictions; and *finally*, macroeconomic stability and economic growth. In terms of fiscal powers, the lessons in SA reveals that local governments have proved to be more prone to spending than collecting revenue, and less inclined to avoiding deficits than national government.

To this end, the approach adopted in SA is to ensure that rudimentary expenditure controls are in place before revenue powers can be expanded to any provincial or local government (Momoniat, 2004:20).



#### **2.4.4.2 Revenue Assignment**

Revenue assignment is the second step in designing an intergovernmental system. In essence of decentralization Provincial and Local governments have authority and responsibility to own and finance local service. But, there is no uniform agreement among policy makers about which taxes should be assigned to which level of government (Hamzah, 2004:132).

In South African fiscal system, the responsibility for revenue generation is unequally distributed between national, provincial and local spheres of governments. The transfers from the national government form the largest part of Provincial and Local government revenue, as the taxing and borrowing powers to sub national government are limited (Yemek, 2005:8).

Historically, most local government in urban SA was self-generated largely through taxes and the delivery of services to residents and business. Moreover, the local government sphere has far more significant revenue-generating powers than the provincial sphere, yet municipalities appear more inclined to run deficits, often due to a continual failure to collect all revenue due (Momoniat, 2004:18) The initial lessons from SA indicate that sub national governments require both capacity and the political will to collect revenue due. A well illustrative example is the City of Johannesburg which proved to be fiscally irresponsible during 1994 to 1997, by not collecting a significant portion of its revenue. (Momoniat, 2004:19)

#### **2.4.4.3 Intergovernmental Transfers**

Intergovernmental transfer assignment is the third step in designing an intergovernmental fiscal system. In that regard, the revenue and expenditure assignments give rise to vertical and horizontal imbalances within the nation intergovernmental finances. In fact, every intergovernmental transfer system has two dimensions: (i) the vertical dimension, concerned with the distribution of revenues between central and local governments; and (ii) the horizontal dimension, concerned with the allocation of fiscal resources among the recipient units (Hamzah, 2004:134).

Bahl emphasized that transfers are a compromise solution in the debate over the division of revenue-raising authority and expenditure responsibility. In highlighting this, a system of grants stem towards Fiscal decentralization in that it finances local government services, but the degree of autonomy it gives local governments in making their budget decisions depends on the structure of the grant system (1995:9).

An analysis of the intergovernmental fiscal system in SA discloses that it is necessary that such a system should be objective, simple and incentive compatible. Again, intergovernmental fiscal relations systems are important for the efficient and effective delivery of service. This requires attention in local areas, more specifically in non-metropolitan municipalities (Rao 1998:356). Importantly, national transfers to municipalities take account of fiscal capacity, complement their own revenue and position them to fulfill their developmental role. Thus far, the design of these transfers is of critical importance for the efficiency of local service provision and the fiscal system of Provincial and Local government.

#### **2.4.4.4 Sub national Borrowings**

Sub national borrowing/debt assignment is the last step in designing an intergovernmental fiscal system. There are three primary reasons that can be considered as an appropriate tool for sub national, but also future residents will consume public finance (Hamzah, 2004:135). In terms of (i) intergenerational equity, the benefits of certain investment projects, such as infrastructure and education, are spread over – time, which means that not only present residents of a locality, but also future residents will consume the services provided by the projects.

For this purpose, borrowing is an appropriate tool to offer a means through which payments for capital projects can be spread over the life of the project so as to coincide more closely with the stream of future benefits, this curtail. Similarly, borrowing is an appropriate tool for Provincial and Local governments in investing on infrastructural projects to stimulate regional economy, (ii) economic growth. For (iii) synchronization of expenditure and revenue, access to financial tools offers an opportunity to provincial and local governments to synchronize expenditures incurred and revenue collection.

The need for capital finance to overcome infrastructure deficiencies is of astronomical proportions in developing and transition economies, and cannot be financed from current revenues and transfers. In developing countries, underdeveloped markets for long-term credit and weak municipal creditworthiness limit municipal access to credit.

In spite of this, local access to credit requires properly functioning financial markets and creditworthy local government (Shah, 1994: 740). In terms of local governments borrowing, SA municipalities have been classified according to their ability to raise loans to finance and to provide effective financial management.

This classification would assist government to target their support to municipalities for the development of debt management capacity and could also provide the basis for concessionary loans to municipalities with limited or no access to loan finance.

#### **2.4.5 Advantages of Fiscal Decentralization**

Fiscal literature outline that the inability of central government to meet increasing demand for local services underpins moves towards decentralization in developing countries. Decentralization of fiscal responsibilities is envisaged to increase efficiency in service delivery and reduce information and transaction costs associated with the provision of public services. In spite of this, De Mello (2000: 365) summarizes the arguments for fiscal decentralization as follows:

- Fiscal decentralization enables sub-national governments to take account of local differences in culture, environment, endowment of natural resources, and economic and social institutions.
- Information on local preferences and needs can be extracted more cheaply and accurately by local governments, which are closer to the people and hence more identified with local causes.
- Bringing expenditure assignments closer to revenue sources can enhance accountability and transparency in government actions.

- Fiscal decentralization can help promote streamlining public sector activities and the development of local democratic traditions.
- By promoting allocative efficiency, fiscal decentralization can influence macroeconomic governance, promote local growth and poverty alleviation directly as well as through spillovers.

#### **2.4.6 Disadvantages of Fiscal Decentralization**

Like any fiscal discipline, fiscal decentralization has its own limitations and disadvantages. So, the factors that have led to this dramatic difference are the most commonly cited throughout the literature:

- Intergovernmental conflicts
- Structural organizational problem
- Financial problem
- Shortage of qualified manpower
- The place of traditional authority in local government
- Political and bureaucratic corruption (Scott: 2009:6)

### **2.5 SUPPLY CHAIN MANAGEMENT**

Supply Chain Management is a significant and yet understudied phenomenon. As earlier noted, there has been voluminous information where fiscal decentralization reforms have been a success story. But, in the light of debate concerning the transparency of public procurement, a growing interest in using fiscal decentralization as an efficiency tool for Supply Chain Management is not yet studied. In particular; this study will examine fiscal decentralization as an efficiency tool for Supply Chain Management (SCM) by utilizing Emfuleni Local Municipality (ELM) as the locus for this research.

## **2.5.1 Definition of Concepts and Historical Overview**

This section provides the insights into the definition of concepts which are used interchangeably in the public SCM domain. It also highlights a historical overview of Supply Chain Management within the South African context.

### **2.5.1.1 Definition of Concepts**

One of the fundamental points of departure for this study is the understanding of the concepts; “Supply Chain Management, Public Sector SCM, and Public Procurement”. For the purpose of this study, these words will be used interchangeably. Historically “Supply Chain Management” has a number of definitions; it is possible to develop a single one, encompassing definition of SCM.

After consulting a number of sources it is clear that SCM involves multiple firms, multiple business activities and the coordination of these activities across the functions and across firms of sc. Pulling together these disparate aspects of SCM, for the purpose of this study, Supply Chain Management is defined as the “systematic, strategic coordination of the traditional; business functions and tactics across the business functions within a particular company and across business within supply chain, for the purpose of improving the long term performance of the individual companies and supply chain as a whole” (Mentzer, *et al* 2001:18) Accordingly, “Public Sector SCM” is a concept that offers a reference framework for the composition of Public Sector SCM and multilevel networks (Migro and Ambe, 2008:231).

For that matter, the national public procurement policy framework define “Public Procurement” as the acquisition, whether under formal contract or not, of works, supplies and services by public bodies. It ranges from the purchase of routine supplies or services to formal tendering and placing contracts for large infrastructural projects by a wide and diverse range of contracting authorities.

Based on the above paucity of literature, the central interest in this study is to examine what fiscal decentralization involves as an efficiency tool to ensure that government responsibilities are met to ensure socioeconomic rights of the citizenry.

### **2.5.1.2 Historical Overview**

Prior to 1994, the government procurement system in South Africa (SA) favored large and established businesses as it was difficult for newly established business to enter the procurement system. Due to discriminatory and unfair practices of the past, a number of groups in SA were prevented from assessing government contracts. In this view, the government procurement system was geared towards large and established contractors (Bolton, 2006:193).

Currently, public sector world of system reforms the subject of set of procurement practices has become less of a separate and standalone issue, but more of an integrated part of a comprehensive set of financial management arrangement. These arrangements make up what is called Supply Chain Management. SCM has being around for more than two decades now, but only in the 1980's it became important to conceptualize it holistically and logically, moreover from the management perspective. Now it has evolve into a comprehensive and fairly universally acceptable model of a supply chain and is now central procurement reform in the public sector (Pauw,, *et al* 2009:249)

SCM is an integral part of prudent financial management in the South African public sector management. It introduces internationally accepted best practice principles, while at the same time addressing government's preferential procurement policy objectives (OGC, 2005: 11). SCM aims to add value at each stage of the SCM process from demand of goods or services to their acquisition, managing the logistics process and finally, after use, to their disposal.

In doing so, it addresses deficiencies in current practice related to procurement, contract management, inventory and asset control and obsolescence planning. Therefore, the adopting SCM policy ensures uniformity in bid and contract documentation and options as well as bid and procedure standards, among others, will promote standardisation of supply-chain management practices (National Treasury (NT), 2003a: 2).

### **2.5.1.3 Legislative Framework**

The section of this Chapter analyses the way in which provision has been made in the South African statutory and legislative framework for the use of public procurement attributes to purchases of goods and services in delivering social benefits.

#### ***2.5.1.3.1 The 1996 Constitution***

Section 9 of the Constitution provides that everyone is equal before the law and has the right to equal protection and benefit of the law. It further regulates that equality includes the full and equal enjoyment of all rights and freedoms. In order to promote the achievement of equality, legislative and other measures designed to protect or advance persons or categories of persons, disadvantaged by unfair discrimination may be taken.

Over and above, section 7 of the constitution argues that the State may not unfairly discriminate directly or indirectly against anyone on one or more grounds including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.

In accordance with Section 217 (1), when the organs of state contract for goods or services, they must do so in accordance with a system which is fair, equitable, transparent and competitive.

#### ***2.5.1.3.2 Public Finance Management Act (Act no. 1 of 1999) as amended***

In terms of the PMFA, the National Treasury may make regulations or issue instructions applicable to this Act concerning the determination of a framework for an appropriate SCM which is fair, equitable; transparent, competitive & cost-effective. Section 38(1) (a) (iii) states that it is the responsibility of the accounting officer/authority of a department, trading entity or constitutional institution to have and maintain an appropriate procurement and supply system which is fair, equitable, transparent, competitive and cost-effective.

### ***2.5.1.3.3 The Preferential Procurement Policy Framework Act (Act 5 of 2000)***

To address past discriminatory policies and practices, the Preferential Procurement Policy Framework Act (Act 5 of 2000) provides guidelines for preference point allocations. Since price is and always will be an important criterion in the selection of contractors, the point system created by this Act is “dual-scale” depending on the value on the value of a contract.

Section 2 sub section 1 of the Preferential Procurement Policy Framework Act (Act 5 of 2000) provides that the total number of points that may be awarded to contractors is 100, and to ensure that organs of state still obtain the best price for goods and service, more preference points for higher value contracts. For contracts between R30 000 and R500 000, a maximum of 20 preference points may be awarded for the achievement of a “specific goals”.

Section 2 sub section 2 of the Preferential Procurement Policy Framework Act (Act 5 of 2000) also provides that the 80 points must be awarded for price and a maximum of 20 points may be awarded for the achievement of “specific goals”. For contracts above R500 000, only maximum of 10 preference points may be awarded for the achievement of “specific goals”. Thus, 90 points must be awarded for price and a maximum of 10 points may be awarded for the achievement of “specific goals”.

### ***2.5.1.3.4 The Preferential Procurement Policy Framework Act Regulations, 2001***

The Preferential Procurement Regulations were issued in terms of the PPPFA and published in the Government Gazette on the 10<sup>th</sup> August 2001. Some of the important aspects in the Regulations are:

- Proper planning and calculations of the estimate costs are done in appropriate preference system in the tender invitation;
- Penalties or remedial actions must be imposed for false info;
- No contracts to bidders without tax matters in order;
- Preference points system and goals to be achieved must be clearly spelt out in the bidding documents;
- Preference points stipulated must include points of equity ownership by a HDI.



#### ***2.5.1.3.5 Broad Based Black Economic Empowerment Act (Act No. 53 of 2003)***

This Act states that preferential procurement by the state and the private sector is an effective and efficient instrument to drive BEE as it provides emerging black enterprises with opportunities to expand.

It further stipulates that when procuring goods and services, the organs of state are today required to take into account of a number of factors when awarding contracts. It is particularly the notion of “empowerment” that plays an important role in determining whether or not a contract is awarded to a particular contractor. A contractor’s ranking in respect to its achievement of socio-economic objectives therefore plays a significant role in selection process

#### ***2.5.1.3.6 The White Paper on Local Government of 1998***

The White Paper on Local Government, 1998 is a policy document that established the basis for a new developmental local government system that is committed to working with citizens, groups and communities to create sustainable human settlements that provide for a decent quality of life and meet the social, economic and material needs of the communities. This developmental role for municipalities requires them to structure and manage their administrations, budgeting and planning processes and to prioritise the basic needs of the community. Various Acts of parliament were promulgated to support the principles adopted in the White Paper.

#### ***2.5.1.3.7 The Local Government: Municipal Finance Management Act (Act No. 56 of 2003) (MFMA)***

Section 62(1)(f)(iv) of MFMA requires the Municipal Manager (MM) as the Accounting Officer of the Municipality, must ensure that the Municipality has and implements SCM policy in accordance with Chapter 11 of this Act. Section 111 states that each Municipality/Municipal Entity must have and implement a Supply Chain Management (SCM) policy which gives effect to the provisions of this Act. Section 112 also intends that SCM policy of a Municipality/Municipal Entity must be fair, equitable, transparent, competitive and cost-effective.

#### ***2.5.1.3.8 The Municipal Systems Act (Act No. 32 of 2000)***

The Local Government: Municipal Systems Act (Act No. 32 of 2000) sets out the internal systems of municipalities that enable municipalities to operate in such a way that they move progressively towards the social and economic development of local communities and ensure universal access to essential services that are affordable at all.

As amended, the Local Government: Municipal Systems Act (Act No. 32 of 2000) inter-alia provides for the core principle, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic development of local people. It is relevant when procurement involves outsourcing of a municipal service to an external service provider. Chapter 8 only applies to municipal services; such as electricity, water and sanitation, and refuse removal.

#### ***2.5.1.3.9 The Municipal Structures Act (Act No. 117 of 1998)***

The Local Government: Municipal Structures Act (Act No. 117 of 1998) clarifies the status of municipalities and provides the framework for the establishment of municipalities in accordance with the requirements and criteria relating to categories and types of municipalities. It further determines the appropriate division of powers and functions between district and local municipalities and regulates governance structures and electoral systems for newly demarcated municipalities. It provides clear guidelines on the roles and responsibilities of Councilors and Officials.

### **2.5.2 The Objectives and Strategic Goals of SCM**

SAMDI (2006) outlined the strategic objectives of the SCM as to:

- Give effect to the provisions of the Constitution, PFMA and MFMA;
- Transform the procurement and provisioning functions in government into an integrated Supply Management function;

- Create an understanding and interpretation of government's preferential procurement policy objectives;
- Promote consistency in respect of Supply Chain Management Policy and other related policy initiatives in government.

According to the Emfuleni Local Municipality Policy on Supply Chain Management Policy and Procedures (2006:32), SCM endeavours to accelerate and promote BEE towards achieving commercial and economic access for all South Africans and trading enterprises particularly in its region. The above Policy outlines the principles and processes for:

- Procurement in the supply of goods and services to the Municipality;
- The disposal of goods;
- The selection of contractors; and
- The provision of services to the Municipality by consultants.

### **2.5.3 Principles of SCM**

The following are principles of SCM (Ambe, 2009:429);

SCM is a philosophy for conducting business. It is a philosophy for sharing risks, benefits and rewards, for long term cooperation and trust between partners and for joint planning and mutual exchange of information across all the nodes of supply chain.

SCM implies optimised performance from all supply chain members across all processes and activities and ultimately the development of consumer-driven performance measures aimed at ensuring the continuous improvement of the supply chain as a whole.

SCM is the integration of multiple layers of municipalities striving as a team to optimise the shared supply chain processes in support of the strategic objectives of the supply chain of the municipality and stakeholders in the supply in the chain.

SCM is the management of all links and interfaces in the supply chain. However, all of these links and interfaces are not of equal importance and therefore the management task of various nodes or interfaces in the supply chain will differ according to impact on the relevant supply chain processes on the creation and delivery of consumer value.

SCM is guided by the principle of co-operative governance and intergovernmental relations as stipulated in the constitution, enshrining the autonomy of each sphere whilst regulating the relationship between those spheres.

SCM is based on shared vision of what consumers' value is and therefore compatible with municipal philosophies are essential in achieving the necessary levels of planning and coordination.

#### **2.5.4 Elements of SCM**

The ELM SCM policy indicates that the supply chain is built upon the principles of ensuring value for money, open and effective competition, ethics and fair dealings; accountability and equity, Transparency, uniform application, and proportionality. Ensuring these will achieve the ultimate goal of uniformity in procurement processes, good governance and economic development (ELM, 2006: 56-57). To achieve this SCM management consists of six elements; these elements are explained below as well as the activities taking place at these six levels

##### **2.5.4.1 Demand Management**

The first element of SCM fulfills the needs identified during the strategic planning process and forms part of the IDP; total needs assessment should be undertaken; Resources required must be analysed and assessed; Key elements in the demand management process should be considered; Bring the SCM practitioner closer to the end users; Bid specification committee; and Procurement methods. The objective of demand management in the context of the Emfuleni Local Municipality is to ensure that the resources required to support the strategic objectives, as described in the IDP are delivered at the correct time, at the right price and at the right location, and that the quantity and quality will satisfy needs. In infrastructure projects, demand

management will ensure that projects that support the IDP are identified, prioritised and budgeted for in a systematic manner (ELM, 2006: 81- 100).

#### **2.5.4.2 Acquisition Management**

Acquisition management within the SCM System of ELM deals with the decisions that have to be made in order to manage the acquisition of the required supplies, services, engineering, construction works and rights from within the institution, or through procurement thereof from the open market. It further deals with the management of procurement; Evaluate bids (checking of compliance, comprise of bid committees; Consult register for defaulters; Range of procurement systems; Establishment of total cost of ownership of assets; Bid adjudication; Appointment of consultants and contractors etc. (ELM, 2006: 106-174).

