

# **The functioning of Project Management Units in municipalities: Lessons from North West Province municipalities**

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## **ABSTRACT**

*South African municipalities participating in the Municipal Infrastructure Grant (MIG) Programme, are required to establish or share (through the shared service model with district municipalities) project management units (PMUs). Set-up requirements, known as MIG Guidelines (2004/07), were issued to municipalities by the former Department of Provincial and Local Government (dplg). Due to various models that are available for the establishment of these PMUs and the unique circumstances that municipalities face, they responded differently to this challenge.*

*The purpose of this article is to explore the functioning of these units based on the MIG Guidelines (2004/07) and to identify particular lessons that could be learnt from municipalities that utilise this mechanism. Local and district municipalities in the North-West Province were utilised as case study. The main contribution of this article is a best-practice framework which could be utilised by other municipalities that are contemplating the establishment and/or further development of such units.*

## **INTRODUCTION**

In line with recent service delivery innovation initiatives, South African municipalities participating in the Municipal Infrastructure Grant (MIG) Programme, are required to establish or share (through the shared service model with district municipalities) project management units (PMUs). Set-up requirements, known as *MIG Guidelines (2004/07)*, were issued to municipalities by the former Department of Provincial and Local Government (dplg). Due to various models that are available for the establishment of these PMUs and the unique circumstances that municipalities face, they responded differently to this challenge.

The article is divided into three main focuses; firstly, to clarify the concept 'project management unit'; secondly, to explore the establishment and functioning of these units based on the *MIG Guidelines (2004/07)*; and thirdly, to identify particular lessons that could be learnt from municipalities that utilise this mechanism. For these purposes a comparison is made between the official guidelines issued to municipalities by the former dplg (now the Department of Co-operative Governance and Traditional Affairs) and actual practices currently followed at municipalities. Local and district municipalities in the North West Province were utilised as case study. The contribution of this article is a best-practice framework which could be utilised by other municipalities that are contemplating the establishment and/or further development of such units.

## **PROJECT MANAGEMENT UNIT: THE CONCEPT**

As public institutions adopt project management principles and practices as their preferred way to implement strategic objectives and service delivery initiatives, the need to coordinate the use of organisational resources and to align core activities become more critical (see Wilson-Murray, 1997; Crawford, 2006:78-85). The establishment of project management units is an effective strategy to instil a project management culture in an organisation and to control the constant demand for new initiatives (Thiry & Matthey, 2005; Thiry & Deguire, 2007).

Although literature often refers to 'Project Offices', 'Project Management Units', 'Project Support Offices', 'Project Management Centers of Excellence', 'Project Management Competency Centres', or 'Project Management Offices', as synonymous, some institutions attach specific roles and responsibilities to these units. Englund, Graham and Dinsmore (2003:85), for example, differentiate between various variations in the project office concept. The range of titles suggests that each project office is unique, so one could define an infinite number of project units or offices types. Its variations depend on whether the project office is seen as a support function or whether it is seen as a line function. Project *support* offices thus usually only provide planning, logistical and administrative support to all projects running in an institution, whilst a project *management* office in general actively participate in the planning and execution of projects.

The Project Management Office (PMO) version puts the project office in charge of all projects, giving it responsibility for resource assignment, recruiting, developing project managers, project selection and prioritization, alignment with strategies, methodology, accountability for all projects, human process change management, and coordination of all project activities (Xiaoyi & Wells, 2004:524-526). According to Englund, Graham and Dinsmore (2003:xii) the project office is the "linchpin for implementing and maintaining a project approach across the organisation". The project office facilitates project-based approaches and contributes by ensuring that projects are performed within procedures, and are in line with organisational strategies (Gareis & Huemann, 2000; Andersen & Jessen, 2002: 459).

Literature further reveals that project management units are typically smaller entities which report to project management offices on a more strategic, centralised level of institutions (Hobday, 2000:875; Artto, 2001; Kendall & Rollins, 2002). In cases where such organisational entities are established, it is found that functional managers can concentrate on the operational aspects of the institution, while the PMU will take care of the cross-functional activities taking place with a number of people brought together from various functional areas on a temporary basis to run a project (Bresnen, Goussevskaia & Swan, 2004:1537).

