

# The relationship between strategic planning and budgeting within the Mining Qualifications Authority in South Africa

## A case study

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## ABSTRACT

The Mining Qualifications Authority (MQA) was established as a statutory body in terms of the *Mine Health and Safety Act* 29 of 1996. The MQA was later also registered as a Sector Education and Training Authority (SETA) for the mining and minerals sector (MMS) in terms of the *Skills Development Act* 97 of 1998 (SDA).

Indications of the need for strategic planning informing the budgetary process derives from literature, the Presidential Review Commission (PRC) of 1998 and Treasury Regulation 5.

The question remains whether strategic planning in fact influences the budget. The MQA was chosen as a case study for investigating this question. In this article the authors start by describing the MQA as a unique context of strategic planning and budgeting. It was found that strategic planning did occur over the years that were investigated. However, constraints in the management, budget format and independence were observed that possibly impeded the strategic planning that did occur to exert the required influence.

It could not be established whether strategic planning played a significant role in determining allocations within the MQA budget for the years 2005/2006 to 2008/2009.

## INTRODUCTION

Soon after the inception of the new democratic dispensation in South Africa, President Mandela (on 8 March 1996) appointed the Presidential Review Commission (PRC) to review the structures, functions and performance of the public service and its statutory bodies. This commission exerted an important influence on the way many South Africans think about the public service and its satellites. The PRC placed an emphasis on the alignment of strategic planning initiatives in budget allocation by government departments and organs of state (South Africa 1998[a]:49a).

The PRC was of the opinion that the lack of performance by organs of state is predominantly as a result of poor strategic planning processes, including the following:

- There is no synergy and integration of strategic planning, prioritisation, financial planning and resource allocation processes.
- There is a lack of financial and budget management capacity.
- Adequate information is not generated to facilitate political decision making.
- The focus is on control and adherence to regulations rather than accountability and achieving results.
- There is a lack of budgetary guidance by treasuries.
- Staffing and resources are divorced from strategic planning. (South Africa 1998[a]:49a).

This article is a case study to investigate the validity of aspects of the above ideas. The authors looked at the MQA to present some empirical evidence. The MQA is a public entity in terms of Schedule 3 to the *Public Finance Management Act 1999* (as amended). As such, the MQA is subject to Treasury Regulations.

## STRATEGIC PLANNING AND BUDGETING

Paragraph 5.1.1 of Chapter 5 of the Treasury Regulations (promulgated on 20 February 2007) requires the MQA to annually prepare strategic plans for approval by the relevant executive authority and submission to parliament. It is reasonable to assume that the ideas of the PRC had an influence when these regulations were promulgated for the first time after the *Public Finance Management Act 1999* became law.

Treasury Regulation 5 covers planning for the next MTEF period and covers the mandate, plans and performance of the entity. These three aspects are necessary for budgeting. When read within the context and, specifically, the wording of Regulation 5.2.3(c) that mentions programme spending plans, one can safely

assume that these strategic plans form the basis of budgeting in the public entity (Pauw 2007:268). The existence of Chapter 5 of the Treasury Regulations implies that the South African government has chosen the route of strategic budgeting, in contrast to incrementalism and zero-based budgeting. Strategic budgeting purports to be rational (that is allocations are not determined by a process of muddling through, but are based on reasons). Zero-based budgeting is directly related to strategic budgeting, but the term would not be apt for the medium-term framework model that covers three years in South Africa.

Strategic planning is a planning process that integrates an organisation's major goals, policies and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organisation's resources into a unique and viable posture based on the relative internal shortcomings and competencies, anticipated changes in an environment and contingent moves by intelligent opponents (Mintzberg, Quinn & Ghoshal 1998:5).

Strategic management can be defined as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve organisational goals (Pearce & Robinson 2007:3). It can also be defined as the process whereby all the organisational functions and resources are integrated and coordinated to implement formulated strategies which are aligned with the environment in order to achieve the long-term objectives of the organisation through adding value for stakeholders and the communities (Ehlers & Lazenby 2007:2). The "all" in this statement of Ehlers and Lazenby is not available to the strategic planners of the MQA due to the extent of the mandatory grants (discussed below) that they must pay.