#### **2.5.4.3 Logistics Management**

The logistics management process of ELM deals with

- the coding of items,
- setting of inventory levels,
- placing of orders,
- receiving and distribution,
- stores management, as well as
- expediting order.

This process integrates with the financial system to generate payments to suppliers. The logistics strategically manage acquisition, movement and storage of materials; Cost fulfillment of orders; Ensure effective flow of goods, services and related information from the point of origin to the point of consumption etc. (ELM, 2006: 236-273).

#### **2.5.4.4 Disposal Management**

Disposal management at ELM focuses on obsolescence planning, depreciation, identifying where all redundant material is kept or located and the identification of appropriate strategies relating to the manner in which items are to be disposed of. Disposal and letting of municipalities assets is the final process when an institution needs to do away with unserviceable, redundant or obsolete assets. Disposal Management of assets that are no longer needed; Gives consideration to obsolescence planning; create a data-base of redundant materials; Inspect materials for re-use; Determine disposal strategy and methods of execution etc. (ELM, 2006: 274-285).

#### **2.5.4.5 Risk Management**

Management unintended or unexpected outcome of a decision; Make provision for identifying, considering and avoiding risk as well as provision for adequate cover for residual risks etc. Emfuleni Local Municipality Policy on Supply Chain Management Policy and Procedures stressed that all procurement activities have an element of risk. Risk should be reduced by managing it effectively in a systematic approach, i.e. identifying, analysing, controlling, monitoring and reporting it. In particular where projects are in excess of R300, 000 and are of an inherently complex or sensitive nature, the following should apply:

- Identify risk and consequences;
- Evaluating the consequences;
- Controlling risk by implementing strategies to mitigate risk;
- Monitoring risk by reviewing on a continual basis; and
- Reporting any deviations from the strategy (ELM, 2006: 72-75)

#### **2.5.4.6 Supply Chain Performance**

Supply chain performance is characterised by a monitoring process and a retrospective analysis to determine whether or not the proper process was followed and the desired objectives achieved, i.e. has value for money been attained, has the proper process been achieved, and is

there room for improving the process, what is the assessment of supplies, and what are the reasons for deviating from procedures? It further ensures the management of unintended or unexpected outcome of a decision; Make provision for identifying, considering and avoiding risk as well as provision for adequate cover for residual risks etc. Monitor progress undertaken a retrospective analysis to determine whether the processes have been followed and if the desired objectives were achieved (ELM, 2006: 286-300).

## **2.6 CONCLUSION**

Despite the standard literature of decentralization, fiscal decentralization and supply chain management are of extreme importance, the preceding chapter serves to examine empirically literature. Hence, examination of the published materials distils that although fiscal decentralization is widely acknowledged; little is known as an efficiency tool on the Supply Chain Management (SCM) in the urban foci.

Chapter 3 will provide the vehicle for understanding the setting in which this research is accomplished. It is here that an overview of fiscal decentralization as an efficiency tool is described, and the specific organization under study is examined.

## **Chapter 3**

### **AN OVERVIEW OF FISCAL DENTRALISATION IN THE SUPPLY CHAIN MANAGEMENT OF EMFULENI LOCAL MUNICIPALITY**

#### **3.1 INTRODUCTION**

This chapter examines the historical overview of Emfuleni Local Municipality (ELM) in terms of its demographic built-up. It further presents institutional arrangement where its primary focus is on the political and administrative governance. The fundamental theme explored here is the appropriateness of a fiscal decentralization within the jurisdictional of the study area.

The growing attention is its applicability as an efficiency tool within the Supply Chain Management Department. Hence, the information collected during the development of this chapter will form the basis of this study.

#### **3.2 A HISTORICAL OVERVIEW OF EMFULENI LOCAL MUNICIPALITY (ELM)**

This section of this research provides an analysis of the demographic make-up of ELM in terms of the historical context, institutional arrangements; it identifies and documents the public transportation dependency by the commuting Sedibeng residents.

##### **3.2.1 Historical Context**

The historical context of Emfuleni Local Municipality will be discussed below concentrating on the where the municipality come from and how it came to be. The population and the geographical arrangement, finally to determine of fiscal decentralization will be of benefit to this municipality.



### **3.2.2 Merged Municipalities**

The Pre-interim Phase (1993 – 1995): Pre-interim councils were established and took decisions necessary to sustain governance and service delivery during that period of transition. This phase focused more on the democratization of local government than on its transformation (Fast & Kallis). In terms of the Provincial General Notice No. 1175 dated the 2<sup>nd</sup> March 2000 and the subsequent local elections of the 5<sup>th</sup> December in the same year, the Emfuleni Local Municipality (ELM) came into being. This Municipality was as a result of the merger of the following municipalities: Vereeniging/Kopanong Metropolitan Councils; Western Vaal Metropolitan Councils, Vaal River Transitional Representative Council and Vaal Oewer Transitional Rural Council

#### **3.2.2.1 Study Area**

In terms of the ELM IDP report 2010/2011 Emfuleni Local Municipality (ELM) is one of three local municipalities that constitute the Sedibeng District Municipality. The municipality is situated at the Western-most part of the District, which covers the entire southern area of the Gauteng province extending along a 120 kilometers axis from east to West (2010/2011:8).

It forms the “heartland” of what was formerly known as the Vaal Triangle, renowned for its contribution to the iron and steel industry in South Africa. Emfuleni also contains approximately six large peri-urban townships of Evaton, Sebokeng, Sharpeville, Boipatong, Bophelong and Tshepiso as depicted in *figure A attached*. The latter six areas lack facilities associated with towns of their size however there have been a number of Shopping malls developed in the past few years. The other approximately ten small settlements tend to be suburban settlements within six kilometers of the above towns; they are Bonanne, Steel Park, Duncanville, Unitas Park, Arcon Park, Sonlandpark, Waldrift, Rust-ter-Vaal, Roshnee and Debonair Park (ELM IDP 2010/2011:8).

### **3.2.2.2 The Municipal Area**

The Statistics SA indicates that ELM covers an area of 968 km<sup>2</sup>. The Vaal River forms the southern boundary of the Emfuleni Local Municipality and its strategic location affords it many opportunities for tourism and other forms of economic development. In *figure A attached*, Emfuleni shares boundaries with Metsimaholo Local Municipality and Fezile Dabi District Municipality in the Free State to the south, Midvaal Local Municipality to the east, the City of Johannesburg metropolitan area to the north and Westonaria and Potchefstroom (in North West Province) Local Municipalities to the West. The municipality is strategically located with access to a well-maintained road network - N1 national route linking Johannesburg and Bloemfontein, which traverses Emfuleni. Emfuleni Local Municipality has two main city/town centers, namely Vereeniging and Vanderbijlpark within the area and Sasolburg is only 10 kilometers to the South, across the provincial boundary (Slabbert, 2004:81)

### **3.2.2.3 Population**

ELM Annual report 2007-2008 indicated that population of ELM, as indicated in the Global Insight, is estimated at 652 819 (ELM, 2007:20). This population figure by Global Insight shows a very significant change in ELM population size as compared to Statistic SA 2001 which has a total of 658 422. The racial composition of Emfuleni population is indicated in Table 3.1 below and geographically most of the African population is concentrated in areas such as Sebokeng, Evaton, Sharpeville, Boipatong and Bophelong. This illustrates the entrenched racial divisions within the municipality. This trend also reflects the socio-economic geography of the municipality and the pattern of access to services. From 1990 to 1996, Emfuleni experienced a relatively high population growth rate at 2.85% per annum. This relatively high rate can be attributed to the influx of people from rural areas after the scrapping of Group Areas Act and other restrictive Apartheid legislation. However, the rate slowed down to 1.95% per annum in the period 1995 – 2001. This was lower than the national average growth rate of 2% per annum (Slabbert, 2004:61-62).

**Table 3.1: Demographic Composition**

	<b>AFRICAN</b>	<b>COLOURED</b>	<b>INDIAN/ASIAN</b>	<b>WHITE</b>	<b>TOTAL</b>
Male	271 011	3 416	3 010	45 254	322 691
Female	282 296	3 595	2 881	46 959	335 371
<b>TOTAL</b>	<b>553 307</b>	<b>7 011</b>	<b>5 891</b>	<b>92 213</b>	658 422

Source: Census, 2001

ELM is largely urbanized municipality with high population concentrations and density compared to other municipalities making up the District. In fact the municipality houses 82% of the population in the District. This means the population within the District is mainly concentrated in ELM (Slabbert, 2004:62).

### **3.2.2.4 Poverty**

In highlighting the profile of poverty in ELM, 56% of all households and 53% of the total population live in poverty with an average shortfall of 46%. The average household size for the poor is 3.62 persons, compared to 3.52 persons for the non-poor. Poor households have smaller percentage of fathers than mothers. On the whole, single parent families are more prominent poor. At the same time, the poor fall into younger age categories than the non-poor. Hence, 55.2 % of pre-school children and 60.5% of all school children are in poor households. To this end, the employed poor are in most cases employed in the construction, trade, services and other sectors (Slabbert, 2004:110).

### **3.2.2.5 Unemployment Profile**

Since 1991, the Emfuleni economy has registered only a marginal employment growth in certain sectors, and a negative growth in other sectors. The net effect has been a loss of employment opportunities. This rate increased especially in the years 1991 – 1994 (after the abolition of the Group Areas Act). From 1991 to 2000, a 56% increase in the unemployment rate was experienced. The unemployment rate in Emfuleni is determined at 51.0 % for 2001 (Slabbert, 2004:70).

### **3.2.2.6 Economic Growth**

The most important sector of the Emfuleni economy is manufacturing with a 41.3% contribution of the local Gross Production Product (GPP). Although it declined from 50% in the 1990, it is still remains the most important economic sector. In the manufacturing sector, the metal and metal products industries (mainly iron/steel) are responsible for 80.6% of all manufacturing production. The Emfuleni economy plays an important role within Gauteng Province, especially the manufacturing sector, but the ELM has the highest unemployment rate in the province. In this view, considering that the manufacturing sector remains the most dominant economic sector in this area, the industrial regeneration initiative is a critical component in influencing the health of the economy more generally (Slabbert, 2004:133).

### **3.2.3 Institutional Arrangements**

Institutionalising a comprehensive budget process is important not only to promote more transparency and accountability, but to facilitate more participation in the budget process. This is even more important in a fiscally decentralized environment (Momoniat, 2004). Yet, ELM institutional arrangements will be discussed under the following headings:

#### **3.2.3.1 Political Structures**

Emfuleni Local Municipality (ELM) comprises the Mayoral Executive system combined with a ward-participatory system. Out of a total of 85 Councilors, 42 are Proportional Representation Councilors and 43 are Ward Councilors. In its first meeting of the newly established ELM dated 13<sup>th</sup> December 2000, the first Executive Mayor of ELM was elected. *Section 151 (2) of the Constitution of South Africa, Act (Act No. 108 of 1996)* endorse the functions and powers to the Executive Mayor of the Municipal Council, the legislative and executive authority of a municipality vested in its Municipal Council in terms of the above Act.

The section 3(c) of the Gauteng Types of Municipality Act (Act No. 3 of 2000) provides that the political governance of the ELM includes the Executive Mayor assisted by the Mayoral Committee who head the executive arm of the Municipality and influence a degree of support

the Council has in the community. Moreover, he has to regularly report to the Municipal Council on decisions taken in the execution of his duties.

In addition to this, the Executive Mayor performs an executive role and reports to Council on all decisions taken. The functions and powers of the Executive Mayor as entrenched in the *Local Government Municipal Structures Act*, (Act No. 117 of 1998) are *inter alia* to identify the needs of the municipality and evaluate those needs in order of their priority. In line of the above Act, the Executive Mayor also makes recommendations to the Council regarding the strategies, programmes and services to address priority needs through Integrated Development Plan (IDP) and the estimation of revenue and expenditure taking into account national and provincial plans. From ELM viewpoint, Executive Mayor is crucial in the operations of the municipality and it is therefore a key role in the decentralization of support functions to line departments, specifically, fiscal decentralization of Supply Chain Management (SCM) to line departments.

As part of the Executive Mayor's responsibility, he appoints the Mayoral Committee to serve on various portfolios such as: Finance, Local Economic Development, Development Planning & Tourism; Environmental Management, Health & Social Development; Housing; Sport, Recreation, Arts & Culture, Libraries, Parks & Cemeteries; Public Transport, Roads & Public Works; Waste & Landfill Management; Infrastructure, Electricity, Water & Sanitation; Public Safety; Administration (*ELM IDP 2010/2011:1*).

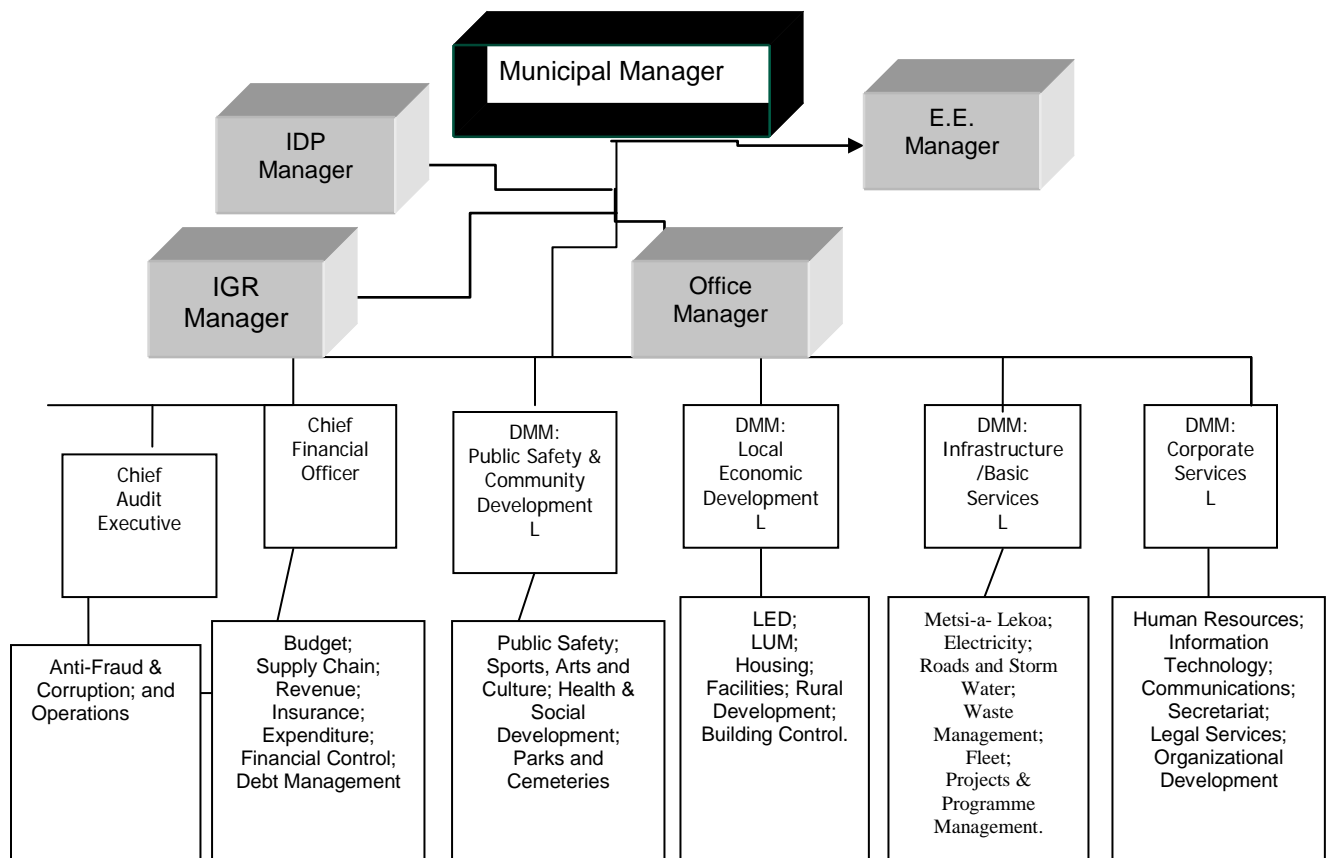
### **3.2.3.2 Administrative Governance**

The administrative structure of ELM's governance system is constituted around an operational delivery of the clusters through directorates, departments and divisions. The Municipal Manager is the head of Administration and the Accounting Officer of the municipality. This structure is divided into six clusters, that is, Infrastructure/Basic Services, Corporate Services, Public Safety and Community Development and, Economic Development & Planning, Finance and Audit. The municipal council has an approved organizational structure in place (*ELM IDP 200/2011:5-6*).

As shown in *Figure 3.1*, the MM as the accounting officer is responsible for the central administrative functions of SDM and is supported by a team of Section 57 employees, namely Deputy Municipal Managers (DMM) responsible for various clusters such as Infrastructure/Basic Services, Corporate Services, Public Safety and Community Development

and, Economic Development & Planning, Finance and Audi. The MM strives to enhance the quality of life of all the residents by facilitating the provision of efficient and affordable services. All these activities are performed within the policy framework of the ELM's six strategic focus areas. *Section 55 of the Local Government Municipal Systems Act, (Act No. 32 of 2000)* urged that the MM is subject to the policy directions of the Municipal Council, responsible and accountable for the formation and development of an economical, effective, efficient and accountable administration. The Office of MM plays a pivotal role in the implementation of the fiscal decentralization of Supply Chain Management and provides advice to the Municipality's political structures (*ELM IDP 2010/2011:16*).

**Figure 3.1: Organizational structure of ELM**



**Source: Final Draft IDP 2010/2011:16**

### 3.2.3.3 The Mission, Motto, Vision and Values

The Emfuleni Local Municipality (ELM) vision, motto, mission values and core and strategies are formulated as (*ELM IDP, 2007/2012*):

**Vision:** “A developmental municipality that continuously improves the quality of life of its residents timely.”

**The Motto:** You **BELONG** We **CARE**

**Mission:** Emfuleni Local Municipality (ELM) will accelerate Service Delivery and Socio-Economic Development through:

- Basics Service delivery orientated toward improving quality of life
- Institutional capacity building, skills development and Transformation
- Financial Viability and attain value for money
- Local Economic and Tourism
- Promoting Public Safety and Community Development.