A recent PMO Assessment Survey (BDMP, 2007:6) indicates that project management offices have only recently made a significant entry in the public sector. Factors that have given rise to the PMO in government, according to BDMP, a certified Public Accountants Management Consultancy Agency, (2007:6), include increased legislative demand for oversight and accountability caused by high-profile service delivery project failures, adoption of project management practices, and citizen demand for lower cost and higher levels of service – especially those services that are internet technology-driven such as the renewing of vehicle registration, the

issuing of drivers licenses, and property development (see Denhardt & Denhardt, 2003).

The introduction and evolution of project management in the South African Public Service in general, is relatively new (Van der Waldt, 2009). The Project Management Institute, the global professional body for Project Management, first identified the need for a Government Extension to the Project Management Body of Knowledge (PMBOK) in October 1998, which led to the publishing of the first edition in March 2002 and a second edition in February 2006. Depending on an institution's management culture, existing systems and processes, and numerous other factors, creating a PMU is a challenging endeavour which requires organisational commitment and persistence (Kendall & Rollins, 2002). Unlike private sector PMUs, public sector PMUs typically operate in highly visible and transparent public environments with low tolerances for failure and the political desire for quick results (BDMP, 2007). Political pressures may also trump existing project plans or technical and economic common sense (see Young, 1996).

### **Project Management Units in South African municipalities**

The Municipal Infrastructure Grant (MIG) Programme was established in 2004 with the aim to provide South Africans with at least a basic level of service by the year 2013. As a municipal funding arrangement it combines all the existing capital grants into a single consolidated grant. The intension is that this will be achieved through providing grant finance to cover the capital cost for basic infrastructure for the poor. As such it is part of government's overall strategic programmes to eradicate poverty and create conditions for local economic development (dplg, 2004). The dplg (2007:6) emphasized the fact that project management is "an integral function" of any municipality.

MIG is demand-driven and service delivery is decentralised to municipalities which play a central role in coordinating development activities and the delivery of municipal infrastructure in their areas of jurisdiction. Municipalities thus identify specific needs in their areas and then use MIG to deliver the infrastructure required. However, municipalities only qualify to receive MIG allocations if they are able to produce a capital plan and operational budgets which reflect projects to be funded. Project management capacity is further essential. A local municipality may, however, obtain funding through a district municipality if it is not in a position to adhere to these requirements.

The National Municipal Infrastructure (MI) Unit is located at the Department of Cooperative Governance and Traditional Affairs (former dplg). This Unit has a supportive role by assisting municipalities to establish effective project management capacity and also by coordinating and monitoring the performance of municipalities on the implementation of the MIG.

#### ***Establishment of Project Management Units***

In terms of the MIG Guidelines (2004/07) municipalities are required to set up or share (through the shared service model with district municipalities) a Project Management Unit (PMU), which has the following functions:

- The management of projects funded by MIG allocations
- MIG project identification in terms of the Integrated Development Plan (IDP)
- Feasibility studies of MIG projects
- The establishment and approval of contracts with contractors and consultants for projects
- Coordination of project-based capacity-building initiatives
- The management of MIG Management Information System (MIG-MIS) for the registration of projects, capturing of backlog information, monitoring and preparation of reports
- Operationalise and manage the MIG-MIS.

Municipalities may decide on the way in which a PMU is established and resourced. Through the National MIG Unit, the Department of Cooperative Governance and Traditional Affairs only provides a framework or guide for municipalities to follow. The model of the PMU therefore may be decided by a municipality, but must be approved by the National MIG Unit. The Department proposed that the PMU should be seen as a “ring-fenced” function in a municipality. It implies that municipalities should utilise existing staff in PMU capacities before it considers the appointment of new members to serve in the PMU. It further implies that although a PMU is not responsible for integrated development planning it should interact with municipal planning departments and Planning, Implementation, Management and Support System (PIMMSS) centers on developing comprehensive infrastructure plans for municipalities.

