

Underspending of capital expenditure at the Passenger Rail Agency of South Africa:
current state of knowledge and a research agenda.

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COMPULSORY DECLARATION

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ABSTRACT

South Africa's passenger rail network is in a desperate state of disrepair, leaving commuters – many of whom form part of the poor or working class – even more destitute. The process of restoring or modernizing rail overhead cables, signalling, perway and other station infrastructure is extremely capital intensive. Passenger Rail Agency of South Africa (PRASA) has on numerous occasions been allocated a capital expenditure (CAPEX) budget by the National Treasury, specifically for the afore-listed capital projects. However, despite the availability of funding, the dire need for the capital projects as well as the urgency with which this implementation must take place, PRASA often grossly underspends the allocated CAPEX budget.

Little research has been done on the entity's habitual underspending. The absence of the research into underspending of CAPEX at PRASA could affect the entity's ability to find sustainable solutions to the phenomenon.

The purpose of this study was to summarize the state of our current knowledge of underspending of CAPEX at PRASA, identify further research needs and recommend areas that required additional probing by other scholars or organs of state. This was done through the collection of primary data from relevant experts and secondary data from applicable reports. For the primary data, semi-structured interviews were conducted with 13 industry experts. The secondary data comprised internal reports and other studies provided by the respondents. Thematic analysis was used to present the findings.

The research respondents held varying views on the contribution of Treasury as well as internal systems towards underspending of CAPEX at PRASA, however, respondents were unanimous that staff incapacity and corruption were factors which could be contributing to underspending at the entity.

At a micro level, this study recommended that a skills audit be conducted by PRASA, to ascertain the capacity of its staff to spend on capital infrastructure. At a mezzo level, this study recommended that the Department of Transport review the efficacy of consequence management systems at PRASA. At a macro level, this study recommended that an external investigation be conducted into alleged corruption at PRASA.

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ACRONYMS AND ABBREVIATIONS

CAPEX	Capital expenditure
CC	Center of the Center
CP	Center of the Periphery
DBSA	Development Bank of Southern Africa
DoT	Department of Transport
EXCO	Executive Committee
FIDPM	Framework for Infrastructure Delivery and Procurement Management
ISI	Import Substitution Industrialization
KET	Keynesian Economics Theory
NDP	National Development Plan
OPEX	Operational expenditure
PC	Periphery of the Center
PFMA	Public Finance Management Act
PP	Periphery of the Periphery
PRASA	Passenger Rail Agency of South Africa
SA	South Africa
SCM	Supply chain management
SCOPA	Standing Committee on Public Accounts
SOC	State-owned company
SOE	State-owned entity
SOP	Standard operating procedures
UCT	University of Cape Town

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

This section will introduce the research topic by providing the context within which the research exists, discussing the phenomenon under study, noting previous studies conducted on the phenomenon, highlighting the knowledge gap that this research hopes to fill, as well as clarifying the purpose of the study and the motivation thereof. Once the rationale and significance of the study have been outlined, the research topic will then be clearly defined, as will the research aim, the main research questions, research objectives and the main assumptions surrounding the research topic. There will also be a clarification of terms relevant to this study, to ensure that there is consensus on the definition of each term. The ethical considerations necessary for a study of this nature will then conclude this section.

1.2 BACKGROUND TO THE STUDY

South Africa has identified rail as the backbone of public transportation and has designed policy to move the bulk of commuters away from the road network towards trains. Rail has proven to be a safer and more cost-effective mode of transport for commuters, and – by ferrying the poor and working class to economic opportunities en masse – instrumental to safer roads as well as the economic growth and prosperity of the country. However, plans to position rail as the mainstay of public transport have been hampered by outdated rail technology, dilapidation of critical rail-related structures as well as the wholesale theft and vandalism of rail infrastructure (Williams, 2021; George et al., 2018).

Currently, the state of the bulk of South Africa's passenger rail infrastructure has been said to be in disrepair. Williams (2021:22) confirms that the situation is dire: "We are now at the point where most of South Africa's railway network is likely to be written off and closed."

The sector has experienced unprecedented levels of destruction, which reached crescendo during South Africa's lockdown regulations, that were instituted in response to the outbreak of the Corona Virus in the year 2020 (Williams, 2021).

As observed by Marutla (2021) from early 2020, several train stations and rail reserves across the country were stripped of copper cables and other materials, thus rendering

train services inoperable. The destruction was attributed to the cancellation of security contracts prior to the Corona Virus and the absence of law enforcement officers at the stations during the height of the pandemic. Dzansi et al. (2014) agrees, stating that over the years, the railways have become progressively more unsafe and unsecured.

As the state-owned entity responsible for passenger rail, PRASA has not been without suggestions on possible interventions. Marutla (2021) noted PRASA's proposal that the system be rebuilt, upgraded or modernized; that large walls or concrete barriers be erected to protect the rail reserves and that modern security features such as drones, close circuit television (CCTV) and other technology be installed in key areas of the rail reserve.

All these interventions – which would fall under PRASA's capital expenditure budget (CAPEX) – have been alluded to for several years but have yet to materialize in earnest. On the contrary, despite the grave need, PRASA has consistently underspent on its CAPEX (Parliamentary Monitoring Group, 2022).

A briefing by the National Treasury before Parliament's Standing Committee on Appropriations raised the alarm on the matter. The virtual meeting focused on government's 2021/22 third quarter expenditure (Parliamentary Monitoring Group, 2022). According to Parliamentary Monitoring Group (2022) "the Committee noted with concern that PRASA seemed to perennially under-spend on its CAPEX, despite the poor state of its infrastructure". This is not the first time that PRASA has come under scrutiny for the way in which it has managed public funds.

The state-owned entity has faced criticism by the Auditor-General, the Public Protector and even the Judicial Commission of Inquiry into Allegations of State Capture for maladministration, improper conduct and procurement irregularities.

There have been numerous studies into financial impropriety at the state-owned entity (SOE), but few reports (academic and otherwise) have focused on the gross underspending at PRASA (Williams, 2021; George et al., 2018).

In the absence of a thorough understanding of the causes of underspending on CAPEX at PRASA, the dream of the railway industry being the mass carrier of indigent commuters may remain deferred.

1.3 STATEMENT OF THE PROBLEM

The current state of South Africa's passenger rail is in disrepair, leaving commuters – the vast majority of them from the poor or working class – destitute. The process of restoring or even modernizing the sector is extremely capital intensive. Although PRASA has been allocated funds by the National Treasury, for capital projects, the entity has in several instances grossly under spent on those resources. Much is known about PRASA's overspending on operational expenditure (OPEX), graft and other financial irregularities, however, little research has been done on the entity's habitual underspending of CAPEX. The absence of the research into underspending at PRASA could affect the entity's ability to find sustainable solutions to the phenomenon, thus impacting negatively on commuters and the socioeconomic wellbeing of South Africa.

1.3.1 Phenomenon Under Study

This study researched the causes of underspending of CAPEX at PRASA.

1.3.2 Previous Studies

Public discourse has focused on graft and/or overspending as some of the main inhibitors of the successful implementation of social policy, as it should.

However, in addition to that, this study proposed that the underspending of state resources must also be carefully dissected, as it can be just as detrimental. Speaking on the matter of underspending, during the opening of parliament in 2005, former Head of State, President Thabo Mbeki said the following:

"[W]e have to deal with those within the public service who, because of their negligence and tardiness, deny many of our people services due to them, in instances where resources have been made available to deliver these services" (South African History Online, 2021).

1.3.3 Knowledge Gap

Most literature that focused on the state's financial mismanagement, mainly addressed corruption as well as irregular, fruitless and wasteful expenditure. Texts that addressed underspending were few and far in between. Where it did exist, such literature pointed to skills shortages, negligence, poor organizational processes, lack of Treasury oversight or capacity as some of the reasons for underspending (Lethoko

2014; Mbanda and Bonga-Bonga, 2019; Monsod, 2016). Some schools of thought alluded to more nefarious reasons such as graft and government covert actions as the reasons for underspending. Little was known about the causes of underspending of CAPEX specifically, and at PRASA in particular, apart from the phenomenon's existence (Parliamentary Monitoring Group, 2022).

1.3.4 Motivation for the Study

As a developing country, South Africa needs a substantial amount of financial resources in order for it to fully industrialize. With that industrialization will come economic growth, which translates into better socioeconomic living conditions for the citizenry (Opoku and Yan, 2019).

If the state designs strategic growth plans and manages to access income with which to implement these plans (either through loans and/or tax revenue) but fails to spend the resources on cost items as envisaged, then the planned objectives will not be reached, industrialization will be hampered and the wellbeing of vulnerable citizens will not be improved (Opoku and Yan, 2019).

With poverty, inequality and unemployment being prominent features in South Africa, the country can ill afford to be lax in its socioeconomic development agenda (Lilenstein et al., 2018).

If organs of state fail to spend approved and allocated funds, it is the most vulnerable in our society who will struggle – these include those who are partially or wholly economically inactive, who survive on the state's social security systems and/or do not have access to private sector services to make up for the state's shortcomings (Phaladi and Ngulube, 2022; Opoku and Yan, 2019; Lilenstein et al., 2018).

Among other services, such people require safe, affordable, reliable and quality transportation to and from economic opportunities in order to improve their wellbeing (Dzansi et al., 2014); transportation that PRASA is struggling to provide.

It was therefore deemed important to collect and collate information around the underspending of CAPEX at PRASA, identify further research needs and encourage additional research by other academics or organs of state, in order to prevent similar occurrences and ensure that rail related policy is successfully implemented.

1.3.5 Purpose of the Study

The purpose of this study was to summarize the state of our current knowledge of underspending of CAPEX at PRASA, identify further research needs and encourage additional probing by other scholars or organs of state. So that ultimately, PRASA could understand the phenomenon of underspending and create effective solutions, which could prevent the underspending of its CAPEX and enable the entity to successfully implement rail-related policy.

1.4 RATIONALE AND SIGNIFICANCE OF THE STUDY

South Africa is a developing country, which is experiencing slow economic growth, mounting debt obligations, increased demands on the national fiscus, downgrades from international credit ratings agencies, a high unemployment rate and a shrinking tax pool and requires urgent intervention from a number of sectors in order to stimulate the economy (Stoddard, 2022).

As per the slogan of the Department of Transport (2022): “Transport [is] the heartbeat of social development and economic growth”. It is therefore the role of the state to provide safe, affordable, reliable and quality rail transport to ferry commuters to economic opportunities. This will not only improve the lives of the commuters themselves but also improve the country’s economic prospects (Parliamentary Monitoring Group, 2022; Marutla, 2021).

South Africa has identified rail as the backbone of public transportation, and policy is in place to move the bulk of commuters and freight from road to rail. However, during the time when this study was conducted, between 2021 and 2023, the rail sector was in dire straits, with aging infrastructure and the theft and vandalism of assets worth billions of rand. PRASA had become a burden on the fiscus, instead of a contributor to the nation’s wealth. If it was to change its fortunes, PRASA would be required to appropriately spend its capital budget, repair, rebuild and modernize the passenger railway sector. Continued failure to do so not only placed commuters at a further disadvantage and adversely affected the economy, but it also had a direct impact on road safety (Department of Transport, 2022).

By the year 2023, the overreliance on road transportation had caused significant damage to road infrastructure, increased the transportation and vehicle repair costs

for farmers and other goods transporters, increased traffic congestion and road collisions, and increased carbon emissions (Dzansi et al., 2014; Williams, 2021).

This study is of the view that failure to accurately diagnose the causes of underspending at PRASA's CAPEX would lead to ineffective management of this problem, which in turn would further lead to the stunting of South Africa's socio-economic progress (Dzansi et al., 2014).

In addition, from an academic perspective, a number of public and private institutions had previously investigated various causes of underspending in their own spheres of influence. However, these reports were compiled separately, or 'in silos', and needed to be located and pulled together into a more comprehensive overview of the causes of underspending of CAPEX in general and at PRASA in particular, which is what this study sought to do.

1.5 RESEARCH TOPIC

Underspending of CAPEX at the Passenger Rail Agency of South Africa: Current state of knowledge and a research agenda.

1.6 RESEARCH AIM

By collecting primary data from relevant experts and secondary data from relevant reports, this study aimed to assess the various causes or factors that contribute to underspending of CAPEX at PRASA, identify knowledge gaps and propose a research agenda for other academics or organs of state to probe further.

1.7 MAIN RESEARCH QUESTIONS

- What do existing reports reveal about the causes of underspending of CAPEX at PRASA?
- What does up-to-date data reveal about the causes of underspending of CAPEX at PRASA?
- What are the gaps in our knowledge that could form the basis of a future research agenda?

1.8 RESEARCH OBJECTIVES

- To locate and synthesize existing reports into the causes of underspending of CAPEX at PRASA.
- To collect and analyse up-to-date data on the causes of underspending of CAPEX at PRASA.
- To identify gaps in our knowledge that could form the basis of a future research agenda.

1.9 MAIN ASSUMPTIONS

The main assumption with regard to underspending is that underspending across organs of state in general is as a result of one or more of the following: staff apathy, skills shortages, negligence, poor organisational processes and/or a lack of Treasury oversight.

1.10 CLARIFICATION OF TERMS

Budgeted expenditure: Budgeted expenditure is the financial resources at the disposal of an organ of state in a particular time frame. These resources are attained through several means and allocated to various activities, as guided by policy as well as planned programmes and projects (Naidoo 2012).

Expenditure volatility: A rapid shift between underspending and overspending is known as expenditure volatility (Furceri, 2007).

Fiscal dumping: Fiscal dumping has been defined by Tooley and Mahoai (2007) as a phenomenon where organs of state rush to spend unspent budgeted expenditure just before the financial year-end, to avoid underspending.

Fruitless and wasteful expenditure: Van Schalkwyk (2015) describes fruitless and wasteful expenditure as spending that is unproductive in that there were not products or services received in exchange for the disbursement of funds. Furthermore, often times, fruitless and wasteful expenditure is avoidable, such as expenditure on litigation costs or inflated prices.

Irregular expenditure: As Van Schalkwyk (2015) further explains, irregular expenditure is the disbursement of funds in a manner that contravenes set processes and procedures as outlined by the relevant legislation.

Overspending: When a government department or entity spends in excess of the funds it receives, such a department or entity is guilty of overspending. This can create a deficit and/or an unbalanced budget, often leading to requests for a bailout (Nkabinde et al., 2018).

Underspending: As Momoniat (2002) explains, underspending is the inability of organs of state to spend the budgeted expenditure. Failure to spend the budgeted expenditure on necessary programmes and services can have a direct impact on social and economic development.

1.11 ETHICAL CONSIDERATIONS

A study, herein also referred to as research, by its nature is probing but it does not have to be invasive. Certain measures can be put in place to ensure that information is obtained from research participants without causing harm to the participants and/or the environment. Collectively these protective measures are known as research ethics. Among other measures, research ethics include the participant's right to anonymity, privacy, information and withdrawal (Iphofen et al., 2018).

While the protection of human subjects participating in any research is of paramount importance, Arifin (2018) argues that the application of appropriate ethical principles in a qualitative study has a particular resonance. This is due to the fact that qualitative research processes are more in-depth and require a more detailed and often deeply personal response from research participants. It becomes even more important for the researcher to refrain from all deceptive and/or manipulative tactics when requiring personal information from participants. (Arifin, 2018).

This research ensured the avoidance of harm of research respondents, that informed consent was obtained, that there was no deception of respondents, that respondent's privacy was respected, that the anonymity of the respondents and the confidentiality of the process was maintained and that the respondents had voluntary participation. The aforementioned all formed part of ethical consideration (Pietilä et al., 2020).

Hasan et al. (2021) contends that ethical consideration is one of the most important aspects of the research process and advises every researcher to maintain ethical conduct from the beginning to the end of the research process in order to maintain the integrity of the research project. This study received ethical clearance from the University of Cape Town Ethics Committee. The ethical clearance certificate is included in this study and is labelled as APPENDIX A, located in the Appendix section at the end of this study.

In addition, the researcher sought permission to conduct the research from PRASA. PRASA undertook to assist the researcher with information as and where possible. The permission letter from PRASA forms part of the Appendix section of this study, namely APPENDIX D.

As far as the consent of each respondent is concerned, the researcher communicated telephonically and/or via electronic mail, proactively with the participants, at inception stage (when the research respondent was sourced to participate in the study). Once agreement to participate had been reached, the researcher emailed the participants a consent form – an example of which is contained in the Appendix section of this study, titled APPENDIX B – detailing the terms and conditions of the study as well as its purpose and objectives. Furthermore, the researcher discussed the consent form with the respondent. The consent form also contained the researcher's contact details in the event that the participant had any clarity seeking questions at a later stage.

The participants signed the consent form and emailed it back to the researcher, after which permission was considered to have been obtained, until or unless the participant – at any stage of the research process – decided to withdraw their consent. There was no withdrawal of participation by any of the participants in this study. However, the participants were at liberty to express their withdrawal verbally and/or in writing, should they have sought to withdraw their participation. Such a withdrawal would have been effective immediately and without consequence to the participant.

The semi-structured interviews with participants were conducted remotely, as opposed to in person, using the Zoom videoconferencing platform, which facilitated real-time audio and motion video and was already being used extensively during other research processes (Lobe et al., 2020).

Newman et al. (2021) states that the outbreak of the Corona Virus in 2019 affected the way in which researchers conduct research, adding that many researchers either had to suspend data collection or re-design their projects, as a result of social-distancing measures. This had a significant impact on qualitative research, whose data collection relied heavily on interviews, focus groups and field work, all of which typically required face-to-face interaction, the absence of which led to researchers opting for online data collection techniques. Newman et al. (2021) outlines techniques that researchers can use to collect data from participants virtually, without face-to-face contact, adding that each technique has its own methodological advantages and disadvantages.

Despite challenges – such as a participant’s inability to use the technology, a lack of electricity, or poor WIFI connectivity – video-calling on platforms such as Zoom, remained a suitable substitute to in-person interviewing (Newman et al., 2021).

For ethical considerations, Zoom as a platform has several privacy and security settings that can be used to protect the research participant’s identity and privacy (Lobe et al., 2020; Zoom, 2023). In addition, Zoom as a platform has several authentication features, which required this research’s participants to use a password to sign in and join the meeting. Such a password was generated by the researcher and only shared with the research participant via email. This ensured that no one – other than the researcher and the research respondent – had access to the meeting during the interview process (Lobe et al., 2020; Zoom, 2023).