The accounting officer (AO) of an institution must prepare a strategic plan for the Medium Term Expenditure Framework (MTEF) which is for a period of three years. The strategic plan must indicate output deliverables and measurable objectives, including spending plans over the MTEF period.

If strategic budgeting is followed, it can be expected that the strategic plans would actually influence amounts in the budget. Pauw (2007:268) indicates that budgeters at institutional level are faced with serious constraints that hamper strategic budgeting. Although a budgeter might desire to allocate amounts to programmes on a strategic basis, this is easier said than done. The MQA, to take one example, is a small cog in a very large machine where amounts are influenced by allocation decisions taken at a higher level and the effects of structures such as those established by the SDA. Furthermore, it is very difficult to determine the effect of a specific strategic plan on a budgeted amount. Pauw (2007:253) writes:

It became clear that the determination of such influence on a case by case basis is hard to do. When strategic planning is repeated annually, it is hardly realistic to think that you would be able to say which of the strategic plan or budget is

cause and which is effect. However, deductions may be possible from the total pattern of budget changes. Jones and Baumgartner write (2005:23): “Often we can postulate serious and testable hypotheses about distributions of activities when we are at loss to do so for particular occurrences of these activities.” A grand sounding name for this is stochastic process approach.

In South Africa, every strategic plan in the budgetary system prescribed by the Treasury Regulations is composed within a MTEF. One element in the framework is that the allocation for the year that is being budgeted for has already featured in the form of the second-year estimate of the previous MTEF. The amounts will not necessarily be identical, but the previous estimate will influence strategic thinking. Likewise, managers might already have an amount in mind for the budget and then adjust the strategic plan accordingly. A typical example is the multi-year programmes that the MQA embarks upon on an annual basis, such as bursaries to university students. When the bursary is awarded in the first year, the MQA already has an estimate of the total cost for the period of study, which is four years. If a student is allocated a bursary in the first year, he/she can reasonably expect that his/her student fees will be covered in full for the following year, subject to successful completion of the particular year of study.

In a public entity, the strategic planning process should inform the budget provisions for a particular financial year. This process should identify the key objectives of an institution, inclusive of the required financial and human resources to meet the set objectives. The strategic plan must outline objectives and income and expenditure estimates for the MTEF, which is for a period of three years (South Africa 1999[b] and [c]).

The relationship between strategic planning and budgeting in the MQA can be used as a case study that contributes to the literature on strategic budgeting: both by providing empirical information and by illustrating the methodological challenges inherent in this exercise.

As a point of departure an analysis is provided by describing the functions, organisation, funding and strategic budgeting process of the MQA. The budgeted amounts are then discussed in the light of the structural analysis. Our conclusions do not only deal with the actual connection between strategic planning and budgeting, but also with the constraints that the process is subject to in this institution.

## **STRUCTURAL DESCRIPTION OF THE MQA**

The MQA is a statutory body that was established in terms of the *Mine Health and Safety Act* 29 of 1996 after extensive research into mine health and safety fatalities by the Commission of Inquiry (Leon Commission) in 1996.

The MQA was later also registered as a Sector Education and Training Authority (SETA) for the mining and minerals sector (MMS) in terms of the SDA. The result of this dual genesis is that, interestingly, the MQA falls in the sphere of responsibility of two ministers for the period investigated, namely the Minister of Minerals and Energy (now called the Minister of Mineral Resources) and the Minister of Labour (Barclay 2009:ix, South Africa 2006[b]) (The Minister of Higher Education and Training has since acquired the latter responsibility). Barclay (2009:ix, South Africa 2006[b]) is confident that the actual executive authority was the Minister of Minerals and Energy. However, the fact that the constitution of the MQA, published in the *Government Gazette* by the Minister of Labour, provides that the Minister of Labour is responsible and the fact that by far the biggest part of the budget comes from levies paid in terms of the *Skills Development Levies Act* 9 of 1999, brings to the fore the question whether the Minister of Labour and that office's successors should not have been the "executive authority" according to Treasury Regulation 5.1.1. In practice the strategic plan has been submitted to both ministers (Barclay:own observation). A further interesting aspect of the legislation is that it is the *Mine Health and Safety Act* 29 of 1996 that authorises the Minister of Minerals and Energy Affairs to publish the constitution of the MQA in the *Government Gazette*. This is by virtue of the fact that the MQA was first established as a public entity in terms of the *Mine Health and Safety Act* of 1996.