#### **Values**

- Responsive
- Disciplined
- Accountability & Transparency
- Respect
- Honesty and Integrity

#### **Core Strategies**

- Provide Basic Services
- Achieve Sustainable Financial Viability
- Ensure Good Governance and Institutional Capacity
- Deepening Democracy
- Create the Culture of Effective Communication
- Ensure Social and Economic Development
- Promote a Safe, Secure, and Healthy Environment
- Promote Optimal Spatial Development.
- Turnaround Strategy

### **3.2.3.4 Finance Cluster**

The Finance Cluster is one of the clusters of the six clusters in the Emfuleni Local Municipality (ELM). This cluster manages the corporate financial affairs of the Municipality and is responsible for the compilation of the annual municipal budget. It is also responsible for implementing and maintaining a control system to ensure that accurate information about the Council's financial position is available for proper decision-making (ELM IDP, 2010/2011:8).

The financial control division incorporate the following, Cash management services, cost accounting services, Financial administration of assets, Preparation and presentation of the annual financial statements, the provision of financial information pertaining to the financial statements, The evaluation and preparation of accounting policies and presentation thereof to the Council for approval, The monitoring of the reconciliations and the administration of cashbook (*ELM IDP, 2010/2011:34*).

## **3.3 FISCAL DECENTRALIZATION**

The central theme in this section is to examine how fiscal decentralization is articulated to address the leading social disparities in Emfuleni Local Municipality (ELM). This study will look at the pillars of fiscal centralization to assess its efficiency as a tool within the study area. These will be discussed as follows:

### **3.3.1 The Pillars of Fiscal Decentralization**

Decentralization is made up amongst others of Expenditure and Revenue assignment pillars. These pillars are discussed in detail below.

#### ***3.3.1.1 Expenditure Assignment***

Local municipalities have proved to be more prone to spending than collecting revenue but less inclined to avoid deficit. In respect of the service delivery, Emfuleni Local Municipality (ELM) spends significant resources on bulk of service of electricity (27%) and water (9%), repairs and maintenance (6%), employee costs (21%). Hence, the proposed total expenditure of 3.18 billion



(ELM Budget, 2010/2011: 94). *The ELM Draft IDP for financial year 2010/2011* also revealed that on the Employee related Costs - the 71% increase is a result of annual increments and increase in personnel capacity. Debt Impairment - The 229% increase is due to lower collection rates and debt write offs.

In terms of the Bulk Purchases there is a 69% increase due to significant tariffs increases imposed by NERSA and Rand Water on electricity and water respectively. These two costs contribute significantly to municipal expenditure. The Contracted Services also increased by 108% due to significant lease agreements entered into to reduce ageing of municipal vehicles and ensure that service delivery is not negatively affected. The Grants and Subsidies have been steeply climbing as a result of additional allocations received from National Treasury, Provincial Treasury and Other State Bodies (ELM Budget, 2010/2011: 95).

In terms of the capital expenditure, it is budgeted at R367 million for the financial year. Furthermore, an amount of R30 million has been set aside for roll-over projects funded from the internal municipal funds. In concurring to this statement, capital expenditure is funded from grants funding of R154 million and internal sources of R213 million. The golden rule followed in the preparation of the capital expenditure budget was that (*ELM Budget, 2010/2011:94*):

- No new projects will be allowed, unless it is a requirement to comply with legislation or the municipality has no option but to include such a project;
- Prioritise projects that could not be completed as a result of reductions in the Adjustment budget;
- Reprioritise projects that must be completed/implemented as contained in the IDP;
- Prioritise projects awarded in the current 2009/-2010 financial year and scheduled to be implemented and completed in the 2010-2011 financial year.

Based on the above pragmatic actions, the approach adopted in ELM is to ensure that rudimentary expenditure controls are in place. By taking responsibility of its problems hence a co-operative process to address its current fiscal problems is far more likely to succeed (ELM Budget, 2010/2011).

### **3.3.1.2 Revenue Assignment**

The *2010/2011 Budget* indicates that the Municipality derives its revenue from internal sources which constitute 78% while the external grants is making up of the 22%. Evidently, the make-up of the Municipal revenue sources are: property rates; electricity service charges, water revenue charges, sanitation revenue service charges; interest on investment; interest on outstanding debts, fine and transfer recognized as well as other service charges and revenues (*ELM Budget, 2010/2011: 94*).

These sources were analysed as follows:

Assessment Rates - There is an increase of 82% as compared to 2005/2006 Financial year-end. This is due to the impact of the implementation of the new MPRA.

Services Charges - Some of the service charges increases are approved by Council and others like sewerage are influenced by water increases.

Electricity - There is a huge increase as compared to 2006/2007 Financial year. This is explained by the tariff hike over the past four years. Water - Tariff charges on water charges increased by 76% as compared to the last four years (*ELM Budget, 2010/2011:33*).

The increase is determined by Rand Water. Interest on External Investments - The increase of 20% is due to the fact that Emfuleni had cash invested in interest bearing instruments. Interest on Outstanding Debtors - This is interest levied on outstanding debtors. The increase of 37% shows that more debtors are still outstanding. Fines - More fines issued due to increased traffic monitoring and enforcement of traffic rules. Transfers Recognized -The increases are due to allocations from National Treasury. Other Income - This consists of (*ELM Budget, 2010/2011:35-36*)

- Tariff charges levied on: Refuse dumping landfill site tariff charges levied, reconnection fees and unallocated income Sundry income.
- Rental of facilities and equipment
- Licenses and Permits
- Gains on disposal of PPE (*ELM IDP, 2010/2011:35-36*).

In his Medium-Term Revenue and Expenditure Framework (MTREF) 2010/2011 Budget Speech, the Executive Mayor commended that the ELM collection rate remains a big area of concern. The information at his disposal discloses that the payment levels have not improved as anticipated since the Municipality is currently collecting less than 80% of the revenue. This shows that ELM has not demonstrated significant improvement in collecting all revenue due. In turn Emfuleni requires both capacity and the political will to collect such revenue due. Yet this Municipality appears more inclined to run deficits, often due to a continual failure to collect all revenue due (ELM Budget, 2010/2011:11).

### ***3.3.1.3 Intergovernmental Transfers***

As earlier mentioned, there have been steeply climbing as a result of additional allocations received from National Treasury, Provincial Treasury and Other State Bodies. The *2008-2011 Budget* highlighted such grants as:

- Financial Management Grant;
- Municipal Systems Improvement Grant;
- Municipal Infrastructure Grant (MIG),
- Equitable share,
- Integrated National Electrification Programme (Municipal) Grant;
- Neighborhood Development Partnership Grant (Capital Grant);
- Neighborhood Development Partnership Grant (Technical Assistance) and
- Other Grants like Health Subsidies; Sport, Art, Culture and Recreation – Recapitalisation of the libraries Grants and Plans and Provincial Treasury – Internship Programmes.

In focusing on the above-mentioned grants, there is an increase of 23.27% growth in equitable share allocation from the previous financial year 2008/2009 in comparison to the 2009/2010. The MIG allocation has also increased by 14.6%.

In terms of the Other Grants: the Health Grant is more of a re-imbusement where the Municipality recoups expenditure on behalf of the Gauteng Provincial Health Department. Based on the current expenditure patterns in 2007/2008 financial year, the Restructuring Grant balance of unspent amounts has been carried over into the 2008/2009 financial year (Neighborhood Development Partnership Grant (*Budget, 2008/2011:51-53*)).

### ***3.3.1.4 Sub national Borrowings***

As of 30 June 2007, the audited financial statement showed that the long term liability of the municipality was recorded as Annuity loans of R116 013 681 and capitalized lease liability of R22 274 580. These loans amount to 7.74% of total assets (Budget 2010/2011).

## **3.4 SUPPLY CHAIN MANAGEMENT**

In Emfuleni Local Municipality (ELM), Supply Chain Management Department is the engine of service delivery within the municipality, have a responsibility to ensure that it assist the user department on the procurement of goods and services within the shortest possible time.

### **3.4.1 Overall Objectives**

In terms of the ELM SCM Policy (2006:31), ELM's SCM overall objectives are:

- To ensure the efficient, effective and uniform planning for and procurement of all goods, services and works, required for the proper functioning of Emfuleni Local Municipality as well as the sale and letting of assets that conforms to constitutional and legislative principles whilst developing, supporting and promoting historically disadvantaged individuals, black economic empowerment, small, medium and micro enterprises (SMMEs), and preferential goals (socio-economic objectives).
- To ensure the efficient, effective and uniform management of logistics and disposal of goods and assets through the supply chain management process.
- Emfuleni Local Municipality must ensure good governance through its supply chain processes.
- To ensure that Emfuleni Local Municipality's strategic objectives are achieved.

### **3.4.2 Aim and Purpose of the SCM System**

- To have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain system when sourcing and procuring goods, services and works as well as the

sale and letting of assets that conforms to constitutional and legislative principles and maximises the benefits from its consolidated buying power in the market place.

- Emfuleni Local Municipality must manage its financial and administrative resources in such a manner to meet and sustain its supply chain goals (ELM SCM Policy, 2006:32).

### 3.4.3 Strategic Objectives

The direction is set out as follows: (ELM SCM Policy, 2006:33-34):

**Table 3.2: Strategic Objectives**

STRATEGIC GOALS	STRATEGIC OBJECTIVES	MEASURES
To promote and maintain good corporate governance.	<input type="checkbox"/> To render an effective and efficient SCM function for Emfuleni Local Municipality.	<input type="checkbox"/> Compliance with legislative requirements. <input type="checkbox"/> Simplified uniform SCM policy and procedures. <input type="checkbox"/> Appropriate delegations and segregation of duties. <input type="checkbox"/> Audit trail of procurement process. <input type="checkbox"/> Recorded spend.
To improve efficiency, effectiveness and uniformity.  The prevention of unauthorized, irregular, and fruitless and wasteful expenditure.	<input type="checkbox"/> To ensure that the procurement of assets, goods and services and the appointment of consultants and service providers for Emfuleni Local Municipality is done in an efficient, cost-effective and uniform manner.	<input type="checkbox"/> Responsive SCM processes. <input type="checkbox"/> Uniform processes and documentation.
To ensure value for money when procuring.	<input type="checkbox"/> To achieve continuous improvement in value for money on the total cost of ownership.  To enhance quality and competitiveness of providers.	<input type="checkbox"/> Optimal processes. <input type="checkbox"/> Clear and unambiguous requirement setting (specification/terms of reference).  Effective contract and supplier management.

STRATEGIC GOALS	STRATEGIC OBJECTIVES	MEASURES
<p>To promote HDI, BEE and SMME procurement spend.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> To ensure that BEE imperatives are adequately addressed in accordance with Emfuleni Local Municipality's BEE policy.</li> <li><input type="checkbox"/> To award all orders, contracts, sub-contracts and supplier agreements to suppliers that are approved according to Emfuleni Local Municipality's accreditation process.</li> <li><input type="checkbox"/> Promoting economic transformation in order to enable meaningful participation by black people in the economy.</li> <li><input type="checkbox"/> Achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises.</li> <li><input type="checkbox"/> Increasing the extent to which black women own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training.</li> <li><input type="checkbox"/> Promoting investment programmes that lead to broad based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Setting annual HDI/BEE/SMME targets.</li> <li><input type="checkbox"/> Equity ownership as a standard evaluation criterion.</li> <li><input type="checkbox"/> Promotion of HDI/BEE/SMME joint ventures and subcontracting where feasible.</li> <li><input type="checkbox"/> Inclusion of SMME in accordance with the PPPFA in all bidding processes where feasible.</li> <li><input type="checkbox"/> A balanced scorecard approach will be used in the measurement of BEE.</li> </ul>

Source: ELM SCM Policy 2006

### 3.4.4 Implementation of SCM Activities

In implementing the SCM activities, it is in the researcher's opinion that fiscal decentralization is far less to work unless the below-mentioned elements are in place or fail to be address.

#### **3.4.4.1 Management Commitment**

The 2010/2011 IDP document distills the plans to address the challenges incurred in the SCM Department. Chief amongst those plans is the Decentralization of the SCM Department. The initial lessons from ELM indicate that it requires both capacity and political will to collect revenue. From the management viewpoint, there is a lack of management commitment within this Department because when writing this study the position of a SCM Manager as the accounting officer for this department is still vacant. To that end, ELM has experienced a constant change in top management which is a further problem and a sure recipe for failure for example a Municipal Manager either voluntarily or forced to resign before the expiry of one's contract. During the current term, ELM has been headed by more than three individuals, either on the acting capacity or permanent capacity (2010/2011:7).

The above policy framework also highlighted that generally there is a lack of capacity to handle the volume of work within this fraternity. Moreover, the inputs from SCM Department in a form of a report were forwarded to the ELM Senior Management Team (SMT) to address the Decentralization and the volume of work which has a detrimental effect to the smooth functioning of this Department to ensure a speedy service delivery.

#### **3.4.4.2 Skills**

Building the appropriate capacity must not be seen as a part of a dynamic process but part of a development strategy. Appropriate capacity is unlikely to arise in a vacuum, but will develop only when and where there is a demand for it. Fiscal Decentralization is caused by a lack of skill and insufficient capacity and absence of more modern budgeting and financial systems (Momoniat, 2004). Joubert offered a solid advice for any system to be able to motivate workers it must include proper working conditions, supply training and education, encourage good communication and co-operation (2002:39).

The ELM SCM Policy indicated that the Municipality must provide resources or opportunities for the relevant officials to meet the prescribed treasury competency levels in 2013. In this case, ELM has conducted number of workshops such as Intenda Procurement System. This project

kicked off on the 20<sup>th</sup> July to create order and interface with the Venus System. In turn, the 2010/2011 IDP document discloses that there is a lack of knowledge from SMME's on SCM processes (ELM IDP 2010/2011:7).

#### **3.4.4.3 Cost-Effectiveness**

Emfuleni Local Municipality must strive for SCM system effectiveness and must carry out its procurement processes as cost-effectively as possible while meeting the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement requirement (ELM SCM Policy, 2006:60).

#### **3.4.4.4 Tool and Resources**

A quality paradigm of management is both a philosophy and methodology for managing organizations as it includes a set of principles, tools and procedures that provide guidance in the practical affairs of running an organization. The commitment to quality without backup of scientific tools will be soon rendered useless (Joubert, 2002:41).

As previously alluded to in the above section of this research that ELM introduced an Intenda System as a tool to create quotes or tender on the system so that it can create order and interface with Venus System. To date, such a tool does not interface with a Venus System. This malpractice is very detrimental to the efficient service delivery since ELM will not be able to adhere to turn-around time.

#### **3.4.4.5 Performance Management System**

Council has adopted the Success Factors System as the tool to measure performance of staff. Consultants were contracted to assist with the contracts of Section 57 officials and Officials from job level 1-5. Currently 181 active users registered on the system. A template is developed for Level 6- 16 to ensure performance is accounted for by all employees. This template will assist to cater for employees who do not have access to computers. The unit with Legal Services has also



developed Service Level Agree (SLAs) and Letter of Engagement (LOE) (ELM IDP, 2010/2011:17).

SDBIP are prepared quarterly and submitted to the municipal council, and this assists in tracking progress for realization of IDP objectives. Currently, the Department of Local Government and Housing is investigating the most suitable system to be used by all the municipalities within Gauteng. Performance Management System Policy is in a draft format and the biggest challenge in finalizing the policy is that the municipality is concentrating on individual performance and not institutional performance and a balance needs to be stroked between the two (ELM IDP, 2010/2011:17).

### **3.5 RISK MANAGEMENT IN SUPPLY CHAIN MANAGEMENT**

The Risk Management Cluster is still in the process of developing and putting systems in place to address the risks identified and needing urgent attention. The following are in a draft format and must serve before the Senior Management Team before they can serve before the municipal council for approval (ELM SCM Policy, 2006:77):

- Contingency Liability and its Register – this will assist in recognizing all claims against the municipality, including the third party claims, with the intention of identifying high risks and addressing same for future purposes. Furthermore, the system will help the municipality to budget for possible claims against it.
- Contract Management Policy – this will assist the municipality in the drafting of contracts, management, tracking of contracts and their safekeeping.
- Legal Procedure Manual – this addresses the steps to be followed by the legal department and all the clusters when it comes to legal matters which are a function of the department.
- Office Space - Physical structure of offices where Personnel Administration is located, that is, offices are configured to be user friendly to both employees and members of the public, including inadequate security; employees are at risk of physical harm;

- Non-existent/inadequate storage for applications/CV's; in the event of a dispute it takes forever to retrieve the relevant documentation and that might cause Council to be sued or face legal action;
- Management of leave: Line managers are not monitoring leave of their staff adequately and there is a risk that Council might have lost or still be losing money due to inaccurate and lax leave management;
- Section 14 Manual - The Section 14 Manual is established in terms of the Promotion of Access to Information Act, Act No. 2000, which aims to set out standards and procedures to disseminate information to the public.
- Non-adherence to report submission procedures - To address and minimize this risk, Standard Operating Procedures have been developed and distributed to all stakeholders.
- Leaking of information before final resolution by council and/or committees. Committee clerks have been trained on committee procedures and the non-disclosure of information and. Standard Operating Procedures in this regard has also been developed.
- Non-compliance to National Archives Act resulting in loss of information. An Archives awareness campaign is planned for the last week in March 2010.

From a SCM point of view, ELM SCM Policy (2006:77) the below-mentioned will be relevant to avert risks:

- The Accounting Officer or delegate must determine Emfuleni Local Municipality's risk aptitude.
- Risks must be identified upfront on a case-by-case basis.
- Risks must be allocated to the party best suited to manage such risks.

- Emfuleni Local Municipality must accept the cost of risks where the cost of transferring the risk is greater than that of retaining such risk and it must transfer the risk where this is not the case.
- Emfuleni Local Municipality must pro-actively manage risks and provide for adequate cover for residual risks.
- The bid and contract documentation must clearly and unambiguously state to whom the risk has been allocated and who should take responsibility for managing it.

### **3.6 CONCLUSION**

This chapter outlined an overview of Emfuleni Local Municipality in terms of its demographic built-up. It further attempted to describe to the applicability of the pillars of fiscal decentralization in the study area. In order to ascribe to this, this chapter has focused on fiscal decentralization as an efficiency tool in the Supply Chain Management Department. Chapter 4 will provide research methodologies used to empirically assess whether fiscal decentralization can be utilized as an efficiency tool in the Supply Chain Management Department of Emfuleni Local Municipality.