Furthermore, Zoom has end-to-end encryption, which is a security feature that ensured that only the researcher and research participant who were communicating through Zoom, had access to what was being communicated and disseminated. Through end-to-end encryption, no third parties – not even Zoom itself as a platform – could participate in the conversation or access the information and data shared between the researcher and research participant (Lobe et al., 2020; Zoom, 2023).

The respondents’ rights were further protected in that the researcher (as the Zoom meeting administrator) made the research respondent aware that the meeting was being recorded. There was also a pop-up notice and a visual indicator informing the respondent when the recording was taking place (Lobe et al., 2020; Zoom, 2023).

The interview recordings and transcriptions can only be accessed by the researcher and the research supervisor (upon request), this too was explained to the participant. The recordings and transcripts are now stored safely, backed up online and password protected.

In addition, the researcher respected the participant's privacy by giving the participant the option of having their video turned off during the interview.

Lastly, after the interview, confidentiality will be maintained in that the researcher will not publicly release any information (contact details, personal information, opinions or any answers supplied by the respondent).

1.12 CHAPTER SUMMARY

This section discussed the context within which the proposed research exists and presented the proposed phenomenon under study; namely the underspending of CAPEX at PRASA. The research title was presented as follows: "Underspending of CAPEX at PRASA: current state of knowledge and a research agenda", followed by details of the purpose of the study and the motivation thereof.

Once the rationale and significance of the study was outlined, this section defined the research topic, the research aim and the main research questions; which all centred around what existing reports reveal about the causes of underspending of capital expenditure at PRASA, what the up-to-date data demonstrates on the causes of underspending of capital expenditure at PRASA as well as the areas where gaps in our knowledge could possibly exist.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

A literature review is a compilation of academic work produced by different researchers on a similar theme. A researcher looking to conduct research around the said theme would typically create a literature review: summarizing the work of the other researchers and evaluating their findings, to gain a better understanding of the theme. This process gives the researcher a better sense of what is known about the theme and what is not known. Such information will assist the researcher to identify and fill the knowledge gap with his/ her new research work and thus add to the body of knowledge (Hart, 2018).

This section is the literature review. It will explore the work of Lethoko (2014), Mbanda and Bonga-Bonga (2019) and Monsod (2016) on the topic of underspending. The Keynesian Economics Theory and the Dependency Theory are the two Theoretical Frameworks through which the matter of underspending will be further explained. Lastly, underspending will be assessed through the following policy and legislation: Public Finance Management Act and White Paper on Rail.

2.2 REVIEW OF LITERATURE

2.2.1 The Limpopo Case Study

Using South Africa's Limpopo province as a case study, Lethoko (2014) discusses some of the main causes of underspending.

Limpopo came into sharp focus in December 2011, after the national government placed the provincial Treasury as well as the Departments of Education, Transport and Roads, Health as well as Public Works under national executive administration. The five provincial departments were placed under administration as per Section 100(1)(b) of the Constitution of the Republic of South Africa (1996) because of underspending, overspending and supply chain mismanagement.

In his analysis, Lethoko (2014:779) begins by outlining the function of financial management in the public sector: "Financial management is about allocation and utilisation of scarce financial resources to ensure efficient, effective and transparent

use of public funds and to achieve value for money through the provision of service delivery as one of the key objectives of government”.

Lethoko (2014) then focuses on underspending, arguing that it falls short of adequate public sector financial management as per the aforementioned definition, because the phenomenon has a negative impact on service delivery.

Lethoko (2014) proposes several reasons for underspending in the province and makes reference to his contemporaries who attribute the prevalence of underspending to poor internal systems, skill shortages as well as a corporate culture that protects and perpetuates graft.

Brand (2012) proposes that unreliable operational planning with inaccurate costing, coupled with officials’ trepidation of transgressing the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999) (PFMA) rules on overspending, which incur sanctions, lead to underspending.

Ferreira (2012) as well as Tooley and Mahoai (2007) state that corruption and financial mismanagement are the reason for underspending. They argue that in their attempt to tamper with procurement practices, government employees end up not spending the funds as they await a window of opportunity to exploit the system. Ferreira (2012) also subscribes to the notion that in some instances, incompetence as well as a lack of capacity and skills are to blame.

Erasmus (2008) brings in a new topic of fiscal dumping, a phenomenon where organs of state rush to spend funds just before financial year end, to avoid underspending (Borman 2007).

Lethoko (2014) places the burden of responsibility upon the provincial and national treasuries, saying that those state organs have provided insufficient support, monitoring, and oversight to departments. He accuses the provincial Treasury of only providing desktop support.

Lethoko (2014) states that heads of departments or accounting officers are not exempt, as they too have been tasked with ensuring sound expenditure management, as per Chapter 5 (part 1 and 2) of the PFMA. He adds that there needs to be greater correlation between the department’s strategic plan and budget, in order to avoid underspending and improve service delivery.

Lastly, according to Fourie (2004), bureaucracy is another contributing factor. Fourie (2004) states that the process of obtaining numerous signatures for purposes of authorizing procurement is too cumbersome for those tasked with spending the funds.

2.2.2 Underspending and Infrastructure Development

Mbanda and Bonga-Bonga (2019) approached the issue of underspending from the perspective of infrastructure build. Mbanda and Bonga-Bonga (2019:5) used municipal infrastructure spending capacity as an instrument to display the severe consequences of underspending, saying: “Unspent capital budgets reflect undelivered services”.

Mbanda and Bonga-Bonga (2019) found that infrastructure development is not only a critical economic contributor, but it is also a useful tool in bringing about socio-political redress for past injustices as well as current societal equality.

Democratic South Africa inherited old, outdated infrastructure, which mainly serviced the minority of South Africans under the separate development apartheid regime. According to the South African Local Government Association (2015), municipalities inherited aged infrastructure, some of which was more than 30 years old and in need of replacement, which required massive investments. The task of the municipalities was to upgrade existing infrastructure in some areas but more importantly, develop new infrastructure in others.

And so, at the dawn of South Africa’s democracy, municipalities’ capital spending was geared towards under-resourced communities which required electricity, road networks, water reticulation, storm water drainage and a sewerage system, for the purposes of poverty alleviation and the restoration of dignity (South African Local Government Association, 2015).

According to Mbanda and Bonga-Bonga (2019), budgets and municipal infrastructure grants were policy instruments designed to achieve the aforementioned infrastructure provision targets.

However, as World Bank (2009:7) has noted, many municipalities have been largely unsuccessful in that regard, with the main obstacle being the: “capacity to spend, rather than the resources themselves”.

2.2.3 Underspensing – A Universal Phenomenon

Monsod (2016) provides an international perspective to underspensing by studying its existence in the Philippines and thus proving that the phenomenon is not unique to South Africa. Referring to it as: “a rather odd, “upside-down” fiscal problem”. Monsod (2016) made an interesting observation, using a medical condition known as the refeeding syndrome, to explain underspensing in the Philippines.

Refeeding Syndrome is the rapid resumption of ingesting food after extended periods of under nutrition, it is a dangerous condition and can be potentially fatal. As the body has become accustomed to starving, reintroducing meals aggressively, shocks the system and can lead to cardiac problems, difficulty breathing, deliria, seizures paralysis and even death. Monsod (2016:9) proposes that after 30 years of fiscal austerity in the Philippines, “an inertia-laden bureaucracy may have been ill-prepared for the sudden permission and pressure to spend”. Systems, structures and staff struggled to adapt to the sudden pressure to spend, leading to a critical fund absorption problem.

Monsod (2016) outlines several corrective measures which have since been put in place to mitigate against underspensing. Among these measures is the reconfiguration of the budget execution processes, making it more agile, responsive and able to accelerate disbursements. National agencies have also been permitted to start procurement earlier than before and encouraged to hire more procurement personnel, for ease of transacting.

2.3 THEORETICAL FRAMEWORK

2.3.1 Keynesian Economics Theory

During the Great Depression of 1929 to 1939, when the industrialized world experienced the greatest economic downturn to date, British economist John Maynard Keynes wrote a book called the ‘General Theory of Employment, Interest and Money’, thus beginning what would become known as the Keynesian Economics Theory (KET) (Blinder 2008).

According to KET, during an economic slump, government should not be a bystander, waiting for the economy to self-correct; it should be an active participant, spending money to stimulate the economy. Keynesians subscribe to the notion of the Multiplier

Effect, that is, when the government spends money, a portion of that money will become someone's income and that someone will spend some of that money. Part of that money spent will go on to become somebody else's revenue and that somebody will go on to spend some money which then also becomes income elsewhere. This cycle will continue in perpetuity (Blinder, 2008).

The theory is credited with having helped to shorten and lessen the impact of the Great Depression. American President Franklin D. Roosevelt is said to have utilized the approach as the foundation for his famous New Deal program. Increasing government debt by \$3 billion, within his first 100 days in office, Roosevelt's administration created 15 new agencies, policies and laws, creating millions of jobs. Approximately 8.5 million people began working because of the Works Progress Administration and the Civil Works Administration created 4 million new construction jobs (Blinder, 2008).

South Africa has adopted a similar approach to economic recovery in the aftermath of the outbreak of the Corona Virus in the year 2020. In response to the pandemic, the South African government introduced health regulations to mitigate the spread of the virus; the adverse effect of the intervention was the closure of many small, medium and micro enterprises. Millions of jobs were lost in a matter of months.

According to Building a New Economy (2021) to revive the economy, the state introduced several stimulus packages (Building a New Economy, 2021).

In this case, the importance of government spending in a developing country such as South Africa superseded service delivery and entered the realm of economic growth. Spending is not just about delivering education, healthcare, safety, and security as well as related government services, spending is a catalyst for economic recovery. The consequences of underspending therefore do not only affect the stakeholders denied a particular service, but they also impact upon the economic wellbeing of the country. If government devises plans to rescue the country from recession, officials must then be able to spend the allocated resources towards those ends.

2.3.2 Dependency Theory

The Dependency Theory emerged in the 1960s and 70s when theorists from Central and South America began questioning the geopolitical and economic status quo. Why

was it that so many countries, predominantly in the global south, were not developing? (Ghosh, 2019)

The popular narrative at the time attributed the lack of progress in those countries to corrupt governance and poor fiscal policy. While there was some merit to that discourse, upon closer inspection, Dependency Theorists saw that the lack of development in what was then known as the Third World or global south was structural. Sociologist Andre Gunder Frank is credited with the creation of the Dependency Theory.

He argued that developing countries remained poor because of an international system that benefits from their lack of development and is deliberately designed to keep them on the back foot, in perpetual dependence on developed nations for financial resources (Ghosh, 2019).

According to Dependency Theory, countries can be divided into four categories in terms of their socioeconomic and political standing: The wealthiest states with the most dominant political influence are found in the Center of the Center (CC), these are countries such as the United States of America.

Then there are countries who are also wealthy but hold less political power in global politics, these countries – such as the Netherlands – are on the Periphery of the Center (PC).

Nation states such as South Africa are on the Center of the Periphery (CP); they are not as wealthy as the aforementioned countries but they are fast developing and are not as poverty stricken as the countries on the Periphery of the Periphery (PP). The countries with the least amount of socioeconomic development, such as the Central African Republic, can be classified as being on the PP; these are the poorest of the poor countries. (Ghosh, 2019)

Development Theory suggests that developing nations may never escape the cycle of dependency and will continue to face exploitation at the hands of developed nations. If uninterrupted, the cycle will continue because developed nations have an unfair advantage in their trade with their developing partners. The expertise, wealth and influence of developed nations has given them a head start over their developing peers (Ghosh 2019).

To change the situation, Dependency Theorists have proposed that countries on the CP and PP embark on Import Substitution Industrialization (ISI). This is an economic policy where countries produce their own consumer goods (such as cars, appliances etcetera).

In this way, the CP and PP countries would not need to export their raw material to countries on the CC and PC at low prices, only for those wealthier countries to process those raw materials and sell them as finished goods, back to the poorer countries of their origin at often unaffordable prices (Ghosh, 2019).

If ISI is to work in South Africa, the country would not only require political will to move from export-oriented industrialization to ISI, but it would also need financial resources to capitalize the manufacturing plants. If the two requisites are in place, the state would need capacity to spend the funds allocated for the new development trajectory. A new industrialization plan with the financial backing is rendered inoperable if the state lacks the capacity and/or will to utilize or spend the funds accordingly.

According to the Dependency Theory, South Africa is on the CP, to move from there to the PC or even the CC one day, among other things, the country must be able to use the funds allocated towards development purposes for their intended objective.

Lastly, if ISI were to materialize in South Africa – partly or wholly – PRASA itself would need to spend its CAPEX effectively, in order to expand its capacity to accommodate the increased workforce employed at the new factories, which require safe, affordable and reliable transportation of goods and passengers.

2.4 POLICY AND LEGISLATION

The major policy linked to this research is the Public Finance Management Act, 1999 (PFMA) as well as the White Paper on National Rail Policy.

2.4.1 Public Finance Management Act

As per Wildeman and Jogo (2012:10) the PFMA states that: “Government spending should benefit citizens, make citizens more prosperous and healthier, and create sustainable sources of revenue that make service delivery predictable”. The PFMA is legislation designed to reach these objectives. The Act seeks to ensure the correct

usage of state resources, such that they meet government's developmental agenda as efficiently and effectively as possible.

It regularizes public officials' conduct concerning public funds, aggregates fiscal discipline and promotes allocative and operational proficiency. The PFMA encourages transparency, accountability, and good financial management in the national and provincial spheres of government and SOES.

Regarding underspending, Sections 30(2)(g) and 31(2)(g) of the PFMA make provision for unspent funds to be rolled over to the next financial year, under strict terms and conditions. It is important to note that a rollover does not erase the possibility that some services may go undelivered in the financial year where underspending took place and that in some cases, key infrastructure development projects may be delayed because of underspending, all of which affects the citizenry. Underspending has the potential to destabilize service delivery, making it haphazard at best and non-existent at worst (Wildeman and Jogo 2012).

2.4.3 White Paper on National Rail Policy

On the 23rd of March 2022 South Africa's White Paper on National Rail Policy was approved by Cabinet. The White Paper is government's plan of action, which considers the history of South Africa's railway sector, acknowledges its current limitations, reaffirms its socioeconomic significance and outlines the remedial interventions necessary to revive the sector (Department of Transport, 2022).

As per Department of Transport (2022:6) the White Paper concedes that the sector is plagued by many problems: "The obsolete state of much of the rail infrastructure and rolling stock, the limitations of narrow gauge and the under-utilisation of the existing network presents only a few of the many challenges facing the rail sector". Adequate utilization of the CAPEX would seemingly resolve some of those issues, especially those related to infrastructure repair, maintenance, upgrade or build.

PRASA as a passenger rail operator must spend its CAPEX sufficiently and prudently to achieve the goals set out in the White Paper, one of which is to: "position rail to contribute sustainably to reducing the country's harmful emissions and to serve as the backbone of the national logistics and mobility tasks" (Department of Transport, 2022).

Should PRASA continue to grossly underspend on its CAPEX budget, South Africa may struggle to arrest and reverse the decline of the rail sector as well as facilitate infrastructure and rolling stock investment in new technologies, as envisaged by the White Paper (Department of Transport, 2022).

Lastly, it goes without saying that if passenger rail transport is to provide convenient infrastructure and thus become part of a thriving integrated public transport system which collaborates with other modes of transport by providing convenient infrastructure – as per the White Paper – PRASA must repair and/or modernize its infrastructure and thus spend its CAPEX budget sufficiently (Department of Transport, 2022).

2.5 CONCLUSION

In this section, the works of Lethoko (2014), Mbanda and Bonga-Bonga (2019) as well as Monsod (2016) were explored. Each researcher held various views on the topic of underspending, and collectively, the phenomenon was attributed to various factors such as fear, incompetence, negligence and corruption among others. The KET and the Dependency Theory are the two Theoretical Frameworks through which the matter of underspending was further explained.

The Keynesian Theory advocates that government ought to be an active participant in a country's socioeconomic advancement, through the spending of funds to stimulate the economy. According to Dependency Theory developing countries remain poor as a result of an international system that benefits from their lack of development. Lastly, underspending was assessed through the PFMA and White Paper on Rail.

CHAPTER 3: RESEARCH DESIGN

3.1 INTRODUCTION

Academic research is not a spontaneous process where the researcher haphazardly gathers information. It is a logical, well-structured and carefully planned process which comprises a combination of select activities necessary to reach the research objectives, answer research questions and resolve a research problem. Together, these activities form part of research design and methodology. Depending on the type of information required, a researcher has various options at his/her disposal in terms of research design and methodology. It is essential that the researcher utilises the correct research design and methodology, in order to uphold the veracity and integrity of the research as well as the reliability and validity of the research findings (Sileyew, 2019).

This section will outline the research design and specify the research approach, research philosophy and research strategy that was utilised during this research. The section will also outline methodology, population and sampling, data collection, data analysis, pilot study, data verification, limitations of the study as well as reflexivity.

3.2 RESEARCH DESIGN

This study used both a qualitative descriptive research design and an exploratory research design. The descriptive research design was used when collating secondary data, to systematically describe an existing phenomenon (namely underspending), and discover its true nature, through data that described the 'why' 'when', 'where', 'how', 'who' and, 'what' of the phenomenon (Lambert and Lambert, 2012). The descriptive research design built on existing knowledge on the phenomenon of underspending. The exploratory research design was utilised to explore and discover new ideas (on underspending of CAPEX in particular, at PRASA to be exact) from the respondent's' interviews which provided primary data (Saunders et al., 2019).

3.2.1 Research Approach

This study adopted an inductive approach to the research problem. At the time when the research process was unfolding, not enough was known about the causes of underspending of CAPEX at PRASA, to be able to follow the deductive approach, which is mostly used to confirm a hypothesis based on previous research. Rather,

using a qualitative methodology, this study investigated and described the factors that contribute to the underspending, identified knowledge gaps and proposed a research agenda, such are the characteristics of an inductive approach research approach (Saunders et al, 2019).