In terms of Section 46(1) of the *Mine Health and Safety Act*, the MQA must:

- (a) and (b) position itself to be the body responsible for establishing education and training standards or qualifications for the mining sector in terms of the legislation governing the South African Qualifications Authority (SAQA) and for monitoring and auditing such standards;
  - (c) propose education and training standards and qualifications to bodies registered with SAQA and responsible for establishing education and training standards;
  - (d) set educational and training standards or qualifications in the mining industry;
  - (e) monitor and audit achievement in terms of those standards and qualifications
- (South Africa 1996 [c]).

The MQA is further tasked with the responsibility within the mining sector to:

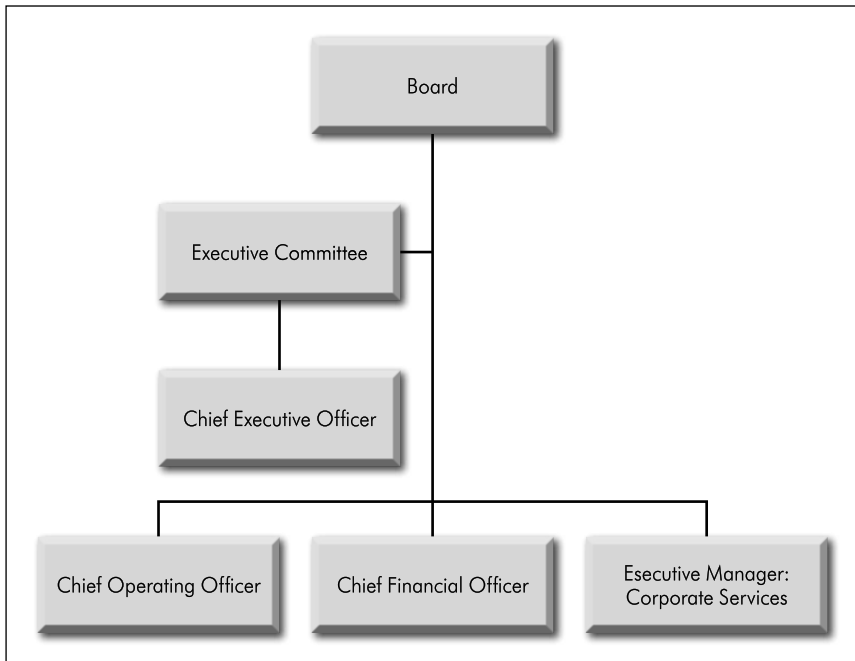
- develop a sector skills plan
- implement, register and promote learnership
- approve workplace skills plans and annual training reports

- liaise with the National Skills Authority on skills development needs for the sector
- collect levies in terms of Section 7(1) of the *Skills Development Levies Act 9 of 1999* (SDLA) (South Africa 1999[b], Section 10 a–g).

In other words, the primary function of the MQA is to provide an institutional framework to implement national, sector and workplace strategies to improve the skills of the South African mining workforce (South Africa 2006[a]).

Below is the strategic organisational structure of the MQA. The structure includes the Board’s Executive Committee (EXCO), the chief executive officer (CEO) and the executive management reporting to the CEO.