### ***Process of establishing a PMU***

The MIG Guidelines (2007:7-8) recommend the processes that should be followed to establish PMUs. The typical process firstly entails the submission of a business plan for approval to the National MIG Unit to establish a PMU in the first year of establishing a PMU. The business plan must explain the model that will be followed as well as details of its human resources, budget, and details as how the PMU is going to benefit the municipality. The minimum estimated cost implications to establish a PMU is R1million (dplg, 2007:17). The National MIG Unit records the details of the PMU and subject the database to six-month audits to ensure that the PMU still has the necessary capacity to function. A municipality must also inform the National MIG Unit if it alters the original model for the establishment of the PMU. It should be noted that the MIG is a conditional grant – if municipalities do not perform in terms of the conditions, then the grant amount can be decreased. For this purpose the Municipal Infrastructure Task Team (MITT) was established with the responsibility to review municipal policy to ensure efficiency, effectiveness and consistency in the delivery of infrastructure by municipalities, to monitor progress, and to make policy decisions related to ensuring the delivery of services.

As per MIG Guidelines, the typical staff complement of a PMU consists of:

- A project manager (typically a civil engineer);
- Engineer and Technician;
- Secretariat;

- Financial and Legal personnel;
- Administrative and Occupational Health and Safety personnel;
- IT personnel and data capturer; and
- Community officer/communications personnel.

In cases where PMUs are established at district municipalities (based on the shared service model), there should be human resources at every local municipality that are serviced by the PMU. Such an arrangement should be managed through service level agreements between the municipalities. In a shared service model the receiving local municipalities should contribute financially to a PMU.

### TYPICAL FUNCTIONING OF A PMU

It is important to note that all PMUs have unique characteristics. Because of this, not all PMUs have the same roles and responsibilities. Englund, Graham and Dinsmore (2003:84) view their roles and responsibilities on a continuum – from ‘soft-treading’, low key support on the one hand, and on the other the ‘power-packed’, authoritative, ‘omnipotent’ office. While a PMU provides benefits to the institution through advocating and supporting project management, the question about how that is done is not always clear. This happens because expectations vary widely regarding PMU scope definitions and how to structure the initiative. Depending on the project maturity of the institution the typical primary and secondary roles and responsibilities of a PMU include the following (Englund, Graham & Dinsmore, 2003; Aubry, Hobbs & Thuillier, 2007: 329–334):

Primary responsibilities	Secondary responsibilities
<ul style="list-style-type: none"> <li>• Assist senior management in the prioritisation of projects (strategic alignment)</li> <li>• Focusing projects on strategic objectives and budget</li> <li>• Assist in institutional resource allocation for individual projects</li> <li>• Support project initiation and planning</li> <li>• Capturing and analysing of project-related data</li> <li>• Risk assessment of individual projects (risk tolerances)</li> <li>• Maintain and enhance project management tools and techniques</li> <li>• Support users of project management tools and systems</li> <li>• Project management training (appropriate to business)</li> <li>• Quality control of all projects</li> <li>• Planning and scheduling (status audits)</li> <li>• Project tracking</li> </ul>	<ul style="list-style-type: none"> <li>• Select the right project (systemic)</li> <li>• Commit the institution (corporate champion; resources; support)</li> <li>• Select the right project manager</li> <li>• Provide technical and management data</li> <li>• Provide sufficient support systems (policies, procedures, authority, standards)</li> <li>• Delegate adequate responsibility and authority to project managers</li> <li>• Provide project oversight, reviews and feedback</li> <li>• Adherence to organisational policies and systems</li> <li>• High level liaison with clients and partners</li> <li>• Shield the project from organisational and party politics</li> <li>• Promote project staff continuity and build institutional memory</li> <li>• Document the project’s successes and failures for benchmarking and</li> </ul>

<ul style="list-style-type: none"> <li>Contract preparation and administration</li> </ul>	learning purposes
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In the case of PMUs in South African municipalities, the primary responsibility of these units is the monitoring and oversight of all processes associated with approved projects (MIG Guidelines, 2007). This implies that PMUs should track and manage projects through their respective life cycles. It should be noted that the specific operational responsibilities of PMUs are prescribed by the respective business plans for its establishment. The responsibilities are thus dependent upon the host municipality and the nature of the project(s). A municipal department may either implement a project, or an external contractor or consultants may implement it. If the project is outsourced, the PMU is responsible for contractual agreements, monitoring, procurement and reporting arrangements.