3.2.2 Research Philosophy

This study adopted a phenomenological philosophy, which attempts to describe the essence of the factors that influence the underspending of CAPEX at PRASA. Through this approach the researcher investigated the views and personal experiences of several people closely involved in this phenomenon, while suspending her own preconceived beliefs and assumptions about it (Patton, 2014). In this case, the respondents were people who work or have worked in a field which gave them access to information on or close personal involvement with the phenomenon of underspending at PRASA.

3.2.3 Research Strategy

This study utilised semi-structured interviews as a preferred strategy for collecting primary data, and included reports relevant to the topic, as secondary data. In keeping with the descriptive research design and exploratory research design of this study, open-ended questions that are neutral, sensitive and understandable were used to solicit relevant information from each of the respondents (Saunders et al., 2019).

3.3 RESEARCH METHODOLOGY

This study adopted a qualitative research methodology, which is consistent with both its research objectives and questions, as well as the amount of information already known about the topic. As is often the case with qualitative studies, this study collected both primary data (from interviews) and secondary data (from published or internal reports) (Patton, 2014).

3.4 POPULATION AND SAMPLING

This study used a non-probability sampling strategy, known as purposive sampling.

Purposive sampling takes place when a researcher selects research respondents intentionally, that is, on purpose, as opposed to randomly or by happenstance. In purposive sampling, respondents are selected because they have characteristics

required by the researcher to conduct the research (Saunders et al., 2019). In this study, the researcher interviewed thirteen acknowledged (or recognized) experts in the field of public finance and the passenger rail service. The experts had first-hand knowledge and experience regarding the phenomenon under investigation (Saunders et al., 2019).

3.4.1 Population

The population for this research consisted of the following: current or former employees of PRASA employed at executive or senior management level for at least one year, or, having worked in a similar position at PRASA for the same amount of time, no longer than ten years ago. The employees or former employees are required to have worked in the finance department, procurement or risk division and/or involved in financial, procurement or risk decision-making processes.

The population for this research also included senior officials from National Treasury and the National Department of Transport, who approve deviations for SOEs or are involved in deviation approval processes. Such individuals must have worked for the National Treasury or the National Department of Transport in the previously defined positions for at least one year or have worked in such a position for the same amount of time, no longer than ten years ago.

Lastly, the population also included academics at Masters level, near Masters level or beyond, whose expertise include state processes and government spending. The population was restricted to South African citizens of working age, of all races and genders, residing anywhere within the country's borders, with access to video-conferencing platform Zoom, through which the research interviews took place.

3.4.2 Sample

To gain access to the sample, the researcher went online to source the contact details (telephone numbers or email addresses) of individuals who fit the population profile. Contact details were often readily available on the websites of the following organs of state or institutions: PRASA, National Treasury, National Department of Transport, Standing Committee on Public Accounts (SCOPA), Portfolio Committee on Transport, National School of Government and Wits School of Governance. Once contact with an individual who fits the population profile was made, the researcher then introduced

herself to the potential participant, outlined the research and requested his/her participation.

As per the inclusion criteria, those selected to participate in this research, were not only selected because they formed part of the population, but they were also chosen based on their availability, desire to participate and access to technology which supports communication via the Zoom platform, regardless of the respondent's race, age or gender.

Possible research respondents were excluded from participating in the research if they were from the population but were not available, did not desire to participate or did not have access to technology which supports communication via the Zoom platform.

As Hornberger and Rangu (2020) emphasize, an ideal pool of participants is essential to retrieving the most beneficial data for the study. For this reason, it is crucial that effective inclusion and exclusion criteria are in place.

3.5 DATA COLLECTION

This study collected two types of data – (a) primary data from interviewing recognized experts in the field of public sector finance and/or PRASA operations, and (b) secondary data from documents such as official speeches or addresses, policy directives and reports. The primary data or self-reported evidence was collected through semi-structured interviews consisting mainly of open-ended questions – an example of which is contained in the annexure of this research proposal (Patton, 2014).

According to Adhabi and Anozie (2017:3) interviews in qualitative research are: “attempts to understand the world from the subject's point of view, to unfold the meaning of peoples' experiences, to uncover their lived world before scientific explanations.” In essence, it is a consultation between the researcher and the researched, where the researcher as the interviewer seeks to get a better understanding of phenomena, based on the experiences of the researched or interviewee (Saunders et al., 2019).

The researcher was able to provide a framework of set questions linked clearly to the research objectives. In this research instrument, Section A consisted of demographic details, Section B examined the causes of underspending at PRASA. Section C

established the effects of underspending at PRASA and Section D called for possible solutions or areas of further exploration.

At any stage of the interview, the respondent was at liberty to elaborate and provide more detail, detail which often provided more insight for the researcher and thus improved the body of knowledge on the matter under review (Adhabi and Anozie, 2017).

The interviews were conducted on video-conferencing platform Zoom. Online interviews on platforms such as Zoom are advantageous, however they are not without their disadvantages. The benefits of Zoom include increased convenience, flexibility, and accessibility. For example, the researcher who resided in Johannesburg at the time of the research, could communicate in real time with the respondents regardless of their location. For this reason, Zoom also proved to be cost effective as it eliminated the need for the researcher to travel to 13 different locations to interview the respondents (Newman et al., 2021).

The drawbacks of virtual interviews include poor connectivity and technical difficulties due to power outages. This impediment was seldom experienced during this research process because although power outages were a common occurrence in South Africa at the time of the research, the researcher and respondents managed to find suitable times, during which they could conduct the interviews. Another shortcoming of virtual interviews is a lack of personal interaction. When conducting qualitative research, using semi-structured interviews, the inability to read the respondent's body language can limit the researcher's ability to assess a respondent's level of comfort or discomfort with a question, as well as areas where further probing could produce even richer data (Newman et al., 2021).

3.6 DATA ANALYSIS

This study collected primary data in the form of interviews, and secondary data in the form of documents. The study also used thematic analysis.

Typically, qualitative data comprises the opinions of the respondents and is therefore subjective in nature. It is considered 'rich' as it contains in-depth information derived from years of personal experiences and is almost always presented in the form of words (Tashakkori and Teddlie, 2010). As a result, the analysis of qualitative data

includes the generation of lengthy transcripts from interviews, the perusal of the content in search of similarities and differences in underlying meaning, the categorization of these meanings, and the identification of themes and sub-themes within each category (Creswell and Poth, 2013). This was the case for this research.

As opposed to quantitative methodology – an objective exercise where most if not all analysts would arrive at the same statistically correct results – qualitative analysis explores the respondents' thoughts, beliefs, feelings, values, meanings and experiences related to the issue being studied. This use of inductive reasoning, intuitive insights and dynamic interpretations means that respondents may not arrive at the same conclusions or use the words to express similar viewpoints (Tashakkori and Teddlie, 2010).

Small-scale studies have increasingly used software such as word processors to assist qualitative researchers perform the aforementioned functions. Through the word processors, researchers can cut and paste common meanings into categories and use electronic highlighters to identify themes and sub-themes (Basit, 2003).

Recently, more advanced, and specialized software, such as Atlas Ti and NVivo, have made qualitative data management and analysis significantly less arduous, particularly for larger studies (Basit, 2003). Despite the availability of 'free trial versions' of this type of software, this study used the traditional manual method outlined above, due to its smaller scale.

As such, the interviews in this study were recorded on a virtual communication platform, namely Zoom, and then transcribed. This transcribed data, and the secondary data that is already documented in written format, were searched for underlying meaning. The data was then analysed and categorized into themes and sub-themes.

The next step in the data analysis process included the extraction of core themes in the data (i.e. themes that are relevant to each research question) and tabled them by ranking, with the most common themes associated with the majority of respondents at the top, down to the minority perspectives of only a few respondents at the bottom (Creswell and Poth, 2013).

The research then presented a summary of the relevant data, supported by direct quotations of the respondents' words.

Lastly, the researcher compared the findings derived from the data collected in this study (new data) to the findings in the literature review. The new data was used to either confirm or critique the existing data from other researchers.

3.7 PILOT STUDY

After compiling the final version of the semi-structured interview schedule, a pilot study was conducted with two respondents to ensure that the meaning of the questions was clear to the respondents, and that the timeframe within which respondents can complete the interview was reasonable.

The outcome of the pilot study was as follows: minor changes were made to the schedule.

The question: "To your knowledge, has PRASA's underspending of CAPEX ever resulted in undelivered services" was done away with as it was already addressed by the preceding question: "What are the effects of the underspending of CAPEX at PRASA". Both questions solicited similar responses thus the second question became redundant.

In addition, the question: "In your opinion, what aspect of underspending of CAPEX at PRASA requires further academic exploration?" was found to be unnecessarily repetitive as it was already answered by the preceding questions: "In your opinion, what is a common misconception about underspending of CAPEX at PRASA?" as well as "What do you find perplexing about underspending of CAPEX at PRASA?"

Once the aforementioned changes were made, the remaining participants were able to answer the questions within a reasonable time frame.

3.8 DATA VERIFICATION

Since this was an exploratory study, which utilized a qualitative research method, the traditional statistical concepts of reliability and validity did not apply in the same manner to this study's data.

In qualitative research, reliability commonly refers to the accuracy of transcription as well as the consistency of thematic coding (Whittemore et al., 2001). The data from

the interviews in this research was recorded during the interview, and then later transcribed.

The transcriptions were compared to the recordings on a virtual communication platform, namely Zoom.

Furthermore, in qualitative research, validity typically refers to the integrity or trustworthiness of the data analysis process. The credibility, depth or authenticity of the thematic coding, the internal corroboration between the respondents within the group, and the external corroboration between the respondents as a group and the findings of other researchers elsewhere, is a process often referred to as triangulation. Triangulation is the use of multiple data sources or research methods in order to develop an all-inclusive understanding of the phenomenon being studied (Whittemore et al., 2001).

In this study, the credibility of the thematic coding was double-checked independently by the research supervisor. Furthermore, the internal corroboration process was validated in two ways. Firstly, interviews with thirteen respondents were conducted. This number could have been increased to twenty respondents if the study failed to reach the point of data saturation within the first thirteen respondents. Data saturation occurs when successive respondents are found to be repeating the same information already collected in previous interviews (Patton, 2014). Failure to reach saturation after twenty interviews would have been considered as a research finding in itself, indicative that further research was warranted.

Secondly, internal corroboration could also be confirmed in the form of the thematic data summary table described in the data analysis section above (Creswell and Poth, 2013).

The findings section of this study will discuss the external corroboration and the findings for each research question will be systematically compared and contrasted against the findings of other researchers elsewhere as summarized in the literature review earlier in this study (Patton, 2014).

Where significant similarities exist, the data from this study will be regarded as confirming the findings of other researchers. However, where substantial variations exist, then the extent to which any differences in the data can be reasonably explained

by any differences in the circumstances of the various studies in which the data was collected will also be discussed (Whittemore et al., 2001).

The researcher's own bias was minimized by the previously mentioned processes that ensure the reliability and validity of qualitative data and their analysis. It is also important to note that although every attempt has been made to limit the researcher's bias, the very nature of qualitative data collection and analysis makes it difficult, if not impossible, for the researcher to be completely independent from, and objective about, her data. The influence of bias was minimized in two other ways.

Firstly, when collecting data within his or her own organization, and/or from people with whom he or she is familiar, the researcher refrained from asking leading questions but stuck closely to the questions in the approved interview schedule, without asking flexible follow-up questions that could reasonably be influenced by the researcher's own personal views and perspectives.

Secondly, as it pertained to the analysis of his or her own data – time and budget permitting – the researcher could have used other people to thematically code the data. This however was not possible in this research, due to resource constraints.

In this study, the influence of the researcher's own bias was minimized by collecting data outside of the researcher's own organization and by using peer review of the researcher's thematic coding by the research supervisor.

3.9 LIMITATIONS OF THE STUDY

This study used semi-structured interviews as its preferred strategy for collecting primary data. While open-ended questions are useful when seeking to collect the maximum and most expressive information from each of the respondents, data gleaned from such questions is not easily measurable, can lack replicability and makes it difficult to establish causality. In addition, because responses to semi-structured interviews are a perspective-based, it is possible for respondents to be bias and one respondent might have a completely different answer to a question than another, based on personal experiences and knowledge, this may influence the researcher's observations and lead to non-consistent conclusions (Barbour, 2000; Saunders et al., 2019; Tuckett, 2004; Queirós et al., 2017).

The researcher's sample size is limited to twenty respondents (with thirteen respondents being the minimum). Even if saturation is reached, at a maximum of twenty respondents, the sample size may still be insufficient to be a complete and exhaustive picture of the causes of underspending of CAPEX at PRASA (Barbour, 2000; Saunders et al., 2019; Tuckett, 2004; Queirós et al., 2017).

3.10 REFLEXIVITY

Discussing the subject of reflexivity, Gillam and Guillemin (2018) state that reflexivity is about acknowledging the researcher's political, economic, social and/or cultural perspective as it pertains to the research problem and the possible effects thereof. In this study, the researcher is a former employee of the Ministry of Transport. Under the auspices of the Minister of Transport – who represents government as the sole shareholder of PRASA and is tasked with providing political oversight and strategic leadership over the entity – the researcher has had first-hand account of the underspending of CAPEX at PRASA.

The researcher has witnessed the outdated rail infrastructure as well as the theft and vandalism of PRASA assets and has thus always been curious about why the entity is seemingly unable to spend the available resources to repair, replace and/or modernize the infrastructure. The researcher did not however, come with any preconceived ideas as to where the fault may lie but rather sought to find the answers through this study.

3.11 CONCLUSION

This section justified the use of a qualitative methodology, which comprises a descriptive research design and exploratory research design, an inductive research approach and a phenomenological research philosophy for this study. This section also indicated that semi-structured interviews will be the preferred strategy for collecting primary data. Non-probability sampling of at least thirteen persons from a target population comprising experts in the broad field of public sector finance, narrowed down to PRASA operations (including officials from PRASA, National Treasury, Department of Transport and SCOPA, as well as academics and private sector experts). Secondary data was gleaned from available academic and official reports relevant to the topic. So that ultimately the state of our current knowledge of underspending of CAPEX at PRASA can be established and areas where further

research is required will be identified. This will hopefully contribute to a future desired state where PRASA is able to prevent underspending of CAPEX and successfully implement rail-related policy.

CHAPTER 4: DATA ANALYSIS

4.1 INTRODUCTION

South Africa's rail network is in urgent need of repair and modernisation. PRASA has been allocated funds for the aforementioned work classified as capital projects but has on several occasions failed to spend the allocated funds. The purpose of this study was to summarize the state of our current knowledge of underspending of CAPEX at PRASA, identify further research needs and recommend areas that required additional probing by other scholars or organs of state. This was to be done through the collection of primary data from relevant experts and secondary data from applicable reports. For the primary data, semi-structured interviews were conducted with 13 research respondents. The secondary data comprised internal reports and other studies provided by the respondents.

In this chapter, the research respondents will be profiled as a collective, thereafter, individual identifiers will be provided. Both facets will be done in a table format and without compromising the respondents' anonymity. The chapter will then objectively and neutrally present and describe the research findings of the semi-structured interviews as the primary data as well as the secondary data derived from the respondents' referrals. Thematic analysis will be used to present and describe the findings. The themes are as follows: causes of underspending of CAPEX at PRASA, effects of underspending of CAPEX at PRASA and gaps in the body of knowledge regarding the underspending of CAPEX at PRASA. Each theme has subthemes, which will be elaborated upon in the relevant sections. Lastly, a summary of the findings will be presented at the conclusion of this chapter.

4.2 RESPONDENT PROFILE

The research respondents are all experts in the field of governance, public administration, business administration, public finance and/or the passenger rail service. All respondents have first-hand knowledge and experience (exceeding five years), on the underspending of CAPEX at PRASA and/or related SOEs. All the respondents are South African citizens. They include current and former officials from National Treasury, the National Department of Transport, PRASA and related entities.

Table 4.1: Respondents' Profile

Demographic Variable	Category	Frequency
Age	• Less than 30	0
	• 30 - 45	2
	• 46 - 65	11
	• Over 65	0
Gender	• Male	12 Males
	• Female	1 Female
	• Non Binary	0
Race	• Black African	13 Black Africans
	• Coloured	0
	• Indian	0
	• Asian	0
	• White	0
Income Level: South African Rands Per Annum (Maphupha, 2018)	• Low socioeconomic status: R0 – R54 344	0
	• Low Emerging Middle Class:	0
	• R54 345 - R151 727	0
	• Emerging Middle Class:	0
	• R151 728 – R363 930	1 Emerging Affluent
	• Realised Middle Class:	12 Affluent
	• R363 931 – R631 120	
	• Upper Middle Class:	
	• R631 121 – R863 906	
	• Emerging Affluent:	
	• R863 907 – R1329 844	
• Affluent: R1329 845+		

Of the 13 research respondents, twelve were male and one was female, all were black African and all were either affluent or emerging affluent. Two of the respondents were between the ages of 30 – 45 years, while 11 others were between the ages of 46 – 65 years.

Pietilä, et al., (2020) reminds us that research participants have the right to remain anonymous, as a result, pseudonyms are used in this research report, to maintain the participant’s anonymity.

Careful thought and consideration took place when selecting pseudonyms, in order to protect respondents. Even though the pseudonyms are closely aligned to the roles of the respondents, the researcher is confident that none of the results will be able to be traced back to any specific individual.

Table 4.2: Respondents’ Individual Identifiers

	Pseudonym	Area of expertise
1	Economist	Public sector economics
2	Lawyer	Public sector legal processes
3	Logistician	Rail logistics
4	Advisor	Transport legal framework
5	Auditor	Auditing of state-owned entities
6	Department of Transport (DoT) Official	Oversight of capital programs
7	Former Executive	Public transportation
8	Transport Economist	Transport sector
9	Economist at Treasury	Public sector economics
10	Risk Analyst	Strategic planning and risk analysis
11	Project Manager	Mega infrastructure project management
12	Former Accounting Officer	Transport sector
13	Senior Employee at PRASA	Passenger rail

To reach one of the research objectives of this study, namely: to locate and synthesize all existing reports on the causes of underspending of CAPEX at PRASA, this research paper sourced pre-existing research documents (secondary data).