**Figure 1: The strategic organisational structure of the MQA (Barclay 2009:42)**



## GRANTS

From a financial management point of view, a notable characteristic of the MQA is the fact that it disburses grants that are mandatory in terms of Section 10(1)(b)(iii) of the SDA. In terms of this Act, firms in the mining sector must pay a fixed percentage of their wage account in the form of a levy to the

South African Revenue Service (SARS). 80 per cent of this levy is credited to the MQA account at the Department of Labour (DoL) and must be used by the MQA to finance skills development activities that meet certain conditions upon receipt of a claim from a mining firm or at their own discretion. Of this 80%, 50% is paid to employers in the form of a mandatory grant, whereas 40% is used by the MQA for discretionary grants and projects to the industry. This sum of money in a sense forms the focus of this article. The remaining 10% of the 80% may be used for the administration of the MQA (Barclay 2009:56).

Firms are entitled to mandatory grants (50% of the 80%) if their skills development activities meet certain conditions, and subject to the submission and approval of a workplace skills plan and annual training report by 30 June each year. The conclusion is that the MQA has limited discretion in terms of the percentage of skills development money they pay to the mining sector. The strategic budgeting of the MQA might still pertain to a sizeable amount if the 10% and 40% are big enough. For the first financial year investigated, namely 2005/2006, the 10% allowed for administration fees amounted to R39,4 million and the discretionary grants amounted to R227 million (See tables 2 and 3 below for later years. Note that the amounts differ because of the difference between available funds and spent funds.) This substantial amount of money could be spent strategically.

These amounts are direct charges against the National Revenue Fund and are not appropriated by parliament. The MQA does not receive any money via the annual Appropriation Acts. Interestingly, the amounts are shown on the annual Estimates of National Expenditure published by the National Treasury. However, they do not appear in the schedules to the Appropriation Act. This is a perfect illustration of the difference between the annual budget that is submitted by the Minister of Finance in terms of Section 27 of the *Public Finance Management Act* 1 of 1999 and the actual appropriations that are effected by an Act of parliament according to Section 213 of the *Constitution of the Republic of South Africa*, 1996.

The set of income statements over a number of years as set out in table 1 below gives a good idea of the role of the grants in the finances of the MQA for the period that were investigated.

Several interesting features emerge from the two tables in connection with the question of how much money could be subjected to strategic budgeting. The main point to make at this stage is that, due to the various funding sources for discretionary grants, the actual spending MIGHT deviate substantially from the official levy amount. Nevertheless, a group of people involved in a strategic planning exercise can form a very good idea of the amount of money that would be available for distribution in a future year.

**Table 1: Statement of financial performance (adapted from Barclay 2009:59)**

	<b>2007/2008 R'000</b>	<b>2006/2007 R'000</b>	<b>2005/2006 R'000</b>	<b>2004/2005 R'000</b>
<b>Revenue</b>				
<b>Revenue from non-exchange transactions</b>	<b>420 466</b>	<b>360 645</b>	<b>332 152</b>	<b>312 822</b>
Skills development levy income	416 314	358 045	323 381	279 790
Skills development levy: penalties and interest	2 291	2 410	1 807	1 379
Transfers from other government entities	-	190	1 553	-
Government grants and donor funding	1 861	-	5 411	31 653
<b>Revenue from exchange transactions</b>	<b>27 927</b>	<b>17 773</b>	<b>14 412</b>	<b>19 228</b>
Investment income	27 855	17 691	14 395	19 227
Other income	72	82	17	1
<b>Total revenue</b>	<b>448 393</b>	<b>378 418</b>	<b>346 564</b>	<b>332 050</b>
<b>Expenses</b>				
Employer grant and project expenses	(321 901)	(323 143)	(431 568)	(287 243)
Administration expenses	(38 357)	(34 419)	(39 568)	(28 024)
Finance costs	(9)	(10)	(7)	-
Government grant and donor funding	(1 861)	-	(5 411)	(31 653)
<b>Total expenses</b>	<b>(362 128)</b>	<b>(357 572)</b>	<b>(476 454)</b>	<b>(346 920)</b>
<b>Net surplus (deficit) for the year</b>	<b>86 265</b>	<b>20 846</b>	<b>(129 890)</b>	<b>(14 870)</b>