PMUs must submit regular status reports to national government on MIG spending and on progress in implementing projects on a monthly basis.

**METHODOLOGY**

Through a qualitative research design, data were obtained through interviews with and questionnaires to selected managers or directors of infrastructure departments and/or managers of PMUs at municipalities. The total population was all local and district municipalities (*n*=28) in North-West Province. The sample represented 100 percent of the target population and was thus representative. The sample furthermore, can also be regarded as representative as far as maturity of PMUs is concerned - from those who have established a PMU since 2005 and those which just have established PMU recently (< 1-year). The latter thus represented municipalities which are in the process, at different maturity stages, of designing and implementing PMUs. In line with Creswell’s (1998) thinking, theory is used to guide the study in an explanatory way (before data collection), as well as towards the end of the study to compare and contrast it with the developed theoretical model. Leedy and Ormrod (2001:149) support the latter and indicate that it is necessary to make comparisons, build theory, or propose generalisations based on observable evidence. Theory was thus used to design the questions asked during interviews and based on official guidelines from the former dplg. The interviews were used to compare practices in the selected cases with official MIG Guidelines. This served to explore deviations and potential reasons for these deviations with the view to make recommendations for further improvement.

**Fig. 1 Local and district municipalities in North West Province**



Standard semi-structured questions were formulated and distributed to establish –

- The date, model and processes followed to establish the PMU
- Role and functioning of the PMU since its establishment (maturity level thereof)
- Placement of the PMU in the municipality (organisational arrangements)
- Staff complement
- Key challenges and constraints experienced thus far in its implementation and functioning
- Best practices uncovered since the establishment of the PMU

The official MIG Guidelines (2004/07) as well as data obtained from the literature survey, were used to structure the questionnaires and questions for the personal and telephonic interviews. A comparative analysis was thus made possible.

### **Limitations of the case study**

A limitation of this case survey was the fact that municipalities were used as focus or research domain, but that most of the literature on the functioning of PMUs is based on private sector organisations and business enterprises. Limited literature is available on PMU applications in local government - except for the official MIG Guidelines (2004/07).

A further limitation has been the relative low levels of maturity of PMUs in municipalities. The MIG was only introduced in 2004 and guidelines for the establishment of PMUs to facilitate and oversee MIG projects in municipalities, were only published in 2005. Revised guidelines were published in March 2007. There is thus limited experience available as far as the successes (or failures) of these guidelines are concerned. In this respect, Andersen and Jessen (2002:459) caution that the maturity of project applications in institutions could severely impact on its successes.

Another limitation was the lack of experience that managers and staff responsible for and associated with PMUs, have in its functioning. Managers of the respective PMUs are relative new (most were only appointed during 2007) and since the establishment of PMUs, most energy went into logistical and administrative arrangements, appointment and training of staff, the establishment of terms of references, and so forth. A further challenge is the high staff turn-over experienced by municipalities. The moment PMU managers gain a certain level of experience, expertise or qualifications, they are typically 'head-hunted' by larger municipalities. Limited experience is thus gained and maintained in the actual functioning of PMUs. This makes the uncovering of best practices difficult.

A further limitation of the study has been the low responses to distributed questionnaires. In cases where the questionnaires were not returned or inadequately

completed, it was followed-up with telephonic interviews. The frequency responses of respondents were however used and through snow-ball sampling (saturation of data), this limitation was largely bridged.

## **FUNCTIONING OF PMUs IN NORTH WEST PROVINCE MUNICIPALITIES: RESEARCH FINDINGS**

This section highlights the main findings of the case study survey. It is divided in terms of the research questions formulated.