The secondary data includes a paper by Watermeyer and Phillips (2020) titled: Public Infrastructure Delivery and Construction Sector Dynamism in the South African Economy. The paper by Watermeyer and Phillips (2020) provided a status update on South Africa's progress and at times regress with regard to infrastructure delivery, in comparison with the goals set out in the National Development Plan, which is the country's socioeconomic growth plan.

During the semi-structured interviews, the researcher was also referred to a study by Sirbadhoo and Harinarain (2022), titled: The Effective Implementation of the Framework for Infrastructure Delivery and Procurement Management. The study by Sirbadhoo and Harinarain (2022) looked at government's inability to use the Framework for Infrastructure Delivery and Procurement Management (FIDPM) to improve service delivery as it pertains to infrastructure build.

In addition, an internal document detailing Treasury's concerns regarding underspending at PRASA (National Treasury, 2023) was utilized in this research. This document, titled: "Community Development 2023 Medium Term Expenditure Framework" is included in the annexure section at the end of this document.

Lastly, in a study titled: Public Procurement in the South African Economy: Addressing the systemic issues, Fourie and Malan (2020) provided additional information for this research. Fourie and Malan (2020) closely inspected the Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA) to determine the effect of preferential procurement on supply chain management.

The findings of the semi-structured interviews as well as information sourced from the aforementioned documents will be discussed hereunder.

4.3 ANALYSIS OF FINDINGS

This research used thematic analysis to present the findings of the semi-structured interviews. The research instrument used in the interviews comprised a series of questions, which sought to gather insight on the issue of underspending of CAPEX at PRASA. The questions asked of respondents during the interviews were as follows:

- What are the causes of underspending of CAPEX at PRASA?
- What are the effects of underspending of CAPEX at PRASA', and
- What are the gaps in our knowledge of the underspending of CAPEX at PRASA?

In this section, the aforementioned questions have been converted into themes through which the research findings will be presented.

4.4 FINDINGS

The responses of the research participants as well as the findings from the desktop study will be detailed hereunder, beginning with the first theme, namely: The Causes of Underspending of CAPEX at PRASA'.

4.4.1 The Causes of Underspending of CAPEX

This research probed four possible causes of CAPEX underspending at PRASA: internal controls, employee capacity, corruption as well as the regulations set by the National Treasury.

a) Internal Controls

When probing the contribution of PRASA's internal controls towards the underspending of CAPEX at PRASA, the phrase 'internal controls' was often used interchangeably with the following terms: standard operating procedures (SOP), processes, systems, bureaucracy, red tape and organizational culture.

Respondents differed as to whether the internal controls of PRASA sufficed and whether or not they contributed towards underspending of CAPEX at PRASA.

The Economist, Auditor, Logistician, Former Executive, Transport Economist and PRASA Accounting Officer were among those who stated that PRASA's internal controls were indeed wanting and thus did contribute to the entity's underspending of CAPEX.

The Former Executive stated that PRASA's internal controls are "*Incredibly weak*" adding that: "*That certainly has a big role to play in terms of ensuring that monies that need to be spent, whether from an operational point of view or CAPEX point of view are actually spent*".

The Logistician attributed PRASA's poor internal controls to the high staff turnover at executive level and beyond: *"Sometimes it seems like a complete systematic failure... Even this current board, after 3 years, I think they had two-thirds of their term with acting CEOs, they were never able to appoint a permanent EXCO and therefore the executives also had acting appointments and governance which never worked. It really just could not be stable as a company, and that affected them quite a bit in terms of running the company. But in all facets, you know, they just couldn't get consistency in executing large complex programs... I think that largely, the problem is that they just can't be stable. They're an unstable organization"*.

The Former Executive agreed with the Logistician, stating that during his tenure, there were instances where internal controls were called into question due to the many changes in and around the entity. The Former Executive indicated that at times the instability at board level, would lead to changes in policy, processes and procedures; and that those new processes would later create bottlenecks. The Former Executive also referred to the delegation of powers as problematic, stating that SOP that once allowed a general manager to approve procurement of goods up to a certain amount of money were suddenly changed.

He added that managers were suddenly informed that their limits were too much to be approved unilaterally and thus required the approval of a committee, thus complicating the process and causing further delays. *"Some of projects were sent back to get started over again and all were rejected in one form or the other, and they had to be reviewed. So in that time, that was the culture in that period... and when you lift up your head or you open your eyes, the year is gone [and the funds have not been spent]*.

The Economist at Treasury identified a lack of adequate planning processes in PRASA's internal procedures, as one of the reasons for underspending of the CAPEX budget at PRASA. He indicated that the entity's internal controls were devoid of systems to plan adequately and scientifically for spending, using good engineering standards and experienced human resources to see the process through. *"That compromises the ability of the organization to actually roll out infrastructure. So... depending on what we define internal controls to be, if we don't take internal controls*

to be just accounting standards, but good SOP, that is the main problem that slows down the expenditure”, stated the Economist at Treasury.

The DoT Official conceded that a lack of adequate internal controls was a contributor towards CAPEX underspending at PRASA but stated that that was no longer the case. She stated that in the past, internal controls at PRASA may have inhibited spending, but she was optimistic that as of 2023, things had improved at PRASA: *“They were having some supply chain issues and you’d find that the procurement process took longer to be finalized. Some of the tenders were being done over and over again. Some [tenders had to be] cancelled because they [PRASA employees] don’t have much capacity for evaluating of tenders. So therefore they could not spend their budget.... But then that was in the past, I think recently... it’s improved a bit because they started putting measures in place... they actually developed another supply chain policy...So it improved a lot. But before, the supply chain was issue. I think from 2016/17, they could hardly actually spend 50% of their allocation”.*

Contrary to the findings above, about 5 participants in the study did not believe that PRASA’s internal controls contributed to underspending of CAPEX at PRASA.

The Lawyer stated that the internal controls in and of themselves were not the problem, but that the individuals who were supposed to enforce the procedures were the cause for concern: *“I think that if you implement internal controls properly they will ensure that what you spend is within the confines of the law”.*

The Project Manager stated that while SOPs could contribute to underspending of CAPEX at PRASA, these systems do not appear unilaterally but were a creation of management; therefore PRASA did not have a systems problem but a people problem. *“Because systems are as a result of leadership, it is management which should design them in such a way that prevents underspending”,* he exclaimed.

The Risk Analyst deemed it unfair to attach blame on PRASA’s internal controls while neglecting the highly bureaucratic context within which PRASA exists. He was of the view that if control measures did pose a challenge to spending, it was as a result of PRASA’s external controls, not internal. He stated that: *“The bureaucracy within PRASA or any SOE will not just be within [the entity itself] but also the external systems and controls. They will include...the Mother Department, which would be the Department of Transport with its own bureaucracy, underpinned by the Ministry of*

Transport. And then you get to Treasury underpinned by the Minister of Finance. And unfortunately we now also have another layer that has been created in the Presidency. The office of the President seeks to micromanage almost all key decisions that have been taken in that value chain... There is also Parliament's Standing Committee on Transport and then you have another committee, the Appropriations Committee of Parliament which interacts with the Finance Committee of Parliament. And then you have public accounts committee..." The Risk Analyst concluded that the organizational culture of the South African government as a whole is highly bureaucratic and that those administrative complexities form part of the bigger challenges of underspending of CAPEX at PRASA.

With regard to PRASA's internal controls and their contribution to underspending of CAPEX at PRASA, research respondents had divergent views.

One school of thought believed that PRASA's internal controls (SOP, processes, systems, bureaucracy, red tape and organizational culture) were inadequate and were thus a contributor towards the underspending of CAPEX. Another school of thought believed that PRASA's internal controls sufficed adding that if their efficacy was ever in doubt, it would be due to external factors such as the socio-political environment within which PRASA operates, or the limitations of staff members. The next section of this research paper will look into the limitations of staff members.

b) Employee Incapacity

While respondents differed on the contribution of internal controls on CAPEX underspending at PRASA, they were unanimous on the contribution of employee incapacity in underspending. Even before the question of employee capacity was posed, while addressing the issue of internal controls, almost half of the participants already alluded to the role of staff in CAPEX underspending at PRASA.

All respondents placed employee incapacity as a major contributor to underspending of CAPEX at PRASA. Here, employee incapacity referred to incompetence, lack of skills, a lack of experience, negligence, and/or cowardice to execute duties.

One of the participants made a distinction between employee capacity and employee capability, defining capacity as the quantity of people working in procurement and capability as the quality of people working in procurement. He added that PRASA

suffered from both a lack of capacity and a lack of capability within its staff contingent responsible for procurement processes. The Economist believed that this lack of capacity and capability was directly responsible for CAPEX underspending at PRASA. *“I think it's both, because capacity in my definition has to do with warm bodies right? The availability of warm bodies. Capability has to do with the expertise of those warm bodies, but also systems and processes that enable the warm bodies to do what they need to do effectively. So I do think that the issue of incapacity within PRASA staff is a major contributor to underspending”.*

The Economist blamed the lack of capacity and capability of staff members at PRASA, on what he termed the “hollowing out of the entity”; a process that he said was orchestrated by politicians or businesspersons, to deliberately weaken the entity’s mechanisms for nefarious reasons such as self-enrichment. The Economist stated that the process involved the creation of immense instability in an entity, so as to drive out skilled and experienced permanent professionals from the system, replacing them with acting (and sometimes unskilled or inexperienced) professionals, in order for corrupt practices to take place unabated.

The Economist put it this way: *“We know that [PRASA’s] capacity has been hollowed out over a period of time. So you do have a capacity issue in that some of the key positions that need to be in place in order to advance the spending of the capital infrastructure budget [have not been permanently filled]. You have a lot of people who are acting in those positions, and with acting comes some issues. You may be given the powers and the responsibilities [to act in a position] but you know that it's not your position [so there’s no sense of urgency, risk appetite or sense of ownership].”*

The Lawyer was just as emphatic when addressing the role of employee incapacity in the underspending of CAPEX at PRASA. He also used the notion of an entity that has been intentionally “hollowed out”. He labelled the phenomenon the “Hlaudification” of public institutions, referring to the controversial placement of an unqualified Hlaudi Motsoeneng as the Chief Operations Officer of the South African Broadcasting Corporation.

The Lawyer stated that as a country, South Africa had reached a point where its public institutions were hollowed out deliberately: *“The intention of hollowing them out was to remove capable people and replace them with people who basically do not deserve*

to be in the positions that they hold. Something I sometimes refer to as the 'Hlaudification' of institutions. So you [as the corruptor] take somebody who is completely unsuited to a position, who also knows that they are unsuited for the position and you put them in the position, because if you ask them to do something they will do it without question. They know that once they question, they might lose the position [and they are not qualified enough to secure a similar position elsewhere]. So you [as the corruptor] actually go through a systematic and deliberate process of hollowing out the institution, putting in incapable people in positions of responsibility. And then, that's how public funds are siphoned out of public entities, because everyone knows that government is the biggest consumer of goods and services. So I think that is what is happening and the results of that appear everywhere, in procurement, in CAPEX, in delivery of services".

The Lawyer concluded his remarks by stating that the lack of employee capacity and capability at PRASA was intentional. *"Everything that has gone wrong, did not go wrong by mistake. It has gone wrong by design and it was designed to go wrong... Somebody designed a process to weaken the systems, to weaken internal controls and to weaken the people that are in charge of the controls.*

The Logistician stressed that PRASA did not have enough people required to implement major infrastructure projects. *"They don't have the right number of people in a room to actually manage these projects. They pull resources from one point to another, and then they try and manage complex projects and it just doesn't work".*

The DoT Official agreed that staff incapacity is a key contributor to the underspending of CAPEX at PRASA. She recounted an instance where the Department of Transport as the shareholder had to intervene: *"We raised issues of capacity and skills for one of the programs. They [PRASA] actually had few people managing documents in a massive contract where you would find on the other side that the private sector had more than 20 people minding their [part of the] contract. But PRASA only had two people to manage their [end of the] contract. We raised the fact that they needed to increase capacity. And then, when it comes to skill, we also raised it in one of our internal reports. There is no skill alignment and this has an adverse impact on their process implementation, because people most of the time are unable to manage the processes and don't have that capacity internally to carry out what is required of them".*

The Economist at Treasury was adamant that most of PRASA's underspending could be attributed to the staff's inexperience. He clarified that experience was not synonymous with academic qualification. He added that staff at PRASA may have the requisite academic credentials, however, he did not believe that they had the sufficient workplace experience to handle PRASA's mega projects. *"If you get somebody who has not done any mega projects, who has not done any CAPEX or capital works at a large scale, and you bring them in and you give them this huge budget, they don't know where to start! They've never been exposed to that, they don't have institutional experience. They don't have the history. It's employee incapacity, not because they have lower academic qualifications but because they've never quite operated in this environment and they are given huge responsibilities to roll out infrastructure"*.

The Risk Analyst too considered employee incapacity a significant contributor to underspending, especially as it relates to the complex governance ecosystem within which PRASA exists. Giving credence to the Economist's ascertains, he believed that qualifications alone do not make an employee fit to handle procurement processes. *"[We need] relevant experience in this sector... we must look broadly at different skills that ought to be responding to this very complex web of bureaucracy"*, warned the Risk Analyst.

The Transport Economist too considered employee incapacity a major contributor to underspending of CAPEX at PRASA. He chose a historical perspective to explain the reasons why PRASA faced issues of employee incapacity. *"As you may know, PRASA was only established in 2009, there are capacity issues that are historic in the sense that from the early days of the establishment of PRASA, the technical expertise that passenger rail relied on were part of Transnet and [the expertise] did not move to the new entity. PRASA in this instance inherited assets, inherited staff, but did not inherit the kind of expertise required for the optimal running of the trains. So it had to build that capacity"*.

The Former Accounting Officer also outlined the history of PRASA as he detailed how employee incapacity contributed towards underspending. He too believed that when PRASA and Transnet separated, there could have been a limited number of quality skills that PRASA was able to inherit from Transnet.

But he was of the view that over the years, whatever little skill may have existed at PRASA, has since diminished. *“I think there is quite a bit of incompetence and lack of skills [at PRASA]... you might find some pockets of skill but it's just so full of incompetence that the environment can stifle [the packets of skill that may exist] if not properly managed, which I think is the case”*, he stated.

In recent history, PRASA had been the subject of adverse findings and corruption scandals, which the Transport Economist believed could have affected the capacity and capability of the staff. He stated that some PRASA employees did not fulfil their procurement duties for fear of public reprisal: *“You find at times that officials who sit and adjudicate tenders that are meant to enable the operations, become more lacklustre to make those decisions because they've seen their peers being charged for decisions that they've been party to while they sat on those committees. You find the situation where your procurement committees that are meant to take decisions tend to be sluggish... [and] officials do not want to participate in those committees, because they are afraid of making mistakes, and end up being held accountable...”*.

Secondary data from Treasury (2023) stated that in general (not limited to PRASA) some of the reasons for public sector infrastructure spending challenges include a lack of capacity and capability (in terms of skills and experience) in the public sector, to manage the procurement and implementation processes of projects, especially mega projects. This often results in project delays, and subsequently underspending.

Watermeyer and Phillips (2020) highlighted the NDP's call for the professionalization of the public service, stating that South Africa is in need of skilled employees who will transform the country into a capable developmental state. Watermeyer and Phillips (2020) stressed that professional input is essential for infrastructure procurement and as such procurement management positions must be filled by individuals with professional expertise, sufficient technical knowledge and the relevant experience.

Fourie and Malan (2020) revealed that a gap still exists between policies and implementation and that most supply chain management (SCM) officials still struggle to implement requirements of the Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA).

All research respondents were unanimous in their view that employee incapacity (which encompassed requisite number, lack of experience, incompetence, lack of

skills, negligence, and/or cowardice to execute duties) was a major contributor to underspending of CAPEX at PRASA. The respondents held different views on the causes and manifestation of this employee incapacity, however, all agreed that it affected PRASA's ability to spend its CAPEX budget.

c) Corruption

While responding to questions around employee incapacity, the issue of corruption was highlighted by some of the respondents. The Economist and the Lawyer referred to PRASA as an entity that had been "*hollowed out*" or deliberately incapacitated by the political elite, in order for them to propagate maleficence.

When specifically questioned about whether corruption contributed to the underspending of CAPEX at PRASA, all of the research respondents stated that corruption was a contributing factor. The respondents did however differ on the ways in which corruption contributed to underspending.

The Economist stated that some PRASA officials had been known to deliberately frustrate the procurement process, while they sought ways of including or promoting their preferred bidder, in the hopes that their preferred bidder win the tender and share some of the proceeds of corruption. This exploratory process is said to have led to delays and ultimately underspending of CAPEX.

The Former Executive introduced the concept of attempted corruption, stating that it too was problematic. This, he stated, occurred when a corrupt bidder, that was working with a corrupt PRASA official, did not win the bid, and both parties continued with their attempts to corrupt the process, thus leading to unnecessary delays, which exacerbate underspending.

The Auditor agreed with the Economist and the Former Executive, as did the Former Executive who stated: "*It's possible that if someone doesn't like... aspects of the procurement process, or they had a particular service provider or supplier in mind, they will frustrate the process... and that will lead to underspending*".

The Economist added that there are other ways in which corrupt activities could contribute to underspending. Where a PRASA official was unable to promote a preferred bidder, he or she may delay the procurement process, in an attempt to buy

time, while he or she familiarized him or herself with the shortlisted bidders – who were unknown to the official – so as to eventually solicit a bribe.

The Project Manager stated it as follows: *“Sometimes people are prepared not to spend money because they don't know how they're going to make [money out of the project] for themselves or their network... they deliberately delay until they put their own formula right”.*

Another possibility raised by the Economist comprises cases where a private company wins a PRASA bid, based on a flawed tender process as opposed to merit and that company is then unable to spend or rollout infrastructure adequately. Where that company does spend, there may be overspending in phase one of the project (because of corruption), which will cause the project to stall as the matter is investigated, thus delaying the roll out of phase two and leading to overall underspending, as the next phases of the project will not be executed on time. *“You've got people who are willing to undermine legitimate processes for their own people to get the contract. Yet when those people get the contracts it comes at a higher premium than what you would have gotten out of the market. But when you balance all these things out, you'll find out that there has been underspending, notwithstanding the fact that they are cost and schedule overruns. And that's because when you have vested interest in these processes, they have to run the process in the exact same way that they would if you had no interest, but you have to stall the process here and there, just so that you can frustrate this one, or you can enable whatever that needs to be enabled. And for me that plays with time. And once you start playing with time... and we end up with the issues of underspending”* stated the Economist.