**Table 2: Four year cash flow statement, including projections (Barclay 2009:58)**

Revenue	2009/2010 R'000	2008/2009 R'000	2007/2008 R'000	2006/2007 R'000
<b>Income</b>				
Mandatory grant	256 175	243 976	222 835	228 956
Discretionary grant	102 470	97 590	89 134	86 714
Administrative	51 235	48 795	44 567	44 784
<b>Subtotal</b>	<b>409 880</b>	<b>390 362</b>	<b>356 536</b>	<b>360 454</b>
Investment	16 750	17 632	15 907	17 691
Other	0	0	0	271
<b>Total</b>	<b>426 630</b>	<b>407 994</b>	<b>372 443</b>	<b>378 416</b>
<b>Admin And Mandatory Grants Expenses</b>				
Admin	(46 111)	(44 305)	(40 411)	(34 429)
Mandatory grants	(230 557)	(219 578)	(200 552)	(196 012)
<b>Funds available for discretionary projects</b>	<b>149 961</b>	<b>144 110</b>	<b>131 480</b>	<b>147 975</b>

**Table 3: Discretionary grants funding (Barclay 2009:58)**

	2009/2010 R'000	2008/2009 R'000	2007/2008 R'000	2006/2007 R'000
Funding from current year revenue	(89 773)	(97 590)	(89 134)	(87 370)
Funded from Interest revenue	(16 750)	(17 632)	(15 907)	(17 691)
<b>Funding from available funds (Subtotal)</b>	<b>(106 523)</b>	<b>(115 222)</b>	<b>(105 041)</b>	<b>(105 061)</b>
Funded from prior year reserves	(43 679)	(68 511)	(42 233)	(22 070)
<b>Total budgeted expenditure</b>	<b>(150 202)</b>	<b>(183 733)</b>	<b>(147 274)</b>	<b>(127 131)</b>

## **THE PROCESS OF STRATEGIC PLANNING AND BUDGETING IN THE MQA**

The strategic planning process of the MQA that were focussed on took place during November 2007. It identified the strategic objectives, including targets set by the MQA Board, and outlined the budget provisions for a particular financial year. Following the annual strategic planning session, a service level agreement was compiled which serves as the shareholders compact in terms of Treasury Regulation 29.2 that should be entered into with the executive authority on an annual basis (South Africa 1999[c]).

### **Outcomes of the strategic planning session of 2007**

The strategic objectives adopted by the Board were articulated at a management planning session during 2007 to identify suitable activities, projects and grants for the achievement of the objectives. These objectives form the basis of the shareholders compact entered into with the DoL. The implementation of strategic objectives is monitored by the Board on a quarterly basis to identify bottlenecks and implement timely corrective action. The broad strategic objectives approved by the Board, including activities per objective, are outlined below (South Africa 2007[c]).

### **Strategic objectives of the Board for the period 2005 to 2010**

The Board adopted the following strategic objectives at its November 2007 strategic planning session for the period 2005 to 2010 to run concurrently with the National Skills Development Strategy:

- Transformation of the sector through skills development
- Development of a health and safety environment for the mining and minerals sector
- Development of the current workforce
- Development of new entrants to the market
- The stimulation of new enterprise development
- The delivery of quality training and development
- Transition of individuals from employed to unemployed (South Africa 2007[c]).

The fact that the strategic planning session of 2007 is recognised by Barclay, who was a participant, to have had retrospective force, confirms the scepticism regarding the causal influence of strategic planning on budgeting that was voiced above.

The zero-based budgeting system is used in the MQA in the compilation of budgets for consideration by the finance committee and approval by the Board (Barclay 2009:18). The department of finance of the MQA annually issues the format and guidelines for the compilation of budgets based on available funding. The budgets in the MQA are compiled annually in July by business unit managers. Budgets are scrutinised by the executive management to ensure alignment with the Board's strategic objectives. These dates are important since it seems that when the Board did their strategic planning session in November, the budget for 2008/2009 was a *fait accompli*. It would seem that these strategic objectives could only be applied for the 2009/2010 and 2010/2011 financial years under the theory that strategic planning influences budgeting.

The administrative budgets of business units were examined for the last four financial years and are contained in table 2 above. The budgets form an integral part of the strategic planning process.