### **Establishment and processes followed**

The majority of municipalities (67%) established their PMUs during the 2004/05 financial year. Guidelines from MIG and best-practice examples from other municipalities were used. Merafong Municipality, for example, acted as ‘case study’ for Tlokwe local municipality (Mashele, *Interview* 4 May 2009). Business plans were submitted to their respective councils for approval. These business plans outlined the model, primary and secondary responsibilities, financial procedures, staff complement, and organisational arrangements.

### **Role and functioning of the PMU**

Municipalities mainly utilise National Treasury and dplg guidelines to determine roles and functioning. It should be noted that there is strong correlation between these roles and the primary and secondary roles and responsibilities uncovered through the literature survey (see heading 3).

As far as the staff complement of PMUs is concerned, there is largely commonality amongst municipalities and is there a significant correlation between actual practices and the MIG Guidelines. The position and job descriptions are outlined in the respective business plans of the PMUs and generally include the following:

- Design Office Manager
- Senior technician
- Assistant technician
- Survey assistant (usually called ‘Artisan Assistant’)
- CAD Operator (basically a data capturer for the Geographical Information System)
- Technical assistants (generally 2)
- General administrative officer responsible for administration and financial statements associated with MIG funding requirements.

According to Mr Labuschagne, Manager: Infrastructure and Community Services from Dr Kenneth Kaunda District Municipality (*Interview*, 5 May 2009), the district municipality does not have a PMU. Best practices uncovered by MIG staff and the provincial Department of Local Government and Housing indicated that it is best to decentralise this function to local municipalities. There is thus not a shared service model in place. According to Mr Labuschagne the name “Project Management Unit” is also misleading. According to him the PMU should rather be referred to as a

“Project Reporting Unit” since most units merely report on projects and are seldom involved in the actual project management of municipal projects.

### **Organisational arrangements**

As far as the placement of the PMU in the municipality is concerned, it is evident that the majority of municipalities (89,4%) in North West Province only involve PMUs with MIG-related projects.

As response to the question: “What is your opinion of the extension of the function of the PMU to become a Project Management Office in municipality for all projects?”, Tlokwe Local Municipality reported that it is currently in the process of establishing a Project Support Office (PSO), known as the “Design Office” to create synergy in municipal projects. The PMU will be absorbed in the Design Office. All infrastructure and civil engineering projects will be managed by this Office. It will be responsible for project design, contracting etc. Merafong Municipality has embarked on a similar process. It has included housing projects in their PSO which means that projects are consolidated, prioritised, planned, contracting, etc. The PSO could thus be regarded as the “implementation arm” of the IDP. This development clearly shows maturity levels are improving and that the role of the PMU could be extended. It should be kept in mind, however, that the growth of PMUs is largely influenced by the budget allocation it received from the MIG-Fund. Currently it is relatively small; in the case of Tlokwe Local Municipality, the PMU only received R19m p/a (2008/2009) although the overall budget for infrastructure projects is R150m. In the case of Rustenburg Local Municipality the PMU grew from a R57m MIG grant allocation in the 2005/06 financial year to R118m in 2009/10.

A response on the question whether this PSO could further be extended to incorporate all IDP-projects, Mr Mashele (Tlokwe Local Municipality) indicated that he does not have a mandate from Council to lobby for such a move. Such a proposal will probably also be met with suspicion of “empire-building”. He is convinced, however, that “to place everything in one basket will have significant benefits since there is a serious lack of coordination between the various departments”. New houses are, for example, built on water pipelines, sewerage lines cross roads, and electrical cables are laid after road construction which often means that completed roads must be damaged to lay cables - to mention only a few problems. According to Mr Kgosiemang, Project Implementation Manager, PMU at Rustenburg Local Municipality (*Interview*, 12 May 2009) there is a possibility that the role of the PMU be extended to other projects in the municipality since they already assist on a technical level other departments such as LED and Social Services in the construction of sport facilities.