The Advisor was of the view that large scale projects, also referred to as mega projects, were prone to corrupt activities and that attempts to quell the corruption further slowdown procurement processes. *“There is also a problem in that major engineering projects are susceptible to corruption. The question is: “What systems can be put in place so that people do not corrupt the system”.* So the more you put those systems the more it frustrates the system itself. For example, if you're going to conduct a depot modernization project worth R2 billion, you then have to bring systems that would ensure that the tender bid process is not corrupted. When you do that, it delays

the project, because then you're going to want to have as many checks and balances in place, so that you don't have a few people at bid evaluation colluding”.

The Advisor also disclosed another way in which corruption could lead to CAPEX underspending: *“Once you [as PRASA] have awarded the tender, if you find that due process and other processes were not followed with precision, two things can happen. You will either be challenged in court (which will stall the project) and if the project continues, you run a risk that one of the unsuccessful bidders... will challenge you in court [at a later stage]”.*

The Risk Analyst added that corruption contributes to underspending by making honest procurement committee members reluctant to carry out their responsibilities for fear of reprisal. *“People of the Bid Specification Committee [for example] will be so scared to attend a meeting where they will discuss and approve the specifications, because they fear that: “Hey? I already know that colleague ‘A’ at signalling is in the take with so and so service providers, so I don't want to sit with him, because I know that I'll be [tainted] just by sitting there in that meeting of a corrupt activity”... So people will run away from their responsibilities, just so they are not named or accused in things that they will not be able to deal with a publicly, not because they partook on anything [but because they don't want to be guilty by association]”.*

The Transport Economist stated that: *“There is absolutely no doubt about the contribution [of corruption to underspending]. It may not be the only thing that is driving the understanding, but it has made a major contribution in that account. We all know the detail about how PRASA got caught up on issues that have been flagged by the [Zondo] Commission into State Capture”.*

Even though their insight on the nature of corruption's contribution towards underspending varied, all respondents agreed that corruption was a contributor towards underspending of CAPEX at PRASA.

d) National Treasury

Unlike the issues of employee incapacity and corruption (where research respondents were unanimous), research respondents were divided on whether or not National Treasury's rules and regulations contributed towards the underspending of CAPEX at PRASA.

For context into these rules and regulations, the researcher was referred to the following secondary data: Watermeyer and Phillips (2020), Treasury (2023) as well as Sirbadhoo and Harinarain (2022).

Watermeyer and Phillips (2020) contextualized public procurement frameworks and outlined their strengths and weaknesses. Watermeyer and Phillips (2020) began by introducing the PFMA, stating that major public entities are subject to it. The PFMA empowers National Treasury to issue SCM regulations and instructions to various organs of state. Watermeyer and Phillips (2020) indicated that National Treasury's SCM instructions were deemed controversial in some sectors and were accused of slowing down and negatively impacting the ability of some public entities to deliver infrastructure.

One of the regulations introduced by Treasury is the FIDPM, which stipulated the minimum requirements for the implementation of the infrastructure development projects. The introduction of FIDPM in 2019, along with changes in the then Uniformity in Construction Procurement, as well as new mechanisms added to the Preferential Procurement Regulations of 2017, further complicated the SCM processes, slowed down projects and limited the ability of officials to work efficiently, effectively and economically, found Watermeyer and Phillips (2020).

Treasury (2023) too conceded that closely related to insufficient skills in the public sector, is the confusion of public servants concerning the use of the public procurement frameworks such as the PPPFA.

As Watermeyer and Phillips (2020) indicated: *“Initiatives aimed at improving government’s ability to spend its infrastructure budgets effectively have failed... The overly bureaucratized procurement process with the emphasis on compliance by box-ticking, which makes the system costly, burdensome, ineffective and prone to fraud, has become entrenched as opposed to being dismantled”*.

Sirbadhoo and Harinarain (2022) echoed the sentiments of Watermeyer and Phillips (2020), stating that: *“Key policies and frameworks developed by the South African government for addressing service delivery and its challenges since its democracy in 1994 have not been successful in their implementation. Government still struggles with the implementation of the current policy, namely the FIDPM. Government is not*

effectively managing public procurement and needs to train, develop, and build capacity to achieve service delivery targets through robust policy implementation”.

With the aforementioned context provided by the secondary data in mind, this research’s primary data had conflicting findings on the contribution of National Treasury’s regulations, support, monitoring and oversight function, towards the underspending of CAPEX at PRASA.

The Advisor, Auditor and the Former Executive agreed with the secondary data which stated that National Treasury contributes to underspending of CAPEX at PRASA.

The Auditor stated that Treasury’s turnaround time in responding to PRASA has slowed down procurement processes. *“National Treasury support, monitoring and oversight contribute towards capital underspending [in instances] where there are delays in decision making and communication by National Treasury to State Owned Enterprises [SOC]. There are instances where the SOC needs approval from Treasury and the longer it takes to approve these; these can result in planned investments being delayed”.*

The Former Executive agreed with the Auditor, recalling that at times Treasury would unwittingly enable delays in spending, by supporting different role-players at PRASA: *“Thinking about my experience... at some stage, you know, we got a new board [at PRASA] and simply because they [the board] thought they shouldn’t trust this management, what they did is that they wanted to go back and review each and every decision that had been made [by the management], let’s say, in the last 3 years [which wasted time and delayed spending]... Treasury agreed to those things”.*

Still on people management issues, the Advisor indicated that some delays in spending were caused by PRASA officials who were so fearful of transgressing Treasury rules, that they spent abnormally long periods of time: *“making sure that everything is done according to law [as per Treasury’s frameworks]”.*

The Former Executive added that in some instances, changes in Treasury processes inadvertently delayed spending of CAPEX at PRASA. *“Another example, at some stage, a group CEO would have a delegation of [or the ability to authorise spending of up to], let’s say, R100 million. If you [as Treasury] take that down to R40 million, it means the CEO will have to await another step in another committee to make a*

decision so that you can go ahead with spending, you know. So by introducing new clauses in the procedures, Treasury itself did play a role that led to underspending. They [Treasury] will argue that: "Okay, we've seen that PRASA is going through some problems, and [we're now] putting some interventions. But the truth of the matter is that [introduction of new clauses] led to some underspending, because now the process is two or three times more difficult than it was before".

Not all respondents believed that Treasury contributed to underspending of CAPEX at PRASA. There were six participants who were of the view that Treasury did not contribute to underspending of CAPEX at PRASA.

The Economist at Treasury disputed the argument that SCM regulations as prescribed by the National Treasury were too stringent and thus contributed to delays in spending. He was of the view that: *"Treasury has been quite good in terms of [allowing an entity to customise regulations to suit its environment] some institutions customize some of these processes. The Development Bank of South Africa (DBSA) is a good example, it applies the same kinds of rules and systems processes that PRASA has. But for whatever reason they [DBSA] are able to implement... they get clean audits, they get it right the first time".*

The Lawyer agreed with the Economist at Treasury and found nonsensical the argument that Treasury's requirements are too rigid and complex, such that they stifle spending of CAPEX at PRASA. He indicated that there have been many instances where the mega projects of other entities have proceeded, despite Treasury requirements. *"In this country, we've procured big and small things, we've procured very technical things...and a lot of things had to be imported from other countries. My view is that that argument is a very lazy argument... it doesn't take into account a lot of the things big and small, that have been procured using these very laws".*

The DoT Official was also in support of Treasury, applauding what she referred to as Treasury's role in assisting PRASA to spend its CAPEX: *"I wouldn't say the Treasury is contributing to the problem of underspending. If anything, Treasury is really encouraging them [PRASA] to actually try to [spend and] implement the project".*

The Former Accounting Officer was also of the view that Treasury did not contribute to underspending. *"I don't think Treasury has a negative bearing on underspending. I mean, if anything, even this CAPEX budget is facilitated through them. So I certainly*

don't get a sense that they stifle progress in anyway. A lot of the big CAPEX projects that PRASA have been able to obtain funding, I think was through the Treasury's support".

On the contribution of Treasury to CAPEX underspending at PRASA, the Project Manager expressed both the views of respondents who answered in the affirmative as well as the respondents who answered in the negative. He stated that the situation was complicated: *"The oversight [by Treasury] in and of itself is not the cause of underspending by any SOC. However, this is where it gets complex, decision making [at Treasury] can become hesitant, especially around this thing of irregular expenditure, where you [as Treasury] may design a method to implement a capital project in a particular way... And because the method you are using is not easily understood. [That] different methodology... may cause them [PRASA] to delay spending, especially when [PRASA] needs to get an approval [from Treasury to proceed with a project]. But on average, Treasury is not the main cause of underspending at PRASA".*

In this section, research respondents provided information on the factors which contributed towards underspending of CAPEX at PRASA. Respondents were divided on the contribution of internal controls as well as the regulations set by the National Treasury. However, respondents were unanimous concerning the contribution of employee capacity and corruption towards underspending of CAPEX at PRASA.

4.4.2 Effects of Underspending

While investigating the effects of underspending, the researcher was referred to Treasury (2023), wherein the current state of commuter rail was detailed. Treasury (2023) revealed that in 2008/09 financial year, Metrorail provided 650 million passenger trips and operated 1.1 million trains, of which 91.8% ran on time. In contrast, by the end of March 2020 the number of passenger trips had declined to approximately 145 million, while only 339 000 trains operated, of which 47.5% ran on time (Treasury 2023).

Treasury (2023) also highlighted issues of vandalism and theft of rail infrastructure, adding the issue had continued unabated, despite the presence of over 3 000 in-house security guards. According to Treasury (2023) in 2020/21 PRASA had dropped to approximately 7.9 million passenger trips, collecting fare revenue of R65 million,

against an operating subsidy of R4.2 billion. Among other factors, this decline in performance was seen as an effect of underspending of CAPEX at PRASA.

Research respondents concurred with the secondary data provided to the researcher. When asked about the effects of underspending of CAPEX at PRASA, respondents listed a myriad of effects, which although diverse, were all dire.

a) Service Reliability

The Former Executive focused on the unreliability of PRASA's service. The Former Executive stated that If CAPEX is unspent on locomotive maintenance or infrastructure upgrades then: *"The train cannot travel at higher kilometres per hour... If you are somebody who pays attention to time, you'll know the timetable that a trip from Johannesburg to Pretoria could potentially take you an hour. But I can tell you that it can also take you 2 hours [because of underspending of CAPEX]."*

The Transport Economist also highlighted that the unreliability of PRASA's service, has jeopardized commuters' job security. *"A lot of people have lost their jobs because they are unable to get to work on time. Sometimes they wait for the train and the train does not come... So modernization, which would have occurred as a result of the accelerated spend on CAPEX would have enabled PRASA to operate reliably"*.

In addition, the Economist at Treasury noted that the time delays could have adverse psychosocial impact on commuters. *"It can also become a psychological issue because now the commuters [who arrive at work and/or home late due to train inefficiencies] are angry and families are affected by late arrivals of loved ones back home... This person who is supposed to be back at home is not able to get home at 5pm. Whereas they were meant to be there at 5pm. Now they come back at 7 and the family gets affected simply because there's a manager [at PRASA] who's paid R3 million who didn't do their job properly in planning for the infrastructure. The late arrivals of commuters also has an impact on their safety and security as they become vulnerable to criminals when they walk from the station to home at 7pm as opposed to 5pm."*

b) Commuter Safety

The Economist described how underspending of CAPEX at PRASA did not only diminish the quality of service that the entity provided but also jeopardized commuter

safety. *“If you [as PRASA] don't maintain your infrastructure... the safety of the trains [will be compromised]. [As it is] there is no signalling... which leads to frequent disruptions... simply because you haven't done what needed to be done.”*

The Transport Economist too highlighted the threat to commuter safety posed by the underspending of CAPEX at PRASA. *“We are so far behind in deploying new trains that would improve the experience of the of the commuters. The infrastructure is not ready... Remember some of the technologies that these new trains have are able to sense another train that is in the network, to avoid the collisions that we've seen over the years”.*

c) Psychosocial Wellbeing

The Transport Economist raised the notion that underspending affected the commuter's quality of life. *“Modernized stations are also meant to become hubs.... A lot of our people, have to leave their homes early in the morning and get back very late at night, they hardly have any time to buy groceries for their families, and therefore part of the modernisation was to turn the train stations into [shopping] hubs, such that there are other kinds of activities, including commercial activities at the stations”.*

The Risk analyst spoke about how mobility unlocked the fulfilment of other social services such as health and education. He stated that a lack of spending of CAPEX at PRASA affected the mobility of the poor and thus impacted their ability to satisfy their physiological needs: *“It's impact on society is great. The movement of people to jobs, movement of people to hospitals, school... to Home Affairs offices... people must get their services for social life. It touches quite a broad range of issues”.*

The Former Accounting Officer stated that the most adversely affected, are impoverished commuters, who comprise the most vulnerable groupings in South Africa. *“There is a particular target market given the nature of the network, it covers previously disadvantaged areas, it's a mass mover of the [poor and] working class population seeking to access economic opportunities and students trying to access schools... So it's a basic, basic service that is extremely essential”.* The Former Accounting Officer stated that underspending of CAPEX at PRASA has rendered the entity in breach of its metaphorical contract with the aforementioned commuters.

d) Economic Impact

The DoT Official described the effect of underspending of CAPEX at PRASA as delaying South Africa's socioeconomic development agenda: *"The state has to borrow the money that they allocate to PRASA and they're paying interest on it. And [that money] is not being put to use for what it's intended, it actually doesn't bring [value, it doesn't add] anything to the system and government overall".*

She also described a cycle wherein if PRASA fails to spend CAPEX, it is unable to maintain infrastructure. This affects its service; commuters then forgo the service and opt for alternative modes of transport. The decline in patronage leaves PRASA unable to generate revenue enough to cover overheads such as salaries. With the insufficient OPEX budget, PRASA will then request permission from DoT and Treasury to convert some of the CAPEX to OPEX, so as to fund the entity's day-to-day operations. The argument is that in the absence of OPEX, the working environment at PRASA will not be conducive towards project implementation (because utilities and salaries will not be paid). At times CAPEX is then converted to OPEX. However, even with this conversion, PRASA will still underspend on the CAPEX, the infrastructure will remain dilapidated, commuters will continue to withdraw their patronage, leading to a decline in revenue... and so the cycle continues.

"Overtime we have seen the decline of patronage... even before COVID, PRASA had lost up to 60% of their passengers, because of the [poor] service that they were providing. This could have been mitigated if the modernization program was implemented successfully. So it impacts on the service that [PRASA] gives to its commuters. And it also impacts on their revenue. They cannot generate revenue and be self-sustainable. That is why even their subsidy [from Treasury, facilitated by DoT], sometimes is not adequate for their operations and it also then impacts on their capital expenses, because now, if they cannot manage their OPEX, they would request a bit of CAPEX to supplement... But overall is that the services will not be satisfactory to their commitment, and therefore then they lose the value, and then people move from trains to other modes", stated the DoT Official.

The Lawyer described how PRASA's underspending of CAPEX, led to a failure by the entity to build or maintain infrastructure such as train tracks. The Lawyer added that this failure has created new problems for the entity and plunged it further into crisis:

“You have a very strange problem today at PRASA: the stockpiling of new trains. I think they have about 150 of the new trains [that have been purchased but] can’t run because there are no tracks. So if you think about it, if you buy a new machine today it has a warranty that comes from the Logistician for a certain period. And so when you get these trains, you’re supposed to be running them so that you are able to take advantage of the warranty but because they are sitting and idling and just being stockpiled, your guarantee is depleting. So by the time you run them, then you’re going to start seeing some problems [because the trains would’ve been standing idle for too long] but at that time [it will cost you more to repair and maintain them because] you won’t have a warranty [as it would have lapsed]. Now you have to spend!”

The Logistician also weighed in on the issue of the stockpiled locomotives that PRASA had purchased but has not been able to use, due to a lack of track repairs, maintenance or upgrades. He raised the economic dilemma faced by the government in dealing with that issue, stating that simply halting the production of the trains until the infrastructure is ready for use is not an easy decision, because of the adverse socioeconomic effect of such a decision. *“You can’t stop the factories from making the trains for PRASA, because then the economy will suffer. But you [also] can’t use the trains that have been produced, so you continue to make them”,* stated the Logistician.

e) Public Transportation

The Logistician described the effect of underspending of CAPEX at PRASA as it pertained to other modes of public transportation. *“In a situation where you see our country and the rising costs of people movement, where fuel is becoming more expensive and the road infrastructure is just not coping with the amount of cars on the road... mainly people are supposed to move to rail, that is the only way to find an optimal way to move such a large number of people in metropolitans. [PRASA] has let the country down tremendously... the impact [of underspending of CAPEX at PRASA] has been huge and the people are suffering a result of that”.*

The Economist at Treasury expanded upon the Logistician’s statement. He focused on the impact of underspending on the cost of transport, the environment and the economy. *“Once people move away from spending money on trains, they move to taxis, the environment gets negatively impacted [because of increased carbon emissions]. [More taxis on the road means more congestion on the road, meaning*

that] the efficiency of the transport system gets affected [thus] the competitiveness of the South African economy gets impacted. The impact of the underperformance in terms of infrastructure is that people get to work late [further affecting the economy]. When the trains get delayed because they've been stuck somewhere between two stations, and people are there in large numbers in the middle of nowhere what happens? The firms cannot produce properly, so it affects productivity of companies, it also affects the moral of workers and because the relationship between the worker and the employer gets affected, it's a socioeconomic issue".

In addition, the Former Accounting Officer attributed the gross vandalism of PRASA infrastructure to the underspending of CAPEX at PRASA: *"The non-expenditure in terms of ensuring that you repair the damaged infrastructure, or you maintain and upgrade old infrastructure, but you also build adequate infrastructure that secures the line, putting together your... concrete walls, and whatever you choose to secure the line physically. You know, those things have not happened, and the budget has been there. And then what does that lead to? It leads to anyone accessing the track...helping themselves to whatever that they want to steal".*

f) Fiscal Dumping

The question around whether or not PRASA had ever engaged in fiscal dumping was only posed to respondents who would have intimate knowledge of procurement processes. All such respondents replied that they had no information and/ or evidence to the affirmative and were thus of the view that systems in and around PRASA would make fiscal dumping near implausible.