## **Chapter 4**

### **EMPIRICAL STUDY ON THE EFFECTS OF FISCAL DECENTRALIZATION OF SCM FUNCTIONS AT ELM**

#### **4.1 INTRODUCTION**

This chapter provides an overview of the methodology used to study the efficiency of fiscal decentralization of Supply Chain Management (SCM) at ELM. It begins by highlighting a distinction between quantitative and qualitative study, proceeds with a discussion of research methods such as literature review, semi-structured interviews, focus group discussions and observation.

The summaries of the data collected through these methods by means of a questionnaire would be analyzed and described. This analysis of data would be followed by the validity and reliability aspects of the data measurement. Thereafter, ethical consideration relevant to this study would be taken into consideration.

#### **4.2 RESEARCH METHODS**

The focus in this study is to highlight two types of research methods, namely the qualitative and quantitative method (Leedy and Ormrod, 2005:105). The difference between the two methods will be highlighted below and yet which one deems fit to be used as a method of research to pursue this study will be discussed.

In the area of research methodology, one approaches a quantitative methodology by using a deductive form of logic, wherein theories and hypotheses are tested in a cause-and-effect order. This cause-and-effect relationship is the stated relationship between the independent and dependent variables. Concepts, variables, and hypotheses are chosen before the study begins and remain fixed throughout the study. The objective is to develop generalizations that contribute to the theory and that enable one to better predict, explain and understand some phenomenon. In a qualitative methodology, on the other hand inductive logic prevails. Arguments supporting

qualitative inquiry indicate that human behaviour is significantly influenced by the setting in which it occurs; thus one must study that behaviour in situations (Silverman, 2000).

Based on the foregone discussion, this study accepts the realization that the use of a qualitative approach is considered more appropriate (Creswell, 2003). In addition, Gilmore & Carson (1996) pointed out that qualitative research methods are well suited for the nature of service industry. From a qualitative research point of view, this study wants to assess the efficiency of fiscal decentralization of Supply Chain Management (ELM) at Emfuleni Local Municipality (ELM).

### **4.3 A QUALITATIVE METHODOLOGY**

The genesis of this distinctive methodology is highly qualitative within which the researcher works. By definition, “Qualitative research is a type of research in which the researcher relies on the views of participants, asks broad, general questions, collects data consisting mainly of words (or text) from participants, describes and analyses these words for themes, and conducts the inquiry in a subjective, biased manner.” (Creswell, 2005:39). Again, qualitative research denotes the type of inquiry in which the qualities, the characteristics or the properties of a phenomenon are examined for better understanding and explanation (Henning *et al* 2004:5).

#### **4.3.1 Significance in Qualitative Research**

The goal of qualitative research is to obtain insights into particular educational, social and family process and practices that exist within a specific location (Connolly, 1998). Bogdan and Biklen (2003:6) state that one of the features of qualitative research is to define how people negotiate meaning. In an attempt to gain insights into how fiscal decentralization can be used as efficiency tool in the Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM); the researcher extract meaning from the data. In the *Dictionary of Qualitative Inquiry*, Schwandt (2001:6) defines “meaning” as a taken-for-granted assumption in qualitative inquiry that it studies meaningful social action...it cannot be adequately described in purely physical terms. Carspecken and Apple (1992: 519) believe there are three steps involved in the “analysis of meaning”. These steps include:

- Noting possible meanings in the field notes;
- Reconstructing normative factors, that is understanding meanings, then, involves taking first, second and third person positions with respect to an act and this can be done only with reference to certain norms assumed to be in play;
- Subjective states of the individuals must be reconstructed (1992:519)

These steps find meaning within the data to empirically investigate fiscal decentralization as an efficiency tool in the Supply Chain Management (SCM). That is, qualitative researchers study phenomena in their natural setting and strive to make sense of or to interpret them with respect to the meanings people bring to them (Denzin and Lincoln, 2000). Moreover, the significance of qualitative research will help the researcher to study phenomenon in the municipal setting, namely, at Emfuleni Local Municipality (ELM). Accordingly, this method was chosen in order to reach a deeper understanding of fiscal decentralization as an efficiency tool in the Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM).

#### **4.3.2 Qualitative Research Design**

A qualitative research design consisting of the semi-structured interview, focus group discussions and participant observer, the latter are adopted in this study. In its narrow definition, a research design refers to a plan, blueprint, or guide for data collection and interpretation. With the concept of exploration, preliminary findings found that researchers should be locked into a rigid design or ultimate income when seeking new information and insights (Adams & Schvaneveldt, 1985:103).

A research design is a plan or strategy which moves from the underlying philosophical assumptions to specifying the selection of respondents, the data gathering technique to be used and the data analysis to be done (Maree, 2010:7). In this study, a survey research is an appropriate research design to empirically investigate fiscal decentralization as an efficiency tool in the Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM).

## **4.4 DATA COLLECTION**

In order to test the hypothesis and answer pertinent questions, through this study data must be collected in order to investigate the efficiency of fiscal decentralization as an efficiency tool in the Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM). In this research, data collection involves applying the measuring instruments to the sample or cases selected for the investigation.

In examining the efficiency of fiscal decentralisation as a tool in the Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM), semi-structured interviews, focus group discussions, and participant observer seemed to be the best choice. At this point, each of these mentioned research methods would be discussed in more detail as how data was obtained during this study.

### **4.4.1 Literature Review**

The voluminous data to investigate the efficiency of fiscal centralization in the Supply Chain Management (SCM) of Emfuleni Local Municipality (ELM) was gathered through investigating literature on the concept of fiscal centralization to form documentary evidence. This study thus relies mostly on written document such as books, legislations, journals, dissertations (published and unpublished), seminar papers and internet documents. These documentary materials were examples of literature that were reviewed and analyzed by the researcher to obtain data about the fiscal decentralization in the Supply Chain Management (SCM) of Emfuleni Local Municipality (ELM).

Amongst other documents consulted were Treasury Instructions, Public Finance Management Act (Act No. 1 of 1999) and Division of Revenue Act (Act No. of 30 of 1999) to examine and reveal fiscal decentralization in South Africa. These documents contain information and statistics in the form of allocation of revenue and expenditure. Similarly, the researcher also surveyed a large volume of operational documentation from the ELM website. These include reports to the Mayoral Committee minutes, Council Resolutions, transcripts of speeches, policies and other strategic planning documents such as *Integrated Development Plan (IDP, Financial Plan)* and

*SCM Policy and Procedures*. These documentary data enabled the researcher to pay particular attention to evidence describing need for fiscal decentralization of SCM in the study area.

#### **4.4.2 Semi-Structured Interviews**

Within this study, semi-structured interview was also used as a data collection tool. In this qualitative interview, semi-structured interview are usually interviews between two extremes that are between the completely structured and on the other hand and the completely unstructured interviews on the other. Welman & Kruger (2001:161) indicated that this type of interviews offers a versatile way of collecting data. Similarly, semi-structure interviews usually have an overarching topic, general themes, targeted issues, and specific questions, with predetermined sequence for their occurrences (Lee, 1999: 62).

#### **4.4.3 Sampling**

In qualitative paradigm, before collecting data, Babbie & Mouton (in Williams, 2006:56) argued that two important procedures need to occur. There needs to be a sampling process before data collection. By implication, sampling is a process whereby one makes estimates or generalizations about a population based on information contained in a portion (sample) of the entire population. It is the goal of this qualitative research to have a sample that is truly representative of the total population from which the sample has been selected (Adams & Schvaneveldt, 1985: 175).

This research involved Emfuleni Local Municipality (ELM) as the locus of this study. Purposeful sampling was used to select this local sphere of government. This municipality was chosen because it: (a) is one of the largest municipality within the jurisdictional area of Sedibeng District Municipality (SDM) where the rate of unemployment (53%) is high, (b) was once been placed under Project Consolidate which is a hands-on local government support and engagement programme to receive assistance in delivering services.



For the purpose of this study, the researcher had the opportunity to choose participants that could yield the most information about the topic under investigation. Hence, sampling of the participants is discussed in the next sections of this study.

The population for the sample comprised senior managers at Emfuleni Local Municipality (ELM). A cursory review of literature established factors that were viewed as influential upon senior managers' perception of fiscal decentralization at Emfuleni Local Municipality (ELM), specifically in the Supply Management Department. These constituted purposeful sampling because these Senior Management Team(s) are key decision-makers who have vested authority and responsibilities. The informants whom semi-structured interviews were held with are:

- **Councilor KJM Ranake** (the MMC for Finance)
- **Councilor Runyuza** (the MMC for Service Delivery)
- **Mr. Sam Tshabalala** (Municipal Manager, former Chief Executive Officer of Metsi-a-Lekoa and the Deputy Municipal Manager: Service Delivery),
- **Mr Warde Moeti** (Former Acting Municipal Manager)
- **Mr. Ahmet Lambat** (Chief Financial Officer),
- **Mr. Lindo Sibiya** (Acting Deputy Municipal Manager: Service Delivery)
- **Mr. Prince Motaung** (Manager: Budget office and Former Acting CFO)
- **Thabo Thwala** (Assistant Manager: Supply Chain Management)
- **Ms Phumzile Mazibuko** (Chief Buyer)

As the sample for this study, the above listed politicians and senior officials were also selected on the basis of participating in developing and promoting processes, systems, method and tools in the Supply Chain Management Department at Emfuleni Local Municipality (ELM). The participants for this interview were selected from the organogram of the organization. In addition, **Thato Moletsane**, the Senior Accountant: Demand Planning within SCM and **Yasmeen Bhayat**, the Senior Accountant within the Acquisition Management, were also drawn in the above sample since they also both participate actively in the SCM processes. Five people who fall within the Adjudication Committee as adjudicators, Ms **Lindiwe Mahlangu**, DMM: Corporate Services, **Mr. Lucky Kamolane DMM**: Public Safety and Community Development (PSCD), **Dr Hein Wessie DMM**: Economic Development Planning Cluster **Mr. Thabo Ntho** Acting Chief Audit Executive were also interviewed.

#### **4.4.4 Procedure**

A qualitative research design consisting of semi-structured interviews was adopted for the study. The researcher developed a list of questions for the participants. Once developed, the researcher asked the supervisor to review and design the question route, before the commencement of this kind of interview. *Appendix A* reflects a formal request made to the Municipal Manager to conduct this study. In the same breath, "*Appendix B*" of this questionnaire constituted of Management Commitment and skills which focuses on selecting Senior Management Team members as key participants in ELM by collecting their demographic profile.

After outlying the aim of the study, respondents were encouraged to be fair and frank in their answers, and were assured of their confidentiality. Respondents were also assured of their anonymity

#### **4.5 FOCUS GROUP DISCUSSION**

A focus group is a small group of interviewees on a specific topic. Lee (1999:51) defines focus group as a small group of individuals (e.g.,4-12) from a theoretically meaningful population (e.g., organizational members, product consumers, graduating college seniors) are assembled and asked to respond to a series of questions. In concurring to this, Mack *et al.* (2005:51) also viewed focus group as a qualitative data collection method in which one or two researchers and several participants meet as a group to discuss a given research topic.

Within the focus of this research, focus groups also comprised participants as a forum to acknowledge strength and air views, as well as to identify problems that the politicians and technocrats can address pertaining to fiscal decentralization within their working environment. Finally, this participatory nature of focus groups will support the participants' (both internal and external) investment in the results, and may represent an important intervention in itself (Linville et al, 2003:211).

### **4.5.1 Participants**

In order to test the hypothesis and also to seek answers to the research questions, the two focus groups were conducted. As a result of the data collected from the semi-structured interviews, the researcher conducted two focus group interviews with ELM's employees and goods and service providers (suppliers) on ELM database. Similarly, one group consisted of internal customer (Employees) and the other external customers (goods and service providers). The focus group discussions were conducted as discussed below:

#### **Group 1: ELM Employees**

This focus group consists of Emfuleni Local Municipality's (ELM) full-time employees. These employees are Buyers, Supply Chain Management (SCM) Practitioners, Interns as well as User Departments which are assigned to deal with SCM procedures and processes, specifically within the Finance and Service Delivery Clusters. These employees were recruited through the ELM's telephone list. Hence they were purposefully selected on the basis of engaging with SCM processes on daily basis. In the researcher's opinion, conducting focus group interviews was a valuable tool for gaining insights about the fiscal decentralization as an efficiency tool for SCM at ELM.

#### **Group 2: Goods and Service Providers**

Concurrent with the collection of data from the Group 1 focus group, a second round of suppliers was made within the jurisdictional area of ELM, previously indicated as external customers. This list of suppliers was selected from the ELM's database as approved by the Council. These suppliers are those who often submit quotations as well as being awarded tenders by the municipality.

#### **Procedure**

As indicated earlier, before the commencement of this interview, *Appendix A* reflects a formal request made to the Municipal Manager to conduct this study. In the same breath, *Appendix C*

of this questionnaire constituted of the persons in the employ of Emfuleni Local Municipality assigned to deal with the responsibility for procurement of goods and/or services or using the goods and/or services procured by ELM SCM Unit on daily basis as key participants in ELM. "Appendix D" of this questionnaire constituted of the persons who are providing or have supplied goods and/or services to Emfuleni Local Municipality. The data collected took between 40 – 60 minutes per participant.

#### **4.5.2 Participant Observation**

The above was supplemented by participant observation as method of collecting data in this study. This qualitative study of investigating the efficiency of fiscal decentralization of SCM at ELM was borne out of my interest in improving the turn-around time for service delivery and payment of suppliers within ELM. To provide better accountability, the researcher specifically chose SCM and Service Delivery Clusters of ELM as locus of this study. Moreover, the researcher presented fiscal decentralization as efficiency tool for SCM at ELM in this research as a model to improve service delivery turn-around time so that both internal and external customer needs are not only met but also exceeded.

The study is also based on a personal perspective as a Chief Accountant: Acquisition Management and Acting Manager: SCM as well as someone providing compliance supporting services for tender evaluation processes at ELM. It is also worth mentioning here that working in a local municipality serving urban communities recognizes that effective and efficient service delivery has to be the main priority of the public servant in urban setting.

For this study, more specifically, the researcher see herself as the participant-as-observer who not only viewed events as they happened, but also participated in the object of the study. In turn, she makes a careful and objective notes about what she observed, recording all accounts as field notes. As a participant -observer, Adams and Schvaneveldt (1985:235) implied that the researcher is located in an intimate relationship with the subjects. Participant-as-observer was the appropriate method to be followed, since it provides a way to work closely with the participants, while still gathering rich and detailed data. Lee, attached the specific category of observer applicable to the researcher as a "*complete participant*", that is she participate fully as a researcher but covertly as an organizational member (1999:98).

In turn, this means as a researcher she had to take precautions to hide her scientific intentions, role and observational activities. As a participant observer, she felt that she is better positioned than any external observer or researcher to expose the actual reality behind the sequence of actions that constituted the decentralization of SCM at ELM. This method grants the researcher the accessibility to the utmost important information that will create more understanding and expedite the development of the study.

### **4.5.3 Questionnaire**

Amongst these methods of obtaining research survey; namely: literature review, semi-structured interviews, focus group discussion and participant observation. A more quantitative study with a structured questionnaire was used as a common instrument for data collection to investigate the efficiency of fiscal decentralization of SCM at ELM. Adams and Schvaneveldt (1985:202) define a *questionnaire* as a list or grouping of written questions which a respondent answers.

Similarly, the term *questionnaire* suggested as a collection of questions but an examination of a typical questionnaire will probably reveal as many statements as questions. This design is not without question. Research often focuses on determining the extent to which respondents hold a particular attitude or perspective. If a brief statement regarding attitude or perspective can be expressed, the respondent can be asked to indicate the degree to which respondents agree or disagree (Babbie, 2007: 141).

#### **4.5.3.1 Administration of Questionnaire**

The questionnaire may be administered in these ways, namely: group administered, self-administered, mailed, long, short, open-ended or closed ended style questions. The purpose for which a questionnaire is used can range from exploring-probing type research to a highly structured lab experiment Adams & Schvaneveldt (1985:202).

In this context, Babbie referred self-administered questionnaire as a situation in which questions are sometimes asked by the interviewer; sometimes they are written down and given to respondents for completion. In this study, a survey was conducted using self-administered

questionnaire is typically recognized to point to other techniques for improving completion rates while reducing costs. As a result of these factors, self-administered questionnaire was used to fulfill the need of this research (2007:25).

#### **4.5.3.2 Design of Questionnaire**

As earlier indicated, to facilitate data collection the survey method was used. Towards the end, a questionnaire was developed. A lot of preparation goes into a survey. Therefore, the questions are tailored in such a way that encompasses the scope and objectives of the research. For this study, the survey is designed to investigate the efficiency of fiscal decentralization of SCM at ELM. The questionnaire was structured and based on an extensive literature review of international and local surveys.

Most researchers found it difficult to design a reliable and suitable questionnaire to gather information from the sample population. There are a number of additional guidelines which should be followed during the construction of the questionnaire. *Firstly*, the questionnaire items should be clear and unambiguous. *Secondly*, double-barreled statements should be avoided.

Double-barreled statement describe items which typically contain two questions and, but allow for only one response which would apply to the entire statement. Based on the comprehensive review of literature, Rensis Likert has greatly formalized this procedure through the creation of the Likert scale, a format in which respondents are asked to *strongly agree* or *strongly disagree* or perhaps *strongly approve* and so forth (Babbie, 2007:256).

Two options may be used in the construction of a questionnaire. First option is to present what is called "*open-ended*" questions which require the respondent to provide his or her own answer to the question. Second option is "*closed-ended*" questions, the respondent is asked to select an answer from among a list provided by the researcher. For the focus of this study, these two options were considered for data collection.

#### 4.5.3.3 Parts of Questionnaire

The survey questionnaire is constructed into five main parts focusing on five primary tenets of SCM. Hence, the tenets are presented in six individual sections as follows: Management Commitment, Skills, Cost-effectiveness, Tools and Resources and Performance Management System. These five tenets comprise the principles used to guide his study.

*Appendix B*, forms part I of the questionnaire consisting of two sections (1 and 2). *Section 1* of this questionnaire consists of Management Commitment questions, at the same time it provides the background information on the SMT, it document the core competencies. *Section 2* is made up of the Skills questionnaire within locus of this study to be responded by Senior Management Team members of ELM. A total of sixteen questions are provided to be answered by the respondents. In this part, respondents are merely asked "open-ended" and "closed-ended" questions. As earlier noted, some questions are designed in Likert scale, a format in which respondents are asked to *strongly agree* or *strongly disagree*.