Once the MQA's executive management is satisfied that the budgets are aligned with the Board's strategic objectives, the budgets are considered by the standing committees responsible for each business unit and the finance committee. The finance committee will, after extensive scrutiny, recommend the budget to the EXCO and the MQA's Board for approval. In cases where no alignment with the Board's strategic objectives could be determined, requested funds are channelled to other priority areas (Barclay 2009:18).

The budget and strategic plan are submitted annually to the DoL for approval by the executive authority by no later than 31 October each year (South Africa 2008[b]).

It is necessary to examine the logic of the concept of *alignment* critically. If alignment means that a certain project can be semantically subsumed under a strategic goal, the process is of little more than rhetorical importance (Pauw 2004).

## **THE ALIGNMENT OF DISCRETIONARY PROJECTS WITH STRATEGIC OBJECTIVES**

If strategic planning has no effect on the choice of project and the allocation of amounts to these projects, it obviously has more theatrical value than anything else. Table 4 is a summary of the discretionary projects approved by the Board for the 2008/2009 financial year.

In this table each project was identified and linked to a goal. The overwhelming impression is that very few of the goals are specific to the MQA. This brings to the fore another limitation of strategic budgeting, namely that it is easy to formulate goals or be steered by goals that are so general that they

cannot really influence the allocations to specific elements or projects. Of the identified discretionary projects, only six with a value of R3 550 000 out of a total of 32 (with a value of R190 175 000) are exclusive to the MQA and not “derived” from higher-order strategies and policies. This is just less than 19% in projects and 1,9% in terms of money.

**Table 4: Summary of discretionary projects for 2008/2009 (adapted from Barclay 2009, appendix C)**

Short name and number of project	Target/Goal	MQA unit	Target MQA-specific?	2008/2009 budgeted amount
Universities employment project (101)	National Skills Development Strategy (NSDS) NSDS 5.1 Mining Charter	Projects	No	R 5 621 000
FET support NBI project (102)	NSDS 5.1 Mining Charter	Projects	No	R 500 000
Higher education bursary project (103)	NSDS 4.1 Mining Charter	Projects	No	R 15 100 000
Higher education practical training (104)	NSDS 4.2 Mining Charter	Projects	No	R 21 092 000
New venture-creation project (105)	NSDS 4.3 Mining Charter	Projects	No	R 6 500 000
Jewellery industry support project (106)	NSDS 2.8 NSDS 4.1	National Skills Fund	No	R 2 000 000
Diamond industry support project (107)	NSDS 2.8 NSDS 4.1	National Skills Fund	No	R 2 000 000
Standards-setting project (201)	Sec 46 (1) of the Mine Health and Safety Act	Standards Setting	Yes	R 1 300 000
Registration of unit standards & qualifications (202)	Sec 46 (1) of the Mine Health and Safety Act	Standards Setting	Yes	R 500 000
Development of learning materials (301)	Statutory 10(c) (ii) of SDA	Learnerships	No	R 4 000 000
Graduate development programme (302)	NSDS 4.2 Mining Charter	Learnerships	No	R 9 300 000

<b>Short name and number of project</b>	<b>Target/Goal</b>	<b>MQA unit</b>	<b>Target MQA-specific?</b>	<b>2008/2009 budgeted amount</b>
Learnerships grants (303)	NSDS 2.8 NSDS 4.1 Mining Charter	Learnerships	No	R 69 902 000
Apprenticeship grants (304)	NSDS 2.8 Mining Charter	Learnerships	No	R 2 860 000
Support to BEE firms & cooperatives (305)	NSDS 2.5	Projects	No	R 500 000
Supporting of non-levy paying enterprises, NGOs & CBOs (306)	NSDS 3.2	Projects	No	R 500 000
Assessor & moderator registration grant (401)		ETQA	Yes	R 450 000
International standards organisation grant (402)	NSDS 2.8 Mining Charter SAQA Act & regulations	ETQA	No	R 450 000
Personal digital assistant: development of assessment guides (403)		ETQA	Yes	R 300 000
RPL assessment (404)		ETQA	Yes	R 500 000
Institutes of sectoral or occupational excellence (405)	NSDS 5.1 Mining Charter	ETQA	No	R 1 500 000
Upskilling of education, training & development practitioners (406)	NSDS 2.4 SAQA Act & regulations	ETQA	No	R 1 000 000
Levy/grants system participation improvement (501)	NSDS 2.1 NSDS 2.2	ETQA	No	R 500 000
Small-scale miners technical training projects (502)	NSDS 1.2 Mining Charter	Sector Skills Planning	No	R 3 000 000