The Former Executive was unequivocal in his response. He believed that PRASA had not engaged in fiscal dumping because the entity spends CAPEX according to pre-approved plans and if for whatever reason it needed to deviate from those plans, it would require permission from the Department of Transport and Treasury. *"No, I can't see them dumping because... how would they do it? In my experience no, it hasn't happened.*

The Former Executive stated that if anything, people could spend on the line items that were not necessarily a priority, in order to minimize underspending. *"If you want to synchronize your project, if you want your project to be successful, you know. Where would you start? Would you start with speed gates for an example? You know they're*

nice, they're classy and everything but [what good are speed gates when] you have not secured the station? It's not fiscal dumping, but it's just the non-synchronization of projects. You seem to be spending but you are actually [spending minimal amounts and you're] not spending in the right areas”.

The Former Accounting Officer indicated that he had not been exposed to any fiscal dumping at PRASA. *“I've not been exposed to fiscal dumping at PRASA... structurally it's something that the nature of budget process does not lend itself to”.*

The Lawyer too doubted that PRASA had been involved in fiscal dumping, because of the sequence of events before any procurement takes place. *“What is supposed to happen is that... you first identify the needs and then, after identifying [the needs, you] get the budget. And the budget is allocated specifically for those needs that you've identified. And then, once the budget is approved, then you need a procurement plan as to how you are going to procure all these things that you say you need. Now, if you stick to that you should leave little space for fiscal dumping because... you follow what is there [in your approved budget and procurement plan]. [It is difficult to step outside of those confines], I doubt that it has happened in PRASA. I think that most of the time the money has been returned to National Treasury, because I mean that, as far as I remember, that has been a perennial problem in the organization, that each and every year there's no spending. And then the money is returned to National Treasury. So I don't know that there have been instances where things that [have not been] properly motivated have been procured”.*

The Auditor concurred with the Lawyer, summarizing the effects of capital underspending as: *“Poor service delivery, community unrest, weak economic performance, penalties and funds being returned to National Treasury”.*

In this section, respondents described the effects of underspending of CAPEX at PRASA. Underspending was said to have an adverse effect on commuter safety, service reliability, psychosocial wellbeing, economic impact and the broader public transportation network. Fiscal dumping was not found to have been an effect of CAPEX underspending.

4.5.3 Knowledge Gap

In this section, research respondents provided responses on what they identified as a common misconception (held by some members of civil society, the public sector and/or the private sector), a phenomenon which they as respondents found perplexing as well as an occurrence which they believed warranted further academic exploration regarding the underspending of CAPEX at PRASA.

a) Lack of resources

The Economist at Treasury stated that one of the most common misconceptions around the issue of underspending is that entities do not spend funds on capital projects because they lack the funds. He stated that the contrary is true, entity's such as PRASA are well resourced: *"We at Treasury know from experience that of all the numbers that are put out on an annual basis [in terms of the budget], they will only spend about 60% [of the amount. We know ahead of time that there will be approximately] 40% underspending. And this is across all three spheres of government... And this is for me, is symptomatic of something that is not working, and I'm not sure what it is within the ecosystem of infrastructure that actually lends itself to not necessarily working as well".*

The Economist at Treasury elaborated that Treasury took back R20 billion from PRASA's bank account, which had been lying dormant for years due to underspending, despite the need for rail modernization. *"We had to [take the money]! And guess what we did with that money? We partially funded The R350 COVID relief grant that people are now receiving because the guys [at PRASA] couldn't spend the money, but the money was in their account. So usually the biggest misconception is that there's no expenditure because there's no money but the technical ability is the biggest issue. And guess what? Even after we took that R20 billion, I think this year, we are going to take another, maybe say R15 billion because we've got money that's not spent [at PRASA].*

b) Savings

The Auditor stated that a common misconception about CAPEX is that organisations have saved the fiscus money [by underspending] but this is incorrect since the effects of underspending stifle economic growth.

The Risk Analyst also identified the misconception that underspending has an element of benevolence: *"[Some people are of the view that] it's a good thing not to spend... It is a bad thing. I'll argue that it's worse than overspending, because it means that you either overestimated your needs or you were inhibited from performing the functions that you ought to perform to maintain the economy of South Africa and the social fabric of the country in a robust and healthy manor"*.

c) Externalities

The Advisor indicated that he was perplexed by the lack of understanding that there are some things beyond PRASA's control, which have an impact on PRASA's ability to spend. He used the phenomenon of encroachment along the Central Line in the Western Cape as an example. People have built informal structures within the rail reserve, affecting operations there. PRASA is unable to unilaterally remove the encroachers.

The Advisor highlighted the regulatory challenges. *"PRASA has been complaining bitterly about red tape... The process of moving people who had encroached along the Central Line is complex, its intergovernmental and interdepartmental. That's going to affect your CAPEX, because you have the money, but you can't spend the money, because there are people who have moved on to the rail reserve and for you to move them, you now require the municipality of Cape Town and Department of Human Settlement to assist you. Now there are regulations that say, in as much as you found land to relocate people to, that land must be serviced... Those things are outside your control. That's in the jurisdiction of a municipality. You can't tell them what to do. They follow the law, so they tell you that zoning will take up to three months. So this money [CAPEX] sits there, and everybody looks at that money and says, but you're not spending, but you've been given the money... but there are a number of unforeseen hurdles.*

The Project Manager also highlighted the role of external stakeholders in PRASA's CAPEX spending: *"There may be issues outside of PRASA's control, for example, what they wanted to spend money on at the Central Line Cape Town [requires action from other organs of state]. You need human settlements, to remove those people and give them housing elsewhere and until that happens, PRASA won't be able to spend [CAPEX there], because those require other arms of the State to assist us. This, he*

says, creates the impression that PRASA does not want to spend its CAPEX, when instead it is prevented from doing so by other arms of the state.

In addition, the Advisor was of the view that the role of external stakeholders (such as community members) in spending required further academic exploration. He argued that community members who encroach the rail reserve (in areas such as the Central Line) as well as those who delay projects by insisting that they should be employed by PRASA to implement the projects in their area also contributed to underspending of CAPEX. *“The other aspect is that even if you have spent part of the CAPEX the project itself may still delay because of community protests demanding 30% of the value of the project [or] reallocation of encroachers”.*

Sill on the subject of stakeholders, the Lawyer advised that the role of the Department of Transport in relation to underspending of CAPEX at PRASA, must be looked into. He was of the view that officials in the Department and the Ministry thereof, may have deliberately interfered with spending of CAPEX at PRASA: *“The role of the shareholder department and political principals must be explored. If you break something, it breaks. Once you've weakened the system, the system is weak and the system can't work”.*

The DoT Official pointed out that there was a general misunderstanding of how infrastructure projects work. She stated that some mega projects only started spending in the third year of the project and that that system requires further academic exploration. *“Meaning that the first year is your pre-planning and planning, and the actual work will only start in the second or third year... So, when the money gets rolled over [to the following year] it's then that you prepare for the actual construction [and thus spend]”. She adds that not only will the funds not be spent in one year, but the tender process in and of itself is laborious: “We can take up to 3 months to design the tender. You [then] advertise it, it gets closed, goes for the bid... So we spend almost 6 to 7 months, just closing the tender on the second year. [There is an expectation] that money must be spent all in one year.*

Lastly, Economist at Treasury stated that the feasibility of interdepartmental assistance as a way of resolving underspending at PRASA, must be explored academically. *“The biggest research [required, is a probe as to] why there is resistance to bring in outside help even when they realize their own internal limitations”.* By this

he was speaking of state-to-state assistance, where the entities which have spent their CAPEX effectively, assist those which have not.

d) Consequence Management

The Economist highlighted a lack of consequence management in cases of underspending of CAPEX at PRASA, as a perplexing phenomenon. *“I mean in government you go in, you are set to be the accounting officer, you don't spend and of the little that you spend, you have overruns. You don't get a clean audit, you do this, you do that and you still get a salary, and you run your full five year [term of office]. After five years we are even deciding, we are thinking long and hard about whether to extend your contract or not. This for me is something that I find peculiar. And I still want to know why. Honestly, why? Is it because we have run out of people that we can deploy? If it's the deployment issue, have we a run out of people who are competent enough to do some of these things I don't know. [This is] funding that you yourself requested, that you said you had plans for and what not [and yet you didn't spend]. And if you don't [spend], I mean you should fall on your sword”*, stressed the Economist at Treasury.

The Auditor also referred to the lack of consequence management as disconcerting: *“What I found perplexing about underspending is that officials seldom get punished for underspending capital in instances where they have control and authority to spend.*The Transport Economist too spoke to the issue of a lack of consequence management for underspending of CAPEX at PRASA as a confounding phenomenon. *“What I find perplexing is the inability to hold managers accountable just for doing their work”*.

e) The Cost of Underspending

The Project Manager was of the view that underspending of CAPEX at PRASA has robbed South Africa of many opportunities for further socioeconomic development. He believed that further academic research must be conducted to ascertain the cost and extent of those missed opportunities for development. *“I think we need to look at the impact of underspending on developing development expertise”*.

The Project Manager also indicated that there was a gap in the body of knowledge regarding the cost of the opportunities lost by PRASA as a result of their

underspending of CAPAEX. *“The opportunity cost is such that you don't know what could have happened if that spending had taken place... Let's say [PRASA had spent] the money in upgrading the long distance railway travel between Joburg and the major centres in South Africa, how could that have realized more tourism... more efficiencies in the economy? [If PRASA had spent and done so efficiently] maybe they would have designed the new thing. Maybe [South Africa] would have become the next bullet train country in Africa”.*

In this section, research respondents advised on what they believed were the common misconceptions, perplexing phenomena as well as areas for further academic exploration, regarding the underspending of CAPEX at PRASA. Misconceptions included the notion that entities do not deliver on capital projects because they lack resources and that underspending equates to savings. A lack of consequence management was identified as perplexing, while the contribution of external stakeholders towards CAPEX underspending at PRASA was highlighted as an area which required further exploration, as was the cost of underspending.

4.5 CHAPTER SUMMARY

This chapter introduced the research respondents using pseudonyms to protect their identity. The chapter then presented the research findings from the semi-structured interviews conducted with each respondent, as well as the secondary data, referred to the researcher by the research respondents. On the factors which contribute towards underspending of CAPEX at PRASA, respondents held opposing views on the contribution of internal controls as well as National Treasury regulations on PRASA's CAPEX spending. However, respondents were unanimous that employee incapacity and corruption contributed to underspending of CAPEX at PRASA. When describing the effects of underspending of CAPEX at PRASA, respondents stated that underspending had an adverse effect on commuter safety, service reliability, psychosocial wellbeing, the economy and the broader public transportation network. Lastly, a lack of consequence management was identified as a perplexing occurrence; the contribution of external stakeholders towards CAPEX underspending was highlighted as an area which required further exploration and common misconceptions of underspending included the notions that entities did not deliver on capital projects

because of a lack of resources and that underspending is a benevolent act that equates to saving.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

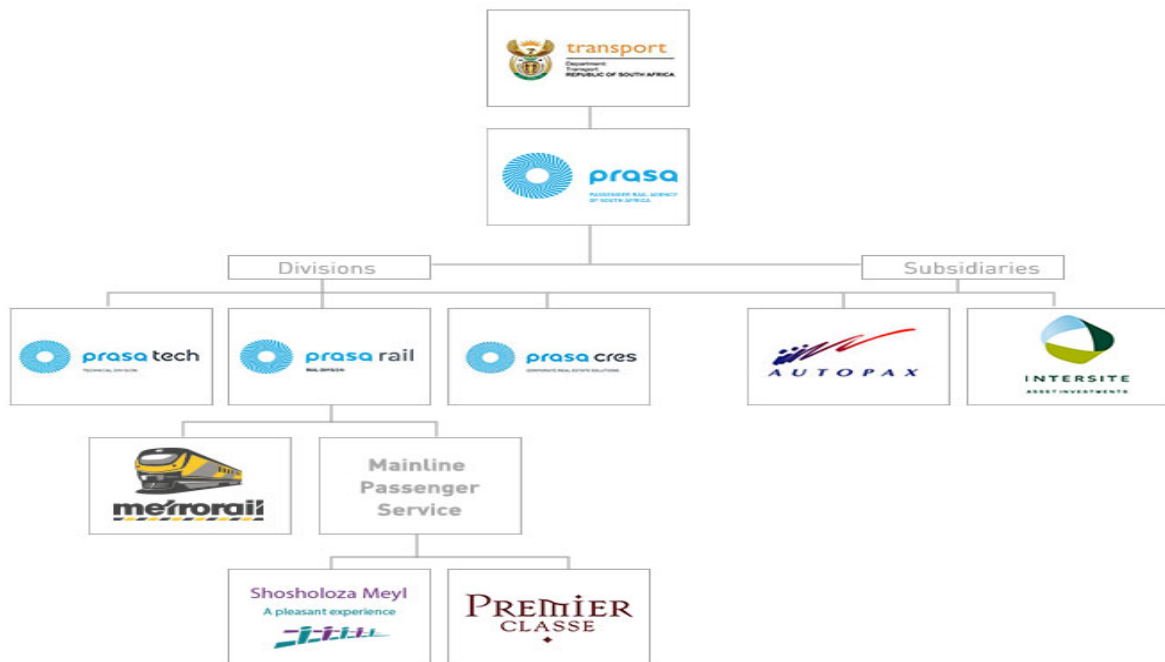
The ultimate conclusion of this study will be found in this chapter, which summarises the sociodemographic profile of research respondents and outlines the key research findings as they relate to the research objectives. In addition, this chapter outlines the contribution of the study to existing theory and practices and reviews the limitations of the study, while making micro, mezzo and macro recommendations.

5.2 SOCIODEMOGRAPHIC PROFILE

This study adopted a non-probability sampling strategy, known as purposive sampling. The researcher selected respondents intentionally, that is, subjectively or on purpose, because each respondent possessed characteristics, qualifications, experience and/or information required by the researcher in order to complete the study.

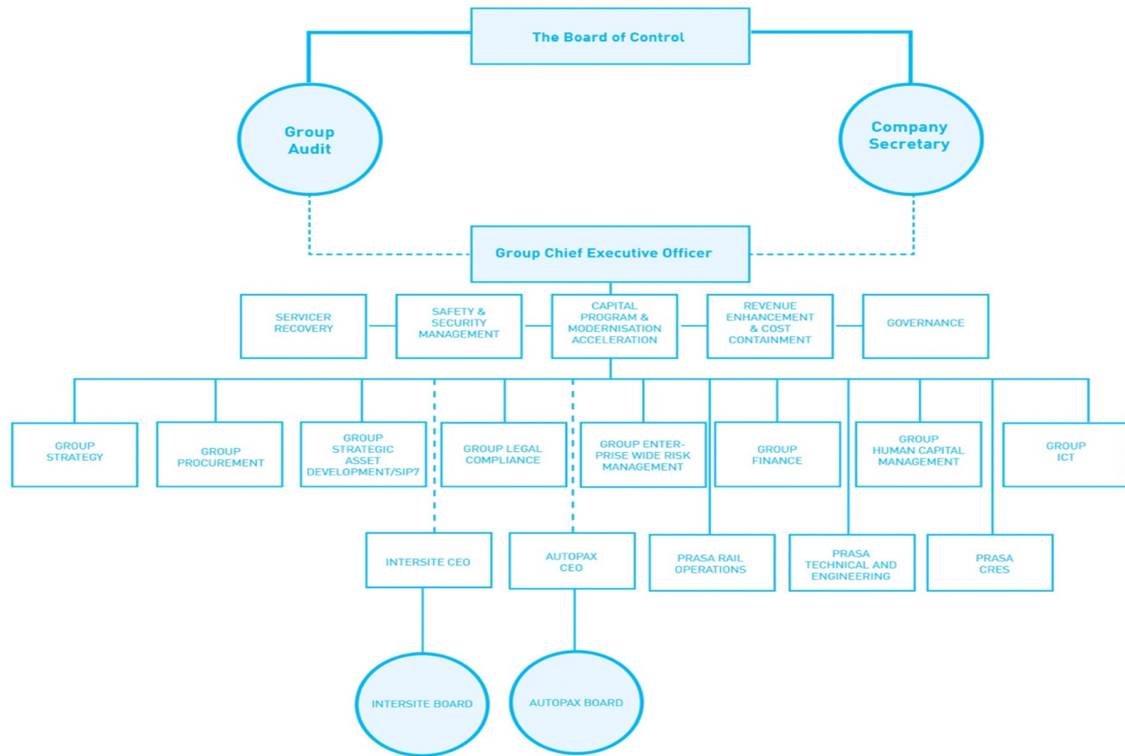
Respondents formed part of one or more formations in the Organisational Structure, Operating Model and Stakeholder diagrams exhibited below:

Figure 5.1: Organisational Structure



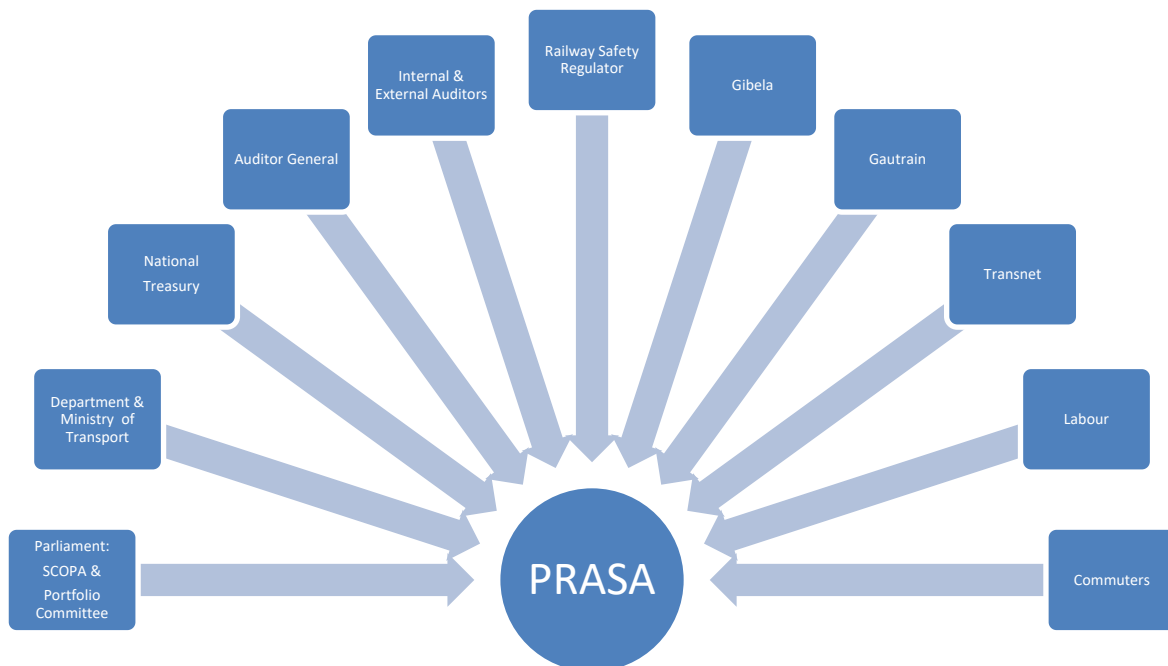
(PRASA, 2023)

Figure 5.2: Operating Model



(PRASA, 2023)

Figure 5.3: Stakeholders



The researcher interviewed thirteen respondents who are experts in the field of public finance in general and the passenger rail service in particular. The respondents have knowledge of and/or experience regarding the phenomenon under investigation and are therefore credible and their information is likely to be accurate and generalisable.