*Appendix C*, forms part II of the questionnaire consisting of five sections (1, 2, 3, 4, &5). *Section 1* and *2* of the survey questionnaire finds out the skills which are vital and necessary for the fiscal decentralization of SCM at ELM. This type of questionnaire seeks to gather information on the opinion, feeling, attitude and perception of employees pertaining to the level of fiscal decentralization implementation at ELM. It further looks at the level in which employees feel involved and empowered in SCM value chain. *Section 3*; focus on the employee's perception on the cost effectiveness of decentralization as efficiency tool of SCM at ELM. By keeping close to the internal (employees), ELM looks at an effort to develop and utilize the full potential of its workforce. Hence, a comprehensive training programme must be institutionalized within the entire organization. *Section 4* provides employees with tools and resources needed to facilitate the organisation's ability to improve service delivery in the SCM Department. *Section 5* needs to measure performance for the continuous improvement in the SCM processes and systems. Within this part, thirty-one questions are also designed in Likert format while five questions are "open-ended" for any comments.

Finally, *Appendix D*, consist of one section of the questionnaire documenting the cost effectiveness of decentralisation as efficiency tool of SCM at ELM. A total of thirty one

questions are provided to be answered by the respondents. In this part, respondents are also asked "*open-ended*" and "*closed-ended*" questions. The next section would provide an analysis of the data collected.

#### **4.5.4 Data Analysis**

This section presents the information provided by the respondents and the survey result about the efficiency of fiscal decentralization of SCM at ELM. The intention of this study specifically focused on the Supply Chain Management unit (finance cluster) and Service delivery cluster. A total of five primary tenets were proposed, which were felt to be the important principles for fiscal decentralization of SCM implementation at ELM.

In relation to this, key conclusions from the literature review were used to provide context for interpreting and understanding the findings from this research. Semi-structured interviews with Senior Management Team members took place by employing a quantitative questionnaire for statistical analysis to explore their background information. Similarly, focus group discussions were held with employees and goods and service providers.

In addition to collecting data, a firsthand experience of some of the initiatives was gained through participative observation. By analysing survey results, the researcher expected to give an insight on the implementation method and the potential weaknesses within the study area. In so doing the researcher would be able to identify setback that ELM face in adopting fiscal decentralization of SCM. To this end, some discussions on these findings will help to explore future research direction.

##### **4.5.4.1 Management Commitment**

The first concept of fiscal decentralization as efficiency tool for SCM used in this research is "Management Commitment." This key primary tenet is measured with the use of sixteen questions in which respondents were asked to provide answers by indicating *strongly agree* or *strongly disagree* with regard to each question.



For the purpose of this study, Management Commitment is composed of the Senior Management Team, Politicians and Senior Staff in SCM, as being the highest ranking persons in the organization with direct responsibility to develop and promote strategies, systems, processes, decision making and tools for effective service delivery in ELM in general and specifically in the SCM Department. Treasury Cluster will put in place strategies under the existing structure, processes, systems, methods and tools for continuous improvement of service delivery turn-around time in SCM processes at ELM. From ELM viewpoint, individuals who responded the survey questionnaire in *Part I* have identified themselves as Senior Management Team having a range of titles and reporting relationships, including:

Member of Mayoral Committee (MMC); Municipal Manager (MM); Deputy Municipal managers (DMM's), Managers, Assistant Manager, Chief Account, Senior Accountant and Chief Buyer. *Appendix G* profiled the Senior Management Team. In this respect, these upper-level management personnel are considered as a census of the survey population.

Indeed, the demographics of the survey questionnaire respondents reflected the characteristics of a Senior Manager. *Appendix B* shows results of a survey questionnaire used to collect background information in topics such as education, years of experience and skills. The questionnaires were hand delivered and also being e-mailed to the SMT (respondents).

As previously noted, a total of fifteen survey questionnaires were sent to SMT to be completed, but only twelve questionnaires returned (80%). These study documents formed the semi-structured interviews for the Senior Management Team to gain a deeper understanding of their background, philosophies regarding Management Commitment, and the types of skills that they feel are needed to be truly effective.

Based on the analysis of data provided by the respondents, the following are some of the key issues to provide an insight into the characteristic of ELM's Senior Management Team (DMM's). Geographically, the survey respondents were located in the ELM main office while some managers are evenly distributed throughout the entire ELM layout offices. This section summarizes the survey responses on the background, experience and skills of current Senior Management Team.

It documents through a review of position descriptions, the current requirements of being a Senior Management Team member. Of the twelve persons who responded to the survey, are either in political, departmental or divisional management positions as well as senior officials in SCM. Again, there were eight males and four females respondents from this management echelon.

#### **4.5.4.2 Education Achievement**

*Appendix H* summarizes the highest level of formal education completed by the current Senior Management Team that responded to the survey questionnaire. When respondents were asked to specify their highest level of formal educational completed, 25% of them have a National Diploma, while 17% of these respondents have a Bachelor's Degree, 25% Honors Degree and 33% have a Master's Degree qualifications. Although these positions require a Bachelor's degree or higher, in total *Appendix H* survey results show that the 54% of these current Senior Managers have a BA Degree, and Hon. Degree and Master's Degree. The current Senior Managers have university degrees than college diploma (25% versus 75%).

Specifically for the SCM Department, the CFO as the accounting officer of this department did not respond to the questionnaire, But the Manager: Budget, Chief Buyer and Senior Accountants as members in the finance department responded to the questionnaire and their educational qualifications are depicted in *Appendix I*. The educational qualification attained ranging from College Diploma, Bachelors to Master's Degrees.

#### **4.5.4.3 Years of Experience**

Similar to the formal educational level completed previously. *Appendix J* attached shows that 4 (33.33%) of the respondents reflect that they have five or less years of experience in SCM while 7 (58.33 %) in the same position, 1 (8.33%) of the respondents have more than five years of experience but less than 10 years in the SCM, while 1 (8.33%) in the same position, 2 (16.66%) of the respondents reflect that they have 10 years or more but less than 16 years of experience in SCM, while 4 (33.33%) in the same position. Only one of the respondents reflect that they have 16 years and above experience in SCM while none of the respondents had 16 or

more years in the same position, **3** (25%) of the respondents did not have or specify their years of experience in SCM. As shown in *Appendix J* attached, the current Senior Managers had considerably less SCM experience before taking up their current position.

#### **4.5.4.4 Skills**

The survey statements in this area focused on how decentralization of SCM processes at ELM can improve efficiency of procurement of goods and services; customer care relations; the level of knowledge of employee on SCM; turnaround time; record keeping and reporting process. However, Eleven (11) respondents provided answers using the following rankings: *strongly agree, agree, don't know, disagree* or *strongly disagree* in this six (6) item questions *as well as an open ended* response in the end. Four (4) of the Senior Managers agreed with these statements:

- Decentralization of SCM processes at ELM improved the level of knowledge of employee on SCM (57%).
- Decentralization of SCM processes at ELM improved turnaround time (57%).

Two (2) of the Senior Managers strongly agreed, in contrast other two (2) disagreed with this statement:

- Decentralization of SCM processes at ELM improved efficiency of procurement of goods and services (29%).

Two (2) of the Senior Managers agreed while the other two (2) disagreed with these statements:

- Decentralization of SCM processes at ELM improved reporting process (Council monthly reports on procurement spent on BEE, HDI, SMME, etc (29%).
- Decentralization of SCM processes at ELM improved record keeping (Deviations, Contracts, ad hoc bids, etc) (29%).
- Decentralization of SCM processes at ELM improved customer care relations (14%).

The above ratings showed potential area of weakness in terms of decision making by the entire Senior Management Team. There is unclear process that can lead to an environment of indecision.

#### **4.5.5 The level of Fiscal Decentralization in the SCM**

The purpose of this study is to determine the perceptions of employees (internal customers) and goods and service providers operators (external customers) regarding the efficiency of fiscal decentralisation in the SCM of ELM. *Part II* of the survey questionnaire was conducted using a self-administered questionnaire through focus group discussions. The main focus of these groups were to explore and analyse more in-depth the customers' perceptions, attitude, needs and expectations regarding fiscal decentralization within the organization.

Responses to this questionnaire reflected that the level of understanding of fiscal decentralisation as perceived by both the *internal*" and *external*" customers, feelings, perceptions and expectations of the ELM. *Part II* of the questionnaire intended to focus on other five concepts of the SCM activities that cut across all two focus groups of customers (*internal* and *external*), to reflect the other primary tents of fiscal decentralisation on SCM activities are as follows:

##### **4.5.5.1 Skills**

This part of the study is used to measure the perceptions on the SCM activities in any certification required, special skills acquired, training and the workshop attended. As earlier noted, the main thrust of this section is to explore more of in-depth customers' perceptions, attitude, needs and expectations regarding the fiscal decentralization within the organization. *Part II, Section 1 and 2* reflects a common questionnaire used to cover skills from a diversity of internal customers within the locus of the study.

Again, ten (10) questions were asked under this main principle of the SCM activities. Moreover, employees were asked to respond on Likert format and also to solicit any comment. Specifically,

data was analyzed through focus group discussions (*Group 1 and 2*). In this section a total of **31** employees (internal customers) completed this questionnaire. The responses were content analyzed with the intention of identifying consistent answers to be used to investigate the efficiency of the fiscal decentralization as a tool within the SCM of ELM. As previously mentioned, listening to the "customers" and responding quickly to their changing needs, perceptions and expectations is a basic fiscal decentralization approaches. Logically, **Appendix K** enlists the survey results analysis as discussed below.

#### **4.5.5.2 Educational Achievement**

**Appendix K** shows the level of finance qualification completed by the employees that responded to the survey questionnaire. Similarly to the education requirements discussed previously, **Appendix K** shows that the majority (65%) of the current ELM low – level employees did not have a finance qualification required to perform SCM processes and systems.

#### **4.5.5.3 Competency Training Received**

When asked which skill they have received training MFMA (42%) was the most frequently mentioned followed by other legislations (19%) and Intenda (10%) as shown in **Appendix K** attached. **Appendix K** displays the full range of competencies respondents reported have received during training. The competency training ELM employees received is in Customer Service (19%) followed by Communications (16%) and Time Management (13%). At most half (50%) of the respondents didn't receive training in the aforementioned competencies. **Appendix K** also depicts that 30% of the current ELM employees had participated and attended workshops organized by the National Treasury. However, 10% have both participated at SARS and CIDB workshops. But there was no participation or attendance at CIPRO workshop. In this section the researcher focused on skills of a total of 31 low level employees. By keeping close to the internal (employees), ELM looks at an effort to develop and utilise the full potential its workforce. Within this part, *five (5) questions* are also designed in Likert format while there is an "*open-ended*" question for any comments.

- The majority of respondents indicated agreement with this statement:

- The organization looks for the areas where job training is still needed (52%)

Larger number of respondents disagreed with each of these statements:

- The organization provides cross training opportunities for its employees (48%)
- SCM training has helped employees in the performance of their jobs (45%).
- Employees have not been trained in the use of Intenda Procurement System (39%).
- The organization has an ongoing SCM training for the entire workforce (36%).

#### 4.5.6 Cost – Effectiveness

This section looks at the level in which employees feel involved and empowered in SCM value chain. By keeping close to the internal (employees) and external customers (service providers/contractors), ELM can establish customers' needs; gather information on their perception, attitude, and expectations. The researcher conducted two (2) focus group discussions. One group consists of thirty one (31), current full –time low – level employees in ELM and the other consisted of thirty (30) service providers/contractors. **Appendix C and D**, lists *five (5) questions* also designed in Likert format while there is an *"open-ended" question* for any comments. **Appendix K** section 3 enlists the following responses:

- 16 (53%) of the service providers and 12 (39%) of the employees agreed to the statement that *“SCM procedures and processes are Transparent”*.
- The second question asked respondents whether *“As a result of SCM, a strategy is based on quality rather than price”*. 12 (39%) of the employees disagreed while 10 (33%) of the service providers agreed.
- *“SMME participation in SCM is not endorsed in the organization”*. In their response, both service providers 14 (47%) and the employees 9 (29 %) agreed to this statement
- The fourth question *“The organization follow-up with Service Providers for quality service feedback”*. There is a mixed feeling since service providers 12 (40%) strongly agreed while employees disagreed 10 (32%).
- In the fifth question *“An organisation maintain a close relationship with a pool of suppliers”*, both respondents, 10 agreed to this statement with a response rate of 32% for employees and 33% of service providers respectively.

#### 4.5.7 Tools and Resources

This section provides employees with tools and resources needed to facilitate the organization's ability to roll - out SCM processes and system. Only one focus group consists of thirty one (31), current full -time low - level employees in ELM responded to these five (5) questions. In **Appendix K section 4**, respondents agreed to these statements:

- Our inter-organisational co-ordination is achieved using electronic link (32%).
- We use IT – enabled transaction processing (29%)

In contrast, 36 % of the respondents strongly disagreed with this statement “We use electronic transfer of purchase orders, invoices and/or funds”. Again, sixteen employees disagreed with the following statements:

- “Advanced information systems to track and/or expedite payments” (52%)
- “There are direct computer-to-computer links with customers” (45%).

The above statement showed potential area of weakness, these are challenges encountered due to the lack of tools and resources to unlock SCM processes and system.

#### 4.5.8 Performance Management System

This category need to measure performance for the continuous improvement in the SCM processes and systems. Again, only one focus group consists of thirty one (31), current full -time low - level employees in ELM responded to these *five (5) questions* designed in Likert format while there is an *"open-ended" question* for any comments. The respondents indicated agreement with these statements as shown in **Appendix K section 5**:

- There is a rapid confirmation of supplier’s orders (16)
- The performance expectations of my position are clear and attainable (14)
- Methods to measure and monitor external customer satisfactions have been implemented in my organization (9).

Again, employees indicated a level of disagreement to these statements:

- *The organization has a Performance Management System in place (11)*
- *The performance expectations of my position are clear and attainable (14)*

Against this background, (8) employees are unsure whether “*Performance Management System is in place*”. Similarly, 7 employees also don’t know if the “*Feedback they receive about their performance is clear and fair*”, lastly, 7 employees don’t know whether “*methods to measure and monitor external customer satisfactions have been implemented in the organization*”.

## **4.6 VALIDITY AND RELIABILITY**

Both validity and reliability are required when research instruments are to be used. In conventional usage, validity is defined as the extent to which an empirical measure adequately reflects the real meaning of the concept under construction. In abstract terms, reliability is a matter of whether a particular technique applied repeatedly to the object in order to yield the same result each time (Babbie, 2007:143). In order to ensure validity and reliability of the data, strategies such as triangulation and feedbacks were used Mahapa (2003:74) as mentioned-below:

### **4.6.1 Triangulation**

For the purpose of this study, triangulation is a mixed method of research for data collection. Furthermore, both inductive (qualitative) as well as deductive (quantitative) investigation of analysis were used. Therefore, for data gathering purposes both qualitative data through literature review, semi-structured interviews, focus group discussions and observation and quantitative data by means of questionnaire were selected as data collection methodologies to empirically investigate fiscal decentralization as an efficiency tool in the SCM at ELM (Mahapa, 2003:74).

### **4.6.2 Feedback**

Soliciting feedback from others was used as a strategy for identifying validity threats, the researcher's biases and assumption, and on methods and logic (Mahapa, 2003:74). Data collected through the above-mentioned methods of research were presented from a diversity of participants. In this study, participants were Senior Management Team, customers: employees



and Service providers. They provide valuable responds and comments for the furtherance of this research.

#### **4.7 ETHICAL CONSIDERATIONS**

Before commencing this research study, a letter requesting permission to conduct this research and hold semi-structured interviews, focus group discussions and observations with the employees was written to the Municipal Manager of ELM. *Appendix A* articulates the thrust of the discussions within that correspondence. *Appendix E* show a second letter which was issued with questionnaire to the ELM's employees requesting their participation. Similarly, *Appendix F* display another letter with the same contents which was addressed to service providers/contractors also requesting their voluntary participation. All the participants were informed about the ethical issues applicable to the research study.

These ethical issues were addressed and accepted by them (participants). They were advised that their participation was voluntary and explicitly expressed that they can withdraw from the research any time they wish. The confidentiality and anonymity of the respondents (employees and service providers) were protected at all the times.

#### **4.8 CONCLUSION**

This chapter dealt with an overview of the main methodology relevant to empirically examine fiscal decentralization as an efficiency tool with the SCM of ELM. It begins by highlighting a distinction between quantitative and qualitative study, proceeds with a discussion of research methods and data analysis procedures and presents summaries of the data collected. These data was collected by means of literature review, semi-structured interviews, focus group discussions and observational behavior. These data collected were obtained by means of a questionnaire using a quantitative analysis approaches. Validity and reliability in terms of the methods of research were described. To this end, this chapter concluded with the discussion on ethical issues pertaining to this research study. The next chapter will present the research findings.

## Chapter 5

### SUMMARY, FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

#### 5.1 INTRODUCTION

This final chapter summarizes the study in terms of the research questions and objectives and the process embarked on to answer the questions, by realizing the objectives. Furthermore, a summary of the study is outlined, followed by the discussion on the research and its findings.

This chapter concludes with the recommendations for using fiscal decentralization as an efficiency tool for implementation of the Supply Chain Management activities as well as for the research and the development for further work. A summary of the results in response to the research questions of how of fiscal centralization can improve the efficiency of local government service delivery in the Supply Chain Management is represented in this section.

#### 5.2 SUMMARY OF THE STUDY

The aim of this study is to investigate fiscal decentralization as an efficiency tool in the SCM at ELM. *Chapter one* provides an overview of fiscal decentralization and Supply Chain Management, the discussion of the study objective and hypothesis. It further explores the subsequent research methodology and the organization of the research project to complete this study.

*Chapter two* sets the scene regarding variety of concepts, most importantly *decentralization* in the public administration domain. In its most basic definitions, the chapter examines the international and national fiscal decentralization as an efficiency tool for public sector organizations, specifically for local sphere of government by shifting public finances “closer to the people”.

In particular, there is an analysis of the effects of fiscal decentralization as an efficiency tool in the Supply Chain Management (SCM) at Emfuleni Local Municipality (ELM). Hence, the

information discovered during the development of this chapter is what provides a basis for the theoretical exposition of fiscal decentralization as efficiency tool for SCM at ELM.

*Chapter three* examines the historical overview of Emfuleni Local Municipality (ELM) in terms of its demographic build-up. It further presents institutional arrangement where its primary focus is on the political and administrative governance. The fundamental theme explored here is the appropriateness of a fiscal decentralization within the jurisdictional of the study area.