To improve coordination, Tlokwe Local Municipality created a position in the Office of the Municipal Manager, called the “Chief Operations Officer” which act as a link between the Municipal Manager, who has to focus on more strategic issues, and heads of department for operational issues. In this way meaningful, practical information pertaining to operational implications, viability and feasibility, capability and capacity of projects are obtained. This could be extremely beneficial for project planning and implementation. Mr Mashele proposed that the PSO should closely interact with the Planning Office to coordinate infrastructure related project initiatives. Currently the planning function is done separately from other departments. Mr Kgosiemang

(*Interview*, 12 May 2009) reported a similar practice in Rustenburg Local Municipality. The PMU resorts there under the Office of the Municipal Manager and not Infrastructure because of a central coordination function and because monopolies were formed. A lack of cooperation and coordination from other departments were experienced, but the fact that it is now situated in the MM Office has improved the situation. As far as provincial coordination is concerned, the Department of Local Government and Housing in Mafikeng coordinates PMU meetings on a monthly basis. These meetings rotate amongst municipalities in the province.

### **Key challenges and best practices**

As can probably be expected due to the relative low maturity levels of PMU applications, all respondents from the targeted sample reported a wide range of challenges and constraints. Only the top four challenges and constraints identified by respondents (frequency and priority ratings) are highlighted.

The biggest challenge that PMUs experience is the lack of staff (84% frequency response). The salary scales of PMU Managers in smaller municipalities do not match those of bigger municipalities and private sector counterparts. Vacancies can therefore not be filled with adequately qualified and experienced staff.

The second biggest challenge identified (72%) is the lack of project management capacity. Although the dplg and Treasury have launched Project *Siyenza Manje* and Project *Energys* to redeploy retired engineers back into municipalities to contribute to skills transfer and capacity-building, the results are disappointing. According to Mr Mashele (*Interview*, 4 May 2009) these projects did not bear any fruit; after a period of 2 years an assessment of their contribution could not “even fill one page”. The main reason behind this is probably that their approaches are “foreign” (“old school”) to existing staff. In the case of Merafong Local Municipality, six engineers were deployed with very low positive impact. As a result, respondents believe that municipalities to a significant extent, had become reliant on private consultants and contractors to perform budgeted functions.

The third major challenge is the lack of coordination and rivalry between departments in municipalities (59%) – especially between civil engineering and electrical engineers. There is a general lack of understanding of each other’s responsibilities and functional activities. Departments act as separate, independent entities (“silo mentality”) with very low levels of coordination, integration, and cooperation.

The fourth challenge is mainly a combination of factors which is grouped under “organisational learning” for purposes of analysis. This includes the fact that best practices are not recorded. Project metrics and methodology are project specific, and engineers have specific metrics for all kinds of infrastructure and capital projects. The result is that organisational learning and the sharing of best practices are extremely limited. Some respondents indicated that they virtually have no contact with other PMUs due to time constraints, the fact that their circumstances are unique, and the fact that politics play a role. Co-operation is mainly done on an individual level.

To further facilitate organisation learning, reporting mechanisms and procedures should adequately be in place. The majority of respondents, however, reported that

although reporting is done to Council on MIG-funded projects on a quarterly basis, these reports are only financial reports, and do not include any details of projects (i.e. challenges, best practices, recommendations, etc.). One respondent reported that the challenge is the fact that councillors have difficulty in interpreting these financial statements. A typical response from councillors is that managers “play with figures”. There is generally a lack of understanding of the operational issues associated with project implementation. Probably a result of this lack of understanding, as one respondent from Rustenburg Local Municipality reported, is that the policies that are in place are not always conducive for the execution of projects. A useful practice in Tlokwe Local Municipality in this regard is the development of a software package, called “Project Tracker”, which is a spreadsheet computer program for project control and reporting purposes.

## CONCLUSION

It was the purpose of this article to explore the functioning of PMUs at municipalities by focusing on local and district municipalities in the North West Province as case study. It was found that there are significant correlations between actual practices and MIG Guidelines issued to municipalities. The low levels of maturity, however, constrained a more detailed analysis.

The cases survey can conclude that additional research is required to yield conclusive evidence regarding the effectiveness of PMUs. Follow-up surveys are thus required to design more comprehensive best-practice guidelines for PMUs.

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