5.3 RESULTS IN RELATION TO THE LITERATURE REVIEW

At times, the findings of this study confirmed certain aspects of the literature review and other times the findings were contradictory.

The literature review explored the work of Lethoko (2014), Mbanda and Bonga-Bonga (2019) as well as Monsod (2016) on the topic of underspending. The KET and the Dependency Theory are the two Theoretical Frameworks through which the matter of underspending was further explained. Lastly, underspending was assessed through the following policy and legislation: PFMA and the White Paper on Rail.

5.3.1 The Limpopo Case Study

Using South Africa's Limpopo province as a case study, Lethoko (2014) found that weak internal systems, skills shortages as well as a poor corporate culture contributed towards underspending in the province.

Lethoko (2014) used the works of his contemporaries such as Brand (2012), Tooley and Mahoai (2007), Ferreira (2012), Erasmus (2008), (Borman 2007) and Fourie (2004), to emphasize his position.

In this study, when answering questions on the factors which contribute to underspending of CAPEX at PRASA, some of the respondents agreed with the observations of Lethoko (2014) and that his academic peers, however, other respondents disagreed.

a) Treasury

In the literature review Lethoko (2014) apportioned some responsibility for underspending to the provincial and national treasuries, saying that in the Limpopo case study, those state organs had provided insufficient support, monitoring and oversight to departments. In this research, there were mixed responses as to whether or not National Treasury – its requirements and oversight – contributed to underspending, inadvertently or otherwise.

The Transport Economist responded in the affirmative, stating that Treasury's requirements are too stringent and cumbersome. He indicated that the requirements are too ridged and generic in that they require similar action when one is procuring mundane office supplies (easily accessible locally) and highly specialised rail equipment (mainly sourced overseas). The Transport Economist stated that Treasury's bureaucracy and its 'one size fits all' approach on the one hand and its lack of context on the other, can be a barrier to expeditious spending.

The Lawyer referred to sentiment such as the one displayed by the Transport Economist as "lazy thinking", adding that such a notion was usually propagated by the negligent, to try and use Treasury as a scapegoat. The Lawyer's view was supported by the Economist at Treasury, who stressed that mega projects are complex, and that contrary to popular belief, Treasury had gone to great lengths to ensure that projects of high magnitude and significant socioeconomic impact follow a particular process that will ensure ethical and responsible spending.

The Auditor however, partially agreed with the Transport Economist, indicating that there are instances where internal processes at National Treasury can contribute to underspending, especially when there are delays in internal decision making and communication by National Treasury to the State Owned Enterprise. In this regard, the Former PRASA Executive highlighted the complexities involved in Treasury's relationship with PRASA. While espousing National Treasury as an extremely necessary instrument in the procurement space, Former PRASA Executive was of the view that Treasury's oversight was often responsive as opposed to proactive, and punitive instead of rehabilitative.

The DoT Official was in support of Treasury's role in assisting PRASA to spend its CAPEX, stating that Treasury was a source of help not a hindrance to PRASA as it pertained to spending.

Additional secondary data from Fourie and Malan (2020), sourced during the study highlighted a disconnect between the PFMA – as well as supporting policies which govern public sector spending – and public sector employees working in supply chain.

Malan (2020) stated that most government officials in SCM still struggle to implement requirements of the Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA).

b) Fiscal Dumping

In the literature review, Erasmus (2008) introduced the notion of fiscal dumping, a phenomenon where organs of state rush to spend funds just before financial year-end, to avoid underspending (Borman 2007). In the literature review, fiscal dumping was proposed as a contributor towards underspending. In this study, the question of fiscal dumping as a possible contributor towards underspending of CAPEX at PRASA was posed to respondents who would have formed part of the procurement processes at PRASA.

The former PRASA executive stated that to his knowledge, PRASA had not engaged in fiscal dumping, adding that it would be rather difficult for PRASA to do so, because the entity spends CAPEX according to pre-approved plans. He stated that if for some reason PRASA needed to deviate from those plans, it would require permission from the Department of Transport and Treasury. The Former Accounting Officer was in agreement with the former PRASA executive, stating that during his tenure at PRASA, he had not been exposed to any fiscal dumping, adding that structurally, fiscal dumping is something that the nature of PRASA's budget process does not lend itself to. The Lawyer concurred, indicating that he doubted that PRASA had been involved in fiscal dumping, because of the sequence of events involved prior to any procurement. Hence the findings of this study differed from Erasmus (2008) and Borman (2007) who discussed the notion of fiscal dumping as a phenomenon prevalent in some organs of state who rush to spend funds just before financial year-end, to avoid underspending.

c) Corruption

In the literature review, Ferreira (2012) as well as Tooley and Mahoai (2007) stated that corruption and financial mismanagement are some of the reasons for underspending. They argued that at times, in their attempt to tamper with procurement practices, government employees end up not spending the funds as they await a window of opportunity to exploit the system.

During the research, all the respondents were adamant that corruption was one of the contributing factors towards underspending of CAPEX at PRASA. The Economist agreed that corruption contributes to underspending and explained that this can happen in cases where a PRASA official deliberately frustrates the procurement process in order to include or promote their preferred bidder. The Economist added

that corruption can also cause underspending in cases where a company wins the bid, based on a flawed tender process and not on merit and the awarded company is then unable to spend or deliver products or services. The Former PRASA Executive went as far as stating that even attempted corruption can delay spending of CAPEX at PRASA. The Former PRASA Executive stated that corrupt officials waste time trying to find ways of influencing procurement processes and aggrieved bidders are also prone to seeking legal recourse at the end of a suspected corrupt tender process, all of which delays spending. These results confirm literature such as Ferreira (2012) as well as Tooley and Mahoi (2007) who identified corruption and financial mismanagement as some of the reasons for underspending.

d) Employee Incapacity

Ferreira (2012) subscribed to the notion that in some instances, incompetence as well as a lack of capacity and skills is to blame for underspending. On this point, the research respondents were unanimous in the way in which they called into question the capacity of PRASA employees to spend CAPEX.

The Lawyer was adamant that employee incapacity is a cause for concern. Even though this study considered the two terms synonymous, the Lawyer made a distinction between capacity and capability, where capacity was defined as the quantity of people working in procurement and capability referred to the quality of people working in procurement. The Lawyer stated that PRASA suffered from both employee incapacity and incapability, adding that this contributed immensely to underspending of CAPEX at PRASA. The Logistician was in agreement, he stressed that PRASA does not have enough people required to implement major infrastructure projects. The DoT Official indicated that the Department of Transport as the shareholder even raised the issue of capacity and skills for one of the programs. The Economist at Treasury clarified that the employee incapacity does not necessarily mean that staff at PRASA do not have the required academic qualification, he spoke to the experience required to operate in the field of mega projects and infrastructure build. The Project Manager also clarified that qualifications alone will not suffice, PRASA staff involved in procurement lack require the temperament needed to navigate the multi-layered political, legislative environment that PRASA bidding processes exist.

While the Transport Economist partly attributed the lack of skills to historical factors, stating that the majority of the skilled professionals remained with Transnet when PRASA was formed and then disappeared with time as PRASA was embroiled in several controversies, The Lawyer was less forgiving. The Lawyer spoke of PRASA as an entity that has been deliberately “hollowed out”, where capable officials were intentionally removed, for nefarious reasons.

This study therefore confirms Ferreira’s (2012) statement, which attributed underspending to an entity’s lack of capacity and its skills shortages. This study also confirms Brand’s (2012) argument that unreliable operational planning with inaccurate costing, coupled with officials’ trepidation of transgressing the PFMA rules on overspending, contribute towards underspending.

5.3.2 Underspending and Infrastructure Development

The literature review emphasised the grave consequences of underspending of CAPEX through Mbanda and Bonga-Bonga (2019:5), who stated that “Unspent capital budgets reflect undelivered services”. This was the view of all the research respondents as they outlined the effects of underspending. For instance, the DoT Official described the effect of underspending of CAPEX at PRASA as stifling South Africa’s socioeconomic development progress. The Project Manager was of the view that underspending of CAPEX at PRASA has robbed South Africa of many opportunities for further socioeconomic development and the Auditor stated that capital underspending has led to poor service delivery, community unrest and weak economic performance in PRASA and by extension South Africa.

In the literature review, Mbanda and Bonga-Bonga (2019) found that infrastructure development is not only a critical economic contributor but it is also a useful tool in bringing about socio-political redress for past injustices as well as current societal equality. This was a sentiment shared by the Former Accounting Officer who indicated that those most adversely affected by PRASA’s CAPEX underspending are the historically marginalised South Africans, who need the services in order to escape cyclical poverty. The majority of PRASA commuters comprise the most vulnerable groups in South Africa, living in previously disadvantaged communities, seeking to access economic opportunities. Underspending of CAPEX in this regard further disadvantages them.

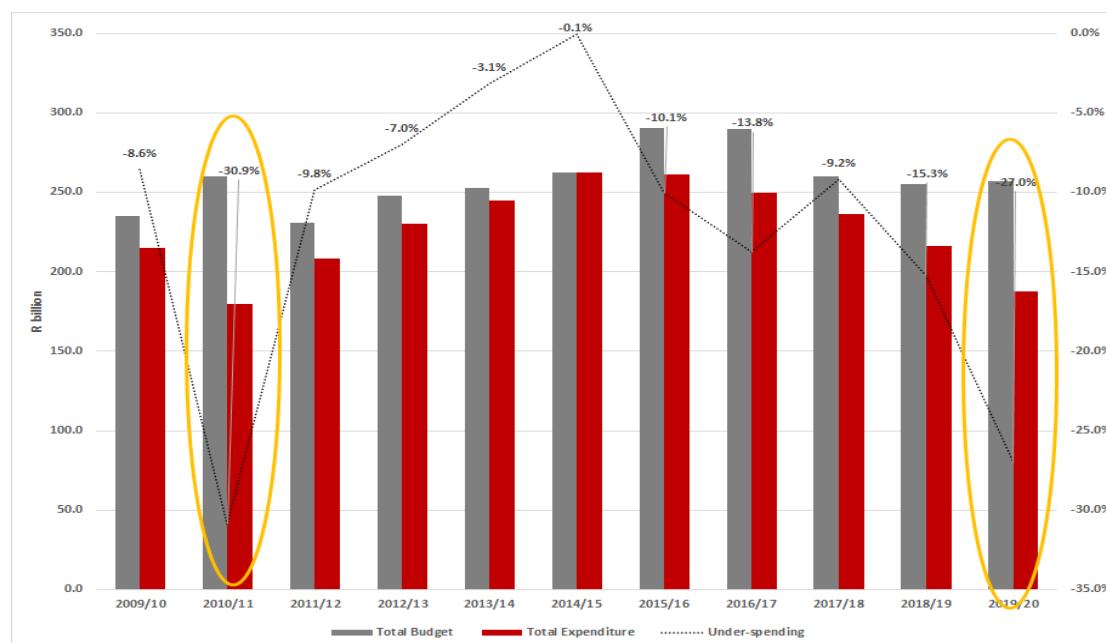
5.3.3 Underspending – A Universal Phenomenon

Monsod (2016) provided an international perspective to underspending by studying its existence in the Philippines and thus proving that the phenomenon is not unique to South Africa.

This research also found secondary data from Treasury (2023) on the extent of CAPEX underspending across South Africa’s public sector, thus proving that although certain nuances may exist; the phenomenon of underspending is widespread and is not exclusive to PRASA.

Addressing the state of the public-sector infrastructure investment, efficiency and its impact on growth Treasury (2003) states that over the past decade, public sector infrastructure budgets have been consistently under-spent. Between 2009 and 2020, there has been a total of approximately R354 billion underspending cumulatively. The largest under-spending recorded was in the 2010/11 financial year (where 30.9% of the budget was under-spent) and the 2019/20 financial year (where there was 27.0% under-spending).

Underspending in 2009/10 and 2019/20



(Treasury, 2023)

During the 2010/11 financial years, underspending was largely as a result of a lack of integrated infrastructure planning in municipalities, as well as a downward adjustment

of CAPEX plans by non-financial public enterprises. However, by 2019/20 underspending was mainly due to the low spending in state owned companies and public entities, followed by municipalities. The situation at present shows no real signs of improvement, as the underspending in 2022/23, amounted to 28.7 per cent of the budget or R73 billion (Treasury, 2023)

As discussed in the literature review, Monsod (2016) used a medical condition known as the refeeding syndrome, to explain underspending in the Philippines. Refeeding Syndrome is the rapid resumption of ingesting food after extended periods of under nutrition; a metaphor for systems, structures and staff who struggle to adapt to the sudden pressure to spend, leading to a critical fund absorption problem.

In this study, the Former Accounting Officer identified PRASA's separation from Transnet as having created a weak corporate culture. He also outlined that the bulk of the capacity remained in Transnet and the new entity (PRASA) had insufficient capacity in terms of procurement and yet had a massive CAPEX obligation. According to the Former Accounting Officer, when the separation took place, there could have possibly been some quality skills that PRASA was able to inherit from Transnet but even so, those skills did not match the required output and over the years, whatever skill may have existed at PRASA, has since diminished even further.

The Transport Economist also considered employees' inability to spend CAPEX on mega projects, as a factor which contributed to underspending of CAPEX at PRASA. He too chose a historical perspective to qualify his position, stating that PRASA was only established in 2009 and that there were some expertise that did not move to PRASA but remained with Transnet. PRASA in this instance inherited assets, inherited some staff, but did not inherit the kind of expertise that was required for the optimal running of the trains. The Transport Economist continued to state that the staff suddenly found themselves in a position where they had to deliver on huge infrastructure build, with little know-how; as per the refeeding syndrome theory alluded by Monsod (2016).

This study therefore confirms that underspending is not limited to PRASA as an entity and is also not exclusive to South Africa.

5.3.4 Keynesian Economics Theory

One of the theories discussed in the literature review is the KET (Blinder 2008). According to KET, during an economic slump, it is imperative for government to spend money to stimulate the economy. This was the view of the Former Accounting Officer, who lamented the lost time, as he described the effect of underspending of CAPEX at PRASA. He was of the view that had CAPEX spending occurred at PRASA, the entity would have helped to create jobs and grow South Africa's economy, especially after the outbreak of the Corona Virus in 2020. The Logistician agreed, stating that even though PRASA continued purchasing trains, which remain unutilised because of the poor rail network, PRASA cannot stop the factories from making the trains because doing so would have adverse effects on the economy.

Lastly, all of the respondents highlighted the economic benefits of having a safe, affordable and reliable passenger rail service to ferry commuters to and from economic opportunities; and stated that underspending of CAPEX at PRASA prohibits the government from stimulating the economy.

In this study therefore, research respondents agreed with KET, that the South African government – and by extension its entities – should be spending efficiently and effectively, to stimulate the economy during the current economic slump.

5.3.5 Dependency Theory

The Dependency Theory is another theory discussed in the literature review. The Dependency Theory argues that developing countries remain poor as a result of an international system that benefits from their lack of development and is deliberately designed to keep them on the back foot, in perpetual dependence on developed nations for financial resources (Ghosh, 2019).

In order to escape dependency, South Africa must, among other things, be able to correctly use funds which are targeted towards socioeconomic development.

In this research, the Project Manager was of the view that underspending of CAPEX at PRASA has robbed South Africa of many opportunities for further socioeconomic development. He suspects that the cost and extent of those missed opportunities for development are significant, stating that if PRASA had been able to spend CAPEX sufficiently, the entity may have development expertise and relationships which could

have enabled it to start working on more advanced technologies such as bullet trains. Such initiatives, he believes, would have helped South Africa industrialise. However, due to underspending of CAPEX, he admonished, PRASA remains with the elementary issues of repairing poor signalling, railway track and overhead cables, instead of advancing.

5.3.6 Public Finance Management Act

The major policy linked to this research is the Public Finance Management Act, 1999 (PFMA), which states that: “Government spending should benefit citizens, make citizens more prosperous and healthy, and create sustainable sources of revenue that make service delivery predictable”. The PFMA seeks to ensure the correct usage of state resources, such that they meet government’s developmental agenda as efficiently and effectively as possible (Wildeman and Jogo (2012:10)

Among several alleged PFMA violations highlighted by the research respondents, the Logistician also addressed the issue of the locomotives that PRASA has purchased but was unable to use, due to a lack of track repairs, maintenance or upgrade. This he said was a PFMA issue as these trains were parked and degrading. The Logistician continued to state that the manufacturing of these trains locally and the purchase thereof, secured some jobs, however, it was neither making citizens more prosperous and healthy, creating sustainable sources of revenue for PRASA nor was it making service delivery more predictable.

In this study, the PFMA – and by extension the Treasury regulations – was hailed by some respondents and lambasted by others.