The growing attention is its applicability as an efficiency tool within the Supply Chain Management Department. Hence, the information collected during the development of this chapter will form the basis of this study

*Chapter four* provides an overview of the methodology used to study the efficiency of fiscal decentralization of Supply Chain Management (SCM) at ELM. It begins by highlighting a distinction between quantitative and qualitative study, and proceeds with a discussion of research methods such as literature review, semi-structured interviews, focus group discussions and observation. These collected data were be analyzed, described and be followed by the validity and reliability aspects of the data measurement. Lastly, ethnical consideration relevant to this study was taken into consideration.

### **5.3 FINDINGS**

The aim of this study was to investigate the efficiency of fiscal decentralization as a tool in the Supply Chain Management (SCM) of Emfuleni Local Municipality (ELM). To investigate fiscal decentralization as an efficiency tool, empirically study was undertaken to test the hypothesis that the current SCM operations at the ELM seem disorganized due to lack of human resources capacity and would require fiscal decentralization to improve its fiscal performance. It was the purpose of this investigation to address these research questions:

- What does Fiscal decentralization in SCM within the municipality entail?
- What current strategies under the existing structures, processes, systems, methods and tools does ELM have in place for the continuous improvement of service quality in SCM functions?

- What progress has being made if any by ELM in decentralizing the SCM functions?
- What recommendations can be offered regarding the effective implementation of decentralization of SCM at ELM?

To address the above questions, the findings in this survey help to assess fiscal decentralization of SCM as an efficiency tool within SCM of ELM. In this view, the summary analysis gauges the concepts and principles that this organization is exploring the fiscal decentralisation journey. At this point, summary analysis is discussed in the next section of this chapter.

## **5.4 SUMMARY ANALYSIS**

Evaluating the efficiency of fiscal decentralization of Supply Chain Management Department of Emfuleni Local Municipality requires an in-depth understanding of the criteria. It is in the researcher's opinion to develop the primary tenets of SCM activities based on fiscal decentralization, which were used to develop the concepts by which these could be measured. Fundamentally, it became clear that the guiding principles to guarantee this success are: Management Commitment, skills, cost - effectiveness, Tools and Resources, Performance Management System. Within the focus of this study these primary tenets will be discussed as follows:

### **5.4.1 Management Commitment**

SCM in the private sector differ from government sector to sector, but in municipal setting it (SCM) will not only be of interest to the government but also to the municipal managers that face the challenge to making SCM a reality. Decentralization of SCM processes and system makes ELM's managers responsible for strategic supply chain to recognize changes in the competitive environment and then direct and co-ordinate action within and across organization to utilize resources effectively and meet the demand of the environment within which they operate.

In this key concept of fiscal decentralization, an in-depth face-to-face semi-structured interview was conducted with ELM's SMT members through a survey questionnaire to collect the background information on issues such as education, years of experience and skills. Only seven persons responded to the survey questionnaire.

#### **5.4.1.1 Education Achievement**

In reviewing the SMT educational achievement, 29% of them have both a College Diploma and Master's Degree qualifications, while 14% of these respondents have a Bachelors Degree. Although these positions require a Bachelor's degree or higher, survey results show that the 58% of these current Senior Managers have a College Diploma and Master's Degree. That is a much higher percentage of current Senior Manager has university degrees than college diploma (71% versus 29%). This is slightly consistent with the educational requirements based on their job descriptions.

#### **5.4.1.2 Years of Experience**

The survey responses on actual experience of Senior Managers showed that 6 (86%) respondents reflect less than five years of experience in the same position while 2 (29%) of the respondents have at most five years of experience in the SCM. 3 (43%) of the respondents did not have or specify their years of experience in SCM. Of these Senior Managers who have been in this municipality for not longer than five years in their current position, only 29% have accumulated less than five years in the SCM experience. Similarly, only 29% of the respondents have more than five to ten years of experience in the SCM

Evidently, in terms of educational background and longevity these respondents can credibly represent the perceptions of local government Senior Management Team. Yet, the current Senior Managers had considerably less SCM experience before taking up their current position. This partly could be attributed to the lack of SCM skills in the departments. Reasons are that: some employees are drawn to public service by desire for work security, others by the desire for an activist role in people's lives and still others enter this employment sector by chance. In addition, personal contact – the right people in the right place at the right time – are of paramount importance in connecting people with jobs.

### **5.4.1.3 Skills**

The other aspect on which information was sought was whether there is an improvement on the procurement of goods and services; customer care relations; the level of knowledge of employee on SCM; turnaround time; record keeping and reporting process due to the use of fiscal decentralization as an efficiency tool in SCM. Based on the analysis of data provided by the SMT, it was revealed that:

The above responses from the SMT are worth noting that respondents gave themselves (personally) the highest rating when it comes to decision-making behavior.

## **5.4.2 The level of Fiscal Decentralization in the SCM**

The rationale behind this study is to assess the efficiency of fiscal decentralization in the SCM of ELM. Responses to the self-administered questionnaire through focus groups reflected the manner in which fiscal decentralization is perceived by the *internal* customers (employees), feelings, perceptions and expectations of the ELM. It is in the researcher's opinion to concentrate on six concepts of the SCM activities that form the primary tents for fiscal decentralization:

### **5.4.2.1 Skills**

Level of education and skills acquired by low level employees were evaluated. It was found that:

- A substantial majority (65%) of the current ELM low – level employees did not have finance qualification required to perform SCM processes and systems as found in their job descriptions. In essence, lack of basic accounting and financial management skills is a constraint in the SCM activities.
- The skills for which current employees had received training included MFMA (42%), followed by other legislations (19%) and Intenda (10%).

- The competency training ELM employees received is in Customer Service (19%) followed by Communications (16%) and Time Management (13%). At most half (50%) of the respondents didn't receive training in the aforementioned competencies.
- 30% of the current ELM employees had participated and attended workshops organized by the National Treasury. However, (10% each) have both participated at SARS and CIDB workshops. But there was no participation or attendance at CIPRO workshop.

In looking at an effort to unlock and utilize the full potential of its workforce through training and development, the survey results showed that:

- The majority of respondents (52%) agreed that the organization looks for the areas where job training is still needed.
- Larger number of respondents disagreed that *the organization provides cross training opportunities for its employees* (48%), SCM training has helped employees in the performance of their jobs (45%). Employees have not been trained in the use of Intenda Procurement System (39%).

#### **5.4.2.2 Cost – Effectiveness**

**In reviewing the information on cost – effectiveness:**

- Majority (53%) of the service providers agreed that “SCM procedures and processes are Transparent”.
- Both service providers (47%) and the employees (29 %) indicated that SMME participation in SCM is not endorsed in the organization”.
- Service providers (40%) strongly agreed that “the organization follow-up with Service Providers for quality service feedback” while employees disagreed 10 (32%).

### **5.4.2.3 Tools and Resources**

In reviewing the survey results on tools and resources needed to facilitate the organization's ability to roll - out SCM processes and system, it was established that:

- The employees agreed that inter-organizational co-ordination is achieved using electronic link (32%) to such an extent that they use IT – enabled transaction processing (29%).
- They disagreed that there are advanced information systems to track and/or expedite payments” (52%), they further disagreed that “there are direct computer-to-computer links with customers” (45%).

This implied that there are tools and technique in this study area, but it seems as if employees have never been trained for their usage.

### **5.4.2.4 Performance Management System**

In measuring performance for the continuous improvement in the SCM processes and systems, the survey results reveal that:

- 16 employees agreed that there is a rapid confirmation of supplier’s orders and 14 insisted that the performance expectations of their position are clear and attainable.
- They were unsure whether “Performance Management System is in place”. Hence, they don’t know whether “methods to measure and monitor external customer satisfactions have been implemented in the organization”

## **5.5 RECOMMENDATIONS**

If fiscal decentralization indeed helps to enhance skills, cost – effectiveness, tools and resources and performance management systems in the Supply Chain Management activities, it may increase efficiency of local public good delivery in the regional setting.



However, responses from the empirical study fell short of providing a satisfactory assessment of this proposition within the Supply Chain Management Department of Emfuleni Local Municipality. Based on the findings, the following recommendations are consequently offered for consideration and action:

- *Senior Management Team can lead by:*
  - Committing themselves to take strategic fiscal decisions and actions that hold the key to the success of the decentralized decision making
  - Improving efficiency of procurement of goods and services; reporting process (Council monthly reports on procurement spent on BEE, HDI, SMME, etc. and record keeping (Deviations, Contracts, ad hoc bids, etc).
  
- In assessing the efficiency of fiscal decentralization in the implementation of the Supply Chain Management activities, *Senior Management Team should be committed to:*
  - Employ the right people with the right qualifications (i.e. basic accounting and financial management skills) in the right place at the right time
  - Ensure competency training and development in Customer Service, Communications, Time Management and Intenda Procurement System.
  - Ensure employees participate and attend workshops organized by the National Treasury, SARS and CIDB
  - Unlock and use the full potential of its workforce through training and development to help them in the performance of their jobs
  - SMME participation in SCM
  - Facilitate tools and resources needed for the organization's ability to roll - out SCM processes and system.
  - Raise awareness of Performance Management System.
  - Measure and monitor external customer satisfactions.

## **5.6 LIMITATION OF THE RESEARCH**

As with other studies, there are pros and cons that could not be avoided in this research. For example, the scope of this study was limited to the Department of SCM at ELM and user

departments. In this case, I had to involve the whole Treasury Cluster for a good sample population for this study. The larger the sample the better it can represent the situation.

Other limitation is when collecting data through semi-structured interview. During this process, some Senior Managers felt betrayed when I had to interview them. Others felt irritated by the buzzword “fiscal decentralization”, this also delayed the response rate. The limited time allocated for this research may have resulted in the inability for a larger sample size and longer duration of the survey to take place.

## **5.7 CONCLUSION**

The limited time allocated for this research may have resulted in the inability for a larger sample size and longer duration of the survey to take place.

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## APPENDIX A

### Formal request made to the Municipal Manager to conduct this study

**Enquiries** : MA Mahloko  
**Telephone** : +27 16 950 5163  
**Fax** : +27 16 950 5254  
**Cell** : +27 82 438 0925  
**Email** : [mmahloko@gmail.com](mailto:mmahloko@gmail.com)

North West University  
P.O. Box 1174  
**VANDERBIJLPARK**  
1911

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20 October 2010

Mr Sam Shabalala  
The Municipal Manager  
Emfuleni Local Municipality  
P.O. Box 3  
VANDERBIJLPARK  
1900

Dear Mr Shabalala

#### **REQUEST OF APPROVAL FOR EXECUTION OF A RESEARCH STUDY**

I am an employee of the Emfuleni Local Municipality (ELM) registered with the Northwest university (Vaal campus] and pursuing a master's degree in Public Management and Development, through this letter, I request you to grant me permission to conduct a research study on the topic, "Fiscal decentralization as efficiency tool for supply chain management at Emfuleni Local Municipality". The research topic has been duly approved by the university and ELM is the locus of this study

The objective of this research study is to determine how to improve the quality and effectiveness of decentralization of supply chain management (SCM) in your institution. By investigating the link between centralized and decentralized SCM, specifically in the service delivery and finance cluster, within the SCM unit for successful decentralization implementation using this action research.

Some of the employees in ELM will be requested to participate and form part of this research project by means of completing questionnaire, interviews, observations, etc. These will be done with very little interruption of the working programme and without compromising service delivery

On completion of the research study, I will make the results thereof available to ELM for future application in the municipality through your office, as well as to the direct participants of the research study for future application, if found necessary.

All responses to the research study will be a high degree of confidentiality and will be used for research purposes only. If you need further clarification feel free to contact me or my supervisor.

Prof. E. Ababio is my supervisor and his contact details are provided below. Should you need further information to facilitate granting the requested permission, kindly contact me or him in the provided contact details.

Thank you in anticipation for your cooperation.

Yours faithfully

.....

**ANNETTE MAHLOKO**

**Approved/Not Approved**

.....

**Mr Sam Shabalala**

Professor Ernest Ababio  
HOD: Public Administration  
North West University  
Tel : +27 16 910 3460/51  
Cell: +27 82 469 6098  
Email: [Ernest.Ababio@nwu.ac.za](mailto:Ernest.Ababio@nwu.ac.za)

CC: Cluster: Finance  
: Basic Services  
: Corporate  
Unions : SAMWU  
IMATU

**APPENDIX B**

**SURVEY QUESTIONNAIRE FOR SENIOR MANAGEMENT TEAM MEMBER**

**FISCAL DECENTRALIZATION AS AN EFFICIENCY TOOL WITHIN THE SUPPLY CHAIN OF EMFULENI LOCAL MUNICIPALITY.**

**Purpose:** The objective of this study is to document Fiscal DECENTRALIZATION as an efficiency tool within the Supply Chain Management of Emfuleni Local Municipality. For the study purposes, Portfolio Councilors, Municipal Manager (MM), Deputy MM, Chief Finance Officer and Managers, would find the results valuable in determining action steps needed to enhance Fiscal DECENTRALIZATION as an efficiency tool within the Supply Chain of Emfuleni Local Municipality.

**Submission Instructions**

The high-ranking person in your organization with direct responsibility for management and leadership acumen should complete this survey:

**Telephone Survey Interview:** If you would prefer to complete the survey by telephone interview, call 082 438 0925

**E-mail Survey:** If you would prefer to complete the e-mail survey , please e-mail your request to: [mmahloko@gmail.com](mailto:mmahloko@gmail.com)

Name (Optional): .....

Title : .....

Cluster : .....

Department : .....

Phone: ..... Fax: ..... E-mail.....

Organization's website: .....

**PART I: SENIOR MANAGEMENT TEAM DEMOGRAPHIC PROFILE**

**Section 1): MANAGEMENT COMMITMENT**

This section of the survey contains questions of a personal nature. The information would be used solely to gather demographic profile of the respondents in order to determine if any relationship exist between respondents who exhibit similarities in their answers.

1. What is your current job title? .....
2. What is the title of the person to whom you report? .....
3. What is your gender?  
Male  Female
4. What is your age group?  
 20 – 29 years       30 – 39 years  
 40 - 49 years       50 – 59 years      Other, please specify.....
5. What is the highest level of formal education that you have completed?  
Some high school      Bachelor’s Degree  
Some college      Honours Degree  
Other, please specify: .....      Master’s Degree
6. If you attained a Certificate/Diploma/Degree, what best describe your major or area of study?  
Accounting      Public Finance Management  
Financial Management      Supply Chain Management  
Other, Please specify.....
7. How many years of experience in the present position?.....
8. How many years of experience in SCM did you have before you took this position?.....
9. How many (number) employees are directly reporting to you .....



**PART I: SUPPLY CHAIN MANAGEMENT ACTIVITIES**

**Section 2.): SKILLS**

This section looks at the organizational effort to develop and utilize the full potential of the workforce. The objective is to encourage continuous improvement and enhance personal skills through training and development. Please respond to each statement by placing an "X" in the relevant box of each competency. Indicate whether you strongly agree [SA], agree [A], don't know [DK], disagree [DA], or strongly disagree [SD].

SKILLS		<u>SA</u>	<u>A</u>	<u>DK</u>	<u>D</u>	<u>SD</u>
10	DECENTRALIZATION of SCM processes at ELM improved efficiency of procurement of goods and services	[ ]	[ ]	[ ]	[ ]	[ ]
11	DECENTRALIZATION of SCM processes at ELM improved customer care relations	[ ]	[ ]	[ ]	[ ]	[ ]
12	DECENTRALIZATION of SCM processes at ELM improved the level of knowledge of employee on SCM	[ ]	[ ]	[ ]	[ ]	[ ]
13	DECENTRALIZATION of SCM processes at ELM improved turnaround time	[ ]	[ ]	[ ]	[ ]	[ ]
14	DECENTRALIZATION of SCM processes at ELM improved record keeping (Deviations, Contracts, ad hoc bids, etc)	[ ]	[ ]	[ ]	[ ]	[ ]
15	DECENTRALIZATION of SCM processes at ELM improved reporting process (Council monthly reports on procurement spent on BEE, HDI, SMME, etc	[ ]	[ ]	[ ]	[ ]	[ ]

**Any Comment:**

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**APPENDIX C**

**SURVEY QUESTIONNAIRE FOR INTERNAL CUSTOMERS – EMPLOYEES**

**FISCAL DECENTRALIZATION AS AN EFFICIENCY TOOL WITHIN THE SUPPLY CHAIN OF EMFULENI LOCAL MUNICIPALITY.**

**Purpose:** The objective of this study is to document Fiscal DECENTRALIZATION as an efficiency tool within the Supply Chain of Emfuleni Local Municipality. For the study purposes, *Internal Customers* include Employees such as Chief Buyer, Buyers, SCM Practitioner, End Users, Contracted Employees and Interns would find the results valuable in determining action steps needed to enhance effective Fiscal DECENTRALIZATION as an efficiency tool within the Supply Chain of Emfuleni Local Municipality.

**Submission Instructions**

The person in your organization with direct responsibility for procurement of goods and/or services or using the goods and/or services procured by ELM SCM Unit (this person must be in the employ of ELM) should complete this survey:

**Telephone Survey Interview:** If you would prefer to complete the survey by telephone interview, call 082 438 0925

**E-mail Survey:** If you would prefer to complete the e-mail survey, please e-mail your request to: [mmahloko@gmail.com](mailto:mmahloko@gmail.com)

**Company Name (Optional):** .....

**Title** : .....

**Commodity** : .....

**Department** : .....

**Phone:** ..... **Fax:** ..... **E-mail**.....

**Organization's website:** .....

**PART II: SUPPLY CHAIN MANAGEMENT ACTIVITIES**

**Section 1): SKILLS**

This section looks at the organizational effort to develop and utilize the full potential of the workforce. The objective is to encourage quality improvement and enhance personal skills through training and development. Please respond to each statement by placing an "X" in the one box to the left of each competency

10) Please tick the title of your current position?

- .....SCM Practitioner
- .....Chief Buyer
- .....Buyer
- .....End – User involved with day-to-day operations of SCM
- .....Intern
- .....Contractor
- .....Other, Please specify.....

11) Are you currently enrolled or completed a Finance Certificate/Diploma/Degree program?

- No
- Yes, please specify.....

12) Have you received training in the following skills

- e-procurement
- Intenda Procurement System
- Municipal Finance Management Act
- Other legislations governing SCM, or Systems, please
- specify.....

13) Have you received training in the following competency skill(s)

- Customer service
- Time Management
- Communications
- Other, please specify.....

