

Keeping a sharp eye on good governance

The sad state of public institutions was recognised as a contributor to the country's precarious near-term economic prospects in the recent downgrade by ratings agency, Standard & Poors (S&P). This should spur institutions - such as pension funds - on to ward off systemic failure.



Elias Masilela. Photo: SA Commercial Prop News

This rapid decline is hardly news to anyone who has paid attention since then-public protector, Thuli Madonsela, released her *State of Capture Report* a year ago. Since then, the extent of the governance and accountability failures have repeatedly been exposed, leading to confidence in these important state organs slipping to record lows.

“I have chosen to focus on the power of institutions and governance in delivering comfortable retirement, instead of reacting to what is happening today,” he said. “The advice is on focusing on the ability to proactively and predictably manage the risk of bad governance in our institutions,” Elias Masilela, director of alternative prosperity and NPC commissioner, told the Batseta Council of Retirement Funds for SA.

“... It is deliberate that I link policy with governance. These are the foundations upon which institutions should be based, upon which decisions are made and behaviours are influenced. They define the inherent incentives that inform our actions, rightly or wrongly. They explain delivery failure in governments, SOEs and the differential performance with the private sector.”

Guarding against the rot

Masilela argues that principal officers, trustees and retirement fund fiduciaries can guard against the rot that has beset public sector institutions. The most effective way to do so would be by committing themselves to building strong institutions with strong governance and oversight, and making use of incentives that encourage correct behaviour.

He added that each of the state institutions currently under threat have suffered failures for not respecting these important tenets of good governance – but hesitates to make us of examples, as these “... are always circumstantial.” For instance, each of the following, SA Revenue Service, SA Reserve Bank, National Treasury, even Eskom and SAA had in the past been free of scrutiny or doubt when they adhered to these principles.

“Across time and space, each of these institutions has displayed different governance and delivery records, depending on which time period one is looking at. A common thread across these time periods is that the difference in performance will be a direct function of the incumbents and their governance record.

South Africa has extremely solid guidelines on acceptable behaviour as detailed in the King Codes of Good Governance. He appealed to custodians of the country's retirement funds to commit themselves to these principles and thereby avoid the decline evident in state institutions – ensuring outcomes are predictable.

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