Short name and number of project	Target/Goal	MQA unit	Target MQA-specific?	2008/2009 budgeted amount
Support of skills development facilitators (503)	NSDS 1.2 NSDS 2.1 NSDS 2.2 Mining Charter	Sector Skills Planning	No	R 2 000 000
Women in mining project (504)	NSDS 2.1 Mining Charter	Sector Skills planning	No	R 2 000 000
Provision of ABET (505)	NSDS 2.7 Mining Charter	Sector Skills Planning	No	R 20 000 000
Beneficiation support project (506)	NSDS 2.7 Mining Charter	Sector Skills Planning	No	R 3 000 000
Ex-miners support project (507)	NSDS 2.5 NSDS 3.2 Mining Charter	Sector Skills planning	No	R 3 000 000
Company DataNet support (511)		Learnerships	Yes	R 500 000
National skills funding projects (1) (601)	NSDS 4.1 NSDS 4.2 Mining Charter	National Skills Fund	No	R 5 300 000
National skills funding projects (2) (602)	NSDS 4.1 Mining Charter	National Skills Fund	No	R 4 000 000
Career information booklet (603)	NSDS 4.1 Mining Charter	Corporate Services	No	R 1 000 000
<b>Total</b>				<b>R 190 175 000</b>

## OVERALL ASSESSMENT ACCORDING TO BARCLAY (2009)

Barclay assessed the bulk of these projects in terms of their success of execution by the MQA and its contractors. This method of assessment assumes that the execution capabilities of the implementers were perfect. In other words, if a project was not achieved, it reflected on the strategic objective. This is, of course, a very strong assumption. Table 5 below (Barclay 2009:55) shows the overall assessment of strategic objectives based on the projects linked to each strategic objective. Based on the assessment below, the view is held that the MQA performed very well against the strategic objectives approved by the

Board. The achievement rate would have been much higher had it not been for the new projects and projects that extend beyond one year that cannot be evaluated at this point in time.

**Table 5: Overall assessment of strategic objectives**

Strategic objective	Total projects	Achieved	Not achieved	New project
1. Transformation of the sector through skills development	7	5	0	2
2. Development of a health and safety environment for the mining and minerals sector	8	4	4	0
3. Development of the current workforce	3	1	0	2
4. Development of new entrants to the labour market	4	2	2	0
5. The stimulation of new enterprise development in the sector	3	2	1	0
6. Facilitation of the transition from being employed to unemployed	2	0	0	2
7. The delivery of quality training and development	7	3	4	0
<b>Total</b>	<b>34</b>	<b>17</b>	<b>11</b>	<b>6</b>

From the seven strategic objectives, 34 activities in the form of grants and projects in the industry were embarked upon. The overall assessment of achievement of strategic objectives is as follows:

Achieved:	10 projects	29%
Not achieved:	13 projects	38%
Exceeded:	7 projects	21%
New projects:	4 projects	12%
<b>Total</b>		<b>100%</b>

What is interesting in Barclay's analysis is the fact that he could allocate every project (possibly with two exceptions) to only one strategic goal. This, the

authors suspect, is par for the course. The ease with which activities can be subsumed under strategic objectives casts doubt on the validity of the whole concept of strategic objectives. In the case that were investigated the strategic objectives precede the projects in a very limited way. Paper is patient. This, however, is not to say, as Pauw (2004:13 & 18) pointed out, that these goals are entirely worthless since they might have useful management functions.