14) Have you attended/participated in workshop sponsored by the following organisations?

- National Treasury (Treasury Regulations & SCM compliance)
- SARS (Tax Compliance)
- CIDB (**construction industry development board**)
- CIPRO (Companies and intellectual property registration office)

**PART II: SUPPLY CHAIN MANAGEMENT ACTIVITIES**

**Section 2.): SKILLS**

This section looks at the organizational effort to develop and utilize the full potential of the workforce. The objective is to encourage continuous improvement and enhance personal skills through training and development. Please respond to each statement by placing an "X" in the relevant box of each competency. Indicate whether you strongly agree [SA], agree [A], don't know [DK], disagree [DA], or strongly disagree [SD].

SKILLS		<u>SA</u>	<u>A</u>	<u>DK</u>	<u>D</u>	<u>SD</u>
15	The organization has an ongoing SCM training for the entire workforce	[ ]	[ ]	[ ]	[ ]	[ ]
16	The organization looks for the areas where job training is still needed	[ ]	[ ]	[ ]	[ ]	[ ]
17	SCM training has helped employees in the performance of their jobs	[ ]	[ ]	[ ]	[ ]	[ ]
18	Employees have not been trained in the use of Intenda Procurement System	[ ]	[ ]	[ ]	[ ]	[ ]
19	The organization provides cross training opportunities for its employees	[ ]	[ ]	[ ]	[ ]	[ ]

**Any Comment:**

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**PART II: SUPPLY CHAIN MANAGEMENT ACTIVITIES**

**Section 3): COST - EFFECTIVENESS**

This section looks at the level in which the level in which customers (both internal and external) feel involved and empowered in the SCM value chain. Please respond to each statement by placing an "X" in the relevant box of each competency. Indicate whether you Strongly Agree [SA], Agree [A], Don't Know [DK], Disagree [DA], or Strongly Disagree [SD].

	<u>SA</u>	<u>A</u>	<u>DK</u>	<u>D</u>	<u>SD</u>
20. SCM procedures and processes are transparent	[ ]	[ ]	[ ]	[ ]	[ ]
21. As a result of SCM, a strategy is based on quality rather than price	[ ]	[ ]	[ ]	[ ]	[ ]
22. SMME participation in SCM is not endorsed in the organization	[ ]	[ ]	[ ]	[ ]	[ ]
23. The organization follow-up with Service Providers for quality/ service feedback	[ ]	[ ]	[ ]	[ ]	[ ]
24. An organisation maintain a close relationship with a pool of suppliers	[ ]	[ ]	[ ]	[ ]	[ ]

**Any Comment:**

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## PART II: SUPPLY CHAIN MANAGEMENT ACTIVITIES

### Section 4): TOOLS AND RESOURCES

This section looks at the use of tools and resource that facilitates the organization's ability to improve SCM process. Please respond to each statement by placing an "X" in the relevant box of each competency. Indicate whether you strongly agree [SA], agree [A], don't Know [DK], disagree [DA], or strongly disagree [SD].

TOOLS AND RESOURCES		SA	A	DK	DA	SD
25.	Our interorganisational co-ordination is achieved using electronic link					
26.	There are direct computer-to-computer links with customers					
27.	We use electronic transfer of purchase orders, invoices and/or funds					
28.	We use IT – enabled transaction processing					
29.	Advanced information systems to track and/or expedite payments					

**Any Comment:**

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**PART II: SUPPLY CHAIN MANAGEMENT ACTIVITIES**

**Section 5): PERFORMANCE MANAGEMENT SYSTEM**

This section looks at the need to measure performance for the continuous improvement in the SCM processes and systems. Please respond to each statement by placing an "X" in the one box of each competency. Indicate whether you strongly agree [SA], agree [A], don't know [DK], disagree [DA], or strongly disagree [SD].

	<u>SA</u>	<u>A</u>	<u>DK</u>	<u>D</u>	<u>SD</u>
30. The organization has a Performance Management System in place	[ ]	[ ]	[ ]	[ ]	[ ]
31. The performance expectations of my position are clear and attainable	[ ]	[ ]	[ ]	[ ]	[ ]
32. Feedback I receive about my performance is clear and fair	[ ]	[ ]	[ ]	[ ]	[ ]
33. There is a rapid confirmation of supplier's orders	[ ]	[ ]	[ ]	[ ]	[ ]
34. Methods to measure and monitor external customer satisfactions have been implemented in my organization.	[ ]	[ ]	[ ]	[ ]	[ ]
35. A system for managing customer complaints has not been developed in my organization.	[ ]	[ ]	[ ]	[ ]	[ ]

**Any Comment:**

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**APPENDIX D**

**SURVEY QUESTIONNAIRE FOR EXTERNAL CUSTOMERS – SUPPLIERS**

**FISCAL DECENTRALIZATION AS AN EFFICIENCY TOOL WITHIN THE SUPPLY CHAIN OF EMFULENI LOCAL MUNICIPALITY.**

Purpose: The objective of this study is to document Fiscal DECENTRALIZATION as an efficiency tool within the Supply Chain Management of Emfuleni Local Municipality. For the study purposes, *External Customers* include Service Providers and Suppliers would find the results valuable in determining action steps needed to enhance service that meet and exceeds their satisfaction.

**Submission Instructions**

A person who is/has provided goods and/or services to Emfuleni Local Municipality should complete this survey:

**Telephone Survey Interview:** If you would prefer to complete the survey by telephone interview, call 082 438 0925

**E-mail Survey:** If you would prefer to complete the e-mail survey, please e-mail your request to: [mmahloko@gmail.com](mailto:mmahloko@gmail.com)

**Company Name (Optional):** .....

**Title** : .....

**Commodity** : .....

**Department** : .....

**Phone:** ..... **Fax:** ..... **E-mail:**.....

**Organization's website:** .....



**PART III: SUPPLY CHAIN MANAGEMENT ACTIVITIES**

**Section 1): COST - EFFECTIVENESS**

This section looks at the level in which customers (both internal and external) feel involved and empowered in the SCM value chain. Please respond to each statement by placing an "X" in the one box to the left of each competency. Indicate whether you Strongly Agree [SA], Agree [A], Don't Know [DK], Disagree [DA], or Strongly Disagree [SD].

	<u>SA</u>	<u>A</u>	<u>DK</u>	<u>D</u>	<u>SD</u>
36. SCM procedures and processes are transparent	[ ]	[ ]	[ ]	[ ]	[ ]
37. As a result of SCM, a strategy is based on quality rather than price	[ ]	[ ]	[ ]	[ ]	[ ]
38. SMME participation in SCM is not endorsed in the organization	[ ]	[ ]	[ ]	[ ]	[ ]
39. The organization follow-up with Service Providers for quality/ service feedback	[ ]	[ ]	[ ]	[ ]	[ ]
40. An organisation maintain a close relationship with a pool of suppliers	[ ]	[ ]	[ ]	[ ]	[ ]

**Any Comment:**

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## APPENDIX E

### Letter issued with questionnaire to ELM's employees requesting their participation.

**Enquiries** : MA Mahloko  
**Telephone** : +27 16 950 5163  
**Fax** : +27 16 950 5254  
**Cell** : +27 82 438 0925  
**Email** : [mmahloko@gmail.com](mailto:mmahloko@gmail.com)  
**Student No:** 201711093

North West University  
P.O. Box 1174  
**VANDERBIJLPARK**  
1911

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22 October 2010

Employee  
Emfuleni Local Municipality  
P.O. Box 3  
VANDERBIJLPARK  
1900

#### TO WHOM IT MAY CONCERN

You have been selected to voluntarily participate in a research study which examines the level of success of the decentralization of Supply Chain Management initiative in Emfuleni Local Municipality (ELM).

This research study is a requirement for the undersigned to complete a master's degree in Public Management and Development at Northwest University (NWU, Vaal Campus). The study and the attached survey instrument remains independent of ELM no one, except NWU faculty members, will see your responses.

The objective of this study, through the attached questionnaire, is to obtain information regarding your perceptions of the decentralization initiative in your organization. Your prompt responses will be used to determine whether the finance cluster of ELM is experiencing successful implementation of decentralization. I would be grateful if you could spend a few minutes answering the attached questionnaire. As all of them are designed for quick and easy response, they require a tick or a circle only.

I assure you that all your responses given will be treated with a high degree of secrecy and confidentiality and will be used for research purposes only. When the results of this survey are published, readers will be unable to identify any specific individual. The survey result will be viewed in terms of overall perception. Please do not sign, or in any way identify yourself.

If you need further clarification feel free to contact me or my supervisor, whose contact details are provided below.

Thank you for your cooperation

Yours faithfully

.....  
**Mmannini Annette Mahloko**

**Professor Ernest Ababio**  
**HOD: Public Administration**  
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**Tel : +27 16 910 3460/51**  
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**CC: Cluster: Finance**  
**: Basic Services**  
**: Corporate**  
**Unions : SAMWU**  
**IMATU**

## APPENDIX F

### Letter requesting service providers/contractors to voluntary participation.

**Enquiries** : MA Mahloko  
**Telephone** : +27 16 950 5163  
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**Cell** : +27 82 438 0925  
**Email** : [mmahloko@gmail.com](mailto:mmahloko@gmail.com)  
**Student No:** 201711093

North West University  
P.O. Box 1174  
**VANDERBIJLPARK**  
1911

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22 October 2010

Suppliers

#### TO WHOM IT MAY CONCERN

You have been selected to voluntarily participate in a research study which examines the level of success of the decentralization of Supply Chain Management initiative in Emfuleni Local Municipality (ELM).

This research study is a requirement for the undersigned to complete a master's degree in Public Management and Development at Northwest University (NWU, Vaal Campus). The study and the attached survey instrument remains independent of ELM no one, except NWU faculty members, will see your responses.

The objective of this study, through the attached questionnaire, is to obtain information regarding your perceptions of the decentralization initiative in ELM. Your prompt responses will be used to determine whether the finance cluster of ELM is experiencing successful implementation of decentralization. I would be grateful if you could spend a few minutes answering the attached questionnaire. As all of them are designed for quick and easy response, they require a tick or a circle only.

I assure you that all your responses given will be treated with a high degree of secrecy and confidentiality and will be used for research purposes only. When the results of this survey are published, readers will be unable to identify any specific individual. The survey result will be viewed in terms of overall perception. Please do not sign, or in any way identify yourself.

If you need further clarification feel free to contact me or my supervisor, whose contact details are provided below.

Thank you for your cooperation

Yours faithfully

.....  
**Mmannini Annette Mahloko**

**Professor Ernest Ababio**  
**HOD: Public Administration**  
**North West University**  
**Tel : +27 16 910 3460/51**  
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**CC: Cluster: Finance**  
**: Basic Services**  
**: Corporate**  
**Unions : SAMWU**  
**IMATU**

## APPENDIX G

### PART 1: SENIOR MANAGEMENT TEAM BACKGROUND

SECTION1: MANAGEMENT COMMITMENT								
Position	Title of a person to whom you report	Gender	Age Group	Highest Formal Education	Major Subject (s)	Years of experience in the current position	Years of experience in SCM	No. of Subordinates
MMC: Finance	Mayor	F	50-59	Diploma	Public Admin	15	10	28
Former MMC Basic Services	Mayor	M	40-49	Honours	Public Administration	5	5	20
Municipal Manager	Mayor	M	40-49	B-Tech Masters	Management in Public & Dev.	15	20	20
Former MM	Municipal Manager (MM)	M	50-59	B Admin	Public Administration	15	10	30
DMM: Basic Services	MM	M	30-39	Masters Degree	Town Planning & Business Admin	7	5	10
DMM: Public Safety & Community Dev	MM	M	50 - 59	Honours	Education	2	3	900
DMM: Corporate Services	MM	F	40 - 49	Master Degree	Strategic Management	2	10	8
Chief Audit Officer	MM	M	40 - 49	Honours	Accounting SCM	15	6	12
Manager: Budget	CFO	M	40 - 49	Master Degree	Accounting Financial Man	3	Not specified	11
Chief Buyer	Manager :SCM	F	30 - 39	N/Diploma	Accounting	4Yrs	5Yrs	6
Senior Accountant	SCM Manager	M	20 - 29	N/Diploma	Accounting Information System	1	0	Not specified
Senior Accountant	Chief Accountant	F	30-39	B Degree	Accounting	1	Not specified	Not specified

**Rating Scale SA** = Strongly Agree

**A** = Agree

**DK** = Don't Know

**D** = Disagree

**SD** = Strongly Disagree

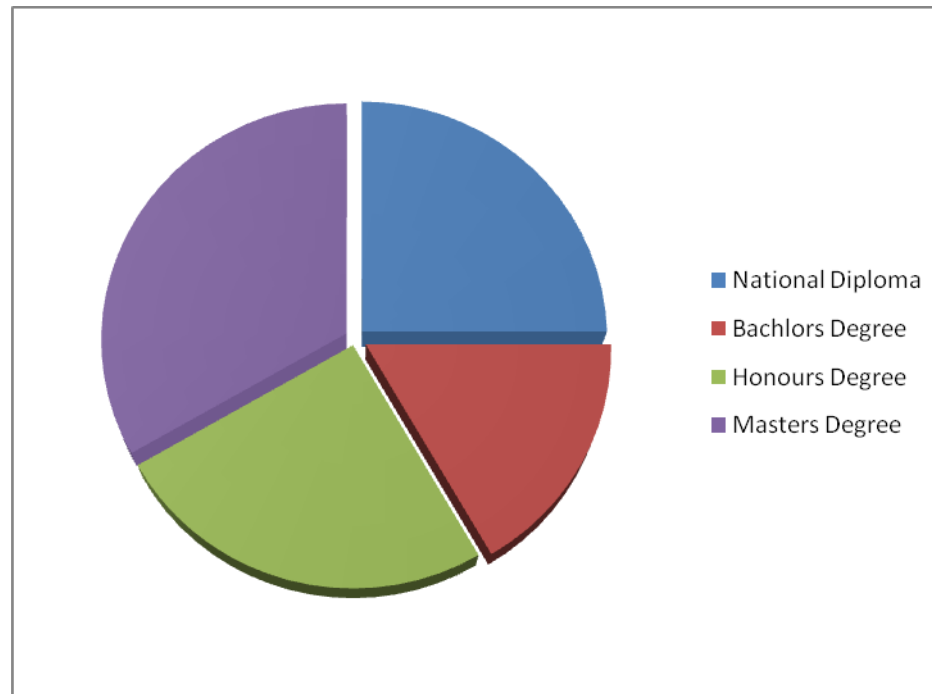
## SECTION 2: SKILLS

SECTION 2: SKILLS								
NO.	QUESTIONS	SA	A	DK	D	SD	No COMMENT	total
10	DECENTRALIZATION of SCM processes at ELM improved efficiency of procurement of goods and services	2	1	2	3	3	1	12
11	DECENTRALIZATION of SCM processes at ELM improved customer care relations	1	1	2	2	5	1	12
12	DECENTRALIZATION of SCM processes at ELM improved the level of knowledge of employee on SCM	2	2	2	2	3	1	12
13	DECENTRALIZATION of SCM processes at ELM improved turnaround time	2	2	4	2	1	1	12
14	DECENTRALIZATION of SCM processes at ELM improved record keeping (Deviations, Contracts, ad hoc bids, etc)	1	2	4	2	2	1	12
15	DECENTRALIZATION of SCM processes at ELM improved reporting process (Council monthly reports on procurement spent on BEE, HDI, SMME, etc	0	2	3	3	3	1	12

## APPENDIX H

### Educational Qualification for Senior Management Team

National Diploma	<b>25%</b>
Bachelor's Degree	<b>17%</b>
Honor's Degree	<b>25%</b>
Master's Degree	<b>33%</b>