The PFMA regularizes public officials’ conduct concerning public funds, aggregates fiscal discipline and promotes allocative and operational proficiency. The PFMA encourages transparency, accountability and good financial management in the national and provincial spheres of government and SOEs. This was highlighted by the Lawyer and economist at Treasury who spoke to the need for checks and balances in order to protect state resources. Even though the Transport Economist respected that position, he was of the view that the PFMA must be improved, to allow for ease of business when it comes to mega projects requiring the procurement of specialised assets.

The Economist at Treasury heightened that the biggest misconception that ordinary citizens have about their lack of quality infrastructure, is that there is no quality infrastructure because there is no money. He says in PRASA's case, the opposite is true, the majority of rail infrastructure is poor, despite the entity having sufficient funds in their CAPEX budget. He added that there have been times when funds allocated to PRASA's CAPEX had to be sent back to Treasury due to underspending.

Sections 30(2)(g) and 31(2)(g) of the PFMA makes provision for unspent funds to be rolled over to the next financial year, under strict terms and conditions. It is important to note that a rollover does not erase the possibility that some services may go undelivered in the financial year where underspending took place and that in some cases, key infrastructure development projects may be delayed because of underspending, all of which affects the citizenry. Underspending has the potential to destabilize service delivery, making it haphazard at best and non-existent at worst (Wildeman and Jogo 2012).

The findings of this study, however, were inconclusive with regards to the contribution of the PFMA and other Treasury regulations towards underspending of CAPEX at PRASA.

5.3.7 White Paper on National Rail Policy

The second policy referenced in the literature review is the White Paper on National Rail Policy which was approved by Cabinet on the 23rd of March 2022. The White Paper is government's plan of action, which takes into account the history of South Africa's railway sector, acknowledges its current limitations, reaffirms its socioeconomic significance and outlines the remedial interventions necessary to revive the sector (Department of Transport, 2022).

The White Paper warned that should PRASA continue to grossly underspend on its CAPEX budget, South Africa may struggle to arrest and reverse the decline of the rail sector as well as facilitate infrastructure and rolling stock investment in new technologies (Department of Transport, 2022).

The Logistician agreed, highlighting the rising costs of public transportation via road, high fuel costs and the fact that road infrastructure was not coping with the amount of vehicles on the road. He stated that rail was envisaged to be the backbone of public

transportation in the country, as per government policy. He indicated that PRASA had let the country down tremendously in this regard, that the impact of underspending of CAPEX at PRASA has been huge and that ordinary people were suffering a result of that.

5.4 MAIN FINDINGS

By collecting primary data from relevant experts and secondary data from relevant reports, this study had set out to assess the various factors which contribute to underspending of CAPEX at PRASA, identify knowledge gaps and propose a research agenda for other academics or organs of state to probe further.

The study sought to answer the following questions: What do existing reports reveal about the causes of underspending of CAPEX at PRASA, what does up-to-date data reveal about the causes of underspending of CAPEX at PRASA and what are the gaps in our knowledge that could form the basis of a future research agenda.

The results of semi-structured interviews conducted with thirteen research respondents in this study, indicated that employee incapacity as well as corruption are perceived to be the two main contributors towards the underspending of CAPEX at PRASA. Employee incapacity as well as corruption were the only two factors where respondents were unanimous. The views of respondents varied as it pertained to all other possible contributors bar the role of employee incapacity and corruption in the underspending of CAPEX at PRASA.

5.4.1 Employee Incapacity

Research respondents were undivided in their attribution of underspending to the conduct and composition of the internal staff contingent that is involved in PRASA's supply chain processes.

During the study, incapacity was used interchangeably with the following terms: incompetence, lack of skills, insufficient quantity, lack of experience, negligence, inability to navigate the political context, and/or reluctance to execute duties. While the respondents placed greater value on different aspects of employee incapacity – as per the aforementioned definition – all respondents were in agreement that employee incapacity is one of the fundamental contributors to underspending of CAPEX at PRASA.

One of the respondents made a distinction between employee incapacity and academic qualification, stating that whether or not PRASA SCM staff had the requisite qualifications, their absence of necessary experience rendered them unable to complete procurement processes for mega projects and infrastructure build.

The employees' lack of skills was at times attributed to historical factors such as the retention of skilled employees by Transnet when PRASA was formed as well as the attrition of staff members when PRASA was embroiled in several public controversies.

Respondents also blamed what was termed the "hollowing out of the entity", for the staff incapacity at PRASA. This 'hollowing out' was described as a process orchestrated by politicians or businesspersons, to deliberately weaken PRASA's procurement machinery, for nefarious reasons such as self-enrichment. The process was said to involve the creation of immense instability at the entity, so as to drive out skilled and experienced permanent professionals from the system, replacing them with acting (and sometimes unskilled or inexperienced) professionals, in order for corrupt practices to take place unabated.

In the literature review, Ferreira (2012) too found that employee incompetence, a lack of capacity and/or a skills shortage are often to blame for underspending in institutions where the phenomenon of underspending occurred. Additional secondary data from Fourie and Malan (2020), sourced during the study, stated that most government officials in SCM struggle to implement requirements of the Preferential Procurement Policy Framework Act No. 5 of 2000 (PPPFA). In addition, Treasury (2023) stated that in general (not limited to PRASA) the inability of public sector staff to manage the procurement processes of mega projects often results in project delays, and subsequently underspending. Watermeyer and Phillips (2020) concurred, reiterating that procurement management positions ought to be filled by individuals with professional expertise, sufficient technical knowledge and the relevant experience.

The secondary data therefore complemented the findings of the primary data.

5.4.2 Corruption

This study also found that corruption was another factor which contributed to underspending of CAPEX at PRASA. As was the case with employee incapacity, research respondents were unanimous in their view that corruption was a significant

reason for underspending. The respondents did however differ on the manifestation of the corruption and the ways in which it contributed to underspending.

Some respondents stated that PRASA officials had been known to deliberately frustrate the procurement process, while they sought ways of including or promoting their preferred bidder, for personal gain. Whether unsuccessful or otherwise, even attempts to corrupt the procurement process were said to be detrimental to the successful spending of CAPEX at PRASA. Possible litigation as a result of corrupt tender processes was also advanced as factor which stalled procurement processes and thus exacerbated underspending. Lastly, the reluctance of staff members to participate in committees for fear of being involved in corruption was advanced as another reason for delays in spending and subsequent underspending.

Secondary data contained in the literature review, supported the notion of corruption being a contributor to underspending. Ferreira (2012) as well as Tooley and Mahoai (2007) stated that corruption and financial mismanagement are some of the reasons for underspending. They argued that at times, in their attempt to tamper with procurement practices, government employees end up not spending the funds as they await a window of opportunity to exploit the system.

5.5 CONTRIBUTION

This study is expected to contribute to the body of knowledge by providing more granular details regarding the issue of underspending of CAPEX at PRASA specifically. Prior to this study, theory on the issue of underspending was generalized in that it mainly focused on spending across various organs of state (including PRASA) and not PRASA in and of itself. In addition, such studies did not necessarily solely focus on the underspending of CAPEX budgets but rather on underspending holistically (including but not limited to CAPEX budgets). Lastly, in some previous studies the issue of underspending was on the periphery and arose as a byproduct of studies which probed overspending, fruitless and wasteful expenditure or maleficence – in this case, while underspending formed part of the study, it was not necessarily the main focus.

Because of its singular focus on the underspending of CAPEX at PRASA, this study can contribute to the daily operations of SCM staff at PRASA in particular. Because of the findings of this study, Human Resource Management at PRASA may reevaluate

the job specifications for new recruits or deploy targeted training programmes for existing SCM employees, so as to ensure that the team handling the SCM processes is of the correct capacity and capability to spend efficiently and effectively.

5.6 LIMITATIONS

This study experienced constraints regarding sampling. The researcher was only able to source 13 research respondents as opposed to the minimum of 15 research respondents that the researcher intended to source. The researcher's inability to source the outstanding two respondents was due to time limitations; the researcher had insufficient time to find respondents who were both willing and able to participate before the study was due for submission.

The reduced number of participants, as well as the fact that the participants were obtained through nonprobability sampling reduce the generalizability of the findings.

Having said this, the researcher was able to reach data saturation regarding the main contributors towards underspending of CAPEX at PRASA. All 13 participants stated unequivocally that staff members' lack of capacity and corruption were contributors towards underspending of CAPEX at PRASA.

In terms of the research findings, insufficient capacity of staff members and the corrupt practices of some staff members were identified as a limitation to the efficient and effective spending of the CAPEX budget at PRASA. Overcoming these limitations is therefore considered some of the ways in which PRASA can improve upon its CAPEX spending. In the section below, this study makes recommendations on how PRASA can overcome its spending limitations.

5.6 RECOMMENDATIONS

Based on the findings outlined in this research paper – mainly the contribution of employee incapacity and corruption towards underspending – this study proposes the following recommendations at micro, mezzo and/or macro levels:

At a micro level, this study recommends that a skills audit be conducted by PRASA, to ascertain the capacity – and by extension the capability – of its current SCM staff to spend on capital infrastructure. The skills audit will indicate whether or not SCM staff require addition skills development and training. Should the entity identify a skills gap,

this study recommends targeted training facilitated by the National School of Government in collaboration with National Treasury. The aforementioned entities have the ability to provide government specific and interactive training which not only provides theory but will enable staff to practically engage the facilitators for clarity seeking purposes. Such training should enable PRASA SCM staff to function optimally, within the Treasury's precepts. In addition, this study recommends that the skills audit include a component wherein PRASA measures its SCM division against international best practice, to ascertain whether or not its SCM division has the requisite number of staff members required for maximum efficacy.

At a mezzo level, this study recommends that the Department of Transport review the efficacy of consequence management systems at PRASA, for accounting officers and officials who repeatedly permit or enable underspending of CAPEX at PRASA. As per the findings of this study, underspending of CAPEX at PRASA is not accidental but is as a result of human action or inaction. In order to prevent future action or inaction, there ought to be repercussions which discourage the repetition. If created and implemented correctly, consequence management policies could dissuade officials from perpetuating underspending, deliberately or otherwise. This study recommends that the shareholder department hold the entity to account by way of reviewing the efficacy of consequence management systems at PRASA and just as importantly, the implementation thereof.

At a macro level, this study recommends that an external investigation be conducted into alleged corrupt human resource related practices at SOEs where underspending of CAPEX is prevalent, such as PRASA. During the study, it emerged that underspending of CAPEX was not limited to PRASA, some respondents also stated that there exists a deliberate 'hollowing out' of SOEs. This 'hollowing out' was described as a process orchestrated by politicians or businesspersons, to deliberately weaken PRASA's procurement machinery, for nefarious reasons such as self-enrichment. While PRASA has featured prominently in various probes such as the Commission of Inquiry into State Capture, this study proposes a more focussed external investigation which looks at alleged human resource related practices at state owned entities that have a prevalence of underspending, that is, the hiring and firing of SCM personnel, so as to prove or disprove allegations of a deliberate 'hollowing out' of SOEs.

5.7 CONCLUSION

This chapter concluded the study into the causes of underspending of CAPEX at PRASA. It began by reintroducing the sociodemographic profile of research respondents and outlining the key research findings as they relate to the research objectives. Research respondents held varying views on the contribution of Treasury as well as internal systems towards underspending of CAPEX at PRASA, however, respondents were unanimous with regards to staff incapacity and corruption being factors which can contribute to underspending.

This chapter then outlined the contribution of the study to existing theory and practices; in that the study cascades the generalised findings of other studies and provides more granular and specified information on CAPEX underspending at PRASA in particular.

The limitations of the study process were found to be resource constraints (in terms of time and the availability of research respondents) and in terms of findings, staff incapacity and corruption were found to be limitations to spending the CAPEX budget at PRASA. The outline of limitations was followed by recommendations on how to mitigate or overcome the limitations, at a micro, mezzo and macro level. This study recommended a skills audit of PRASA SCM staff as well as an external investigation into allegations of corrupt practices at PRASA.

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APPENDIX A – ETHICAL CLEARANCE CERTIFICATE



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD
DEPARTMENT OF SOCIAL WORK AND SOCIAL DEVELOPMENT
FACULTY OF HUMANITIES

Taryn Powell
Administrative Assistant

University of Cape Town
515, Level 5 Leslie Social Building
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Tel: +27 (0) 21 650 3483
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Web: socialdevelopment.uct.ac.za

22 May 2023

Student: Ayanda-Allie Paine (PNXAYA001)
Supervisor: Dr Emma Campbell
Outcome: ACCEPTED

I am pleased to inform you that ethical clearance has been given by an Ethics Review Committee of the Faculty of Humanities for your study, *Underspending of capital expenditure at the passenger Rail Agency of South Africa: current state of knowledge and a research agenda*. The reference number is SWK-REC-2023-SR001.

I wish you all the best for your study.

Yours sincerely
Dr Shanaaz Hoosain
Senior Lecturer
Chair: Ethics Review Committee

APPENDIX B - INTERVIEW SCHEDULE

SECTION A: EXPERIENCE

- Area of Expertise:
- Academic Qualification:

SECTION B: CAUSES OF UNDERSPENDING OF CAPITAL EXPENDITURE AT PRASA

- Do internal controls (i.e. standard operating procedures, processes and systems as well as bureaucracy and organizational culture) contribute towards the underspending of capital expenditure at PRASA? If so, how?
- Does employee incapacity (incompetence, lack of skills, negligence, cowardice) contribute towards the underspending of capital expenditure at PRASA? If so, how?
- Does corruption and financial mismanagement contribute towards the underspending of capital expenditure at PRASA? If so, how?
- Does national treasury's support, monitoring and oversight contribute towards the underspending of capital expenditure at PRASA? If so, how?

SECTION C: EFFECT UNDERSPENDING OF CAPITAL EXPENDITURE AT PRASA

What are the effects of the underspending of capital expenditure at PRASA?

- To your knowledge, has PRASA ever engaged in fiscal dumping?
- To your knowledge, has PRASA's underspending of capital expenditure ever resulted in undelivered services?

SECTION D: GAPS IN OUR KNOWLEDGE OF THE UNDERSPENDING OF CAPITAL EXPENDITURE AT PRASA

- In your opinion, what is a common misconception about underspending of capital expenditure at PRASA?
- What do you find perplexing about underspending of capital expenditure at PRASA?
- In your opinion, what aspect of underspending of capital expenditure at PRASA requires further academic exploration?

Thank you

APPENDIX C - CONSENT FORM

Thank you for agreeing to participate in this study. I, Ayanda-Allie Paine (Student Number PNXAYA001) am a student researcher enrolled for the Master of Social Science specialising in Social Policy and Management at the University of Cape Town. This form details the purpose of this study, a description of the involvement required and your rights as a participant.

Title of Project:

Underspending of capital expenditure at the Passenger Rail Agency of South Africa: current state of knowledge and a research agenda.

Purpose of the Research:

The purpose of this study is to summarize the state of our current knowledge of underspending of capital expenditure at PRASA, identify further research needs and encourage additional probing by other scholars. So that ultimately, PRASA can prevent underspending of capital expenditure and successfully implement rail-related policy.

Procedures:

Your participation in the research is voluntary and will take roughly one hour to complete. Your name will not be recorded in order to protect your identity. You may pass on any question that makes you feel uncomfortable. At any time, you may notify the researcher that you would like to stop your participation in the study. There is no penalty for discontinuing participation.

Risks and/or Discomforts:

There are no known risks to you as a participant.

Benefits:

You may find the learning experience enjoyable.

Confidentiality:

Your name and other identifying information will be kept in strict confidence. All individual results will be reported as group results. The information obtained in this study may be published in scientific journals or presented at conferences and/or meetings pertinent to the area. The individual identifying information will be removed and replaced with a numeric identifier that only the investigator will have access to. The researcher will not share your individual responses with anyone other than the research supervisor.

Compensation:

There will be no compensation for participating in this research.

Signature of Participant: _____

Signature of Researcher: _____

Name of Researcher: _____

Telephone number of Researcher _____

Name of Research Supervisor _____

Telephone number of Research Supervisor _____

APPENDIX D - PERMISSION LETTER FROM PRASA



Umjantshi House
30 Wolmarans Str.
BRAAMFONTEIN
2001

Private Bag X101
Braamfontein, 2107
T +27 11 013 1667

www.prasa.com

Ref. DOCS_MHQ-#99093

08 September 2022

TO WHOM IT MAY CONCERN

Re- Permission to conduct research in the PRASA environment for Academic Research – Firm/Organisation: Masters Degree – Social Policy Management– University of Cape Town

Research/Thesis topic: *'Understanding Underspending: A study of the causes of the underspending of capital expenditure at the Passenger Rail Agency of South Africa, current state of knowledge and a research agenda'*.

Permission is hereby granted to Ms Ayanda-Allie Paine in order to conduct research at PRASA to investigate the above identified topic for academic purpose as highlighted in her research proposal within the rail environment.

The aim of the research is to assess the various causes or factors that contribute to underspending of capital expenditure at PRASA, identify knowledge gaps and propose a research agenda.

Objectives

- To locate and synthesize all existing reports into the causes of underspending of capital expenditure at PRASA;
- To collect up-to-date data on the causes of underspending of capital expenditure at PRASA; and
- To identify gaps in our knowledge that could form the basis of a future research agenda

Directors L. Ramatlakane (Chairman), Adv. S. Sethene,
N. Makoape, M. Mukhuba, DK. Mohuba,
N. Nokwe-Macamo, TN. Mpye, T. Zulu

Acting Group CEO
Hishaam Emeran

Acting Group Company Secretary

This is subject to Ms Ayanda-Allie Paine honouring the Agreement -
**“CONFIDENTIALITY AGREEMENT – for the purpose of conducting research
in the PRASA environment, or using Company information for research
purposes”**

Ms Ayanda-Allie Paine has signed the above CONFIDENTIALITY AGREEMENT
with PRASA and agreed that the above research is for Academic Research
purposes only, and that no part of the research will be published without written
approval from PRASA.

Yours faithfully,



Ms Mahlodi Molalagotla

HOD (Acting): Research Unit

Strategy Office

Passenger Rail Agency of South Africa

Tell: (012) 748 7046 or 0832512015 Email: mmolalagotla@prasa.com