The conservative budgetary process, including the slow spending of discretionary projects and grants, was the reason for the increase in reserves in the MQA bank account (South Africa 2006[a] and 2007[a]).

The MQA receives its levies on a monthly basis, but two months in arrears from SARS. These amounts vary on a month-to-month basis. There is no specific levy amount that is confirmed for a specific month and, as a result, makes budgeting and projections for the coming financial year difficult. The conservative budgeting model applied by the MQA is often criticised if the amount of levies received is substantially higher than what were projected. However, with this model, the MQA will easily be in a position to realign their projects and programmes in the event of an unexpected drop in levies. Other SETAs might, as a result of a substantial drop in levies, reduce the number of learners on selected programmes to offset the drop in levies.

## **POLITICS AS STRATEGIC FACTOR**

The MQA was established in terms of a law. It is an authority, as the name indicates. The legislator must have had a goal of independence in mind by establishing this body outside the public service. According to Section 45 of the *Mine Health and Safety Act 29 of 1996*, the Mining Qualifications Authority must “govern itself” in accordance with the constitution contemplated in Section 97(4).

The Minister of Minerals and Energy engaged with the MQA Board through the Chief Inspector of Mines on specific objectives to be taken into consideration during the budgeting and strategic planning process of the MQA. It is conceivable that this interaction could have had an influence on the strategic direction of the MQA (authors’ personal observation).

Political influence carries both benefits and risks because once government intervention is an issue on behalf of an organisation, political intervention becomes legitimate, regardless of whose interests are promoted. This is evident when political leadership campaigns for nomination to parliament or when political imbizos are undertaken. It often results in changes to an organisation’s strategic direction or the reallocation of resources to satisfy political needs (Quinn, Mintzberg & James 1988:329).



Political activity is regarded as detrimental to planning because planning is comprehensive and objective, while political activity is subjective and parochial and threatens strategic planning (Mintzberg 1994:196). This corresponds to Wildavsky's view that politics is pressure, expedient adjustments, haphazard acts, and unresponsive to a planned analysis of needs and efficient design (Wildavsky 1966:210).

It is important that strategy should emanate from the top of a hierarchy and that goals can be agreed upon at that level. These goals should be cascaded down to all levels of the hierarchy. To ensure successful implementation, politics should not be involved in this process due to the neutral nature of implementation. The presence of politics in the implementation phase will result in failure (Mintzberg 1994:412).

In spite of the views of Mintzberg and Wildavsky, the principles of democracy in our view preclude the unqualified exclusion of executive influence in the workings of the MQA. However, it is advisable that the view of political principals be solicited during the planning phase and not at the implementation phase. Barclay (2009:38) maintains:

In the case of the MQA, the view of the executive authority (Minister of Minerals and Energy) should be solicited prior to the strategic planning session to ensure that funding is allocated in advance for political objectives aligned to the strategic objectives of the MQA.

The strategic planning process is an important tool for an organ of state to guide objectives and critical success factors for a particular financial year. Due to the limited resources available to provide public services, it becomes imperative that political and administrative office-bearers at national, provincial and local government level strategically plan objectives for a particular year and align them with available funding (Barclay 2009:390).

## **CONCLUSION**

The main impression obtained from this investigation into strategic planning and budgeting at the MQA is that of a process hampered by serious constraints. These constraints relate to the functioning of this body as a small cog in a big machine, the fact that the strategic planning cannot be directly related to a specific budget year and political influence.

The MQA should only adopt the approach of single year budgets to provide for the impact of political objectives that can vary on a year-to-year basis. Learning programmes such as learnerships, adult basic education and training,

and apprenticeships involve multi-year financial commitments since the duration is three years with a further one year option to extend.

Results from the literature stating that it is hard to link strategic planning and budgeting directly where amounts are concerned are confirmed by this study. The complaint by the Presidential Review Commission in 1998, namely that there “is no synergy and integration of strategic planning, prioritisation, financial planning and resource allocation processes”, might have been based on utopian expectations with regard to the relationship between strategic planning and budgeting in the public sphere.

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