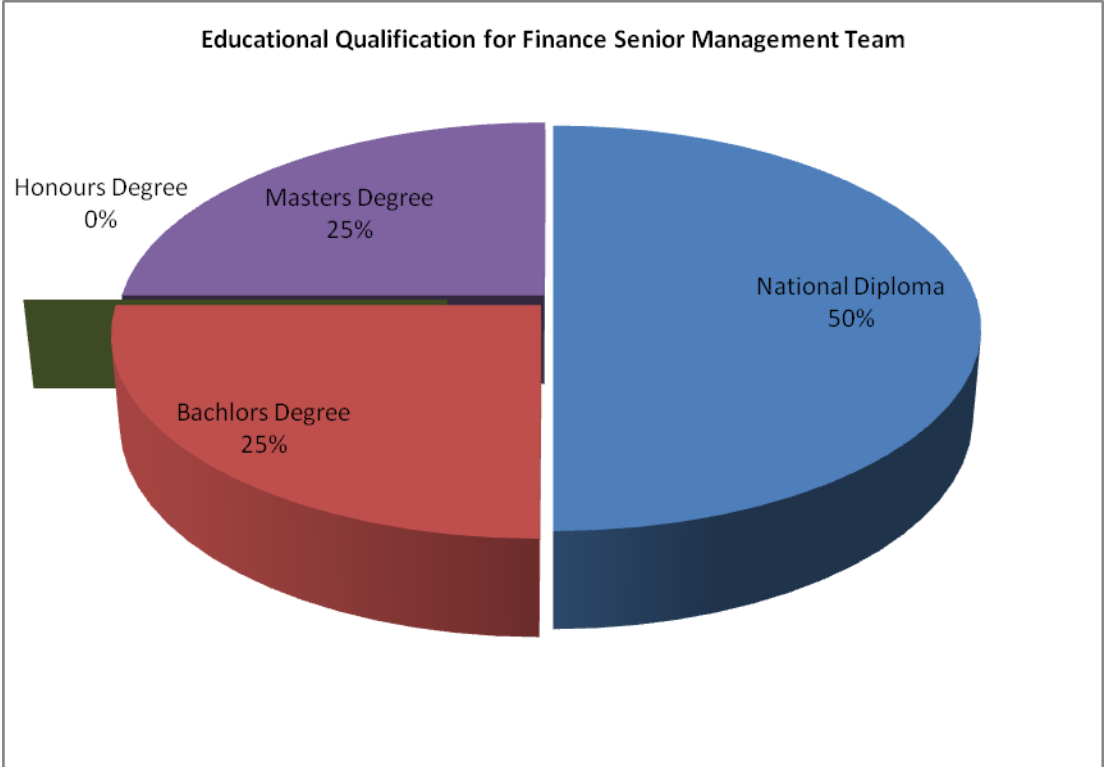


Source: Own Information



**APPENDIX I**

**Educational Qualification for Finance Senior Management Team**

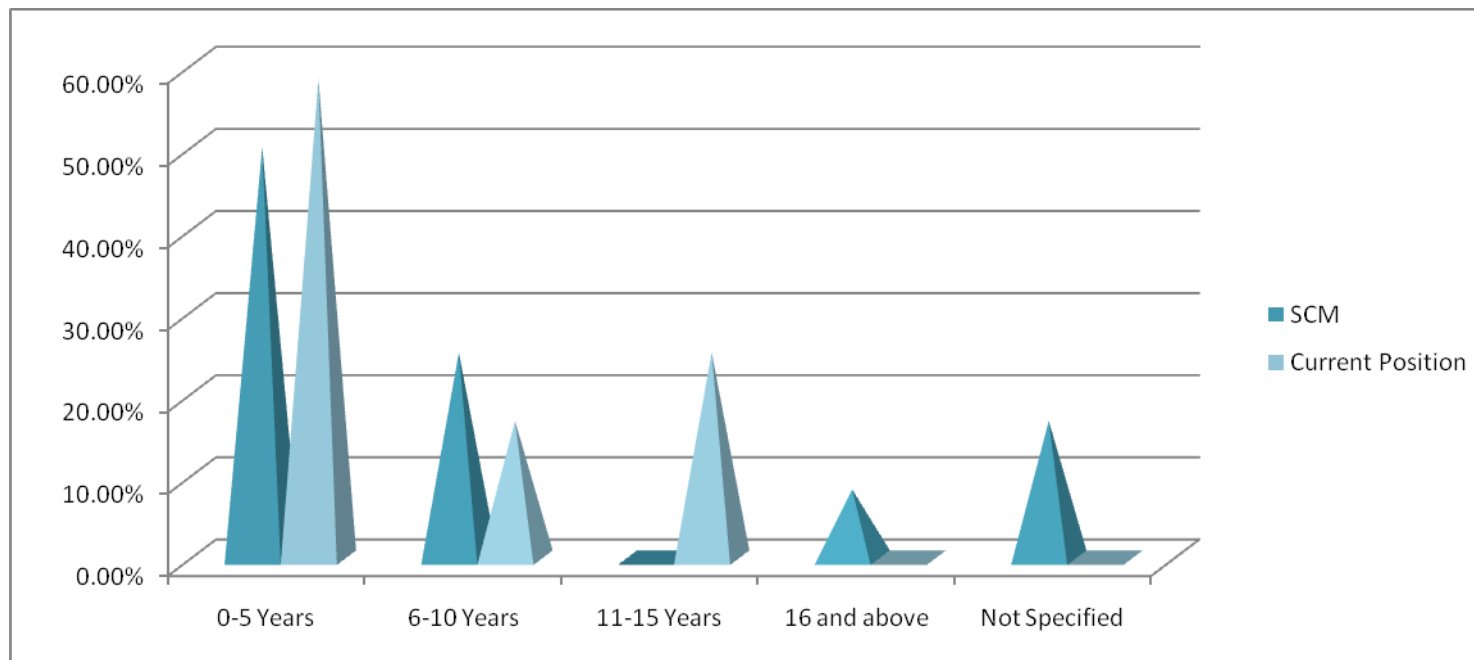


**Source: Own Information**

## APPENDIX J

### Years of Experience in the Senior Management Team

Experience	SCM	Current Position
0-5 Years	50.00%	58.33%
6-10 Years	25.00%	16.67%
11-15 Years	0.00%	25.00%
16 and above	8.33%	0.00%
Not Specified	16.67%	0.00%



Source: Own Information

APPENDIX K

**PART 2: SUPPLY CHAIN MANAGEMENT ACTIVITIES**

Position	Number of Respondents	Completed Finance Certificate/Diploma/Degree	Enrolled for a Finance Certificate/Diploma/Degree	Training Received in this skill				Training Received in this competency			Attendance/Participation in the Workshop sponsored by			
				e-procurement	Intenda	MFMA	Other legislation	Customer service	Time Management	Communications	National Treasury	SARS	CIDB	CIPRO
Accountant	1	Yes		none				none			No			
Accountant	2	Yes				X	X	Not specified			X			
Accountant	3	Yes				X	X	Not specified			X			
Accountant	4	Yes				X			X	X	X		X	
Accountant	5	Yes		other						X	Not specified			
SCM Practitioner	1	No	No	none				none			none			
SCM Practitioner	2	No	No	none				none			none			
SCM Practitioner	3	No	No	none				none			none			
SCM Practitioner	4	No	No	none				none			none			
SCM Practitioner	5	No	No	none				none			none			
SCM Practitioner	6	Yes		none				none			none			
Buyer	1	Yes				X		none			X			
Buyer	2	No	No		X	X		Not specified			X	X		
Buyer	3	No	No		X			Not specified				X		
Buyer	4	Yes	No	X	X	X	None	None			X			
Buyer	5	None	No	X			X	None			None		X	

## PART 2: SUPPLY CHAIN MANAGEMENT ACTIVITIES

Position	Number of Respondents	Completed Finance Certificate/Diploma/Degree	Enrolled for a Finance Certificate/Diploma/Degree	Training Received in this skill				Training Received in this competency			Attendance/Participation in the Workshop sponsored by			
				e-procurement	Intenda	MFMA	Other legislation	Customer service	Time Management	Communications	National Treasury	SARS	CIDB	CIPRO
Senior. Clerk	1	No	No	none				none			No			
Senior. Clerk	2		Yes	X					X		Not specified			
Senior. Clerk	3	No	No	other				X			Not specified			
Credit. Clerk	1	No	No	none				none				X		
Acting Office Manager	1	Yes				X	X	X			X			
End-User	1	No	No	Not specified									x	
End-User	2	No	No			X	X	X	X	X	X			
End-User	3	No	No			X		X			X			
End-User	4	No	No				X	Not specified						
End-User	5	No	No	none				other			Not specified			
End-User	6					X		X			X			
End-User	7	No	No	none				X			none			
End-User	8	No	No			X				X	none			
Technician	1	No	No			X			X	X			X	
Internship	1	Yes				X		none			No			

**Rating Scale SA** = Strongly Agree  
**A** = Agree  
**DK** = Don't Know  
**D** = Disagree  
**SD** = Strongly Disagree

SECTION 2: SKILLS						
NO.	QUESTIONS	SA	A	DK	D	SD
15	The organization has an ongoing SCM training for the entire workforce	2	6	10	5	6
16	The organization looks for the areas where job training is still needed	6	10	2	7	3
17	SCM training has helped employees in the performance of their jobs	4	5	5	9	5
18	Employees have not been trained in the use of Intenda Procurement System	4	4	7	7	5
19	The organization provides cross training opportunities for its employees	4	6	3	11	4

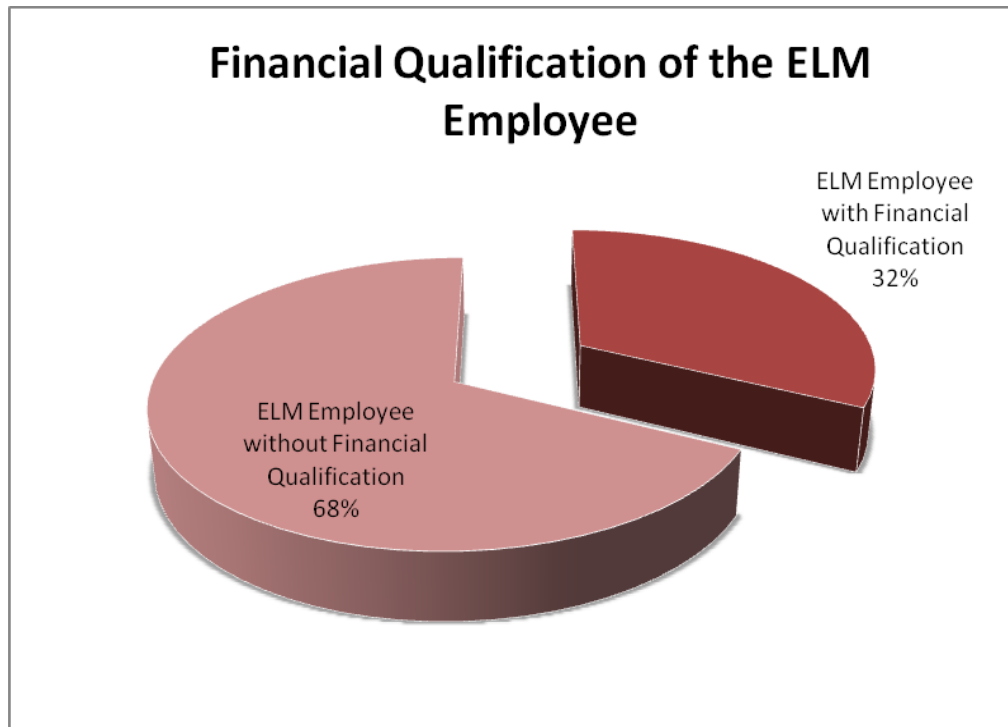
SECTION 3: COST- EFFECTIVENESS											
NO.	QUESTIONS	SA		A		DK		D		SD	
		E	C	E	C	E	C	E	C	E	C
20.	SCM procedures and processes are Transparent	6	6	12	16	4	1	5	4	2	3
21.	As a result of SCM, a strategy is based on quality rather than price	7	10	4	10	3	5	12	2	3	3
23.	SMME participation in SCM is not endorsed in the organization	2	3	9	14	5	6	6	3	3	4
23	The organization follow-up with Service Providers for quality service feedback	4	12	4	6	5	2	10	7	5	3
24	An organisation maintain a close relationship with a pool of suppliers	6	10	8	10	7	4	3	3	4	2

SECTION 4: TOOLS AND RESOURCES						
NO.	QUESTIONS	SA	A	DK	D	SD
25.	Our interorganisational co-ordination is achieved using electronic link	4	10	7	5	3
26.	There are direct computer-to-computer links with customers	1	8	6	9	5
27.	We use electronic transfer of purchase orders, invoices and/or funds	1	9	4	6	11
28.	We use IT - enabled transaction processing	4	9	7	4	5
29.	Advanced information systems to track and/or expedite payments	3	3	7	8	8

SECTION 5: PERFORMANCE MANAGEMENT SYSTEM						
NO.	QUESTIONS	SA	A	DK	D	SD
30	The organization has a Performance Management System in place	4	5	8	5	6
31	The performance expectations of my position are clear and attainable	7	7	4	7	4
32	Feedback I receive about my performance is clear and fair	4	5	7	6	7
33	There is a rapid confirmation of supplier's orders	6	10	7	2	2
34	Methods to measure and monitor external customer satisfactions have been implemented in my organization.	6	3	4	4	3
35	A system for managing customer complaints has not been developed in my organization.					

## APPENDIX L

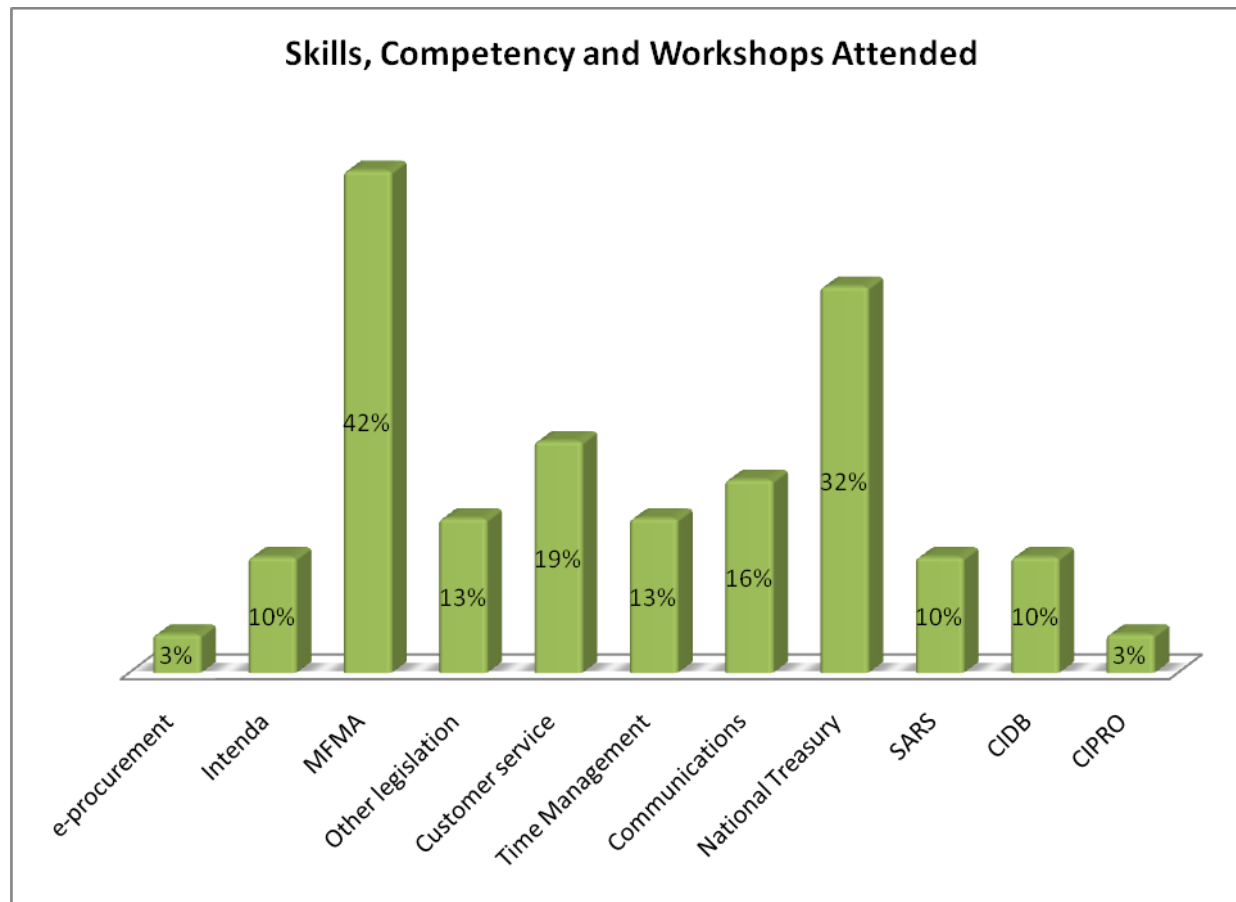
### Financial Qualification of the ELM Employee



Source: Own Information

## APPENDIX M

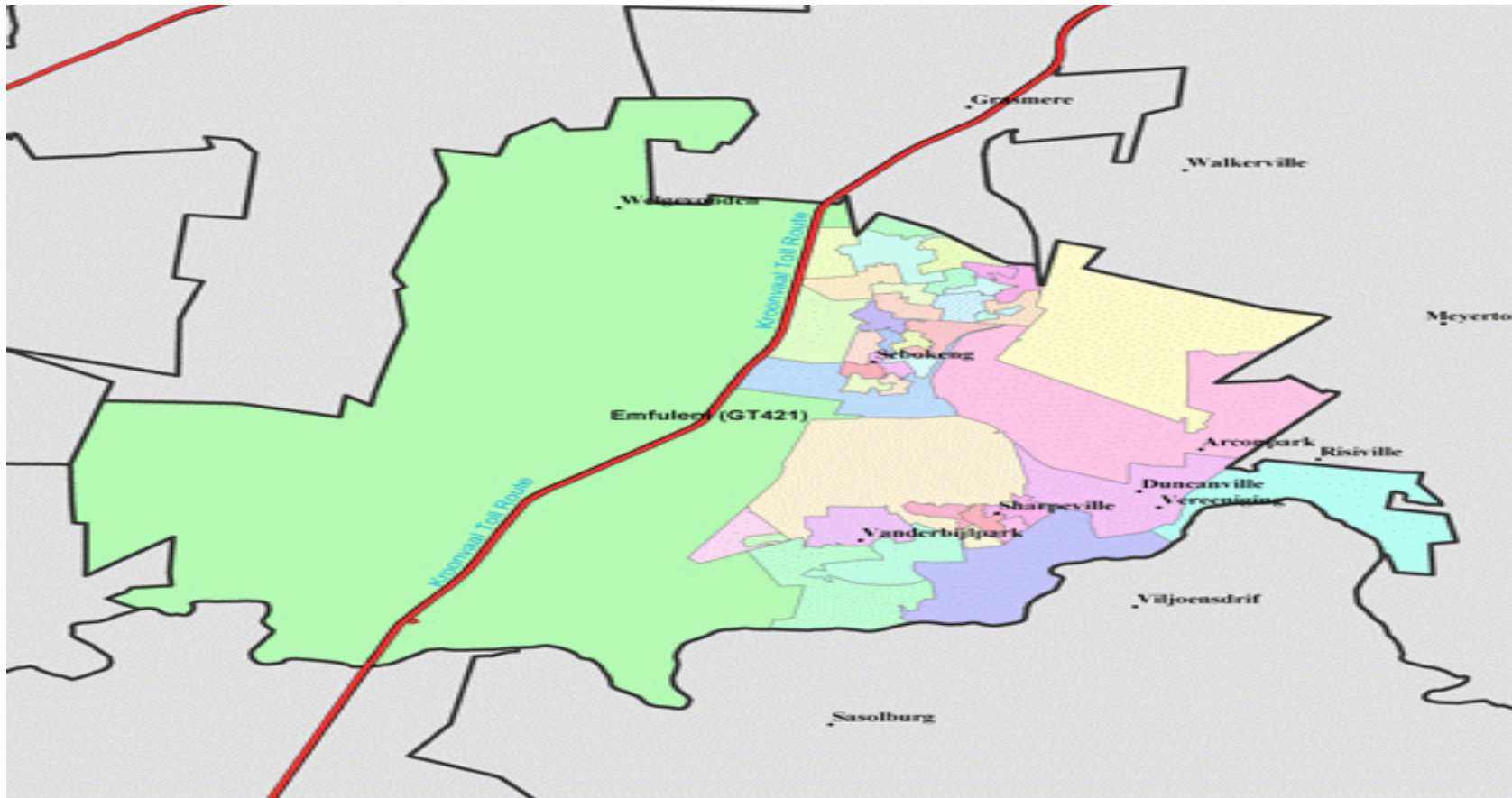
### Skills, Competency and Workshops Attended



Source: Own Information

## FIGURE A

### Area Location



Source: Demarcation Board: 2001



